Why Return To Work Programs Are A Win-Win

Return To Work Programs are an underutilized and undervalued tool that businesses in all industries should look to leverage. These programs have an even larger impact in industries such as construction, where Workers Compensation claims tend to be more prevalent. Not only are these programs mutually beneficial, they have a positive impact both in the short term and long term for all parties involved.

What Is A Return To Work Program?

A Return to Work Program (RTW) consists of businesses allowing workers to return to work in a temporary, limited, or light-duty capacity. These workers have previously been unable to work their usual job due to injury or illness, and participation in a RTW program provides them with the opportunity to come back to work in some capacity while they continue to recover. RTW programs can be designed to offer full-time or part-time options for employees.

Mutually Beneficial

RTW programs are mutually beneficial for both employees and employers.

Benefits for employees include:

- The chance to get out of the house and on the job once again. For many employees, it can signal a milestone on the road to recovery and improve their overall mindset.

- Renewed sense of security and stability. Being injured or ill not only takes a toll on a person's body, but also their overall comfort level. Coming back to work, even if in limited capacity, helps reaffirm an employee's value to the company and strengthens their sense of stability.

- Skill and knowledge retention. In today’s

Continued On Page 25
The construction industry employs about 7 percent of the world’s working-age population and is one of the world economy’s largest sectors, with $10 trillion spent on construction-related goods and services every year. But the industry has an intractable productivity problem.

“Construction has very low spending, low digitization and low productivity growth,” said McKinsey & Co. consultant Ryan Price. “The case definitely exists that productivity and competitiveness in the construction industry could rise with rising investment.” Price’s assessment of the construction technology market is one that is very highly fragmented with no clear winners at the forefront, but he noted a definite trend towards integration. Price goes on to say “Many companies design and adjust their products to integrate with solutions on the market, some products that are a solution for a single area, like construction management or document management, for example, later expand into additional areas.

Having personally worked for several leading point solutions as well as one of the largest “end to end” players in the market, Viewpoint, I have witnessed a dramatic shift in the construction industry to have all solutions have some level of integration and ultimately also be supplied by only one or a limited number of vendors.

Process FIRST Product SECOND

With so many products at a construction company’s disposal, it can be really intimidating and somewhat daunting task for companies to even know where to start and how to even narrow their choices down to from hundreds to several contenders for a new technology. Three of my personal favorite places to search for construction software, or software in general, would be SoftwareAdvice.com, Capterra, and G2Crowd.

Ryan Watson, Founder and Principal of Upsourced Accounting notes that “Whether we’re looking at our own internal workflows or the handoff of information with our clients, we’ve been trained to leap straight from problem to the software that claims to be a solution without any consideration for the most important step: process.” It’s critical to first focus on the process that technology is intended to improve. With technology there isn’t a magic silver bullet. If you have a process that is not fully optimized or is not showing positive results already simply throwing technology at it will not fix the problem.

After you feel like the process is under control it’s then time for the new technology investment phase. Identifying the solutions that best meet the current business needs if something that helps to have a 3rd party opinion. Business Information Group has been around for over 25 years helping hundreds if not thousands of construction companies improve their business processes and implement and train staff on new Enterprise Resource Planning solutions. It’s always a good idea to get a second set of eyes from a group that knows the marketplace and the proven leaders. Even one short meeting can help your technology committee get off to a great start when evaluating new construction software or technologies.

Find Your Champions And Reward Them!

According to a recent McKinsey & Co. study, companies that invest in developing leaders throughout an organizational transformation were about 2 to 3 times more likely to succeed in transformations than firms that did not make this investment.

To ensure a successful launch it is always our recommendation to provide varying levels of training prior to and throughout the deployment. This training we like to see starts with onsite (in personal) training and then once the software is live we can then move to a remote “as needed” training scenario. A general
Making Maryland Magnificent

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Air Power

It’s no surprise that drone coverage offers advantages unparalleled in scope to documenting the progress of large scale projects. What is surprising is the under-utilization of the technology!

Aerial coverage shows not only the progression of construction, but can make the case for change orders, equipment utilization, ameliorate liability issues, inspect difficult to reach areas safely and highlight possible safety concerns.

The FAA recognizes growing dependence on UAVs and has been fine tuning regulations to handle the many uses of this valuable tool. Some companies are using drones in-house, supporting employees who wish to take the FAA commercial remote pilot's test. FAA regulation of airspace necessitates knowledgeable, qualified commercial remote pilots and imposes heavy fines for commercial drone use by unlicensed pilots.

When in-house UAV operation is not feasible, a viable option to consider is an outside vendor in this service. Third party documentation can be invaluable in legal proceedings, insurance documentation, client presentations and federal, state and local compliance requirements.

Drones are here to stay and growing more relevant every day! If you have not already committed to the UAV revolution, take the step now! Talk to a certified remote pilot and learn how air power can give you that extra enhancement of the work you have put so much time and energy into!

Did you know Drone Racing is becoming a sport? Drones used for racing can reach speeds of 120 mph!

Did you know even a hobbyist has to register their drone with the FAA? The cost is only $5.

Were you aware that the federal penalty for commercial use of a UAV without an FAA certified pilot's license can be up to $30,000, however, the FAA has fined very few.

High School football teams are using drones to film practices and develop new plays.
Don’t Get Caught Playing A Game Of Telephone – Importance Of Consistent Messaging To Federal, State, & Local Agencies

You know the game of telephone – one person whispers a phrase into another’s ear, that person whispers the same phrase into another’s, and so on and so on until the final person is left with a phrase completely different from the original phrase. Unfortunately, employers might be unwittingly playing the game of telephone with Federal, State, and local agencies, as well as courts, and could suffer real consequences as a result of the distorted message.

When you terminate an employee, you will often need to describe the circumstances of that employee’s departure to various agencies that may become involved in your affairs – for example, the Maryland Department of Labor, Licensing and Regulation Division of Unemployment Insurance (DLLR); the Maryland Commission on Civil Rights (MCCR); the Equal Employment Opportunity Commission (EEOC); and the National Labor Relations Board (NLRB). When the message given to each agency is consistent, there is usually little reason to doubt the credibility of the employer and the legitimacy of the employer’s reason for termination. However, when an employer tells DLLR that the employee was fired for reason “X” and then tells the EEOC that the employee was fired for reason “Y”, this mixed-messaging raises the specter that the reason given to the agency is a pretext for some other unlawful reason and diminishes the employer’s credibility before other agencies and in court.

When an employer has a legitimate non-discriminatory reason for terminating an employee, consistent messaging is important to avoid a potential dispute as to the true reason for the termination. There are a few steps an employer can take to deliver a consistent message to various agencies when questioned about a departing employee:

- **Designate:** Designate one person to serve as the contact for agency inquiries. Ideally, this would be an individual in HR or administration. When one person handles all inquiries, it reduces the risk that the employer’s legitimate non-discriminatory reason for termination will get distorted in a game of “telephone” to various agencies.

- **Document:** When an employer maintains consistent and clear documentation in an employee personnel file, the individual responding to agency inquiries will not have to guess as to the reasons for termination. The message will also be supported by contemporaneous documentation. With clear documentation in a personnel file, those individuals in charge of employee discipline and responding to agency inquiries will not have to engage in a game of telephone amongst themselves to deliver a consistent external message as to the employer’s reasons for termination.

- **Deliberate:** Carefully review inquiries from Federal, State, and local agencies and consult with legal counsel. Do not carelessly respond to inquiries. Instead, first consult the relevant personnel file, interview key personnel, and deliberate before responding. An employer’s response to agency inquiries can have a great effect on the employer’s ability to successfully defend claims brought by an employee before agencies and in court.

Adam E. Konstas is an Attorney in PK Law’s Education and Labor Group. He represents local school boards, superintendents, private schools, colleges, and private sector employers before federal and state courts, and federal and state civil rights agencies on a variety of matters, including employment discrimination, collective bargaining, and sexual harassment. Mr. Konstas also assists private sector employers with the development and updating of employee handbooks, procedures and training. Mr. Konstas can be reached at 410-339-5786 or akonstas@pklaw.com.
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Next event of interest is the annual A&E Golf Outing – Sept 6 at Musket Ridge

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WWYD? Auto Operation App

I recently came across an app that literally “opens doors” for people who have disabilities that make it difficult or impossible to initiate an automatic door by pushing an actuator. The app is being developed by Portal Entryways (here's more info here, and you can email the company here).

Check out how it works (and note the excited response of the person testing the app).

The app would be installed in the phones of people who are unable to use the wall-mounted actuator, and as long as the person has the app running in the background on their phone, the doors equipped with special receivers will open automatically when the phone is within about 10 feet of the door. The door will stay open until the user has moved out of proximity of the door.

