We are bloggers, not journalists. And what's more, we blog about things that your average Joe Six-Pack wouldn't waste 30 seconds (the length of the average TV commercial) reading. That said, we also like to catch up on previous stories. Thus: the UPDATE prefix. Here are updates to three previous blog articles.

We reported on the suspension of GTSI Corporation **here** . GTSI was suspended because (in the words of the GSA), "… the evidence shows that GTSI was an active participant in a scheme that resulted in contracts set-aside for small businesses being awarded to ineligible contractors and with contracts not being performed in accordance with applicable law, regulations and contract terms." Since GTSI derived roughly three-quarters of its total revenue from sales to the Federal government, this was (shall we say?) a kind of a big deal to the company.

About three weeks later, GTSI's suspension was lifted. What did the company agree to in order to get the "death sentence" lifted? **This article** at WashingtonTechnology.com listed some of the terms of the agreement between GTSI and the Small Business Administration (SBA). It reported—

-

Over the next three years, the SBA will have access to the company's books, records, and other documents.

-

An independent monitor will be appointed. The monitor will have "full access to inspect the company on an ongoing basis and report to SBA without interference from GTSI."

In addition, the article reported—

… the agreement requires GTSI to give the monitor management-style office space and it must pay, among other things, all monitor fees, retainers and other reimbursements, including any legal fees….

Inside the company, GTSI must name an employee as ethics officer and adopt a code of ethics

The agreement demands other high-profile moves. More specifically, it forces out GTSI's CEO Scott Friedlander and general counsel Charles DeLeon. It also suspends three top company employees: Tom Kennedy, vice president of civilian sales and general manager; Scott Schmader, senior sales manager; and Patrick Berg, program manager, until the agreement ends.

So the company's CEO and general counsel have been terminated. Certain other executives have been "suspended" for three years (with pay). But that's not all. The article noted that, "the SBA inspector general's office will continue to probe SBA's charges against GTSI for using small-business prime contractors as a front to funnel work and revenue back to itself." In addition, "the government still reserves the right to extend the scope of the case if it comes across any additional revealing facts." Moreover, "the agreement would remain in effect even if GTSI were to file for bankruptcy." Which would have been a strong possibility, had the suspension continued for much longer.

A follow-up article by FederalTimes.com, **link here** , discussed the dire straits facing GTSI. It reported—

Even though GTSI believed that it was abiding by small-business procurement rules, the suspension was costing almost $2 million a day, [former CEO Scott Friedlander] said in an Oct. 21 interview. By the second week, alarm over the possible repercussions had spread from the firm's work force to its banks and corporate partners, he said.

‘We had to lift it [the suspension] to save the company or the company would have gone into financial ruin,’ he said, throwing some 530 people out of work. ‘I just think leaders have to lead and I had to do what I had to do.’ SBA officials never gave the company a chance to make its case, Friedlander said.

Next let’s talk about “Camera Guy”. We previously reported the sad case of John Feeney, Sr., **here** . Dubbed “Camera Guy” by one of our regular readers, Mr. Feeney pleaded guilty one count of mail fraud for using his position with BAE Systems Training Services to order nearly $500,000 worth of camera lenses and video equipment on the company’s tab, and then sold the gear on the internet “for a profit”. (Well, yes. Since his cost was zero any funds he got would be a profit. We are cost accountants. We can do that kind of math.)

Mr. Feeney is going to jail. He must have had a good attorney, because he was sentenced to serve a paltry 18 months in prison, according to this Department of Justice **press release** . In addition to serving his time, the DOJ release also reports that Feeney “ was also ordered … to pay restitution of $464,819 to the Department of Defense and $11,604 to BAE

Systems Training Services Inc. (BAE). In addition … Feeney [will] serve three years of supervised release following his prison term."

Our final vignette in this trilogy concerns a more abstract problem, that of the dependence of the United States on China as the near sole supplier for rare earth metals. We reported this situation **here** , noting that an April 2010 GAO report was "rather alarming." Even though the United States has rare earth ore deposits that it could mine and process, between 1985 and 2005, the U.S. essentially exited the rare earth production process, ceding the market in its entirety to China. As we said at the time—

We don't want to be overly alarmist here—but this is a potentially very serious problem that could affect a number of major defense acquisition programs, from the DDG-51's Hybrid Electric Drive Ship Program to the M1A2 Abrams Tank's reference and navigation system. We encourage DOD's Industrial Policy Directorate to get moving on this potential supply chain 'interruption'.

An October 20, 2010, article by Bloomberg.com **reported** that, "Rare-earth prices have jumped as Chinese export quotas crimped worldwide supplies for the elements used in the manufacture of disk drives, wind turbines and smart bombs." The article reported—

Prices have climbed sevenfold in the last six months for cerium oxide, which is used for polishing semiconductors, and other elements have more than doubled, according to Metal-Pages Ltd. in London, which tracks rare-earth prices. … China reduced its second-half export quota for the minerals by 72 percent in July. It is now further restricting exports, according to industry participants.

Contributing to the rise in prices is an expectation of further restrictions.

‘It’s pretty frightening that there may be a gap where U.S. industry pays an extraordinary price,’ U.S. Representative Mike Coffman, a Colorado Republican, said in an interview. He said U.S. rare-earth mining isn’t likely to resume until at least late 2012 at a mine in Mountain Pass, California. …

Companies and government officials have already begun to react to the threat of a shortage of the elements. The U.S. rare-earth mine in Mountain Pass, California, shut down most operations in 2002. Molycorp, Inc., which owns the mine, plans to reopen it, and [its CEO] said this week that it may double the planned capacity to 40,000 metric tons. Glencore International AG, the world’s biggest commodities trader, also said this week that it would try to restart the Pea Ridge rare-earth mine in Missouri. …

In Germany, the government yesterday adopted a strategy to secure supply of raw materials including rare earths. Chancellor Angela Merkel said last week that it’s “urgently necessary” to boost European investment in eastern Europe and Central Asia to counter expanding Chinese interest in rare minerals.

We don’t have any witty conclusion to this collection of updates. As always, stay tuned for further developments.