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BULLETIN NO. 983

SUMMER 2010

Annual Meeting of MLA Members

Fall Fling Set For Nov. 4-5 in Kansas City

If you've attended the Fall Fling in the past, you probably already have the dates circled on your calendar: November 4-5. You already know that it's THE annual event to meet with other members, exchange ideas, learn new tips and techniques and simply "let go" for a couple of days – away from the pressures of every day.

Suppliers step forward to support the event so there's no registration fee for members. (Nonmembers pay \$225 per person.) And, we've negotiated a reasonable hotel rate of \$119 per night – so it's affordable and convenient.

We're bringing in three great speakers with upbeat topics to help you engage the future and meet your challenges head-on.

Thursday, November 4

8:30 a.m. – MLA Board Meeting, Hampton Inn & Suites Country Club Plaza

5:30 - 6:30 p.m. – Member meet-and-greet reception

6:30 p.m. – Dinner

Friday, November 5

7:30 a.m. – Breakfast and Annual Meeting – This is your opportunity to meet leaders from the National Association, hear an update of MLA activities, install and recognize the new MLA Board of Directors and hear about special association programs.

9:00 a.m. – Program (see page three for details)

Noon – Lunch sponsored by Federated Insurance

1:30 p.m. – Adjourn

Registration Information

To attend, all you need to do is register. Complete the registration form on page 14 and return it no later than Friday, Oct. 15. Let us know who is coming and we'll do all the rest. (You are responsible for your own hotel reservations, as needed, and transportation expenses.)

This meeting is sponsored by Federated Insurance, your suppliers and your Association. This will be a fun get-together and a way to thank members for their support and membership. The cost to members is their time and travel expense. We'll cover all the meeting expenses. (Nonmembers may attend for \$225 per person.)

Hotel

Our headquarters hotel is the Hampton Inn & Suites Country Club Plaza – Kansas City. We were able to negotiate a fantastic rate of \$119 per night, single or double occupancy. Reservations may be made by calling the hotel at 1-816-448-4600. Guests must call before the Oct. 13 cut-off date and request the "Mid-America Lumbermens Association rate." On the cut-off date, rates will return to their regular levels.

Golf

Due to the timing of this event, we have not organized a golf event. If the weather looks favorable, you are welcome to arrange your own tee times in advance. There are many top-rated golf courses in Kansas City, and we'd be happy to help you arrange an outing. Just call Olivia at 800-747-6529.

Complete and return the registration form, found on page 14, by Friday, Oct. 15. See you in Kansas City!



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Are You Getting Our Emails?

Every two weeks, MLA sends an electronic newsletter to members and friends. If you're not receiving it, you're missing out on a lot of timely information, as well as regular legislative and regulatory updates.

Please send your email address to mail@themla.com so we can add you to the list so you'll get all our communications.

Information is an important benefit of membership and we don't want anyone to miss out!

Leading Through Adversity – Joe Calhoon

How you deal with adversity is one of the best predictors of your success in life. Just like sailing into a headwind requires specialized sailing skills, leading through adversity requires specific leadership skills. During this inspiring, entertaining, and practical presentation you will discover the 5 keys to overcoming adversity, the 4 steps to creating higher performing organizations, and the 6 ways to engage your employees and accelerate growth. Would it surprise you to learn that only 28% of the workforce is engaged? They are the achievers who make things happen. The majority – 54% – are not engaged; they are just putting in their time. An astounding 18% are actively disengaged; they are the destroyers who negatively impact their co-workers and the organization. As Mark Twain said, “Let us endeavor so to live that when we come to die even the undertaker will be sorry.”



60 Ideas in 60 Minutes – Craig Webb

ProSales Editor Craig Webb has visited building material dealers in just about every state, and during those travels he has turned up scores of ideas that you can use to improve your operations, sales, marketing and finances. In this rapid-fire presentation, he delivers 60 one-minute descriptions of the best of those ideas. Even if what you're hearing now won't appeal to you, wait a few seconds and the next idea might make this meeting your most valuable experience ever.



How to be Uncommon in a Common World – Dan Fesler, CEO, Lampert's

As Dickens once said “it is the best of times, it is the worst of times... we have everything before us, we have nothing before us.” This program will identify what you need to do to be successful in today's world and how to deliver outstanding customer service and mark yourself as a professional at the highest level.