The question here is whether an app on a user's phone qualifies as a “knowing act” (more background on that here). The standard for low-energy operators – BHMA A156.19 – currently defines a knowing act as: “Consciously initiating the powered opening of a low-energy door using acceptable methods including: wall or jamb-mounted contact switches such as push plates; fixed non-contact switches; the action of manual opening (pushing or pulling) a door; and controlled access devices such as keypads, card readers, and keyswitches.”

Could an app with limited distribution be considered a controlled access device? BHMA is planning to address this in the next edition of the standard, so for now there is no definitive answer to that question. It would be up to the code official whether the app can be used, and whether any safety sensors are needed. I spoke to the US Access Board and the International Code Council, and they referred me back to BHMA, since the requirement for a knowing act is only included in the BHMA standard. I didn't get the impression that any of the people I spoke with were overly concerned about the effect of the app on safety, but that is my unofficial opinion.

This app is an important tool for people who are not able to use a wall-mounted actuator, so I would really like to find a way to allow this type of automatic operation while still maintaining the necessary level of safety.

What do you think?

- Is the app acceptable because of the limited number of users who could be trained not to continue to approach the door if they see a person in the path of the door swing?
- Should a safety sensor be added that alerts the user to someone standing in the path of the door so they can wait to approach until the person moves out of the way?
- Is it necessary to have safety sensors interface with the receiver to prevent the door from opening until the area is clear?
- Guide rails are required when an automatic door is opened by a sensor that detects each approaching occupant, but the rails can be difficult or impossible to retrofit on existing openings. Is an acceptable level of safety achievable without the rails considering that the app will only be used by specific people?

Lori Greene, AHC/CDC, CCPR, FDAO, FDHI, is the manager of codes and resources for Allegion. She has worked in the door and hardware industry for more than 30 years, and in her current role she provides education and support on code requirements pertaining to door openings. Her website, iDigHardware.com, is a daily blog that also includes technical articles, videos, on-demand training, and a downloadable code reference guide. She can be contacted by emailing lori.greene@allegion.com.

“Disability doesn’t make you exceptional, but questioning what you think you know about it does.”

~ Stella Young

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The Hacker’s Playbook

There are several ways malicious entities can get into your construction company’s system. Here are the most notable ones:

**Phishing scams** are getting increasingly difficult to spot. Phishers will create email offers, like this one for free pizza, and ask the user to click on a link in order to get the offer. Once you click the link, the scammer will upload malicious software to your computer or steal your credentials.

**Spear phishing scams** are more personalized than phishing scams. It’s the same concept, but spear-phishers will send emails on behalf of your contacts in your inbox. This way, it’s easy to fool the email recipient into thinking that the sender is trusted.

Untrustworthy websites with links to spam can entice some click-happy employees. Spam websites can trigger malware downloads or nasty viruses. Unfortunately, antivirus doesn't always protect you either. We always tell people to check the URL of the website. If it starts with **http** rather than **https**, then think twice before clicking.

**Malicious users** (aka “criminal insiders”) will voluntarily leak information about your company to hackers on the dark web. The first response many organizations have to this is, “I trust my employees” or “my people wouldn’t do that to me.” According to IBM’s survey, 47% of hacks were due to malicious users. We’re not saying every employee is bad, but this does mean that you should be protecting yourself from an insider leak.

How Can You Protect Yourself, And Your Construction Business?

The best way to keep your network secure is to educate yourself on security best practices. Here are a few to keep you out of a hacker’s line of fire:

- **Stay educated on the latest threats.** Widespread threats can be mitigated by staying informed. Hackers know that
This building provides integrative instruction for children from infancy through five years old who are blind or visually impaired, including those with multiple disabilities. The first floor houses the Early Learning Program for Infants & Toddlers as well as students in, Preschool and Kindergarten. The second floor houses the statewide Outreach Services offices, providing programs for students from infancy to age 21, their families, and local school system staff.

The scope of the project includes the renovation/addition to a 1955 single story high school with a two story wing, and the creation of a playground. The primary design challenge was to create a safe learning environment that responds to the variety of specialized student needs and abilities from an antiquated facility. Examples include; providing center-based learning environments simulating every-day experiences such as the grocery store, bank, theater, library, and post office; providing large, flexible open spaces such as a Motor Gym and Multi-Purpose Room from an original structure comprised of small spaces; providing strategically located large rest rooms with lifts and changing stations; accommodating new HVAC infrastructure within very low floor-to-floor heights; creatively manipulating finishes, color and texture to assist with wayfinding; redefining vehicular and pedestrian site circulation to accommodate a variety of mobilities, and providing easy access to the new playground in the lower quadrangle. This transformative project has been enthusiastically received by the staff, teachers, students and their families as a state-of-the-art facility well suited to serving their unique needs now and into the future.
What’s Your Net Worth?

How do you define success - wealth and power, or being surrounded by family and friends? I’m sharing a story of a client who had both kinds, but clearly valued one more than the other.

In today’s ultra-materialistic society, the size of your house and your stock portfolio seem to be considered the true measures of success. Ambition is good, and like most of you I wish my stock portfolio was a bit larger than it currently is. But there is so much more to being a “success” in life. I hope the following story will bring a new perspective on what it means to be successful:

Many years ago, I had a client who ran a thriving business. He used the profits from his business to purchase large plots of land. My client had an eye for good land, and he eventually made his fortune by selling these properties to developers.

None of his financial success changed the way he lived his life or his blue-collar values of hard work and supporting his family. In fact, he made a pact with all his grandchildren that he would pay college tuition for all of them to any school to which they were accepted. He would eventually put 18 grandchildren through college, with many of them graduating from the finest schools in the country. Armed with their prestigious degrees and the blue-collar work ethic learned from long, hot summers working at their granddad’s company, many of them went on to great success in their own careers.

One of Stephen Covey’s “7 Habits of Highly Effective People” is to “begin with the end in mind.” He recommends picturing yourself looking down on your own funeral. Who would be there and what would they say about you?

At my client’s funeral I’m told that it was standing-room only in a large church, without a dry eye in the place. The service seemed to go on forever as people young and old remembered this wonderful man and the things he had done for them.

In the end, his “net worth” was far greater than the value of the money he earned and the things he owned.

Ro Waldron

Hi, I’m Ro Waldron. I’m a commercial real estate broker in Suburban Maryland. With more than 30 years in the industry, I’ve got the knowledge and experience to help you buy, sell or lease any kind of commercial space. I also write the Ro’s Words of Encouragement blog to share stories and insight from my careers in real estate and college football. I hope you enjoy! Contact me at 301.417.1092 or at ronayne.waldron@avisonyoung.com.

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- HUMIDIFICATION & HEATING
If A Problem Seems To Be Unsolvable, Drill Down Into It

I recently had coffee with a young entrepreneur who was about to start his second official business. He called it official even though he had a couple of businesses in his teen age years and in college. This will be his second company after becoming an adult and operating a business as his full support in life. He recently sold his first business that reached a level of revenue and number of employees that made it attractive to his partner to buy the company from him.

In asking him how he built that first official business, he described reaching a wall where the revenue looked great, but the profits did not. He knew he had to grow but figured he did not have the money to do what he needed to do to support the growth. Then he did something extraordinary that many entrepreneurs do not do. He sat down and decided to really analyze the situation from as deep a level of detail as possible, listing as many options and strategies as he could (with some help from other people who he trusted) and then choosing the best option to move forward. What really made what he did extraordinary was realizing that he was at that roadblock and that he needed to change things.

First, he was just assuming that he could not afford to implement a solution and figured there had to be an answer in the details. Second, he listened to his partner and employees about how burned out they were trying to fill in all the administrative duties with their production work. And third, he was shocked at how many jobs they lost because they could not get to them in time and the customers went elsewhere for what they needed.

The solution: he hired an experienced admin person who had experience in working in a similar kind of business. This new employee knew about managing scheduling of work, getting bills paid and managing the office and the people that supported the company. Within a very short time, scheduled jobs got finished faster, customer wait time for their jobs was greatly reduced and revenue and profits grew substantially. The hard step for the owner was to let go and stop being 100% responsible for everything. He did something you have read about before in this space: he shifted from owning the processes of the business to owning the results. What he wanted for the future of his business became much more important than having 100% control over what people did day to day. It freed him up to scale up his business and make it more valuable.

