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TABLE OF CONTENTS

Issue 2017.4

#worksmarter

5

Modular Construction Market Share Report

*prepared by The Sage Policy Group, Inc.,
for the Modular Building Institute*

13

Building a Future: Succession Planning for Contractors

*by Colin Gorman, CPA/PFS, CVA, CIT,
& Melissa Halpain, CPA, CVA, of EPG, PLLC.*

19

Maximizing the General Contractor-Subcontractor Relationship: How AGC Can Help

by Tim Sinclair, Pals Glass

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DEPARTMENTS

24 From the Top
Industry Partners

23 New Members

30 Comings & Goings

32 Index of Advertisers

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Modular construction market share steadily expands

5

*Permanent modular
industry continues
to make inroads*

*A report presented by
The Sage Policy Group, Inc.,
for the Modular Building
Institute*

THE SAGE POLICY GROUP, INC. REPORT ANALYZES THE MARKET SHARE OF NORTH AMERICA'S PERMANENT MODULAR CONSTRUCTION (PMC) INDUSTRY.

PMC buildings are subject to the same building codes and requirements as site-built structures, depreciate in much the same manner, and are classified as real property.

Traditional construction projects comprise five steps: design and engineering, permits and approvals, site development and foundations, building construction, and site restoration. PMC enjoys certain advantages by simultaneously allowing for site development and construction. This permits installation and site restoration to occur at a time during which a site-built project would be just initiating construction. This streamlining process allows PMC to enjoy project timelines that can be 30 to 50 percent

shorter. This may help explain why Marriott International, the world's largest hotel company, recently announced that it would sign 50 hotel deals in 2017 that would incorporate prefabricated guestrooms and/or bathrooms.

A 2011 Sage report described PMC as "the stealth division of the nation's construction industry." At that time, PMC accounted for roughly \$2 billion in annual revenues in North America. The industry has since emerged from the shadows. Five years later, industry revenues are well in excess of \$3 billion and drive approximately \$6 billion of construction activity.

This report provides estimates of PMC market share from 2014 to 2016 for

continued on page 6

Modular from page 5

six sub-segments that frequently utilize PMC techniques.

Multifamily Housing – PMC

has the ability to supply condominiums, apartments, hotels, dormitories, and workforce accommodations. PMC's primary advantages in this segment are a capacity to deliver residencies in approximately half the time of site-built construction and to intensify eco-friendliness by reducing waste through efficient in-factory processes.

Retail/Commercial – PMC can deliver buildings in as little as 24 hours. This accelerated pace of construction is crucial for retail establishments, restaurants, banks, golf pro shops, convenience stores, car washes, concession stands, etc., that seek to supply goods and services and generate revenues as expeditiously as possible.

Education – PMC has the capacity to deliver anything ranging from individual classrooms to complete campuses. After design approvals and permits, PMC schools can be ready for occupancy in as little as 90 days, which allows school systems to productively respond to unexpected surges in student population or to emergencies.

Healthcare – While hospitals and healthcare providers primarily turn to

PMC for building components like bathroom pods and headwalls, modular construction techniques have been used to construct entire hospitals, outpatient centers, clinics, surgical centers, and dental offices.

Institutional & Assembly – From police and fire stations to prisons and churches, PMC can deliver facilities constructed to any architectural or aesthetic specification. PMC's cost effectiveness renders it a popular option for nonprofits seeking to stretch every dollar, including those supplied by donors.

Office and Administrative – PMC has supplied corporate headquarters, satellite bureaus, administrative structures and offices for small businesses. PMC permits high degrees of customization, including in terms of conference rooms, lobbies, kitchens, restrooms, and open spaces for partition systems.

Estimating PMC Market Share

The industry's revenue survey generates 53 total responses, while the overall modular building industry is presumed to encompass 212 firms. By treating the survey results as a small sample from the overall industry and performing a resampling study, Sage was able to construct a confidence interval with 95 percent confidence that the average annual revenue of all modular building firms falls between \$8,959,776 and \$24,380,167. The average



annual revenue reported by MBI firms is \$15,573,888. Because the average revenue reported in the MBI survey is so close to the midpoint of our confidence interval, we conclude that survey results represent a reasonable estimate for the average annual revenue of all modular building firms.

The average annual revenue of \$15,573,888 applied to the whole industry sums to \$3,301,664,172 in revenue for 2016. When we scale by 1/0.55, we conclude that the total value of modular building construction projects for 2016 can be estimated as \$6,003,025,767.

In 2016, PMC firms earned roughly \$3.3 billion in gross revenues in North America. This represents a 61.8 percent increase from 2015. While this precipitous growth appears unfathomable for an entire industry, it should be noted that the value of construction starts in the six key markets discussed above increased 41 percent over the same period, from \$173.7 billion to \$244.5 billion. Because the value of construction starts can be incredibly volatile from year to year, Sage uses a three-year moving average of industry activity to estimate PMC market share.

For the average building project using PMC technologies, the modular con-

continued on page 8





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Modular from page 6

struction team supplies approximately 55 percent of the value. Consequently, to obtain the value of projects using PMC, those revenues have been multiplied by the ratio 1/0.55. Rendering this statistical adjustment results in an estimate that PMC technologies drove more than \$6 billion in construction activity in 2016. Exhibit 1 supplies relevant statistical detail.

Based on a combination of industry survey data and data characterizing construction starts, projects using PMC technologies accounted for 3.18 percent of the value of commercial construction starts in the six key North American segments that serve as the focus of this report. This represents more than half a percentage point increase from 2015's figure. Exhibit 2 supplies market share estimates for six construction segments for the period 2014-16.

For a number of years, modular industry stakeholders have established a five percent market share goal. In the office/administrative category, market share stood at 4.9 percent in 2016. Based on the current trend, the five percent goal will be met this year. PMC market share increased in all six segments in 2016.

Among the six segments, PMC's smallest market share is in the healthcare sector. In that category, PMC accounts for 1.3 percent of activity. However, even in this segment, PMC market share has been marching higher, perhaps in part to the ongoing shift from in-patient medical care at historic medical centers to outpatient care in newly-constituted clinical settings. While PMC is often used to supply portions of hospitals/major medical centers, PMC is used more routinely to supply the entirety of outpatient facilities. Exhibit 3 supplies a visual sense of market share dynamics observable since 2014.

Conclusion

Permanent modular construction's market share has expanded in recent years. There are a number of reasons for this, including the ability of PMC to deliver projects far more quickly in an expanding number of contexts. This allows enterprises to begin providing goods and services more quickly, thereby accelerating revenue generation.

