Lyles
CONSTRUCTION GROUP
PROGRESS THROUGH DIVERSIFICATION
SUMMER 2013

With retirement coming at the end of this year, I am writing my final newsletter article on July 16, 2013, exactly 40 years from when I started with the Lyles organization as a Division Engineer on July 16, 1973. As you can imagine, much has changed in the size of our group of companies, types of work performed, technological improvements, and complexity of both projects and governmental requirements.

However, two things have stayed the same and are the reasons we have been able to withstand all obstacles and successfully grow beyond what I imagined we could be as a 21 year old civil engineering graduate of the University of Illinois. Those two things are the quality of our employees, from the work crews to our staff and engineers, and also the commitment of the Lyles family to the construction operation.

In 1973 it was just W. M. Lyles Co. and Kaweah Construction Co. doing about $30,000,000 of total volume annually. Over the ensuing years, Lyles Diversified, Inc. (LDI) became the parent organization, we added American Paving Co., we merged Kaweah Construction Co. into W. M. Lyles Co., we formed Lyles Mechanical Co., and we recently became affiliated with Lyles Utility Construction, LLC, a new Woman Business Enterprise (WBE) firm. At our last volume peak a few years ago, we did almost $300,000,000; ten times what we did 40 years ago. The largest project we built in 1973 was about $5,000,000 while today we have a project for Orange County Sanitation District that is over $125,000,000. Our total number of employees, union and staff, has grown from about 100 to over 500.

The work we did back then was pipeline, underground utilities, and small water and sewage treatment plants. Virtually all the projects were done by the traditional design-bid-build method. Today, our project repertoire additionally consists of design-build, CMAR (Construction Manager At Risk), P3 (Public Private Partnership), and negotiated project delivery. We also build bridges, paving and grading, concrete flatwork, HVAC, and industrial/municipal mechanical scopes of work.

While it is very satisfying to look back at who we were and see how far we have come, I truly believe our best days are ahead of us. With the financial strength of our parent company LDI, the talented resources of our insurance and risk management partner AON, the strong alliances we have made with quality subcontractors and suppliers, and most importantly, our highly capable employees, we look forward to continued success by living up to our motto "Progress Through Performance".

Michael A. Burson
President/CEO, Lyles Construction Group

American Paving Co. Yosemite Springs Parkway Bridge Deck Pour *- See page 2*

YOSEMITE SPRINGS PARKWAY BRIDGE REPLACEMENT

American Paving Co.

The Madera County Road Department awarded the $1.51 million Yosemite Springs Parkway Bridge Replacement Project to American Paving Co. (APC) in May of 2012. The project involved the replacement of the forty year old structure over Coarsegold Creek which serves as the primary access to Route 41 and the Fresno area for the residents of Yosemite Lakes.

Due to limited access, the environmental sensitivity of the area, and the need to maintain access to the community of Yosemite Lakes, this project was to be built in three phases. The first phase involved taking the traffic down to a single lane and installing a traffic signal that would manage the traffic over a single lane on the existing bridge. Next, the northern portion of the concrete slab / steel girder structure would be removed so that a portion of the new 125 feet long, single span, four-cell box girder structure could be completed along with the new roadway approaches.

The second phase involved moving the single lane of traffic to the new bridge and still maintaining traffic flow with the signal system allowing for the remaining portion of the existing bridge to be removed. Another portion of the new bridge could then be reconstructed followed by the roadway approaches. The third and final phase of the project involved concrete placements to tie the two new sections of bridge together to form one single structure.

The project required a water diversion control plan to handle the intermittent creek flows. When the project began, the creek had dried up for the season and no water diversion control measures were necessary. As we completed the first phase and winter approached, it was determined that due to the irregularity and elevation of the bedrock, we would be unable to install diversion pipes as planned. We met with Madera County and project biologist Compliance One to discuss an alternative plan. It was agreed that to keep the project progressing and not shut down operations for the winter, we would utilize the existing piers for our water diversion control. K-rail was placed at the leading edge of a pair of abutments and our false work was constructed between the piers allowing the water to be diverted between other spans and at the same time protecting our false work from exposure to water flow.

Additional concerns were the extensive Storm Water Pollution Protection Plan measures required for the seasonal creek, as well as visitations from the endangered Phoebe Swallows and the Western Pond Turtles.

The project had many challenges, but due to collaboration between the APC Project Management Staff, the Madera County Road Department and Compliance One, the obstacles were overcome.

The project is currently under budget and on track to be completed this summer. The temporary signal has been removed and the road and bridge have been opened to traffic. Remaining work includes the removal of the original bridge piers, the placement of rip rap, and the restoration of the creek bottom.

Bill Hauff and Stephen Poindexter were the estimators on this project, and the Project Manager was Brandon Bendure. The project structure foreman was Scott McKinley, and the road and pipe work was supervised by a tag team of Foremen during the various stages including John Taylor, Val Huerta, Jason Foster, and Gilbert Fuentes.

