
Witcher Construction Co.
Business Operating Plan for
Fiscal Years 2000-2001

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Mission Statement

During the Fall of 1999, Witcher's Executive Committee had a series of planning sessions to determine a 3-5 year strategic plan for the organization. The Executive Committee consisted of the following individuals:

Ken Styrlund	President and CEO
Dave Burtness	Vice President and CFO
Scott Sharp	Vice President –Field Operations
Doug Loeffler	Senior Project Manager- Estimating/ Project Management
Alexis Lair	Human Resources/ Office Manager
Andrea Komschlies	Director of Marketing
Tom Madsen	Director of Business Development

The first phase of the development of the strategic plan involved a series of discussions about Witcher's Mission Statement. The Mission Statement was first developed in 1994. Since 1994, there have been quite a few additions to the organization, both in the office and in the field. As a result, it was decided that each operational group would discuss the Mission Statement and see if any changes are desired by the staff. From these focus groups came some minor modifications to the Statement. Overall, everyone that participated in the focus group discussions thought that the Statement was very good and representative of Witcher Construction Co. and its employees. The current Mission Statement as ratified by the staff in December 1999 is attached in Tab 1.

The Executive Committee took the focus group discussions and further refined the information into the Core Values of Witcher Construction Co. based upon our Mission Statement. The Core Values of the organization were determined to be:

- Honesty, integrity and accountability,
- A creative and innovative problem-solving environment,
- A positive can do attitude,
- Training and education to allow employee growth,
- Fair treatment to all stakeholders,
- A return to society,
- A safe working environment for all stakeholders,
- Client focused services, and
- Have some fun.

Further discussion took place as to why Witcher exists as a business. In addition to providing Dunn Industries a return on investment, The Executive Committee felt that Witcher exists as an organization to provide cost effective construction services and quality construction services to our present and future clients. This was important because the clients we presently work for and will work for in the future require modifications to their facilities or their built environment. They need firms such as Witcher to provide quality and cost effective construction solutions so that they can effectively expand their businesses to deliver new products, benefits or services to society.

Witcher Construction Co.'s Grand Vision

The Executive Committee discussed what Witcher's Big Audacious Goal or Grand Vision should be in 3-5 years. In other words, what should Witcher look like in 3-5 years. All agreed that we wanted Witcher to be considered the premier General Contractor in the Twin Cities area in terms of quality, value added service and relationships with clients. Taking the perceived best attributes of our competition as we have heard from discussions with our peers, clients and potential clients, in 3-5 years we looked at Witcher

- being considered as competitive as Adolfsen & Peterson;
- delivering the quality of McGough Construction;
- having the relationships and marketing qualities of Kraus Anderson, and
- having the design-build capabilities of Opus and Ryan.

In order to achieve this Grand Vision, we looked at the following Strategic Goals for the next 3-5 years:

Financial: Witcher will increase revenues from the \$83 million per year which was achieved in 1999 to a solid \$125 million revenue per year in 3-5 years. We will not sacrifice profitability while revenues grow. Witcher will maintain the 1.5%-2% net profit goal per year and maintain a desirable return on investment to Dunn Industries. Our financial ratios will remain in the "best of class category" for a General Contractor of this size. See Tab 2 for the financial ratios that are being tracked.

Clients or markets: Witcher will have five to ten new repeat business clients. We will continue our diversification into five new markets.

Innovation: We will always be on the crest of new technology that can be used in the office and the field. We will use technology to our advantage for increasing productivity and performance both in the office and the field.

Employees: We will have a staff that is loyal to the company, extremely enthusiastic about working at Witcher and extremely competent. The staff will continue to grow in number and experience as revenues and opportunities grow. All of our present key employees will be at Witcher in 5 years.

Quality: There will continue to be, throughout the office and field, an attitude and desire to deliver superior quality and service on every project large or small.

Employees will feel that, no matter what they are working on, the project or assignment represents them as well as Witcher.

Safety: Through constant training and self-inspection, Witcher will consistently achieve zero lost time accidents in a year for our own employees and our subcontractors' employees.

Reputation: Our clients will be standing in line for us to do their work and people will want to come and work for Witcher.

Provide a return to society: Our charitable contributions will increase each year over the next 5 years to \$70,000 per year and we will continue to get the staff involved with charitable events such as Habitat for Humanity and United Way each year.

Business Analysis

Overview

Presently, Witcher Construction Co. performs the following services within the construction industry. Witcher is a:

- Trade subcontractor,
- Negotiated, qualification based General Contractor,
- Short list negotiated or lump sum General Contractor,
- Design Builder,
- Hard dollar General Contractor,
- Fixture Contractor,
- Small Projects General Contractor,
- Construction Manager at risk,
- Construction Consultant providing estimating, planning, scheduling and constructability services, and
- Butler Builder-(as of 2001, have not built one yet).

In 3-5 years, Witcher Construction Co. will provide the same services as above to the construction industry, however, the:

- Design-Build volume will increase,
- Qualification based General Contractor work will increase,
- Purely negotiated General Contractor work will increase through business development,
- Fixture work will increase,
- Small project work will increase,
- Butler building program will increase,
- Tenant improvement division will be investigated,
- Maintenance work division will be investigated,
- Short list lump sum will decrease, and
- Hard dollar work will decrease.

The following changes will need to take place in order to provide the above noted services:

- Conceptual estimating, costing and data collection must improve,
- Training at all levels of the organization must take place,
- The level of competency of the Project Managers and Estimators must improve,
- Additional, qualified superintendents must be obtained,
- Quality control and assurance intranet must be implemented,
- A full time Safety Engineer must be retained,
- Additional business development and marketing by all levels of the organization.