EXHIBIT 1: PMC Market Shares, 2014-2016

Year	PMC Firm Revenues	Value of PMC Projects	Construction Starts Value	3-year moving average of Construction Starts Value	PMC Market Share
2014	\$2,096,719,286	\$3,812,216,884	\$148,579,303,469	\$160,244,376,660	2.379%
2015	\$2,040,500,000	\$3,710,000,000	\$173,729,905,578	\$152,848,424,717	2.427%
2016	\$3,301,664,172	\$6,003,025,767	\$244,509,444,333	\$188,939,551,127	3.177%

Source: Sage, MBI, Construct Connect

EXHIBIT 2: PMC Market Shares by subsector, 2014-2016

	2014	2015	2016
Commercial Housing/Multifamily	2.75%	2.32%	3.02%
Education	2.01%	2.62%	3.50%
Healthcare	0.89%	1.06%	1.28%
Office & Administrative	3.29%	3.38%	4.86%
Commercial & Retail	3.14%	2.90%	3.53%
Institutional	0.56%	1.23%	1.66%
Total	2.38%	2.43%	3.18%

Source: Sage, MBI, Construct Connect

PMC also represents a potential response to growing skills shortages among the nation's construction workforce. Many labor market entrants demonstrate a reluctance to work in contexts that can be physically uncomfortable and does not allow for flexible time. However, modular construction takes place in controlled, indoor settings – settings that can be rendered more appealing to today's young knowledge workers.

Modular Building Institute

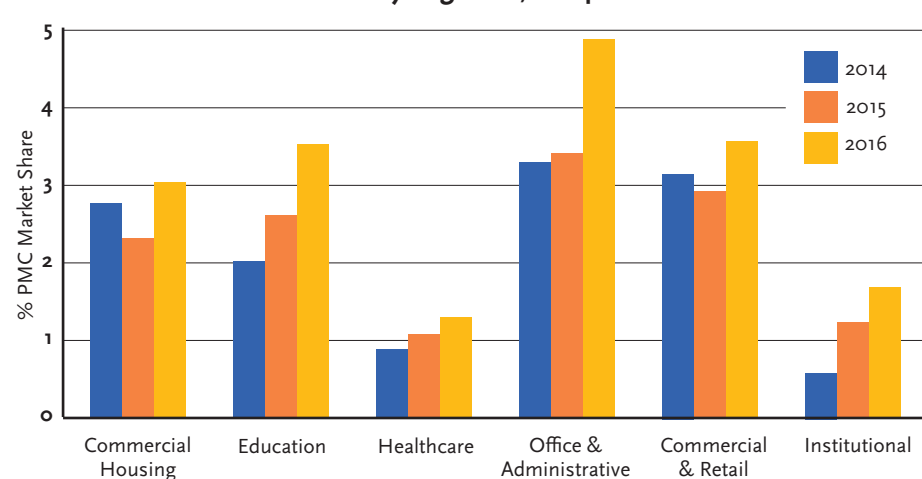
The Modular Building Institute (MBI) is an international non-profit trade association serving the commercial

modular construction industry. MBI represents over 300 member companies in a dozen countries engaged in the manufacturing, transportation, installation, and distribution of modular buildings. MBI members are typically involved in one of two industry segments: permanent modular construction (PMC) or relocatable buildings (RB).

Each year, MBI hosts its World of Modular Conference bringing together hundreds of industry professionals, architects, engineers, developers, suppliers, and contractors to learn more about modular construction. The next World of Modular Conference is March

continued on page 10

EXHIBIT 3: PMC Market Share by segment, 2014-2016



Source: Sage, MBI, Construct Connect

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Modular
from page 8

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Sage Policy Group, Inc.

Sage Policy Group, Inc., a Sub Chapter S Corporation, was established in 2004 by Anirban Basu. Sage is an eleven-person economic and policy consulting firm specializing in economic, fiscal and legislative analysis, program evaluation, and organizational and strategic development. As of 2017, the company reported clients in more than 40 states and in six nations.

Our strategy is to utilize widely accepted sources of data, transparent analytical techniques, and to communicate analytical findings as straightforwardly and succinctly as possible.

Ultimately, we exist to supply decision-makers with valid and reliable knowledge upon which to base operational and strategic judgments. Sage specializes in a number of industry segments, including construction/real estate, healthcare, energy, portfolio management, and hospitality. ■



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Building a future succession planning for construction

by Colin Gorman,
CPA/PFS, CVA, CIT &
Melissa Halpain, CPA, CVA
EPG, PLLC

FEW BUSINESS OWNERS TRULY UNDERSTAND THE IMPORTANCE OF PROPER PLANNING BETTER THAN CONSTRUCTION CONTRACTORS. BUSINESSES IN THIS INDUSTRY ARE BUILT FROM THE GROUND UP WITH STRONG PHYSICAL LABOR COMBINED WITH SMART MANAGEMENT: THE EMBODIMENT OF THE AMERICAN DREAM.

But far too often, contractors let the future of their businesses take a back seat to the demanding task of managing daily operations. Even if you recognize the need to create a formal plan for business succession, it's difficult to face the emotional thought of letting go of 30-40 years' worth of hard work.

According to the Associated General Contractors of America, 91% of Arkansas construction companies are small businesses¹. Sadly, only about a third of those businesses make it to the second generation, and less than a handful to the third. The number one reason small businesses fail to survive is a lack of succession planning. When created in

advance, proper planning can ensure a smooth transition to the next generation, keep your legacy and values intact, and provide for a comfortable retirement. With a little help and expertise, succession planning can help build a future for your construction company.

Budget for a Profitable Bid

Every job has a budget. From the initial bid to the final bill, the entire process is planned to assess the feasibility and profitability of the project. What is the job worth? What are the necessary materials to complete the job? Do I have the necessary team in place? What are the potential delays? What are the potential

continued on page 14

Future

from page 13

hidden costs? Similarly, the first step in planning for the company's future is to ask specific questions to identify the inputs necessary to achieve the desired output.

What is the job?

What are your goals for the future? Do you want to sell your company immediately? Put a contingency plan in place in case of illness, disability, or death? Stage a gradual retirement over several years? How much money will you need to set aside in order to enjoy your hobbies and sustain your lifestyle? Are you concerned about your goals for the company and taking care of the people within it? A successful transition will occur when your expectations for your company align with the goals of the potential new owner.

