



iCrete Overview

Presentation to the Strategic Development Council

May 2010

*Elevating the construction and concrete industry to a new standard of
profitability, performance, and environmental stewardship*

Presentation agenda



■ A ripe industry for change

- Pacific Capital Group investment thesis

■ Enablers of change

- SDC's Roadmap 2030
- iCrete
- Industry factors

■ Roadblocks to change

- Concrete industry analysis

■ Impact of enabling technologies

- Identifying incentives to overcome roadblocks

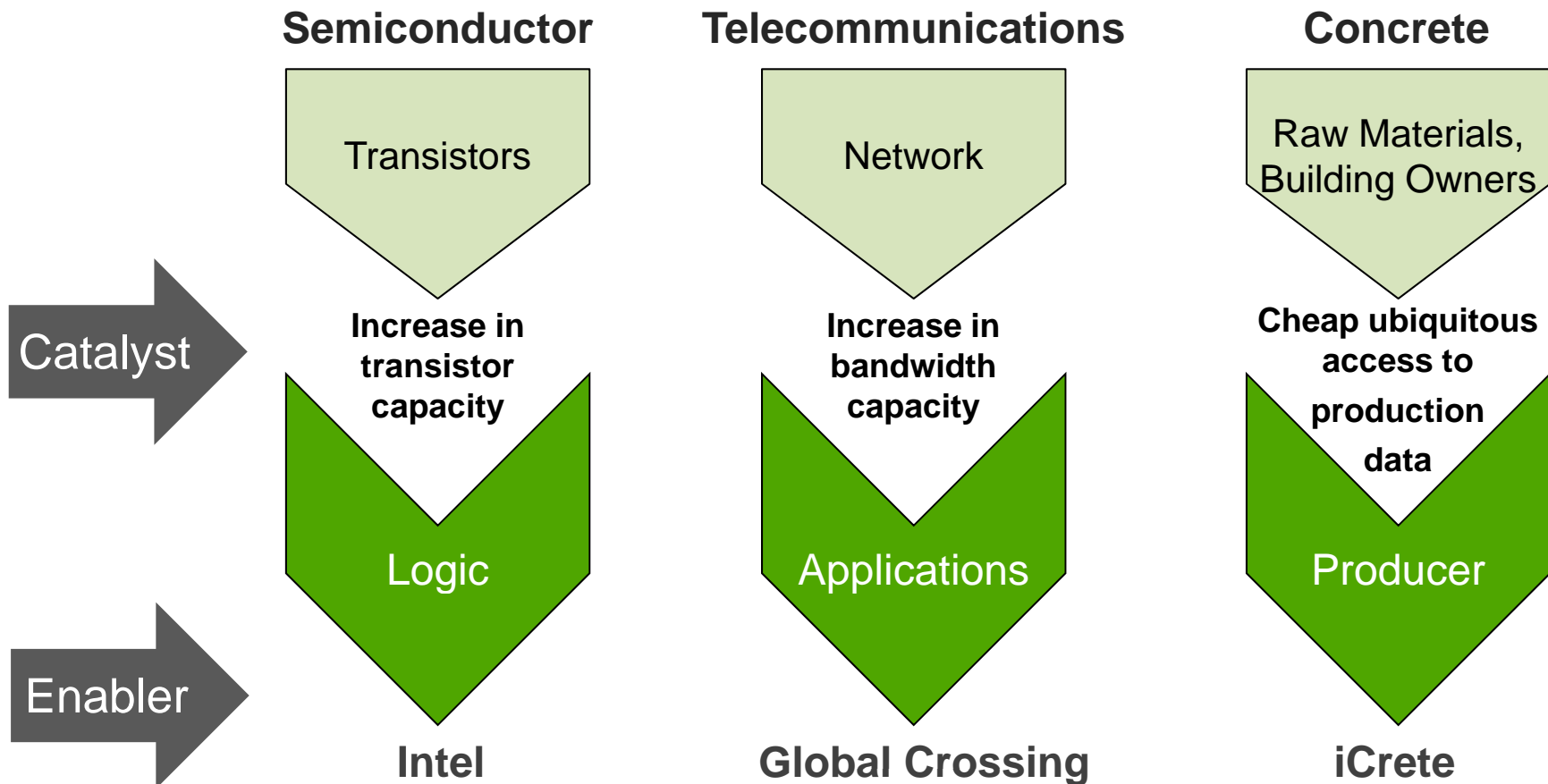
■ Requirements for change

- Education and resources

Pacific Capital Group investment thesis



Pacific Capital Group seeks big dislocations, primarily industries where sources of value are changing, and attempts to capture value