Overall, Witcher Construction Co. enjoys a good reputation with its vendors and subcontractors. Relationships with planners, architects and engineers are generally good also. Witcher has some relationships with other prime contractors in the area, but the relationships are not strong. Witcher appears to be at a disadvantage to the other major prime contractors in the area in terms of portfolio depth of experience, talent of staff and business relationships with businesses and clients that are potential buyers of construction services.

Market Characteristics

Witcher Construction Co. serves the seven county metropolitan area of Minneapolis-St. Paul, Minnesota. Witcher does travel and performs work outside of this core geographic area for its main, repeat business clients. In 1999, Witcher performed work in 33 different states and in 2000 work was performed in 43 different states.

The Minneapolis-St. Paul construction market remains strong. The majority of the General Contractors on the City Business top 25 list seem to continue to increase their revenues each year. Architects and engineers appear to be busy with projects through the summer of 2001. This should translate to steady construction activity into 2001. An market area analysis follows.

Minneapolis/St. Paul Marketplace

Art Rolnick, Sr. VP and Dir. of Research at the Federal Reserve Bank of Minneapolis is still very optimistic on the national, regional and local economy. The Twin Cities continues to lead the national economy figures. Despite concerns over the area's ability to garner venture capital money, Minnesota still is getting its fair share, 1.5%, of the venture capital. Minnesota still has the best-educated, most productive work force in the country. The world economy has been improving which should increase the demand for manufacturing over the next several years. Minnesota's growth in population has been a driving force in our economy. Despite the high taxes, Minnesota has a very good business climate that is evident by the low unemployment rate. The Feds will continue to keep inflation in check (2.5%) which hopefully will maximize growth.

Office Marketplace

Over 3.7 million s.f. of office space will be online by June 2001. This is an increase of 6.2% over 1999. Due to great increase of downtown and suburbs office space, office market vacancies will tend to increase slightly. There is an abundance of shadow space

that will come available in downtown offices in 2001 in Minneapolis and also St. Paul. Large developers continue to carry-out their strategic plans for expansion as the demand continues to grow in future years. Tenants are demanding the technology of their spaces; fiber optics, wireless communication, redundancy and back-up power is essential for new buildings. The major components that will drive office development are suitable land availability and a strong employee base.

Retail

The retail growth continues. The Twin City area expectant growth in population will allow retail to expand over time. The metro area will see a 65,000 net increase in population per year for the next 10 years. Our future demand for retail will exceed our supply. Several large retail complexes have drawn the most attention recently; notably the Eden Prairie Center renovation, with the new Von Maur, expanded Target and new theatre, expansions at Southdale in Edina, Brookdale expansion/renovation, addition and Opus' Arbor Lakes in Maple Grove, North American Properties' Market Place in Plymouth, Pinehurst's 50th & France, Told Development's Park Commons in St. Louis Park, Block E in downtown Minneapolis and Robert Muir's The Village in Blaine. Available land is a prime stumbling block as big box developers look to expand. Growth in third-ring suburbs and beyond will draw retail development. Big box retailers including Target, Best Buy, Home Depot, etc... have aggressive expansion plans for 2001 and 2002.

Housing

It appears that construction starts for new single family housing will be down slightly in 2001, but will rise in 2002. Senior housing continues to grow as the demographics unfold. Recently announced projects have higher density and smaller units. Numerous redevelopment opportunities may be available in the core cities, with new construction in the outer suburbs. Most of the new construction is marketed for high-end townhomes and condominium developments such as Lindsay Lofts, a project Witcher is constructing in downtown, Minneapolis. Demand is greater than the current supply with available land being the hottest commodity. The demand for market rate new construction for apartments continues to fall well below demand due to high land and construction costs. Without meaningful change in Minnesota's property tax system, zoning regulations and community perception, the state is years away from any significant construction. Although increased rental rates of B and C properties will allow owners to attend to needed repairs and upgrading of units, the increase will make the housing crunch even more critical for the new work force, in particular the growth of non-English speaking immigrants. The University of Minnesota has several housing projects in planning/construction phase, including Frontier Hall, which Witcher is building. Private developers are building and proposing several other housing projects on or near the Minneapolis campus.

Hotel

While national studies tell indicate that the hotel market is over built, we continually see new hotel developments each month. Growth in tourism at the Mall of America has

warranted several new properties along the 494 corridor as well as new hotels in rapidly growing communities. Witcher has received 4 inquiries about new hotel projects as a direct result of our Motel 6 project.

Education

Classroom and housing needs are on the rise as college/university enrollment continues to climb. Witcher has been part of the University of Minnesota's major expansion plans, most recently at Territorial Hall, Northrup Auditorium and Frontier Hall. Although we haven't marketed Construction Management services in the Twin Cities, there are 8-10 local districts with very large building programs slated for 2001 – 2003 which will require a lot of construction personnel. Growth in population will result in more school buildings in newer communities.

Non-Profit

Minnesota has the highest percentage of non-profit jobs of any state – 8.6% of the jobs; of which 61% are in hospitals, nursing homes and other healthcare organizations. Growth in the non-profit sector (arts/cultural, social/human services and religious sectors) continues to benefit the construction industry. Several major non-profits are currently in the planning and fund raising stage. Witcher will continue to expand our portfolio in working with non-profit organizations.

Healthcare

Although construction at most hospitals has been very quiet in 2000, Fairview Systems has broken ground on two large expansion projects and plans are underway for a new hospital in Hudson, WI. While low reimbursement dollars have minimized expansion plans for most providers, our aging population and growth in medical technology require that facilities be maintained and updated constantly. Nursing shortages will continue to rise at most hospitals as the population continues to age and the stigma of nursing has directed many to other fields.

Warehouse/Industrial

There has been a cool down in the demand for warehouse space for the dot.coms. Despite that, there continues to be solid growth for industrial space in outer-ring suburbs like Rogers, Elk River, Shakopee, and Ramsey due to lack of land and higher land prices closer to the core metro area. Economists are hopeful that exports will rise as the world economy improves and technology and manufacturing sectors grow. Labor shortages may stall expansion. Without in-migration of workers, the job growth rate will drop and development will decline.

