

BUSINESS STRATEGY CONFERENCE

Schostak Brothers & Co.

Radisson Hotel, Southfield, Michigan

Date: Tuesday, December 16, 1997

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Business Strategy Conference, Schostak Brothers & Company

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Agenda for Schostak Business Strategy Conference

I. Mission of conference

To decide where the Schostak management team should best focus their talents and efforts in the market place, over the next 5 years, so that Schostak and its staff achieve on-going business success.

II. Conference information.

- A. **Subject:** Selecting Business Strategies for the Next 5 Years
- B. **Date:** Tuesday, December 16, 1997
- C. **Location:** Radisson Hotel, Southfield, Michigan
- D. **Time:** 7:00 A.M. to 3:30 P.M.

III. Suggested agenda (topics and time frames subject to revision as conference proceeds)

- A. **07:00 to 07:20 A.M.** - Introductions.
- B. **07:20 to 07:40 A.M.** - How the list of 12 development topics originated - general orientation discussion.
 - 1. Suburban office buildings/industrial (for sale to REIT)
 - 2. B Malls (redevelop and sell)
 - 3. Purchasing local management companies (commercial and light residential)
 - 4. Fee development (services?)
 - 5. RFP
 - 6. Retail build-to-suit for corporate/retail site
 - 7. Stadium - peripheral development
 - 8. Land speculation
 - 9. POB/movie theater
 - 10. LBE (Location based entertainment)
 - 11. Corporate services
 - 12. General Detroit development
- C. **07:40 to 08:00 A.M.** - How the management team selected the 12 forms of development to initially concentrate on - group discussion.
- D. **08:00 to 08:30 A.M.** - What factors must be considered in selecting courses of action that have the greatest potential to be successful? - group discussion.
- E. **08:30 to 09:30 A.M.** - Workshop groups - break into two table groups of 3 people and one table of 4 (table make up?).
 - 1. Validate and revise group discussion factors to be considered in selecting best courses of action in the group discussion (item D above).
 - 2. Assign weights and values to the factors selected
 - 3. Rank the various development opportunities according to the weight/value system selected
 - 4. Summarize findings
- F. **09:30 to 10:05 A.M.** - Coffee break
- G. **10:05 to 11:00 A.M.** - Review of workshop results - group discussion.
 - 1. Expand, revise or cut back the list of future business opportunities to be considered.
 - 2. Validate the criteria for evaluating the business potential to be applied to each business opportunity.
 - 3. Select the business opportunities that have the highest potential for success.
 - 4. Discuss the best approaches to implementing each of the business opportunities selected.
 - a) Timing
 - b) Staffing
 - c) Financing

- d) Marketing
- e) Profit potential
- f) Other

- H. **11:00 to 12:00 noon** - Set goals and objectives for the future one to three year period.
- I. **12:00 to 01:00 P.M.** - Lunch
- J. **01:00 to 02:00 P.M.** - Discuss implementation actions to be taken in the future one to three year period.
- K. **02:00 to 03:00 P.M.** - Lay out course of action for immediate future, and decide how to proceed to achieve specific intermediate goals and objectives.
- L. **03:00 to 03:30 P.M.** - Recap day's discussion and decisions.
- M. **03:30 P.M.** - Adjourn

IV. Key definitions

A. At-risk

A position or action that puts an individual or organization in the position of possibly suffering harm, loss, or danger. Often the hazard poses an uncertain but potential danger.

B. Business model

A graphic depiction of the elements which make up a business entity. The model usually identifies premises, objectives, and implementation. It recognizes basic business functions, business activities and manager activities.

C. Culture - business

A way of doing business that has been generated by a group of human beings and is passed along from one business generation to another, generally by unstructured communication.

D. Development

A business operation in which the primary goal is to locate and produce profitable and marketable real estate assets.

E. Effective

Of a nature that achieves identifiable goals and objectives in accordance with an action plan, and achieves worthwhile peripheral goals through intermediate accomplishments.

F. Efficient

Exhibiting a high ratio of output to input.

G. Everyone-must-know communications

An organizational communications system based on the managerial belief that if everyone in the organization knows what all or most other people in the organization are doing and working on, the organization's overall output quality will be superior.

H. Ex'-e cutive

The executing arm of the organization closest to the flow of expense and income experienced in achieving the organization's prime objectives. Closely related to line operations.

I. Horizontal growth (Integration)

A management system that emphasizes diversifying by expanding existing functions by classes. For instance a design office could accomplish horizontal integration through dividing their operations into various kinds of projects such as commercial, institutional and industrial. These all use the same or similar functional disciplines but the organization is divided into separate groups that concentrate mainly on one of the three main building types.

J. Leadership

The process of persuasion or example by which an individual induces a group to pursue objectives held by the leader or shared by the leader and his or her followers. - John W. Gardner

"The art of getting someone else to do something you want done because he wants to do it" -
Dwight D. Eisenhower

K. Manage

To define, assemble and direct the application of resources.

L. Management

The act and manner of managing.

M. Marketing

The process of conceiving, formulating and implementing a process by which the ultimate service or product of an organization can be successfully sold.

N. Need-to-know communications

An organizational communications system based on the managerial belief that information should only be offered and provided to those who truly need it and can use it to add value to the product they are responsible for producing.

O. Profit - educational & training

Fulfillment of learning and teaching goals held by individuals and their companies.

P. Profit - financial

Fundamentally, the difference between organizational cash income and organizational cash expense. Further definitions of financial profit are complex and often unique to an organization or project.

Q. Profit - self actualization

Personal fulfillment realized after basic needs of shelter, safety, protection, love and freedom from hunger are achieved.

R. Profit - socio economic

Company, group or individual achievement of social objectives within a financially profitable set of activities.

S. Profit - value system

Company and project fulfillment of personal, professional, technical, social and financial values held important by individuals and groups related to the company.

T. Proforma - in real estate development

A financial model unusually built early in a construction program to show by projecting income and expenses, how the money flow to and from the project will occur. It is often used to establish the capital amount to be allocated to a project based on simulated operating conditions. The term pro forma means according to form.

U. Risk management

The management and conservation of a firm's assets and earning power against the occurrence of accidental loss.

V. Vertical growth (integration)

A management system that encourages diversifying by adding new functions to existing functions. New functions added usually bear an organizational relation to the existing. An example of vertical integration is incorporating real estate control, building design, financing, construction, leasing and asset management into a single development operation.

32 questions of importance in setting Schostak's diversification objectives

The 32 questions below are habit forming inquiries listed at random and are designed to encourage the Schostak staff to look ahead in their business's future.

1. What business(es) are we in now?
2. What business(es) do we want to be in 1 year from now?
3. What business(es) do we want to be in 3 years from now?
4. What business(es) do we want to be in 5 years from now?
5. What is the most important single goal to be achieved by our organization by the end of 1998?
6. What is the most important single goal to be achieved by our organization by the end of 2001?
7. What is the most important single goal to be achieved by our organization by the end of 2003?
8. What are Schostak's principal products or services now?
9. What should be Schostak's principal products or services 1 year from now?
10. What should be Schostak's principal products or services 3 years from now?
11. What should be Schostak's principal products or services 5 years from now?

Note: A single product or service does not necessarily define the full parent business nor does the parent business necessarily define all the products or services produced.

12. What market does Schostak serve now?
13. What common qualities define our present clients?
14. What is our predominant image with our present clients?
15. What major competitive edge does Schostak has over others in its present business?
16. Where is Schostak presently at a disadvantage in comparison to its competitors?
17. What major changes will Schostak need to make in its present organization to

effectively diversify?

18. What share of the markets in which Schostak participates does it now have?

19. What share of what markets do we want to have six months from now?

20. What share of what markets do we want one year from now?

21. What are the major strengths of Schostak's present organization?

22. How is Schostak management presently using these major strengths?

23. What are the major weakness in Schostak's present organization and operation?

24. How do Schostak's current major organizational and operational weaknesses affect its performance?

25. How can Schostak begin reducing the impact of its current major weaknesses?

26. What specific diversification objectives should Schostak be focusing upon?

27. What kinds of profit drives are important to Schostak's future success.

Note: Effective managers recognize that seven identifiable profit types have a major impact on business success. These profit types are financial, social, self actualization, value system, technical/professional, enjoyment and educational.

28. What do we feel are our specific objectives for profit improvement?

29. In what ways do our present personnel policies chafe our employees?

30. To what degree can we count on Schostak's key people in the future?

31. Where will Schostak's future personnel come from?

32. How can Schostak finance growth?

THE NEED FOR PROFIT

A. KINDS OF PROFIT

1. Financial
2. Social
3. Self actualization
4. Value system
5. Technical
6. Enjoyment
7. Educational

B. ELEMENTS OF MULTI VALUE COMPETITION

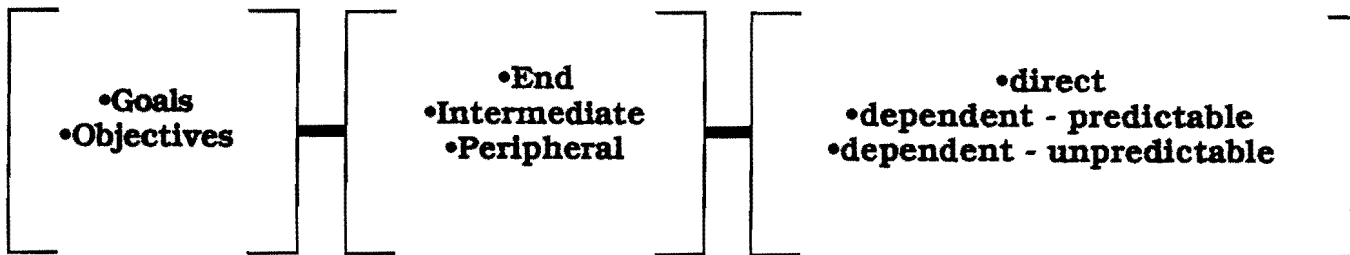
1. Competence
2. Service
3. Integrity
4. Cost
5. Delivery
6. Understanding