We'll kick off the meeting on Thursday evening with a reception and dinner. You'll enjoy the meeting on Friday morning, which starts with breakfast and ends with lunch to get you back home in time for the high school football game or other weekend activities. Or, stay in Kansas City and enjoy a little get-away. Either way, make sure you're there!



2010 Building Material Operations Comparison

How Does Your Company Compare to Others? What Factors are Contributing to Your Competitor's Success?

The answers to these questions can be found in the Results from the 2010 Building Material Operations Comparison Program. Launched by LBM associations throughout the United States, this program has compiled data from more than 150 dealers throughout the nation! By comparing apples to apples, averages for more than 80 key business indicators are now available, enabling you to make the best decisions for your company.

Stop guessing and start making informed decisions today!

Cost: \$500 - retail dealers only. Associates must contact Construction Suppliers Association at 678-674-1860 for price and order information.

To order, contact MLA at 1-800-747-6529.

Robert Uhler Joins MLA Staff

The Mid-America Lumbermen's Association (MLA) has announced the recent addition to their staff of Robert Uhler as the Association's Regional Manager.

Uhler officially joined MLA on Tuesday, August 24. He was previously with a well-known industry distributor. Being a 20-year veteran in the building industry, he looks to bring that experience to members in assisting them as a resource to their businesses. He is excited to work with the Board of Directors in reaching their current goals and working on the long-range strategic plan that they have set forth for the growth of the Association.

The new Regional Manager will have an overall objective to assist MLA members throughout the territory, participate in industry events and encourage membership and participation in MLA. His industry background combined with products and services available through the Association can provide the solutions to many dilemmas dealers face in their day-to-day operations.

Uhler may be contacted through the Association at 800-747-6529 or by email at ruhler@swassn.com.



Major Change in Lien Law Now On The Books

Dealers involved in the change process

On January 14, Governor Nixon signed HB 2058 into law which makes the most significant change in the Missouri lien law in decades. MLA has had involvement in this debate for over a year along with dealer involvement in three key meetings. Key to this was a call to arms from the St. Louis title companies who led the charge for reform, transparency and oversight into identifying who key personnel are on all residential jobs. (Commercial projects are not impacted by these changes.) As with all such matters, you simply don't get everything you want and with the wide range of stakeholders in the lien process, major changes are rare and usually not as significant as this.

However, the title companies made their point by threatening financing opportunities in the secondary market and that is when the homebuilders, bankers, realtors and MLA all got into the game. The housing market simply cannot sustain any more bad news than is already in the marketplace. These changes became law on Aug. 28, 2010. Listed below is an overview of these changes from our lien expert, Tim Davis, attorney. After reviewing these changes if you have questions, contact the MLA office and Tim will be glad to walk members through the changes.

Enforcing Mechanic's Liens - Missouri Timeline

Day 1 Determine who you are providing the material to for the project: the owner, general contractor or subcontractor.

- Determine what type of job you are providing the material to: Commercial, new residential, residential improvements or government.
- If you are contracting directly with the owner you must provide a notice, as set forth in RSMo 429.012, that its failure to pay could result in a mechanic's lien being placed on the property. The notice must be given at the time of contract formation or the first invoice, and must be substantially in the following form:

NOTICE TO OWNER

FAILURE OF THIS CONTRACTOR TO PAY THOSE PERSONS SUPPLYING MATERIAL OR SERVICES TO COMPLETE THIS CONTRACT CAN RESULT IN THE FILING OF A MECHANIC'S LIEN ON THE PROPERTY WHICH IS THE SUBJECT OF THIS CONTRACT

PURSUANT TO CHAPTER 429, RSMO. TO AVOID THIS RESULT YOU MAY ASK THIS CONTRACTOR FOR "LIEN WAIVERS" FROM ALL PERSONS SUPPLYING MATERIAL OR SERVICES FOR THE WORK DESCRIBED IN THIS CONTRACT. FAILURE TO SECURE LIEN WAIVERS MAY RESULT IN YOUR PAYING FOR LABOR AND MATERIAL TWICE.

