Close-up: James Lawrence

Ecolite Concrete reinvents wall construction

By PADMA NAGAPPAN
Special to the Daily Transcript

James Lawrence, CEO of **Ecolite Concrete**, saw the immense potential in the eco-friendly wall system when he evaluated the company as the CTO of a hedge fund in 2007. This convinced him to come on board, first as its director of technology and more recently, in June this year, as its CEO.

Ecolite's wall system merges two independent technologies that have been in use for many years into one revolutionary system that enables walls to be produced off-site, in half the time, with considerable cost savings.

It combines steel framing with lightweight cellular technology to produce wall panels that use 50 percent recycled material, contain no volatile organic compounds, reduce greenhouse gas emissions when compared to other types of concrete, can be recycled and are almost maintenance-free.

The wall panels are eligible for LEED (leadership in energy and environmental design) credits in four of the U.S. Green Building Council's categories.

Ecolite follows the model employed for windows, doorframes and roof trusses, which are all produced off-site.

The company, founded in 2004, initially focused heavily on research and development. It took three years to obtain ICC (International Code Council) certification.

"It was only in April this year that we could go to market," said Lawrence, who explained that the company did supply the Department of Defense with walls for 54 buildings prior to certification, since the DoD does not require the ICC stamp.

"When I first did an investment evaluation, Ecolite was developing walls for a defense project in Barstow. I was intrigued by the process by which they produced the walls in a very short time, in large volume. But it was not very well automated and as a tech person, I saw the opportunity to automate the process," Lawrence said.

Lawrence, a software engineer who has lived in San Diego for most of his life, started a high-performance database management company here in 1997. He sold the company two years later and stayed with it for two more years before moving on. That company, **Nitrosecurity,** is now one of the leading intrusion detection firms, he said.

When he came across Ecolite, he saw he could add value to its business model by instituting several changes.

"I felt it had a very unique product but that it lacked a level of sophistication that was necessary to scale it. I suggested a process by which it could be streamlined," Lawrence said.

The walls are pre-cut, pre-drilled and ready to be pieced together. He found that steel waste was high, because the modeling process was cumbersome. They had to move between three different software programs in trying to get a steel stud built for the frame.

So Lawrence worked with a team of developers to reduce the steps in modeling and streamline the process. EcoCAD, the computer-aided design program the company licenses, has been modified for its own use. It takes all the data and inputs it into a customized ERP (enterprise resource planning) system, which also has been tweaked considerably by the team.

The product is pre-engineered, so every wall needs to be designed on the CAD system, segment by segment.

"We have a fully automated steel system and we are working on a similar concrete system. We have two different processes — steel frames and then pouring the concrete on one or both sides of the panel, depending on customer requirements," Lawrence said.

This automation will be the first of its kind in the United States and it will double capacity from 2 million to 3 million to nearly 4 million to 6 million square feet of walls, Lawrence said.

Photo: J. Kat Woronowicz

James Lawrence saw the potential to streamline Ecolite Concrete's production of its eco-friendly wall system and became the company's CEO in June.

Ecolite's business model is also different. It licenses the technology and helps the licensee build the plant and places some of its own staff on site. "We are like an intellectual property company, we transfer the technology to the licensee to manufacture, sell and distribute the product," said Lawrence.

In return, licensees pay Ecolite a royalty, similar to software companies that transfer their technology to licensees who develop, customize and install the programs.

"The highs and lows of manufacturing can be stressful on a business. Companies like to control the front and back ends of their business, so I felt they would want to control the middle, too. The middle is a tricky place to be in the construction business," Lawrence said.

Farming out manufacturing helps cut process time by half, according to Lawrence, who said the company keeps a staff of experts in the fields of information technology, steel and concrete, and deploys them to set up the plant for licensees.

"We are responsible for ensuring their success; we help them hire the right people and we set up the turnkey environment," he said.

The company is actively talking to a few potential licensees. "We're taking it slow because we want to select partners carefully," Lawrence said.

Essential qualities it looks for in licensees include deep knowledge and experience in design and building, experience with walls and a demonstrated demand for the product in their area.

Current projects include a prototype temporary lodging structure for Camp Pendleton, which will serve as a commercial hotel for families of Navy personnel. If this project is successful, it will be scaled to similar facilities across the bases.

The building will span 60,000 square feet, have more than 80 rooms and receive LEED Silver certification. **RQ Construction**, Ecolite's first licensee and distributor, will handle this project.

Ecolite has been awarded a number of military projects and also will work on wall systems for a veterinary hospital in Las Vegas.

Lawrence likes to think of Ecolite as a technology company, because it has developed an end-to-end wall system. He spoke about product enhancements and plans to roll out a new product next year that will round out the company's system and expand its reach to building more aesthetically appealing structures.

