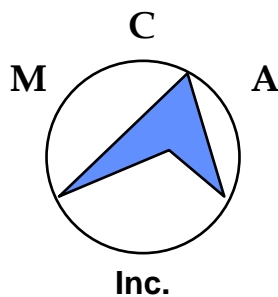


Senior Project Management & Middle Management Symposium

Circus Circus Hotel & Casino
Las Vegas, NV

April 24th & 25th, 2006

Prepared by:



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Sr. PM Symposium

April 24th & 25th, 2006

Attendees:

Baker Electric: Jim Gagnon, Aaron Scott, Chris Burrows, Mark Johnson

Bruce & Merrilees Electric: Jonathan Bruce, Doug Little, Paul Barber, Jeff Eberle, Chad Whelpley

Miller Electric: Tim Hinson, Mike Murphy

Thompson Electric: Kevin Lytle, Barney Pottebaum

MCA: Dr. Perry Daneshgari, Phil Nimmo

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Action Item Summary:

After reviewing the concepts of cash flow and cash management at the project level, and a sharing discussion with their counterparts from the other represented companies, each team developed a few brief action items to help them bring the main points back to their companies. Although all of the participants enjoyed the same learning experience the needs of each company are slightly different, as represented by the subtle differences in the action items.

The Baker Electric team elected to focus on setting goals and objectives around improved reporting, tracking and management of the Accounts Receivable. Plans are being established to include a regular review of A/R aging in project financial meetings.

The Bruce & Merrilees team elected to focus their efforts on the education of the PMs regarding cash flow, cash management and improved methods for accurate and timely billing. These efforts will concentrate on recognition and valuation of work completed, both base contract and changes.

The Miller Electric team also elected to focus on enhancing the education of the PMs with regard to maximized billing, using the actual work completed, and a more involved role in tracking and managing receivables.

The Thompson Electric team focused on the use of JPAC and the observed completion as a guide to accurate billing and profit recognition. Advances in the use of Prefabrication and improved preplanning on their jobs have allowed them to consistently over perform and has increased the need for a more aggressive schedule of value development and billing.

Opening Remarks:

The Las Vegas session represents the third in an ongoing series of collaborative workshops aimed at creating a peer group of contacts for project managers of progressive Electrical Contractors throughout the country. The series began with a focus on understanding risk and the PM's responsibility for managing project related risks. The second session focused on managing manpower; the greatest variable and riskiest element of project management. This session focused on managing money and the project's financial resources. The fourth session planned for the fall of 2006 will focus on managing material and job site flow.

Many of the participants have attended some or all of the previous sessions as a result the introductions were brief. Minimal "getting acquainted" was required to get the group open and actively involved in relevant discussion.

Sources of Revenue:

We began our discussion of cash with a look at the sources of revenue in the respective markets of most participant companies. In each case the specific market size and trends were presented and in each case the overall message was quite consistent.

The economy is shifting from an industrial to a more service-based economy. Industrial construction has been gradually declining as a percentage of the available work while Commercial-Residential construction has been increasing.

Sources of Profit:

Our investigation of the market size and market trends gives us some insight into the available revenue to fuel our cash needs, however we also considered the difference between revenue and profit. Given the availability of revenue we looked at the three principle means that Project Managers have to generate, or enhance the available profit. These three sources of profit are:

- Customer; estimation and negotiated profit
- Process; value engineering and system productivity
- Relationship; supply chain collaboration

The Process of Cash Flow:

Throughout the session small cross-company teams were assembled to brainstorm and discuss in detail several of the topics presented. The process started to unfold with the teams identifying the movement, or flow, of cash through the project life cycle. The teams identified the movement of cash as well as the many triggering events, or delays, which are within the direct control of the Project Manager. Each team prepared a brief flow chart outlining the process of cash flow for an electrical construction project.

Project Billing and Earned Revenue vs. Cash:

The participants reviewed changes in the laws and also standard practices within the industry with regard to revenue recognition and billing. During these discussions several participants began to relate to the fundamental difference between sending the bills and receiving the cash, as well as their own role in each of these key activities. There was no real misunderstanding about billing and cash, but it became clear that the individuals and the companies represented at the session use different means for establishing a schedule of values, monthly billing amounts and collections procedures.

Since all of the participating companies are actively using JPAC and reporting an observed completion, we reviewed the impact that observed vs. cost based earned revenue computations can have on the WIP report.

Project Break Even:

The group briefly explored the concept of project cash management and break even monitoring using a simple calculator. The calculator allows the PM to input planned and actual costs, both fixed and variable, as well as project completion, billing and cash received data to yield a graphical representation of the hours needed to break-even as well as over/under billing and net cash flow.

Closing Comments and the Next Session:

The session ended with the participants rejoining their coworkers to create a few simple action items that will allow them to bring the concepts discussed in the session back to their companies and to share the information with other PMs. Additionally, each team was asked to regroup within a week to layout the specific goals and timelines to achieve improvements appropriate for the needs of their own companies.

As the session closed all of the participants related positive experiences from this and previous symposiums. Several of the participants expressed an increased interest in developing some ongoing dialog with one another. It was suggested that the next session be moved back eastward with a planned Early to Mid October date in the Cleveland or Pittsburgh area. A list of available dates and locations will be circulated during the month of May so that early arrangements can be made.