Stage 1 Bridge Demolition

Yosemite Springs Parkway Bridge at Coarsegold Creek

CALIFORNIA STATE UNIVERSITY FRESNO PARKING LOT A & J IMPROVEMENTS PROJECT

The Parking Lot A & J Improvements Project required a fast-track schedule from the beginning. The project originally advertised in early April of 2012 with the Request for Proposal (RFP) requiring a response due by the end of the month. One day before proposals were due, CSUF cancelled the project as a result of funding concerns. A few weeks later, notification was received that the project was back on track and that RFP responses would be due back in eight days. The intent was to reconstruct the parking lots during the upcoming summer when school was not in session so the project needed to start immediately for any realistic chance at success.

Compaction and Fine Grading of Recycled Aggregate Base

American Paving Co. completed the rigorous RFP packet and submitted a Guaranteed Maximum Price of approximately $4.2 million on May 17th. We participated in a value engineering meeting with CSUF the following morning where we agreed to various scope revisions that reduced the contract price to $3.9 million. We received word the following Monday that APC was approved to proceed with the project. A pre-construction meeting was held the next day with work beginning on the project the following day. Our completion deadline of August 17th allowed us 86 calendar days to complete the work and have the site ready for school activities. The project was completed by APC on time and under budget.

Parking Lots A & J at CSU Fresno

The project involved the reconstruction of two existing parking lots comprising over 13 acres that incorporated a new design that would increase the parking capacity from 1,366 to 1,898 parking stalls. APC's scope of work included the removal of the parking lot improvements, and the installation of new pavement, storm drain system facilities, minor concrete improvements, parking lot lighting and cameras, landscape and irrigation, and striping and signage.

Ross Jenkins was the Lead Estimator on this project and Jimmy Brager was the Project Manager. The Project Foreman was Mike O'Neill with support from Gilbert Fuentes and Val Huerta. Major subcontractors included A-C Electric Co. and Brian King Landscaping. The Engineer was Alan Mok Engineering, and the project was administered by CSUF Facilities Engineer, Rod Gleghorn, PE.

JENSEN AVENUE OVERHEAD SEISMIC RETROFIT

Approach Slab Replacement

The Jensen Avenue Overhead Seismic Retrofit was bid in May of 2012 and awarded by the City of Fresno to American Paving Co. in August of 2012. This $2.46 million project involved the construction of a variety of seismic upgrades to the aging railroad overpass. The commencement of construction by APC was delayed until December 2012 due to ongoing negotiations between the City and the two railroads that own the tracks under the overpass.

The Jensen Avenue Bridge is a 654 foot long, seven span, pre-cast I-girder structure which spans over nine sets of railroad tracks and two frontage roads. The work on top of the structure included removal and replacement of the concrete barrier rail, removal and replacement of the approach slabs and transition paving, and the application of a ¾" thick polyester concrete overlay. The complicated work beneath the structure included the strengthening of abutment wall #1, the installation of catcher blocks and slope paving at abutment #7 and the installation of 8" pipe restrainers and bolsters at the diaphragms at piers 3 through 6.

Challenges on this project included working with two railroad companies and their ever-changing schedules for access. The retrofit work at Pier 5 was originally planned to be completed during a 30 day closure, but was ultimately performed on Fridays, Saturdays, and Sundays from 1 PM to 9 PM. We are pleased to report that the project is currently under budget and on track to finish this summer.

The Estimators on this project were Kevin Van Groningen and Stephen Poindexter with project management by Jimmy Brager and Chris Hickey. The Project Foremen included Jason Foster, Scott McKinley and Gilbert Fuentes. The Engineer for this project was Cornerstone Engineering Group.

Polyester Concrete Overlay

SOUTH COUNTY HEALTH CENTER

Lyles Mechanical Co. (LMC) was contracted in May 2012 to design and construct the mechanical and plumbing systems for a new outpatient medical clinic for the County of San Mateo in Redwood City. The new clinic is adjacent to an existing clinic which is outdated and inadequate for the needs of the County. The new facility is an OSHPD 3 occupancy clinic comprised of three floors, each approximately 12,000 square feet. The new building will expand the County's current capabilities with a larger administration area, conference meeting rooms, staff offices, a pharmacy, optometry department, adult clinic, children's clinic, obstetrical department and a dental department with six exam chairs. The new facility will be constructed so that it can be put into service before the adjacent clinic is demolished to minimize disturbance to the services provided to the surrounding community.

Rooftop installation of Air Handling Unit 001

The project is a design-build contract with Turner Construction Co. as the general contractor. The new health center is slated to be LEED Certified with DES Architects & Engineers taking the "lead", Mission Electric as the electrical design-build contractor, and LMC as the mechanical and plumbing design-build contractor. LMC's project team consisted of Dennis Enns as the Chief Mechanical Engineer and the Engineer of Record, Joshua Wilkinson as the preconstruction project manager, Ian Leisle as the project manager, Joe Gonzalez as the plumbing superintendent, and Dave Anderson as the sheet metal superintendent. Together, the team helped bring the building HVAC and plumbing systems from a conceptual idea to a realized facility that is both economical and functional to operate.