Contract Price

What is my business worth? A potential buyer will expect to pay the present worth of future benefits of a company. Careful valuation of the company's net worth and sustainable operations can greatly impact the value received in a transaction. Owners of privately held companies can sometimes have an inflated idea of the value of their company due to emotional attachment to the time spent and hard work dedicated to building the business. Objective analysis of

the company is necessary for contractors to determine a reasonable contract price for the business. Depending on the circumstances, a higher or lower value may be desired. Sellers to third parties would prefer a higher value, but a lower value may be beneficial in a transfer of ownership to family. Consider the following questions when determining the value of your business:

- **Infrastructure:** The value of cash and receivables are usually fairly simple to quantify, but depreciable assets may be more difficult to estimate. How long has the equipment been in service? How much has it been used? What is the market value of the building? Real estate and personal property appraisals can assist in determining the fair market value of assets when the value cannot be readily determined.
- **Major customers:** Intangible assets like customer lists can sometimes provide greater value to construction companies, but are often difficult to value. How likely will major customers maintain a relationship with the company without the former owner? How much of the work is hard bid, selected bid list, and negotiated?
- **Key personnel:** Construction companies often rely on just a few employees to carry on the day-to-day operations of a business and

secure bids with repeat customers. Is it likely that those employees will stick with the company? Will the business carry a life insurance policy on the owner? Can the company continue without the current management in place?

- **Market:** Other players within the market can impact profitability of the company. How is the local and national economy? Does the company have a niche? Are there strong competitors in the area that could impact future revenue? How consistent are your major suppliers?
- **Profitability:** How profitable is your company now, and how likely is it that this trend will continue down the road? How do you expect your business to grow, and what plans are in place to make that happen?

Materials: what will my company need to continue?

In order to reap the benefit of outputs, every operation must have adequate inputs. Consideration must be given to the resources that remain within the company and whether it is enough to maintain operations.

- **Policies and Procedures:** How do you want your company run? A formal written document specifying how the organization should operate can ease the emotional strain of worrying how the ship will be run with a new captain at the helm.
- **Bonding relationships:** Does the company have the required working capital and equity to acquire or renew licenses and bonds? Does the current owner have personal guarantees in place that would leave with the owner? Can the new owner support personal guarantees if the surety requires it?
- **Banking relationships:** Will the company be able to obtain operating and capital loans without the personal guarantee of the previous owner? Will the operations and assets of the company be enough to secure financing needed to operate and grow as planned?

Labor: do I have the right people in place?

- **Management:** How capable is current management? Will they be able to do what I do? Which family members or key managers are

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willing and excited to carry on the business?

- **Trained workforce:** How efficient are my current employees? How will they respond to shifts in management?
- **Incentives:** What might I offer crucial personnel who remain loyal through a transition?

Timetable: how soon will changes in management take place?

As it's said, time is of the essence. For a contract to be successful, it must fit the expectations and capabilities of all parties involved.

- How soon is transition of ownership expected to happen? Will it happen all at once or slowly over time? Does the exiting owner wish to remain involved in the day-to-day operations or prefer to retire and let the new management run the business?
- How quickly does the exiting owner desire payment for the business? How soon can the new owner pay up? The new owner may not have the means to purchase the business in one fell swoop. Will the exiting owner accept payment over time?
- What happens when the transfer of ownership and the transfer of payment are on different timelines?

Draft a Blueprint for Succession

With a solid budget in place, the expertise of architects and engineers is often employed in large projects to formalize plans to erect a sound structure. Their knowledge and expertise is relied upon to formally draw up the instructions for skilled employees to follow.

When it comes to planning the future of a business, attorneys and CPAs can provide valuable assistance in wading through the complexities of the valuation and negotiation process. In succession planning, a formal written plan provides a blueprint for how the future ownership structure should be built. Creativity and careful planning are essential to choosing the best structure to achieve a mutually beneficial result for all parties involved.

Put it on paper.

Not only will a written plan set the tone for your company after your exit, but other professionals may require a peek at your plan in order to extend certain business arrangements to your successor as were afforded to you. Lenders may request a copy of the plan in order to grant

financing. Bonding agents often request a written plan before issuing credit.

Negotiate the terms.

Lump-sum, unit price, cost plus fee, or guaranteed price? A business sales contract, just like a construction contract, carefully lays out the rights and obligations of the buyer and seller. Structuring the transfer of ownership so that all parties achieve the highest benefit is a tight-rope walk. The effect of income and estate taxes can greatly sway the value from one party to the other.

- **Buy-sell agreements** are commonly used to transfer ownership in family-run or closely-held businesses that prefer to keep ownership within a specific group of people at some point in the future when a triggering event occurs. This type of arrangement can provide a formal process to handle what happens to the company when an owner passes away, becomes disabled, or retires so that there is a pre-determined and orderly process to follow. Serious tax consequences can come into play if the transfer of ownership occurs before the end of life, but a life insurance policy is a useful tool that can be used to provide funding for the purchase of company interest if the trigger for the transfer is the death of the owner.

- **Asset Sales** are agreements where
- continued on page 16*



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Future

from page 15

16

a buyer purchases all or some of the company's assets and liabilities in exchange for the purchase price. After

the closing, the legal identity of the company remains intact, and only the agreed-upon assets and liabilities change hands. Both the buyer and seller must agree to an allocation of the purchase price among the assets sold, and the buyer is able to depreciate the acquired assets at the purchased value. Buyers commonly prefer asset deals because they receive this step up in the basis of their depreciable assets. Higher basis in depreciable assets means larger depreciation deductions to offset the income of the company.

- *Stock Sales* are preferred when the entire company is the object of desire. With a stock sale, the previous owners relinquish all rights to the company, including all assets and liabilities. This type of sale is preferred when the goal is for the

new owner to take control with little business disruption. In contrast to an asset deal, buyers come out on the short end of the tax stick with a stock sale. Buyers receive a stepped up basis in their stock rather than in the basis of their newly-purchased depreciable assets. This means less depreciation deduction to offset income. Sellers pay tax on the sale of their stock rather than the sale of assets, which usually is at a lower rate than the sale of ordinary assets in an asset sale.

- *Employee Stock Ownership Plans* are a way to transfer ownership while the owner is still actively engaged in the business. ESOPs tend to work well in cases where the owner wishes to transfer the business to employees who might not have the means to purchase the company's stock immediately. The selling shareholder may defer or even eliminate all capital gains while retaining control over the company, and the employees enjoy valuable retirement benefits.

Finance the deal.

Money makes the world go round, especially in structuring an exit strategy. It does no good to agree upon a value for your company if the intended buyer can't pay for it within the timeframe you have set. Funding the deal is an integral part of the entire process, and the right option must be carefully chosen.

- *External financing* may be obtained from a bank or other lending institution. These types of arrangements are more common in third party sales than transfers within a family or closely-managed company. The benefit to the exiting owner is an up-front one-time payment, which may work well where immediate retirement is the plan, provided the buyer is able to obtain credit.
- *Internal buyouts* are often used when ownership is transferred to an existing family member or close business partner. Internal buyouts can be exercised in several different forms, and can allow for a gradual transfer of the business.