Government Projects

Business cycles and interest rates shape commercial construction. If higher interest rates take their toll on the commercial sector, the increased institutional activity will balance out. Solid surpluses in most states have encouraged greater spending on bonding bills. There will be for growth in highways/bridges/airport construction. Minneapolis' light rail is on-track to begin construction for opening the first line in 2003. We will have to see if the proposed new light rail transit system will spur development along the corridor with new retail/office/housing opportunities.

Narrowing the focus with the opportunities that are present is in Witcher's best interest. To assist with that, the Executive Committee determined who would be an ideal client. Witcher's ideal client characteristics can be summarized as

- Knowledgeable,
- Financially sound,
- Repeat buyers of construction services,
- Fair and equitable business people.

Indirect clients of Witcher are everyone that comes into contact with the company either from direct contact or from indirect contact. The Minneapolis-St. Paul construction community is very small. It is truly amazing how often we run into people that know of Witcher's projects or of people we have worked with.

In 1999, Witcher was the 14th largest General Contractor in the Minneapolis-St. Paul area with a revenue of \$83 million. In 1998, Witcher was rated 17th largest with \$53 million of revenue. Since it is unknown how some of the local contractors are reporting their volume in terms of branch offices out of state or out of town. Because of this, it is difficult to determine with accuracy what percent of the Minneapolis-St. Paul market Witcher commands. If the City Business reported volume of construction dollars spent is for Minneapolis-St. Paul operations only, Witcher probably has about 3-5% of the market share. At our present staffing levels in the office and field, this is probably near our peak market share.

Witcher Construction Co. has a marketing and business development program. At present the effectiveness of that program is only being measured by studying the number of RFP's responded to, interviews obtained and projects awarded from the RFP's. Additional measures will need to be identified, tracked and analyzed in order to obtain a true gauge of the effectiveness of the program.

Further market analysis of Witcher's operations reveals the following:

Which customers and markets does Witcher Construction Co. serve today?

- Retail
- Renovation and remodeling
- Historical
- Movie theaters
- Institutional and cultural-churches, schools, museums
- Office
- Housing

- Design Build
- Maintenance
- Construction Managers through trade work

Which customers and markets does Witcher want to serve in 3-5 years?

- Retail
- Renovation and remodeling
- Historical
- Movie theaters
- Institutional and cultural-churches, schools, museums
- Office
- Housing
- Design Build
- Medical Clinics
- Agency construction management
- Maintenance work for our repeat clients
- Tenant Improvement
- Construction Managers through trade work

How does Witcher Construction Co. reach its customers today?

- Referral
- Repeat clients
- Previous reputation
- Lead generation
- Networking
- Architects
- Owner's representatives

How will Witcher reach its customers in 3-5 years?

- Referral
- Repeat clients
- Previous reputation
- Lead generation
- Networking
- Architects
- Owner's representatives

Who are Witcher's competitors today?

- The other top 25 general contractors in the Twin Cities
- Construction Managers

Who will be Witcher's competitors in 3-5 years?

- The other top 25 general contractors in the Twin Cities
- Construction Managers
- Owners representatives
- Program managers

Which of Witcher's services are the most distinctive?

- Honesty and integrity in all operations
- Historic renovation
- Remodeling and renovation
- Planning and scheduling
- High profile projects
- Projects that involve volunteers and committees
- The ability to do small projects as well as large projects
- Every project has been completed on time

Which of Witcher's services are the most financially profitable?

- Small projects
- Fixturing
- Negotiated projects
- Design Build projects

Which of Witcher's customers are most satisfied?

- From the recently completed customer survey, the majority of our clients are extremely pleased with our performance and level of service. The survey did identify areas where we need to work on.

Which of Witcher's services are the most effective?

- General Contracting
- Pre-construction services
- Planning and scheduling
- Design Build
- Small projects
- Fixturing

What makes Witcher competitive today?

- Use of technology
- Planning and scheduling
- Experience
- Client focused service
- Small project ability
- Minimal bureaucracy and managerial hierarchy

What will make Witcher competitive in 3-5 years?

- Use of technology
- Cost effective operations
- Database of cost history
- Diversity of project experience
- Diversity of services that may be offered to a potential client
- Client focused service
- Minimal bureaucracy and managerial hierarchy

- Knowledgeable and competent staff

Where will Witcher's profits come from in 3-5 years?

- Small projects
- Negotiated projects
- Design Build projects
- Trade work
- Butler buildings
- Consulting services-estimating, planning, scheduling
- Maintenance work for our repeat clients

Capabilities and Skills

There are several skills that make Witcher Construction Co. unique. The skills and capabilities that make Witcher unique today are:

- The ability to travel to remote areas and deliver a quality project on time and on budget
- The ability of our operations group to successfully deliver difficult projects for our clients
- The ability to do a wide range of project types and project sizes
- Detailed planning and scheduling
- Client focused service
- Honesty and integrity
- Use of leading edge technology
- Fixturing
- Small project work

There are skills and capabilities that we need to acquire or improve upon to make us unique in 3-5 years. They are:

- Continue to hone the general contracting project management skills and services
- Advanced in house training program
- Comprehensive lead generation and business development program
- Strategic alliances with subcontractors
- Strategic alliances with developers and owners
- Design Build project delivery
- Client focused service
- Communication
- Database and cost history
- Parametric or object oriented estimating
- Construction planning and scheduling
- Attracting the best and brightest staff available

Witcher Construction Co.'s principal product offering to our clients is construction management at risk-either for large projects or small projects. Design build capabilities as well as pre-construction services are also available to clients. Based upon client surveys in 1999, Witcher's clients have a very good feeling about the organization. Client surveys for projects completed in 2000 are being solicited at this time.

