



KEEPING SCORE - A FRONT OFFICE PERSPECTIVE

We are off to an aggressive start

Thanks to all of the hard work from our workforce and the efforts of our estimating department, we are continuing our strong financial results for the 1st quarter of 2008 during a period of reduced construction spending and higher competition. Revenue increased by 8% over the same period from last year and bottom line profits are up 12% for the same period. As you will recall, last year was a banner year and to continue that level of performance is very commendable, especially in today's economy of ever spiraling fuel costs and a shrinking gross national product (GNP). During this same period we were able to invest in our ability to become even more competitive by replacing some of our older equipment. We still need to focus on this strategy but only as cash becomes available which is not during a period of increasing activity and funding new projects. ZCI management views the deceleration in the construction market as temporary and somewhat lagging the remainder of the economy. Looking forward to the remainder of 2008 we are very bullish and feel that we can maintain our momentum.

Economy

There's been a great deal of talk about the "R Word" lately. This isn't the venue to debate whether the United States is or isn't in a recession, but I think we can all agree that the economic situation in this country isn't as good as it could be, and we can move on from there.



In analyzing our results, our core construction divisions continued to produce respective gross margins. However, due to some softening in available projects, we chose to give up 1% to 2% in gross margins to benefit our backlog and keep our momentum going and our workforce busy. Our estimators keep their fingers on the pulse of our backlog and track how much backlog we are burning each month, adjusting their profitability margins to sustain a level stream of work for our company and our workers. We enjoy stability and strive to smooth the unavoidable ebbs in our work flow to the benefit of our workforce.

In with the new, out with the old

As I stated above, we are investing in our future and our ability to be better than our competition by replacing old equipment with new equipment. Sometimes the new equipment offers newer technology which allows us to become more competitive and sometimes the old equipment was just old and not efficient any longer.

Expenditures on equipment, adjusted for depreciation, increased by 30 percent year-to-date. We have purchased two towers of Non-Stop scaffolding, two weather protection kits for the Hydek, one new unit of Hydek scaffolding, two Lulls (extendable boom forklifts), two Grout Hogs, a bunch of Symon concrete forms, three new trailers, four Ford F250s, a cube van, 3 mini vans, a couple of busses to haul employees at Notre Dame, three trowel machines, a paint sprayer, a number of laser levels, a Vibra-Strike, and number of mixer and cut-off saws. We will continue our replacement purchases as cash is available.

Suggestions for Improvements

Since our last newsletter and reminder that we have a suggestion program we have received a number of suggestions with many \$100 rewards given. One suggestion that I was looking for but never received was ways to conserve fuel. As fuel prices increase so does the negative impact it has on our bottom line profitability.



Chuck
Lewis



Ben
Ziolkowski



Bill
Favors

Our fuel cost increased nearly \$8,000 last month, \$6,500 for "on road" fuel alone and the majority of the cost can't be passed on to our customers through surcharges as we bid our projects on a fixed price basis. If you have any ideas, let us know. We like to pass out \$100 ideas.

End of Constant Growth?

ZCI has not experienced any slowdown in construction starts over the past year like some of our competitors. Will that continue for 2008? The housing crisis accounts for virtually the entire anticipated 8.2% decline in the value of new construction starts this year, according to Engineering News Record. In the office building market, marginal projects will have a difficult time obtaining credit with the tighter lending practices but viable projects will probably go ahead. This is especially true in our Indianapolis market area. The office building market is expected to slip 3% in 2008, following a 10% increase in 2007. Medical projects will continue to grow in 2008 but at a much slower pace. There seems to be a downsizing effect in the market that is causing many smaller private hospitals to be built. School projects are also enjoying some growth but the outlook is somewhat cloudy as state and local governments have been stretched to keep up with inflation and there is not much left in their coffers and the federal budget expenditures are being jockeyed around between President Bush and congress. Construction costs seem to be moderating so projected funding may support more projects this year. The picture for other federal construction funding is unclear. A slower economy could cut into state and federal budgets by 2009. If that happens, it will take away another growth engine. There may not be a recession but there is talk of one and risk premiums are increasing. Throw in tighter lending standards and lower returns and it is not hard to get a mild retrenchment in nonresidential building this year.

