



Letter from the President Jim Merrill

Welcome to the second edition of our Star America Capital Advisors Newsletter. The first half of the year has come to a close, and we would like to take the opportunity to think back and reflect on industry news and our own achievements from the first six months of 2017.

Our travels have been extensive this year as our team continues to pursue opportunities both throughout the U.S. and Globally. In the US, many major state programs are beginning to ramp up, and our team has been on the forefront of analysis and understanding of these markets. An article within this newsletter focuses on California as a major opportunity for the infrastructure market. The state has proven, through recent spending increases and a large forward-looking budget, that substantial opportunity will continue in the near future for many in the industry. Star America stands ready to support pursuits of our partners and we welcome the opportunity to continue our growth in the region.

I have personally had the opportunity to meet with many CEO's of large International & U.S. based contractors in recent months, in addition to listening to many public conference calls for U.S. publicly traded firms. One theme that has continued to emerge in the industry is that many firms are underperforming financially on mega projects. A handful of public firms have recently suffered from poor performance on mega projects including, some of the big names like Skanska, Granite, and OHL. According to the Granite second quarter large project results "Gross profit decreased to \$0.5 million compared to \$13.7 million last year, as project write-downs totaled \$23.8 million compared to \$14.6 million in the second quarter of 2016." These firms have publicly announced their intention to take a deeper dive into their bidding processes and pursue higher margins in new pursuits going forward. Despite these recent financial issues, there continues to be larger and larger projects in the pipeline ahead.

At Star America, our relationships and understanding of markets can be a valuable resource for your team as you consider pursuing larger pursuits in the future. Our knowledge and experience both as an advisor and a bid team member will serve as a valuable resource to ensure that you understand the risks associated with larger more complex work.

In addition, our team continues to develop and provide the industry with sector reporting to provide insight and knowledge when facing these decisions. Our website and LinkedIn pages are always updated with valuable information. Please find both links below:

<http://www.staramericap.com/>
<https://www.linkedin.com/company-beta/3246892/>

Thank you,
Jim

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HNTB

HNTB was named a Business Management Services Advisor to the Government of the District of Columbia Office of Public-Private Partnerships.

Star America will provide financial advisory services to HNTB.



Pre-Qualification Pro – Star Capital’s Launches New Subcontractor Vetting Program By Mara Johnston

As the only financial advisor devoted exclusively to the construction and infrastructure markets, Star Capital prides itself in its expert ability to analyze the financial standing of both contractors and subcontractors. Using a combination of sophisticated financial tools custom designed for evaluating the financial strength of construction companies and our deep understanding of the construction industry, Star America has launched a new subcontractor vetting platform for its current and prospective clients that either do not have the capability or time to review the financial strength of their subcontractors in-house or would like to improve and further develop their current processes.

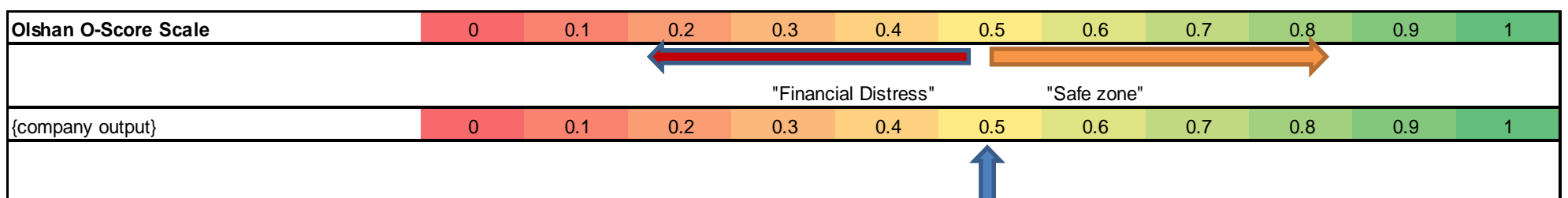
Star America’s Pre-Qualification Pro service streamlines and enhances a contractor’s current pre-qualification process and identifies subcontractors that present a high risk to the contractor. It will provide the tools necessary for the General Contractor to then make a more educated decision regarding the subcontractors they bid work to in the future.

Our process is designed to provide insight into the likelihood of a given sub encountering financial difficulty prior to agreeing to use them on a particular project, using an established and proven financial modeling tool. Star America utilizes a two-step approach that analyzes subcontractors based on both their financial position and additional qualitative factors such as experience with similar projects, scope compared with prior history, EMR scores, default history, banking facility, and more.

Financial Analysis

- Evaluation of subcontractors’ financial position, focusing heavily on a cash flow analysis to determine whether subcontractors are at risk of facing a liquidity shortfall over the duration of the subcontract.
- An analysis of financial ratios commonly used by sureties in their underwriting reviews.
- An Ohlson O-Score for each subcontractor, which is analyzed to measure the likelihood of financial distress or bankruptcy.