At the height of construction, LMC had ten plumbers onsite working on all three floors concurrently to meet the aggressive project

Gang Restroom completed water closet rough in

schedule. The plumbing scope of work included the installation of the domestic hot and cold water piping, sanitary sewer piping, and the medical air and vacuum piping systems serving the dental clinic. Also included were 68 sinks and lavatories throughout the building's patient exam rooms and service areas. A mechanical room on the third floor houses two commercial water heaters, the medical air compressor, the vacuum pump and a high temperature alarm that alerts the head nurse station in the event of a domestic hot water system malfunction.

Second floor VAV installed complete with branch ductwork

The HVAC systems were installed ahead of most of the other trades which allowed for unimpeded installation and higher production rates. LMC installed the HVAC systems with a peak crew of eight sheet metal workers while two plumbers installed the heating hot water system. The facilities mechanical system is centered around three each 35 ton air cooled (AC) packaged units mounted on the roof. Each AC unit supplies air to one of the three floors, each with 15 Variable Air Volume (VAV) boxes with reheat coils. Each VAV is fed by a heating hot water loop that is maintained by two 150,000 BTU Boilers also mounted on the roof.

The success of this project was created by the collaborative effort provided by the LMC team from the design concept, through pre-construction iterations using BIM modeling, and finishing with a well thought out construction plan implemented by our Construction team.

VALENCIA WATER RECLAMATION PLANT STEAM BOILER SYSTEM UPGRADE PROJECT

Lyles Mechanical Co. (LMC) was awarded the $3.74 million Valencia Water Reclamation Plant Steam Boiler System Upgrade Project in early 2012. LMC serves as the prime contractor on this design-bid-build project located near the City of Santa Clarita and just a "stone's throw" from the towering roller coasters of Six Flags Magic Mountain.

The project consists of the replacement of the antiquated internal combustion diesel driven gas engine, heat recovery system, and related components. In its place, LMC is installing two new 5.1 million BTU/hour steam boilers and all of the necessary steam, digester gas, natural gas, and blow down piping and appurtenances. The two new boilers will be used to heat all eight existing anaerobic digesters used to break down the waste sludge in the treatment process. Digester heating is a critical component in maintaining waste sludge temperature which aids in fermentation during the treatment process.

7.5 HP Digester Gas Compressors

LMC self-performed many critical aspects of the project including concrete, below and above grade piping, and equipment installations. The work also included upgrading the digester heating steam piping and electrical instrumentation systems for all eight of the existing sludge digesters.

Installed Ultra Low NOx Burning 125 HP Boilers

Many components of this project were thoroughly intertwined with the existing facilities of the operating plant. This challenge required constant communication and coordination with the plant personnel and resulted in flawless execution of the numerous interconnections and tie-ins. Exhaustive pre-planning of every task has resulted in no unexpected inconvenience to the operation of the plant.

One interesting fact about this project is that LMC Foreman, Ken Fladrich, originally installed the existing internal combustion engine in the early 80's. Things came full circle 30 years later with Ken removing the existing engine. Many times Ken would proudly point out his original welds and pipe installations as we were about to demolish them.

The project is currently under budget and on track to finish in November 2013. LMC congratulates team members, Michael Bonser, Ken Fladrich, Edward Martinez, and Cameron Samuelson for their contributions to the project.

WILMAR INTERNATIONAL PALM OIL REFINERY & TERMINAL

After nearly two years from inception, through preconstruction, design, and finally to completion of construction, ***the ship finally arrived.*** On the evening of July 4th an overseas vessel arrived with the first load of product. The inaugural unloading operation began the following morning and the ship was off to its next destination approximately 24 hours later. By all accounts the first unloading operation went off without a hitch. Wilmar staff has started running the refinery and actually making product, while final modifications are being made in order to optimize operation of the plant. For the entire life of this effort, close collaboration between all of the project stakeholders have resulted in delivering this world class project.

Palm Oil refinery and terminal, Port of Stockton, CA, USA

CITY OF FRESNO T-3 WATER STORAGE AND TREATMENT FACILITY

W. M. LYLES CO.
CONTRACTOR
Progress Through Performance

The Fresno T-3 Water Storage and Treatment Facility serves as Fresno's second Surface Water Treatment Plant. Built in the far southeast corner of Fresno, the 4 MGD plant provides domestic water to an area that was previously underserviced by well water. The $13.7M project achieved substantial completion in October 2012.

Installation of 30" Domestic Water Header Piping Utilizing Two CAT 330 Excavators

The plant treats raw water supplied by the Fresno Irrigation District Enterprise Canal, the same canal providing raw water to Fresno's Northeast Surface Water Treatment Plant as well as the City of Clovis Water Treatment Facility.

The facility process equipment provided for the plant includes Trident Filters, GAC vessels, a mechanical bar screen, vertical turbine pumps, chemical storage and feed systems, an inclined plate setter, a dewatering screw press, and a carbon dioxide storage and feed system. The project also included the construction of three pre-engineered metal buildings – Operations / High Service Pump Building, Chemical Storage / Feed Canopy, and the Transfer Pump Building.