C. HOW DO WE ACHIEVE PROFIT - TRUE PROFIT ?

1. Be smarter
2. Plan better
3. Control closer
4. Achieve more
5. Add value for your customers

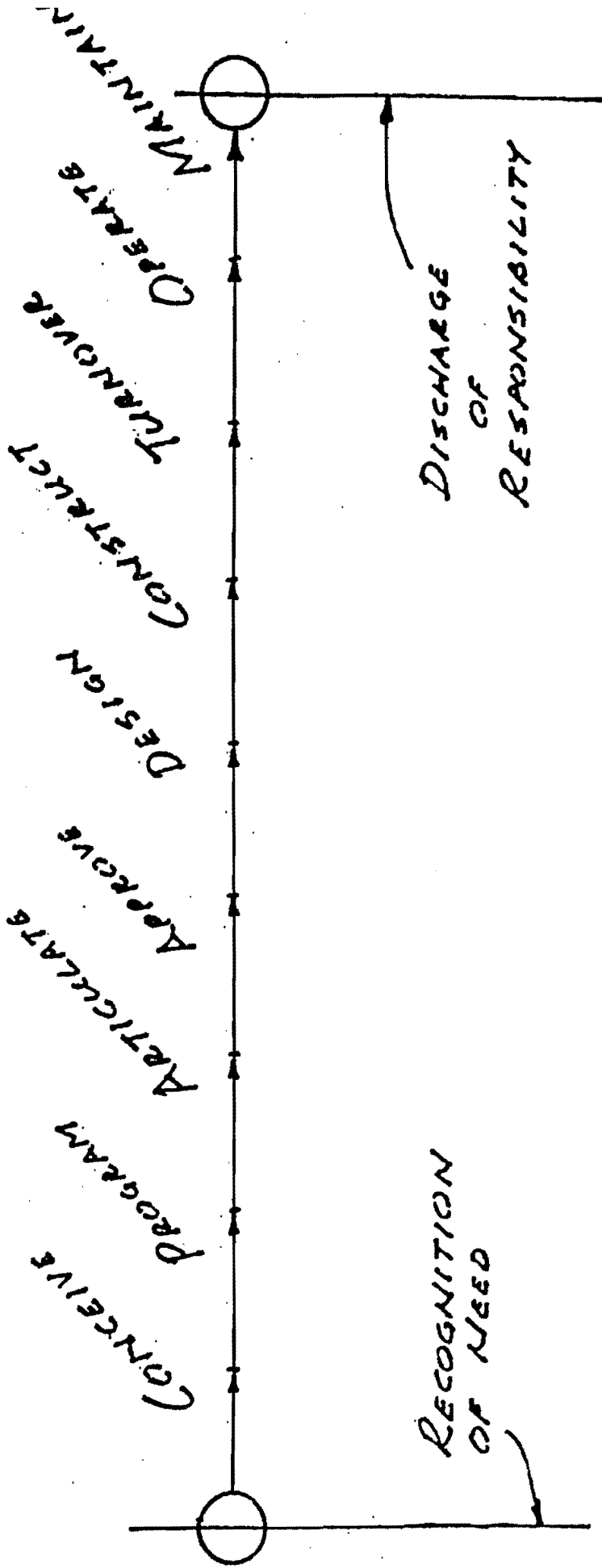
& profits will be automatic!

Goals & Objectives Definition



Definitions

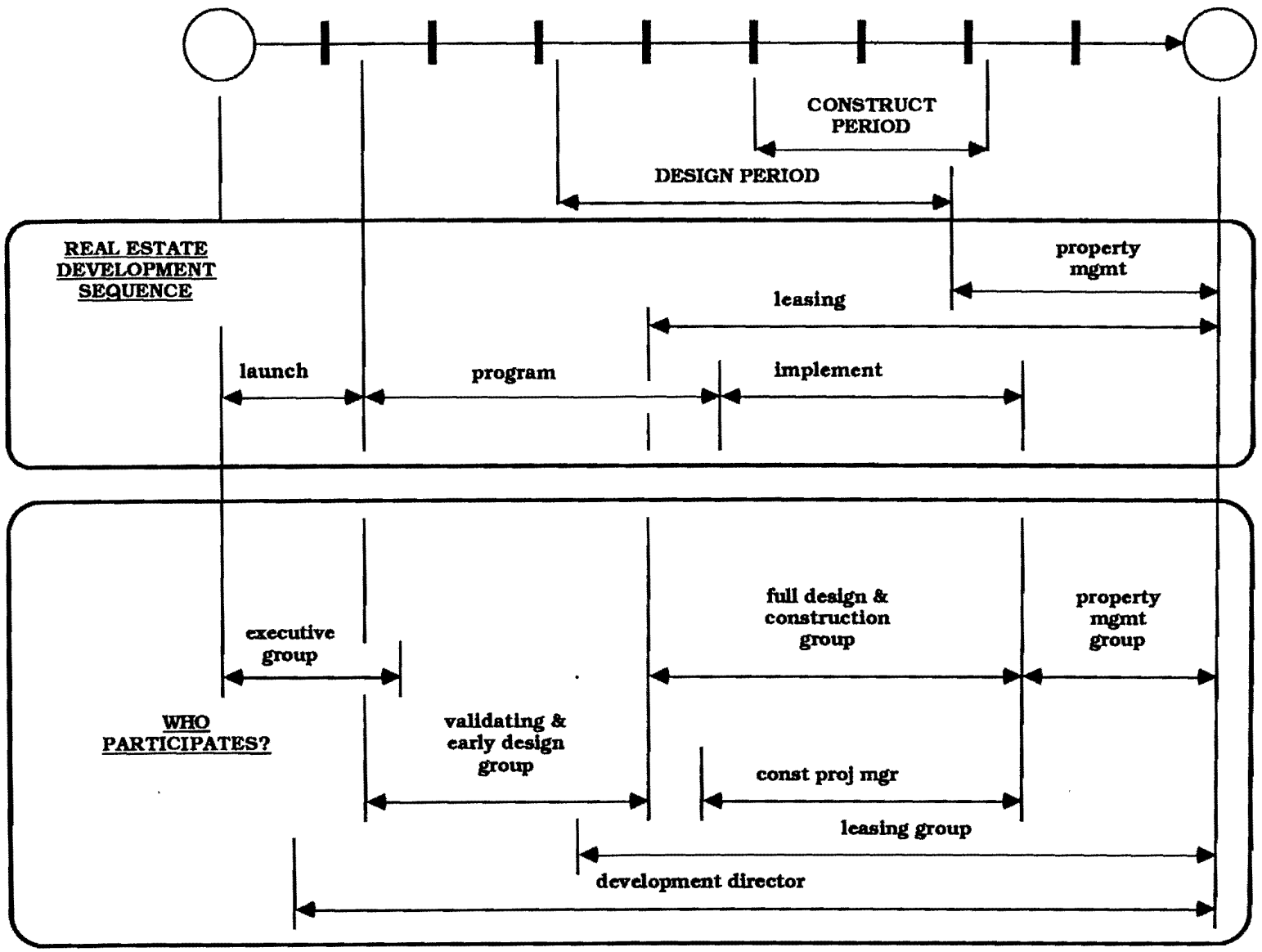
- **Goals - Unquantified targets to be achieved**
- **Objectives - Quantified goals to be achieved**
- **End - Goals & objectives realized upon completion of the project or program**
- **Intermediate - Goals & objectives achieved at specific points prior to completion of the project or program**
- **Peripheral - Goals & objectives achieved on an ongoing basis during the project - often are personal, professional, technical, financial or social**
- **Direct - Goals & objectives to be achieved by internal direct influences**
- **Dependent - Goals & objectives affecting the project but to be achieved by external influences - usually are predictable or unpredictable**



LINE OF ACTION

**PLAN, DESIGN,
CONSTRUCT LINE
OF ACTION**

conceive program articulate approve design construct turnover operate maintain



Development phases - Ralph J. Stephenson P.E. - ho 336 - d 162

I. Phase A - Launching a project

The launch phase of the work is concerned primarily with locating & nurturing development opportunities or assets intended for long-term ownership and use. If the company's desire is to create negotiable development assets, the launch group works on the front edge of this effort. The launch group may call upon other functional elements of the organization as needed but the launch group must be independently creative, flexible, knowledgeable & understand and enjoy the development process.

The launch group is headed by the chief operating officer of the firm. Upper management members in charge of the other functional elements are members of his launch group. They are charged with locating high potential project opportunities, and screening and profiling them so as to maintain a high percentage of success probability.

The launch group should be relatively unstructured but must maintain a rigorous discipline relative to communication with others in Element A as well as those in their specific area of functional responsibility.

In addition, members of Element A are responsible for maintaining meticulous documentation of opportunities and related action.

II. Phase B - Developing the project program

In the project program work phase the development staff works closely with the launch group to take over the created and profiled opportunity and substantiate its validity, or justify its rejection. The programming group's job is to bridge the gap between the free wheeling creative actions necessary in the launch action and the project implementation action. They often are the cool voice of business reason.

It is critical to understand that the program phase is where development funds are actually committed. These funds are then spent during another phase. Thus projects that emerge from the program analysis must be those with the highest probability of success.

In a sense the program function forces the project to prove itself as a feasible course of action to produce a negotiable development, or a long-term ownership asset.

Where deficiencies are located in a created opportunity, but there appears to be some soundness to the project, the program function is responsible for effecting acceptable changes to the elements that are their responsibility so as to make the project a go!

In this sense the program group must be every bit as creative as is the launch group.

III. Phase C - Implementing the project

During the project implementation period the specific contract documentation is produced and the project is built, leased and occupied. In essence, the majority of the funds commuted to the project during the launch and program phases are actually spent on design and construction during implementation.

Leasing during project implementation is basically rental work taking place that allows tenant improvements to proceed concurrently, sequentially and in harmony with owner work.

The project implementation staff also carries out major remodeling work to existing properties as compared to minor improvements made by the properties staff. Decisions on what is a major & minor project must be arrived at jointly by the functional groups with the aid of the executive staff.

IV. Phase D - Managing improved properties

In the property management phase the development staff exerts management control over improved properties to insure they are successful investments. The property management staff is also responsible for continuous evaluation of each property to determine the best future course of action relative to that property at any given time.

Minor improvements to existing properties in the portfolio are the responsibility of the property management group. Property management determines the scope of work, arrange for the design and construction, and sees that the necessary field work is done.

V. Phase E - Maintaining the ongoing organization

The ongoing organization is an essential supportive staff designed to permit effective functioning of project oriented elements of the organization. It is a relatively high overhead operation built to serve operations.

In a project oriented firm the individual programs or projects drive the company; as such the support or ongoing group must be kept lean but be given all the tools needed to properly buttress line activities.

VI. Phase F - Leasing the asset

Leasing of an asset usually signals the start of income flow which can be used to retire outstanding indebtedness. Many of the actions of the leasing program are accomplished in close cooperation with work accomplished in Elements B, C & D. However, final responsibility for leasing results rests with the leasing department and those charged with its management.

The leasing program usually includes both lease negotiations, and design and construction of the tenant space within the tenant's demised premises.

Ralph J. Stephenson, P. E.
Consulting Engineer

Tenant design and construction is usually carried out at a different pace than the base or landlord design and construction. For this reason the design and construction of the space may be assigned to a tenant coordinator who acts as the project manager for the tenant space work.