Without a doubt, it is easier to write about this than to do it. It is hard to give up the devil you know (working 80 hours a week) for one that you don't. You probably enjoyed doing much of what brought the company to this point of needing change and growth. There's the task of training people to do many of the tasks that you know so well. There are the white knuckles seeing them through the mistakes. (Remember the mistakes you used to make?) There is even the guilt you may experience from having more time. To keep yourself from sliding back into your former job, plan what you will do as the leader of the company with that time, personally and in your business. There is great potential there for good outcomes-more business success and a more balanced life. The choice is yours. If you reach an unsolvable step in your business, drill down into it, resolve it and prosper.

Paul Riecks is a Principal at INSIGHT. At INSIGHT, we believe that every business has the opportunity and the potential to be as successful as its owners want it to be and deserves the chance to reach that potential. One of the best resources available to business owners and CEOs for help in reaching their company's potential is the deep pool of knowledge shared with other business owners and CEOs. So, what we do is form INSIGHT Groups-each with 10-15 owners and CEOs-and facilitate their monthly meetings where they advise each other, share ideas and experiences and gain the clarity they need to achieve the success they seek. www.gaininsight.net.
Five Practices For Construction Firms To Build Sustainability

Green building is here to stay, and construction firms are getting on board by developing green business models that may include company-wide environmental policies and greenhouse gas reduction goals (80% of the emissions associated with the built environment are from buildings in use). LEED and green building projects are gaining market share. The Engineering News-Record releases its Top Green Building Contractors in August each year and you can bet those on the list not only build green buildings but have green business models as well. There were six contractors with Maryland headquarters on that list in 2017. See the list here: https://bit.ly/2M0kOHX

The great thing about sustainability is that you can choose what is important for your company. Then, what you do is reflected in your corporate sustainability mission, which will include your construction sites, equipment storage yards, maintenance garages, and your office!

Here is a look at five practices for construction contractors to help improve sustainability and resilience for the long term. Why worry about it? These five actions will help drive your green business model and provide efficiencies in processes that lead to reduced costs.

1. **Walk the Talk (Do What You Say You are Doing)**

Conduct a basic inventory of how much energy and water you use at your offices, how much waste you generate, and where it goes. Decide why you want to save resources and set your goals accordingly. You are going to find that savings resources will save you $$$.

   - Define Best Management Practices (BMPs) for every project
   - Create a sustainable procurement policy – recycled paper, and limit or eliminate plastic water bottles
   - Recycle in your on-site project trailer – a tangible way to impress the project owner!
   - Implement an Indoor Air Quality During Construction policy to demonstrate occupant health protection during construction.
   - You can only improve what you measure. Do you know how much energy, water, waste, or carbon emissions your company generates?
   - Support green building in your local community – the Maryland Green Registry is a good place to start and it is super easy. You can find our more here: https://bit.ly/2AqAiAn
   - It is important not to greenwash, so be prepared to have the data to support whatever you choose to do for sustainability.

2. **Build a Sustainable Supply Chain**

How can a company be truly sustainable if your suppliers – the raw materials producers, transport and logistic services, component providers, and others along the way are not? By working with your suppliers to let them know about your company goals for environmental sustainability, leading companies are starting to turn supply chain sustainability into a driver of competitive advantage.

   - Adopting a ‘sustainability by design’ approach to materials sourcing can reduce the impact of materials used in construction – for example, by using alternative recycled/secondary materials, and considering the lifecycle impacts of

Continued On Page 28
F or tax years starting in 2018, the Tax Cuts and Jobs Act (TCJA) provides new and improved tax incentives for buying new and used business equipment. But leasing still offers benefits for some taxpayers. Here are some important considerations when deciding whether to buy or lease equipment.

**Pros of Buying Fixed Assets**

The primary advantage of owning fixed assets is that you're free to use them as you see fit. When you own equipment that won't become obsolete, you should get your money's worth from the purchase over time. This is especially true for assets — such as a desk or drill — that tend to have a long useful life and aren't affected by technology changes.

In addition, from a tax perspective, the Section 179 deduction and first-year bonus depreciation privileges can provide big tax savings in the first year an asset is placed in service. These tax breaks were dramatically enhanced by the TCJA — enough so, that you may be convinced to buy assets that your business might have leased in the past.

**Sec. 179 expensing.** This tax law provision provides a current deduction for the cost of qualified new or used business property that's placed in service in the tax year. The maximum Section 179 deduction has been doubled from $500,000 under prior law to $1 million under the TCJA for qualified property placed in service in tax years beginning in 2018. The Sec. 179 deduction is available for most types of equipment, ranging from heavy machinery to computers and desks. Software and qualified real property expenditures can also qualify for the Sec. 179 deduction privilege.

The Sec. 179 deduction is limited to the amount of a taxpayer's business income calculated before the deduction and is phased out if qualified asset additions exceed the phaseout threshold. The TCJA increased the phaseout threshold from $2.03 million for tax years beginning in 2017 to $2.5 million for tax years beginning in 2018. This increase provides plenty of leeway for most small businesses.

**Bonus depreciation.** A business can claim a first-year bonus depreciation deduction for the cost of qualified property, which includes most types of equipment used by small business owners. In fact, the same property may qualify for both the Sec. 179 deduction and bonus depreciation. If so, bonus depreciation is preferred for assets placed in service by December 31, 2022.

Under the TCJA, bonus depreciation has been extended to include used property. The amount of the deduction has also been doubled from 50% under prior law to 100% under the TCJA for qualified property placed in service from 2018 through 2022. For tax years starting in 2023, bonus depreciation deductions will be phased out based on the following schedule:

- 80% for property placed in service in 2023,
- 60% for property placed in service in 2024,
- 40% for property placed in service in 2025, and
- 20% for property placed in service in 2026.

Bonus depreciation is scheduled to expire at the end of 2026, unless Congress decides to extend it.

These two tax breaks can be a powerful combination: Many businesses will be able to write off the full cost of most equipment in the year it's purchased. Any remainder is eligible for regular depreciation deductions over IRS-prescribed schedules.

**Important note:** Other rules and restrictions may apply, including limits on annual deductions for vehicles and restrictions on “listed property” (such as TVs).

**Cons of Buying**

The primary downside of buying fixed assets is that you're generally required to pay the full cost upfront or in installments, although the Sec. 179 and bonus depreciation tax benefits are still available for property that’s financed.
One More Dance With Mary Jane
New Pot Laws Make Markets Grow Like “Weeds” - For A While - Part 1

When states like Colorado first began legalizing the medical, and even recreational, use of marijuana, many predicted a huge bonus in sales tax revenue for the state. It is not clear, however, how many accurately predicted a boom in industrial real estate, where formerly obscure and unattractive B and C warehouses were turned into gold.

An article in National Real Estate Investor entitled “What’s Next for Marijuana Warehouses?” said that, according to CBRE, in 2016, industrial properties occupied by marijuana businesses in the Denver market sold for $115 per square foot, “a 25 percent premium over traditional Class-B and Class-C industrial spaces.”

The article went on to note that CBRE cited an average effective rental rate for marijuana-growing sites in the Denver area at $14.19 per square feet on a triple net basis, based on a review of 25 leases signed between 2014 and 2016 – or two to three times higher “than the average warehouse rental rate in the area’s top four cultivation sub-markets.” CBRE also said that 3 percent of the region’s total warehouse market, or 4.2 million square feet of industrial space, was occupied by marijuana growers in the fourth quarter of 2016.”

And Colorado is not alone. Kalyx Development, a private real estate investment trust focused on the pot business, owns nine buildings in four states, and, according to a New York Times article, “A Real Estate Boom, Powered by Pot,” it plans to expand into three or four more states this year, driven largely by demand from investors who want to put money to work.

The same article quotes Chuck Allen, a commercial broker with Keller Williams Realty who works in Monterey, Calif., as saying that in the last few years, more than 20 major transactions worth roughly $100 million have closed, and prices are on the rise. “Last year, you’d have paid about $2.5 million for a 10-acre parcel with greenhouses,” he said. “Today, you’d pay $5 million.”

Paul B. Kluck, SIOR, first vice president, CBRE | Advisory & Transaction Services, Industrial & Logistics in Greenwood Village, Colo., is keenly aware of the impact new marijuana laws have had on industrial real estate. (The new Colorado legislation was voted into law in November 2012, and made effective 1/1/2014.)

“In November 2012 the market was down, with vacancies much higher than they currently are, and in a down market B and C properties suffer the most,” he notes. In 2013, he continues, “There was a whole speed-to-market; it takes two to three months to grow and prepare marijuana so everyone was scrambling to get in place by 2014. They gobbled up a fair amount of that 4 million square feet, which jump-started the recovery here in Denver.”

Kluck, however, is not sure the future looks quite as rosy. “Because of efficiencies in growing, the price of a pound has dropped almost two-thirds,” he notes. “We’ve had some consolidation; there have been some efficiencies in growing techniques, and the less than efficient growers are being weeded out.”