"This will give us more velocity and effectively make us a one-stop shop for wall systems," he said. Projected revenues for next year are in the range of $5 million to $7 million.

Nagappan is a San Diego-based freelance business writer.

Source Code: 20081111crf

Blackstone's inauspicious timing: Hilton buyout

By LINGLING WEI
The Wall Street Journal

One year ago, just as the credit doors were swinging closed, **Blackstone Group LP** (NYSE: BX) succeeded in pulling off one last deal and it was a beaut: The $26 billion leveraged buyout of Hilton Hotels Corp., with its 2,900 hotels and 490,000 rooms throughout the world.

Today, investors in the private-equity giant, the banks that provided $20 billion to finance the acquisition and — in a strange twist of events — U.S. taxpayers, may be wishing the firm hadn't been quite so skillful at getting the deal done.

The sharp downturn in the hotel market — with more hotel owners and operators posting dismal results and giving dour forecasts — is making that deal look like a burden for Blackstone, which sank $6 billion of equity into the acquisition. That was the biggest equity investment ever made by the 23-year-old firm founded by Stephen A. Schwarzman and Peter G. Peterson, and some analysts believe much, if not all, of that equity has been wiped out, at least on paper.

A bigger, long-term risk for Blackstone is whether the hotel market can recover enough value five years from now, when Blackstone faces the task of refinancing the debt tied to the Hilton acquisition. A person close to Hilton said that if previous hotel cycles hold, where a downturn is followed by a sharp run-up in asset values, then the company "will be fine."

Blackstone is expected to update its investors on Hilton's performance when it reports its third-quarter results Thursday.

Hilton stopped trading separately when the transaction closed a year ago, so it is difficult to see how the market now values the business. The hotel chain's closest rival, **Starwood Hotels & Resorts Worldwide Inc.** (NYSE: HOT), trades at about seven times its projected before-tax cash flow for 2008. By comparison, Blackstone paid for Hilton at about 13 times estimated 2008 pretax cash flow, a level where many hotel companies were valued at the time of the deal. "It's very difficult to assume any equity if you have to mark-to-market those assets," said analyst John Arabia at **Green Street Advisors Inc.** "But they may argue it's a long-term investment for them."

Hotels are typically the first sector in the commercial real-estate market to feel the economic pinch, and next year will be a gauntlet for hotel owners and operators. The foundering economy likely

See **Buyout** on 12

Investment sales team joins Cushman & Wakefield's San Diego office

Cushman & Wakefield announced that Steve Rowland and Michael Roberts have joined the company's San Diego office, where the accomplished real estate professionals will fill a vital niche as office and industrial investment sales specialists.

Rowland and Roberts, who have worked together for the past five years and have more than 30 years of combined experience, are well known for their expertise in the sale of leased office and industrial investment projects in both San Diego County and throughout the Southwestern United States. The pair closed more than $225 million in sales in 2007 alone and have completed multiple transactions totaling just under 400,000 square feet of product year-to-date.

According to Rowland, senior director, Cushman & Wakefield is an ideal fit for this investment sales team duo, due to its rich 90-year history, global platform and full complement of real estate services that clients look for when selecting a firm and seeking out strategic acquisition opportunities.

"As the world's largest privately held commercial real estate services firm, Cushman & Wakefield has the resources available for our team to work collaboratively, leveraging off all of its service lines," he said. "This allows our clients to receive the maximum value and best terms even in an increasingly challenging financial market."

Rowland brings more than 25 years of commercial real estate sales experience as he rejoins Cushman & Wakefield, where he spent eight years of his professional career at Burnham Real Estate (1992 to 2000). During his career, he has completed nearly $1.5 billion in investment sales totaling over 13 million square feet of office and industrial product for both large institutional clients and private clients with significant portfolios.

Rowland has consistently ranked as a top producer and has received prestigious industry awards and designations, including **CoStar**'s Power Broker on multiple occasions and **Private Capital Investment Group**'s 2007 Top Producer nationwide.

Roberts, associate director, has an excellent track record in advising investors in acquisitions and dispositions. He has over five years of commercial real estate experience and has advised more than $580 million in investment transactions.

Roberts has been an integral team member in the dispositions of notable projects including SAIC's Vista Facility, CB Plaza in Mission Valley, Pacific Sorrento Technology Park in Sorrento Mesa, along with other substantial assets. He was named Rookie of the Year in 2007 and is actively involved in NAIOP as well as the local community.

"Steve and Michael bring an outstanding track record to Cushman & Wakefield," said Stath Karras, executive managing director of the San Diego office. "Their depth of experience and unparalleled knowledge of the commercial real estate investment market makes them an invaluable addition to the San Diego office of Cushman & Wakefield."

Submitted by Cushman & Wakefield