



Employee Newsletter

August 2006

“Providing world class services that exceed customer expectations while promoting opportunity for growth in a stable, challenging and rewarding environment.”

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From the Desk of Bill Arterburn Chief Executive Officer

Our growth as a company over the past several years has been both inspirational and astounding to our Aleut

owners. During my report at the last annual meeting of the Aleut shareholders of TDX (our parent corporation) I provided pictures of our employees from each and every division from Kapolei to Eglin and all points in-between. I must tell you, the shareholders were extremely proud and pleased that we had so many dedicated employees from all over the country putting their time and effort into meeting BSE’s contractual obligations and making a good name for the company. A resolution from the floor was unanimously adopted to express the thanks and gratitude of the shareholders for the efforts of all BSE employees and managers in the making of BSE’s success.

We want to keep it going forward. Our company now makes approximately 50% of its revenue from non-government work. That’s a balance I would like to maintain. At the BSE planning session in Anchorage in May, BSE’s managers surprised me with their level of commitment and dedication to the company’s goals,

and to maintaining its diversity. During this short two and a half day session, we reviewed our achievements and our shortcomings, re-focused and re-developed a long term vision for the company, and set some shorter term goals for the coming years. Having now graduated from 8(a) status, the competition gets tougher, the successes harder to come by, and the challenges greater. I am convinced that BSE will be up to the task, and have the confidence that we have that “buy in” needed on the part of our management team and employees.

I understand that we all have to do our part in the process. If we as a company are going to continue along the path of success, we need to get in the habit of continuously raising the bar on performance, responsiveness, and attention to excellence. But as we grow, we need to be ever conscious that it is our small business versatility and the efforts of our employees on the scene that has made our success, and we cannot become complacent in terms of how we support and sustain those qualities and individuals that make us successful.

My thanks to Barry Merrill and the Training Services team for resurrecting the newsletter and assuring that communications across the company are maintained and enhanced.

-Bill Arterburn, CEO

BSE Builds Observation Tower for Cold Weather Research Lab

By - Mike Taylor, Contracts Manager

Bering Sea Eccotech has been under contract with the U.S. Army Corp. of Engineers to provide Unexploded Ordnance (UXO) support for research scientists from the Cold Weather Research Laboratory (CRRL) from Fairbanks, Alaska on the Eagle River Flats area of Ft. Richardson for the past three summers. The Research Lab is performing mortality studies on waterfowl that are impacted by use of the wetlands as a training range for air combat training purposes.

During the course of our support services the Corp. identified an observation tower that the Research Lab has used to perform their research that was no longer

safe for the purposes intended. The Corp. asked BSE to perform a site visit and give them a price to build a new tower that would stand up to the elements of Alaska and that would be dependable for the next several years. When BSE arrived at the work site, it discovered that the existing tower was no longer standing. BSE developed a price, mobilized a work force, and completed the tower construction in less than a week, much to the pleasure of both the Corp. of Engineers and the Research Lab. Great Job Everyone!



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Hawaii Operations Expand

James Directo, Hawaii Operations Manager

BSE's Hawaii operations team has spent the last three years attempting to win a contract with Tesoro's Hui Mana Fuel Barge. It was the superior performance of BSE's Hawaii Team during Tesoro's shutdown that seemed to do the trick. During Tesoro's shutdown the Hawaii Team worked continuous 24 hour shifts hydro-blasting, steam cleaning, providing hole-watch and/or fire watch duties and hundreds of hours of vacuum truck work. Tesoro was so impressed with our team's performance that we were successful on winning a foot hold with the Hui Mana Fuel Barge contract.

The Fuel Barge transports diesel, gas and aviation grade fuels with the cargo hold able to accommodate 10 tanks with a total capacity of over 40,000 barrels of fuel. BSE's Hawaii Team provides a 130 barrel vacuum tanker and one 70 barrel vacuum truck using a driver/operator work up to a 12 hour shift. At the completion of each shift the tanks are

cleaned with the vacuum trucks removing the fuel. We now have the specialized equipment to accomplish this task which can provide up to \$500,000 a year in revenue.

BSE is teamed with our sister company **Bering Sea Environmental (BSEn)** providing specialized maintenance and specialty welding for Tesoro. As you may or may not know, the Tesoro refinery was one of the main

targets to obtain work when BSE first came to Hawaii. As of today BSEn maintains a full-time supervisor in the refinery and BSE has numerous skilled employees working various projects daily.

