



Quarterly Newsletter

August 2007

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



From the Desk of **Bill Arterburn** **Chief Executive Officer**

Last month BSE's long goal and pursuit of the contract for operation of the Primary Training

Ranges for ACC ended unsuccessfully, when we were not selected. Among other items, BSE pricing for the work was significantly higher than the incumbent, which will return to the work for an additional five years. While we acknowledge that it is difficult to turn out an incumbent who has a ready advantage in contract and operating knowledge, one clear message rings loudly from the experience. BSE's costs of operations tend to be higher than lots of companies competing in the government services market today.

While there is little doubt in my mind that BSE would have performed the work with its usual high level of competency, at the price awarded, BSE would not have been able to maintain its current level of employee benefits, nor would it have achieved reasonable return for BSE's owners. That being said, I thank all employees who spent many dedicated hours in assembling the BSE proposal, and staying alert to the changes and nuances of the contract offering. We lost, we acknowledge the winner, and it's time to move on to the next one. BSE remains dedicated to performing a high quality job for our customers while maintaining a fulfilling work environment for our employees. And we note that there are many, many, more opportunities out there. We will redouble our efforts to find them.

One bright spot in the current BSE outlook involves our emerging Fiber and Cable Division, which is turning

up one profitable opportunity after another. As I write this, BSE has no less than half a dozen good proposals on the table for installation projects, all of which have reasonably good odds of award. The increasing demand for the benefits of fiber optic communications services is broadly stretched across both the commercial and government landscape, and we are poised to deliver a BSE level of quality service in this arena.

BSE's joint venture with Parsons Infrastructure and Technology has gotten off to a good start. Both companies have received significant benefits from the relationship and the JV has received good reviews from the customer for execution of its work. The parties to the venture met recently in Anchorage to exchange information, follow up on financial reporting and settlement of accounts, review past activities and discuss future activities. Because some of the work of the JV involves clearing dangerous range sites, safety was foremost in the discussions, and a good review of same was undertaken by the parties.

BSE's business is all about safety, no matter what part of the company we discuss. All on the BSE team are urged and encouraged to make safety a recurring and daily overlap of all activities. I encourage employees to raise safety concerns when they occur, and take a safety moment from time to time during the daily work activity. We are proud of the record we have for safe operations. Safe operations are efficient operations that benefit both employees and the company. We want to keep it that way.

Bill Arterburn, CEO

Corporate Office

4300 B Street
Suite 402
Anchorage, AK 99503

Phone: (907) 278-2311
Fax: (907) 278-2316

www.bseak.com

Inside This Issue:

- Technical Services ISO Certified
- Security Program - Meetings
- Technical Services Update
- Training at Alpena
- TSD Employee of the Quarter
- Fiber & Cable Division Project
- Best Value Contracting
- Electrical Licensing Process
- Hawaii Operations Update



The End... of the Beginning

James Storch, Quality Manager

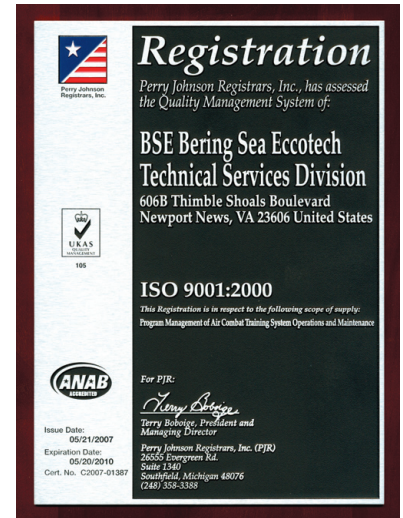
The BSE Technical Services Division joined an exclusive community this spring with world-wide recognition of our International Organization for Standardization (ISO) 9001:2000 certification. TSD achieved this through the hard work and determination of our people, successfully enduring the rigors of a demanding ISO registration process, and most importantly with the support of our BSE leadership. This achievement is a direct reflection of our commitment to product and service quality at every level. You may not realize it, but we've been working toward this for over two years.

This milestone marks the end of our beginning phase. The success of our pilot program demonstrates our ability to implement a world

class Quality Management System. The broader measure of success will be our ability to continue our progress and share methods throughout the company.

