

Join us for the 41st Annual ECC Conference

which will be held
Sept 9 -12, 2009 at the spectacular Hyatt Regency
Lost Pines Resort in Bastrop, TX (Near Austin)



ecc-conference.org

The Perfect Storm Navigating through the Turbulence of Risk and Change

The turbulence of the current extraordinary business environment demands leaders with exceptional perspective. Navigating a perfect storm requires timely, actionable insights beyond conventional wisdom. This year's conference will address the amplification of risk and change in capital projects and provide tools and strategies to navigate our industry toward success.

Keynotes Will Include:

Jeffrey Garten: Professor — Yale School of Management & Former Undersecretary of Commerce — Jeffrey E. Garten's vast credentials, reputation and experience make him one of very few business experts placed firmly on the crossroads of economics and foreign policy. And as he notes with great eloquence in his best-seller, *The Big Ten: Emerging Markets and How They Will Change Our Lives*, that is the crossroads where businesses will thrive or perish in the 21st Century.

John Hofmeister — Founder and Chief Executive – Citizens for Affordable Energy; Former President – Shell Oil Company — John Hofmeister is the retired President of Shell Oil Company and the Founder and CEO of Citizens for Affordable Energy. This Washington, D.C. registered, public policy advocacy firm exists to promote sound U.S. energy security solutions for the nation, including a range of affordable energy supplies, efficiency improvements, essential infrastructure, sustainable environmental policy, and public education on energy issues.

Rich Karlgaard — Publisher, Forbes and Author, Life 2.0 — Entrepreneur-turned-publisher, columnist and television commentator Rich Karlgaard has a unique vantage point on the trends driving the business and investment climates. More than just a business journalist, Karlgaard understands firsthand the difficulties of navigating in today's business climate and the opportunities available to those who have the courage to reach out for them.

Jack Lengyel — Distinguished Coach — On Nov. 14, 1970, a chartered airplane carrying 37 members of the Marshall University football team crashed. Also lost in the tragedy were eight coaches, 25 team boosters and five crew members. The man selected to help rebuild this team and ultimately the community was Jack Lengyel. This dramatic story and incredible leader were portrayed in the movie, "We Are Marshall."

Sessions Will Include

Session 1: Same Storm, Different Ships: Will Owners Plot a New Course? — We are all navigating through the same market forces; however the journey for owners and contractors will be different. While project success is defined by schedule, safety and cost — our unique perspectives force us to attack the market forces differently. In addition to owners focus on asset management, production, reserves and inventories, continued focus on project development will fuel long-term growth and sustainability. In this session 4 leaders from owner companies will discuss how their unique strategies and business models are changing to address the current conditions.

Session 2: Same Storm, Different Ships: How Will Contractors Respond to the Winds of Change? — Contractors have different considerations when addressing the current market situation. The contractors' success is based on people and technologies and the application of services in support of the owners. How will the contractors adjust their approach and emerge in a better position to address the challenges of the future? Listen to 4 industry leaders from contractor companies share their perspectives on how they are responding to the owner's new course.

Session 3: Thought Leadership on Risk and Change — The E&C industry is hardly unique in being forced to meet the challenge of the perfect storm. What is the latest and best thinking from the business community about the management of risk and change? The deans of the two of the nation's preeminent business schools will provide an overview of useful tools and concepts.



ECC Association

10375 Richmond Ave.
Suite 1340
Houston, TX 77042
www.ecc-association.org

ECC Sponsorship Opportunities

Thanks to the many organizations who have already committed to be corporate & event sponsors for this year's conference. Because of this support, we have gotten off to a great start in planning what will be an enjoyable and valuable event. Sponsor commitment allows the ECC to continually improve the annual conference as you will see in Austin this year. If you are interested in becoming a corporate or event sponsor for this year's Annual Conference, contact Denise Elston at denise.elston@shell.com or Ed Godlewski at ed.godlewski@fluor.com. For sponsorship information, contact Tara Wilson at twilson@EventsiGroup.com or 713-337-1600.

