

Industry Focus:

(Continued from cover article)

Pharmaceutical

Supplying and maintaining the power infrastructure needed at major pharmaceutical production facilities and laboratories involves a myriad of complex systems. Timing is critical. FDA and cGMP compliance must be maintained. Peak productivity must be sustained. All of these complex issues must be addressed to ensure maximum power system operation and control.

Putting Experience to Work for Our Customers

As the electrical contract industry broadens its areas of expertise, it must also adapt to the various issues specific to those industries. In the process, skills must be enhanced and technology adapted and expanded, always with an eye to improved on-the-job safety. The result will be innovative solutions and ensured quality.

We believe that what we do is important for our region's economic and environmental future. That's why our guiding philosophy is one that guarantees quality, insists on safety, relies on experience, encourages innovation, and operates with integrity. It all points to a single vision – build today for a better tomorrow.



Giving Thanks

We'd like to take a moment to thank you, our valued clients, for your patronage this past year.

We experienced our share of challenges as we transitioned to new management, and we appreciate your continued confidence. We'd also like to thank our employees for their excellent performance; we could not provide our customers with the high caliber of service they enjoy without your contributions. Finally, we'd like to acknowledge the suppliers with whom we've established productive working relationships - we appreciate your integrity and high standards.

May you all enjoy a happy holiday season with family and friends, and a prosperous New Year!



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Current Focus

S.M. Electric Company, Inc.

Winter 2006
Volume 1, Issue No. 4

President's Message



John J. Murphy
President

Leading the Way into the Future

S.M. Electric has long been a leader in the electrical contracting industry, in the size and scope of our projects, in our dedication to customer service, and in the energy we put into shaping the industry as a whole.

That level of accomplishment does not come about by accident, nor does the ability to remain entrenched in the industry forefront. Both occur through a concerted effort on the part of all employees to fulfill the performance and service goals set forth by upper management.

As S.M. Electric President, I take personal responsibility to ensure that I have communicated those goals to our employees, and that my efforts to fulfill them are visible.

While leadership begins at the top, at S.M. Electric, it doesn't end there. From our new executive committee, highlighted in the S.M. Electric News section of this newsletter, to our project managers, job site supervisors and journeymen electricians, every employee is expected to demonstrate leadership skills in support of our company goals.

That means being proactive in addressing customer concerns. It means being accountable for problems that may arise on their watch. It means understanding that each job is part of a whole, and not an isolated task with its own set of standards. Most importantly, it means watching out for the other guy, because on-the-job safety is of paramount importance.

Encouraging leadership among our employees has enabled us to lead the way in innovation. In the Industry Focus section, you'll read about how we and the industry in general continue to expand into new areas, including green power.

It has allowed us to take part in establishing industry protocols through our affiliation with industry organizations and working more effectively and efficiently with other contractors. Check out the article on strategic alliances and see how they can improve customer service.

Most importantly, we will continue to lead the way into the future, bringing the highest caliber of performance, service and expertise to our customers.

Thank you.

John J. Murphy
President

This is a continuing series of articles that will be dedicated to construction needs that are unique to specific industries.

This issue will be devoted to our experience in some of the newer, expanding markets.

Industry Focus: Broad Market Experience

Usually, in this column, we focus on issues affecting a particular industry, or how our service to that industry has evolved. In this issue, we'll talk about growing expertise in several new markets.

The scope of expertise for electrical contractors continues to expand beyond the power, chemical and transportation industries. Over the years, other areas, including commercial, pharmaceutical, and green power have provided opportunities for development of a depth of experience across a broad spectrum of industries.

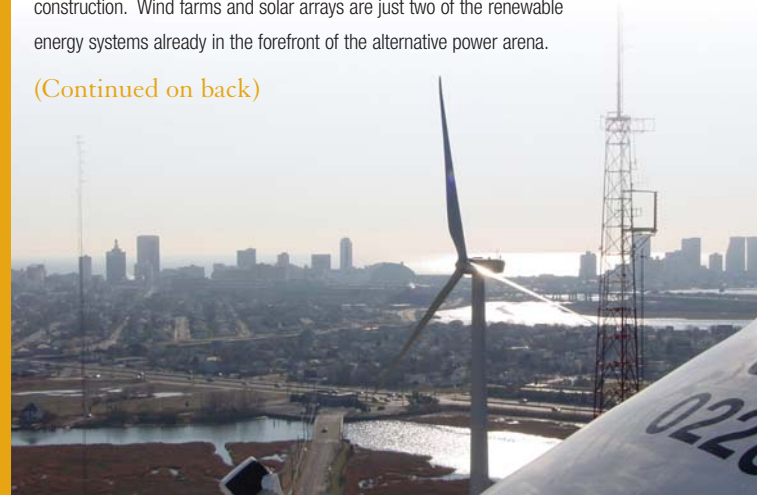
Commercial Construction

The construction and maintenance of commercial office buildings, and sports and entertainment facilities, present unique challenges. Expertise, founded on past experience and enhanced by new technological advancements, critical scheduling, and up-front planning, ensures timely, efficient completion of even the most complex projects.

Green Power

The green power era, with its development of clean, renewable energy sources, has arrived. And this is becoming an important extension to power generation and distribution construction. Wind farms and solar arrays are just two of the renewable energy systems already in the forefront of the alternative power arena.

