



ZIOLKOWSKI CONSTRUCTION INC



NEWS & UPDATES
FALL 2007

KEEPING SCORE - A FRONT OFFICE PERSPECTIVE

SO FAR - A YEAR OF STRONG RESULTS

It is gratifying to report that Ziolkowski Construction, Inc.'s (ZCI) operating results year-to-date are among the very best in the past ten years. Revenues are expected to increase by 20% from last year and bottom line profits are expected to increase appreciably due to overhead cost containment efforts. We have been able to maintain our gross margin (direct profit from jobs) percentages in a construction environment that has seen increased pressures from the competition due to decreased project opportunities. I believe this is a direct result of the efforts from our committed and talented work force. Our year-to-date performance places ZCI in the top quartile of the construction industry and provides us with flexibility for strategic transactions in the future.

CHANGE AND CONTINUING EVOLUTION OF ZCI'S BUSINESS MODEL

Within the attractive services specialty markets we serve, we are able to steadily strengthen our positions in several key areas.

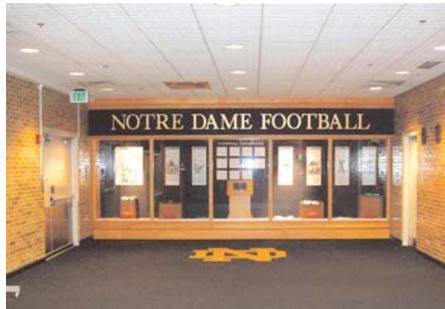
1) For the second consecutive year, masonry restoration has been the fastest-growing section of our business. Further market share gains have been recorded in the local market but we have ventured into the "out-of-state" market with the dedication and commitment of some of our skilled masonry restoration workers.



Arrison Carriage House

Buffalo, NY

2) Finally, our growth in the flooring market segment has increased substantially. This has caused increased stress for Kevin Kampe trying to find skilled workers but it has opened opportunities for profit.



University of Notre Dame
Football Locker Room Floor
Ziolkowski Flooring

Indianapolis Market

Another bright spot is our foray into the Indianapolis market with masonry services. This adventure started through the opportunity at the Colts Stadium and some prodding by our now Indianapolis Branch Manager, Kevin Grover. Both Kevin and Joe Alberts have relocated to the Indianapolis area and we have now opened up a satellite office on the north side of the city.

Our portion of the stadium project is nearing completion but we are building back log (value of work to complete) and have started a large school project in Indianapolis and two smaller projects in Noblesville. One of Kevin's short term goals will be to lure talented individuals to help him grow the masonry business in and around Indianapolis.



Chuck
Lewis



Ben
Ziolkowski



Bill
Favors

The long-term vibrancy of our business will continue to be driven by the efforts and commitment from our workforce; like the individual sacrifices of relocating by Kevin and Joe to Indianapolis, the willingness to accept the new challenges of a new project by Paul Widawski, extensive travel by Mike Timm and accepting bottom line responsibilities associated with a full functioning paint division by Mike Hamilton, as well as additional time commitments given by many associated with our increased growth.

A Uniquely Focused Strategy

For many years, ZCI has employed a unique strategy of providing quality workmanship when our competition was "cutting corners". We have been able to combine revenue diversity (through a broad market segment approach) with high-growth and lean operating models to grow profits.

(continued on back page)



Lucas Oil Stadium
New Indianapolis Colts Stadium

General Division Updates

Presently we have around 60 field employees within the general and flooring divisions.

This summer Notre Dame has kept Jim Boyle extremely busy with over 30 projects going at one time, as well as running interference for the carpentry shop. I know that this slowdown at Notre Dame has really done wonders for Jim's disposition. Thanks Jim for a job well done.

New projects just started: Lake Hills Elementary School in Michigan City; University Park Mall/ Foundation /Wall Package; Law Building/Notre Dame; Site Demolition and Concrete package; and Memorial Hospital Surgery Expansion.

On-going Projects in various phases of completion: *New Prairie Middle School; SJRMC/Plymouth, Lab/Radiology; LaPorte - INDOT; Duncan Hall/Notre Dame-concrete package; JACC Gates 1 & 2 Renovation/Notre Dame; SBO/Elm Road-Parcel B; and Aldi's/ Mishawaka-concrete package.*

Projects completed: Crown Point Multi-School; South Bend Orthopaedics-Elm Road; McNaughton Park-Elkhart; Prairie Landfill; Duncan Hall Utility Tunnel and Clay United Methodist Church.