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Set the Foundation for the Future

Thoughtful succession planning should continue past negotiating a mutually beneficial contractual agreement at a fair value. Other considerations exist that are necessary to help ease the transition, whether it's from one generation to the next within a tight-knit group or to a third party.

Make an Announcement, Not a Splash.

Internal and external announcements can have a lasting effect on how the transition is received. Carefully choose the words used to announce the change in ownership within and outside the organization, and be prepared to address the concerns of staff who may now question their role in the company.

Now Under New Management!

More common in third party sales than transfers within a closely-held business, re-branding a company's image can sometimes send a message to new and existing customers and suppliers that a positive change is occurring within the company. A new marketing campaign can shift focus to the company rather than the individual owner, particularly when the owner has had an impact within the community.

Changing of the Guard.

Whenever possible, outgoing owners should make an attempt to transition

key relationships to new management and staff to ensure business as usual continues. Profitable business connections with bankers, suppliers, and major customers can greatly impact the bottom line.

Get an Inspection

Before making any final decisions, consider hiring a professional to help you through the nitty-gritty details that can have a lasting effect on the future of your business. No two succession plans are exactly alike, and there may be signif-

icant cost and tax savings opportunities hidden in the details.

At EGP, PLLC, we assist contractors with tax and bonding planning, financial strength, growth, and succession planning. We understand the very unique tax laws specific to contractors and ways to minimize tax while maintaining healthy working capital and equity balances to maximize bonding capacity. We pride ourselves in being as proactive as possible to identify problems and mold solutions while there is still time to act. ■

¹ http://files.agc.org/files/economic_state_facts/ARstim.pdf

17



Colin Gorman, CPA/PFS, CVA, CIT is the Managing Partner of EGP, PLLC with offices in North Little Rock, Bryant, Heber Springs, and Jonesboro. He spends most of his time serving the tax and accounting needs unique to contractors.



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Maximizing the general contractor/ subcontractor relationship

19

How AGC Can Help

by Tim L. Sinclair
Pal's Glass

AGC OF AMERICA IS CELEBRATING 100 YEARS OF REPRESENTING CONTRACTORS IN THE UNITED STATES. ONE-HUNDRED YEARS AGO THE TYPICAL CONSTRUCTION PROJECT WAS PERFORMED BY A SINGLE CONTRACTOR.

They would self-perform the entire project. Today, a general contractor usually subcontracts most of the project out. So what happened? This is hard to tell exactly, but the concept is what drives the economy in the United States.

As the employees became skilled in certain trades of the project, they began to gain confidence and start their own businesses and specialize in their trade for various projects. To this day, anyone in the United States can start his/her own business and be his/her own boss. There is no better way to guarantee the economy of the US will outpace other countries other than to support capitalism.

Do you think the communication

is better now, when the average project has 25-40 specialty contractors or when there were none? We all know it is easier to communicate with our fellow employees versus 25-40 different companies. The construction industry has continued to strive to get projects done faster and more economical...this is the American way...by breeding and raising capitalists that will always say, "Well of course we can do that!"

At the same time, the construction industry has also become more litigious. We can thank two recessions for this fact.

Here's a typical scenario. The owner wants the project done faster and more

continued on page 20

Relationship

from page 18

economical. You are now subcontracting with 25-40 companies rather than self-performing the work. Attorneys are heavily involved in this project. How do we normally handle the situation? We stop talking to each other!

Ten years ago, I became involved in the Specialty Contractors Council (SCC) of AGC of Kansas. There was a definite "us" versus "them" feeling in the room between Specialty Contractors and General Contractors. I had spent 12 years working for General Contractors, so I could relate as to why there was a little tension between the two. GCs didn't want to give any more than they had to, and SCs wanted as much as they could get. So, several SCs jumped in the middle of it and started having discussions. For three years, I represented the SCC in Kansas. Serving in that role meant you listen to the other SC members and become their voice on the Board of Directors for the entire state. For those three years I requested such things as standard contract agreements for SCs, 5% retainage on all projects, prompt pay laws, etc. All my requests involved the SCs asking for something from the GCs.

What's the definition of insanity?

That's right, for three years I got the exact same response every time. "Tim, we can't do that because there will always be a bad apple in the bunch, so we have to protect ourselves against that. The SC members of AGC of Kansas tend

to be the best, but we still can't take that chance."

Our group of SCs brainstormed for about a year. We had several meetings trying to figure it out. What can we do to improve the project lifecycle of a SC? How can we make the projects better for all the contractors on the project? How can we all be more profitable? We had finally figured it out. Let's have a meeting with GCs and SCs called "How to Improve the Performance of your Specialty Contractors." We had 85 people show up. **HUGE success...until we started telling everybody in the room what to do.** So we messed that up! We had lined up a panel and had the room set up in a lecture layout and started lecturing everybody on the things that we wanted as SCs, and it didn't work.

But what did work...is that we followed up with several of the attendees and asked them what they liked and didn't like about the session. The resounding response was that they understood what they were hearing but they would like a chance to explain why several of the items SCs don't like is out of their control and even sometimes it's the creation of the SCs.

So, we **listened** to them and changed the format. The next session we had one big room and one big table layout. We ended up with only 40 attendees at that one, but had the room laid out in a big square so everybody could see each other. The topic was the same, "How to Improve the Performance of your Specialty Contractors." The session was scheduled for two hours; it lasted close to four. It

was a HUGE success. There were some tense moments and some heated conversations. But when we left that night, we all wanted more. We committed to have "roundtable" discussions quarterly and in different geographical locations around the state.

From those humble beginnings we have spread the success stories, and chapter by chapter have begun to implement these with great success. AGC of Kansas saw 40% membership growth in 2014-2015 and received the "Fastest Growing Chapter in the Nation" award. These roundtable discussions weren't the only reason for this growth, but they certainly helped. One of the major rea-

AGC Arkansas will implement a Specialty Contractor Council in 2018.

Thank you to the AGC members who participated in our first roundtable discussions during Annual Meeting this past November. Special thanks to Courtney Little of ACE Glass and Michael Faught of Roberts-McNutt for championing this initiative and leading future sessions.

Check your inbox or www.agcar.net for more information about upcoming roundtable discussions or contact Beth Franks at bfranks@agcar.net to get involved.

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sons is because non-members now had a reason to join AGC. If you think about it, all contractors reap the benefits of what AGC does in states and on the national level from the advocacy and workforce pipeline perspectives. That's because AGC represents the construction industry. So, all AGC chapters struggle on how to provide something to their members that the non-member contractors don't also receive.