Development stages & actions to be taken

I. Development stages and actions to be taken - ho 322, disk 162

A. By Ralph J. Stephenson PE

B. This material is designed to

1. 1. Provide a direct stimulus to thinking about real estate development services
2. 2. Identify the phases through which most development projects must run
3. 3. Describe some of the major activities conducted in each development phase
4. 4. Identify possible functional jobs for those involved in the development cycle

C. Development actions in which professional design and construction services play a role

It should be recognized that Actions A through F described below are termed functional. This means their definition is based on what the group does, rather than at what phase it does it. It is possible, for instance, to have a single project residing in one or more of the functional elements at a given time. This is particularly the case with actions A and B, the launch period and the program period. Please note that all lists in the material that follows are at random

1. Action A - Launching the project

a) Summary of the launch function

The launch phase of the work is concerned primarily with locating & nurturing development opportunities or assets intended for long-term ownership and use. If the company's desire is to create negotiable development assets, the launch group works on the front edge of this effort. The launch group may call upon other functional elements of the organization as needed but the launch group must be independently creative, flexible, knowledgeable & understand and enjoy the development process.

The launch group is headed by the chief operating officer of the firm. Upper management members in charge of the other functional elements are members of his launch group. They are charged with locating high potential project opportunities, and screening and profiling them so as to maintain a high percentage of success probability.

The launch group should be relatively unstructured but must

maintain a rigorous discipline relative to communication with others in Element A as well as those in their specific area of functional responsibility.

In addition, members of Element A are responsible for maintaining meticulous documentation of opportunities and related action.

- b) Activities of the launch group
 - (1) Conceiving the opportunity - a visualization process
 - (2) Selecting the site
 - (3) Creating the opportunity - a doing process
 - (4) Marketing the opportunity
 - (5) Selling the opportunity
 - (6) Budgeting and financing the opportunity
 - (7) Controlling the site
 - (8) Selecting the project team
 - c) Possible construction-related jobs to be done in the launch period
 - (1) Evaluating sites
 - (2) Representing the company in marketing & selling
 - (3) Reviewing construction assumptions for financial feasibility
 - (4) Reviewing construction assumptions for physical feasibility
 - (5) Selecting the development implementation team
2. Action B - Developing the project program
- a) Summary of the project program function

In the project program work phase the development staff works closely with the launch group to take over the created and profiled opportunity and substantiate its validity, or justify its rejection. The programming group's job is to bridge the gap between the free wheeling creative actions necessary in the launch action and the project implementation action. They often are the cool voice of business reason.

It is critical to understand that the program phase is where development funds are actually committed. These funds are then spent during another phase. Thus projects that emerge from the program analysis must be those with the highest probability of success.

In a sense the program function forces the project to prove itself as a feasible course of action to produce a negotiable development, or a long-term ownership asset.

Where deficiencies are located in a created opportunity, but there appears to be some soundness to the project, the program function is responsible for effecting acceptable changes to the elements that are their responsibility so as to make the project a go!

In this sense the program group must be every bit as creative as is the launch group.

b) Activities of the project program group (at random)

In the definition of program activities those that are qualified in parentheses indicate the prime thrust for the action can come from either group.

- (1) Preparing market studies
- (2) Selecting the site (helping the launch group)
- (3) Controlling the site (helping the launch group)
- (4) Writing the project program
- (5) Preparing proforma analyses and project budgets (with the launch group)
- (6) Preparing traffic and site access studies
- (7) Locating & obtaining financing (helping the launch group)
- (8) Organizing the project team (with the launch group)
- (9) Preparing project conceptual design studies
- (10) Preparing project schematic studies
- (11) Preparing initial land use plans
- (12) Verifying site characteristics
 - (a) Environmental
 - (b) Soils
 - (c) Demolition required
 - (d) Mineral rights
 - (e) Impact studies
- (13) Resolving initial political impacts
 - (a) Zoning
 - (b) PUD approval and treatment
 - (c) Utility services
 - i) Waste and wastewater
 - ii) Water supply
 - iii) Gas
 - iv) Sanitary sewer
 - v) Storm sewer
 - vi) Power

- vii) Cable tv
- viii) Telephone
- (d) Off site improvements
- (e) Annexations
- (f) Public easements
- (g) Encumbrances
- (h) Encroachments
- (i) Rights of way definition
- c) Possible construction-related jobs to be done in the program period
 - (1) Making detailed site reconnaissances of selected sites
 - (2) Determining construction labor conditions in proposed areas
 - (3) Determining construction material conditions in proposed area
 - (4) Advising on construction systems to be used
 - (5) Preparing preliminary conceptual estimates for budgeting
 - (6) Helping to write project programs
 - (7) Advising on potential code and environmental constraints
 - (8) Finding and screening prospective field personnel
- 3. Action C - Implementing the project
 - a) Summary of the project implementation function

During the project implementation period the specific contract documentation is produced and the project is built, leased and occupied. In essence, the majority of the funds committed to the project during the launch and program phases are actually spent on design and construction during implementation.

Leasing during project implementation is basically rental work taking place that allows tenant improvements to proceed concurrently, sequentially and in harmony with owner work.

The project implementation staff also carries out major remodeling work to existing properties as compared to minor improvements made by the properties staff. Decisions on what is a major & minor project must be arrived at jointly by the functional groups with the aid of the executive staff.
 - b) Activities of the project implementation group
 - (1) Retaining project staff for implementation
 - (2) Preparing project schematic designs to validate conceptual studies
 - (3) Preparing project contract documents
 - (4) Prepare and monitor construction budgets
 - (5) Prepare and monitor construction schedules

- (6) Constructing the project
 - (a) Check contract documents for constructibility
 - (b) Prepare contract document packages
 - (c) Prepare construction proposal packages
 - (d) Solicit construction proposals
 - (e) Select contractors
 - (f) Award contracts
 - (g) Process submittals
 - (h) Direct project construction operations
 - (7) Assisting with pre construction leasing
 - (8) Assisting with preselling units
 - (9) Assist in preparing lease documents
 - (10) Reviewing and approving tenant design
 - (11) Reviewing and approving layouts of owner-occupied facilities
 - (12) Controlling tenant construction through others
 - (13) Designing & constructing major improvements to existing properties
 - (14) Implementing a quality assurance plan for all activities of the group
 - (15) Meshing owner occupancy requirements with construction, facilities management and consultants
- c) Possible construction-related jobs to be done in the implementation period

Note: This entire document was designed to relate to construction opportunities in the development cycle. Hence the detail in the following list.

- (1) During design and preparation of contract documents
 - (a) Preparing target cost estimates from schematics & design development dwgs
 - (b) Advising design team on effective construction techniques
 - (c) Advising design team on selection of construction materials
 - (d) Advising design team on relative cost analyses
 - (e) Assisting design team in construction systems selection
 - i) Site work
 - ii) Foundation work
 - iii) Structural frame
 - iv) Exterior building skin
 - v) Interior rough building elements
 - vi) Interior finish building elements
 - vii) Vertical transportation
 - viii) Heating and air conditioning
 - ix) Electrical installation

- x) Security installation
- xi) Underpinning and sheeting
- xii) Hoisting

In recent years hoisting on large projects has become a very important part of the evaluations made of various types of prefabricated and in place construction processes. Having an expert on hoisting and hoisting equipment available could be of great value to owners, contractors and suppliers alike.

- (f) Directing the design team in contract document packaging
- (g) Prepare summary construction network plans for design use
- (h) Prepare summary schedules for design use
- (i) Prepare value engineering studies
- (2) During construction contract award period
 - (a) Prepare list of acceptable contractors to propose on project
 - (b) Preparing construction contract packages for issuing to contractors
 - (c) Assisting to evaluate proposals and construction awards
 - (d) Issue purchase orders
 - (e) Obtain commitments on submittals and deliveries
 - (f) Tabulate actual buy out information
 - (g) Provide field with accurate procurement data to start up project
- (3) During construction period
 - (a) See that all permits needed are obtained
 - (b) Develop and issue start up procedures
 - (c) Provide all project management and field management start up data
 - (d) Assist in preparing detailed project plans
 - (e) Assist in preparing detailed project schedules
 - (f) Assist in preparing summary network plans & schedules
 - (g) Evaluate worth and value of proposed changes
 - (h) Establish field organizational structures
 - (i) Lay out construction site plans
 - (j) Advise project manager on procurement constraints
 - (k) Assist in designing and installing construction hoisting
 - (l) Prepare procurement and expediting program for all projects
- (m) Process bulletins and change orders
- (n) Inspect and report on field progress relative to
 - i) Conformance to job plan
 - ii) Quality of workmanship

- iii) Quality of field management
- iv) Cost targets
- (4) During close out period
 - (a) Insure that proper punch out is done by the organization
 - (b) Insure that proper warranties are obtained
 - (c) Insure that operating and maintenance manuals are provided the client
 - (d) Assist in obtaining certificate of occupancy
 - (e) Follow up with client to insure he is happy with the project - post occupancy evaluation

4. Action D - Managing improved properties

a) Summary of the property management function

In the property management phase the development staff exerts management control over improved properties to insure they are successful investments. The property management staff is also responsible for continuous evaluation of each property to determine the best future course of action relative to that property at any given time.

Minor improvements to existing properties in the portfolio are the responsibility of the property management group. Property management determines the scope of work, arrange for the design and construction, and see that the necessary field work is done.

Post construction leasing is done totally by the property management staff. If help is needed by project implementation during pre construction leasing the property management group acts in a staff advisory position to the project implementation group as requested by the implementation or executive staff.

b) Activities of the property management group

(1) Guiding and directing pre constructional leasing

Pre construction leasing is conducted prior to the initial construction being completed in the implementation stage. There are those who feel this operation should be under the direction of the property management organization.

(2) Doing post construction leasing

(3) Maintaining property values

(4) Designing minor property improvements

- (5) Constructing minor property improvements
- (6) Helping implement tenant association action
- (7) Advising other elements of the company in respect to leasing
- c) Possible construction-related jobs to be done in the property management period
 - (1) Inspect properties for maintenance needs
 - (2) Implement maintenance work needed on properties

5. Action E - Maintaining the ongoing organization

a) Summary of the ongoing maintenance function

The ongoing organization is an essential supportive staff designed to permit effective functioning of project oriented elements of the organization. It is a relatively high overhead operation built to serve operations.

In a project oriented firm the individual programs or projects drive the company; as such the support or ongoing group must be kept lean but be given all the tools needed to properly buttress line activities.

b) Activities of the ongoing organization group

- (1) Personnel
- (2) Administration
- (3) Accounting
- (4) Legal
- (5) Office management
- (6) Filing
- (7) Documentation
- (8) Office systems

6. Action F - Leasing - this section yet to be completed

a) Summary of the leasing function

Leasing of an asset usually signals the start of income flow which can be used to retire outstanding indebtedness. Many of the actions of the leasing program are accomplished in close cooperation with work accomplished in Actions B, C & D. However, final responsibility for leasing results rests with the leasing department and those charged with its management.