Masonry Division Updates

Laying it on the line.

Finally, thru the winter of 2008, it was one of the the worst winters I can remember and to make it seem even longer, all of our projects were outside. I want to thank everyone for a great effort in very difficult conditions.

The bidding market today is as bad as I can remember, eight to ten masonry bidders on every project. There is no room on the bids for any perceived profit or even to cover the overhead. We continue to bid work daily and have been successful on a couple of projects lately. All future projects will at best be a challenge for all of us.

We must work together to reduce costs both on site as well as in our buyouts to bring these projects back to within our costs.

Please minimize trips and miles as much as possible. Gas prices as you know are now a huge cost. Encourage your people to car pool if possible to ease the burden.

There will probably be plenty of decent help available as we get further into the year. You will all need to get the best people available in order to meet our increased counts. Use of our project control systems, monitoring starting/

quitting times, etc. will be critical for success.

On a brighter note, our ability to work outside our immediate area gives us more opportunities to secure work and stay busy. The Indianapolis area, although very competitive, still remains fairly busy.

If you have any ideas to cut jobsite costs please let us know. Dale Bolenbacher's trowel invention to double production is a unique idea but will not win \$100.00 for innovative cost saving ideas.



Chuck

Memorial Hospital Energy Center

South Bend, IN



Project Manager:
Dan Kidd

Superintendent's:
John Likes
Jeremy Miller

Duncan Hall

University of Notre Dame



Project Manager:
Chuck Lewis

Superintendent:
John Mummaw



Masonry Division Updates



WSBT

Mishawaka, IN

Project Manager: **Steve Fields**
Superintendent: **Ryan Ross**



Eck Law Building

University of Notre Dame

Project Manager: **Dan Kidd**
Superintendent: **Dan Stevenson**



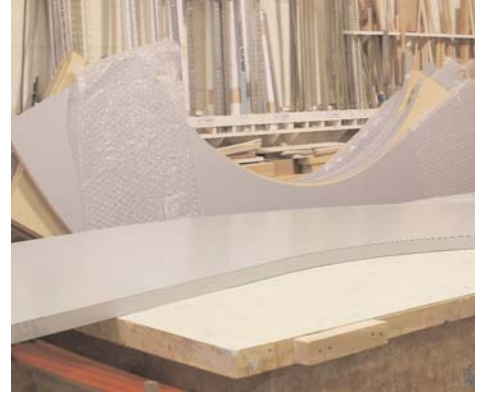
Lucas Oil Stadium

Indianapolis, IN

Project Manager: **Wayne Kidd**

Superintendent: **Joe Alberts**

General Division Updates



University of Notre Dame Carpenter Shop

Custom counter tops are being fabricated for the new office space being constructed in the lower level of Grace Hall. (pictured below)

Custom bookcases will also be built for the new office space by our highly skilled craftsmen. The painting, flooring, masonry and general division's are also working on this project.



Pediatric Respite Home - O'Hana Heritage Foundation

South Bend, IN
Project Manager: **Ben Ziolkowski**
Superintendent: **Keith Bope**

Gedes Hall - University of Notre Dame

Project Manager: **Jason Watts** Superintendent: **Mark Brenner**



Gedes Hall Crew: Duncan Porter, Ric Penrod Jr., Greg Fisher, Ricky Smith, Matt Adolpe, Larry Scheiblehut, Bob Day, Dean Phillips, Jim Schaffer, Ric Penrod III, Randy Penrod, Jeff Wirth, Jim Jester, Jack McCann, Mark Brenner, Matt Ellis



Painting Division Updates

June 2008

I'm happy to report the Painter's and Allied Trades Union Local 1118, and the contractors of our area have agreed to a new contract. It will extend for the next four years, and I for one am glad to put the negotiations behind us. This was an historic event in some regards, in that it is the first time in a very, very long time, perhaps ever, that a work stoppage did not take place.