What Specialty Contractor doesn't want to sit at a table with their potential customer and discuss ways for both companies to become more profitable? Save labor? Be safer? What General Contractor doesn't want to be able to help their subs? Both general and subcontractors want to help each other. We just had to find a way how.

The best part of talking and listening at these roundtables is that we always find another topic we can talk about next time. We can even talk about the same topic with different attendees in different areas of the state. This means we will never complete the process of talking, listening and improving relationships. We hope that roundtable discussions will become the new norm and will continue forever in some capacity of the AGC.

In Kansas and Colorado these have turned into "Best Practices" by the construction industry. Both states have published "white papers" that are being implemented into the industry.

Topics of Roundtables:

- Scope of Work – Sample
- Scope of Work – Step by Step How to fill out Scope of Work Templates
- Proposals – Sample
- Proposals – Step by Step How to fill out a Proposal
- What Subs/Specialties could use from General Contractors after they Bid a Project – "Communication – Communication – Communication"
- Pre-Installation Meetings – Agenda/Topics
- Job-Site Meetings – How to Make them Beneficial – Agenda/Topics
- Pull Planning – Story Board meetings
- Lean Construction
- Submittals
- Addendums
- Pre-Bid meetings – Requirements
- Payment Options
- Information Technology
- Millennials – What they want/expect from the Contractor/job-site
- Pre-Fabrication
- Creating partnerships in Project Teams
- Close-Outs
- Final Payment/Retainage

Here are a few examples of success stories.

AGC of Colorado

They are the poster child for what this program and approach can do for the industry and other chapters. They were some of the first to do roundtable discussions. It was just by coincidence that Colorado and Kansas were doing these simultaneously and didn't even know it.

Their chapter has "Breakfast with the Board" and average over 500 attendees 2-4 times per year. Twice a year they line the halls for face to face introductions. In the spring, they line the halls with GCs and their pre-construction teams so that SCs can introduce themselves and get to know each other. In the fall, the SCs set up booths and allow the GCs teams to meet them. The City of Denver has now been included in some of their roundtable discussions.

Also in Colorado, if a SC has the desire to be the president of the state chapter then they have that opportunity.

AGC of Oregon-Columbia

(In the words of Bryna Gibson of Gibson Door and Hardware):

"Our first meeting in September had 60 RSVP's. We had room for 60 and stopped taking RSVPs after that. Forty-five showed up. That meeting was called, *Hey GC, I Have Some Needs Too!* We had two building GCs and one bridge builder on the panel. I started out the program with a question that helps the

continued on page 22



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Relationships

from page 21

SCs to see the GCs on a similar playing field. I asked each of them what is the worst job that they ever got and how they used communication to get through it. I provided the questions to the GCs before the program.

Then, we split up into a few groups. We had GCs in each of the groups and they asked the SCs if they had any questions. We took down the questions and then got back into the panel position and shared the questions with all of the attendees. The panel took turns answering and after 2 hours, no one wanted to leave. I had to close the meeting.

For our second meeting, we had a program entitled To Bid or Not to Bid. We received more than 60 RSVPs again and 58 showed up. This time I had three GC estimators show up. My question to the GCs was, "what is the worst experience you ever had on a bid?" The stories were eye-opening and entertaining. We changed up the format by staying in our seats. After introductions we asked each person if they had a question for the pan-

el. We wrote down each question and asked for a show of hands as to who would like to hear more about that answer. This method caused a lot of interaction and was very popular. It took two hours to answer all the questions and, again, no one wanted to leave.

Our third program will be *SCOPE LETTERS: Speed Dating at its Worst!* We will use the same format as the last one. It was well received and is our new format of choice."

AGC of Missouri

They have had great success by having a GC and their pre-construction/estimating team as the sole GCs in the room. All the SC members are invited to attend and ask any questions they may have. These have turned into great roundtable sessions, but focused on one company at a time. This is a longer process due to the format, but it has incredible benefits for that GC and any SC wanting to work with them.

This is also the beauty of roundtable discussions...it can be done many, many ways provided people are talking to each other and sharing ideas.

Our goal is for attendees to leave with at least one useful, tangible piece of information. If you can do that, then the meeting was a success. As we continue to meet, we hope to continue to see the positive impact in our daily routines and ultimately on the industry at large. ■

Tim L. Sinclair is the AGC of America Specialty Contractor Chair and owner and president of Pal's Glass Service, Inc., Sinclair Masonry, Inc., Blu Rock Concrete, LLC., Builders Rebar, LLC., and Midwest Steel Fab, LLC. Contact Tim at tim@palsglass.com.



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Gary Houston Electric

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Little Rock, AR 72205
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AGC Contact:
Keith Weeks
keith@ghec.us

Learn more about the benefits of membership.