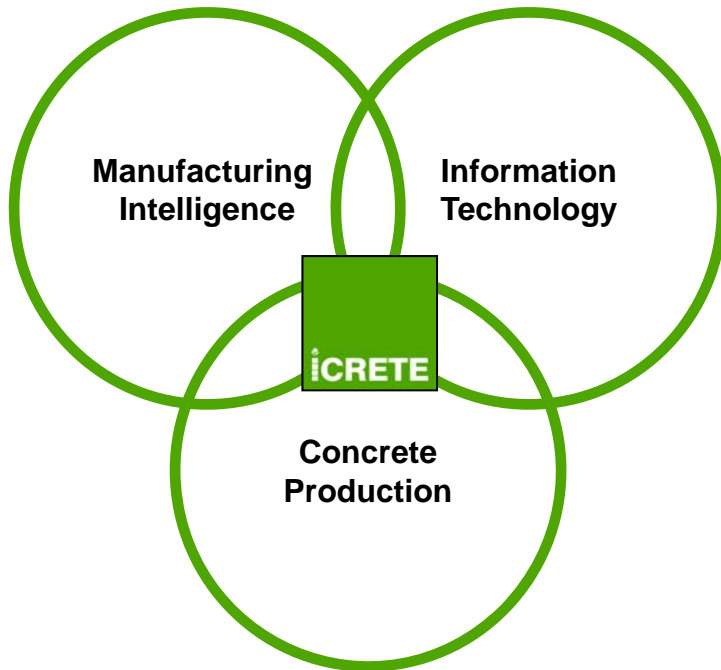
PCG has identified the concrete industry as ripe for change



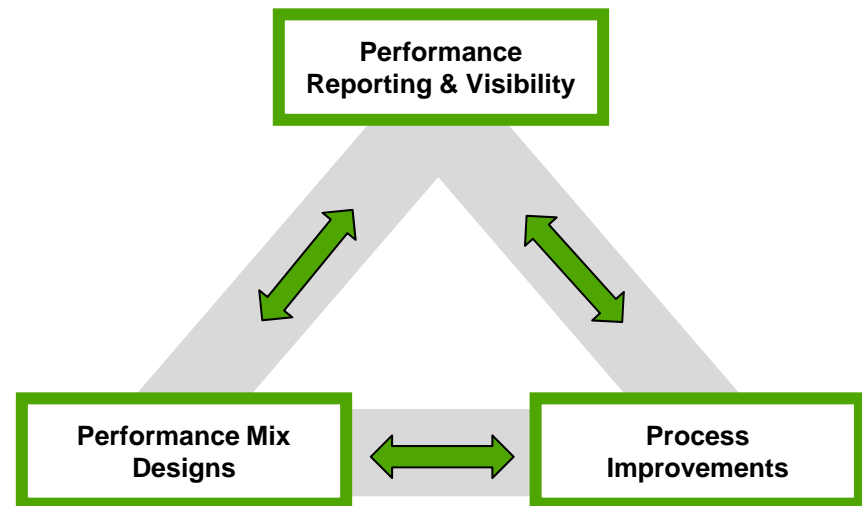
What is iCrete?

iCrete provides the concrete industry with a tool set that allows managers and field personnel to develop strong plant management capabilities from the P&L to the mix design

iCrete Core Competencies



iCrete Production Control Tools



iCrete's tools lower operating costs, improve quality, and strengthen competitive advantages

Who is iCrete?



iCrete's leadership brings decades of experience in concrete production, manufacturing intelligence, and IT