And then there are Jim and Kevin who have somewhere around 127 jobs that are in various stages. No wonder when you try to reach either of them on their phones they are busy.

I would like to thank all my staff and all the field employees for their efforts, during these summer months.

Hopefully, we will schedule a superintendents meeting late September or early October.

Keep up the good work,

Ron



Notre Dame Law Building

Paul Widawski- Superintendent
Jason Watts - Project Manager



McNaughton Park Aquatic Facility Elkhart



Jason Watts - Project Manager
Matt Manikowski - Superintendent



SJRMC - Plymouth Keith Bope - Superintendent Ron Lockwood - Project Manager



Lake Hills Elementary School

Michigan City
Gary Paston - Project Manager
Dave Orosz- Superintendent



University Park Mall

Matt Manikowski- Superintendent
Ron Lockwood - Project Manager



South Bend Orthopaedics - Phase I Dave Armstrong - Project Manager

Mark Brenner - Superintendent

Flooring Updates



**University of Notre Dame
Football Locker Room**
New carpet

Superintendent -
Ted Hodowaniec

Project Manager
Kevin Kampe -



**South Bend Orthopaedics
Mishawaka**
Mike Miller - Superintendent
Kevin Kampe - Project Manager

ND logo hand cut-in by
Ted Hodowaniec



Joyce Center/ Notre Dame
Ted Hodowaniec - Superintendent
Kevin Kampe - Project Manager

ZCI Office Updates

"Battle of the Bulge"

Waistlines were expanding and clothes were getting tighter, so a group of ZCI office employees joined in a six week battle of the bulge contest. There were five women and ten men in the race to see who the biggest loser would be. There were weekly weigh-ins to keep track of everyone's progress. The women were challenged to lose five pounds and the men 10 pounds. After six weeks the majority of the group had met their goals with a total weight loss of 158 pounds! Congratulations to all who stepped up to the challenge.

The overall biggest loser was Greg Smith with a total weight loss of 27 pounds! Mike Hamilton came in a close second weighing in 25 pounds lighter.

The biggest loser for the women was Laurie Ziolkowski. She weighed in 14 pounds lighter at the end of the competition.

A big thanks to Sharen Armstrong for keeping all the statistics and organizing the event.

Winners



Greg Smith
lost 27 pounds



Laurie left behind more than
(2) 5lb. bags of sugar, but
she's still sweet as always!

Fall back....

It's not quite ingrained in our consciousness here in Indiana but it is here and not going away - Daylight Saving Time.



Sunday, November 4th, 2 a.m.
Set your clock back 1 hour

A Safety Reminder

Change the batteries in your smoke detectors when you change your clocks. Use Daylight Saving Time every year as a convenient reminder. A working smoke detector more than doubles a person's chances of surviving a home fire but more than 90 percent of homes in the United States have smoke detectors, but one-third are estimated to have dead or missing batteries.

Masonry & Restoration Division *Updates*

Summer is winding down. Kids are back in school. Please be mindful of school busses and school zones. Also James will be notifying you of changing work hours for Fall and Winter.

At present we have in excess of 150 field employees within the masonry and restoration divisions.

Kevin Grover is busy in Indianapolis finishing our contract at the new stadium. Our Indianapolis office is open, but you probably won't find Kevin there. Joe Alberts has moved his family to Indianapolis to give Kevin much needed field supervision help. He will run the New Riverside Elementary School Project which has just begun. Kevin Zimmerman, Ivan Kovalenko and Steve Bealmear are also running work in the Indianapolis/Anderson area.

New jobs to start: Pine Elementary School, Michigan City; White County Hospital, Monticello, Hamilton Town Center, Indianapolis; Riverside School, Indianapolis; New Law Building, Notre Dame; Heritage Square, South Bend; Memorial Emergency Center, South Bend; and the Old Main Building, University of Arkansas. There is a lot of new work starting in October.

There are three large masonry jobs in different phases of completion. Lake Central Middle School is complete except for minor issues; New Prairie Middle School is almost complete on the exterior with a lot of interior work left to do. Duncan Hall at Notre Dame has at least 2 months work left to make roof bearing and enclosure. (See Photos)

I would like to thank all of our young men for stepping up and taking on the supervisory responsibilities and filling vacant spots left by retiring superintendents. Dan Stephenson, Ryan Ueck, Ryan Ross, David See, Dennis Kelly, and Chad Singleton have been invaluable.