(Continued on back)



The S.M. Electric Management Team

Strong leadership has always been a hallmark at S.M. Electric, and has enabled us to remain a progressive force in the contracting industry for more than 60 years.

Moving forward, the next generation of S.M. Electric leadership is poised to guide the company confidently into the future. With the industry becoming ever more complex and competitive, our strategies for doing so include strengthening our reputation for service excellence and continuing to emphasize innovation and industry leadership.

Accountability

Perhaps the most important strategy, if one can call it that, is accountability. At S.M. Electric, we believe that all employees, including upper management, are accountable for their actions, and for the tasks that fall within their job parameters. Our employees, in turn, take their responsibilities very seriously, with everyone doing their part to ensure the project's success and the client's satisfaction.

Personal Leadership

That type of commitment takes more than job skills or company loyalty. It takes personal leadership, a willingness to "get it done right." It's a quality that we value highly here at S.M. Electric, and certainly one that our new executive team members possess. On that note, we invite you to read about the next generation of S.M. Electric management. Feel free to contact them if you have any questions or concerns that fall under their areas of expertise.

Peter V. Cheche, III Vice President – Operations



Peter directs the project management team at S.M. Electric, a job that continues to grow in size and scope as the company expands its reach throughout the tri-state area.

Peter is a field operations veteran, with extensive expertise which ranges from overseeing multi-million dollar, multi-year projects to managing smaller, more straightforward jobs. He and his staff have instituted procedures and controls to make certain that work flows smoothly. His team is on site at all times to anticipate problems, address customer concerns, and enforce all safety policy mandates.

Regardless of the size or number of projects at any one time, project management here is a cooperative effort with a singular goal - to achieve the highest standards of quality and service on every job.

Angela P. Wyrick Vice President – Finance & CFO



At S.M. Electric, we apply the same standards of excellence to the administrative aspects of a customer's project as we do to the project itself.

As Vice President - Finance & CFO, Angela expertly oversees payroll disbursement for over 800 workers per week, maintains safety inspection records, and manages compliance issues. She also directs the Accounts Payable and Accounts Receivable job costing system, a state-of-the-art in-house accounting program that provides management with up-to-the-minute data on all aspects of a project, including expenses and revenue.

In addition to day-to-day financial issues, she and her staff must keep pace with frequent changes in federal and state rules and regulations, advances in technology, and the company's own growth, which has been dramatic in recent years.

Bob Korn Vice President – Estimating



Bob Korn knows the importance of an accurate estimate no matter how complex the project. It is his job to ensure that quality and integrity are standards that are also built into the estimate. The process begins with a thorough investigation into the project scope, with attention to all the details that must be addressed in order to complete the most complex project efficiently and effectively. After producing an average of 600 estimates per year for the last 10 years, he and his staff are experienced in calculating the most realistic cost appraisal possible, utilizing the industry's leading estimating software.

When the bid is completed, Bob reviews it with the customer to confirm that it accurately represents the job parameters. It is during this process that new customers form their first impression of S.M. Electric. Bob ensures that it is an outstanding one.



How Strategic Alliances Enhance Service

When it comes to customer service, "no company is an island," to paraphrase a familiar quote. Surely, providing outstanding customer service is the direct result of a company's business philosophy and operating model. Yet, in today's competitive environment, it takes more than good intentions to deliver the kind of service that customers demand. It means aligning on a regular basis with specialty contractors, unions and professional associations to ensure that the best, most experienced workers are available to perform and supervise the job.

Contractors

Often the scope of a large scale job requires work outside of an electrical contractor's realm. When that occurs, a joint bid with one or more specialty contractors can be a viable alternative. The specialty contractors can include excavators, engineering firms, telecommunications, or infrastructure experts . . . to name a few.

It is important to have access to, and maintain good working relationships with, a wide array of quality specialty contractors with proven track records. These long standing associations ensure dependable, high caliber performance, as well as a smooth-flowing work environment.

Another important benefit of these associations is cost effective pricing. Best work practices have already been established, resulting in greater work efficiencies.

Unions

Also critical to obtaining the most qualified personnel for the job is a strong association with the relevant Unions. For example, a decades-long alliance with the International Brotherhood of Electrical Workers (IBEW) has enabled S.M. Electric to have access to the best-trained, most suitably skilled workers for every job, even in boom times when manpower is at a premium.

In addition, the IBEW code of Excellence, a set of stringent standards set forth by the Union to regulate the quality of work, employee behavior, productivity, and safety is maintained on all S.M. Electric jobs. This Code provides you, the customer, with a set of standardized expectations by which performance can be judged.

Professional Associations

It is also very important to be aligned with the organizations that are governing the way we do business, and to have an influence on these policies. Work for the betterment of our industry benefits everyone, including, most importantly, the customer.

Representatives from S.M. Electric have held a variety of leadership positions within the electrical contracting industry's professional associations, including the National Electrical Contractors Association (NECA), the American Subcontractors Association, and others. President, John Murphy, will take over the reins of the North Jersey Chapter of NECA in January, 2007.

Relationships are Key

The key to maintaining strategic alliances is, of course, relationships. The personal associations that enable us to tap into these valuable resources must be nurtured. In turn, they help us to perform to a higher standard and provide enhanced services. The resulting improved customer relationships make for a win-win all around.

"To succeed as a team is to hold all of the members accountable for their expertise."

*– Mitchell Caplan, CEO, E*Trade Group Inc.*