Contact: Beth Franks
501.375.4436
bfranks@agcar.net

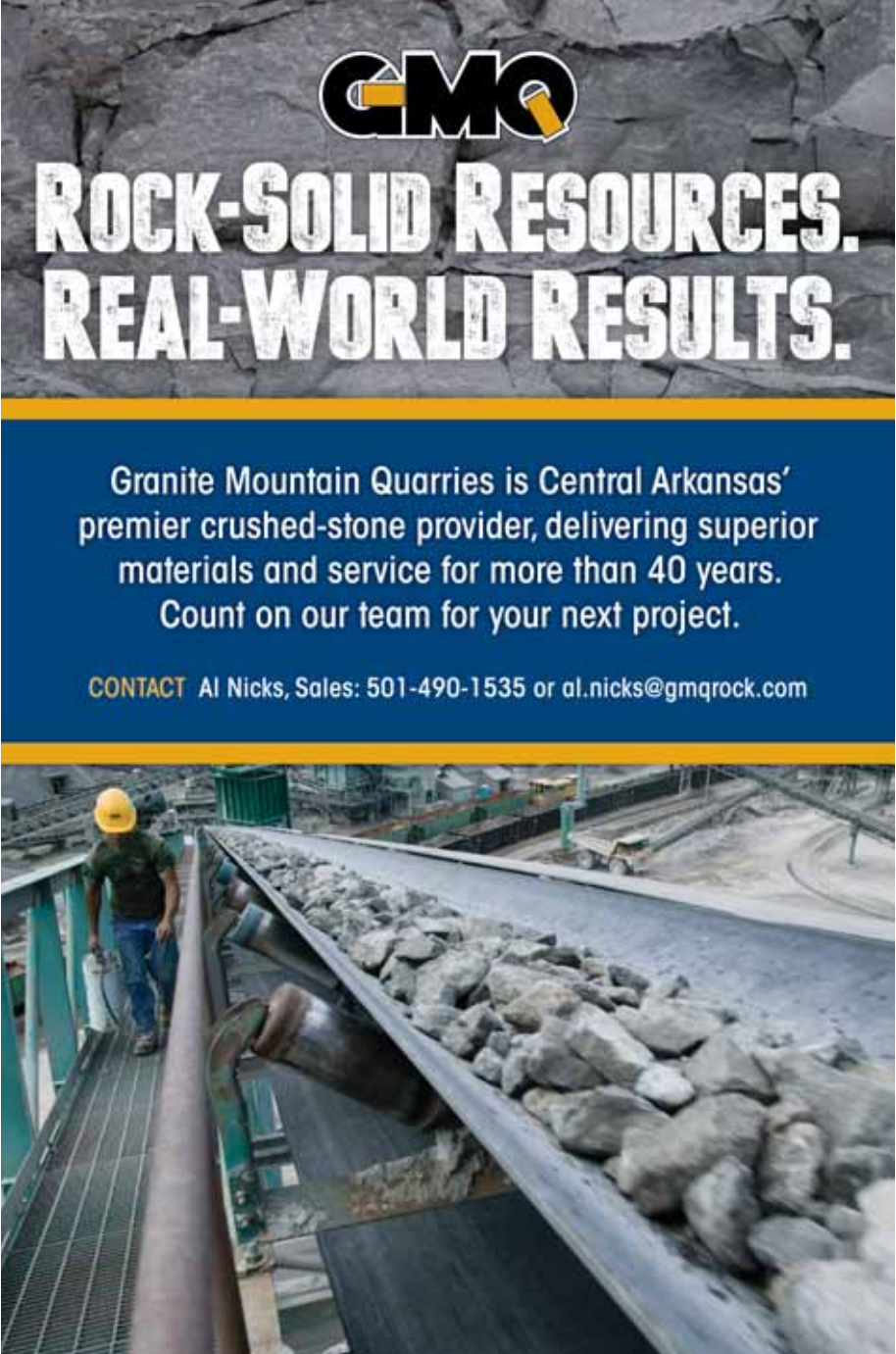
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From
the Top

24

AGC Industry Partners

At AGC Arkansas, we know we're stronger together. That's why we'd like to thank and highlight our AGC Industry Partners. We value these relationships and look forward to moving the construction industry in Arkansas to even greater heights in 2018.



Arkansas Asphalt Pavement Association (AAPA)

The Arkansas Asphalt Pavement Association was founded in 2000 so that Arkansas contractors could have a collaborative voice to promote "quality" asphalt in Arkansas. AAPA's mission statement is; Quality Asphalt through Communication, Design, Research and Education.

The goals of the AAPA are to:

- Support quality asphalt research and design
- Improve communications in both the public and private sectors of the industry
- Liaison to peer groups such as NAPA, AGC, and the Asphalt Institute
- Liaison to city, county, state, and federal government bodies
- Provide education concerning the benefits of asphalt usage

AAPA currently represent over 50 asphalt plants and over 97 percent of the hot mix suppliers and lay down contractors in Arkansas. AAPA appreciates the relationship and opportunities to collaborate with AGC. There are many issues that crossover in both organizations - our voice is stronger together.

For more information, visit arasphalt.com or contact Executive Director Park Estes at 501-219-1100 or director@arasphalt.com.



American Council of Engineering Companies of Arkansas (ACEC/A) & Arkansas Society of Professional Engineers (ASPE)

The American Council of Engineering Companies of Arkansas provides executives of private engineering firms with the tools and educational opportunities to be better business owners and managers. As a state chapter of the American Council of Engineering Companies presents a strong, cohesive voice for the profession in local and national legislative and policy debates to ensure that firms can compete fairly in an increasingly aggressive world market. ACEC is the largest national organization of engineers engaged in the independent practice of consulting engineering.

ACEC's strategic plan calls for the strengthening of the business environment and image of member firms, and focusing on quality professional services in a competitive global marketplace. ACEC will be the organization leading the business interests of firms providing independent professional knowledge and services for the built environment. The Arkansas Society of Professional Engineers is a state society of the National Society of Professional Engineers (NSPE). NSPE is the only engineering society that represents individual engineering professionals and licensed engineers (PEs) across all disciplines.

Founded in 1934, NSPE strengthens the engineering profession by promoting engineering licensure and ethics, advocating and protecting PEs' legal rights at the national and state levels, publishing news of the profession, providing continuing education opportunities, and much more.

For more information about either association, contact Angie Cooper at 501-541-5229 or awcooper@arkansasengineers.org.



American Road & Transportation Builders Association (ARTBA)

The Washington, D.C.-based American Road & Transportation Builders Association is a non-partisan federation whose primary goal is to aggressively grow and protect transportation infrastructure investment to meet the public and business demand for safe and efficient travel. In support of this mission, ARTBA also provides programs and services designed to give its members a global competitive edge.

The association's members designed, built and continue to manage the Interstates and the nation's intermodal surface transportation network. The association has eight membership divisions: contractors, planning and design, transportation officials, traffic safety, materials and services, public-private partnerships, research and education, and equipment manufacturers.

On behalf of its more than 8,000 members from the public and private sectors, ARTBA works to ensure its members' views and business concerns are addressed before Congress, the White House, federal agencies, the courts, the public and news media.

For more information, contact Rob Regier at rregier@artba.org.



Arkansas Construction Education Foundation (ACEF)

Since 1994, the Arkansas Construction Education Foundation has provided quality training to produce a safe, competent and professional workforce for contractors. Aimed at those who enjoy working with their hands and their heads, the foundation's primary goal is to satisfy the ever-growing demand for skilled trades-persons. ACEF also works with contractors to develop courses to sharpen the skills of their field personnel, from Fundamentals of Crew Leadership to Understanding Construction Drawings. For more information concerning apprenticeship opportunities, contact

Laura Wood at laura@myacef.org.

For information concerning course development, contact Kathy Fulks at kathy@myacef.org.



Arkansas Contractors Licensing Board

The Arkansas Contractors Licensing Board is a state agency that licenses contractors to work in Arkansas. Our goal is to protect the Arkansas public while serving the needs of the construction industry. We work hard to be responsive to both the members of the public and to the construction industry.

For more information, contact Greg Crow at 501-371-1500 or gregory.crow@arkansas.gov.