Management Team



Bernie Benson

Chief Executive Officer



PACIFIC CAPITAL GROUP

Adam Winnick

President



Craig Yeack

VP Operations



Dr. Per Andersen

Chief Scientist



Jack Holley

Senior Technical Specialist

Key Partners



PACIFIC CAPITAL GROUP



Command Alkon



Industry partners have validated the vision and support iCrete initiatives

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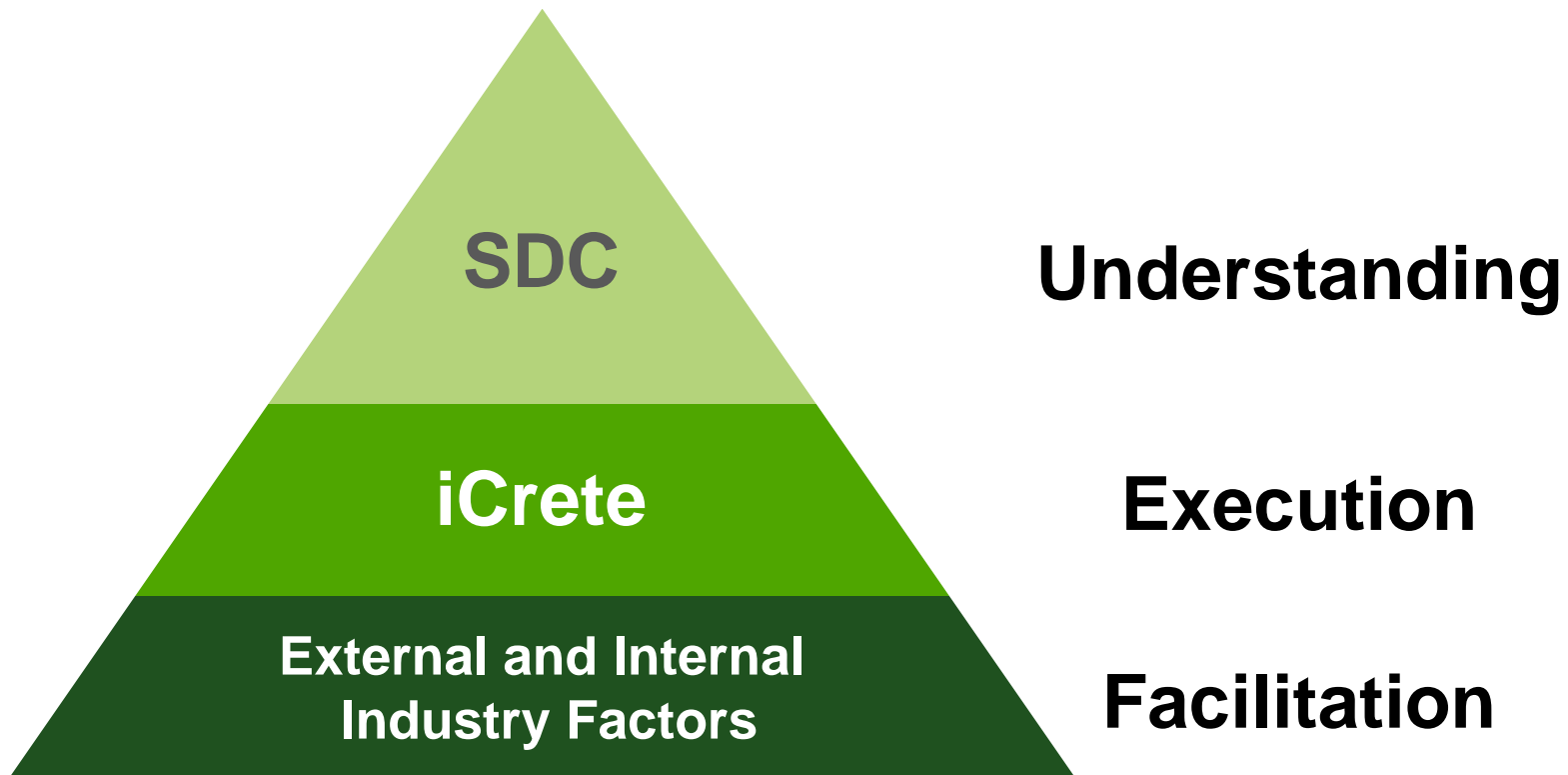
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Enabling change

Philosopher Alfred Whitehead once observed that “intelligence is quickness to apprehend as distinct from ability, which is capacity to act wisely on the thing apprehended.”



Change cannot be accomplished alone

Why change - Roadmap 2030



SDC identified goals that ACI and the DOE believed were important to the industry and society

Roadmap 2030 Goals

Process Improvements	Product Performance	Energy Efficiency	Environmental Performance
Technology Transfer	Institutional Improvements	Education and Employment	Industry Image

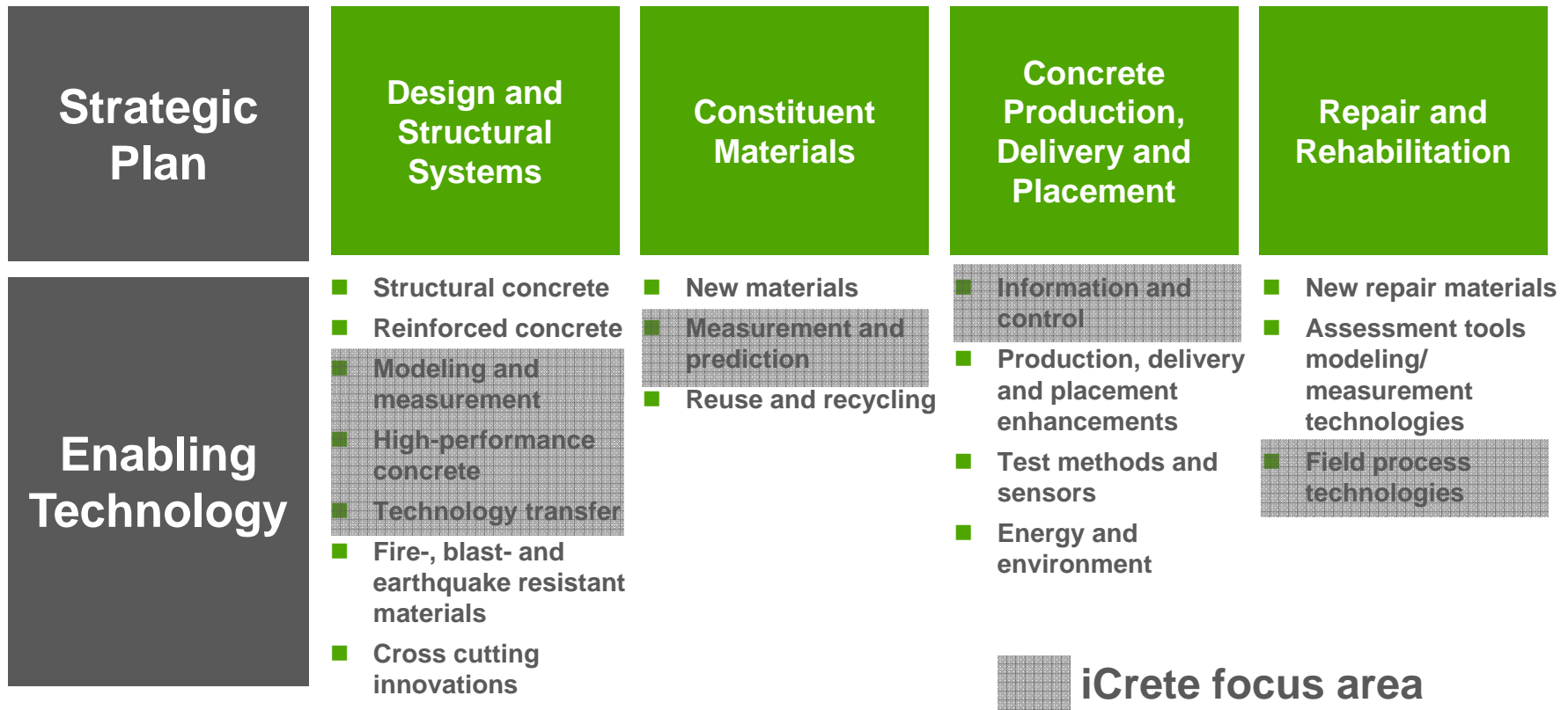
“The concrete industry is vital to economic development and employment in communities across the country”