W. M. Lyles Co. field crews installed 4,500 feet of underground ductile iron process piping, 1,500 feet of underground PVC sewer piping, 600 feet of underground PVC storm drain piping, and over one mile of double containment PVC chemical piping, all on a 3.5 acre site. We subcontracted the pre-stressed concrete 3 million gallon water storage tank to DN Tanks.

Structural concrete improvements included the washwater equalization basin, raw water screening structure, reclaim pumping station, raw water backflow pumping station, building foundations, and various equipment pads.

Installation of Vertical Turbine Pump Barrels at the High Service Pump Station

AECOM designed the project to operate April through October, when the canal water conditions meet the minimum raw water requirements in order for the Trident Filters to operate effectively. With the installation of the 18" force main from the City's existing domestic water system to the new 3MG storage tank, the City will operate the plant as a storage and pump station during the months of November through March. This allows the Fresno Water Division to fill the storage tank from existing wells in the area during off peak hours, and utilize the new High Service Pumps to pump the water back into the water system during high demand hours.

Chemical storage and feed systems include six FRP storage tanks, a packaged chemical feed system with diaphragm metering pumps, and two batch polyelectrolyte feed systems. Aluminum sulfate and polymers are injected into the raw water when entering the Trident Filters. Sodium hypochlorite provides disinfection, and sodium hydroxide works with the stand alone carbon dioxide feed system to control the pH before reaching the water supply.

W. M. Lyles Co. subcontracted with Lyles Mechanical Co. for the operations building plumbing and HVAC and subcontracted with American Paving Co. for sitework, grading, and paving.

Ruben Moreno served as Project Manager and Mike Van Groningen served as Project Engineer. Additionally, Scot Burk assisted in the early stages of the project while developing the CPM schedule. Project Superintendents included Gary Walker and Kevin Vieira. Structural concrete construction was led by Carpenter Foremen Todd Woods and Bobby Dixon, while Laborer Foremen Steve Olsen and Quick Nava directed the laborer crews.

Completed Water Treatment Facility

CCCSD PRIMARY TREATMENT RENOVATIONS PROJECT

W. M. Lyles Co. (WML) was recently awarded a $10 million dollar contract with the Central Contra Costa Sanitary District (CCCSD) for the Primary Treatment Renovations Project located in Martinez, CA. This project is a continuation of a long history of projects that a Lyles Construction Group company has constructed for CCCSD dating back to 1993 when Kaweah Construction Co. performed the first project. Over this period of time W. M. Lyles Co. has forged a strong relationship with CCCSD and has become one of their top preferred contractors.

Aerial view of the Central Contra Costa Sanitary District's 45 MGD Wastewater Treatment Facility

The Primary Treatment Renovations Project is comprised of work in four major areas. The first area is the Plant Operations Building where WML will install two new 42-inch horizontal centrifugal mixed-flow pumps driven by 600 HP motors with variable frequency drives along with the installation of the associated electrical power and control system.

The second area of work includes all four of the plant's Primary Sedimentation Basins. Each of the basins will be renovated by replacing the process equipment, including installation of 6,200 LF of spray water piping, an agitation air diffuser system, a baffle system, an 84-inch primary influent control butterfly gate, and the guard-railing surrounding each basin. The concrete surfaces within the basins will also be restored as part of the renovation.

Area three is the Primary Chemical Feed Building which will be retrofitted to receive a new grit handling system. Once the new grit system is operational, the existing system will be completely demolished.

The final area of work is the Solids Handling Building. This last phase of the project will be to remove and replace the plant's existing scum thickening equipment. A new scum thickener manufactured by Walker Process will be installed along with a new access platform and all associated piping and electrical systems.

Work is scheduled to commence in September 2013, with a completion date of November 2015. WML estimators on the project were Joe Lawrence, Pat Van Treeck and Chuck Schaller, and the project manager is John Lunsford.

NORTH OF RIVER SANITARY DISTRICT SLUDGE DEWATERING UPGRADES

The North of River Sanitary District No. 1 WWTP Sludge Dewatering Upgrades Projects is an upgrade to the owner's existing plant. The new design utilizes a dewatering press to remove liquids from the sludge creating a "cake" that dries quickly and can be handled more efficiently in much less space than the previous drying beds.

Sludge Dewatering Screw Press

The scope of work included the renovation of three existing earthen drying beds, the installation of an electrical/chemical building, the installation of a sludge dewatering press and conveyor system, a polymer system, a sludge holding area, plant mechanical piping, and a tie-in to the existing sludge pipeline system. The project was valued at $2,338,561 and work was completed in July 2013.

Brian Black was the carpenter foreman onsite and did an outstanding job coordinating the onsite work activities. He was assisted on the concrete activities by Tommy Hewes Jr., Jorge Rivas, and Jorge Rivas Jr. Kyle Swieringa, Dave Coburn, Brian Kelly, and Craig Fortson handled the earthwork on the project. Kevin Vieira and Steve Olsen came down from Fresno to assist with the underground piping and mechanical work. Gary Nicholson and Humberto Trujillo provided their valuable experience in setting the mechanical equipment, tying into the existing plant sludge pipeline, and upgrading various components of the existing plant.