The 52 individuals employed by our BSE Hawaii operations work throughout the island in power plants, refineries, accomplishing marine work and providing the island of Oahu with a full-time spill response team.



HUI MANA Fuel Barge



BSE Security Update

The Automated Continuous Evaluation System (ACES)
Rodney Rush, Security Manager

All BSE employees that are eligible to view or handle classified information receive security training when they are first hired and annually thereafter. This training is called Security Awareness & Education Training and the National Industrial Security Program (NISPOM) mandates it.

Our security training covers six major areas and they are:

1. Personnel Security Clearance Eligibility Criteria
2. Threat Awareness Briefing
3. Defensive Security Briefing
4. Overview of the Security Classification System
5. Employee Reporting Obligations and Requirements
6. Security Procedures and Duties Applicable to the Employee's Job

The area we will concentrate on for this newsletter is your reporting obligations. The reason I am concentrating in this area is due to the new Automated Continuous Evaluation System (ACES). ACES is an automated assessment tool, which will soon be fielded by the Office of Personnel Management. The system has the capability of monitoring computerized information (e.g., criminal history, foreign travel, and credit database files) on a continuous basis.

Mr. Timm of the Defense Personnel Security Research Center had the following to say about ACES:

"Full-scale reinvestigations in individual cases could be triggered any time or may never be initiated based upon the results of the electronic checks, as well as consideration of other risk-management factors. The results indicate that ACES is likely to detect more serious issue cases than the present system, because they are currently being missed

whenever people having them quit before their periodic reinvestigations are initiated. It appears the ACES approach would also detect serious issue cases sooner and at less cost than the current periodic reinvestigation approach."¹

The bottom-line is this, if you do not report the information that you are required to report and ACES catches it through its continuing process, you stand the chance of your eligibility for access to classified information being revoked.

For more information please go to the BSE website under Policies and review the policy document named "Guidance for Reporting Security Incidents." This document will explain:

- Your obligations for reporting
- Whom do you report this information to
- How this information is reported
- What information must be reported

If you have any questions regarding this security update please contact me at rush@bseak.com or call (757) 865-9654

¹ Timm, Howard, "Estimated impact of the Proposed Automated Continuing Evaluation System (ACES) on Personnel Security Effectiveness: A Preliminary Feasibility Assessment," 2001, (website accessed July 25, 2006), <http://www.stormingmedia.us>,



ACMI and P5CTS Review

BT Smith, Training Services Director

This is the third, and I am sure you hope, the final installment in the BSE continuing

education in ACMI (Air Combat Maneuvering Instrumentation) systems. Since it has been a while since our last newsletter you might consider going back and doing a review before the quiz that follows. Anyway, how about a quick update on to the replacement to the P4RC system, the P5 Combat Training System or P5CTS or P5 for short. Well, if P4RC has been such a good system, what would make P5 worth spending more money on? Well first, you might recall that the Air Force (to include the ANG and AFRES) has over 2,200 ACMI pods, with more than a dozen variations, supporting 11 fixed ranges and more than a dozen sites using the P4RC or P4RC like range less system. Very few of these systems are interoperable, which means, mine can't play with yours!

P5 will add an air-to-air datalink so all pods will talk to each other. This will allow each pod to actively monitor the position of all other players. Also, with P5 you will actually load the weapon simulations for all of the armament you would normally carry onto the Data Record Device (the memory card you carry to the aircraft)—so the weapons simulations will go airborne with you. P4RC would only allow you to use weapon simulations post-mission (after you landed). With this new capability you will be able to simulate firing a weapon at another aircraft and through the use of the weapons simulation and air-to-air datalink have the system automatically make a Real Time Kill Notification (RTKN) when a valid shot would have actually killed another player. With this, any aircraft that has been determined a "simulated" kill will be notified by an aural tone so they leave the practice combat area. This is a real benefit, as now a practice engagement will proceed as if aircraft were actually destroyed.