The leasing program usually includes both lease negotiations, and design and construction of the tenant space within the tenant's demised premises.

Tenant design and construction is usually carried out at a

different pace than the base or landlord design and construction. For this reason the design and construction of the space may be assigned to a tenant coordinator who acts as the project manager for the tenant space work.

- b) Activities of the leasing group (at random) - list to be continued
 - (1) Locate prospective major tenants and obtaining commitments
 - (a) Preleasing
 - (b) Presales of residential units
 - c) Activities of the ongoing organization group
- D. Idea list of possible duties (at random) for the development professional to perform
 - 1. Plan & schedule all phases of work for
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
 - 2. Manage facility maintenance operations including
 - a) Preparation of facility inspection checklist
 - b) Periodic inspection of facility
 - c) Maintenance of facility record drawings for reference
 - d) Advising on routine maintenance of buildings and building equipment
 - e) Advising on building or building system modifications
 - f) Advising on building expansion programs
 - g) Doing force account work for companies without in house staff
 - 3. Provide construction consulting on fee basis to
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
 - 4. Manage spun off specialty contractor operations
 - 5. Manage equipment rental operations
 - 6. Manage yard and shop operations
 - 7. Manage small jobs department

8. Trouble shoot construction work on fee basis
9. Conduct training programs on
 - a) Small tools use
 - b) Equipment selection and usage
 - c) Hoisting
 - d) Safety
 - e) Planning & scheduling
 - f) Conceptual estimating
10. Provide conceptual estimating services to
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
11. Provide tax credit consulting
12. Provide project documentation services
13. Conduct quality assurance programs for owners and A/E's
14. Make building code checks
15. Assist in preparing developer, landlord and tenant criteria specifications
16. Assist in purchasing and storing mass purchased items
17. Provide construction draw confirmation inspection services
18. Punch out jobs for others
19. Consult and participate in turning over and closing out project for others
20. Consult on construction site planning and materials handling
21. Manage facility maintenance division
22. Locate and assemble financing
23. Assemble & manage specialty contract design/build services
24. Train foremen and superintendents in effective office & field practices

CREATIVITY AND HOW IT IS USED IN PROJECT MANAGEMENT

Creative thinking is an essential ingredient to successful project management. It helps the alert project manager to solve problems, establish management patterns, provide leadership and motivation, and to insure that design, quality and cost integrity of a project is maintained.

Creative thinking is applied to the management process on a routine basis by continuing to learn with an open mind; being among the first to accept something new while being among the last to discard the old.

There is also a special requirement for creative thinking that demands getting rid of what Roger von Oech in his book, *A WHACK ON THE SIDE OF THE HEAD*, calls mental locks. These mental locks are recognized by such familiar phrases as:

1. I'm looking for the right answer.
2. That isn't logical.
3. Be certain to follow the rules.
4. Let's be practical about this.
5. And don't make any mistakes.
6. Playing is a waste of time.
7. That's not my area of work.
8. Don't be silly.
9. But I'm not a creative person

The above statements indicate a set pattern of thinking, that when used blindly, get in the way of the creative process.

Other major obstacles to thinking creatively include making premature judgments, and excessive use of the self fulfilling prophecy. The self fulfilling prophecy usually indicates you have your mind made up before even starting any heavy thinking about the idea. You then never give your brain a chance to do any creative thinking.

Remember, it is nearly impossible to be creative and judgmental at the same time. So, in project management it is a good idea when creatively considering a complex matter to prepare a random, or non judgmental, laundry list of things that have to be done or thought about. The list should include all items within reason, whether or not you and the others involved think it should be included. Often the combination of a single idea of doubtful merit is a brilliant thought in league with other ideas.

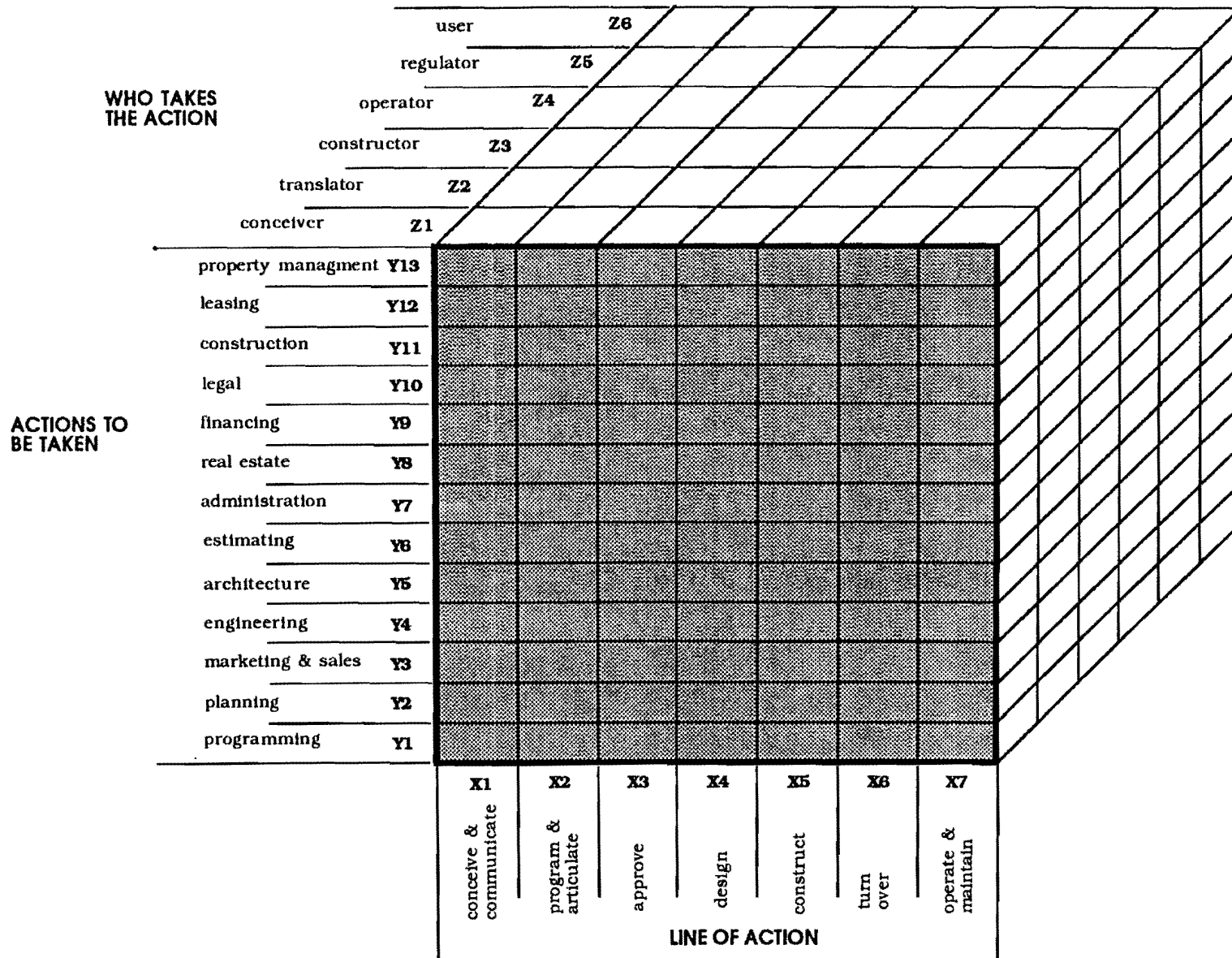
Processes of creatively tackling a problem have been used for hundreds of years by many excellent thinkers. The creative procedure can be described in six major steps.

Ralph J. Stephenson PE PC
Consulting Engineer

1. Gather all facts that time will allow, about the subject under consideration. Try not to be judgmental while you are collecting information.
2. Think hard about the data and the other information you have gathered in relation to the problem or situation you are involved with.
3. Forget about the problem! Let the material looked at so far, and the ideas you might have, get mulled over by your subconscious. This period is called gestation.
4. Ideas (illumination!) will usually start springing to mind soon after the gestation period starts. However, in some cases it might take several days, weeks, or even months. Be alert for the sudden revelation of the solution. When the solution or idea or lost thought appears grab it and write it down!
5. Act on the solution, idea or thought!
6. Follow up and check to see if the solution was a good one and if it has worked.

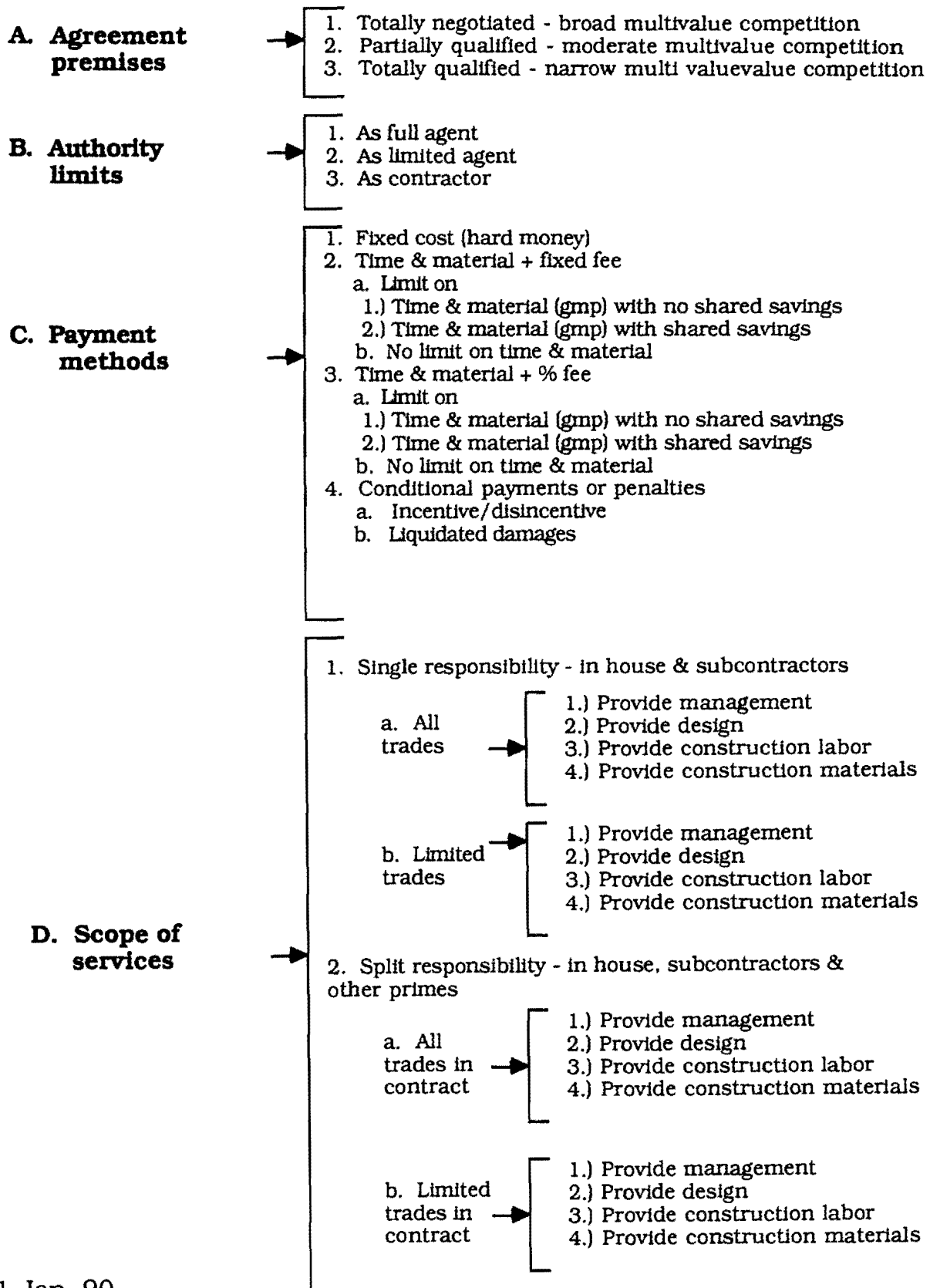
Creativity is a simple, elegant way of life. All you must do to enjoy it is to unlock your thinking, exercise your mind and use your imagination!