This project achieved great success as the result of a great owner, two talented managers in LaRue Griffin, District Manager and Chad McBride, Plant Manager, a competent design headed by AECOM engineer, Nick Turner, and an outstanding group of skilled WML employees. This combination allowed us to work as a team and provided a quality product for North of River Sanitary District No 1.

W. M. LYLES CO.
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DIEMER WATER TREATMENT PLANT SEISMIC UPGRADES

Metropolitan Water District's (MWD) Diemer Water Treatment Plant Seismic Upgrades Project features the installation of three seismic slabs inside a Finished Water Reservoir (FWR), as well as installation of two underground shear walls at an existing Washwater Tank. The original contract value for this project was $3,606,445. W. M. Lyles Co. (WML) received the Notice To Proceed on January 17, 2013, with an anticipated completion date of September 27, 2013. WML office and field management duties were handled by Far Saiidnia, George Smith, and Rod Rodriguez.

Installation of seismic slabs inside finished water reservoir

The most challenging portion of this project has been completing the FWR seismic slabs within the specified six day shutdown period. For WML this meant scarifying 9,500 SF of existing concrete surfaces, drilling and epoxying 3,500 dowels, moving and installing 280,000 pounds of rebar, placing 800 cubic yards of concrete, and performing cleanup and disinfection of the Reservoir. All these activities were required to be done within the six day construction window. To accomplish this, WML gathered field personnel from almost all of the Southern Division workforce to supply 24 employees, who were split into multiple shifts that worked around the clock to complete the work. The first challenge of the shutdown was to move 280,000 pounds of rebar into the underground Reservoir using only two 32-inch diameter manholes. With the use of two cranes, simple dollies, and plain old fashioned muscle, the steel was mobilized to the work area in an astonishing 24 hour period. Simultaneously, an army of carpenters and laborers continuously rotohammered 3,500 dowels non-stop during the initial 36 hour period paving the way for CMC Rebar to install the rebar. The second major challenge of the shutdown was how to place 800 cubic yards of concrete with limited access to the main road. It was determined that the best method of delivery would be to utilize a 600 feet long slick-line system created from 4-inch steel pipe. On day five of the shutdown, a 24 man crew poured 800 cubic yards of concrete continuously for 16 hours through high humidity to complete the placement. WML successfully completed the installation of the seismic slabs 17 hours prior to the deadline. Operations and Management at the District stated "MWD is very happy with WML's performance during the Reservoir shutdown…the work went smoothly and efficiently and created a quality product ahead of schedule."

Shear wall excavation

The second major portion of work on this project consisted of two 8-feet thick shear walls ranging from 30 to 45-feet deep by 30 to 60-feet long. The specifications called out for drilled in place soldier piles followed by a shotcrete lagging system. The first obstacle was how to efficiently excavate through layers of bedrock material. This dilemma was solved using the drilling subcontractor's rig to pre-drill through the bedrock material prior to excavation. The next hurdle was created by internal shoring braces that created limited access for excavation. This problem was solved by utilizing a telescoping vertical clamshell excavator. The clamshell excavator was capable of digging vertically around the braces and thus increasing efficiency during excavation. Following excavation, CMC Rebar was able to install the shear wall reinforcement and WML crews completed the mass concrete placement for this structure.

The most important aspect of this project has been the opportunity to continue building WML's reputation as a dedicated contractor that believes in the quality and timeliness of our work. We have also been able to enhance our reputation with the Metropolitan Water District as their contractor of choice for many more job opportunities in the years to come.

W. M. LYLES CO.
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Progress Through Performance

ORANGE COUNTY SANITATION DISTRICT P2-89 SOLIDS THICKENING AND PROCESS UPGRADES

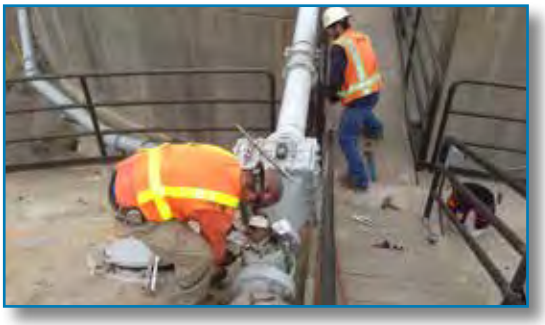
Disolved Air Flotation Mechanism and Submerged Launder near completion

Notice To Proceed was received on June 14, 2012, by W. M. Lyles Co. (WML) for the construction of the $26,383,000 Solids Thickening and Process Upgrades project for the Orange County Sanitation District. This 1,483 calendar day project is comprised of three major parts: the first is the rehabilitation of four existing Dissolved Air Flotation Thickeners (DAFT's), the second is the construction of a new Biofilter facility, and the third is the rehabilitation of two existing Digesters. You may be asking yourself, "A four year construction period for a $26 million project, how can that be?" The answer in a word: sequencing.

There are four existing 55-foot diameter DAFT's currently working near their maximum capacity. If one unit goes offline, the other three will operate at a stressed level. Accordingly, for this project only a single DAFT can be rehabilitated at a time.