“Concrete is the fabric and foundation for the growth and prosperity of our nation”



How to change - Roadmap 2030

The SDC “mapped the present base of knowledge, research, and technology to illustrate opportunities for advancement”



“...these opportunities possess potential for short- and long-term economic impact”



iCreate tool set

Performance reporting and visibility

- **Establish a digital backbone at the concrete plant**
- Acquire and normalize data, integrate into enterprise applications
- Link operational and corporate performance

Process improvements

- Review plant data and operations
- Fact-based, data-driven recommendations to reduce variability
- Professional services to implement and complement existing personnel
- **Software allows organization to monitor and maintain performance**

Performance mix designs

- Self-service mix design app leverages proprietary knowledge base
- Benefit from greater moisture control and reduced plant variability
- Greater workability, reduced segregation in difficult pour environments
- **Reduce cement through optimal particle packing and plant control**

iCreate vision



iCreate understands from other industries that...

RETAIL



CONSUMER



FINANCIAL SERVICES



CONSTRUCTION MATERIALS



**...efficiency and performance begin with
real time information systems**

Industry factors accelerating change



Several industry changes have created a growing opportunity for change

Economy has created new challenges

- Profitability through greater focus on operational efficiency
- New “normal” for input prices given increased energy costs
- Competitive environment requires customer responsiveness

Vertical integration & consolidation have created new challenges

- Desire for greater synergies
- Global operations and footprints demand new management approaches
- Acquisition integration exposes “accidental architecture”
- Potential liability for concrete production
- Difficulty competing with smaller less ROI driven producers

The industry requires a new vendor to assist with new challenges

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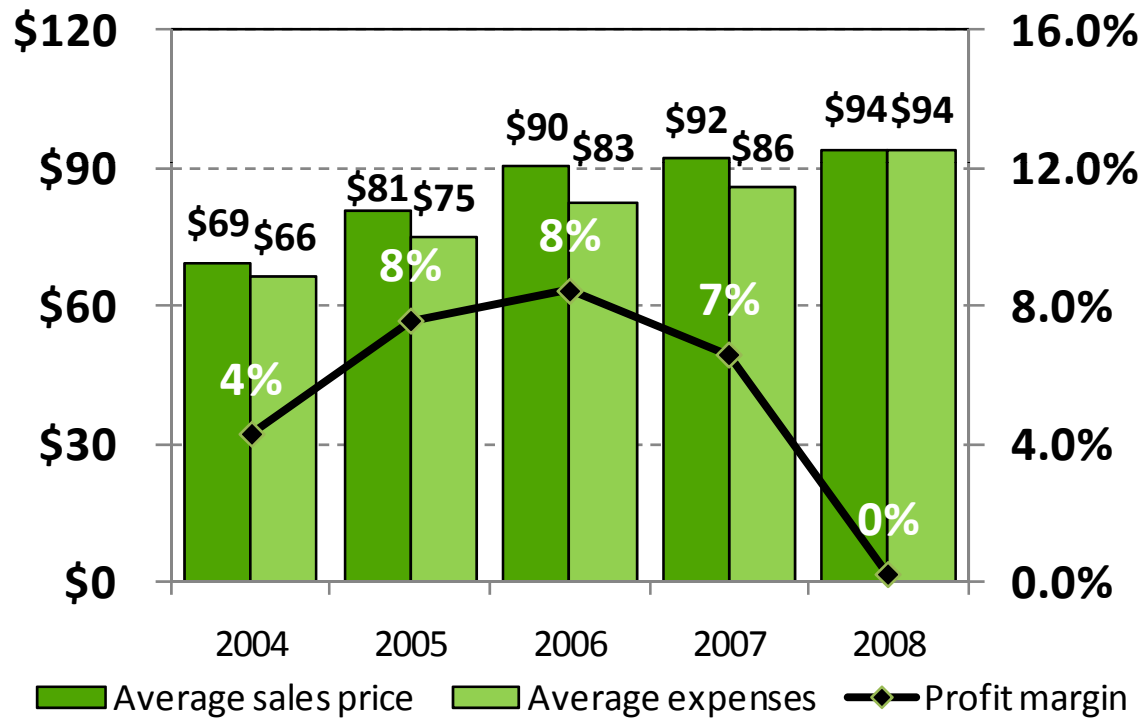
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Industry analysis: low profitability