Oshlson O-Score Output



Qualitative Review

- Subcontractors will be asked to fill out a short, user-friendly questionnaire that Star will analyze to create a qualitative score for the subcontractor based on factors such as bonding facility and banking line, experience with similar projects, WIP schedule, and claim history.

Both financial analysis and qualitative review of each subcontractor is reviewed prior to processing a final report that will be shared with the General Contractor providing them with important insight when determining the best team of subcontractors for their projects.

Transformative Changes in Los Angeles Area Infrastructure By Mit Jha

Greater Los Angeles, with a population of over 18 Million, is the third largest metropolitan economy in the world and arguably has one of the greatest infrastructure needs. Los Angeles World Airport (LAWA) is the second busiest airport by passenger volume and the busiest airport by origin to destination volume in the United States. As a result of the support of residents, elected officials, and transportation leaders, transformative changes are happening, which will ultimately result in a modern and efficient transportation system in the Los Angeles metropolitan area. These transformative changes are made possible by strong support from the voters (by passing Measure M by more than 70% of voters, which is expected to generate more than \$120B in funding over the next forty years), a cohesive vision put forward by the Los Angeles Mayor and other elected officials, and a strong leadership team at public agencies including Los Angeles County Metropolitan Transportation Agency (LACMTA) and LAWA. A number of large traditional and Alternative delivery projects are in the pipelines as a result of the “perfect storm” to transform the transportation landscape in Los Angeles area.

While the legislative landscape for Public Private Partnerships (P3s) in California continues to be challenging, the local agencies in the Los Angeles area have demonstrated a strong a commitment to adopt P3 when it is beneficial for taxpayers. For example, LACMTA has implemented an aggressive approach to encourage unsolicited P3 proposals. Currently, LACMTA is in an “advanced phase” of

reviewing unsolicited P3 proposals for two large projects totaling more than \$10B worth of investment. We strongly believe that the unsolicited proposal process at LACMTA will result in a number of P3 projects. On the other hand, LAWA has already two very large projects, totaling more than \$4B, under procurement. In a summary, the Los Angeles area presents unprecedented P3 opportunity that is likely to have a profound impact on the future of P3s, not only in California, but throughout the entire United States.

Dr. Mit Jha, a Senior Advisor at Star America Capital Advisors, has provided P3 and Strategic advisory services to a large number of public agencies in the Los Angeles area including LACMTA and OCTA. He is also leading a consortium of shortlisted developers to submit a bid on the Automated People Mover project (APM) at LAWA.

LA County Transportation Expenditure Plan - Measure M (\$ Millions)

Subfund	FY 2018	FY 2018- FY 2032	FY 2033- FY 2047	FY 2048 - FY 2057	Total
Transit O&M	228	4,590	12,530	15,170	32,290
Transit Construction	313	6,300	17,160	20,790	44,250
Highway Construction	161	3,230	8,810	10,680	22,720
Regional Rail	144	2,890	7,880	9,550	20,320
Total	846	17,010	46,380	56,190	119,580



Keith Ryan joined Star America Capital Advisors in 2016 as an Associate.

Prior to joining Star America, Keith worked as an associate attorney focusing on corporate transactions and tax law. Keith advised corporate clients on various transactions ranging from mergers and acquisitions to joint venture agreements. Moreover, Keith has had substantial experience managing and guiding clients through the requisite stages involved in any corporate transaction.

Keith received his JD from Fordham University School of Law where he focused on Corporate Finance, Bankruptcy/Restructuring and Tax law. While at Fordham, Keith dedicated a semester to researching and evaluating the economic effects on corporations seeking Chapter 11 protection because of legislative changes to the Bankruptcy Code. Additionally, Keith earned a Bachelor's degree in Economics from the University of Miami.

Keith holds his FINRA Series 79 and 63 licenses.



Employee Spotlight: Keith Ryan

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Star America Capital Advisors - Service Offerings

Mergers & Acquisitions

We have a strong track record in both domestic and cross-border M&A advisory roles. We operate both negotiated processes and auctions, assist in deal structuring, and provide impartial advice about the merits of transactions in our industry of focus.

PPP Financial Advisory

Star provides financial advisory services to companies and consortia seeking to participate in alternative procurement processes. We advise on debt capital raising in the bank and bond markets, and help structure competitive bids for our clients.

Management Consulting

We work with clients to formulate and pursue strategic and tactical goals. Star provides true business solutions, including identifying potential management hires, developing and implementing marketing plans, and increasing operational efficiencies.

Business Development

Star is well qualified to assist clients in developing their business plans in the U.S. Given the depth of experience of its partners and operating professionals, the company offers access to thought leadership of C-Level executives.

Strategic & Financial Analysis

Industry analytics form the core of a successful financing or business development strategy. With our significant industry knowledge, we assess companies' current and projected financial and competitive positions to provide actionable recommendations.

Capital Raising

We maintain contacts at banks, hedge funds, equipment finance companies, and other financial firms. These are sources of capital for clients desiring funds for expansionary capital expenditures or general operating cash flow needs.