There are several key items that set Witcher Construction Co. apart from its competition. The key items are:

- Open exchange of information. According to our clients and Architects that we have worked with, we provide more information and are more open than other contractors.
- We constantly look out for the interests of our clients and design partners. We believe that the project will not be a success unless everyone succeeds with their responsibilities.
- Senior management is actively involved with projects.
- According to our clients and Architects that we have worked with, Witcher offers more extensive pre-construction services than our competition.
- Witcher has excellent relationships with subcontractors; relationships that go back 20 + years. We have been told that due to our planning, subcontractors can make a profit on Witcher projects and we are fair in our business dealings with them.
- Witcher has very experienced field personnel
- Witcher's vast renovation experience allows us to understand the complexities of keeping safe, on-going operations during remodels.
- We look for creative and innovative ways to solve problems.

Employees generally think well of the organization. More training and time spent by Senior Management with the employees is necessary. Witcher needs to recruit the best, brightest and most talented people available in the industry and once they join Witcher Construction Co., management must make sure they are retained.

Financial

Witcher has experienced a lot of growth in the past 6 years. See the attached revenue chart in Tab 3. Financial controls are in place and the company maintains a strict monthly financial review by the Board of Directors and a project review procedure that provides an early warning of financial problems on projects. Monitoring of industry financial ratios is maintained so a benchmark is kept on the company performance with respect to the construction industry. See Tab 2 for the information.

Organization

A strength, weakness, opportunity and threat analysis was performed by the Executive Committee. The results are as follows.

Strengths

Planning and scheduling

Diversified portfolio of experience

Established client base

Financial position

Mixture of experienced, seasoned staff and youthful staff

Reputation for high quality work

Depth of experience in retail and renovation work

Flexibility to do small and large projects

Ability to travel

Weaknesses

Youth and inexperience

Depth of experience in other project types does not match our retail/renovation experience

Defined training program

Strong business development program

Opportunities

New markets

New clients

Economy

Existing clients are growing and expanding

Career growth opportunities for staff

Threats

Qualified people

Economy

Losing established clients to competitors

Retaining employees

Purely cost driven clients

Owner's representative

Business Strategies

From the above analysis, business strategies and goals were developed.

1. We will capitalize on our recent non-retail projects and our operational strengths to further diversify Witcher's project portfolio.
 - Prepare comprehensive marketing and business development plan. Use our design-build, estimating, planning and scheduling experience and reputation to gain entry to new markets and clients identified in the plan.
 - Pursue small projects and fixturing work with clients outside of our main clients.
 - Leverage opportunities with existing clients to build for new clients.
 - Pursue clients that are economy proof.
 - Pursue projects and clients that value Witcher's strengths, which are:
 - Intricate and detailed planning and scheduling is required.
 - The project is technically difficult.
 - The project is organizationally diverse.
 - High quality is an expectation.
 - There is an opportunity for early involvement in the project cycle so we can aid the project with our planning and budgeting experience.
 - Look for opportunities to use our parent company's experience to lead us into new markets.
2. We need to provide client focused service to all of our clients and especially our "golden clients". We need to continuously service them to the "nth" degree and exceed their expectations.
 - Senior management and project managers need to spend more time with our existing clients so we can always service their needs.

- All employees must understand and practice the service spirit to all clients' - existing or potential.
 - Make our existing clients and potential clients aware of our flexibility to do projects of any size.
3. We will capitalize on our present financial situation and use it to our advantage.
 - Venture into new areas for potential work.
 - Butler Buildings.
 - Maintenance work.
 - Identify and go after projects where Witcher would provide development and construction financing to potential clients.
 - Consulting work using our estimating, management and planning and scheduling expertise.
 - Gain preferential treatment from subcontractors in terms of pricing and manpower.
 - Buy labor saving equipment and technology to give us more efficiency and to protect us from labor shortages.
 - Obtain increase in line of credit.
 - Look for ways to cut expenditures.
 4. We will retain our present employees and recruit new employees. In order to grow and compete, we need the best experienced and entry level employees available.
 - Provide continuous learning opportunities for all employees.
 - Senior staff to mentor newer employees—office and field
 - With aid of employees, develop list of topics for training and education through in house and outside training sessions.
 - Management to provide feedback on individual and corporate performance.
 - All employees to work on striving to meet the intent of Witcher's Mission Statement and Guiding Principles.
 5. We will use our present backlog and potential new work to allow training and experience for office and field employees.
 - Improve estimating capabilities and historical data collection.
 - Continue to improve our trade skills.
 - Provide project management experience to assistant project managers and project engineers.
 - Key field foreman to move up to project supervisors on small projects.
 - Potential for new work will provide middle management career opportunities for qualified employees.

Tactical Goals for 2001

Based on the above analysis and the business strategies, the Executive Committee will be working on the following tactical goals in 2001.

Warehouse

- Revenue of \$1.425 million
- Profit of \$ 271,000
- Review equipment records to analyze individual asset's return. Sell off under-performing assets.