Concrete producer profitability has decreased due to decreasing production volumes and rising energy costs

Industry Profitability Margin, 2004-2008¹



The economy has made it harder to invest in new technology...

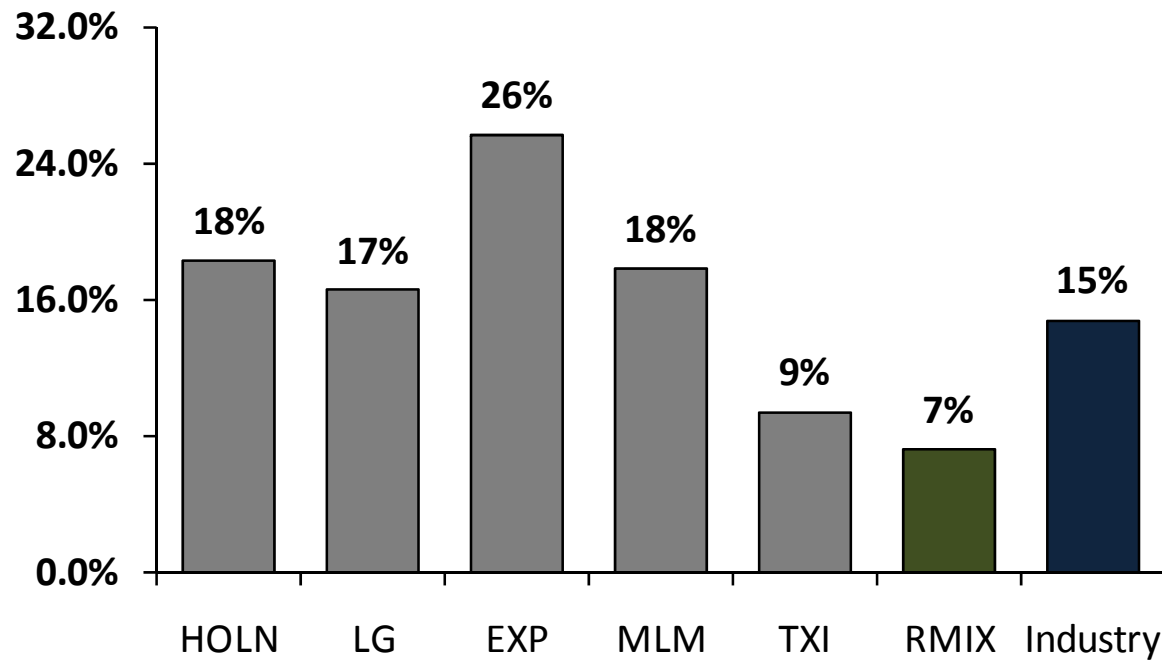
¹ Data from NRMCA Industry Survey, 2009 edition.

Industry analysis: structural challenges



Concrete producer profitability lags behind other diversified construction material companies