This is the start of a very busy part of our year. We have started our annual dorm touch up on the Notre Dame campus. Doug Wallace heads up the dorm crew, as he has for the past six years. Chuck Stauffer and I appreciate the fine job he does every year. In addition to dorm touch up, Chuck's staff handles every work request Notre Dame throws at them.

We are finishing up the painting and taping at New Prairie Middle school. Jerry Lempke headed up our crew there that included two of our veterans, Bob Szymanski and Paul Sult. A very challenging job that they made look easy.

We are in the middle of our work at the new addition to the South Bend Clinic. One of our superintendent training alumni, Bob Taylor is heading up our crew there and doing a fine job for his first time in this kind of position. Keep up the good work Bob!

Looking to the future, we have a large job at the new Northridge High School in Middleberry that will be starting sometime this summer, and Stinson-Remick Hall on the Notre Dame campus will hopefully start in the fall.

Let me conclude by simply thanking the entire crew we have in the painting division, along with everyone at Ziolkowski Construction. You all make it a joy to come to work every day. I'm honored to be a part of this great organization.



First United Methodist Church

Mishawaka, IN

Mike Hamilton - Project Manager

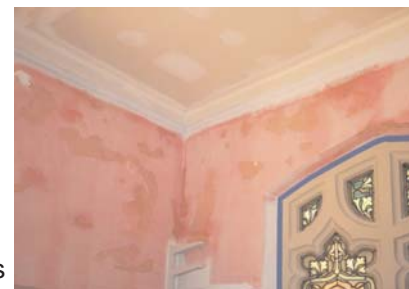
Scott Vaerewyck & Chris Vaerewyck - Superintendents



Main entrance



New Prairie Middle School



Work in progress

Flooring Updates

Ziolkowski Construction “waxing” the competition in the Flooring Division

If you would like to know just how much we are growing take a peek at the paint shop. We have two containers full of flooring materials on the outside of the building as well as half of the inside of the building.

We are getting ready to finish up the New Prairie Middle School job at the end of May or beginning of June. This job included 8,000 yards of carpet, 19,000 square feet of VCT, and 16,000 lineal feet of vinyl base. Ted Hodowaniec is doing a great job of supervising this project as well as keeping up with various jobs from Notre Dame, which has been quite a bit. Just about every week we have a new project from Notre Dame. With the help of Dave Dematteo we have managed to get everything done.

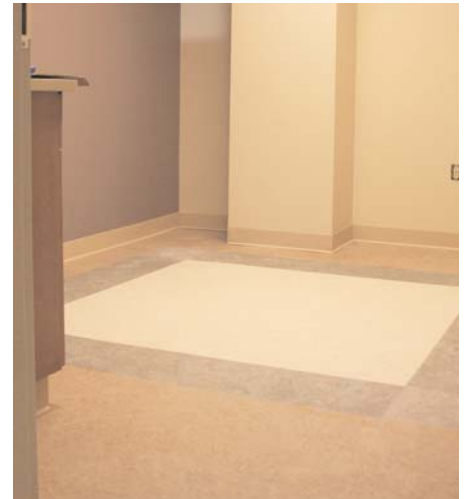
Memorial Hospital’s North pavilion addition which will be completed in four phases continues to move along nicely. With almost one half million dollars worth of work, this project will continue until 2010.

We have picked up Notre Dame Geddes Hall, SJRMC MOB build-out next to the new hospital; as well as several, and I mean several, projects for the summer at Notre Dame and Saint Mary’s College. About the time the summer rush comes to a close we will begin the Notre Dame Law Building which has over 14,000 square yards of carpet!

I would like to send a big *thank you* to Mike Hamilton and Jose Galaviz for their patience with us, and for the use of their building for storing our materials. Also thanks to Ted Hodowaniec, Mike Miller, Dave Dematteo and Joshua Musial for all of their help. If it were not for you guys the Flooring Division would not be where it is today.

Remember . . . **QUALITY** is our first and last impression!