- Share Witcher's planned purchases of major assets with the other Group members to try to obtain discounts
- Monitor on a quarterly basis the industry sources for rental rates; adjust Witcher rates as necessary
- Work with superintendents and foreman to develop simple maintenance procedures to minimize major and costly repairs
- Purchase 4-5 pick-up trucks
- Purchase one forklift
- Purchase one air compressor and related hammer and chisels
- Purchase second total station survey system

Accounting

- Raise working capital back to \$4-4.5 million by end of 2001
- Prompt and accurate billings; reduce under-billings
- Zero client audit findings through thorough pre-final billing internal audits
- Reduction of receivables
- Begin paperless transactions with clients and subcontractors and vendors
- Interest income of \$200,000 through overnights and high grade commercial bonds
- Train staff in basic accounting principles to understand true direct costs to projects
- Work on the ability to close monthly books within 5 days after month end
- Raise line of credit with bank to \$2.25 million
- Tighten controls throughout system

Human Resources

- Recruit the best, brightest and most talented people available
- Retain present key staff members
- Training of the entire staff- institute a learning environment throughout the organization
- Improve records management for entire organization
- Continue implementation of diversity within office and field staff
- Update personnel manual
- Implement drug and alcohol policy
- Update the tuition reimbursement program
- Review benefits program

Field Operations

- Continue rating subcontractor performance; discuss results with estimating and project management
- Continued emphasis on client focused service
- Crisis management training
- Transition from Safety Committee to Safety Engineer for safety inspections
- Continue OSHA training classes for all field employees at foreman level and above
- Reduce OSHA lost time accidents to zero
- Reduce OSHA non serious citations to zero
- Provide AGC Supervisory training to upcoming carpenter foreman
- Obtain 2 new apprentices in each labor trade Witcher employees
- Provide additional blue print and surveying class training for apprentices

- Acquire 2 new qualified superintendents from outside the organization
- Punchlists complete and signed off within 2 weeks of punchlist inspection
- Begin benchmarking of critical performance areas such as punchlist completion
- Start mentoring program with Senior superintendents and younger foreman and assistant superintendents
- Training, training, training
- All cement finishers to obtain ACI certification and/or attend Allen floor finishing school
- Improve planning and scheduling techniques for entire project and short term interval schedules
- Continue implementing computers and information technology at the project site so that all major Witcher projects have computers by year end
- Emphasize the importance of pre-planning and efficient start up by having the President and/ or the VP of Field Operations in attendance at the mobilization meetings.
- Continue quarterly superintendent and foreman meetings
- Continually emphasize quality construction techniques for Witcher self performed work and for subcontracted work. Check and double-check subcontractors work.

Estimating

- Update database for self performed work
- Update SF database for all divisions of work
- Update SF database for project type
- Continue consulting operations for clients
- Analyze present methods of costing and develop a system of costing that allows Witcher to effectively use design and build systems and use teams charged with single point responsibility for planning, designing and constructing facilities
- Improve conceptual estimating capability through MC2 and Martin Blood's system
- Investigate object oriented CAD and estimating software
- Transition to man-hour production
- Complete transfer program to download MC2 take off into COINS
- Improve transfer of project closeout information into database for future references
- Obtain 15% of company volume in hard dollar bid work

Project Management

- Close out within 90 days of substantial completion
- Project managers to be more accountable for receivable collection
- Training in construction means and methods, planning and scheduling
- Presentation training
- Crisis management training
- Continued emphasis on client focused service
- OSHA training
- Process change orders to clients and subcontractors once a month
- Improve communication with clients, superintendents, foremen, project managers and clients.
- Marketing and business development

- Begin benchmarking project manager's performance-change orders; fee; close out time; contract issuance, etc.

Business Development

- Expand customer relations
- Expand services offered to existing and potential clients
 - Review opportunities to start maintenance work division possibly through IFMA organization.
 - Review opportunities to start a tenant improvement division
- Expand client base to include 2 new repeat clients by the end of 2001 and 5 new repeat clients by the end of 2002
- Emphasize projects where qualification based selection will be used rather than low cost selection
- Market to end users and ultimate decision makers
- Continue benchmarking to measure performance- In 2000, 17 interviews were obtained out of 21 RFP's- an 80.9% success ratio; 7 projects were obtained from the 17 interviews-a 41.2% success ratio
- Higher Metro area visibility
- Continue client satisfaction survey as projects are completed
- Update marketing and business development plan
- All staff has to become more active in the community in areas outside of construction
- Identify additional software for presentations
- Develop plan where key staff members can get in front of Witcher's major clients once every month
- Develop and implement plan to get Project Managers involved with marketing to owners and architects
- Develop and implement plan to determine major new firms that may be entering the Twin Cities market-retail, corporate, REIT etc
- Develop and implement plan to develop intelligence as to what new market type will be hot in 3-5 years-lead generators, industry publications, seminars etc. Determine what McGraw Hill etc publication we should get to help spot industry trends.
- Market design build so that 10% of 2001 revenue comes from this delivery method
- Obtain work or leads that we can bring to A/E's and developers
- Develop and implement plan to start building relationships with small growing companies to position Witcher for future work
- Develop plan to track raw land for leads on work
- Roll out new JE Dunn Group logo

Information Technology

- Use technology to allow doing more with less
- Move towards paperless invoicing with clients and major subcontractors
- Digital archiving of documents
- Project specific web sites

Corporate Goals

- Community Involvement

MISSION STATEMENT

The employees of Witcher Construction Co. are committed to providing excellence in construction services warranting the highest degree of public confidence while maintaining a professional, safe, and friendly environment.

GUIDING PRINCIPLES

Open Communication and Teamwork

- ♦ Upholding Honesty and Fairness
- ♦ Embracing Responsibility
- ♦ Establishing Clear Lines of Communication & Decision Making
- ♦ Engaging in Creative, Cooperative Problem Solving
- ♦ Maintaining Job Integrity and Accountability
- ♦ Doing It Right The First Time
- ♦ Listening and Discussing
- ♦ Employing a Positive, Can-Do Attitude

Planning and Scheduling

- ♦ Implementing Effective Work Sequences
- ♦ Allocating Proper Resources
- ♦ Monitoring and Updating Frequently
- ♦ Delivering Projects On Time, Every Time

Means and Methods

- ♦ Fostering Employee Growth
- ♦ Promoting Support and Resources for Training and Education
- ♦ Mentoring Among Staff

Cost Management

- ♦ Maximizing Owner Value
- ♦ Employing Qualified Subcontractors and Vendors
- ♦ Limiting Cost Escalation by Identifying Issues Early