P5CTS System

Additionally, where P4RC was a rangeless system (no live monitor capability), P5 will have an air-to-ground datalink and will work on all tethered ranges, once they are retrofitted to the P5 configuration. Tethered ranges will replace their current towers with Remote

Range Units (RRU) which will provide live monitoring (can be observed during flight) and most units without tethered ranges will get at least one RRU which will provide monitoring within 125 miles (as of today this range can be as much as 200 miles) of the tower where the RRU is placed. With the air-to-air datalink one aircraft that is within the 125 miles of the RRU

can provide a relay for aircraft further away, extending the live monitor area. Also, units will be capable of using their P5 pods on any range where P5 is installed. The Navy's Key West range is the first range to have this system installed and with all new systems they are experiencing some problems but they expect them to be resolved within the next several months. Luke Air Force Base will be site of the first Air Force P5 range.

P5 was originally scheduled to be delivered in March 2005, and has been delayed to fix/resolve several issues prior to fielding. We are anticipating Eglin to be upgraded in October and Langley in December. All of the BSE sites will not receive the P5 system until sometime in 2008.

P5CTS/P4RC Employee of the Quarter

Jeffrey Aiken Pod Load Technician, Mt. Home AFB, ID



Jeff has accomplished a lot over this past quarter to earn the Employee of the Quarter. Here are just a few things. For a complete rundown visit the Employee Awards section on the BSE web site.

- Accomplished aircraft load plans to support well over 2400 instrumented training sorties, resulting in an average of 70.62 sorties flown per pod.
- Conducted load training for a variety of aircraft from F-15C's top F-16CJ's
- Discovered a bent pin in a launcher preventing further tracking problems
- Enrolled in Cleveland Institute of Electronics with a 91% average
- Has been serving as Committee Chairman for Boy Scouts Of America Troop 157 for the past three years.

FYI

ADP iPay Statements

We are pleased to announce ADP iPayStatements, a new benefit for all associates. Through ADP, our payroll provider, we are able to offer you access to your earnings statements and W-2 forms 24 hours per day, 7 days a week. In addition, you can make changes to your W-4. Simply type in your changes, print the form, sign it and forward the completed form to your Payroll Department for processing.

How to Register on ADP iPayStatements

1. Go to <https://paystatements.adp.com>.
2. Click on "Register Now".
3. Enter the Self Service Registration Pass Code which is:
BERINGSEA-ANCHORAGE
4. Select iPayStatements as the self-service Product.
5. From your most recent pay statement, enter the following information:
 - Company Code
 - File Number
 - Social Security number
 - Pay Date or Advice Date
 - Check/Voucher or Advice Number

You will then be prompted to complete a registration process during which you must answer a few security questions and select a password. Your password must contain between 8 to 20 characters and at least one alpha and one numeric character. You will be assigned a system generated User ID. The security questions will be used to verify your identity if you ever forget your user ID or password.

Upon completing the registration process, you may access your pay statements at <https://paystatements.adp.com>

Did you know that only standardized logos are to be used on all BSE publications such as presentations, forms and official documents?

Did you know that they can all be found online in a variety of formats and sizes?

Just visit the BSE web site and go to the Logo Archive section under the secure Human Resources section.

Contact Barry Merrill at bmerrill@bseak.com for a login account if needed.



BSE Contracting Report

Mike Taylor, Contracts Manager

It has been a very busy time for BSE in pursuit of opportunities for Government contracts. Many proposals have been prepared and submitted (and significant time and resources invested) in our continued effort to expand the BSE Corporate Resume and create new career opportunities for our valued employees. Among our most notable accomplishments are:

- Range Recycling Residue (R3) contract for U.S. Navy Southwest multiple-year award for Naval Facilities in the Western U.S.
- Unexploded Ordnance Support, North Wind, Inc. for construction support services to the U.S. Army Corp. of Engineers, Ft. Wainwright, Alaska
- Range Recycling Residue (R3) contract for CH2M Hill at the Utah Training Range in support of the U.S. Air Force
- Uninterruptible Power Supply and Electrical Upgrades, Anchorage School District, Romig Middle School, Anchorage, Alaska
- P5 Combat Training System Maintenance and Operations Support, at six U.S. Air Force (ACC) installations nationwide
- Maintenance and Operations Support, Tesoro Hawaii
- Bulk Fuel and Operations Support, Hawaii Electric (Island of Oahu)

- Wind Turbine Installation Support, TDX Corporation, St. Paul Island, Alaska
- Diving Support, Hurricane Katrina Reconstruction, S&J Diving, Southeastern U.S.
- Environmental and Unexploded Ordnance Support Services, Parsons Infrastructures & Technology, U.S. Navy (nationwide)
- American's With Disabilities Compliance Surveys, Parsons Infrastructures & Technology, Alaska (statewide)

