Collaborative Structures

Management Presentation

to

Venture Funders

March 7, 2000
Presentation Outline

- Corporate Objectives
- Product and Industry Overview
- Market Opportunity
- Company History
- Management Overview
- Customers and Solutions
- Business Model
- Solving the Supply Chain
- Communication: Foundation for eCommerce
- Partners
- Competitive Strategy
- Differentiation
- Uses of Funds
Corporate Objectives

• Become the supply chain communication standard in the global real estate and construction industry.

• Create a vertically integrated, highly scalable organization that benefits all members of the supply chain.
Collaborative Structures

Company Overview

• Online application service provider ("ASP") for business-to-business project communication in the architecture, engineering, and construction ("AEC") industry

• **FirstLine** application allows secure, high-performance access for communicating and transacting business in a standard, easy-to-use database for the entire construction supply chain

• Focused for users around customer service, contract issues, and practical business concerns

• Founded by John D. Macomber, a leading authority on information technology strategy for design and construction supply chain communication
Industry Overview

- Largest industry in the world and second largest industry in the U.S.
  - $3.2 trillion of construction put in place annually, worldwide
  - $700 billion of construction put in place annually, in the U.S.

- Highly fragmented market
  - Largest US engineering/construction firm represents less than 1% of total US market
  - Top 400 US construction firms represent less than 20% of total US market
  - Owners are even more fragmented

- Public and private non-residential building currently represents greatest growth opportunity for the Company
  - Estimated value of $1.5 trillion in the US over next five years
Market Opportunity

• The AEC Supply Chain is ripe for streamlining
  – Inefficient
  – Many players
  – Large risks
  – Communication intensive

• A new central player is needed to develop the communication standard
  – Hundreds of thousands of players - no leader
  – All in multiple supply chains simultaneously
  – All in short projects
  – All with many repeat transactions
  – All with millions of dollars at stake
  – So no ability for existing participants to develop a standard
Business Relationships: The Real Estate and Construction Supply Chain

Constructor Group

- Subcontractor Excavation
- Subcontractor Structure
- Sub-Sub Erection
- Subcontractor Mechanical
- Sub Ductwork
- Sub Piping
- Sub Insulation
- Vendor Equipment
- Manufacturer
- Distributor

Supplier Group (x 100’s)

- Direct Labor
- Direct Materials
- Consultant Landscape
- Consultant Traffic
- Consultant Other
- Engineer Structural
- Engineer Mechanical
- Engineer Electrical
- Consulting Lighting
- Consultant Other
- Consultant Lighting
- Consultant Electrical
- Consultant Mechanical

Design Group

- Constructor
- Designer
- Construction Lender
- Land Provider
- Investor
- Permanent Lender
- Project Sponsor

Finance Group

- Facility Operations
- Facility Owner
- Finance & Admin
- Project Sponsor

User Group

- Customer
- End User
- End User
- Facility Owner

Facility Group

- Designer
- Construction Lender
- Land Provider
- Investor
- Permanent Lender
- Project Sponsor

Flow of PRODUCT

Flow of MONEY

Flow of INFORMATION
The FirstLine Solution: Multi-Firm Repeat Communication

- Foundation to unlocking the supply chain
- Opportunity to be the communication standard
- Opportunity to mine data from all users
- No intrusion on any present application or skill set
- Helps all parties perform better
- Company can work from communication base to partner with many other offerings
  - Procurement
  - Applications
  - Content
  - Risk Management
For Example: Corporate Buyer

- $1 billion construction pipeline
- 5 states, 5 architects, 5 construction managers, 5 internal user groups
- Each project: $100,000,000 risk
  - 50 major subcontractors
  - Average $2,000,000 (range up to $20,000,000)
  - Average 18 months on the project
  - 30 kinds of key documents from design requests to change orders, purchasing to insurance
  - 1,000 pieces of communication, each vendor
- Whole job:
  - 50,000 - 100,000 pieces of communication
**Potential Savings**

**For Whom?**
- Owner(s)
- Designers x 10
- Prime Contractors x 1-5
- Subcontractors and Vendors x 20 - 100
- Over 12 - 36 months
- Over dozens of projects

**On What? For EACH firm:**
- Communication
  - Tens of thousands of documents
  - Send, receive, file, find, relate, track, meet
- Applications
  - Network, office, accounting, scheduling, etc.
- Procurement
  - Research, select, bid, negotiate, award, coordinate, furnish, install, instruct, pay
- Risk Management
  - For ALL: W/C, G/L, P/C, E&O, PP&L, BR
- Avoidance of
  - Rework
  - Claims

**Target for all?**
- 3 %
- 1 %
- 6 %
- 5 %
- 5%
- **20 %**

**Potential Savings per Project:**
Before FirstLine: Many Participants, No Common Communication Place

Today: There is no common way to track, communicate, and organize information, view outstanding items, and provide accountability.
The FirstLine Benefit:
One Shared Place for All

FirstLine benefits: Access, Organization, Accountability.
Company History

- **1996 - Concept.** John Macomber and core team conceive of the business model for a scalable project communication standard in the AEC industry, develop a single project prototype.

- **1997 - Alpha.** Collaborative Structures (CSI) receives funding from Claflin Capital Management and other sources, runs three alpha tests: Stanford Business School, Beacon/Skanska Construction, and Nordblom Properties. Alpha tests are in Lotus Notes via telephone lines. Hires Robin Alston as VP Engineering.

- **1998 - Beta.** CSI receives funding from Pioneer Capital (now Ascent Venture Partners), rewrites application for 100% browser via 100% Internet, three beta test clients sign up: Stanford Housing, State Street Bank, and Boys and Girls Club of Boston (continuation of Beacon/Skanska).