**Comparison of Building Material Companies
Operating Income Margin, 2006¹**



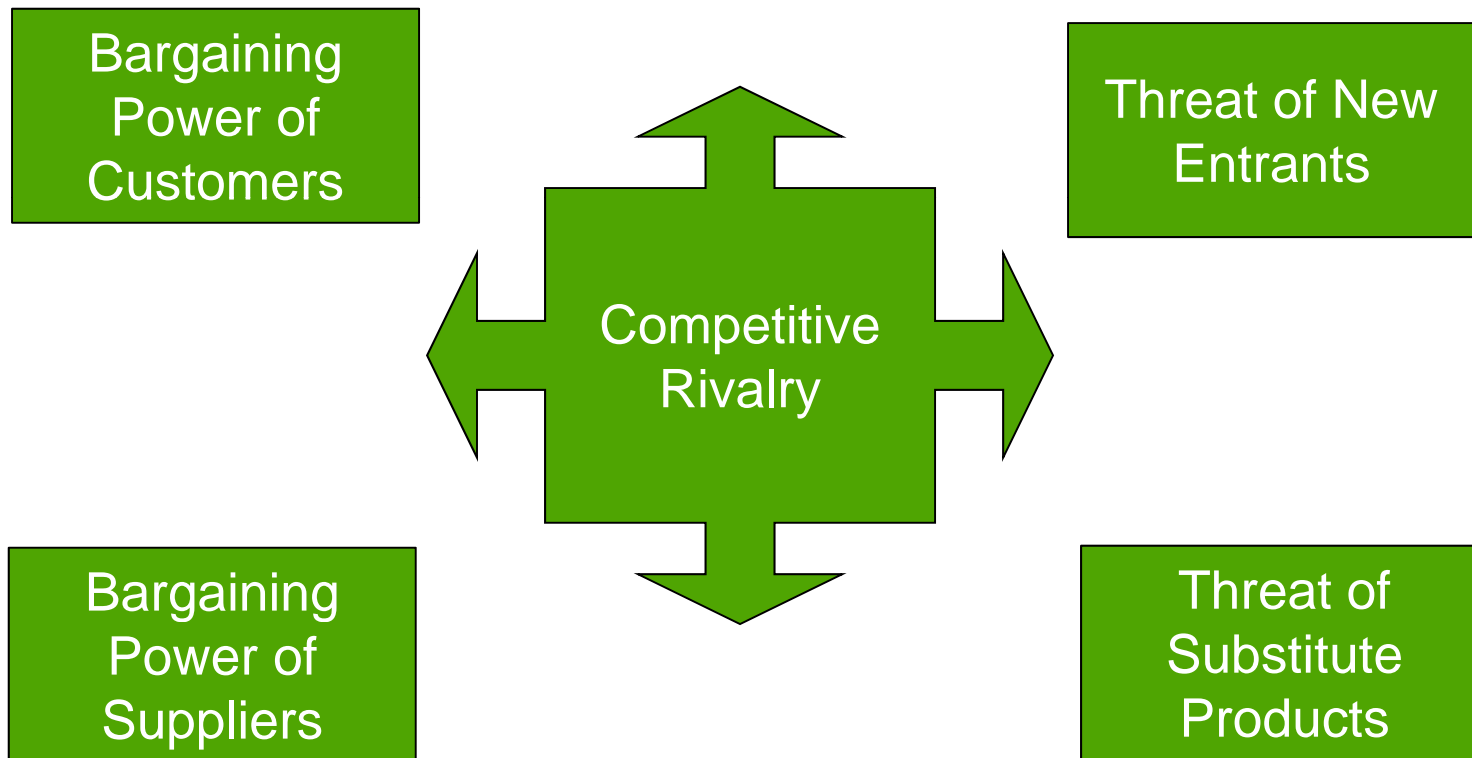
...Concrete producer profitability is not just a function of the economy

¹ Data from Public filings and NRMCA Industry Survey, 2009 edition.



Understanding industry profitability

To understand industry profitability, we can use Michael Porter's Five Forces Analysis