Our next phase involves further cultivation of our processes, policies, and procedures, continual improvement of our products and services, and enhanced customer focus. For TSD this means annual assessments to reaffirm our standing. We have a model that works for TSD, and we hope to carry this forward to formulate the models that work for all divisions, and our company as a whole.

We will soon be implementing procedures to enable development and control of processes, documents, and records throughout BSE. These tools are designed to operate in a digital network environment. Electronic Communication Access Controls are in place to safeguard and manage our



BSE information. Managers are encouraged to review Electronic Communication Access Control (ECAC) instructions, WI-BSE-IT-0001, and take the steps to establish web access, email, and/or File Transfer (FTP) accounts for the appropriate personnel.



Classified Visits and Meetings

BSE's Security Program

Elary Gromoff, Executive Vice President/Facility Security Officer
Rodney Rush, Security/JPAS Manager



A visit or meeting is deemed classified when it is anticipated that a lawful and authorized disclosure of U.S. Government classified information will take place. In order for disclosure to be authorized the U.S. Government must give you permission to disclose. You can only disclose classified information to another cleared contractor or authorized Federal entity in the performance of a classified contract (reference: NISPOM, Chapter 6).

Because our corporate office has a secret facility clearance level (FCL) with no storage capabilities, we can only verbally discuss secret classified information at our corporate office. However, we can not accept or introduce classified information or material into any of our offices. So remember, if you have planned a classified meeting at the corporate

office make sure no one brings classified information or material to the facility.

In addition, remember that the need-to-know determination in connection with a classified visit rests with the individual who will disclose the classified information. Therefore, before you disclose classified information ensure the person(s) you are disclosing information to is

authorized and have a need-to-know.

In the Technical Services Division (TSD) we attend numerous classified meetings and conferences connected to the P5 Combat Training System and P4 Refurbishment Contract. Listed below are our individual responsibilities when you must attend one of these meetings and/or conferences:

Individual Responsibilities

1. When you learn that you must attend you should get permission from the TSD director
2. Notify the FSO or TSD security manager at least 72 hours prior to your visit with the following information:
 - a. Name of individual(s) to attend the meeting and/or conference
 - b. Date, time, and location of your visit
 - c. Purpose for the visit (include name of event)
 - d. Point of contact at the visit location that can verify your visit
 - e. Provide the host security manager's name, rank, and unit designation
 - f. Conduct a follow-up with the FSO or TSD security manager (if you have not been contacted) to ensure that your visit request has been processed prior to you leaving for your destination
3. If you do not provide your BSE security office with the aforementioned information your visit request may be delayed and/or cancelled

Contact Information

Elary Gromoff - (907)278-2311 ext 2141
email - egromoff@bseak.com
Rodney Rush - (757) 223-1446
email - rrush@bseak.com



Technical Services Division Update

BT Smith, Technical Services Division Director

It has been a very busy quarter, with the highlight being the successful ISO 9001:2000 audit, which has resulted in the Technical Services Division now being ISO Certified. As JJ Storch has included an article on this achievement I will not say another word, well maybe six, "Thanks and congratulations to everyone involved!"

With the new P5 system installed at Eglin AFB, FL, Seymour Johnson AFB, NC and Langley AFB, VA we are on track for the system acceptance and installation at Mountain Home, ID in October (start dates will either be the first week or last week and will be determined by 1 August). Shaw is scheduled for April 2008. All of the technicians now working on the P5 system will tell you that the test and repair requirements have increased significantly, not to mention the security requirements. The highlight of these installations is finally getting our individuals into the squadron vaults working hand-in-hand with the aircrews. The results have been

a significant increase in system performance feedback and much more timely and accurate information on system problems and failures.