We will schedule a superintendents meeting in September. The Restoration Division is going strong and continues to expand. Our next newsletter will feature the Restoration Division.



WSBT Mishawaka
Steve Fields - Project Manager
Ryan Ross - Superintendent



New Prairie Middle School
Chuck Lewis - Project Manager
Dan Stevenson - Superintendent



Eppley Auditorium Addition
Culver Academy

Dale Bollenbacher - Superintendent
Wayne Kidd - Project Manager

The biggest enemy of best is good.
If you're satisfied with what's good,
you'll never have what's best.



Masonry & Restoration Division *Updates*



Duncan Hall/University of Notre Dame
John Mummaw - Superintendent
Chuck Lewis - Project Manager



Heritage Square Mall
Mishawaka
Dan Kidd - Project Manager
John Mummaw - Superintendent



New project in progress



Riverside Intermediate School
Fishers
Wayne Kidd - Project Manager
Joe Alberts - Superintendent

It's the person that doesn't need a boss that is usually selected to be one.

Never judge a person's horsepower by his exhaust.

A conceited person never gets anywhere because he thinks he is already there.

Painting Division Updates

It was a busy summer for the Painting Division.

Jack Eslick and his crew finished the painting and vinyl wallcovering on the first building at the South Bend Orthopaedics campus on Elm Road, and began work on the second building there. Jack is again heading up the painting, with Bob Szymanski supervising the drywall finishing.

Jerry Lempke spent the summer taping, painting, and hanging vinyl at the Plymouth SJRMC radiology infill project. As this job finishes up, Jerry will transition to heading up our work on the New Prairie Middle School project.

Adam Taylor was very busy for us. First he successfully completed the exterior painting of the Central Utilities building at St. Mary's College, and then he painted the Notre Dame Mail distribution center, followed by a month on the midnight shift at N.D. JACC, finishing up in the dead of summer painting the exterior of Plymouth High School.

Ryan Quinn has been heading up the first of 3 projects we will be doing over the next couple of years at Memorial Hospital. Ryan was among 8 of our crew who went through our first superintendent's training program we conducted last spring. The others: Jack Eslick, Kyle Sult, Paul Sult, Adam Taylor, Bob Taylor, Chris Vaerewyck, and Scott Vaerewyck. Much thanks to these individuals who sacrificed 2 hours of their time every Wednesday for 2 months to attend our training.

Chuck Stauffer and his crew at Notre Dame have been busier than ever this summer. Doug Wallace headed up the annual dorm touchup, while Chuck was seeing that everything else that Notre Dame could throw at him was taken care of. A job well done to both.

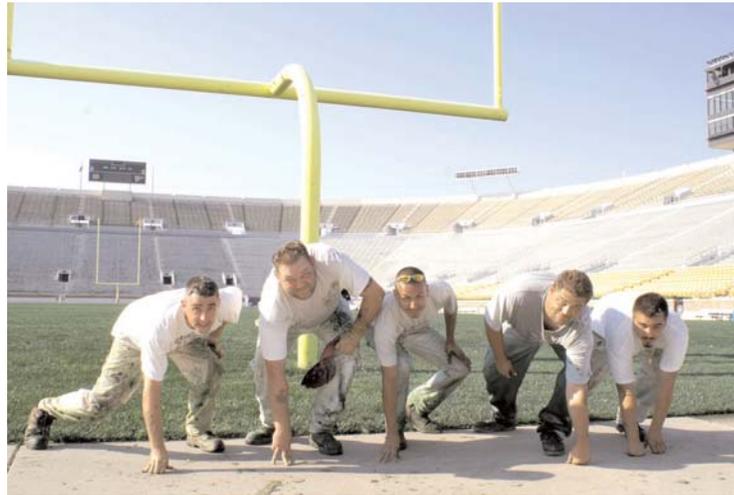
And lest we forget, we are now the official grass painters at Notre Dame Stadium. Jose and Bob Taylor head up a group that keeps it green!

I would also like to single out a member of our team, Paul Sult. Paul has been with the Ziolkowski Construction Paint Division for over 13 years. (And not one complaint from him the entire time).

Finally, I would be remiss if I didn't thank Jose and Greg for all their hard work this past year. I consider both of them consummate professionals, willing to do whatever it takes to succeed. My profound thanks to them for the past year we've had.