At this point, he continues, since Denver is in the consolidation phase, “Everyone who wants to be in on the business is in on it. The market’s a little overgrown, and we’re not seeing any new players.”

Kluck says, “There is still a fair amount of demand, but what happens when we see more and more states legalize recreational marijuana?”

He sees a reduction in demand as pot becomes more available in other states – and that’s not all. “Most operators I speak to today, if they started in 2013-14 they now have to upgrade facilities, add new technology, and re-invest,” Kluck points out. “Plus, the taxes are huge; because they are federally illegal, none of their operating expenses are deductible. You have to pay federal income tax on gross profit.”

Continued On Page 30
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- Reduce the number of checks cut\(^3\)
- Experience efficient online program administration and data integration with American Express @ Work\(^8\)

Use the American Express® Card for business spend in a variety of vendor categories, including:

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<td>Business Services</td>
<td>Charities</td>
<td>Computer Equipment</td>
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<td>Construction</td>
<td>Corporate Gifts</td>
<td>Education</td>
<td>Industrial Supplies</td>
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<td>Office Supplies</td>
<td>Shipping</td>
<td>Telecom</td>
<td>Temporary Labor</td>
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\(^1\) The Corporate Membership Rewards program is for eligible Commercial Card Clients. Terms, conditions and restrictions apply; for a copy or for more details, call 1-888-200-1554.

\(^2\) Actual float time will vary based on the date of the charge, the billing cycle cutoff date and the payment date.

\(^3\) The number of checks cut will be reduced based on converting suppliers to card payments.

For more information on this effective and efficient member benefit, contact MCM’s Verna Fogler at 443-982-7329 or at verna@mcmaconstructionnet.net.
The Market Is Changing – Do You Know The Value Of Your Construction Company?

Construction contractor company profits are rising. Backlogs are strong. The pipeline of available work continues. An infrastructure bill, while delayed, still has some prospects of moving forward. Even without an infrastructure bill, the underlying infrastructure projects will demand increasing maintenance or replacement. These factors indicate a market that will benefit construction companies for at least the foreseeable future.

As a result, the time to consider a sale of your equity interests may be now. But before you can consider a sale of your equity interest, you need to know the current value of your business. Do you know, specifically, what the value is? The results may surprise you. Further, if you understand the drivers that effects the value of your business, you will find your business planning and decision-making process and ultimate decisions may change. More of what you will do will focus on the disciplines that impacts the value of your construction company.

Why Would You Need a Valuation?

The most obvious reason for wanting a valuation is if you’re considering selling your business. You never know when an attractive opportunity will present itself to sell your company.

Even if you want to sell only a portion of your company, you need to know the value of the interest being transferred.

The second most common reason for valuing a closely-held construction business is estate and gift tax planning and return purposes.

You may have worked a lifetime to build your business into a profitable, well-run operation. But, unless proper planning is done well in advance, you can have your company’s resources depleted through estate taxes. You should plan either to arrange in advance to transfer the ownership or provide sufficient insurance to pay the estate taxes.

The one viable estate planning tool that remains is the use of the unified gift and estate tax credit. In 2018, before any changes resulting from pending tax reforms, this credit is a maximum of $5.6 million for an individual and $11.2 million, with portability, for a married couple.

Another often-used vehicle is the annual gift allowance schedule for $15,000 per person in 2018.

For any such transfers of stock in a closely-held business, you need to know the value of the stock being transferred.

The third reason to value your construction company is for use in a buy-sell arrangement between heirs of the owner’s estate and a purchaser.

A buy-sell agreement will often include a life insurance requirement. The insurance must be updated annually to ensure that the company is maintaining insurance sufficient to fund the purchase of the company’s stock from the deceased owner’s estate.

Buy-sell agreements can take a variety of forms, but all require a periodic valuation of the company stock if they are to be useful.

Other Reasons for a Valuation

Here are some less common reasons for needing to know the value of your company:

- **Selling Ownership (Total or Partial) to Key Employees** — directly to individuals, a private company, or private equity group or possibly through an employee stock ownership program (ESOP).

- **Litigation** — If the principal of the business is involved in a divorce, the business will probably have to be valued as part of the property settlement.
Best Tips To Stop A Ransomware Attack!

The bad people in cybersecurity are targeting small and medium size business and individuals over 80% of the estimated 4,000 daily new attacks target that market. Ransomware is one of the dreaded attacks with recovery costs averaging over $20,000 in dealing with the aftermath of a ransomware attack. It is like Russian roulette, where submitting the ransom might be the sole option for recovering locked data. This is precisely why focusing on prevention is a judicious approach to adopt.

The growth of ransomware over the past few years has driven the security industry to create myriads of tools applicable for blocking these types of threats from being executed on computers. Few of them are 100% bulletproof, though.

This article genially written by Dave Balban is focused on additional measures that users should employ to ensure a higher level of defense against these plagues.

1. First and foremost, be sure to back up your most important files on a regular basis.

Ideally, backup activity should be diversified, so that the failure of any single point will not lead to the irreversible loss of data. Store one copy in the cloud, resorting to services like Dropbox, and the other on offline physical media, such as a portable HDD.

An efficient tactic is to toggle data access privileges and set read/write permissions, so that the files cannot be modified or erased. An additional tip is to check the integrity of your backup copies occasionally. This is the number one prevention tip.

2. Personalize your anti-spam settings the right way.

Most ransomware variants are known to be spreading via eye-catching emails that contain contagious attachments. It’s a great idea to configure your webmail server to block dubious attachments with extensions like .exe, .vbs, or .scr.

3. Refrain from opening attachments that look suspicious.

Not only does this apply to messages sent by unfamiliar people but also to senders who you believe are your acquaintances. Phishing emails may masquerade as notifications from a delivery service, an e-commerce resource, a law enforcement agency, or a banking institution.

4. Think twice before clicking.

Dangerous hyperlinks can be received via social networks or instant messengers, and the senders are likely to be people you trust, including your friends or colleagues. For this attack to be deployed, cybercriminals compromise their accounts and submit bad links to as many people as possible.

5. The Show File Extensions feature can thwart ransomware plagues, as well.

This is a native Windows functionality that allows you to easily tell what types of files are being opened, so that you can keep clear of potentially harmful files. The fraudsters may also utilize a confusing technique where one file can be assigned a couple of extensions. For instance, an executable may look like an image file and have a .gif extension. Files can also look like they have two extensions – e.g., cute-dog.avi.exe or table.xlsx.scr – so be sure to pay attention to tricks of this sort. A standalone known attack vector is through malicious macros enabled in Microsoft Word documents.

6. Patch and keep your operating system, antivirus, browsers, Adobe Flash Player, Java, and other software up-to-date.

This habit can prevent compromises via exploit kits. This is the second most important thing you can do for prevention!
How The Use Of Safety & Claims Metrics Can Affect Your Business

A growing trend in managing claims costs is the use of predictive modeling. This allows an insurance carrier or large insurance buyer to determine, given a number of factors, where their loss experience will be and how much they should pay for insurance. There is a lot more emphasis on what the modeling projects rather than what an underwriter thinks the premium should be.

The insurance industry has used modeling for many years to underwrite catastrophic exposures like wind, earthquake and flood. That same approach is now being used in deciding whether to offer insurance, and at what cost, to a company.

In addition, many Owners and General Contractors are placing Controlled Insurance Programs (CIP’s) on their projects. The concept is that certain insurance coverages are placed for everyone working on a particular project. This can include general liability/excess liability and workers’ compensation insurance.

Instead of each contractor providing their own insurance, coverage is in place for the entire job. The Owner or GC will get a credit back for the insurance from the participating contractors. The Owner or GC will also have a large deductible and will benefit if the program has a good safety record.

In both instances, safety and claims metrics will be used. They can negatively affect your company in the following ways:

- Reduce the number of insurance carriers willing to provide your company coverage – **Less competition**.
- Increase the premium charges for those that will provide coverage - **Your costs for insurance are higher than your competitors**.
- Rate debits applied via NCCI Experience Modification (and other EMR’s) – **You will pay more for insurance than your peer companies**.
- Not being considered for work; rejection of bid or not being able to bid at all – **You are unable to get work due to a poor safety record**.

If your metrics are better than average, you will benefit. There is a much greater emphasis on sub-contractor qualifications than in the past. Safety data is a very critical part of qualification. Compliance is mandatory and if you fall outside of the parameters (for instance your EMR is too high) you won’t qualify to do the work.

