

ELM CITY PARTNERS, LLC
CORPORATE RENEWAL AND PROJECT MANAGEMENT
IN THE CONSTRUCTION SECTOR

TABLE OF CONTENTS

- I. Introduction to Elm City Partners, LLC (“ECP”)
 - Introduction
 - Professionals
 - Clients
 - Our Mission
 - Construction Sector
 - Experience

- II. Construction Sector Services
 - Project Oversight and Management
 - Requisition Review and Approval
 - Process Improvements
 - Project Cost Assessments
 - Litigation Dispute and Resolution
 - Project Close Out
 - Lender & Surety Interventions and Negotiations

- III. Business Approach
 - Rapid Assessment
 - Project Management
 - Emergency Action
 - Restructuring
 - Resumption of Normal Operation

- IV. Construction Professionals
 - Joseph L. Palazzi, CPA, CTP, Practice Leader
 - Joseph Abate

- V. Affiliated Professionals

- VI. Case Histories
 - For Creditors
 - For Shareholders

- VII. Contact Information

I. INTRODUCTION TO ELM CITY PARTNERS, LLC (“ECP”)

INTRODUCTION: ECP specializes in the field of corporate renewal with performing and under performing companies throughout North America.

ECP has extensive experience in developing and implementing strategic initiatives, managing project performance breakthroughs, addressing crisis situations, implementing operational / financial restructuring strategies, providing interim executive, project, functional and technical management and, when appropriate, managing the disposition of underperforming and troubled businesses, contracts and assets in an out-of-court and/or bankruptcy venue. In each situation, ECP’s objective is to provide the stakeholders with the maximum return and to minimize their business and personal risk.

In the performance of this work, ECP works collaboratively with our Client’s business and personal attorneys, accountants, funding sources, architects and other advisors.

As a result of its established business partnerships, ECP is able to introduce into the Client situation, highly specialized technical and functional specialists and capital providers necessary to achieve the Client’s objectives.

PROFESSIONALS: ECP’s professionals are experienced former CEOs, CFOs and senior managers with a minimum of fifteen years experience in the construction sector. ECP’s professionals are located throughout the eastern United States.

CLIENTS: ECP’s clients are typically private and closely held businesses. In this environment we are engaged by boards of directors, owners, stakeholders, equity investors, lenders and creditors.

In virtually every engagement our Clients engage ECP to perform an unbiased assessment of the situation and to make realistic recommendations regarding what must be done to enhance or restore the economic value of their business or project.

OUR MISSION: Provide advice, counsel and management services that are free from vested interests and conflicts.

CONSTRUCTION SECTOR: Construction is an inherently risky business. The success or failure of a construction business is but a single failed project away. ECP believes that all parties involved in the construction sector should constantly assess contract and project performance relative to four critical issues:

- The validity of estimates/schedules and the estimation process versus actual job costs and timelines.
- The capability of site/field management.
- The validity and value of documentation as it relates to change orders, applications for payment and schedule of values.
- The timely and aggressive collection of amounts due.

In this context ECP performs assessments and provides advice, counsel and interim management to parties in the construction sector in the following context.

- Market conditions and events that are or will impact business or project performance.
- Management capability relative to their willingness and ability to take actions necessary to ensure performance and profitability.
- Effectiveness of systems relative to estimation, documentation and work processes, particularly as it relates to internal controls.
- Operational performance with a focus on schedules and the progress of job completion versus original schedule.
- Financial performance with emphasis on cash flow models and cash flow management.
- Ability of the contractors to complete open projects in a timely, profitable manner.

EXPERIENCE: ECP has experience with owners, general contractors, sub contractors, surety bond providers, capital sources, attorneys and other professionals who represent, work in and serve the construction sector.

Based on this experience, we have the ability to immediately provide qualified experts to assess the condition of a construction business or project. Then, based on benchmark information, we determine the necessary course of action:

- Implement a breakthrough or performance improvement initiative designed to achieve specific objectives.
- Implement a crisis response designed to prevent a disaster that may be in the making.
- Implement a turnaround that is designed to return the business or project to profitability.

When developing plans and managing initiatives, we carefully consider the unique aspects of construction industry (regulatory and bonding requirements) and tailor our strategies and recommendations with a full understanding of financial consequences that are not apparent to one is who unfamiliar with project based management and economics.

ECP's objective in these situations is to take quick, decisive action to protect and preserve assets. ECP also assists in arranging equity and debt capital to take advantage of construction related opportunities in order to form a basis for creating value for stakeholders. In the case of extreme distress, ECP has the experience and skill to obtain the maximum value of assets through a managed disposition process.

