

A Novel Design Build Firm Evolves Construction Management



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“PROTECS represents an evolution in the marketplace where we can be an extension of our clients’ teams, keeping their best interest in mind, maximizing their capital investment while minimizing their risks and eliminating surprises – this is how we build trust and a platform of success through repeat business.”- Christopher R. DiPaolo

CEOCFO: Mr. DiPaolo, it has been about a year and a half since we have spoken. Would you tell us the focus of PROTECS today?

Mr. DiPaolo: The last time we talked it was our 10-year anniversary, and as we embark on our second decade, PROTECS’ focus remains committed to highly technical industries including bio-pharma, semiconductor and all other regulated industries. I would say one opportunistic development has been our growth in both geography and the breadth of our project versatility. We have expanded to two new markets, New Jersey and Utah, and have completed projects throughout the country from Salt Lake City to Miami to New York City. This growth has propelled the company to offer a variety of projects while maintaining our core Evolved Project Delivery methodology utilizing our patented Target Costing® as we take on larger projects, including a recently completed 100,000 SF medical device manufacturing center of excellence facility for a Fortune 500 global organization.

This growth has also allowed us to branch out in other market sectors such as interiors, retail and hospitality utilizing our project delivery approach. We have always known that Target Costing® and our Innovative Construction Management approach works for technically complex construction projects to save our clients money while ensuring performance and conformance with no surprises, on budget and on schedule. We’ve now formed a proven track record of success for Target Costing® among companies and projects of all sizes, from office spaces to medical offices to complex semiconductor facilities.

CEOCFO: Would you walk us through a few engagements to give us an idea of the range of what you provide?

Mr. DiPaolo: As I just mentioned, we recently worked for a client out west who wanted to consolidate a three plant operation into one site to increase efficiencies and accommodate future expansion. We performed a detailed master planning and programming project to understand the current, five and ten-year outlook of their programmatic needs to accommodate their operations at this new consolidated facility.

We identified what that program would look like regarding important process flow adjacencies, square footage requirements and the overall necessary site utilities. We worked hand-in-hand with their real estate brokers so they were equipped to go to the marketplace and identify sites that met our established requirements. With our assistance, the brokers narrowed the potential options to three to four sites – saving time and costly test fits for locations that wouldn’t meet the clients’ performance and conformance needs.

Once we performed a detailed evaluation of each site, our team hit the ground running on a fast-track design/build approach where PROTECS managed the design process by hiring best-in-class collaborative partners including architects and engineers utilizing our Target Costing® Design Build approach. We provided a Guaranteed Maximum Price(\$GMP)

on the project that came in just over thirty million dollars total project value and have completed numerous additional projects for this client. That is truly the sign of success for me, when we complete a project on-time and on-budget that conforms and performs and we are rewarded with additional no-bid work. It is the justification of a trusted partnership.

CEOCFO: *How realistic are company projections as to where they might be or what they might need in five to ten years. Do they know what they want?*

Mr. DiPaolo: While there is no crystal ball, companies in high tech industries tend to rely on where their respective market is going, and a look back at trailing twelve to twenty-four month sales to establish future needs from staffing to capital requirements. However, the tech world turns on a dime and our clients need to have the flexibility to pivot – that is where our detailed knowledge is an unmatched advantage in establishing facility designs that are flexible and can accommodate expansion, contraction or in some cases new product offerings.

CEOCFO: *You work throughout the US. How do you know the right local architects and subcontractors and how do you keep on top of any changes after you vet someone?*

Mr. DiPaolo: The architectural and engineer professionals are a group of people that we qualify, and we truly know and understand their range of expertise. We have long-term relationships with many of our partners, some of them over 25 years. In those cases, the same owner has been involved for years. We work with these partners on strategic projects at a principal to principal level, and we understand the firm's capabilities regionally versus nationally as well as their internal structure. As we enter new markets, we do try to expand our partner network in that region. A specific example is our expansion with a new office in Salt Lake City, Utah.

We engage the local market and local architects and engineers because that is a great way to build relationships and introduce our name into the region in order to foster mutually beneficial partnerships. For the subcontractor market, there are a great deal of industry publications and ways we can research the best players in that marketplace. It has proven successful for numerous projects that we have delivered in 33 states throughout the US. We know more or less who are the best mechanical and electrical contractors in a given region and that is where our projects are heavily driven, on the mechanical, electrical and process side of the job. In the rare case that we cannot find a qualified sub-contractor for a particular project or challenge, we will import the necessary talent to ensure we never put our client at risk.

CEOCFO: *With potential changes in the business environment and tax structure, how are you able to come up with a plan?*

Mr. DiPaolo: It's a little premature based on the early stages of the new administration to really understand the specific tax implications, but we are bullish on spending and building domestically – and so far that's what we've been told we can expect.