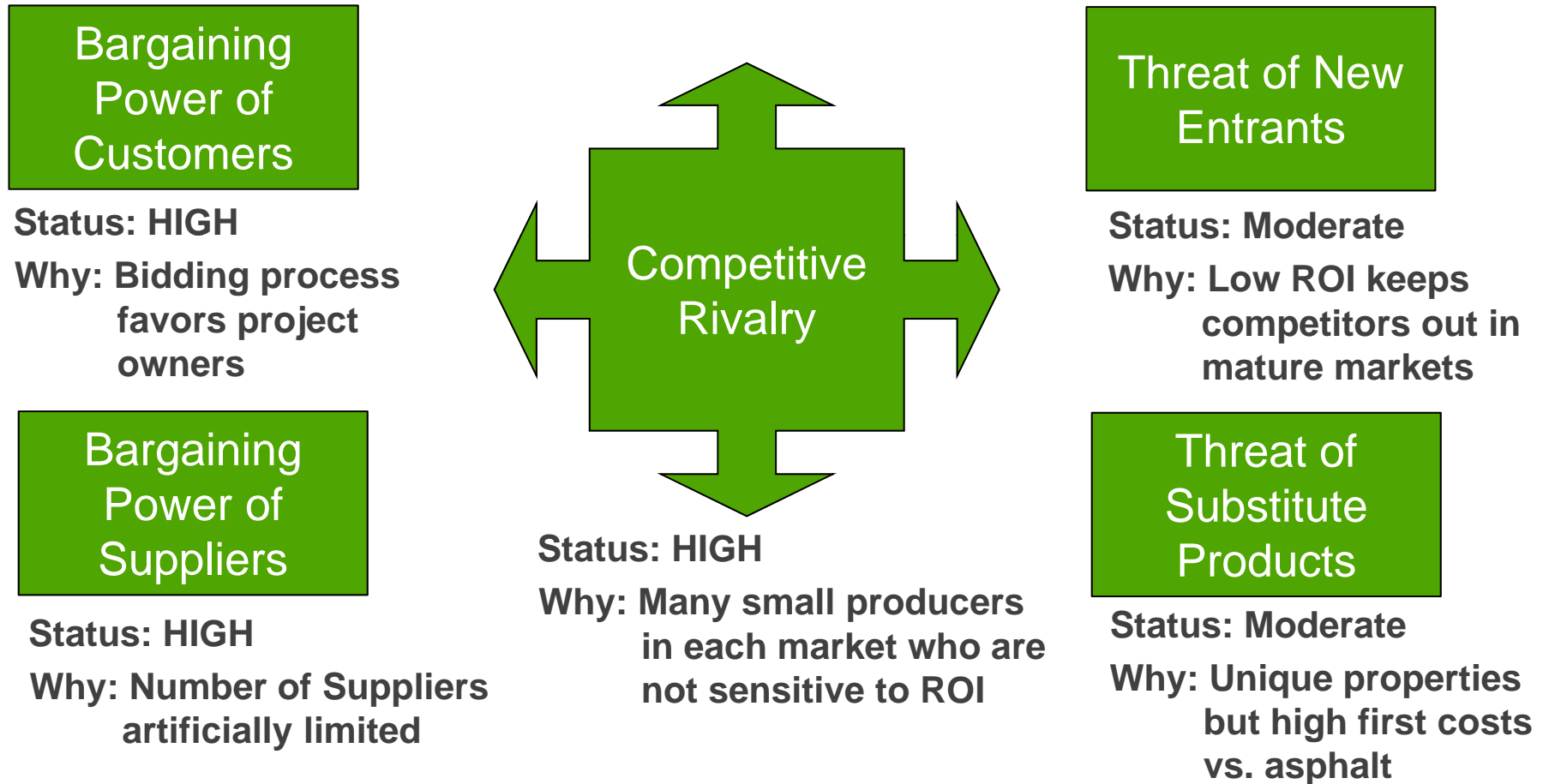


Let's apply to the concrete industry...



Five forces analysis: present

The concrete industry is currently operating at marginal profitability due to the industry forces



Concrete Industry (Today) = Low Profitability

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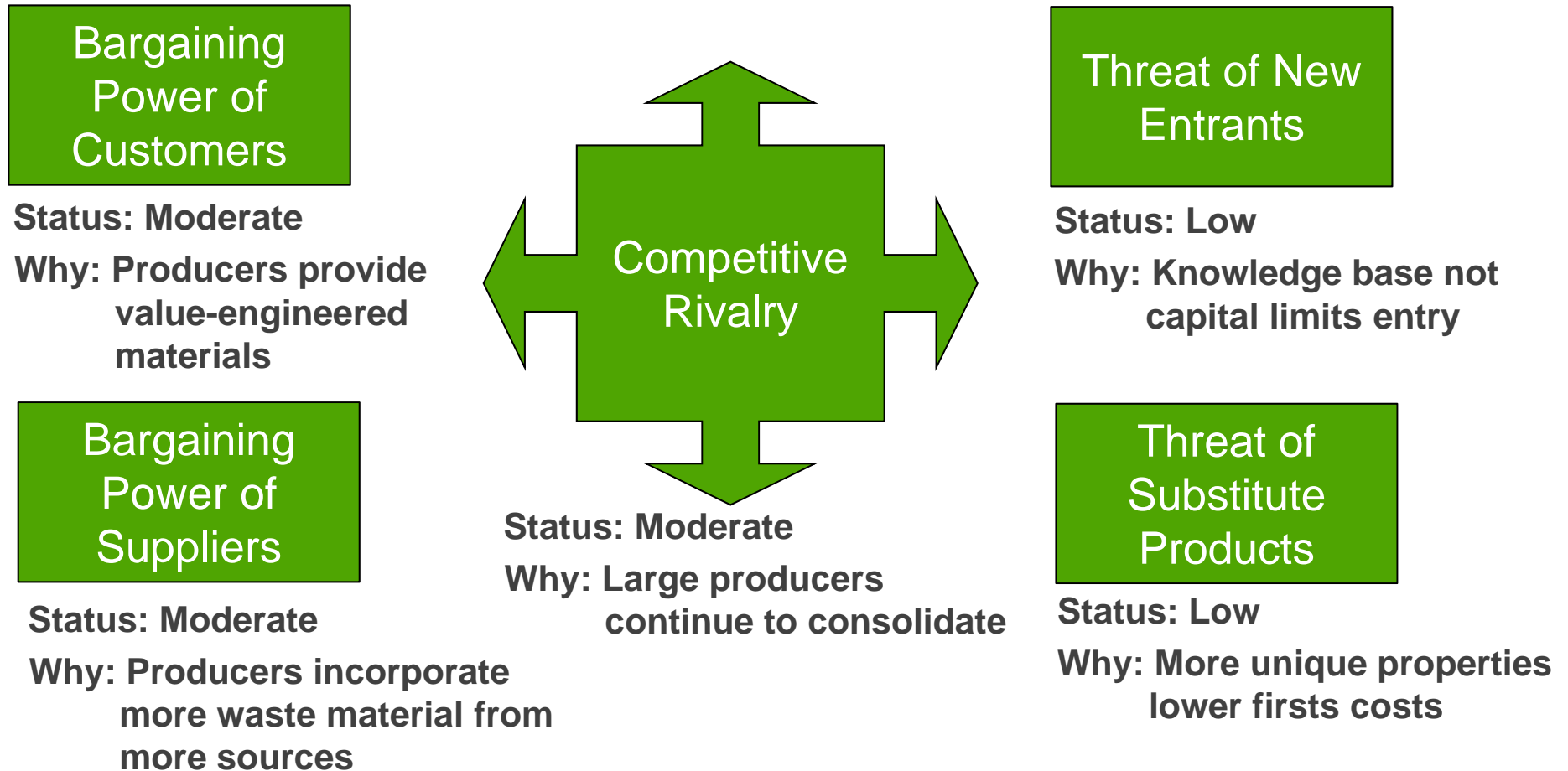
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Five forces analysis: 2030