As you will recall we are part of the Lockheed Martin team that won the Navy's Force Protection/Anti-Terrorism contract and we are in the process of putting together a proposal to win the Enterprise Land Mobil Radio (ELMR) task order. This effort will require TSD personnel to assist with the installation of land mobile radios throughout the US and perform system maintenance (required response times as little as 12 hours). This will require a significant amount of trained personnel throughout the US, supporting every Navy facility. This effort is scheduled for award by 30 September with work to begin immediately. Additionally, efforts have begun to determine possible contract and support efforts for the Special Operations Forces (SOF) that are replacing the 27FW's F-16s at Cannon AFB, NM. The last of the 27FW's F-16s will depart Cannon no later than 1 January and with them we will be closing up our P4RC shop there. With any luck we may find work for our current employees so that they can transition from their current jobs into new positions there at Cannon.

P5CTS/P4RC Employee of the Quarter



Jason Cannon

Pod Load Technician
Mt. Home AFB, ID

Mr. Cannon has made many contributions to the Technical Services

Division this past quarter through his outstanding services he provided at Mt. Home AFB in Idaho. Some of his accomplishments include:

- Identified a loose weapons pylon during a preflight inspection that prevented a possible catastrophic aircraft incident
- Instrumental in achieving the highest mission effectiveness rate of 99.81% for all the BSE P5CTS/P4RC sites
- Helped to identify a malfunctioning LAU-129 launcher that was causing errors

Mr. Cannon has also been aggressively pursuing a Masters Degree in Aeronautical Science through Embry Riddle Aeronautical University. He is currently maintaining a 4.0 GPA, which is quite an accomplishment. Mr. Cannon also serves his community by coaching a local youth soccer team. His leadership helped the team to receive a sportsmanship award during the recent Spring 2007 Season. If you would like to read more about Mr. Cannon's accomplishments please visit the BSE web site for a full run down.



P4RC Install Training at Alpena

Arthur Macon, Shaw AFB Site Manager

ACC's Mr. Tim Layman from the Langley ACTS office called BT Smith and requested BSE send a trainer to Alpena Air National Guard for the installation of the P4R1 ACMI pods transferred from BSE Seymour Johnson site. Seymour Johnson had started the install of the new P5CTS pods and would now ship all its P4R1 equipment to help upgrade and replace the ageing AKITS systems at Alpena.

Alpena is situated in the north woods along the coast of Lake Huron just south of the Canadian border in Michigan. This was an exciting opportunity for BSE and the first time we had the opportunity to put into practice our new division name of Technical Services.

There was no time to sight see, it was fast and furious for the next two days, presenting four lesson blocks of first hand information to

get them up to speed. Working with the Cubic team at Alpena Combat Readiness Training Center (CRTC) was a real pleasure. They were very knowledgeable of ACMI and its system which was helpful when covering the important points of the lessons learned from BSE's association with P4 over the past four years. After the Block Training Sessions were completed the Cubic crew was presented with the new BSE Training Certificates. Mr. Duane King (Shop Supervisor), made the statement that without our support they would have a far longer start up time which to the Air Force would be loss of Training missions.

Building the eight block training documents was a monumental effort by many BSE employees, including Mr. Calvin Walker, and Mr. Barry Merrill and all the BSE sites that have provided Powerpoint Training material for our company over the past four years.

Keeping them flying and providing quality service is what BSE is all about! It was a real pleasure to be apart of this new phase of our ever growing company.



From left to right: Duane King, Porter Daley, Tim Layman, Bill Meyer, Mike Lakin, Troy Bowers



Fiber & Cabling Division Hawaii Project

Dean Hughes, Chief Operations Officer

On July 17th 2007 Bering Sea Eccotech, Inc. completed a "gift" to the city and county of Honolulu. This task was a 12 strand single mode fiber connection of two buildings approximately 100 feet apart. The task took place on a very busy street with significant emergency vehicle interferences; the BSE traffic control crew had their hands full!



In an effort to streamline operations with high-speed communications, The City and County of Honolulu has installed and certified a new fiber optic technology to be used in existing roadways and pedestrian areas. This utilizes Microduct and air blown fiber solution for high speed connectivity in the most cost effective, timely and future proof manner. High capacity networks can now be deployed using an alternate method to traditional trenching in the most non-intrusive and environmentally friendly manner.

This first Microduct installation was completed and donated to the City and County of Honolulu in an effort to further promote this revolutionary technology. The network was completed within the business day and connected high-speed fiber optic communications between the Honolulu Medical Examiners Building and the City Department of Health building in downtown Honolulu.