The rehabilitation of each DAFT requires the demolition of the existing tank dome, DAFT mechanism, feed piping, process piping, pumps, air compressors, supply and exhaust fans, air scrubber, polymer facilities, and electrical components. The new construction requires installation of new equipment considerably more robust and technologically advanced than the removed equipment. The process piping and related equipment for the DAFT's are located within the basement level of a two story building with only a 10-foot x 10-foot deck opening for handling materials between the two floors. This physical constraint poses some significant challenges related to access of the work areas and planning and execution of the work. Our crew's resiliency and creativity in developing new methods of construction have proven to be the ultimate, positive contributor in performing this difficult work.

We currently have completed the demolition of the first DAFT unit and its appurtenances and are beginning installation of the new DAFT unit and its associated process piping, equipment, and electrical components.



Pat Bland and Joey Garcia removing flame arrestor at Digester

The design incorporates a new Biofilter Facility to replace the existing air scrubbers and treat the foul air generated by the DAFT's. We have completed the structural work at the Biofilter Facility early and are commencing the installation of the foul air ductwork that feeds the facility. Upon completion of the ductwork, we will be ready to install the Biofilter media and begin the shutdown for the replacement of the foul air exhaust fans.

The digesters tanks are currently being used as holding or equalization tanks, and the rehabilitation will allow them to be reconverted into digesters. The rehabilitation of the digesters is similar to the DAFT's wherein we demolish existing utilities and appurtenances then reinstall updated equipment. In addition, the interior of the digesters may require concrete rehabilitation to the domes and walls. This concrete work is to be determined by testing of core samples from the dome and powder samples from the walls. We have completed the cleaning of both Digesters and the cores are in the process of being tested.

As is common with any rehabilitation project, every work item cannot be anticipated. As this project has evolved, numerous issues have arisen. WML and OCSD have committed to mitigating issues that arise using fair practices, collaboration, and integrity. As one of our inspectors stated, "This is a challenging project, and I am glad we got you guys." Our level of execution and commitment is the foundation for the great relationships we have forged with the OCSD executives, supervisors, inspectors, and operating staff allowing the opportunity for success on this current project as well as future projects.

PASO ROBLES WWTP UPGRADE PROJECT

Excavation & Grading for Secondary Clarifiers No. 1 & 2

W. M. Lyles Co. was awarded this project on February 5, 2013. It has a value of $36,398,700 and an expected duration of 30 months. Preconstruction activities commenced on March 11, 2013 and field work started on April 1, 2013. The project management staff on site is comprised of Jeff Mathiowetz (Project Manager), Scot Burk (Operations Project Manager), Mike Van Groningen (Project Engineer), and Renee Lanyon (Operations Clerk).

The project consists of providing a complete upgrade to virtually all systems of the existing Wastewater Treatment Plant facilities to bring the plant into compliance with State regulations, while increasing the capacity to 4.9 million gallons per day. Generally, this is achieved by completing site work, construction of new facilities and modifications/rehabilitation to existing facilities.

Phase I Demolition is nearly complete, and was followed by the securing of the work area by the installation of dewatering wells, sub-drain dewatering pipelines, and beam and lagging shoring along Highway 101. A 24" bypass pipeline has been installed to keep the plant in operation during construction. Excavations have been completed and concrete construction is underway at several major process structures. Work is also underway on the Operations Building, Warehouse and yard piping. We look forward to updating you on WML's progress in our 2014 Summer Newsletter.

RECENT LCG SAFETY AWARDS AND RECOGNITION:

Our safety program is built around the beliefs that if we give clear expectation and instructions, devote adequate resources to our employees, and recognize the people who are successful in their implementation; we will realize our goal of consistently operating with zero incidents. An added benefit of a great safety program is the recognition and awards received by our construction companies for their exemplary safety performance as demonstrated below.

Left to right-Paul Becker, Chairman of Willis Construction Practice; Scott McElwain, Safety Director of Lyles Construction Group; Rich Nemmer, President/CEO of W. M. Lyles Co.; Joseph Jarboe, Past President of AGC of America

W. M. Lyles Co. achieved the first place award at the 14th Annual National Construction Safety Excellence Awards held in Palm Springs in March. The Associated General Contractors Construction Safety Excellence Awards (CSEA) program is the construction industry's elite safety excellence awards program. CSEA recognizes companies that have developed and implemented premier safety and loss prevention programs. It honors companies that have achieved continuous improvements in and maintenance of their safety and health management systems.

During the national competition, each company is judged in the following areas:

- Overview of company safety program
- Increased employee involvement in safety
- New programs, procedures, or resources a company uses to promote safety
- Management's commitment to safety
- Specific unique activities the company does or provides to promote safety, and
- No fatality or multi-catastrophic injuries in the past year

Congratulations to Rich Nemmer (President) and to all employees of W. M. Lyles Co. and to Scott McElwain (Safety Director) and to the Lyles Services Co. Safety staff for receiving first place in the Municipal and Utility Division (300,001-700,000 work hours) category.