And a special thank you to our 2008 sponsors who helped to make the 40th Annual Conference a record breaking event!



Pulse of the Industry

Promoting Thought Leadership

engineering & construction contracting association

Spring 2009

Chairman's Note



Welcome to the winter edition of ECC's Pulse of the Industry.

We had another record breaking annual conference in Scottsdale. To celebrate our 40th Anniversary, Gene Kranz kicked off our event with an inspirational account of his mission controls experience with Apollo 13.

Thank you to the Executive and Advisory Board members who committed their personal time and expertise to develop a rewarding program for all of our attendees. We also appreciate the continued support of our corporate sponsors who make it possible for us to commit to a high quality program and future venues.

Our Future Leaders Program continues to grow as it offers a recognized benefit to our sponsors and a personally rewarding experience for the members of this highly energetic and talented group.

I am honored to be the Chairman of this year's conference and committed to offering another excellent program.

I wish all of you a safe and successful year and look forward to seeing you on September 9-12, 2009 at the Hyatt Lost Pines in Bastrop, Texas (Near Austin).

Alan D. Thomas

ECC Chair, 41st Annual Conference

What you missed in 2008!

The 2008 Conference marked the 40th Annual ECC Conference and enjoyed record attendance and incredible content for attendees. The conference was kicked off by a powerful presentation by Gene Kranz, recounting his role as Mission Controller, and the intense moments and extraordinary leadership that brought home the astronauts of Apollo 13.

The conference also featured an insightful panel including Rich Marcogliese — Executive VP and COO, Valero Energy Corporation, Rick Bowen — President, Peabody Energy, Ed Day — Executive VP, Southern Company and Bill Hall — President, WorleyParsons, discussing what will be required to succeed going forward. Attendees also enjoyed in-depth presentations by Luc Messier — Senior Vice President, Project Development, ConocoPhillips discussing their strategy and plans for growth.

Amy Myers Jaffe, from the Baker Institute, Rice University shared her perspectives on the New Challenges in the Global Energy Market with regard to Geopolitical and Financial Risks and Mike Dudas — Managing Director, Jeffries & Co. shared his forecast for our industry. Considering the substantial changes in the economy and energy sectors, we've recently talked to both Mike and Amy to get their insights on the market shifts... see Mike's update and forecast in this issue... and look for Amy's in our Summer issue.



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ECC SAFETY CREED: We know that while risks exist, incidents are avoidable. Each individual has a personal responsibility for their safety of others. As leaders we are accountable for driving this safety culture.

Industry Update with Mike Dudas, Jeffries & Co.

The ECC is pleased to present the following Market Update Summary from our 2008 ECC Conference Speaker, & E & C Market Analyst, Michael Dudas of Jefferies & Company.

Executive Summary

We believe the combination of structural commodity underinvestment, aggressive government policy actions to combat global deflation and economic recession, longer-term product and energy requirements of emerging economies and continued high levels of regulatory-driven capital spending obligations should allow global engineering and construction service providers an ability to target contract backlog growth into the next decade. The low-fixed asset, high employee utilization industry business model platform and a renewed management emphasis on project risk mitigation, overhead absorption and cost-reimbursable contracts should lessen earnings variability. Over time, well-positioned, well-capitalized engineering and construction firms can mitigate the potential operating margin and near-term order pressures that this sharp global financial and economic downturn provides.

The longer-cycle nature of client capital investment plans should allow relative revenue visibility for E&C companies through 2009. However, we note hydrocarbon producers generate between 30%–85% of a typical engineering and construction company orders. We believe most hydrocarbon E&C clients have approved and budgeted projects reflecting comparable energy and related product prices in the \$40–\$60 per barrel level. Marginal upstream and downstream projects could be subject to delays if commodity prices and historic spread levels remain below normal.