Mike

University of Notre Dame Football Stadium



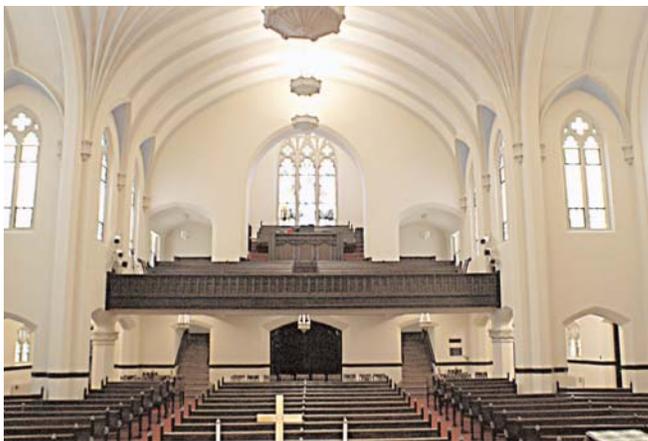
ND Stadium after a fresh coat of green paint

Ziolkowski adds "linemen" to the Notre Dame team . . .

they won't be blocking - they'll be painting!

No, this isn't the new offensive line for the Notre Dame Football team, it is however, the crew who keeps the field looking so green. Yes, they paint it!

Pictured above: L - R: Eric Newcomer, Bob Taylor, Jose Galaviz, Adam Taylor, Daniel Castro

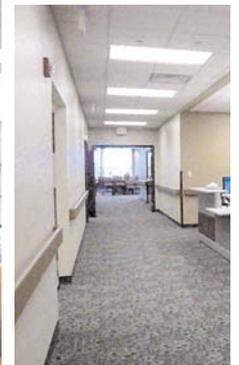


First United Methodist Church

Mishawaka

Mike Hamilton - Project Manager

Charlie VanKamp - Superintendent



South Bend Orthopaedics

Mishawaka

Superintendent - Jack Eslick

Project Manager - Greg Smith

KEEPING SCORE - A FRONT OFFICE PERSPECTIVE *(continued)*

Expenditures on equipment, adjusted for depreciation, increased by 12 percent year-to-date. *Within ZCI's growing organization, our goals are to support the benefits of increasing scale by purchasing the best equipment available to facilitate our workforce and enable them to continue delivering to our customers the quality they require at an affordable price.* We are increasing our focus on innovative equipment. If we can purchase a piece of equipment that generates a positive internal rate of return (IRR), we will do it.

OUTLOOK

We currently have the highest back log in our company history with associated profit margins surpassing previous years. Our volume is rising, we have many projects in house to bid, and performance and efficiencies are better than our competition.

We are continuing our efforts to become a larger player in the Indianapolis market and markets between South Bend and the Illinois state line.

For all of our accomplishments to date in 2007, we wish to recognize the hard work, creativity and dedication of the talented ZCI employees around the company. The planned growth will place additional demands on our already lean organization, but I am confident that our divisional teams will do a superb job.



SUGGESTIONS FOR IMPROVEMENTS

Are we doing well - as noted above; yes, we are doing very well but there is always room for improvement. With that thought in mind, we are reminding everyone that we have an **Employee Suggestion Program** that awards employees that make beneficial suggestions to the company - \$100 for each suggestion.

These suggestions must involve cost savings, quality improvement, productivity increases, process improvements, revenue-generation or morale-enhancements. It must provide some detail about how the proposer thinks the suggestion should be implemented. It is easy to dash off an idea, we require that additional detail accompany the idea - not a full blown action plan - but at least more detail than an idea. It should include the "why" and "how" the idea will impact the company, including a cost savings analysis.

Bill



"Tool Time"

Gentlemen, start your engines!



Winter and cold weather will be here sooner than you think. It's time to get vehicles and equipment ready for the winter months. Taking the time to inspect your equipment now can save time, money and headaches in the future. Here are some simple tips for the coming winter:

- * Check Anti-Freeze
- * Inspect Tires & Tire Pressure
- * Run Blower Motors to make sure they are working
- * Replace Wiper Blades as needed
- * Lulls & Equipment with Block Heaters - *plug them in and make sure they are in good working order before it gets cold*
- * Test Batteries
- * Check Head Lights, Tail Lights & Turn Signals



Keep your motor running . . .

If you have any problems, please contact myself or Tom