Richard Shaw is a Senior Client Executive with RCM&D with over 25 years of experience working with clients to help them manage their risk. You can contact Richard at rshaw@rcmd.com.
Is your sales / marketing strategy working?
Do you have a strategy?
Are you doing what you have always done but getting less results?

Making a few calls when you have time or sending a few emails are not strategies.

How often have we heard that “the market has changed” or “sales are a lot tougher than they used to be?” There may be some truth here, but the fact remains that customers are still buying goods and services. Perhaps our sales and marketing have not kept pace with our customers and prospects.

Not too long ago, prospects needed the sales person to provide information. Today, not so much. Prospects have the ability to research you, your company and the products you are selling in advance.

Examples: Doctors will meet a patient who has already researched a drug, the side effects, other choices, and possibly natural alternatives. The interaction goes from “What do I need?” to “What is my best option and why?”

Buyers will often research a car thoroughly before going to the dealer. The prospect comes fully armed with mileage, frequency of repair, towing capacity, etc.

Successful selling today involves the ability to uncover a need and provide a solution that meets the need. If you are leading with product details, features and benefits, you are using a 1990’s method that just doesn’t work like it used to.

Successful vs. Highy Successful People

Results show that the highly successful person will name one, or at most, two areas where they excel. The remainder, hard working C & B players, will usually name 5 or 6. Most people focus on improving their weaknesses, but highly successful people (the A players) will focus on what they do best and leave the other areas to people better suited for those tasks.

How many sales people are required to do lower value tasks that are better suited for someone else?

<table>
<thead>
<tr>
<th>Task</th>
<th>Performance Rating</th>
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<tbody>
<tr>
<td>#1</td>
<td>A</td>
</tr>
<tr>
<td>#2</td>
<td>C</td>
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Traditional management focuses on bringing the C performance up a notch for each employee. We are not likely to turn a C into an A, but whatever incremental improvement is achieved, it is likely offset by that employee doing less of the A task where they excel.

Resource Allocation

<table>
<thead>
<tr>
<th>Sales Calls</th>
<th>Successful Sales</th>
</tr>
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<tr>
<td>48% make one call and never follow up</td>
<td>2% made after one contact</td>
</tr>
<tr>
<td>25% make two contacts</td>
<td>3% made after two contacts</td>
</tr>
<tr>
<td>12% make three contacts</td>
<td>5% are made after three contacts</td>
</tr>
<tr>
<td>10% make more than three contacts</td>
<td>Sales increase with the number of calls</td>
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Considering the above, the obvious questions are; how do we allocate resources so that higher paid sales people are spending their time going after the right prospects, and; are we making the required number of calls to achieve a successful result?

Data Science, Direct Mail, Email Constant Contact, Telemarketing

These tools can be coordinated to make the initial and repeated contacts. When / if a prospect shows interest or responds, turn it over to one of the sales people to focus their energy into assessing the prospects need(s), solving the problem, and closing the deal.

The Sales Process

This is where the highly successful sales person determines the prospect’s need / problem and provides a
Adopting A Proven Process For Problem Solving

What are Top Maryland Businesses Doing Differently?

As an executive, it is likely that one of your greatest skill sets is problem solving and you have a proven track record of success. Most successful business professionals get a thrill from taking a challenge, breaking it down and providing a viable solution that will make an impact. So what are the most successful businesses doing differently?

Learn what it takes to be a successful and healthy organization! Sign up for e-mail updates as we explore the top challenges businesses face and what the most successful organizations in Maryland are doing differently, from one executive to another.

It's All About the Process

We've seen many great businesses, all with different problem-solving processes—it seems it's not the process itself, it's that they have a process. And it is universally taught and religiously used throughout the organization (almost) always.

Resist the urge to quickly identify what you think is the problem and immediately jump to a solution. Many of the successful problem-solving processes, such as the one Dale Carnegie teaches, include multiple steps which help to overcome some of the outages caused by “quick” problem solving. The most common outage is not identifying the true problem, but a symptom of the problem. This can leave you with the underlying issue still haunting you well after you’ve put a solution in place.

Here are a few key steps that we live by:

1. Identify the Problem (Not the symptoms)

Einstein had said, if he had an hour to solve a problem, he would spend 55 minutes defining it and 5 minutes solving it. So there has to be some weight to this, right? As you embark on your problem-solving journey, spend due time truly understanding the problem and gain alignment from the group on exactly what it is. Put your problem ID to the test and bring multiple perspectives in the room—other departments or levels of the organization—and if everyone agrees, chances are you’ve arrived at your core issue.

2. What are the Causes?

Write out all of the things that contribute to the problem you’ve identified. This will ensure you understand and address all of the things that are feeding into the problem. If you leave any lingering out there, the likelihood of your solution being successfully implemented is reduced.

3. What are our Options?

This step is an independent producer’s worst nightmare. It requires patience and inclusion from all parties involved. Layout all of the possible ways you can address the causes you outlined above and ultimately arrive at a solution.

4. Align on an Action Plan

Out of your options above, select which you will be moving forward. Then, outline the steps that need to be taken, who will be doing them and when. This seems simple, but this clarity is often overlooked and results in lack of follow through or execution.

5. Get Feedback & Optimize

Unlike the infomercials, problem solving is not set-it and forget-it. Successful implementation requires a clearly defined provision for feedback so set a date and time as soon as you develop the action plan for the team to regroup and gather feedback from any involved parties. Ask yourselves, “How is the new process or idea working?” “Did it turn out the way we thought it would?” And remember, it’s okay if it didn’t. Rarely is something perfect on the first try, especially with extremely complex issues. Be open to feedback and adjust accordingly.

Buy-In Can Change Mindsets

Have you ever heard an employee gripe about a new rule or process that was rolled out? Chances are, they...
Why Remote Video Security Is A Worthwhile Investment

With workplace crime costing companies $50 billion a year in the US, the need for increased security is essential. Because these crimes are committed just as often by employees as they are by your clients, it’s important to be able to keep an eye on things at all times.

Remote security systems allow you to stay connected and respond even when you’re away from the worksite.

On construction sites and development projects, expensive materials are often left overnight with only minimal protection. If something were to happen while you’re at home or asleep, you might not be able to respond. With a remote security system, you could be alerted to security breaches and contacted at any hour.

If safety and security are a concern, a remote security solution can cover you from both sides. Here are 4 reasons why it’s a worthwhile investment.

1. You Can Resolve Conflicts

Disputes between different parties as to materials or maintenance can be difficult to manage. Without anyone to see who was responsible for delivering or using certain materials or damaging equipment, you could see tensions arise.

Rather than leaving it up to suspicions, a remote system with recording capabilities could play back the tape from recent evenings. You can see what happened and resolve things quickly.

2. Reduce Theft

Surveillance cameras and motion detection for sensitive areas will allow you to cut back on lost supplies or equipment. If someone enters a restricted area, you can get alerted and contact security on site.

If things go missing, you can play back a recording to see what might have happened. You’ll save money and keep from any trespassers getting injured on site.

3. You Get High Quality

Surveillance systems in this era are far more complicated and comprehensive than in previous areas. They offer video analytics technology which can track people as they move through a site. Having this stored on a remote site means that you won’t have to worry about someone tampering with your evidence either.

4. Improved Safety

When workers are on a site, accidents happen. When insurance companies come to take evidence, it becomes a game of “he said, she said.” Rather than relying on unreliable testimony, offer a video of what happened.

You might also see your insurance bills drop with a remote system in place. By taking the initiative, insurance companies will respond by offering you lower rates.

Remote Security Means Savings

Whether it’s the money you save in insurance, fewer lawsuits, or keeping your equipment safe, remote solutions to your security are a good investment. By setting up a strong defense, you’ll be prepared for anything that hits your site, outside of an act of God.

If you’re interested in what kinds of security equipment are available for a remote system, contact us for the latest trends in remote solutions.

Shawn Scarlata
CEO, SMART Security Pros

SMART Security Pros through its Mobile Video Guard solution protects construction sites, equipment yards, scrap and recycling yards, utility infrastructure sites, among other types of locations. After 22 years in law enforcement and 8 years operating a large security guard firm, the founder Shawn Scarlata knew there had to be a better way. Shawn set out to develop a solution that provided higher levels of security at a fraction of the cost of guard services.
rapidly changing world, it can be difficult to keep up with the latest industry trends and innovations…even when an employee is on the job every day. Extended absences can often exacerbate this issue and eventually lead to skill loss. Being back on the job, even in a different role, can help employees feel confident that their skill set and industry knowledge will remain up to date.

Benefits for employers include:

- **Increased chance of retaining experienced workers.** Having a RTW program in place shows employees that their employer values them and their contribution to the company. The sooner a business can get an employee back on the job, the greater the likelihood that they will stay.

