

THE PAVEMENT NETWORK

NEWS



Spring 2018

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As we all charge into the busiest time of the year for our individual businesses, we are also starting to really ramp up activity on the growth front for The Pavement Network. So far, in the first quarter of 2018, we have redesigned our website to refresh the look and user experience, maximize the medium to gain online exposure and brand development for all of the individual member companies, and focus the messaging on our main goals of a best practices group. We have created and optimized social media channels for the Network and are starting to build guidelines and processes to share with members so that each of us can gain better exposure and leverage each other's efforts for our individual business gains in the ever more critical digital world. We have identified potential candidates for new members in the regions which are currently underserved in the network, and are starting to reach out to them to encourage them to join. We are currently at 17 members—my goal by the 2019 meeting is to grow by 50% with at least 24 active companies joining us in the California Bay Area in January.

Additionally, I am working to expand the value that we can each draw from being members of the network by collaboration through transparency of

purchasing—both expensable assets as well as larger, depreciated equipment. Within the next couple months, we'll be launching two new members-only pages on the website to create a forum which our operations departments can use as a resource to both gain insight into other members' large purchases for negotiation, as well as to collectively buy those items available which we can get bulk deals on if we pool together. The logistics of how to manage and distribute this undertaking are still in the beginning stages, and I'll be reaching out to you for feedback as we create and develop processes to best leverage the collective strength of our organization.

We are also looking into minimizing expenses and streamlining administration so that we can ensure that every dollar of your dues is put to the best possible use, and so that we can invest in innovation for the Network and continue to increase the value add of being a Pavement Network member.

I am excited for the growth we have planned for the duration of the year. At DRYCO, we are right in the middle of a complete remodel of our main operations office, and I can't wait to share it with all of you when we host our next annual meeting in January.

Focus
on
Growth



Daren R. Young
President

DRYCO Construction, Inc.
www.DRYCO.com

I hope this Sales Update finds each of you well. All signs point to another positive year for the industry! Ahead of the looming infrastructure bill that seems to be keeping our fiends on the highway paving busy and a surge in market growth, paving maintenance customers seem to be buying at an above average rate and velocity. In the deep south markets, a long winter has finally come to a close by a series of very rainy two months.

From an ever-optimistic perspective of the sales team, 2018 will be a year similar to 2017. We will continue to fight for higher margins from a more qualified customer base. With the early Springs slow accumulation of revenue to cover operating cost, backlog will be critical as we head towards the "oh-so-distant" year end. The teams created a series of very aggressive sales and margin goals for the year and I can tell you that this 1st quarter has been no friend of them.

Per usual, second quarter has begun to speed up; the sun is out and everyone is moving at lightening pace to complete orders backed up by winters weather. As we begin to quicken the pace let us all remember that as leaders, our very first priority is to stay ahead of our teams and create an environment where success can be assumed most easily. As our sales teams move out and begin to chip away at their goals, let us not forget it is we who go ahead of them and assure success is attainable. We work constantly on systems, procedure, education and infrastructure that will be ready and able to support the soon to be had success

of our sales teams. It's not always the big overhauls or that the entire system needs to be rebuilt. Small things make the biggest impact sometimes. Creativity on incentive programs keep things light around the office. Celebrating each win, no matter the size creates positivity at any rank. Having team events after hours to celebrate nothing in particular, but the collective success if the team makes a difference. But most of all, create a path to success through the organizations ability to perform. Consider this, aside from the small day to day issues that arise in any thriving business, does the business run smoothly enough, where anyone could be brought on to the team and become successful within a reasonable time. Are the systems in place designed to accomplish that? If not, you know where you must focus.

It is easy to forget what an option for influence we have as leaders in our companies. I urge you, take advantage of the opportunity and decide to make a difference in the lives of those you serve and support. Dedicate yourselves to leading and empowering those whom you have been given the honor to lead.