Supply & Demand More Balanced

We believe that the overheated demand for engineering contractors driven by credit and commodity price expectations has cooled to allow a more balanced outlook. Current backlogs appear supportive of 2009 revenue growth. Public sector funded contracts (federal, state, local) and continued emphasis on environmental regulatory policies in developed economies could offset marginal economically or commodity-sensitive project spending from the private sector. During 2007–2008, clients appeared to have way too many project ideas and plans for growth than the engineering, construction, foundry, work yards and equipment manufacturers had capacity.

Capital Investment Deferrals Could Push out 2H09 Orders

However, global commodity and industrial companies have taken swift, decisive actions to defer capital spending plans, to reduce product output and to maximize cash flow during the past three months. We note an added level of new order uncertainty for the sector. Higher steel, engineered product, shipping and subcontracting costs helped push projects into the marginal category even before the current sharp retrenchment. We believe backlog performance may be lumpier than witnessed during the past six to eight quarters with some risk to 2010 business while newly contracted reimbursable margins may recede if competitive pressures emerge.

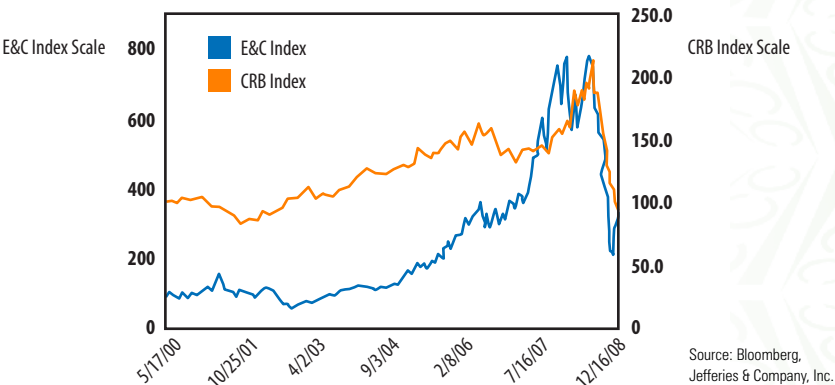
Monetary and Fiscal Stimulus Help, in Different Ways.

The global central banks’ unprecedented and nearly coordinated efforts to re-flate the monetary basis to stave off a potential deflationary cycle should eventually allow for an economic and commodity recovery in 2010. The lagged impact to dollar-based commodity price levels should allow for commodity/power/energy customers to budget appropriate capital returns on investment. The near-term, targeted fiscal stimulus expected to occur in the United States and emerging economies could help absorb any underutilized contractor capacity and support potential project management and construction management fee business for civil and government engineering contractors. We recognize the risk of crowding out private capital investment and or delayed private capital investment and political interruptions.

Longer-Term Commodity/Energy Structural Deficits to Drive Opportunities

The underinvestment in productive capacity, infrastructure and resources during the 1980s and 1990s lead to a more robust capital investment cycle during the past six years in energy, power, mining, and infrastructure. While clients adjust to the sharp retrenchment in global aggregate demand as credit availability and business expectations have shifted dramatically, we would expect client capital investment to resume once commodity, power, and energy price/reinvestment economics normalize. However, higher risk-adjusted hurdle rates of return on client investments may keep some marginal projects off the board.