Kevin



South Bend Clinic New Addition

Superintendent - **Mike Miller**
Project Manager - **Kevin Kampe**



New Prairie Middle School

Superintendent: **Ted Hodowaniec**
Project Manager: **Kevin Kampe**



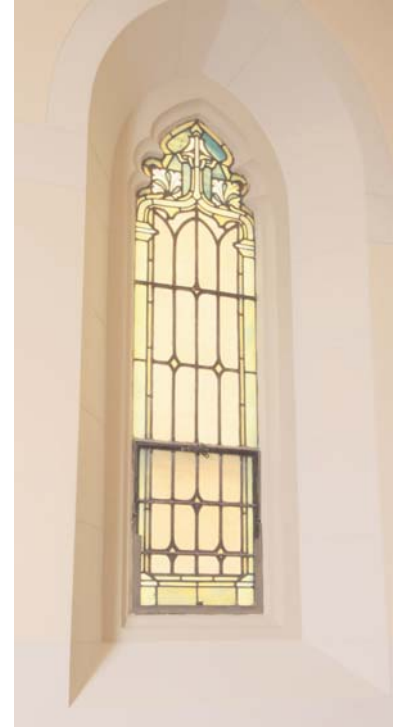
First United Methodist Church

Chris and Scott Vaerewyck would certainly put this project on the top of their list of favorite projects they have done over the years. The challenge was to use their creative talents to bring color and brightness back into the rooms and entrances of this beautiful church. There was quite a bit of plaster repair work to do before paint could be applied. Along with this type of work comes the added pressure to complete the job within a strict time frame, and to recognize the financial limitations that working for a non-profit church entails.

Due to the aesthetic nature of the building and its delicate design the owners wanted our painters to use their artistic abilities as much as possible. The results, as you can see, were beautiful. The church representatives and congregation could not have been more pleased!

Many years ago the main entrance had a faux block look applied to the walls. Not only did the 'fake' blocks not do justice to the entrance to this grand church, the finish was falling off the walls. Chris and Scott first scraped off the deteriorating material, and then skim coated over it to give the walls a smooth surface. The walls were then painted an off white, and the ceiling sky blue with gold accent trim. As you can see from the pictures, the results are outstanding!

It's rare in the paint profession to have the opportunity to do something unique and out of the ordinary. Chris and Scott would tell you this was a rare chance to combine their talents as professional painters along with their creative side. The results indicate mission accomplished!



Masonry Restoration Updates

Basilica of the Sacred Heart
University of Notre Dame

Superintendent: **Clint Goble**
Project Manager: **Brad Dennis**

This project includes stone repair, cleaning and tuckpointing the entire building and tower.



Pasquerella East and West buildings are surrounded by several lifts as the crew works hard to chemically clean, repair shelf angles and control joints.

Pasquerella East & West
University of Notre Dame

Superintendents:
Tony Bowen
Cory Kring



Safety News

Help Save Lives

All of us are vital in preventing jobsite accidents through exercising safe work habits. But there is another area where we can all help save lives, both on and off construction projects. According to the American Red Cross, 38,000 blood donations are needed each day in the United States. Nearly 60% of the population is eligible to donate blood, yet only 5% actually do. About 15 out of every 20 people will need blood transfusions at some time in their lives, while only 1 out of 5 give back through donations.

Accident victims, cancer patients, surgical patients, and other health conditions make blood donations vitally important for so many of those around us.

We are all touched by this need, either directly or indirectly. At some point, a co-worker, friend, family member, or maybe even you, will need a blood transfusion. Consider doing your part by donating soon. You might save the life of someone you know and the donation process is easy.

The basic requirements are that you are at least 17 years old, 110 pounds or more, and are generally healthy. When you arrive at the donation center, you will be asked a series of confidential health questions, they'll check your vital signs and perform some preliminary tests, and then you can donate. The entire process takes about an hour and you can repeat your donation every 56 days. Donating is nearly pain free and costs you nothing other than a little of your time.

So why not do it today? If you are already a donor, thanks for helping. If you are not, please consider becoming one, you'll be glad you did



For additional information:
call **1-800-Give-Life** or visit the following website:
www.givebloodnow.com
www.givebloodnow.org

James