This was our first attempt to compete on the national level after a qualifying 1st place finish at the state level competition. W. M. Lyles Co. has a core belief that our employees are our most valuable asset. Improving our safety program to support this core belief has been a top priority over the past several years. While we have always had a safety program in place and have operated with low incident rates and EMR's below 1.00 for a number of years, we realized that the goal of achieving a zero incident rate required us to evaluate our existing program, find areas for improvement, and develop and implement changes and solutions that would result in the successful realization of this goal.

Steve Poindexter, President/CEO of American Paving Co. and Doug Stohlman with Zurich

American Paving Co. was recognized for Exemplary Construction Safety by AGC at the 25th Annual Safety Awards of Excellence luncheon held last October. The award was for 3rd place in the Under 200,000 Worker Hours–Heavy/Civil/Highway Division. This award was made possible through the efforts of our Field Supervision (Foremen – Val Huerta, John Taylor, Jason Foster, Gilbert Fuentes, Felix Hernandez and Scott McKinley), Project Management Staff (Jimmy Brager, Brandon Bendure, Tim McLaskey) and Scott McElwain (Safety Director) and the LSC Safety Staff. This is the second year in a row that APC has been recognized, securing a second place award in the prior year.

Lyles Mechanical Co. recently received the Golden Gate Partnership Recognition from Cal/OSHA Consultation Service for the Wilmar International Palm Oil Refinery and Terminal facility located at the Port of Stockton. This safety recognition was developed to provide motivation and support for employers who proactively work with their employees and the Cal/OSHA Consultation Service in implementing an effective Injury and Illness Prevention Program. This award further recognizes our commitment to continuously improve our workplace safety and health management system on our jobsites.

We are extremely proud of our collective efforts in developing and implementing our award-winning safety program. With continued and active participation by all of our employees in the occupational safety and health at our construction workplaces, we are confident of achieving additional safety recognition at the state and national level in the future.

BUSINESS DEVELOPMENT UPDATE

Senior executives Rick Amigh and Stan Simmons continue to investigate opportunities for Lyles Construction Group in a variety of markets in both the public and private sectors. Some recent business development activity is outlined below.

WASTE TO ENERGY PROJECTS

While we currently are avoiding the solar and wind energy markets, there are still other markets that we feel are attractive. Of particular interest are waste to energy projects that use various feedstocks such as manure, waste fats/oils/greases (FOG), expired food products and various green wastes. Much of these waste streams have been traditionally delivered to landfills; however, current county governmental regulations are severely limiting this practice and the State of California is moving towards a statewide ban.

We are utilizing strategic partnerships to explore waste to energy projects. Two partners with whom W. M. Lyles Co. has been very active are project developer Colony Energy Partners, LLC and global technology leader, Anaergia, Inc. We are engaged with Colony and Anaergia on the development of several waste to energy projects in central and southern California, with a tentative construction start in Q4 2013 on the first project. We have also contracted with Anaergia to provide construction services on two projects in Victor Valley, CA with completion dates of Q4 2013 and Q1 2014. Project development services are being provided by W. M. Lyles Co. and Processes Unlimited International to Gate 5 Energy Partners, Inc. on a biosolids to energy project in Orange County. Another project that has not yet been announced involves technology that converts green waste to biofuel.

LIQUEFIED NATURAL GAS PROJECTS

The recent advancement of the shale energy development in the U.S. has resulted in both a significant increase in the supply of natural gas and a very low price for natural gas. Because of the cost of natural gas, owners of trucking, train, and maritime shipping operations are starting to analyze the conversion of equipment fleets from diesel to liquefied natural gas (LNG) fuel. To capitalize on this opportunity, Lyles Mechanical Co. has partnered with Colony Energy Partners, LLC and Processes Unlimited International on the development of an LNG production facility in northern Nevada that would be able to serve the northern California and Pacific Northwest markets. This project is in the late development stages and permits are well underway, so we are optimistic that detailed engineering will commence in 2014.

LYLES DIVERSIFIED INC.'S IMPORTANT ROLE IN PROJECT DELIVERY

During the development of projects that use alternative project delivery methods, the financial stability of the contractor is very important to both project owners and investors. The Lyles Construction Group is very fortunate to have the support of the significant financial strength of our parent company, Lyles Diversified, Inc. As a result, we are often able to provide attractive financial options to owners that other competitors are unable to offer. A LDI parent company guaranty, in lieu of bonds, can provide the owner significant savings, plus the required protection of project completion and performance that they seek. Construction financing is another option that we can provide under certain circumstances that can improve both the project schedule and the ultimate financing terms of the project.

VIEWPOINT CONSTRUCTION SOFTWARE

VIEWPOINT
CONSTRUCTION SOFTWARE

The Lyles Group of companies has embarked on a new technology initiative designed to enhance every aspect of our business from on-the-jobsite project management to back-office integration through the implementation of new software and best practices. This initiative will provide the Company the capability to better manage our information assets and improve our decision making capabilities. Lyles has selected Viewpoint Construction Software as the platform for this technology and business process upgrade.