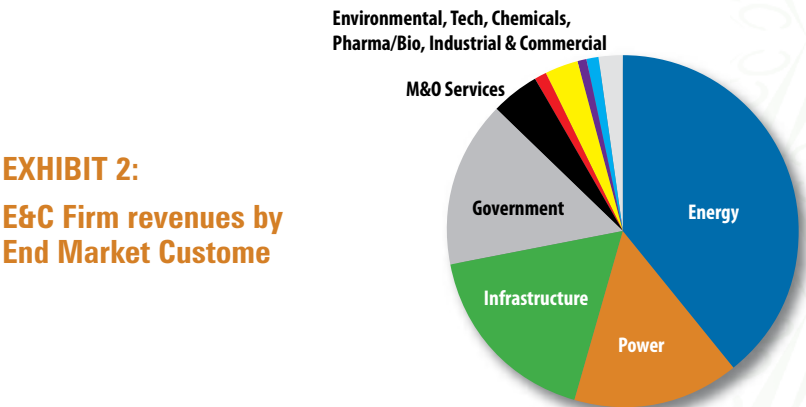
EXHIBIT 1:
Reuters/Jefferies CRB Index VS. E&G Equity Index (2000-2008)



End Market Diversity and Balance Sheet Provide Competitive Advantages

Given the uncertainty surrounding near-term economic direction and the subsequent generally lower level of private sector client capital budgets, we believe E&C companies that offer a more diverse product and end-market client offering should better weather the current marketplace. We note financial profiles are quite strong from most global contractors as the sector has been in a strong cash conversion cycle. Many E&C companies appear to be overcapitalized. As comparative valuations have widened between public and private companies (as well as some inter-public), we could see some acceleration of acquisitions by the better-capitalized companies.

EXHIBIT 2:
E&C Firm revenues by End Market Custome



Key Points

Supply and Demand More Balanced. We believe that the overheated demand for engineering contractors driven by credit and commodity price expectations has cooled to allow a more balanced outlook. Current backlogs appear supportive of 2009 revenue growth.

Capital Deferrals Could Push Out 2H09 Orders. However, the decisive capital deferral, production cutback and cash flow maximizing decisions made by global commodity and industrial companies during the past three months create an added level of new order uncertainty.

Monetary and Fiscal Stimulus Help, in Different Ways. The global central banks efforts to reflate should eventually aid an economic and commodity recovery in 2010. Near-term fiscal stimulus in U.S. and Emerging Economies should support business levels for some contractors.

Long-Term Commodity/Energy Structural Deficits to Drive Business. The underinvestment of the 1980s and 1990s has led to a more robust capital investment trend during the past six years. We expect client capital investment to resume as prices and economies normalize, but with higher return requirements.

End Market Diversity and Balance Sheet Provide Competitive Advantages. Given the uncertainty surrounding near-term client capital budgets, we believe E&C companies with a more diverse product and end market offering should better weather the current marketplace. We note financial profiles are quite strong from most global contractors.

Risks: Our investment thesis would be at risk if a longer than expected period of below-trend commodity prices, more severe global recession, lack of defined project execution success, or restrictive global trade emerged.

Who are the Future Leaders?

Each ECC Sponsor Company is entitled to nominate an individual to participate in the ECC Future Leader Program. This program is designed to provide a network of emerging professionals in our industry. The program will support the ECC mission of promoting thought leadership by providing fresh perspectives on various matters related to our industry, and by enabling knowledge transfer across various stakeholders of the ECC community by active participation in the organization. It is expected that the Future Leader group will expand the diversity and inclusiveness of the ECC while staying aligned with its original mission of being a forward thinking organization in the engineering and construction sector.



What are they up to?

Over the past few months, the Future Leaders have been brainstorming to assist the Board with potential conference themes and session topics. The participation from this group has been outstanding. The group has hosted a series of Leadership Development Seminars in an effort to support the ECC mission of promoting Thought Leadership. These seminars have included topics like “Leadership through Innovation” and “Leadership through Creativity”. The first session was hosted via WebEx and the second was presented at the Mid-Year Meeting in March in Houston, Texas and provided the Future Leaders an opportunity for face-to-face networking. This meeting also kicked off the planning of the Future Leader Forum to be presented at the Annual ECC Conference. This group is extremely energetic and guaranteed to do great things for our industry!



Want to be on the ECC Mailing list?

Email Tara Wilson at twilson@EventsiaGroup.com to make sure you receive ECC newsletters and conference invitations.