Safe Operations

- ♦ Being a Good On Site Neighbor
- ♦ Maintaining Equipment Standards
- ♦ Implementing Safety Education and Awareness

Morale

- ♦ Extending Trust and Fair Treatment to All
- ♦ Empowering for Accountability
- ♦ Fostering Mutual Respect and Loyalty
- ♦ Motivating Through Recognition
- ♦ Having Fun

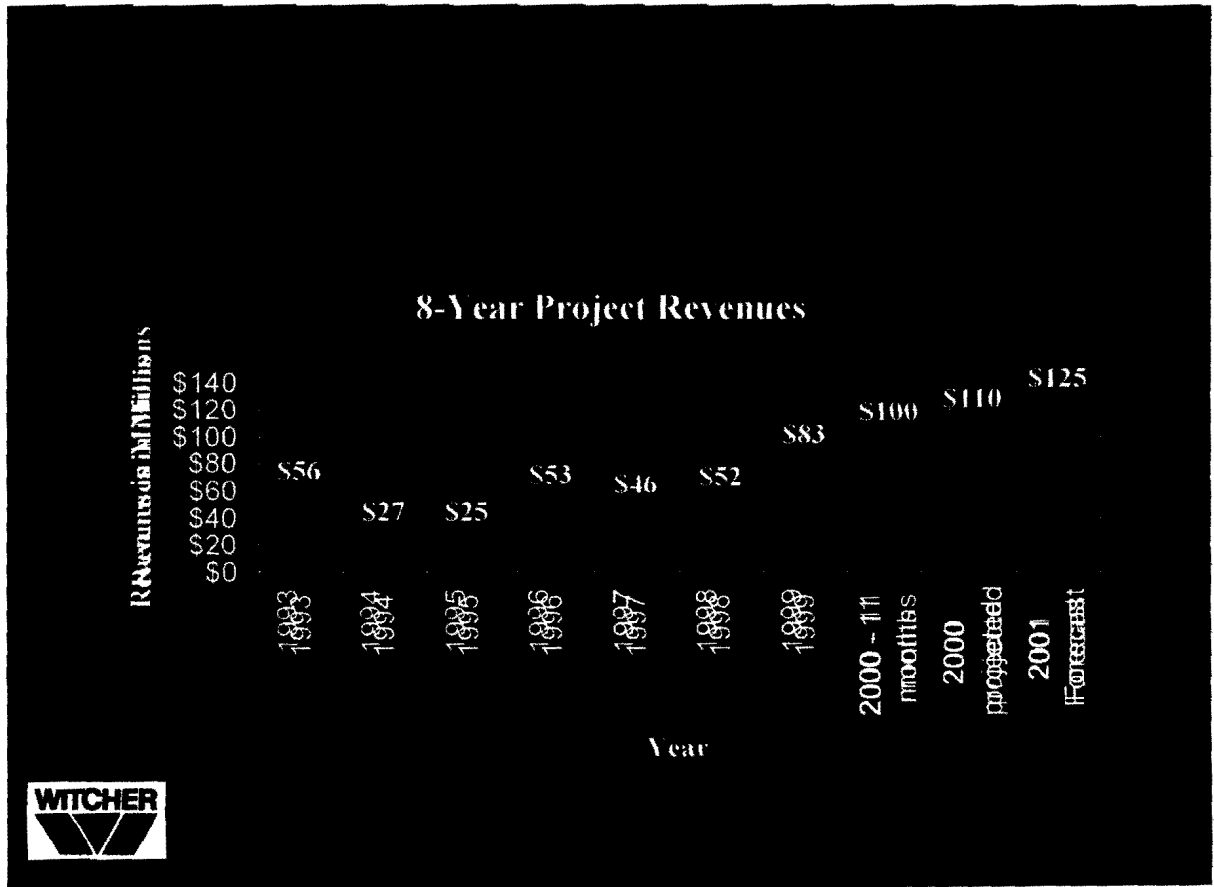
Renewed December 10, 1999

- Ken Styrlund to continue fund raising for Boy Scouts, Minneapolis Institute of Arts and get more involved with the Salvation Advisory Board
- Corporate donations of at least \$50,000
- Minority general contractor or subcontractor partnering through MEDA- Metropolitan Economic Development Association
- Institute performance benchmarking for critical operational areas
- Update Standard Operating Procedure and place on Corporate Intranet
- Develop Quality Assurance standards and place on Corporate Intranet
- Ken to spend time with other operational areas
- Look for ways to be more efficient, more cost effective --
 - More nimble and flexible
 - More innovative and creative
 - More thinking outside of the traditional box
 - More value- added to our clients business operations
- Find clients that want great service
- Find clients that great people to work with
- Find clients that are looking for best value
- Look for people that understand the concept of adding value
- Produce exceptional results all the time
- Provide a level of service and a suite of services that make it easier for clients to say yes and harder to say no

Tab 2

Note: 2000 ratios will be completed next week after finalization of results with auditors