Daniel Kilman

Pavecon
www.pavecon.com



Happy Good Friday, March 30th, 2018. I write today to report on the first quarter financial activities at the Pavement network. As of this date, we currently have a check book balance at Revere Bank in the amount of \$7,421.49. We also have a money market balance of \$80,131.74. I anticipate it will be necessary to draw down a portion of this sum during the 2018 calendar year. I am aware of two outstanding obligations that the Pavement Network is committed too. The first is a balance of \$2,500 to the Elemental Design for new website development. The second is an approximate \$3,000 invoice that will be due Celeste for balance of her efforts for March through mid May.

At this point we have essentially exhausted our current dues for the 2018 calendar year and it will be necessary to draw down on the money market account. I project a sum of approximately \$20-25,000 dollars will be necessary to be expended during the remainder of the year.

Sue Schaffer, who had managed the checking account for The Pavement Network has retired after 33 years and Karen Storm is our new fulltime bookkeeper associated with managing the checking account for Pavement Network. If anyone has any specific request of Karen, then they can contact her directly at 301-575-1073.



Harold Green

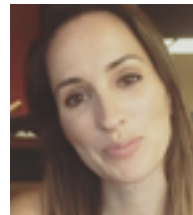
Chamberlain Contractors
chamberlaincontractors.com





As you may have already heard, I am no longer your Pavement Network Administrator. I wanted to take a moment to let you know how much I've enjoyed my time with you all and you've played a part in that. It's been so great working with the network and getting to know you all. While I won't be your administrator anymore, I definitely hope you'll keep in touch.

My personal email address is momsbreadandbutter@gmail.com, so don't hesitate to reach out.



Wishing you all the best!
Celeste Hamilton

PROFESSIONAL

PAVING & CONCRETE

Company, Inc.

Infrared Patching

Infrared patching is a method of blending new asphalt with existing pavement material to create a joint-free intergral patch. The truck mounted machine is capable of heating the existing pavement material to a depth of approximately two inches without oxidation or burning. There is no flame in direct contact with the existing pavement surface. The truck unit is also equipped with multiple heated chambers capable of storing and transporting up to four tons of asphalt materials while maintaining a consistent temperature.

Advantages

Time Depending on air temperature, the entire process will take from 10 to 20 minutes. The traditional method, involving sawing-cutting, excavating, and repaving-can result in longer downtime of a parking lot.

Convenience The ability to complete the repairs during off-hours even when asphalt plants are not operating.

Quality No new cold joints are created- therefore there are no open seams between the old pavement and the infrared patch.

Cost The infrared patching method is a cost effective alternative to traditional patching.

Uses of Infrared Patching

- Repair holes and surface deteriorated areas
- Eliminate depressions-water holes-tripping hazards
- Achieve smooth black top at transition joints
- Repair newer pavement without sawing-cutting
- Restore Service cuts
- Adjust pavement height to manholes
- Lower high areas
- Repair deteriorated paving seams



While this is the time of year most of us are starting or preparing for The Season, Jeff Miller and I are preparing for our next chapters in life as we are retiring. We have been fortunate to have met in 1997, teamed up in 1999, and have enjoyed a prosperous adventure for the last 19 years.

Many of you are approaching the time in your lives to consider and plan for this event. I thought it may be of interest to share the process we experienced.

The idea of retirement came up at the end of 2015. The economy was doing well, interest rates were low, and we felt that investors were looking for opportunities. I had a young married daughter living out of state with potential grandbabies on the horizon, so I wanted the flexibility of sharing more time with them. Jeff and I attended a seminar in Portland by the mergers and acquisitions firm – Generational Equity (GE) out of Dallas, Texas. I invited, and they spoke at our January 2016 Owners Meeting in Charlotte. We signed on as clients.

Change is difficult for many. We felt that our decision needed to be kept private as we did not want employees up in arms with increasing anxiety levels and undo panic causing them to make irrational decisions. We didn't want to panic clients into making irrational decisions either.

Of course, most of the data required for a business transaction is financially based. This meant that most of the work to prepare and provide data would fall on my shoulders. In addition to running our business in 2016, much extra time was spent working with a GE Financial Analyst in preparing an Offering Memorandum. This is a marketing book that is designed to provide a potential buyer with enough information about your business that they can make an educated decision on whether this is the type of investment they are seeking.