iCrete believes the Roadmap 2030 provides a strategic plan for increasing the profitability of concrete producers.



Increased profitability requires structural change



Managing for change

Hard to manage transition without ability to measure

Roadmap 2030 Strategic Plan	Value Capture Opportunity	Key metrics
Design and Structural Systems	<ul style="list-style-type: none"> ■ increased space available for sale/lease – Price per m² 	<ul style="list-style-type: none"> ■ Concrete usage index (m³ / m²)
Constituent Materials	<ul style="list-style-type: none"> ■ Lower cementitious cost ■ Lower aggregate cost 	<ul style="list-style-type: none"> ■ SCM as % of TCM ■ Recycled agg as a % of total
Concrete Production, Delivery and Placement	<ul style="list-style-type: none"> ■ Lower cost of QC / m³ ■ Increased contractor volume 	<ul style="list-style-type: none"> ■ Overdesign / m³ ■ Avg. time to place / m³
Repair and Rehabilitation	<ul style="list-style-type: none"> ■ Increased market share of building material industry 	<ul style="list-style-type: none"> ■ First cost as % of TCO

Important to establish actual baselines and targets



Quantifying change

Project baseline for a commercial office building

Hypothetical project

- 100K sq meter office building
- 0.65 m³ required per m²
- 15% SCM, \$50/ton
- 5% recycled aggregate, 20% discount to quarry

Project Baseline	
Standard CUI	0.65
Standard Price / CM	\$95.00
CUI (m ³ / m ²)	0.65
Price / m ²	\$ 61.75
Sq Meters	100,000
Cubic meters (CM)	65,000
Price/CM	\$95.00
Cost to owner	\$ 6,175,000
Total Cementitious Cost	\$23.13
Aggregate Cost	\$25.99
Fixed Cost / CM	\$45.00
Cost m ³ / CM	\$94.11
Cost to Producer	\$ 6,117,313
Labor Benefit Capture	\$0.00
Profit	\$57,688
Profit / CM	\$0.89

Let's see how we can change a producer's margins



Quantifying change – Phase I

Possible Phase I initiative of iCrete and partners identified by SDC

Phase I Opportunity

- Improve operations by 5%
- Increase SCM from 15% to 25%
- Increase recycled aggregate from 5% to 15%

Project Opportunity	
Standard CUI	0.65
Standard Price / CM	\$95.00
CUI (m ³ / m ²)	0.65
Price / m ²	\$ 61.75
Sq Meters	100,000
Cubic meters (CM)	65,000
Price/CM	\$95.00
Cost to owner	\$ 6,175,000
Total Cementitious Cost	\$21.88
Aggregate Cost	\$25.46
Fixed Cost / CM	\$42.75
Cost m ³ / CM	\$90.09
Cost to Producer	\$ 5,855,688
Labor Benefit Capture	\$0.00
Profit	\$319,313
Profit / CM	\$4.91

\$4 additional value over original baseline is low hanging fruit



Quantifying change – Phase II

Possible Phase II initiative of iCrete and partners identified by SDC

Phase II Opportunity

- Reduce CUI by 10%
- Reduce price / m² by 5%
- Capture 0.5% of placement value
- Maintain Phase I value

Project Opportunity	
Standard CUI	0.65
Standard Price / CM	\$95.00
CUI (m ³ / m ²)	0.59
Price / m ²	\$ 58.66
Sq Meters	100,000
Cubic meters (CM)	58,500
Price/CM	\$100.28
Cost to owner	\$ 5,866,250
Total Cementitious Cost	\$21.88
Aggregate Cost	\$25.46
Fixed Cost / CM	\$42.75
Cost m ³ / CM	\$90.09
Cost to Producer	\$ 5,270,119
Labor Benefit Capture	\$2.85
Profit	\$762,856
Profit / CM	\$13.04

Concrete transformed from commodity to value engineered product

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iCreate and Strategic Development Council



iCreate believes further work is required to achieve its goals

- Refine concepts linking technology to financial benefit
- Quantify theoretical financial impact
- Develop pilot programs to demonstrate theories
- Support ecosystem of technology companies
- Educate influential producers and industry stakeholders
- Engage government agencies to support efforts



All constituents must work together to effect change



Questions