- **Early 1999, Scaleup.** With beta results proven, company adds Dartmouth College, Leggtat McCall, Vanderbilt University, hires Darlene Mangone as VP of Operations.

- **Late 1999, Momentum.** Increasing market acceptance of Internet project communication; Company adds Amgen, Duke, Phillips Academy, others. InformationWeek names CSI one of the most innovative ebusinesses in America. CSI passes $500k in bookings. Hires Buz Schott as VP Sales.

- **Early 2000. Acceleration of interest.** Repeat selection by early users. Addition of MIT Media Lab, University of California, Queensway Galleria, City of Worcester. Company commences fundraising to scale up sales and marketing. CSI passes $1mm in bookings.
Management Overview

- John D. Macomber, Founder & CEO
  - Provides strategic direction for the Company
  - Macomber family has been a leader in real estate and construction industry for almost 100 years
  - Former CEO of George B.H. Macomber Company, a $200 million contractor, CEO of Hamilton Construction Equipment Corp., and Partner of a commercial real estate management company
  - Nationally recognized expert on information technology strategy for design and construction firms
  - Teaches graduate course at MIT entitled “Strategic Management in the Design and Construction Value System”
  - MBA from Harvard Business School and BA from Dartmouth College
Today: Winning the Users who Pay

- **FirstLine** Application: **Document Store** (with access for multiple firms, extensive accountability)
- Service: **Trusted Host** for the information that teams will share today
- Direct Sales Model: **To Owners**
  - The ultimate attraction for all the rest
  - Have the standing to mandate (or incent) usage
  - Receive the ultimate benefit
  - Owners pay for whole supply chain, as a function of project cost
- Positioning: **Realistic, Trusted** B2B sales
  - Not consumer brand marketing
  - About business benefits, not about technology
Customers

• Corporations: (Time to market, multiple project teams)
  – Amgen, State Street, Beacon Capital REIT, Saunders Hotel Group, Queensway Galleria, Breakaway.com

• Research universities: (Process, multiple participants)
  – Stanford, Vanderbilt, Dartmouth, MIT Media Lab, Cal Poly, U of California, Duke, Northeastern

• Professional Service Providers: (Top line, bottom line; multiple Owners and multiple projects with each)
  – Leggat McCall, Beacon/Skanska, CE Ward, Willis
Recognition

- **InformationWeek, Dec 1999**: One of the most innovative eBusinesses in America

- **C/Net, Jan 2000**: One of the leaders in the field as investors discover business to business on the Internet

- Quoted in the *Christian Science Monitor, Feb 2000* - “Information Technology Reduces Risk”
Tomorrow: Solving the Supply Chain

• Build from our foundation as the standard for multi party repeat communication

• Fix the first level of waste and inefficiency:
  – Communication, Procurement, Applications

• Fix the next level of waste and inefficiency:
  – Collaborative vs. Adversarial Insurance and Contracts
  – Aggregate the Buyers
The Foundation: Communication on Complex Contracts for e-Commerce

• Procurement and execution are difficult: low bid alone doesn’t win. COMMUNICATION is required:
  – Design
  – Furnish
  – Deliver
  – Coordinate
  – Install
  – Warrant

• Many other relationships influence successful contracts
  – e.g. steel, drywall, paint, windows are related to each other
  – Long delivery cycle with extensive communication needs among firms with a wide variety of skills
Partners (in Negotiation Stage)

• Collaborative Structures has been approached by many top firms
  – FirstLine viewed as an emerging communications standard
  – Neutral party that can enable multiple procurement engines and processes
  – Highly knowledgeable and cooperative partner

AEC Procurement
  – eBricks
  – BuildPoint
  – PrimeContract
  – ProcureZone
  – Rentmaker
  – Folio

Processing
  – i2 Technologies (logistics)
  – Revit (CAD)

Channels
  – Willis
  – AON
  – Leggat McCall
  – Parsons Brinckerhoff
  – Sordoni/Skanska
  – Hill International
Strategic Advantages

• The Company’s market position will be defended by:
  – Economies of scale
  – Significant barriers to entry:
    • Partner relationships
    • High switching costs for users relative to service price
    • Brand identity
    • Data mining capabilities across multiple projects
      – Major competitive advantage for adoption as a standard
  – Communications glue that enables complementary solutions
    • Procurement services
    • Hosting of other applications
    • Cross selling of related products and services
    • Aggregating users as coordinated buyers
**Differentiation**

- How is Collaborative Structures different?
  - Deep domain expertise
  - Supply chain focus from inception (informs all actions)
  - Designed to accommodate the whole chain, all phases
  - Ubiquitous applicability
    - Not designed around a technology (any platform)
    - Not designed around single firms (unbiased business hub)
  - Committed to real world support of project teams, people, and business relationships (service component, data mining)
  - Doing one link well, partnering with others (business solutions)
The Right Tradeoffs: Broad vs. Deep

Breadth of User Base

FirstLine: Post it, Act on it…NOW

Depth of processing

CAD  SCHED  ACCTG  CONTR CTRL  EST
Growth: Proposed Uses of Funds

- Senior Staff:
  - Marketing, Business Development, Finance
- Other Staff:
  - Direct Sales, Engineering
- Promotion
  - Press
  - Speaking Engagements
  - Advertising
  - Trade Shows
- Alliances
  - Don’t originate technology, adapt it
  - Don’t sell to all the players, sell through channels
Collaborative Structures

Connecting People, Leveraging Technology