This software links each of our offices and jobsites, regardless of their location, allowing information to be shared rapidly and efficiently. With this enhanced capability, our Project Managers will be able to provide our project owners, partners, and subcontractors with up-to-the-minute information on all aspects of their project. Our new software platform also provides more timely and enhanced project costing and forecasting capabilities ensuring projects are consistently completed on-time and under budget.

Our implementation of Viewpoint Construction Software represents our ongoing efforts to maximize our employees' productivity and provide the latest in project controls and information to our customers. Our first companies are scheduled to "Go Live" with Viewpoint Construction software this fall.

Lyles
CONSTRUCTION GROUP

Two Lyles Construction Group employees, Paul Lukianov and Chuck Schaller, have achieved the well-deserved milestone of retirement after illustrious construction careers with our companies.

Paul Lukianov

Paul came to work for W. M. Lyles Co. (WML) in 1986 after employment with Granite Construction Company. He worked under Donn Sawyer, the Fresno Division Manager, who had also previously worked for Granite. Paul left WML for a brief time, but fortunately came back in 1992 and eventually became the Fresno Division Manager.

Paul's foresight and leadership took the WML Fresno Division from underground construction in the 1990's, to a surface water treatment plant in the early 2000's, to an ethanol plant in 2005. All along the way, Paul demonstrated a persistence to engage in the typical WML project at the time and the drive to try something new; something so new that our local competitors were not capable of taking the work from us.

In December 2007, Paul became President and CEO of the brand new Lyles Mechanical Co. (LMC). On the first day of operations, LMC had $64-million dollars under contract and had potential customers calling from market sectors not yet explored.

It is a great thing to be recognized as a leader in your field of expertise. It is an even greater accomplishment to leave the security of that expertise and place your name and reputation at risk in endeavors in which you have no prior history of success. Paul may have had his private reservations, but he never hesitated in providing the company leadership, energy, and strenuous effort required to allow LMC to transition to plant work and then to in-house fabrication.

LMC acquired a local plumbing and HVAC company and began competing in this new market sector. Again, Paul was willing to leave his comfort zone and to seek new opportunities. Paul has also championed new growth that has now become part of the expertise that our company can provide to our clients today including BIM, HVAC work, above grade plumbing, 3D clash detection, multi-story piping systems, and others.

From left: Dave Dawson, Rich Nemmer, Chuck Schaller, Joe Lawrence, Scott Richards and Will Lyles

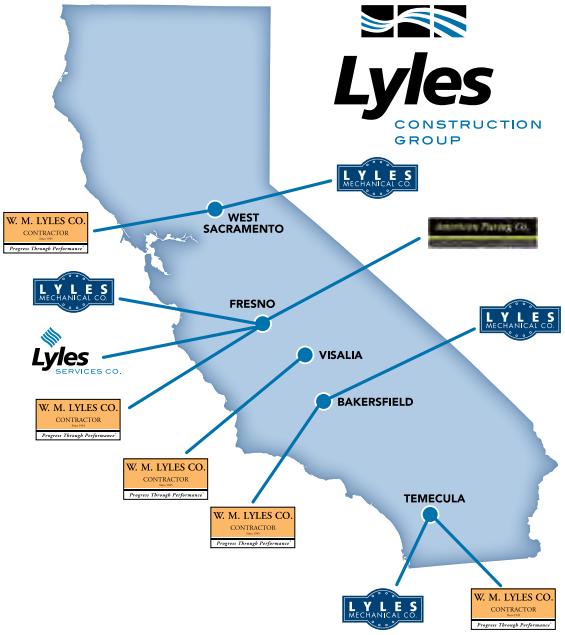
Chuck Schaller

Chuck began his construction career working summers during high school and college as a carpenter in the home building and remodeling trade. He graduated in 1973 from UC Davis in Civil Engineering and went to work for Homer J. Olsen, Inc., a Bay Area water treatment plant builder. During his twenty-four years there he built water treatment plants throughout California, levees in Sacramento, and an inflatable rubber dam across the Russian River.

In 1996 Chuck left to pursue opportunities that allowed his family to locate permanently in Sacramento. For the next few years he worked for local contractors, built a family cabin in the Sierras, and was partners in a general building contracting company. In 2004, Scott Richards hired Chuck as Kaweah Construction Co.'s Northern District Manager. For the next eight and a half years until his retirement in October 2012, Chuck had the privilege of working with both the Kaweah and W. M. Lyles Co. teams of extraordinary construction professionals. He enjoyed the many interesting projects built and the opportunity to participate in design-build projects for the first time. He especially enjoyed all the friendships made and the new things learned from the people he worked with. Chuck looks forward to keeping in touch with his W. M. Lyles Co. friends and colleagues and in helping Joe Lawrence and his team with any estimating needs in his new role as a company consultant.

During retirement Chuck looks forward to spending many leisure hours with his wife Arleen, spending time with his three daughters and their families, and staying young by building summer service projects and mentoring teenagers with his church's high school youth group.

Paul and Chuck will continue to provide their expertise to the Lyles Group of Companies as consultants in the future. We all wish them the very best in their retirement.



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