Bering Sea Eccotech is also waiting to hear the results of customer evaluation for proposals submitted in response to the following opportunities:

- Munitions and Explosives of Concern Professional Services Support, State of Alaska, Dept. of Environmental Conservation
- Approved Provider Services, State of Hawaii, Environmental Services
- Emergency Response Services, Dept. of Homeland Security, U.S. Coast Guard (Alaska and Hawaii)
- Contingency Response Services, Dynacorp International (U.S. Navy)
- Anti-Terrorism Force Protection Support, Lockheed Martin Co. (U.S. Navy)
- Primary Training Range Maintenance and Operations Support, Grand Bay Training Range (U.S. Air Force)
- Catalog of Aerial Photographs, Bowhead Whales (NOAA)

- Munitions and Explosives of Concern Field Services Support, CH2M Hill (worldwide)
- Asbestos and Lead Based Paint Remediation and Facility Renovation, St. Paul Island (NOAA)
- Weather Service Office Construction, Metlakatla Indian Reservation, Annette Island, Alaska (NOAA)

Bering Sea Eccotech is also preparing for additional opportunities which have been determined to be of high interest to BSE with a good to excellent probability of winning by the BSE Project (Warboard) Team, as follows:

- Primary Training Range Maintenance and Operations Support, U.S. Air Force (ACC) for training ranges nationwide
- Demolition of Facilities, St. Paul
- Soil Remediation, St. Paul (NOAA)
- Facility Reroofing, St. Paul (NOAA)
- Logistics Worldwide, General Services Administration (worldwide)

Bering Sea Eccotech continues to “thrive” and grow in stature with not only our long-standing customers but with new customers. Our vitality is due to the great efforts of all of our personnel who go above and beyond to make sure that the job is done right – every time.

My thanks to all involved and I certainly welcome any leads, feedback or questions regarding any of the activities here at BSE Anchorage.



Shared Services Tackles Growth Issues

Michelle Haskin, Comptroller

I would like to applaud the accounting staff. Over the last 6 months, this dynamic group of women have tackled the start of “shared services” by absorbing all of the accounting duties for our two sister companies: TDXNet, and TDX Cape Flattery, meanwhile addressing the start-up operations of BSE’s HI operations, all while maintaining a steady flux of changes here at BSE.

The most note-worthy change has been the implementation of ADP (automatic data processing) for our payroll function. We have had some kinks along the way, and I want to thank everyone for their patience and understanding. Due to the complexity of our accounting software – Master Builder – an entire middle-ware software program (Paylink) was

developed by an outside programmer, Max Slimmer, in association with **Beverly Evans** in Payroll to enable our labor costs to be captured & processed by ADP in their software, PC Payroll. ADP allows for on-line access to one’s payroll history via iPay statements and offers a unique option for accessing one’s earnings via the TotalPay Card. We now have a system in place to handle the type of growth that BSE and its related companies are expecting over the next several years.

To facilitate this growth, **Connie St. John** is now handling our most valuable assets of all: our Human Resources. We currently have 180+ employees. Connie ensures all employee benefits, are being administered and communicated effectively, as well as maintaining compliance with prevailing wage laws and regulations.

Lenora Krukoff in accounts payable is responsible for 15 credit card payments every month -

\$160,000.00 of purchasing power – some of which have 30 transactions or more to code and capture. She does weekly employee reimbursements and pays over \$50,000.00 of invoices every week. Her job ethic and eagerness to learn is outstanding!

Barbara Mandregan is a key component in the accounting functions at BSE. Her history with the company and knowledge of Master Builder has lead to a fabulous rapport with our clients. As the contracts specialist, she assists Mike Taylor, our Contracts Manager, on many important bid proposals and job development projects.

Natasha Philemonoff who joined us in February is always eager to learn new procedures and tackle any project. She recently established a crucial role in cash management by starting a log of each company’s cash balances, making deposits, posting activity into Master Builder and reconciling the bank account statements.

I find myself very fortunate to have such an awesome team in the accounting department!

“AANG” (Aleut for Welcome)

BSE would like to take this opportunity to welcome all of its new employees that have joined our team over the past year. We appreciate you and your services as we grow as a world class service company