Tab 3



III. Notes from Monday, March 19, 2001

A. Suggested agenda topics - March 19, 2001

1. wcc topics

- a) Due to the operational involvement, Kst is concerned about not looking enough at the future of the company or the industry - future trends, etc.
 - (1) Perhaps the need for a time audit is now and soon
 - (a) Kst will evaluate his time and attempt to make some changes
 - (2) Kst's concerns are very real in the market place of today. this is the first real down-swing test that WCC and Kst have had since the company's recovery in 1994 after the purchase by the Dunn group
 - (a) Kst and the marketing /business development need to dust off the objectives for 2001 and get going on them!!
 - (b) Get Colin and others registered since WCC wants to actively pursue D/B work
 - (c) Determine who should go after Butler projects-Contact Don Pratt, Vice Chairman @ Butler (816-968-3400) and the Butler regional manager, Jim Goren
 - i) Get with marketing and business development staff to pursue this work
 - (3) Kst has to analyze where he must study the market to determine optimum success opportunities. This will require that his staff carry out present successful directions while he finds methods and procedures to ensure that these and other directions will still be successful. The staff must be oriented by Kst to this change in his management role. He must become a true chief operating executive and his staff must allow him to do so by improving dramatically, their abilities to effectively manage the current work load through 2001. This is a particularly important idea for the people that desire Kst to continue to manage and be involved in the company as President. Kst has to become a true innovative executive - the training period is not over but the operational, education and training baton must be passed to those who must carry out Wcc's medium and long range plans. Every year brings change, this business is not static; it is dynamic. Passiveness and mediocrity cannot be tolerated!
- b) Kst should assign the role of Program Management to an aggressive, alert and smart staff member(s) that would be interested in looking at a new project delivery system --- specifically program management.
 - (1) Discuss with business development staff and implement
 - (2) The program management will fit in with the upcoming MIA work and maybe CTC and Westwood Community Church also

- c) Kst has to make it apparent to the consuming public, Wcc's clients, that Kst represents the company. This is important not only for the present but for the future involvement of Kst in the Twin City market. Kst can tie his future to Dunn or to Kst's own direction or to both.
- d) Kst has concerns about an apparent lack of future business development by WCC's director of business development - again kst's span of control may be too great and he is not giving enough management time to this and other areas of WCC
 - (1) Kst has to start having more business development and marketing meetings to hold them accountable to goals and objectives that were identified by the marketing and business development group. Minutes will start to be taken and accountability will be established.
- e) Questions to ask Dunn re future direction of WCC
 - (1) None at this time. However Kst should make sure that Dunn is aware of any major financial issues that are necessary for any changes or additions to Wcc traditional scopes of work
- f) Witcher organization in 2 to 5 years without Kst
 - (1) Kst has to try to find, educate, train and groom staff for future senior management responsibilities
 - (2) Kst has to be constantly interviewing and looking for talent. Kst will start interviewing and recruiting potential (see below) PM's now
 - (a) Levels of Project Management
 - i) Project Technician
 - ii) Associate Project Manager
 - iii) Assistant Project Manager
 - iv) Project Manager
 - v) Senior Project Manager
- g) Witcher organization in 2 to 5 years with Kst
 - (1) Kst has to try to find, educate, train and groom staff for future middle and senior management responsibilities
 - (2) Kst has to be constantly interviewing and looking for talent. Kst will start interviewing and recruiting potential (see below) PM's now
 - (a) Levels of Project Management
 - i) Project Technician
 - ii) Associate Project Manager
 - iii) Assistant Project Manager
 - iv) Project Manager
 - v) Senior Project Manager

- h) Witcher status update
- (1) Not all staff members seem to agree with kst's standards of client relation performance. Reasons for this may include:
 - (a) Standards too high for staff to reach, leading to drop out attitude.
 - (b) kst believes in minimizing low level performance and eliminating surprises when possible. Staff may be indifferent to these abstract concepts - or they may not understand them.
 - (2) It is becoming apparent that not all of the senior staff members are improving their management capabilities to the degree expected by kst and their other superiors. Reasons?
 - (a) Inability to manage subordinates.
 - (b) Disagreement with the level of ability expected of them.
 - (c) They are poor project managers.
 - (d) Greater than expected demands on their time and abilities.
 - (e) Low expectations or perceived low expectations of senior manager's managers.
 - (3) Kst is dragged into micromanaging and managing situations he feels are the responsibility of lower and middle management (sometimes even of senior managers). The problems causing this might be:
 - (a) Decision fatigue or laziness on the part of middle managers.
 - (b) Indifference to negative impacts on projects by middle and senior management? We must make mistakes a matter of concern
 - (c) Promotional paralysis among low, middle and senior management. Management organization is so well fixed that it does not offer room for advancement, except at the expense of other persons. Reasons?
 - i) Lack of vertical integration.
 - (1) Look at Design Build
 - (2) Look at maintenance work
 - (3) Look at program management work
 - (4) Look at tenant improvement work
 - (5) Others etc?
 - ii) Centralized control of activities.
 - (1) Should the overall project manager be responsible for self performed work eg concrete and masonry on a project or should it be centralized to 1 or 2 people that handle concrete and masonry on a company wide basis? The pros would be consistency in estimating and reporting of productivity and units. The con would be

- that there could be the tendency of the overall project manager will be one further step removed from ultimate responsibility and accountability for the overall project.
- iii) Lack of room for advancement in conventional activities within Witcher.
 - (1) The cream will rise to the top. There are a lot of potentials for staff that show drive, initiative and self starting ability
 - iv) Excessive complacency within staff that do not have heavy drives to advance.
 - v) Micromanagement of problems forced on senior management if middle or lower management cannot solve the problems.
 - (1) Some senior management want Wcc to succeed no matter what
 - (2) Senior management afraid to let others fail as it may affect Wcc reputation or present or future client or work
 - (d) Kst's span of control is too great to exercise full positive and effective management of the senior staff.
 - i) Kst must find a way to delegate some authority to some other management personnel
 - ii) Kst may have to make himself less accessible
 - iii) Kst may have to be more demanding- require meeting notes to be taken and accountability established for all pending items in certain meetings
 - (e) The mirror effect of Kst's span of control and occasional micromanagement that encourages copying the style by the senior or middle management.
 - i) Senior and middle management have to be their own person. To emulate for appearance will not suffice for lack of production.
 - (f) Might be that excessive span of control caused by delegation without adequate resources to lower staff levels.
 - i) This may be a perception of lower level staff. However, Wcc has added staff and invested in a younger generation to train for future growth. There has been a hit on earnings to allow for this investment. The investment has been on-going for 3 years and the pay back has to start materializing. It is taking more PM time now to manage

projects than before when we did not have the younger staff.

