

TALES OF BANKRUPTCY

Profitable Company  Ceasing Operations

Overview

- Brief History
- Steps on the Path
- Critical Turning Point  Entering Receivership
- “Operations” After Company Closed

Summary History

- Heavy Civil Contractor Established 1982
- Street – Sitework – Aviation – Treatment Plant - Landfill
- Arizona – New Mexico – California – Texas – Nevada – Colorado – Utah
- Job Sizes – 100K to 50 Million
- 250 employees with surges to 1200
- Size: 2017 - 102 Million | 2014 - 65 Million

Detail History

- Work: Complicated projects | Few playing in the sandbox
Moved lots of dirt! ---- Lots of it!
- Equipment based work
- Employees: Long-Term employees | Cared about work | Training
- 36 years operation: 33 profitable

Elements of Contractor Failure

- Increase in Project Size
- Unfamiliarity with new geographic area
- Moving into new types of construction
- Changes of Key Personnel
- Lack of Managerial Maturity in Expanding Organizations

Managing the Profitable Construction Business: Thomas Schleifer, Kenneth Sullivan, John Murdough

Steps on the Path

- Ownership Change in 2011
 - *Equity Change*

Steps on the Path

- Primary ownership had desire to be bigger.
 - *Prestige?*
 - *Transaction?*
 - *Made 15% at 65M imagine that at 120M!!*

Steps on the Path

To Support Growth

- Adding work for solar farms ----- Incredible amount of volume!
 - *That is a lot of dirt needing moved!*

Steps on the Path

- Taking on new type of work.
- \$\$\$\$\$\$\$\$\$\$\$\$\$
- Started small

Steps on the Path

- Went much bigger!
 - *\$40+ million*
 - *Installation of solar panels*
 - *Installation of electrical wiring and components*

Steps on the Path

■ Velocity and Cash!

- *Job complete in only a few months*
- *900+ employees*
- *Job specific line of credit obtained to fund.*

Steps on the Path

- Management staff to handle the added volume
- Training was “in the field”
- Assumption made about procedures being followed.
 - Training overlooked – procedures not followed.
- Exceptions were given because “they were busy”

Steps on the Path

- Whew.....made it happen!

Steps on the Path

- Let's go play in the snow!

Off to Minnesota

- New Customer
 - New Region
- Labor focused

Off to Minnesota

- 10 – separate jobs at \$3-6 Million
 - Work to be consecutive
 - 9 months to complete work
 - Bought a central shop location

Off to Minnesota

- Winter | Labor Shortage | Issues!!!
 - Consecutive became concurrent.
 - 70+ hour weeks.
- Core staff continuously out of town.
- CEO & VP's onsite for several weeks.

One more job in the mix

- \$10M plus job in California
- Fast turn around
- Permitting complications
- Fast became furious

Critical Turning Point

Change orders were “being prepared”

Critical Turning Point

Projections on \$45M



10 - 25%

The Cyclone

- What went on
- *Initial disbelief*
- *Scramble to fix*
- *Projection horror movie*
- *“Managing” Bank and Surety*
 - *Who are these people?*
- Additional Complications
- *Pushing for focus on unrelated operational initiatives.*

Closed it down

- March 2018
 - *Agreement to move forward structure seemly reached*
 - *Well.....not so fast.*

 - *Company into Receivership*
 - *Surety took control over their obligations*

Three years of

- Reconciling | Reviewing | Proving out EVERYTHING
- Documentation – Documentation – Documentation

Things to remember

- Be conservative in chasing top line prestige.
- Focus on work you know – and be good at it.
- New work – small steps – be excellent at it not ok.
- Lots of “small steps” all at once are a huge step
- Training and accountability!!!
 - *Processes assumed performed are usually not, eventually.*