Arkansas Department of Labor

The Arkansas Department of Labor was given the responsibility of enforcing the labor laws of the state in 1913. Today, the mission of the Arkansas Department of Labor is to foster, promote, and develop the health, safety and welfare of the wage earners of Arkansas by providing services and enforcing laws to improve working conditions and enhance opportunities for safe and profitable employment. Since 1991, the Department has increased in both productivity and efficiency and works to improve processes and public services. They are committed to, accountable for, and respect the need for excellent service that the citizens of Arkansas deserve and seek to lead Arkansans beyond ordinary results for progressive workplace safety and employee well-being.

For more information, contact Rosalyn Miller at rosalyn.miller@arkansas.gov.



Arkansas Department of Transportation (ARDOT)

In accordance with Act 707 of the 91st General Assembly, the Arkansas State Highway and Transportation Department (AHTD) became the Arkansas Department of Transportation on July 31, 2017.

As the state's lead transportation agency, ARDOT will be the point of contact for all transportation matters and will continue to coordinate with other modal agencies to provide an integrated transportation system for the State of Arkansas.

With more than 3,600 employees across the state, ARDOT is responsible for over 16,400 miles of state highways and over 7,300 bridges, the 12th largest state highway system in the nation. This system facilitates interstate and intrastate commerce and carries nearly 35 billion vehicle miles of travel annually. In the last year, ARDOT let to contract 263 highway improvement projects totaling \$1.2 billion.

For more information, visit ardot.gov or contact the Public Information office at 501-569-2227.



Arkansas HVACR Association

The Arkansas HVACR Association was formed in 1986 as the Arkansas Heat Pump Association. In 1997, it became fuel neutral with the primary intent to provide opportunities for technical and business education and to promote professionalism within the heating, air conditioning, and refrigeration industry.

The goal is to serve Arkansans by ensuring that their comfort and refrigeration needs are met through quality HVACR design, installation, and service by well-trained, reputable industry personnel. The Association works with the State Licensing Board and local inspectors to assure consumers that their installations conform to code and meet

continued on page 26

From the Top

from page 25

the comfort, health and safety needs of their homes and businesses.

The Association has nine chapters across the state that meet regularly; Central, Ft. Smith, Hot Springs, North Central, Northeast, Northwest, Jonesboro, South Central, and Texarkana.

For more information, visit www.arhvacr.org or contact Executive Director Tom Hunt at 501-487-8655 or tomhunt@arhvacr.org.



Arkansas State Chamber | Associated Industries of Arkansas

The Arkansas State Chamber of Commerce/Associated Industries of Arkansas is the leading voice for business at the State Capitol and serves as the primary business advocate on all issues affecting Arkansas employers.

Their mission is to promote a pro-business, free-enterprise agenda and contest antibusiness legislation, regulations and rules. They work on issues around the clock that affect businesses and their employees including:

- Education and Workforce Quality
- Civil Justice Reform

- Taxes
- Unemployment Insurance
- Workers' Compensation
- Economic Development
- Labor and Employment

For more information, contact Andrew Parker at 501-372-2222 or aparker@arkansasstatechamber.com.



John Brown University

The John Brown University Construction Management program is the second oldest four-year higher education construction program in the country. Starting in 1939, JBU began training young people in building methods and constructed many of the buildings on campus. This transitioned to a program that included related topics in architecture and engineering design. The ACCE accredited program today has a full complement of business courses to round out the educational experience for its students.

The practical approach to education is still at the heart of the JBU-CM program. The senior students manage the construction of a project in the community, using the freshman construction techniques course as the labor force.

Giving the seniors an opportunity to apply the skills of leadership, planning, estimating, scheduling, and safety on an actual project is an essential element of the program.

Serving the world community is another core value of the JBU-CM program. Next April the department will host the 7th Annual Disaster Shelter Competition. There are ten teams scheduled to compete from Pennsylvania, Michigan, and several regional universities. The awareness generated from this competition, along with student projects in Uganda and Myanmar, gives JBU-CM students a broad cultural worldview to carry into their professional career.

For more information about the JBU-CM program, contact Jim Caldwell at 479-524-7187 or jcaldwel@jbu.edu.



OSHA

With the Occupational Safety and Health Act of 1970, Congress created the Occupational Safety and Health Administration (OSHA) to assure safe and healthful working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education and assistance.

The OSH Act covers most private sector employers and their workers, in addition to some public-sector employers and workers in the 50 states and certain territories and jurisdictions under federal authority. Those jurisdictions include the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, Northern Mariana Islands, Wake Island, Johnston Island, and the Outer Continental Shelf Lands as defined in the Outer Continental Shelf Lands Act.

AGC/OSHA Partnership:

AGC Arkansas and its member companies and the Little Rock Area Office of the Occupational Safety and Health Administration of the United States Department of Labor (OSHA), all mutually recognize the importance of ensuring a safe and healthful work environment in the construction industry. To advance this mutual goal, this OSHA Strategic Partnership Program (OSPP) has been established to formalize a cooperative effort between these entities committed



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to encouraging construction companies to voluntarily improve their safety and health performance, providing methods to assist them in their efforts, and recognizing companies with exemplary safety and health programs.

The goals of this partnership are to develop contractor/government relationships that will encourage AGC's participating membership to improve their safety and health performance; to minimize and/or eliminate the four major hazards (falls, electrical, caught in/between and struck-by hazards), which account for the majority of fatalities and injuries in this industry; to prevent serious accidents through implementation of Safety and Health Management Systems (SHMS) and increased employee training; to include safety training in an employee's primary language for those employees working in hazardous situations such as the four major hazards. This partnership has had great results and is expected to continue for many years to come.

For more information, please contact Carlos Reynolds at reynolds.carlos@dol.gov or 501-224-1841.



University of Arkansas - Little Rock

The UA Little Rock Construction Management program is an interdisciplinary baccalaureate degree program that builds upon construction methods, engineering techniques, and business courses offered in the Donaghey College of Engineering and Information Technology and the College of Business. The curriculum provides a foundation for the capstone courses offered in the senior year and the required passage of the Associate Constructor (AC) exam. Students are required to complete a minimum of 800 contact hours of practical work experience in an approved construction-related activity.

The Department of Construction Management and Civil & Construction Engineering has seven degree programs

to prepare students for careers in the AEC industry:

- Bachelor of Science in Construction Management
- Master of Science in Construction Management
- Associate of Science in Construction Science
- Bachelor of Science in Civil and Construction Engineering
- Bachelor of Science in Architectural Engineering
- Bachelor of Science in Environmental Engineering
- Bachelor of Professional Studies

with a concentration in Construction

The B.S. in Construction Management degree program is accredited by the American Council for Construction Education and ABET. The B.S. in Civil and Construction Engineering is accredited by ABET.