**FIGURE 2.01
MACRO MATRIX BOUNDARIES
OF DESIGN AND CONSTRUCTION**



3. Construction Contract Characteristics

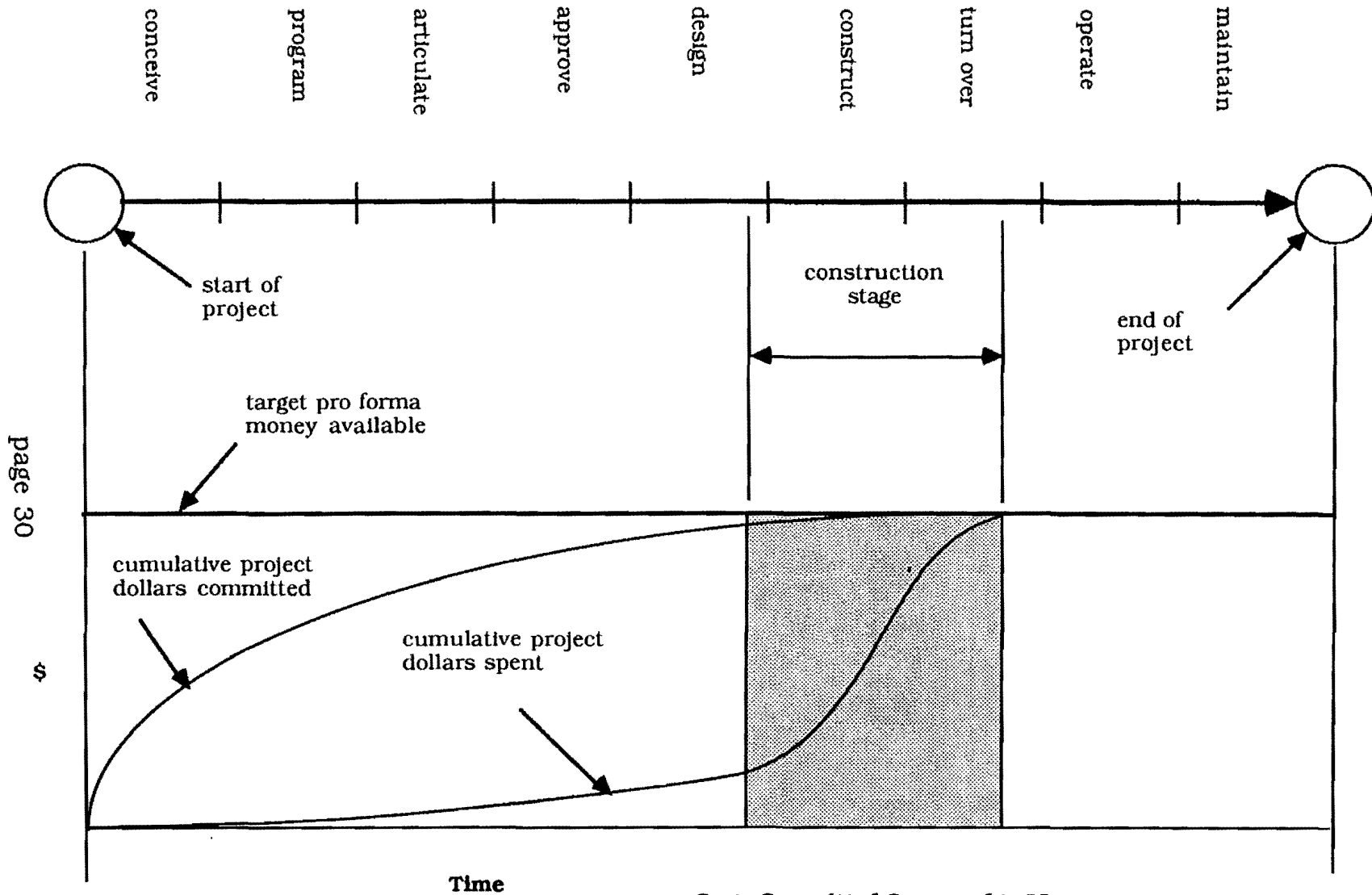
Ralph J. Stephenson PE
Consulting Engineer



1. Project Delivery Work Phases

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Consulting Engineer

<u>Phase</u>	<u>Needs</u>
<p>A. Conceive</p> <p>The need for the project is identified and a broad plan for its implementation is formulated.</p>	<p>→</p> <ul style="list-style-type: none">1. Market analysis2. Real estate analysis3. Financing analysis4. Cost analysis, and Others
<p>B. Validation</p> <p>The project financial feasibility is confirmed, land is controlled, and a formal pro forma made. Some confirmation site and building design studies are made. This phase produces a go or no go decision.</p>	<p>→</p> <ul style="list-style-type: none">1. Programming2. Real estate control3. Financing acquisition4. Cost analysis5. Approval6. Architectural design7. Land planning8. Traffic analysis9. Go or no go approval, and Others
<p>C. Design</p> <p>The design & construction delivery system is selected and documents adequate to construct the project are prepared & issued for construction.</p>	<p>→</p> <ul style="list-style-type: none">1. Design development2. Schematics3. Preliminaries4. Construction document production, and Others
<p>D. Construction</p> <p>The project is built & given to the owner & occupant using the delivery system selected earlier.</p>	<p>→</p> <ul style="list-style-type: none">1. Procurement2. Construction3. Turnover4. Warranty, and Others



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Costs Committed Compared to Money Spent on Construction Projects

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ho 350 Jan 90

Costs Committed vs. Money Spent

Committed costs are promised funds for purposes, that if such purposes are aborted a penalty must be paid, and a loss is often incurred.

Penalties and losses may include such items as:

- OPTION COSTS
- RIGHT OF FIRST REFUSAL COSTS
- LEGAL FEES
- EARLY ENGINEERING FEES
- EARLY PLANNING FEES
- DISPLEASURE OF POLITICAL ENTITIES
- STAFF TIME EXPENDITURES
- LOSS OF CREDIBILITY
- LOSS OF OPPORTUNITY

Summary of the Nine Master Keys of Management

(Adapted from the Nine Master Keys of Management by Lester R Bittel)

Three Requirements of the Good Manager

- A. Acquire a discerning (unique) point of view.
- B. Follow an effective mode of action.
- C. Employ a sensitive touch in interpersonal relationships.

A Discerning Point of View

- | | |
|---|--|
| <u>Action #1</u> - Apply situational thinking | <u>Result #1</u> - Your decisions will be more objective and less impulsive. |
| <u>Action #2</u> - Identify vital targets | <u>Result #1</u> - You'll quickly recognize turning points in critical situations. |
| <u>Action #3</u> - Prepare for the probable | <u>Result #3</u> - You'll be less flappable in difficult situations. |

An Effective Mode of Action

- | | |
|--|---|
| <u>Action #4</u> - Focus on performance criteria | <u>Result #4</u> - You'll better satisfy yourself and your superiors. |
| <u>Action #5</u> - Act form a plan | <u>Result #5</u> - You'll be able to get projects under way quickly and with certainty. |
| <u>Action #6</u> - Manage by Exception | <u>Result #6</u> - You'll accomplish more work than you ever thought possible. |

A Feeling for People

- | | |
|--|--|
| <u>Action #7</u> - Develop your confidence in others | <u>Result #7</u> - You'll find that people cooperate more freely. |
| <u>Action #8</u> - Employ the power of training | <u>Result #8</u> - You'll find that employee attitudes improve. |
| <u>Action #9</u> - Know your true self | <u>Result #9</u> - When you truly comprehend your whole self you'll find people responding to your ideas more directly and often more favorably. |

BUSINESS STRATEGY CONFERENCE

Schostak Brothers & Co.