We went to market at the beginning of 2017. GE accomplishes this by mailing a company summary to properly identified and vetted potential buyers out of their databases. Anyone of these buyers interested in

following up signed non-disclosure agreements and were provided with the Offering Memorandum. From there a series of phone calls and in person meetings were held to establish whether there would be further interest. We talked to and met people from all over the country!

We ended up selling our share of the business to a local individual, Greg Tansey. Greg has a varied business background. He was looking to purchase an established business with growth potential. We felt he would make a great fit with our company, and had the piss and vinegar to take it to the next level. Greg became our new President on April 01, 2018. Jeff and I will be here for several months to help out in transition. Our junior partner, Justin Baseler, will continue as a junior partner with Greg. Greg looks forward to meeting all of you.

Jeff and I would like to thank the Network for the years we have been involved, the friendships we have developed, and the pride that goes into knowing we were members of the premiere pavement organization in the country. We wish the Network, you, and your families continued future success.



Bob Escribano

Pavement Maintenance, Inc.
www.pavemaint.com

Transitioning
to the next
generation.

At our 2018 Annual Meeting, members shared the top insights gained from the event:

All County Project management, new equipment acquisitions significant \$2 million dollars spent; holding employees accountable. Sales: \$60M

C&R Margins up 3%; workloads up and down during season; constant struggle for employees; aging workforce; goal for 2018 is \$16m with good margins.

Cactus Asphalt Changes in HR systems; electronic log systems for DOT; changed bonus program; 150 employees; track go backs and bonus system; recruitment systems in place. Sales: \$52M

Carolina Asphalt Net profit 11%; parted with top sales person, culture and team got better; more pavement network referral work. Sales: \$12M

Chamberlain New office management after 33 and 25 year employee retirements; possible increase compensation by 5-6% to hire talent; implementation of safety program (earn stars, purchase items); sales growth 2% over 16 sales; goals for 2018 maintain sales and profit margins; almost \$3M in pavement network referral work; maintain \$750,000 x-cap annually. Sales: \$23M

DRYCO Systems and processes in place to have better administration management and greater sales opportunities. Sales: \$60M

GPM 2016 was a terrible year; lessons learned and implemented for a good 2017; didn't grow, but made more money; software estimation system in place in 2017; hired new chief estimator; 2018 promising. Sales: \$16M

Georgia Paving Okay year, profit way off; employees paid for 12 months, no layoffs; cost \$400,000 loss in winter. Sales: \$14M

Hollingsworth Paving More process driven; higher capture rates; higher percentage of profits on change orders; too reactive, need to push efficiency into the culture of the organization. Sales: \$11M

Macadam Not in attendance. Overall performance similar to Chamberlain. Sales: \$24M

PaveCon Systems, processes, soft skills training, leadership seminars, building business to run smoothly. Installed CRM system, Sage systems. \$75 million dollars, \$6 million dollar profit, \$270 million overall sales from three divisions at 10% profit.

Pavement Engineering Record sales year; can't find people; margins shrinking; less bottom line; 65 employees year round up to 100 during the season. Sales: \$11M

Professional Paving & Concrete Net sales same as 2016; good operational people; fraud with one estimator early spring; wants \$20M in sales for 2018 with strong net margins. Sales: \$23M

St. Louis Paving Paul sold business 2017; slight dip afterwards; new systems and processes to be put in place; 2018 goals to establish new culture; increase sales volumes over the next three years by 100%; send drivers to CDL training; add two new sales people and marketing person. Sales: \$6.5M

T&K Slim margins at 4%; good processes in place; good job costing; good management with WIP schedule and reserves for jobs carried forward; built sales and operations team; growth in 2018 with strategic bent toward profitability. Sales: \$27M

Wright Construction Profit erosion; no work to start the 2017 season; cheap work struggled; project management to implement in 2018; people development to improve. Sales: \$44M

Common Theme for 2017

For most members, sales were flat or up slightly but there was margin erosion.