- **Less training.** By encouraging injured workers to return to work, employers can minimize the need for temporary employees or having to rush hire a replacement. This helps cut down on the time and expense associated with hiring, onboarding, and training new hires.

- **Reduced claim costs.** Having employees return to work who are currently relying on Workers’ Compensation is ideal. Not only does this help in the short-term by reducing the amount of the claim, it will directly impact a business’ experience modification rating down the line.

How to Implement a Return To Work Program

Implementing a RTW program is easier than it may first appear. There a few best practices that every business should keep in mind as they start the process.

- **Ensure buy-in from leadership.** The program needs to be fully supported by a business’ leadership team to guarantee success. It is important that supervising managers have the support they need to oversee returning employees to ensure a smooth transition back to work.

- **Have clear guidelines and protocols in place.** An RTW program should be consistent across the board for every employee. It is important that a business establishes clear routines and procedures in order to minimize any potential litigation that could come up in the future.

- **Check in frequently.** Whoever is responsible for overseeing the RTW program should check in frequently with both the employee, the employee’s supervisor, and the employee’s doctor. It is important that the employee doesn’t overexert themselves, potentially overdo it and get reinjured.

The great news is that there are a ton of resources for businesses to take advantage of when creating a RTW program or refining one. From online resources to professional connections, there is no shortage of information to leverage. We suggest starting with the Department of Labor: [https://www.dol.gov/odep/return-to-work/](https://www.dol.gov/odep/return-to-work/). Or, contact your insurance carrier as many insurance companies offer sample RTW programs as well.

**Patti Maluchnik, CIC, CBIA, Account Executive** joined Georgetown Insurance Service in 1993. She earned a Bachelor of Science degree in Business from West Virginia Wesleyan College in 1984 and earned her Certified Insurance Counselor designation in 2003. Her expertise is with accounts in the construction, manufacturing and technology fields. Patti is active in the Rotary Club of Frederick, CREW of Suburban Maryland, Frederick County Chamber of Commerce and Accelerent.

“Think about what caused the injury and how it can be prevented next time; that way, you will become a smarter athlete and less likely to repeat the same mistakes.”

~ Kevin R. Stone
overview of the program and its goals should be delivered early on to the project stakeholders. Like at any company a construction company is no different, there will be varying levels of comprehension of new technology along with varying levels of acceptance toward new construction technologies.

Some team members will require more comprehensive explanations of how the new technology works and how it interfaces with other platforms, while others might just need to watch a short video or just play around with the app for a few hours. Some technology for the field these days really is completely “plug and play” and others is much more complicated needing many long training sessions.

Technology adoption is not always something that happens overnight. It takes a ton of hard work and it must be something that is rewarded within the company for those individual that want to truly improve workflows and processes for a better future job experience. Once champions are created and the “buzz” gets going around the office others will start to fall in line. Stay in constant communication with your employees to get feedback on the new technology that is being implemented. There will always be a few negative comments, since human nature for most is to resist change, but make sure your implementation is a living breathing thing that is always evolving and always staying highly agile. It’s critical to listen to your people and take things in a “bite sized” approach. If you try to do too much too soon the results could be counter-productive to the overall goal.

Matt Wismer is a dynamic and seasoned sales professional with 15-plus years of expertise in new account development, consultative sales, client relationship management and strategic & tactical sales planning. Matt has a Bachelor’s degree from Eastern Mennonite University in Business Administration and Marketing. Matt works for Business Information Group in the role of Business Development. When he is not talking to CFOs and Controllers about what business challenges they are facing at their company you can find him either on the local golf course or in the Poconos at his cabin fishing with his wife and three children.

Keep your user permissions conservative and updated. Make sure that your employees only have access to the information that they need. Putting too much information in the wrong hands can be catastrophic to your construction company’s security.

Train employees on safe browsing habits. Our IT specialists have shared some uncomfortable stories about what they’ve found on clients' browser history. Send out a quick memo, or go through a training session with your employees so they know what’s safe and appropriate to search on your work computer and what is not.

Require password changes from time to time. The best practices around how to handle passwords have changed. If you’re using the same one you’ve had for years, that’s a bad idea. However, it’s no longer recommended to change them too often. They don’t need to be overly complex either. They should be forced to be more secure than Password1 though.

Frequently backup your data. If malware gets ahold of your system, it’s a smaller issue if your backups are up to date. If you haven’t checked on your backup in months, or you don’t even know if your backup system is working, you need to talk with your IT provider ASAP.

Talk to your IT support group. If you already work with a managed services provider, you should have nothing to worry about. If not, your local IT group will be happy to talk to you about security best practices and recommend solutions that will keep your construction company secure.

For many construction owners, it’s not a matter of if you’ll get hacked, but when.

Bill Walter, MCP, MCSE, PMP, is the lead network engineer with Gross Mendelsohn’s Technology Solutions Group. Showing clients how technology can improve efficiency and business security is one of Bill’s passions. Reach Bill at wwalter@gma-cpa.com or 410.685.5512.
Scene’s From July’s Direct Connect

A Rockin’ Time Was Had By All At

Photography By: Wolke Imaging
materials from extraction through to disposal.

- A large part of construction energy consumption comes from the manufacturing of materials used in the building process. To offset and reduce this usage, look to low-impact building materials including recycled and repurposed materials.

- By using locally sourced lumber, construction firms strengthen the local economy and help decrease transportation costs.

Tell you suppliers you want to source sustainably and that you expect them to contribute toward your goals. By working with suppliers to develop a more sustainable supply chain, companies can cut costs, manage risk better, and add value to your brand.

3. Reduce Waste

A quieter part of the sustainability story is the evolution in construction techniques and materials acquisition that can reduce waste, energy and inefficiencies at building sites.

On one of our recent very large projects, the drywall subcontractor utilized drywall prefabrication to reduce waste material and labor costs by approximately 10%.

One sustainable material trend in the construction industry is the use of modular buildings. They decrease construction times and minimize waste. The components of these systems are also durable and built to last, so they can be continually re-used and recycled.

- **REUSE FIRST.** When possible – ask your subcontractors if they can take extra stock back to their shop. Some construction firms have storage for extra supplies that can be reused on other projects.
  
  o For renovation projects, include a list of local organizations who can take reclaimed materials. They may pick up for free or even pay you for them!

- **RECYCLE NEXT.** In today’s construction projects, it is common to divert 75% or more construction waste. If you have a project renovation, used acoustical ceiling tiles and carpet can be recycled if there’s proof of no hazardous materials. For example, one ceiling tile manufacturer will deliver a tractor trailer to your project site during the demolition for used ceiling tiles and take the load away for no cost.

  o Make it easy for your subcontractors to recycle by clearly labeling containers and putting them in the right place. Have an agenda item about construction waste for your weekly job site meetings.

4. Use Energy Efficient Equipment & Vehicles

While much of the pollution emitted from construction sites comes from the building process itself, efficient energy management of on-site offices and equipment is an important consideration.

- Use temporary site buildings with an energy performance certificate (EPC) rating of A, B, or C to reduce energy usage.

- Considering an on-site combined heat and power (CHP) system to transition towards more energy efficient or renewable alternatives to traditional site power.

- Use electric vehicles or hybrid trucks

- LED battery floodlights

- Procure super-low noise construction equipment that complies with Tier I emissions regulations

5. Stand Out with a Green Building-Certified Staff

Training is what sets a competent contractor apart from the rest. Show your clients that your staff has gone the extra mile with LEED Green Associate, a Green Globes Professional, or a LEED AP with designation (LEED AP BD+C). Find out more here: [https://bit.ly/2uS7yuW](https://bit.ly/2uS7yuW)

Diana Gutierrez, MS Civil Eng., LEED AP BD+C
Sr. Sustainability Specialist
Straughan Environmental, Inc.
dgutierrez@straughanenvironmental.com

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If you finance a purchase through a bank, a down payment of at least 20% of the cost is usually required. This could tie up funds and affect your credit rating.

**Important note:** If you decide to finance fixed asset purchases, be aware that the TCJA limits interest expense deductions (for businesses with more than $25 million in average annual gross receipts) to 30% of adjusted taxable income (ATI) for tax years starting in 2018. Any excess can be carried over indefinitely. In addition, when computing ATI for tax years beginning in 2022 and beyond, deductions for depreciation, amortization and depletion won’t be added back. This transition rule could significantly increase ATI for a business, resulting in a lower interest expense deduction limitation after 2021. Be aware that this complicated provision is subject to several exceptions. Contact your tax advisor about your situation.