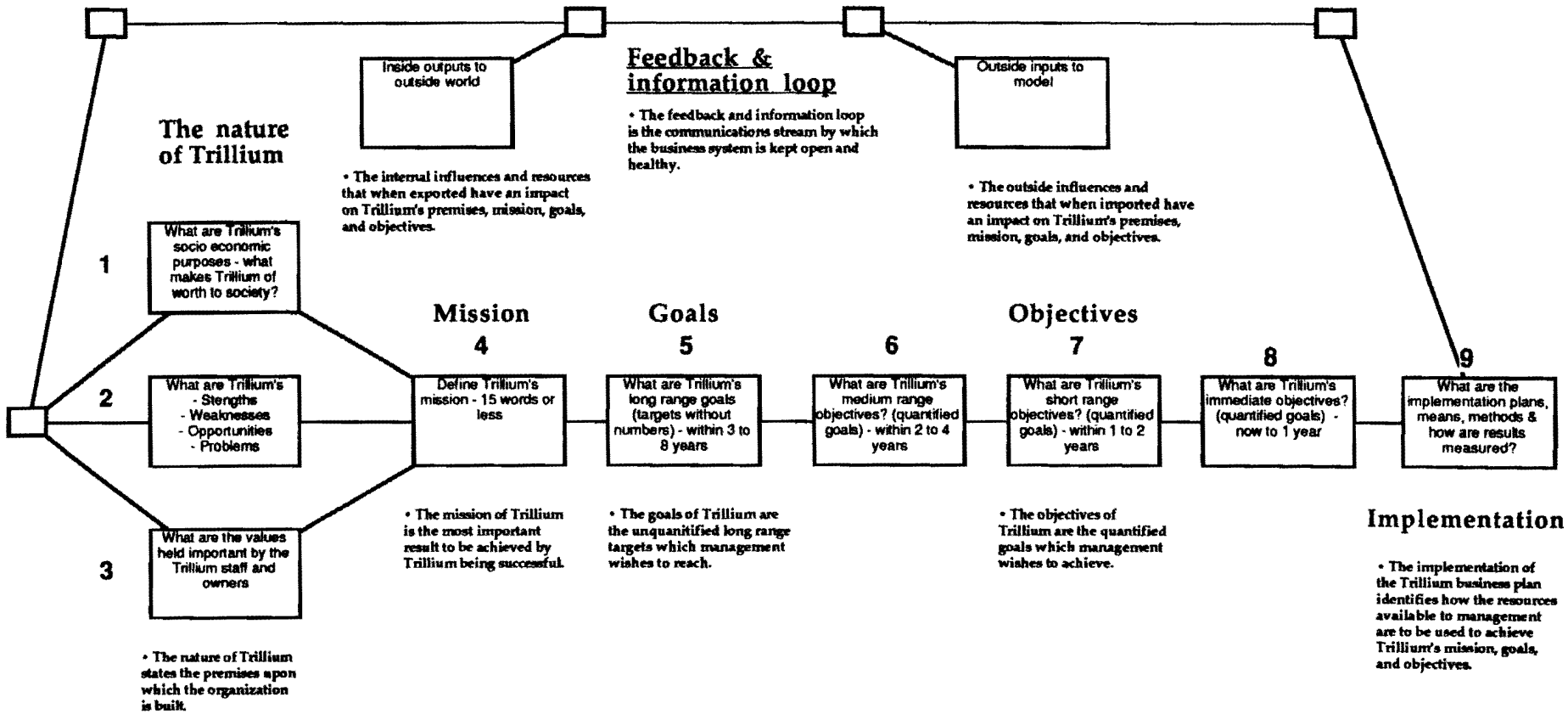
Schostak home office, Southfield, Michigan

Monday, April 27, 1998

Table of Contents - Work book #2

Business Strategy Conference, Schostak Brothers & Company

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Major functional areas within which Trillium's goals & objectives could be framed.

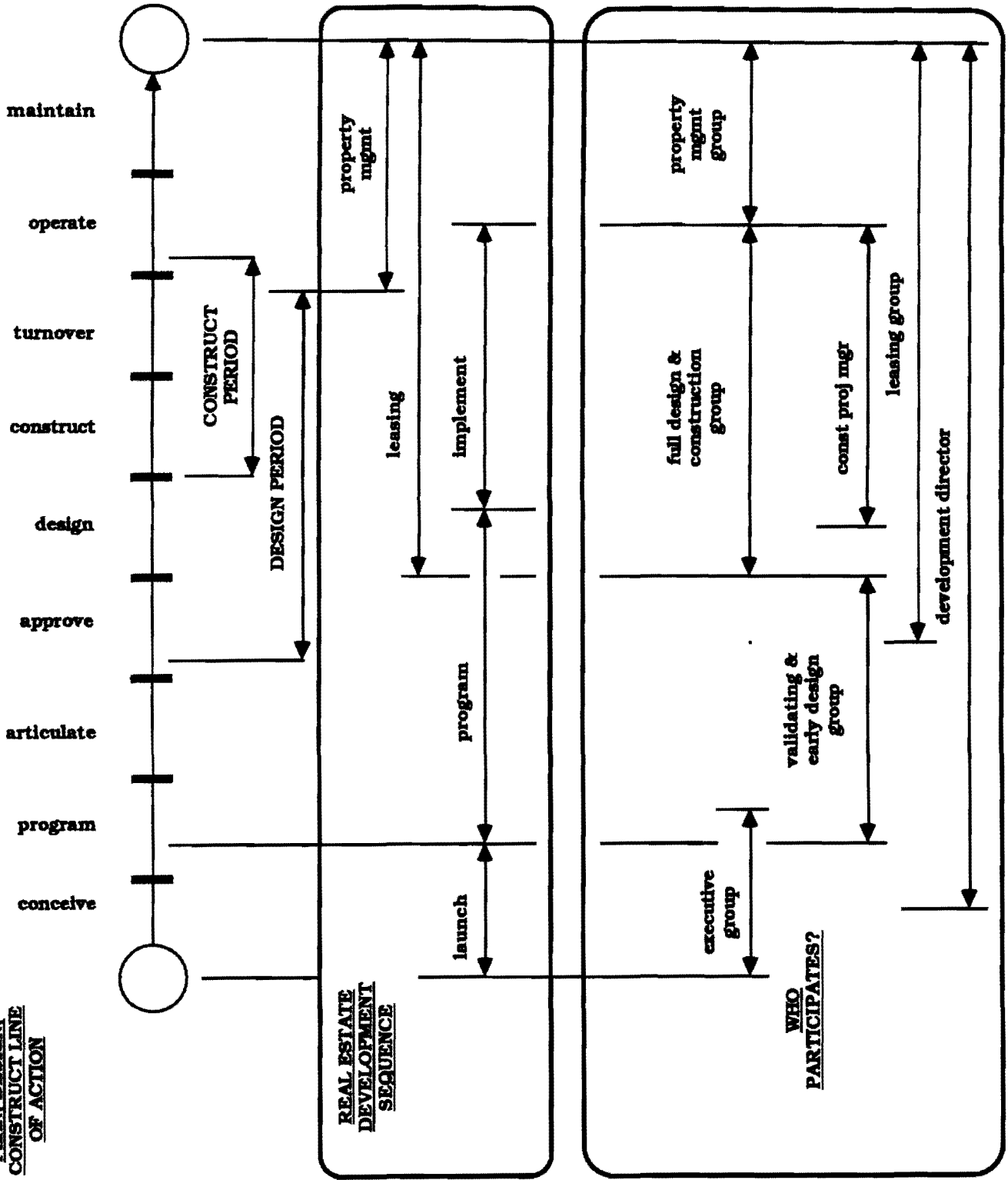
- A. Administration
- B. Construction
- C. Corporate planning
- D. Development - real estate
- E. Fee (& perhaps internal) services
- F. Marketing & sales
- G. Training & education

Trillium Company Model

Issue #1 - 1/3/89
 Issue #2 - 12/12/90
 Issue #3 - 11/24/95
 Issue #4 - 04/27/98
 i4 gen business model
 disk 162 ho 338

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PLAN, DESIGN,
CONSTRUCT LINE
OF ACTION



I. Development stages and actions to be taken - ho 322, disk 162

A. By Ralph J. Stephenson PE

B. This material is designed to

1. 1. Provide a direct stimulus to thinking about real estate development services
2. 2. Identify the phases through which most development projects must run
3. 3. Describe some of the major activities conducted in each development phase
4. 4. Identify possible functional jobs for those involved in the development cycle

C. Development actions in which professional design and construction services play a role

It should be recognized that Actions A through F described below are termed functional. This means their definition is based on what the group does, rather than at what phase it does it. It is possible, for instance, to have a single project residing in one or more of the functional elements at a given time. This is particularly the case with actions A and B, the launch period and the program period. Please note that all lists in the material that follows are at random

1. Action A - Launching the project

a) Summary of the launch function

The launch phase of the work is concerned primarily with locating & nurturing development opportunities or assets intended for long-term ownership and use. If the company's desire is to create negotiable development assets, the launch group works on the front edge of this effort. The launch group may call upon other functional elements of the organization as needed but the launch group must be independently creative, flexible, knowledgeable & understand and enjoy the development process.

The launch group is headed by the chief operating officer of the firm. Upper management members in charge of the other functional elements are members of his launch group. They are charged with locating high potential project opportunities, and screening and profiling them so as to maintain a high percentage of success probability.

The launch group should be relatively unstructured but must maintain a rigorous discipline relative to communication with others in Element A as well as those in their specific area of

functional responsibility.

In addition, members of Element A are responsible for maintaining meticulous documentation of opportunities and related action.

- b) Activities of the launch group
 - (1) Conceiving the opportunity - a visualization process
 - (2) Selecting the site
 - (3) Creating the opportunity - a doing process
 - (4) Marketing the opportunity
 - (5) Selling the opportunity
 - (6) Budgeting and financing the opportunity
 - (7) Controlling the site
 - (8) Selecting the project team
 - c) Possible construction-related jobs to be done in the launch period
 - (1) Evaluating sites
 - (2) Representing the company in marketing & selling
 - (3) Reviewing construction assumptions for financial feasibility
 - (4) Reviewing construction assumptions for physical feasibility
 - (5) Selecting the development implementation team
2. Action B - Developing the project program
- a) Summary of the project program function

In the project program work phase the development staff works closely with the launch group to take over the created and profiled opportunity and substantiate its validity, or justify its rejection. The programming group's job is to bridge the gap between the free wheeling creative actions necessary in the launch action and the project implementation action. They often are the cool voice of business reason.

It is critical to understand that the program phase is where development funds are actually committed. These funds are then spent during another phase. Thus projects that emerge from the program analysis must be those with the highest probability of success.

In a sense the program function forces the project to prove itself as a feasible course of action to produce a negotiable development, or a long-term ownership asset.

Where deficiencies are located in a created opportunity, but there

appears to be some soundness to the project, the program function is responsible for effecting acceptable changes to the elements that are their responsibility so as to make the project a go!

In this sense the program group must be every bit as creative as is the launch group.

b) Activities of the project program group (at random)

In the definition of program activities those that are qualified in parentheses indicate the prime thrust for the action can come from either group.