ECP has a unique capability to perform operational, financial and technical assessments necessary to objectively determine the status of construction entities and projects.

Foremost with respect to our success is our determination to align our strategies with our clients' goals and objectives

II. CONSTRUCTION SECTOR SERVICES

PROJECT OVERSITE AND MANAGEMENT: ECP's professionals have the ability to provide oversight as well as direct project management services to help ensure the timely completion or delivery of the project within budget and schedule at the highest level of quality.

This is accomplished by working closely with the owner, contractors, surety, lenders and all key stakeholders from start to finish. This includes quickly assessing, replacing and sourcing key team members to ensure project management and supervision is capable of getting the job done.

Consistent with timely and decisive decision-making, we assist our clients with contract negotiations and performance reviews, as well as preparing, overseeing and managing budgets, schedules and project controls. Our objective is to track, measure, evaluate and control performance versus the schedule and estimate that has been developed.

REQUISITION REVIEW AND APPROVAL: In concert with the architects, engineering and other professional resources, ECP's professionals review and approve owner funding and/or payment for applications and schedules of value. This ensures that payments made to contractors are based on accurate and complete data that reflects actual work completed in conformity with industry and contracted quality standards.

PROCESS IMPROVEMENTS: ECP's professionals rapidly assess the sophistication and effectiveness of work processes employed by a business or project in relation to financial and managerial controls. This includes developing efficient cost tracking tools, cash flow models and dashboard reports that provide accurate and meaningful data necessary to make timely decisive decisions.

PROJECT COST ASSESSMENTS: ECP affords project managers and owners the confidence to know that their project objectives are being met and that appropriate management and financial controls are in place. Our independent assessments focus on budgets, schedules, invoices, change orders, project reporting and operational controls.

LITIGATION DISPUTE AND RESOLUTION: ECP, in close collaboration with the client's attorney and other specialists provides support services necessary to assist clients involved in litigation, claims or disputes regarding their projects.

PROJECT CLOSE OUT: ECP monitors project close-outs and conducts a final independent assessment to ensure the timely and accurate completion of all outstanding issues including contractor evaluations, claims and back charge settlements, warranty issues, lien waivers and, as built documentation.

LENDER AND SURETY INTERVENTION AND NEGOTIATIONS: ECP professionals provide intermediary and liaison services for our clients and their project's lender and surety to ensure communication of accurate and timely information, and to participate in negotiations relating to the extensions, forbearance, standstills and refinancing.

III. BUSINESS APPROACH

ECP's employs proven approaches, skills and tools to develop solutions in the construction sector. The primary stages of the process are:

RAPID ASSESSMENT: The first stage of any engagement is an independent assessment of the current situation, during which we focus on four key issues:

- Determine if the business or project is viable and whether there is enough time, money and other resources complete the project or effectuate a business recovery.

- Determine what can be accomplished with available resources and what additional resources and/or personnel will be needed to complete the project and/or return the business to profitability.
- Gain consensus regarding what will it take to achieve the successful completion of the current projects and to achieve the “end game” for the business.
- Then, take all necessary immediate actions to accomplish the agreed upon strategy.

EMERGENCY ACTION: Following the Assessment we take the following actions.

- Ensure effective management is in place.
- Eliminate problem activities in construction operations and administration.
- Exercise aggressive management of cash flow.
- Manage project costs.
- Boost revenue and positive cash flow activities.
- Access the long-term viability of the company and consider the best alternative for the future.

RESTRUCTURING: After successful resolution of emergency situation we focus on the following.

- Financial performance including refinancing as the means ensure survival and profitability.
- Identifying and recruiting new permanent management.
- Ensuring that the culture in the business supports the strategy

IV. CONSTRUCTION PROFESSIONALS

ECP’s construction practice is managed and staffed by a core group of qualified personnel with a wide range of senior management and functional experience in these sectors.

Joseph L. Palazzi: Practice Manager

Joseph L. Palazzi is a CPA and a Certified Turnaround Professional (CTP). Joe is experienced in turnaround and project management and has significant experience in the construction sector. He also has over twenty-five years of domestic and international leadership experience in the software, electrical, electronic and construction industries. He has an established track record of successful corporate turnarounds in both mature and emerging businesses. Joe’s recent experience includes advising the Connecticut Development Authority on a large urban redevelopment project: the former Colt Firearms site in Hartford. He has also served as interim Chief Operating Officer, overseeing an orderly liquidation of a Northeast based mechanical contractor, which involved the successful completion of several major federal government projects. He recently performed financial and operational assessments in the textile and manufacturing industries for leading financial institutions.