In addition, when you own an asset, you run the risk that it could quickly become outdated or obsolete. It may be difficult to unload the equipment at a reasonable price, not to mention the headache of trying to sell it. For example, if you buy computers costing $5,000 today, they could be worth only $1,000 or less in just three years.

**Pros of Leasing**

From a cash flow perspective, leasing can be more attractive than buying. But the tax benefits for leasing may not be as valuable. And you don’t own equipment at the end of the lease term. So, if you want to replace the asset when the lease is up, you’ll face the leasing vs. buying decision all over again. But this could be a good thing if an asset is likely to become obsolete by the end of the term.

The main advantage is the upfront cost savings. For example, if you lease equipment with a five-year useful life, the first-year expense may be only 20% of the total asset cost. Typically, you won’t have to come up with a down payment for a leased asset (although there are exceptions, including some vehicle leases). In turn, the funds you retain by leasing an asset, rather than buying it, can be used for other purposes and to improve business cash flow.

Of course, your business is entitled to a tax deduction for annual lease payments, but you miss out on Sec. 179 and bonus depreciation deductions. Although there are some nuances, lease payments are generally tax deductible as “ordinary and necessary” business expenses. As with ownership of vehicles, annual deduction limits may apply.

Beyond taxes, leasing may be a more viable option for companies with questionable credit ratings, limited access to bank financing or limited cash reserves. And, in today’s competitive leasing market, leases with favorable terms are common.

**Cons of Leasing**

Leasing does have drawbacks, however. Over the long run, leasing an asset may cost you more than buying it, because you’re continually renewing the lease or acquiring a new one. For example, a top-of-the-line computer that normally costs $5,000 might run you $200 a month over a three-year lease term, or $7,200. After all, leasing companies have to make profits, too.

Leasing also doesn’t provide any buildup of equity. At the end of the lease term, you get nothing back, whereas buying might result in some return on a resale.

What’s more, when you lease, you’re generally locked in for the entire lease term. So, you’re obligated to keep making lease payments even if you stop using the equipment. In the event the lease allows you to opt out before the term expires, you still may be forced to pay an early-termination fee.

**Decision Time**

When deciding whether to lease or buy a fixed asset, there are a multitude of factors to consider, with no universal “right” or “wrong” choice. With assistance from your tax and financial advisors, you can take the approach that best suits your circumstances.

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Coming Attractions?

Of course, the experiences seen in Colorado, California, Oregon, etc., may be repeated in other states as they enact their own laws – and many of them appear to be jumping on the bandwagon. According to CCIM, there are currently 31 states that permit medical marijuana. Alaska, Colorado, Maine, Massachusetts, Nevada, Oregon and Washington currently permit recreational use of the drug.

So how are SIORs in other areas preparing for the future? “The biggest challenge is locating the properties that can operate due to ownership, state/county laws and location restrictions,” says Allan Riorda, SIOR, president and principal of Lee & Associates, Columbia, Md. “Those that typically arise are in zoning, neighborhood/political opposition, and location requirements from churches, schools, etc.” However, he adds, he has done business in this area.

Medical marijuana was legalized in 2015, he notes. “Laws were tweaked and modified so that in late 2017 the first dispensaries were open (there are now 102) and growers are delivering product,” Riorda adds.

Perhaps because of its proximity to Washington, D.C., the sites approved for any marijuana grower or dispensary are limited due to it still being illegal on the federal level, says Riorda. “This eliminates any publicly held companies from entering into a lease. Buildings that are financed can also be precluded from being leased as well.”

As a result, he says, the dispensaries are located in smaller “strip centers” or freestanding locations – either in a lease or sale situation. “The sales we have seen have been all-cash,” says Riorda. “The growers are well funded.”

Growers have either leased or purchased facilities that are +/- 40,000 square feet and have invested substantial dollars on the infrastructure, he continues, adding that in multi-tenanted buildings, there has been “push back” from neighboring tenants.

“The biggest challenge is locating the properties that can operate due to ownership, state/county laws and location restrictions.” “From an industrial market standpoint, the growers can operate in a B or C class building as loading, lower ceiling heights and narrower column spacings are typically not a deterrent from an operational standpoint,” Riorda observes. “The grower’s building requirements are usually the amount of electrical service that is available.”

As to Lee & Associates’ approach to this market, Riorda says, “We strive to provide a high level of service to them as we do with all clients.”

The status of marijuana laws in Florida is “somewhat in limbo,” says Kenneth E. Morris, SIOR, CEO and president of Morris Southeast Group, based in Weston. “We have legislation that allows for a specific strain of non-euphoric medical marijuana called ‘Charlotte’s Web,’” he shares. “The state has restricted [the issuing of licenses] to five very, very large agricultural concerns.”

This is “really a shame,” he continues, “because the demand pattern is here. A lot of local municipalities are open to having cannabis-related industries.” While there really is no market yet, Morris is preparing for the possibility. “I’ve talked to several doctors getting their licenses ready to prescribe, but it’s still very nascent,” he says. “A perceived monopoly for only five or so is not good; a lot of people want to be in the business.” He also notes, “At the federal level the current administration is not cannabis-friendly.”

Still, Morris says he is “basically cataloging buildings in markets where I think it will work.” He has also spoken to several zoning officials to determine if they are “up for it” or not. “I know what areas would and would not be good,” says Morris. “Finding real estate, at least for the first wave, will not be hard; we’re just not there yet.”

Noting, as Kluck did, the drop in prices, he’s also pretty clear on the types of businesses that will work, and which will not – the implication being that the “weed rushes” of Colorado and California may no longer be able to be replicated. “The price of flowers has dropped from $1,700-$1,800 a pound to $1,000-$1,100, which is affecting business,” he observes. “The real money will not be made in growing but in processing for edibles and ointments. That’s where the real money is going to

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• **Financing**—Established construction companies often have large amounts of heavy equipment. This equipment is often paid for and fully depreciated, but it still has substantial value. Contractors may need to have the equipment valued for purposes of refinancing or securing new debt.

You may also need to have your company valued in order to obtain financing when you’re securing debt with the stock of your company or for financing faster growth and expansion than you could achieve through internal financing methods.

• **Mergers or Acquisitions**—If you plan to merge your company or simply acquire another company, you need to know the relative fair market values of the business enterprises concerned for financing or exchange of stock purposes.

• **Going Public**—Since sales to private equity groups are more likely today, public stock offerings are becoming less commonplace in the construction industry but are still possible.

You would be required to have the company valued for purposes of establishing a share price and to negotiate a fair price with the underwriters.

• **Retirement Planning**—Your long-term goal may be to comfortably retire on the proceeds of selling your company. A periodic update of the value of your company would be very useful.

• **Measuring Your Return on Investment**—Owners of closely-held businesses will only seldom commission an evaluation of the return on their invested equity.

But if your company were valued at, for example, 52 million, and produces a pre-tax profit of only 550,000 per year, your return on investment would be 2.5% per year.

In cases such as this, selling the business and investing the money may make better sense than risking your equity for such a low rate of return.

**Indirect Benefits**

When you engage with a qualified industry valuation expert to value your business, what you learn may surprise you.

For instance, you may perceive strengths or weaknesses that were previously overlooked in the day-to-day operation of your business. Having this information could ultimately increase the value of your company if you make changes to your operations that improve profitability or management ability.

Also, sureties are increasingly concerned with these same issues of profitability and management. Many bonding companies are beginning to require a continuing business plan, including a business valuation.

Why are sureties instituting this requirement? They’re concerned that the impact of a large estate tax bill, combined with the loss of management, could affect the ability of the construction company to remain profitable or stay in business if the principal should pass away.

**The Mechanics of Valuation**

Each business is unique — especially construction companies.

Even though all contractors are classified as construction companies, the business of a general contractor is very different from that of a trade contractor, such as an electrical contractor or mechanical contractor.

Putting a price on a construction company is complex. Cost, income and market data must all be considered to form an opinion of value.

Each of the following approaches has advantages. A valuation professional will usually use at least two, and perhaps all three, approaches.

• The **Cost Approach** will look at how much it would cost to reconstruct or replace your company (or certain assets that are part of it) with another of similar attributes.
When applied to the valuation of owners’ or stockholders’ equity, the cost approach requires a restatement of the balance sheet that substitutes the fair market values of assets and liabilities for their book or depreciated values.

- The **Income Approach** looks at the present value of the future economic benefits of your company. That future is then discounted at a rate commensurate with alternative investments of similar quality and risk.

- The **Market Approach** measures the value of your company (or its assets) by comparing it to similar companies that have been sold or offered for sale. This information would usually be compiled from statistics for comparable construction companies.