- (4) Kst has a feeling that nobody in Wcc is really concerned about Kst and his desires to achieve the missions and visions that he has for Wcc; and which in many cases are for the benefit of the employees of the company. How is this hurting Wcc and how can it be moderated or alleviated?
 - (a) Seeming indifference to the load other's lack of performance place upon kst's time and his ability to perform senior management duties needed to keep the company healthy.
 - (b) Differing personal agendas and the conflicts they cause.
 - (c) Lack of congruence in expectations by kst and the senior and middle management staff.
 - i) For example, client service articles that Kst clips from periodicals and hands out to staff will be subject to an in depth discussion rather than just handing the articles out and forgetting about them. Try assigning staff to write case studies of the article subject that can be acted out in operational meetings. (See Rjs's notebooks for examples of case study work)
- i) WCC logo change.
 - (1) 04-Implication of wcc/dunn name change.
 - (2) Kst is hiring a local PR firm to guide in the roll out process.
- j) Internal benchmarking.
 - (1) Kst is starting to expand the internal benchmarking beyond what he has been doing with the financial benchmarking and monitoring
- k) Review manufacturing potential of Wcc - Deferred for a later meeting
 - 1) Preparation of a Witcher glossary of terms. - On-going
- m) Review program management delivery systems

2. jed topics

- a) Organizational structure
- b) Questions to ask Dunn re future direction of kst
- c) IT committee.
- d) jed group in general.

3. kst topics

- a) kst future career update inside jed.
- b) kst future career update outside jed.
- c) 02-Rules - of-thumb for planning and scheduling.
- d) 01e-Disks for kst
- e) 01d-3/6/12 month action plan - what does it look like?

- f) 05-KST decision tree
 - (1) Array of decisions kst must make within his age range of 47 to 50 to assure him and his family of a continuing income and an ongoing intellectual, philosophical, professional and technical stimulation. After all kst will have about 35 more years to keep himself busy.
- g) 05-Rule- of-thumb for estimating and costing.
- h) ✓ The year has been a bummer for the first three months!
- i) ✓ End of December 2000 and a volume of \$112,000,000 came a big let down in terms of kst control. What might be some of the causes?
 - (1) ✓ Too great a span of management.
 - (2) ✓ Insufficient or inappropriate delegation.
 - (3) ✓ Poor follow up by insufficient feed back on delegated tasks.
 - (4) ✓ Mistakes were made by staff or by others that caused Kst to get involved.
 - (5) ✓ A rush of problems that probably appeared greater than they really were.

B. Notes from kst's random ideas

- 1. Note the following notes were typed by Kst:
- 2. Due to the operational involvement, Kst is concerned about not looking enough at the future of the company or the industry - future trends, etc.
 - a) Perhaps the need for a time audit is now and soon
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5. Kst has concerns about an apparent lack of future business development by WCC's director of business development - again kst's span of control may be too great and he is not giving enough management time to this and other areas of WCC
 - a) Kst has to start having more business development and marketing meetings to hold them accountable to goals and objectives that were identified by the marketing and business development group. Minutes will start to be taken and accountability will be established.
6. Comments are periodically made that the staff is overworked. Kst does not totally agree with those beliefs.
7. Kst feels a tremendous obligation to the employees, to the Dunn's and to himself to have a great organization.
8. Currently, Kst believes he will not go into the contracting business on his own because the sleep he loses when it isn't his money will only increase geometrically if it were his.
9. Is the thrill of the hunt to make a succesful organization gone? Kst wanted to prove to people that he could do it- the ones that left in 1994; Mre, Bgo, etc. Last September, RJs asked if Kst could walk away from WCC at the end of 2000, Kst felt he could have because things appeared to be going very well and a major milestone 9 revenue mark) was achieved; however the issues that have developed in early 2001 make Kst feel he may not want to until some issues are fixed. Kst wants to leave WCC (whenever that is) as a better place than when Kst was placed in charge.

10. Does Kst expect too much? Kst doesn't think so but Kst may have expectations that may not be able to be met by some of the current staff.
 11. The Dunn's say WCC and Kst are doing great. Kst has heard that from an outside consultant that the Group uses that the Dunn's think Kst is doing great - Why doesn't Kst feel that he and Wcc are doing great?
- C. Current meetings held by Kst staff
1. Bi-weekly (every two weeks) executive meetings
 - a) Purpose of meeting
To discuss and take action on executive management issues such as human resources, staffing and hiring, executive issues and decisions.
 - b) Chaired by Kst
 - c) Attended by Kst, Dbu, Ssh, Ako, Tma, Ala, Dlo
 - d) Actions resulting from the meeting
Set course of WCC; staff additions; Time with Kst
 2. Bi-weekly (every two weeks) staff meetings
 - a) Chaired by Kst
 - b) Attended by all office staff-41 people
 3. Biweekly staffing field and PM meeting
 - a) Chaired by Ssh and Dlo
 4. Estimating meeting
 5. Accounting meeting
 6. Support staff meeting
 7. Weekly operational meetings
 8. Quarterly superintendent meetings
 9. Monthly safety meetings - Kst attends very rarely however
- D. Past meeting & to trash items
1. Suggested agenda topics - September 28, 29, 2000 - pending items transferred to March 19, 2001 agenda topics
 - a) ✓ 01a-WCC in-house management hierarchy and its dissemination to those in and outside the hierarchy.
 - b) ✓ 01b-jja decision tree. Yes or no?
 - c) ✓ 04-ser decision tree. ??
 2. Items to trash later
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Witcher Planning
Ken Styrlund

Ralph J. Stephenson, P.E.
Consulting Engineer

meetings. (See Rjs's notebooks for examples of case study
work)