Joe has served as Chief Financial Officer of BTR Inc., where he was responsible for the financial operations of Tilcon, Inc., a leading Northeastern aggregate and highway construction firm. Tilcon is a major supplier of quality crushed stone, bituminous concrete and ready mix concrete in the Northeast. Tilcon is also one of the largest paving companies in the region, paving hundreds of miles of interstate, highways, roads, streets and parking lots every year.

A native of Connecticut, Joe received his Bachelor of Science Degree in Accounting from Quinnipiac University and a Master of Business of Administration from the University of New Haven. Joe is a Certified Public Accountant in the State of Connecticut.

Joe Abate: Special Advisor and Field Project Manager

Joe Abate, a senior executive with extensive experience in the construction and aggregate industries, manages ECP’s client field assignments. Mr. Abate is a successful senior construction executive whose track record includes the role of Chairman and CEO of Tilcon, Inc. a \$600 million construction company located in Connecticut. Up from the ranks, Joe is known as a hands-on manager who makes the effort to involve himself in the critical decisions necessary to facilitate the timely completion of large construction projects within budget. In the construction industry Joe is recognized for his operational management skills, his ability to control all aspects of construction operations, and for his ability to develop and implement strategic and tactical plans to achieve short-term objectives and long-term goals.

Joe began his construction career with the Angelo Tomasso Construction Company as a summer laborer and progressed through a number of increasingly responsible positions with related businesses including Sherman-Tomasso Concrete Co., Helming Brothers, Tomasso, Angelo Tomasso Operations, and New Haven Trap Rock/Tomasso Co. and Tilcon, Inc. the Connecticut Division of Ashland-Warren. Ultimately Joe became President, CEO and Chairman of the Board of Tilcon, Inc. before his retirement in 2003.

Joe attended Brown University and the University of Maryland. He also attended the National Crushed Stone Association Management Program, the PMD31 Program at the Harvard School of Business and the Cornell University Executive Program.

V. AFFILIATED PROFESSIONALS

ECP has established relationships with individuals and firms that have special expertise required during the conduct of a construction engagement. These relationships are based on ECP having worked with these professionals on commercial and construction related assignments and include:

- Attorneys
- Accountants
- Appraisers
- Lenders
- Forensic Accountants
- Site Management Specialists
- Documentation Specialists

VI. CASE HISTORIES

ECP’s professionals have worked on a wide variety of turnaround situations in the construction sector. The following is representative of their experience.

FOR CREDITORS:

- Developer and General Contractor specializing in major urban redevelopment projects:

As advisor to a state development authority ECP was asked to preform an initial assessment of the project management capabilities and competencies. The assessment pointed out significant weaknesses in project management and control resulting in the appointment of new project management and finance directors. ECP was subsequently retained to review and approve all future requisitions for funding, as well as oversee project management and control.

- Northeastern glazer specializing in commercial window glazing, installation and erection services for residential, commercial and industrial clients:

As advisor to the secured lender ECP reviewed the current collateral basis including accounts receivable to determine the potential recovery in both an orderly and forced liquidation. Our evaluation included a review of all open projects and their respective cost to complete as it related to ultimate collection of outstanding receivables and retainage.

- Connecticut excavation and paving contractor for commercial and residential development and municipal infrastructure including streets, curbing and drainage:

Based on a review of business operations and collateral available to fund future debt obligations ECP advised the company's secured lender to enter into the renegotiation of its existing facility including the extension of a forbearance period to avoid default on the part of the contractor.

- Northeastern manufacturer and installer of commercial, residential and highway fencing and guardrails:

ECP provided professional advice related to maximizing recovery of assets and protection and recovery of security pledged to the secured lender. ECP also advised the lender on negotiations with the company regarding the completion of projects necessary to perfect its collateral position. ECP also performed a forensic review to advise the lender on possible fraudulent transfer and movement of assets.

FOR SHAREHOLDERS:

- Northeastern mechanical contractor and installer of commercial and residential plumbing, HVAC and controls systems:

Several general contractors had found a large mechanical contractor located in the northeast in default on a number of bonded contracts. ECP was retained by the largest shareholder and indemnifier of the bonds to work with the surety and general contractors to complete the projects while minimizing their exposure and potential financial losses. ECP acting as interim Director of Operations successfully negotiated with the general contractors to facilitate completion of the jobs and paid down bond claims from proceeds of completed work.

VII. CONTACT INFORMATION

To obtain additional information about ECP's capability in the construction sector please:

Contact our Practice Leader

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