The team consisted of a coordinated effort between Hawaii's Department of Information Technology Chief Information Officer Gordon Bruce, Edward Sun President of Sun Global LLC and the generous donation of product by Mike Plotnikoff from Lite Access Technology, the installation of the product by Dean Hughes and the Hawaii office of Bering Sea Eccotech, and the testing and connection by Total Control Solutions.

The Microduct and air blown fiber solution will satisfy this immediate application at the Medical Examiner's location. Additionally, projects that had to be postponed due to the high quoted costs can now be satisfied using this technology. Mr. Bruce was referenced as saying "We appreciate this gift to the City and County of Honolulu."

The project was completed by local Hawaii BSE staffing operating the slab saw, installing the duct and fiber. This "gift" will result in future work in the Fiber field for BSE crews.



Best Value Contracting

Mike Taylor, Contracts Manager

As a member of the Bering Sea Eccotech team, you have probably heard the term "Best Value" when talking to the government personnel that you interface with each day. But what does this term mean?

In our private lives (and yes, you are supposed to have one) it is really quite simple. You go to the store to buy something, let's say a television. You look at all of the different sets that are available and you buy the one that will best meet your needs. It may not be the least expensive, and if you are like me it definitely will not be the most expensive. It generally is somewhere in between. **It is the Best Value for your money.**

Well, it is really not much different in the world of government contracting. The Government tells everyone that they are looking for Best Value. They look at all of the contractors that are available and they choose the one that best meets their needs. Here is where the big difference comes in. More often than not, they pick the contractor that offers all of the services that they require for the least amount

of money. Although the government tells you that this is a Best Value Selection, what it really is, is Low Price – Technically Acceptable.

This creates a dilemma for contractors such as BSE, since we truly look to provide Best Value to our customer, and we are seldom the least expensive option out there. BSE is known for adding value to each contract that we receive, and generally we do not look to the Government for additional funds as a result. We "Value Engineer" all of our work because we take pride in what we do, and want to make sure that the Government receives only the highest quality craftsmanship as a result of selecting BSE as their contractor of choice.

We all know, in our own lives, that when we use the Lowest Price – Technically Acceptable process to make our own purchases, it seldom turns out to be the best choice. Even though the television we bought had all of the features that we wanted, and was the cheapest set available that offered all of these features, we find that the picture starts to go dark prematurely; the remote does not work as reliably as we would like, and the sound keeps jumping from soft to unbearably loud. To get the set working the way we want it to work we end up spending more money

in repairs and modifications than the slightly higher set would have cost us up front.

In fact, the Government is finding the same thing. The cheapest contractor that passes the test of "technically acceptable" often costs the government as much or more than the slightly higher contractor that was available. The problem is, most Government buyers do not learn from their past, and they continue to go back to the less expensive contractor and pay the additional costs for add-ons and remedies.

For BSE, we have elected not to lower ourselves to the level of our competition. We will continue to strive for Best Value and will depend on those government customers who have learned from their past. These customers will become our most valued customers going forward. All employees need to keep looking for those value-added things that we can do to stand out in the minds of our customer and continue to focus on what has made BSE a successful government services contractor. When we lose a project because we are not the lowest priced – technically acceptable contractor available, this is not a negative reflection on BSE – just on the customer that is about to learn a hard lesson in contracting. Low Price – Technically Acceptable is seldom the "Best Value".



Electrical Division Licensing Process

Rick Viveros, Electrical Division Program Manager

My name is Richard Viveros, (Rick) and I have been on staff with BSE since November 2004. My current capacity with BSE is Electrical Program Manager, in support of our Anchorage, Alaska Construction Division. I bring 29 plus years of electrical and telecom experience, continuing education and electrical expertise to this corporation. I truly have a passion for my trade.

This has been an exciting year so far for BSE with regards to challenges versus victories in the construction arena. One of those challenges has been for BSE to obtain the necessary contracting licenses needed for BSE to legally do Electrical work and Fiber Optic work in Hawaii and California.