Where the price represents a majority interest, higher value is recognized and reflected in a higher price or a premium paid. However, the value of a closely-held company or its stock must reflect its relative illiquidity compared to publicly traded companies; a discount (a reduction in the indicated marketable value) is made for this factor.

**Planning for Your Future**

A question for you to consider…….do you know how much your construction company is worth? Knowing and monitoring the value of your company should be an important part of your annual business plan to help you establish goals and guide your decisions and actions.

With so many reasons to know the value of a company, having an annually updated valuation is becoming more and more commonplace. A good business person always knows his position and options, so he can make in-formed decisions. Our firm has extensive experience with the special business planning needs of contractors and the various methods for conducting a valuation. Further, we can provide you with a valuation report.

Contact Aronson’s Tim Cummins or Bill Foote regarding any matters associated with the potential sale of an equity interest or valuation of your construction company.

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**Let’s See You At MCN’s September Direct Connect Including The Pre Direct Connect Presentation**

**Transiting Your Construction Business:**

“What Owners Need To Know”

A Roadmap For Business Owners: Navigating the sale of your company from start to finish.

Hayfields Country Club
September 20th - 4:30 - 7:30 p.m.

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This article was originally published in the “SIOR Report, Summer Edition 2018” and featured the contribution from five SIORS including Allan Riorda, Chad Boddez, Paul Kluck, Sandy Shindleman and Ken Morris.

Promoting and sponsoring initiatives that educate, enhance, and expand the commercial real estate community. The SIOR Foundation is a 501 (c)(3) not-for-profit organization. All contributions are tax deductible to the extent of the law.
7. In the event a suspicious process is spotted on your computer, instantly turn off the Internet connection. This is particularly efficient on an early stage of the attack because the ransomware won’t get the chance to establish a connection with its Command and Control server and thus cannot complete the encryption routine.

8. Think of disabling vssaexe.

This functionality built into Windows to administer Volume Shadow Copy Service is normally a handy tool that can be used for restoring previous versions of arbitrary files. In the framework of rapidly evolving file-encrypting malware, though, vssadmin.exe has turned into a problem rather than a favorable service.

If it is disabled on a computer at the time of a compromise, ransomware will fail to use it for obliterating the shadow volume snapshots. This means you can use VSS to restore the blatantly encrypted files afterwards.

9. Keep the Windows Firewall turned on and properly configured at all times.

10. Enhance your protection more by setting up additional Firewall protection.

There are security suites out there that accommodate several Firewalls in their feature set, which can become a great addition to the stock defense against a trespass.

11. Adjust your security software to scan compressed or archived files, if this feature is available.

12. Disabling Windows Script Host could be an efficient preventive measure, as well.

13. Consider disabling Windows PowerShell, which is a task automation framework.

Keep it enabled only if absolutely necessary.

14. Enhance the security of your Microsoft Office components (Word, Excel, PowerPoint, Access, etc.).

In particular, disable macros and ActiveX. Additionally, blocking external content is a dependable technique to keep malicious code from being executed on the PC.

15. Install a browser add-on to block popups as they can also pose an entry point for ransom Trojan attacks.

16. Use strong passwords that cannot be brute-forced by remote criminals.

Set unique passwords for different accounts to reduce the potential risk.

17. Deactivate AutoPlay.

This way, harmful processes won’t be automatically launched from external media, such as USB memory sticks or other drives.

18. Make sure you disable file sharing.

This way, if you happen to get hit, the ransomware infection will stay isolated to your machine only.

19. Think of disabling remote services.

Otherwise, the threat could rapidly propagate across the enterprise network, thus calling forth serious security issues for the business environment if your computer is a part it.

For example, the Remote Desktop Protocol can be leveraged by the black hat hackers to expand the attack surface.

20. Switch off unused wireless connections, such as Bluetooth or infrared ports.

There are cases when Bluetooth get exploited for stealthily compromising the machine.

21. Define Software Restriction Policies that keep executable files from running when they are in specific locations in the system.

The directories most heavily used for hosting malicious processes include Program Data, AppData, Temp and Windows\SysWow.

22. Block known-malicious Tor IP addresses.

Tor (The Onion Router) gateways are the primary means for ransomware threats to communicate with their
C&C servers. Therefore, blocking those may impede the critical malicious processes from getting through.

Since ransomware is definitely today’s number one cyber peril due to the damage it causes and the prevalence factor, the countermeasures above are a must. Otherwise, your most important files could be completely lost.

The key recommendation, though, is the one about backups – offline or in the cloud. In this scenario, the recovery consists of removing the ransom Trojan and transferring data from the backup storage.

Currently, dealing with the consequences of ransomware is not very promising from the file decryption perspective. That is why thwarting the virus attack can save you a pretty penny and guarantee peace of mind.

Finally, while David nailed the top tips on Prevention of ransomware, good common sense in a security system that involves endpoint firewalls, anti-virus protection, and employee training. Back up files daily and keep your software current will go a long way in preventing these attacks!

This article was originally published by David Balban, cybersecurity researcher, and modified slightly by Bryan Beauchamp, Director Business Development Electronic Data Solutions Inc.

Bryan Beauchamp is a 40 year Information Technology Consultant in end point solutions, document imaging and management along with knowledge in Cyber security

Electronic Data can help protect your voice, data and operating systems and software from attacks, as well as physical security with digital surveillance cameras and software to help keep your facilities safe. We also offer back up and disaster recovery solutions.
solution. Your goal is to get the prospect to open up and define their need or problem. You can then determine if your product or service meets their need. This is not always easy as prospects will often mask the real problem with better pricing or service, when the real issue might involve something personal that they will not readily reveal. If you are leading with product, features and/or benefits, you have missed the opportunity.

Sales vs. Marketing

These are very different and require different skill sets. Marketing today involves data science, budgeting, and research. We have heard of “driving the brand”; making prospects aware of who you are and what you do. Marketing also requires conducting research to identify prospects that would likely have a need for your product / service. In most cases, we are trying to identify prospects that have a problem with their current service provider. Creativity is also a valuable skill to look for in marketing.

Sales is the action-oriented piece that comes after a prospect is identified. They could have responded to a phone call, email, or asked a question on a website or blog. This is where the sales person must engage the prospect, determine the need, and see if the product or service meets their need. This is critical since we do not want to spend time or commit resources to a deal that is not likely to close. Highly successful salespeople are competitive and action oriented.

We must also determine if the person we are engaging has both the budget and authority to make a buying decision. What is the buying process? Make sure you are solving a problem with someone authorized to make a buying decision. Some of the most talkative prospects are ones that do not have the money or authority to make a decision.

Comparing to football, marketing and sales resemble the game plan (marketing) and on field execution (sales). Both are needed to win.

Many tools are available now that were not there in the past. Think of how you can up your game using today’s resources. How can you change your game to achieve better results?

“Every single person in every single company is either in sales or affects sales. Every single person in every single company is either in service or affects service.”

~ Jeffrey Gitomer
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didn’t contribute to the solution and so they have not bought in to it. One of the easiest, yet most impactful changes you can make to your organization is inclusion in the problem-solving process.

Teach everyone in your organization the process that your team will use. Then bring impacted team members into the room to solve problems as they occur. It doesn’t need to be everyone if it involves several departments, but you should have representation from each area in the room.

Two amazing things can come out of this. First, you may find as your team members become regimented with a universal problem-solving process, you will need to be involved less and less. Secondly, but most culture shattering for your organization, your team members will take ownership over the solutions and work tirelessly towards the end goal or solution.

Simple but Effective

The concept of having a problem-solving process and inclusion may seem incredibly simple but you would be amazed at how few organizations do this well. Master these concepts and you have a leg up on the competition and you’ll see an immediate boost to your organizational health.

Looking for great tools to help you implement these concepts? Here are some of our favorites:

Chapter 4, “How to Analyze and Solve Worry Problems” in Dale Carnegie’s “How to Stop Worrying and Start Living”.

Patrick Lencioni’s “Achieving Buy-In”.

About Advance:

Advance Business Systems helps organizations focus on their core mission by providing technology that can increase efficiency and effectiveness and services that eliminate the distractions that many organizations face. The right resources and a plan are critical to an organization achieving and exceeding their goals. Advance provides services such as IT planning and support that will take IT off your plate, keep you from worrying about data security and position your business for the future. Having the right business technology solutions in place, such as multifunctional copiers, interactive white boards and document management software, can greatly improve the flow of information through an organization.
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Ability to effectively present information and respond to questions from clients and customers

*Qualified candidates must be eligible to work for any employer in the United States
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Please contact: Conley Henderson about this position.

Do you have a job position you are looking to fill?

Contact Verna Regler to see how MCN can help.