- (1) Preparing market studies
- (2) Selecting the site (helping the launch group)
- (3) Controlling the site (helping the launch group)
- (4) Writing the project program
- (5) Preparing proforma analyses and project budgets (with the launch group)
- (6) Preparing traffic and site access studies
- (7) Locating & obtaining financing (helping the launch group)
- (8) Organizing the project team (with the launch group)
- (9) Preparing project conceptual design studies
- (10) Preparing project schematic studies
- (11) Preparing initial land use plans
- (12) Verifying site characteristics
 - (a) Environmental
 - (b) Soils
 - (c) Demolition required
 - (d) Mineral rights
 - (e) Impact studies
- (13) Resolving initial political impacts
 - (a) Zoning
 - (b) PUD approval and treatment
 - (c) Utility services
 - i) Waste and wastewater
 - ii) Water supply
 - iii) Gas
 - iv) Sanitary sewer
 - v) Storm sewer
 - vi) Power
 - vii) Cable tv
 - viii) Telephone
 - (d) Off site improvements

- (e) Annexations
- (f) Public easements
- (g) Encumbrances
- (h) Encroachments
- (i) Rights of way definition
- c) Possible construction-related jobs to be done in the program period
 - (1) Making detailed site reconnaissances of selected sites
 - (2) Determining construction labor conditions in proposed areas
 - (3) Determining construction material conditions in proposed area
 - (4) Advising on construction systems to be used
 - (5) Preparing preliminary conceptual estimates for budgeting
 - (6) Helping to write project programs
 - (7) Advising on potential code and environmental constraints
 - (8) Finding and screening prospective field personnel
- 3. Action C - Implementing the project
 - a) Summary of the project implementation function

During the project implementation period the specific contract documentation is produced and the project is built, leased and occupied. In essence, the majority of the funds committed to the project during the launch and program phases are actually spent on design and construction during implementation.

Leasing during project implementation is basically rental work taking place that allows tenant improvements to proceed concurrently, sequentially and in harmony with owner work.

The project implementation staff also carries out major remodeling work to existing properties as compared to minor improvements made by the properties staff. Decisions on what is a major & minor project must be arrived at jointly by the functional groups with the aid of the executive staff.
 - b) Activities of the project implementation group
 - (1) Retaining project staff for implementation
 - (2) Preparing project schematic designs to validate conceptual studies
 - (3) Preparing project contract documents
 - (4) Prepare and monitor construction budgets
 - (5) Prepare and monitor construction schedules
 - (6) Constructing the project
 - (a) Check contract documents for constructibility
 - (b) Prepare contract document packages
 - (c) Prepare construction proposal packages

- (d) Solicit construction proposals
 - (e) Select contractors
 - (f) Award contracts
 - (g) Process submittals
 - (h) Direct project construction operations
 - (7) Assisting with pre construction leasing
 - (8) Assisting with preselling units
 - (9) Assist in preparing lease documents
 - (10) Reviewing and approving tenant design
 - (11) Reviewing and approving layouts of owner-occupied facilities
 - (12) Controlling tenant construction through others
 - (13) Designing & constructing major improvements to existing properties
 - (14) Implementing a quality assurance plan for all activities of the group
 - (15) Meshing owner occupancy requirements with construction, facilities management and consultants
- c) Possible construction-related jobs to be done in the implementation period

Note: This entire document was designed to relate to construction opportunities in the development cycle. Hence the detail in the following list.

- (1) During design and preparation of contract documents
 - (a) Preparing target cost estimates from schematics & design development drawings
 - (b) Advising design team on effective construction techniques
 - (c) Advising design team on selection of construction materials
 - (d) Advising design team on relative cost analyses
 - (e) Assisting design team in construction systems selection
 - i) Site work
 - ii) Foundation work
 - iii) Structural frame
 - iv) Exterior building skin
 - v) Interior rough building elements
 - vi) Interior finish building elements
 - vii) Vertical transportation
 - viii) Heating and air conditioning
 - ix) Electrical installation
 - x) Security installation
 - xi) Underpinning and sheeting
 - xii) Hoisting

In recent years hoisting on large projects has become a very important part of the evaluations made of

various types of prefabricated and in place construction processes. Having an expert on hoisting and hoisting equipment available could be of great value to owners, contractors and suppliers alike.

- (f) Directing the design team in contract document packaging
 - (g) Prepare summary construction network plans for design use
 - (h) Prepare summary schedules for design use
 - (i) Prepare value engineering studies
- (2) During construction contract award period
- (a) Prepare list of acceptable contractors to propose on project
 - (b) Preparing construction contract packages for issuing to contractors
 - (c) Assisting to evaluate proposals and construction awards
 - (d) Issue purchase orders
 - (e) Obtain commitments on submittals and deliveries
 - (f) Tabulate actual buy out information
 - (g) Provide field with accurate procurement data to start up project
- (3) During construction period
- (a) See that all permits needed are obtained
 - (b) Develop and issue start up procedures
 - (c) Provide all project management and field management start up data
 - (d) Assist in preparing detailed project plans
 - (e) Assist in preparing detailed project schedules
 - (f) Assist in preparing summary network plans & schedules
 - (g) Evaluate worth and value of proposed changes
 - (h) Establish field organizational structures
 - (i) Lay out construction site plans
 - (j) Advise project manager on procurement constraints
 - (k) Assist in designing and installing construction hoisting
 - (l) Prepare procurement and expediting program for all projects
- (m) Process bulletins and change orders
- (n) Inspect and report on field progress relative to
- i) Conformance to job plan
 - ii) Quality of workmanship
 - iii) Quality of field management
 - iv) Cost targets
- (4) During close out period
- (a) Insure that proper punch out is done by the organization
 - (b) Insure that proper warranties are obtained

- (c) Insure that operating and maintenance manuals are provided the client
 - (d) Assist in obtaining certificate of occupancy
 - (e) Follow up with client to insure he is happy with the project - post occupancy evaluation
4. Action D - Managing improved properties
- a) Summary of the property management function

In the property management phase the development staff exerts management control over improved properties to insure they are successful investments. The property management staff is also responsible for continuous evaluation of each property to determine the best future course of action relative to that property at any given time.

Minor improvements to existing properties in the portfolio are the responsibility of the property management group. Property management determines the scope of work, arrange for the design and construction, and see that the necessary field work is done.

Post construction leasing is done totally by the property management staff. If help is needed by project implementation during pre construction leasing the property management group acts in a staff advisory position to the project implementation group as requested by the implementation or executive staff.

- b) Activities of the property management group
 - (1) Guiding and directing pre constructional leasing
 - Pre construction leasing is conducted prior to the initial construction being completed in the implementation stage.
 - There are those who feel this operation should be under the direction of the property management organization.
 - (2) Doing post construction leasing
 - (3) Maintaining property values
 - (4) Designing minor property improvements
 - (5) Constructing minor property improvements
 - (6) Helping implement tenant association action
 - (7) Advising other elements of the company in respect to leasing
- c) Possible construction-related jobs to be done in the property management period
 - (1) Inspect properties for maintenance needs

- (2) Implement maintenance work needed on properties
5. Action E - Maintaining the ongoing organization
 - a) Summary of the ongoing maintenance function

The ongoing organization is an essential supportive staff designed to permit effective functioning of project oriented elements of the organization. It is a relatively high overhead operation built to serve operations.

In a project oriented firm the individual programs or projects drive the company; as such the support or ongoing group must be kept lean but be given all the tools needed to properly buttress line activities.
 - b) Activities of the ongoing organization group
 - (1) Personnel
 - (2) Administration
 - (3) Accounting
 - (4) Legal
 - (5) Office management
 - (6) Filing
 - (7) Documentation
 - (8) Office systems
6. Action F - Leasing - this section yet to be completed
 - a) Summary of the leasing function

Leasing of an asset usually signals the start of income flow which can be used to retire outstanding indebtedness. Many of the actions of the leasing program are accomplished in close cooperation with work accomplished in Actions B, C & D. However, final responsibility for leasing results rests with the leasing department and those charged with its management.

The leasing program usually includes both lease negotiations, and design and construction of the tenant space within the tenant's demised premises.

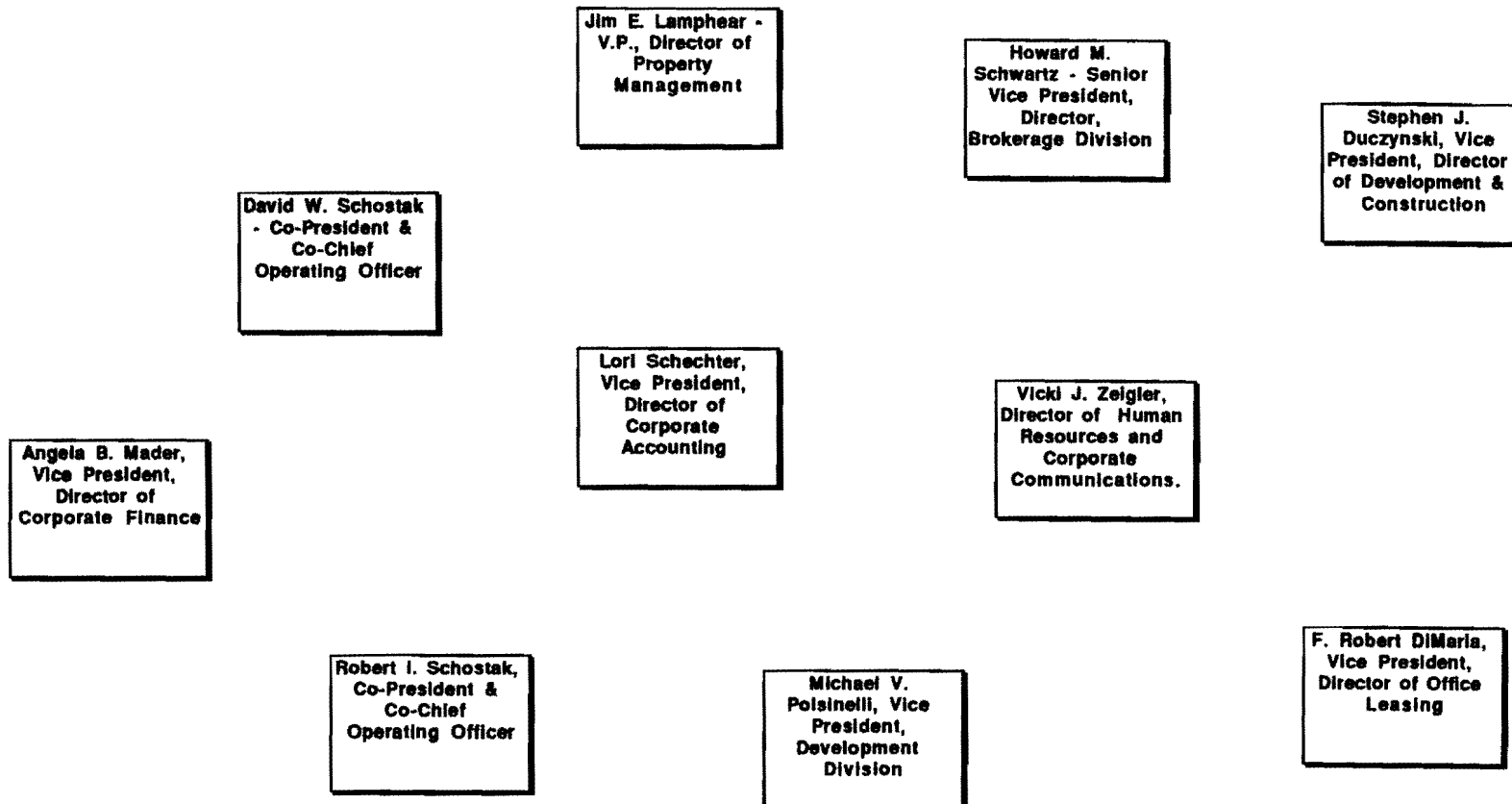
Tenant design and construction is usually carried out at a different pace than the base or landlord design and construction. For this reason the design and construction of the space may be assigned to a tenant coordinator who acts as the project manager for the tenant space work.
 - b) Activities of the leasing group (at random) - list to be continued
 - (1) Locate prospective major tenants and obtaining commitments