For more information, contact Dr. Hank Bray, P.E., C.P.C. at 501-569-8298 or hgbray@ualr.edu.

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What's Next?

Jan. 24	Membership Meeting with Scott Bennett
Feb. 15	AGC Associates Derby
Feb. 23	Day at the Races (Oaklawn)
Feb. 26-28	AGC National Convention
Mar. 7	Membership Luncheon
Mar. 29	Utility Cookout
Apr. 6-8	AGC Fishing Tournament
Apr. 19	Arkansas Construction Hall of Fame
May 4	Spring Golf
May 16	Membership Luncheon and Safety Awards

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Comings & Goings

30

Job Changes & Employee News

Josh Aldridge of **Kinco Constructors** has been named the 2017 Kinco Constructor of the Year. He is a project manager in the company's Special Projects Division. Additionally, the 2017 Kinco Building Excellence Award was presented to **Lodie Dixon**, **Jack Wallace**, and **Eriks Zvers**. Dixon and Zvers are superintendents based out of the company's Springdale office, while Wallace is a senior project manager based out of the company's Little Rock office.

Sterling Seacrest Partners is proud to announce the addition of **Gina Doiron** as an Account Executive. Gina has over 30 years of experience in the construction insurance industry. She has handled Arkansas contractors' daily insurance needs for the bulk of her career, and is a great addition to the Sterling Seacrest team.

McGeorge Contracting would like to extend best wishes to **Ronnie Alexander**, who retired from the company on August 31. Ronnie has been a dedicated colleague in the construction industry for more than 38 years. He worked over 105,000 hours with an excellent safety and driving record. Following in this Father's footsteps, Ronnie started with McGeorge in the summer of 1968 as a laborer at \$2.05 per hour. He returned in 1969 to the laborer position again and went full time in 1970 when he started as a Head Oiler/Greaser on service vehicles and heavy equipment. He resigned for 6 years to operate his own business then returned to McGeorge as a Head Oiler. Ronnie was promoted in November 1989 to the McGeorge Bauxite Shop Systems Administrator, and thru the years, was revered as our contracting division historian. Ronnie will be greatly missed by vendors and co-workers alike.

McGeorge Contracting announces the addition of **Andrew (Drew) Chism** to the McGeorge

Project Management Team. Drew offers building experience in different aspects of civil engineering such as analyzing crash data for the State of Arkansas in order to propose safer interstates, roads and intersection designs and redesigns. He holds a Bachelor's of Science in Civil Engineering from University of Arkansas.

AGC Arkansas would like to congratulate the following members for their inclusion in the inaugural Arkansas Business "Arkansas 200" list. The list was created to honor those influencing the way we live, learn and do business in the state.

AGC Contractors

Matt Bodishbaugh, **CDI Contractors**
Brad Hegeman, **Nabholz Construction Services**

AGC Associates

Davy Carter, **Centennial Bank**
Price Gardner, **Friday, Eldredge and Clark**
Karen Garrett, **Hudson, Cisne & Associates**
Shep Russell, **Friday, Eldredge and Clark**
John Rutledge, **First Security**
Reynie Rutledge, **First Security**
Frank Scott, Jr., **First Security**
Jim Simpson, **Friday, Eldredge and Clark**
Laura Smith, **Friday, Eldredge and Clark**

AGC Industry Partners

Scott Bennett, **Arkansas Department of Transportation**
Robert Moore, **Highway Commission**
Tom Schueck, **Highway Commission**
Philip Taldo, **Highway Commission**
Randy Zook, **Arkansas State Chamber**

Also, **AGC Arkansas** would like to congratulate **Highway Commissioner Tom Schueck** for being named one of five Arkansas Business "Influencers" for 2017.



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Bennett



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Company News

AGC Arkansas has become a state chapter affiliate of the American Road and Transportation Builders Association (ARTBA). This Washington, D.C.-based federation has been in business since 1902 and its primary goal is to aggressively grow and protect transportation infrastructure investment to meet the public and business demand for safe and efficient travel. Our partnership will help us better promote infrastructure in Arkansas. A more detailed story will be featured in our first quarterly magazine of 2018. Visit www.artba.org for more information.

AGC Arkansas would like to congratulate the following honorees from this year's Annual Meeting:

- **Scott McGeorge, Pine Bluff Sand & Gravel** – Distinguished Service Award
- **Ben Holt, Manhattan Road & Bridge** – President's Award
- **State Representative Dan Douglas** – Advocate of the Year
- **Joseph Eggburn, UALR AGC Student Chapter/Kiewit** – Outstanding Student Chapter Member
- **Thomas Dickinson, McGeorge Contracting Company** – 2017 AGC President
- **Kevin Coakley, Coakley Company** – 2018 AGC President

Late this summer, Daikin announced its new relationship with **Harrison Energy Partners (HEP)**, the largest commercial and industrial HVAC firm in Arkansas, as the authorized manufacturer's representative in central, northwest and western Arkansas, and eastern Oklahoma. Effective immediately, Daikin is pleased to extend that territory into western Oklahoma, including Oklahoma City and the surrounding region. With strengths in HVAC applications, owner sales, system service, controls and energy services, HEP helps customers efficiently maintain comfort in their buildings. HEP's breadth of solutions and energy expertise significantly

UALR freshmen tour a CDI jobsite.



cantly expands Daikin's ability to serve its customers in this extended territory, where HEP will represent Daikin's full portfolio including chillers, air handlers, packaged rooftop units, water source heat pumps, Variable Refrigerant Volume (VRV®) systems, and Intelligent Solutions Scala Sans OT. Along with this new relationship, Harrison Energy Partners has opened two new offices in Tulsa and Oklahoma City, with industry veteran Ben Dye leading the charge as the business manager for Oklahoma.

Congratulations to **VCC Construction** on your 30th anniversary.

AGC Arkansas is proud to note the following honors our member companies received from the 2017 AIA Design Awards:

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APAC-Central, Inc.	32
Arkansas Aggregates	26
Better Roads Better Future	28
The Cashion Company Insurance and Bonds	Inside Back Cover
Crain	Back Cover
Cranford Construction	27
Darragh Company	2
Everett Buick GMC	11
Garrett Excavating	15
Garver, LLC	21
Granite Mountain Quarries	23
Hampel Oil	10
Hugg & Hall Mobile Storage	17
ICM	7
National Purchasing Partners (NPP)	9
Peterson Concrete Tank Company	20
Plains & Eastern Clean Line	14
Riggs/CAT	Inside Front Cover
Roberts-McNutt	1
Sterling Seacrest Partners	16
Steve Landers Chrysler Dodge Jeep	22
Stribling Equipment	29



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