Common Challenges

We all struggled with staffing and we all hate our software—accounting, CRM, Electronic Timecards, everything related to Technology and Information Systems was a challenge for members, and likely will continue to be in the future. The best we can do is talk about it as a group and find less painful solutions for our IT.

Tax Implications

Our resource speaker Rich Shavell was excellent and provided great information about the tax changes for 2018. Generally speaking, we will all stay as S-Corps and benefit from the tax changes. Thanks to Ken and All County for bringing such a quality consultant for us to hear.

Operations Overhead

We discussed overhead and all checked in on the number of non-production people we carried to get our sales. Most of us would like to run more lean but until we can fix the common challenge of the IT headache and be able to truly take advantage of technology, at least we are in it together and can compare transparently in this network.

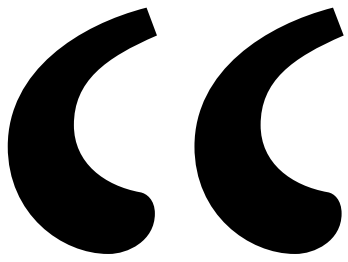
Pavement Network Value Add

We all agreed last year that we are primarily a “Best Practice” group. The National Sales Model doesn’t seem to be much of a thing with us. While we all help each other with occasional opportunities, and that seems to be going well, only All County Paving has a specifically focused national sales effort. Pavecon has a regional focus with a larger territory than most, but they self-perform their work. As a result, we are building pages on our website for group purchasing, depreciated asset pricing, and private sharing of company handbooks and procedure documentation.

2019 Annual Meetings

It was agreed that we would do all the meetings together next year in the San Francisco Bay Area. You should plan to arrive Monday, January 14th—the meetings will be held on Tuesday and Wednesday at the main DRYCO location in Fremont, California. You’re encouraged to stay through until Sunday to have the rest of the week to enjoy all that Northern California has to offer—the amazing city of San Francisco, the beaches of Santa Cruz County, and the wine country in Napa and Sonoma are some great choices.

Best Practices
Networking
Transparency
Resource Sharing



Overall it was good to get back into the groove with the owners.

I found the sales meeting very beneficial. Daniel did a great job leading it and focusing on getting to know each other and building relationships. In only a days' time I feel I built solid relationships with people in my industry that I can call on should I have questions.

The admin meeting was a good start for the first time. But it could have been better planned to discuss more common issues in a better organized way. It was agreed by the group that we really need to try to have a tangible takeaway for future Admin meetings.

Great meeting!
The information and networking is irreplaceable.

The exchange of ideas, challenges, and solutions among industry peers made for a great learning experience.

The event was very well planned out! Ken and the All County Team did an excellent job serving as the host. They set the bar high for future PN Hosts!!!

My first meeting with The Pavement Network was great! Being new to the industry, I learned a lot, and am confident I will continue to learn more in years to come. The single day went by quick. I would be willing to make the owner's meetings two days if others are interested, as I am confident there is plenty of valuable information we could all share with and learn from each other.

Best meeting in past few years. Lots of sharing of best practices, good side conversations, all people attending were engaged and participating.



Upcoming Meetings

Board Meeting Conference Calls

Summer: 6/14/18 10:00am PST

Fall: 9/13/18 10:00am PST

Winter: 12/13/18 10:00am PST

Annual Meeting

Owners & Administrators: 1/15/19

Sales & Operations: 1/16/19

Location: DRYCO Construction, Inc.
42745 Boscell Road
Fremont, California 94538

Industry Events

World of Concrete

Las Vegas, NV

Jan 21-25, 2019

worldofconcrete.com

World of Asphalt

Indianapolis, IN

Feb 12-14, 2019

worldofasphalt.com

National Pavement Maintenance Expo

Nashville, TN

Feb 27 - Mar 2, 2019

nationalpavementexpo.com

ConExpo - Con/Agg

Las Vegas, NV

Mar 10-14, 2020

conexpoconagg.com