- (a) Preleasing
 - (b) Presales of residential units
 - c) Activities of the ongoing organization group
- D. Idea list of possible duties (at random) for the development professional to perform
1. Plan & schedule all phases of work for
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
 2. Manage facility maintenance operations including
 - a) Preparation of facility inspection checklist
 - b) Periodic inspection of facility
 - c) Maintenance of facility record drawings for reference
 - d) Advising on routine maintenance of buildings and building equipment
 - e) Advising on building or building system modifications
 - f) Advising on building expansion programs
 - g) Doing force account work for companies without in house staff
 3. Provide construction consulting on fee basis to
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
 4. Manage spun off specialty contractor operations
 5. Manage equipment rental operations
 6. Manage yard and shop operations
 7. Manage small jobs department
 8. Trouble shoot construction work on fee basis
 9. Conduct training programs on
 - a) Small tools use
 - b) Equipment selection and usage
 - c) Hoisting
 - d) Safety

- e) Planning & scheduling
- f) Conceptual estimating
- 10. Provide conceptual estimating services to
 - a) Owners
 - b) Developers
 - c) Planners
 - d) Architects
 - e) Engineers
 - f) Specialty contractors
 - g) General contractors
 - h) Construction managers
- 11. Provide tax credit consulting
- 12. Provide project documentation services
- 13. Conduct quality assurance programs for owners and A/E's
- 14. Make building code checks
- 15. Assist in preparing developer, landlord and tenant criteria specifications
- 16. Assist in purchasing and storing mass purchased items
- 17. Provide construction draw confirmation inspection services
- 18. Punch out jobs for others
- 19. Consult and participate in turning over and closing out project for others
- 20. Consult on construction site planning and materials handling
- 21. Manage facility maintenance division
- 22. Locate and assemble financing
- 23. Assemble & manage specialty contract design/build services
- 24. Train foremen and superintendents in effective office & field practices

Schostak Business Strategy Matrix

	project #	business opportunity	abb	selection criteria	deal flow	pre offer analysis	make prelim offer	prelim offer accepted	option property	due diligence	close -not close	implem bus plan	assimilate
1	001	Develop strip centers - LBE, BTS retail	dsc	•	•	•	•	•	•	•	•	•	
2	002	Acquire strip centers - B malls, undervalued net leases, prev occup bldgs	asc	•	•	•	•	•		•	•	•	
3	003	Purchase management companies	pmc	•		•	•				•		•
4	004	Solicit 3rd party contracts	s3c	•								•	
5													
6													
7													
8													
9													
10													
11													
12													



Issue #1 - April 27, 1998
 iss #1 sbc Interrelations

Interrelationships

- Formal functional - A solid line with an arrowhead at each end.
- Informal - A dotted line with an arrowhead at each end.
- Reporting - A solid line with an arrowhead at one end pointing to the superior.
- Temporary - A dash-dot-dot-dash line with an arrowhead at one or both ends
- Staff - A dash-dot-dash line with an arrowhead at each end.

**Organizational Interrelationships
 for Business Opportunities Program**

Project:

**Schostak Brothers & Co.
 Southfield, Michigan**

**SHEET
 #1**

Glossary of terms #2 - April 27, 1998

I. Action plan - in relation to business opportunities

A sequence of proposed actions that shows the course of events leading to successfully identifying, acquiring, and assimilating a business opportunity.

II. Action plan components

Elements to be included, as required, in an action plan describing the course of events leading to successfully identifying, acquiring, and assimilating a business opportunity.

A. Selection criteria

The elements to be considered when selecting a course of action for one or more of the business opportunities to be developed. Includes such items as:

- identifying users,
- finding locations,
- set site size needed,
- identify geographic characteristics needed for success,
- determine value-added by development of the business opportunity,
- determine return potential,
- determine characteristics of the collection of properties being considered,
- identify the fee opportunities of the business opportunity,
- identify the minimum fee potential of the business opportunity
- set the fee structure needed for management of the developed business opportunity, and
- other?

B. Deal flow

The process by which the elements of the business opportunity move through, and are processed, and have value added by the various participants and through the several actions taken en route to having a successful business opportunity in place. Includes such items as:

- networking,
- lenders,
- brokers,
- investment bankers,
- industry publications,
- trade organizations
 - ISCS
 - ULI
 - BOMA
 - IREM,
- etc.

C. Pre offer analyses

Various analyses that are made before the deal is offered. Might include such elements as:

- financial analyses,
- physical analyses,
- development potential,
- reproduction cost analysis,
- market overview,
- determine due diligence time frame,
- determine deposit, risk \$'s, and human resources needed,

D. Preliminary offer

An offer made as an exploratory entrance into the potential market place for the business opportunity being considered. The critical preliminary offer is often made to major users who are to provide the income needed to support the business opportunity.

E. Offer acceptance

The action of accepting an offer, and negotiating and executing a formal legally binding agreement. Sometimes the option or the purchase may be subject to various conditions such as:

- zoning, site plan, or other governmental approvals,
- environmental conditions,
- soils capacity,
- availability of purchaser financing,
- within a selected time frame,

F. Option property

To pay a premium or provide a consideration to acquire the privilege of demanding within a specified time the carrying out of a transaction for property upon specified terms.

G. Due diligence

The process by which the legal affairs of a business are investigated and reported as part of the preparation for commercial transactions such as acquisitions, mergers, joint ventures, privatizations or general commercial contracting.

Effective due diligence allows the purchaser, joint venturer or investor to assess and manage the risk of the transaction, and reduces the possibility of unforeseen liabilities. Despite the importance of the process in this context, due diligence has historically been neglected, leaving the principals exposed to risk. In recent years, however, the trend has been to more depth in due diligence analysis, as an integral part of the negotiation procedure. The process may include:

- setting strategy,

- planning,
- collecting quality data about the negotiation,
- data management - using latest information and communication,
- technology,
- project management,
- tactics,
- rules of engagement,
- areas of analysis,

H. Close/not close

To complete, or to fail to complete, executing a contract for a business opportunity, based upon an offer and acceptance of the terms of the proposed contract.

I. Implement business plan

The process of executing the action plan for a business opportunity.

J. Assimilate

The process of bringing a purchased business opportunity into the purchasing organization so the business opportunity is converted to a profitable asset.

III. **Business model**

A graphic depiction of the elements which make up a business entity. The model usually identifies premises, objectives, and implementation. It recognizes basic business functions, business activities and manager activities.

IV. **Construction advisor**

One who provides, as required & on request, the teaching, coaching, and guidance needed by those who manage the actual construction process from conception through programming, approval, design, construction, turnover, operation and maintenance.

V. **Construction consultant**

One who provides on an ongoing contract basis for the life of the project, the teaching, coaching, and guidance needed by those who manage the actual construction process from conception through programming, approval, design, construction, turnover, operation and maintenance.

VI. **Construction manager**

One who provides a system of managing the construction process by providing expert construction knowledge and resources throughout all phases of the project. The goal of the process is to make available to the participants, information best provided by an expert skilled in construction practices, so that when the project moves into the field the managers can provide the owner with the highest potential for project success. Services can be for construction at risk or on a services management basis only. The construction manager is responsible for delivering the project to his client.

VII. Contract services

Specialized services provided on demand or by request to clients by individuals or groups within the company to individuals and groups outside the company. These are provided by contract with the client.

VIII. Core ethic

The fundamental value statement upon which the company is built, managed and does business.

IX. Marketing

The process of conceiving, formulating and implementing a process by which the ultimate service or product of an organization can be successfully sold.

X. Organization

The arrangement of resources (talent, skill, money, time, space, people, et al.) that has evolved, or been selected, to accomplish the functions, activities, and management, and goals and achieve the objectives of a business or institution.

XI. Programmed construction

A project management system which provides

- A proactive team atmosphere
- A strong and trustful relation between project parties
- A high profit potential
- Strong and continuous emphasis on good project planning & scheduling
- Encouragement to develop full project team participation

XII. Relationships

The interactions that exist or are built and maintained inside and/or outside of an organization that influence the actions and behavior of the organizations' staffs.

The most frequently found relationships include the following:

A. relations - formal functional

Organizational connections that concern distribution and use of data, information and decisions that flow along formally defined transmission lines. Formal functional communications are usually written and are normally both from and to individuals and groups.

Formal relations are precisely defined and most day to day business is accomplished within the formal relation framework. The line expressing a formal functional relation usually has an arrowhead at each end to show a mutual exchange of responsibility and authority. If there is a higher authority to be implied a single arrowhead can be used pointing to the superior party.

B. relations - informal

The natural channels along which organizationally related material is most easily and comfortably transmitted. The informal relation exists by mutual consent of the parties to the relation, and is stimulated to maximum

effectiveness by a mutual profit gained from the relation.

Little, if any, authority normally is expressed in informal relations. Communications are usually oral and one to one. Often informal relations define the hidden organization structure. A line defining an informal relation is usually shown dotted with an arrowhead at each end.

C. relations - reporting

The official channels through which each individual conveys, or is given raises, appraisals and evaluations; is fired, assigned or is provided professional, vocational and personal identity in the organization. The true organizational superior of an employee is usually that individual with whom he maintains a reporting relation. The line expressing reporting relations has an arrowhead at one end pointing to the superior.

D. relations - temporary

Those relations created when extraordinary or unusual management demands must be met. The temporary relation is usually unstable and should be kept active for only short periods of time. The line expressing a temporary relation can have an arrowhead at one or both ends depending on the nature of the relations.

Extensive use of temporary relations creates business dysfunctions, breaks down morale and causes internal tensions.

E. relations - staff

The business patterns through which a person or group provides consulting services necessary to achieve goals and objectives. Staff personnel usually have little or no authority over those outside the staff group. The line expressing staff relations has an arrowhead at each end.

XIII. Selling

Establishing and implementing the strategy of achieving the objectives of the marketing plan. The physical process of closing the negotiation for services and products for a consideration.