I have been a State of Alaska Electrical Administrator for 21 years, as well as hold a State of Alaska Electrical Journeyman fitness card for the past 25 years. However these licenses are not reciprocal to Hawaii and California. So, the application process started with the State of Hawaii. This process lasted about 7 weeks. The minimum requirement to

obtain this license is to be accepted to sit for two written exams, one is Business and Law, and one is Trade. This status is known as an RME – Responsible Managing Employee. This process consists of having to submit my personal electrical experience, including notarized verification forms from at least three either; licensed clients, employer or fellow licensed trades' person attesting to my experience, abilities and workmanship. Also required was a copy of my personal financial report and security information. Needless to say, the State of Hawaii ran me through the ringer to be accepted to sit for these exams. After all was said and done, I successfully passed these exams, first time, and BSE was issued our official State of Hawaii electrical contractor status on February 5, 2007.

Hawaii has another funny rule, even though BSE is a licensed electrical contractor, we can pull construction permits, but we can't call for inspections into City/County division without an electrical journeyman fitness card. Again, after being accepted to sit for the test I successfully passed this exam first time as well, and was issued a State of Hawaii electrical Journeyman fitness card on May 15, 2007.

Our final challenge has been obtaining the California contractor license. This application process was very similar to the Hawaii paper-trail but is known as a Qualifying Individual. The State of California requires a much more extensive personal background check called "Live Scan". This is a fingerprinting process where not only the State of California checks you out, but so does the FBI.

Corporate officers also had "Live Scan" requirements to obtain this license. Again, this is also a two part separate exam process, one is State Law, and the other is Trade.

I successfully passed these exams back-to-back, first time through. This victory just happened July 23, 2007. The BSE Corporate office is still finalizing the necessary fees and bonding requirements to close this deal sometime soon. This California license is one of the most important and critical components for our newest Fiber & Cable Division to start installation work of projects throughout California.

For me, it has been a real privilege and honor to have been chosen to be part of the BSE Vision. I could not have done any of this without our great support staff and I sincerely thank you all for believing in me. I look forward to future challenges and good things to come.



Hawaii Operations Update

James Directo, Hawaii Operations Manager

Aloha from Hawaii. The Hawaiian Electric Company, Inc (HECO) has supplied BSE with several jobs these past few months. One included an outage at Kahe Power Plant Unit Three. During these outages BSE employees assisted with various repairs including helpers for the welders, boiler wash downs, hydro-blasting drain lines, exchangers and pressure washing pre-heater baskets. The other job was at Waiiau Unit Seven. This unit is similar to the previous Kahe Unit Three that we had assisted with so it worked in our favor to assist with Unit Seven. We performed similar tasks including hydro-blasting and pressure washing with the addition of another crew to assist with the turbine overhaul.

Tesoro is another customer that provides BSE with plenty of work. These past few months we have been busy hydro-blasting exchangers, cleaning towers, and steam cleaning the scaffolding once the major work was completed.

I would like to bring to attention the efforts of all who contributed to the success of our first re-tubing project at HECO. At BSE, James Kaaihue, Al Kaaihue, Stephanie Nojima, and Ida Kaaialii with their support with manpower, trucking, shipping, payroll, and purchasing. At BSENV, Warren Perkins as project advisor and Special Thanks to the Kevin Wars for coordinating and supervising the project. To

the crew Kris Veillon (BSENV), Alvin Welch (BSENV), Mario Keliinoini (BSE), and Gaberiel Naone (BSE), GREAT JOB. We also made a friend, with Retubeco's Tech Tom (Gary) Walters, who shared his knowledge and experience with us and hopefully is another avenue for more re-tubing projects. This is an example of three companies working together, to produce a quality product on time and under budget. Again, I thank you all (all of you) for the support.

As for the last couple weeks, things have slowed down a little so we have decided to reemphasize our safety practices by holding additional safety classes and refresher training on our hydro-blast machines, Vec Loader, and our Guzzler. Along with making sure all of our machines are maintained and made safe for the guys out in the field. I would like to say Mahalo for the hard work you guys do out there and here is one Big Shaka for the boys to keep up the good work and continue to work safely.

Aloha Nui,

"AANG" (Aleut for Welcome)

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