In regard to regulatory changes, we believe the food and nutritional market sectors will eventually be impacted by the FDA, which will take a hard look at those types of facilities that, in the past, have not been as regulated as the biotech and pharmaceutical markets. When we approach those types of projects today, we are very cognizant of possible new FDA guidelines that will have to be adhered to in the future. We ensure that current non-regulated facilities are capable of being brought up to new potential standards easily versus disregarding the possibility altogether and leaving our clients to face the inevitable task of revamping everything two to five years from now. This is a very important consideration when it comes to the FDA and regulatory agencies looking at things that are going to be ingested by humans or animals.

Additionally, we work with all departments within our client base, especially most recently with the Regulatory Affairs department and the changing FMEA requirements which is critical to our success, growth and desire to be a true partner to our clients.

CEOCFO: *Can you ramp-up as needed?*

Mr. DiPaolo: Yes, we can and we are, especially because we get involved so early in the project life cycle with performing master planning and assisting with site selection and design aspects. We are not a traditional construction management firm, where we simply bid plans and specifications provided by architects and/or engineers. Through our Evolved Design Build Project Delivery process, we have a clear vision of what resources are needed at the very earliest stage of any respective project – allowing us adequate time to understand scope and complexity and source each opportunity respectively. Additionally, by leveraging our pre-vetted design partners we are able to remain lean while performing multiple projects of varying sizes from 1000 to 250,000+ square feet.

CEOCFO: *What is the competitive landscape and how do you stand out?*

Mr. DiPaolo: This answer is actually quite simple – we are Innovative Construction Managers that have developed a truly Evolved Project Delivery methodology in our field through our patented Target Costing® approach. We will guarantee and

tailor the design of the project parameters to meet all of our clients' performance, conformance and compliance standards, while meeting their cost objective as well.

In recent years, we have found ourselves competing with some of the largest architecture, engineering and construction management firms in the country. We've not only held our own; we're winning great opportunities and delivering beyond expectations.

CEOCFO: *How do you stay ahead of new products and services?*

Mr. DiPaolo: We stay involved in many different organizations that continually exhibit and highlight product innovation. For example, there is the ISPE (International Society of Pharmaceutical Engineers), ASHREA, BIO Organizations across the country, all of which we are involved with throughout the regions where our offices are located. We go to meetings and trade shows such as Interphex, which is a big event in New York that has a lot of products and services that are related to the industries we work in. It is important to stay educated on how the latest technologies can afford our clients a market advantage and give them the best alternative.

There are many ways to design a facility to meet the same objective. The differences in these approaches impacts implementation costs, operating costs, maintenance costs and utility costs. For example, we have designed and built labs for different companies that perform exactly the same operations, yet one cost \$250/SF and the other cost \$550/SF. These cost differences can be directly attributed to clients' risk tolerance and business horizon objectives. It is imperative that PROTECS be knowledgeable on the latest technologies available in the marketplace to effectively implement our Target Costing® Evolved Design Build approach that is customized to each and every client regardless of how similar the operations could be. Innovation, teamwork and trust is the formula to our continued success with our clients.

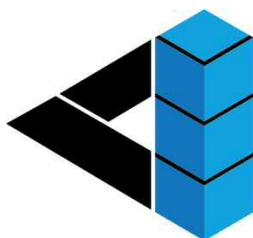
CEOCFO: *Are there industries where you would like to see more growth?*

Mr. DiPaolo: I think universities are starting to react to the growth in STEM innovation and demand for this type of education and professional development. To remain competitive, educational institutions are generally moving toward STEM programs. With today's shifting markets and the compounding cost of education, I think every college is going to have to have science, technology, engineering and math curricula to attract the types of students and professors who value these growing fields. That means they have to put infrastructure into attracting those individuals. Colleges and universities have such an antiquated way of approaching projects and funding that is not practical nor efficient in any way. I think that industry can evolve to become more effective with projects and expansions of their programs. If they understand the value of PROTECS versus the traditional process of hiring an architect first, they will realize greater versatility, cost-effectiveness, quality, and room for continued growth.

CEOCFO: *What has surprised you as PROTECS has grown and evolved?*

Mr. DiPaolo: What surprises me is the level of impact that we can have on our clients' businesses. Economic conditions have caused even the biggest companies in the world to shed internal project delivery resources, and so they have limited internal capabilities to understand and execute projects. Even with the largest of Fortune 100 companies, PROTECS can be a valued partner and ally to their organization, having a direct impact on successfully executing their strategic objectives.

We even help some of these companies put internal protocols together on how they should approach a project from master planning to capital funding through commissioning/validation and turnover of a facility. Fifteen years ago, companies of that size had extensive internal resources to handle such projects. But since then, all that has changed due to outsourcing and strict budgetary oversight. Working with PROTECS represents an evolution in the marketplace where we can be an extension of our clients' teams, keeping their best interest in mind, maximizing their capital investment while minimizing their risks and eliminating surprises – this is how we build trust and a platform of success through repeat business.



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