- If you are contracting with a general contractor or a sub-contractor on a residential (owner-occupied, four units or less) *remodel*, you must get the signed consent of the owner, as set forth a written notice which shall include the following disclosure language in ten-point bold type:

CONSENT OF OWNER

CONSENT IS HEREBY GIVEN FOR FILING OF MECHANIC'S LIENS BY ANY PERSON WHO SUPPLIES MATERIALS OR SERVICES FOR THE WORK DESCRIBED IN THIS CONTRACT ON THE PROPERTY ON WHICH IT IS LOCATED IF HE IS NOT PAID.

- If you are supplying material for a public works project obtain a copy of the bond. The bond should be on file with clerk of the District Court.
- In the event you receive a Notice of Intended Sale, you should immediately send a letter to the Owner requesting the Owner's correct name and the correct legal description of the subject property. You must use this information to prepare a Notice of Rights to be filed with the Recorder of Deeds in the county where the property sits. This Notice MUST be filed no less than five days before the date of the Intended Sale, or you have no mechanics' lien rights.

Day 45 Begin to collect and organize all project information (contract, invoices, receipts) to provide an accurate accounting of what is owed.

Day 60 Forward account and project information to your attorney.

Day 90 Provide the required notice to the owner, bonding company, surety and general contractor of non-payment and potential claim.

Continued on next page

5 Months 20 days	If you are supplying material to a general contractor or subcontractor, a notice of your intent to file a mechanic's lien on the property must be served upon the owner.
6 Months	File mechanic's lien.
Add'l 6 Months	File Petition seeking to enforce the mechanic's lien.
5 Years From non- payment	File claim to enforce rights under bond.

Management Tips

Value Statements Open Prospects' Doors

By Bill Lee, BillLeeOnline.com

Professional salesmanship is critical to both growing sales and optimizing gross margins. So, salespeople – especially those new to the sales profession – take the time to read sales books, attend sales seminars and listen to sales albums will almost invariably outperform those that take a more casual approach to learning their profession.

A few months ago, I was conducting a sales training session for a Florida client. As we were working on how to open conversation with a prospect, an attendee raised his hand. When I recognized him, he said to me, "That kind of crap won't work in this market. All my customers and prospects want from me is the lowest price. When I'm successful at beating my competitors' prices, I get the order. When I fail, I lose the order. It's that simple."

Thinking to myself...no wonder this business has gross margin problems, I asked him, "How do you open conversation with a prospect?"

"I walk up to the prospect, introduce myself, shake his hand, and ask him if he will let me quote him on a few key products. Since most all prospects will let me quote them, I selectively quote a few prices that I know are below the market."

"Do you find that approach to be effective?"

"Not always, but I've never found anything that worked any better."

This kind of sales opening statement may make sense for a not-so-professional salesperson, but it shouldn't take a salesperson long to realize that such an approach is disastrous to a

company trying to optimize its gross margin.

I believe that progressive salespeople – those that wish to see their incomes grow – should be learning how to achieve higher levels of sales volume at higher gross margins by adding more value than the competition.

Good Value vs. Low-Ball Pricing

In the current market, a market where some of your competitors are committed to low-balling every quote in an attempt to build market share, you have little choice but to make sure the value YOU PERSONALLY have to offer overshadows the competition's low-ball pricing tactics.

Prospects are not stupid. It takes most prospects about two minutes to figure out when a salesperson is trying to "buy" their business. If salespeople are not trained to open conversation with a good value statement, it's extremely difficult to solidly dislodge a strong competitor.

Here is a value statement model that sales trainer Art Sobczak (www.businessbyphone.com) recommends: "Mr. Prospect, my name is Joe Wiggleton with ABC Company. We specialize in working with companies that wish to differentiate their businesses from their competitors so that they can get out of the pricing rat race."

(FYI - you can either use a positive statement as in the above example or a problem-solving statement like, "We specialize in working with companies that are looking for ways to improve their product's image and quality while still remaining competitive in the market. May I ask you a few questions to see if our services might be of value to you?")

Here is a template that you might use to practice this technique:

My name is _____ with _____. We specialize in _____. (Fill in blank with something your prospect is certain to wish to receive from a vendor or fill in the blank with something that your prospect is certain to want to avoid.)

I recommend spending some time on this technique and come up with a dozen or so unique benefits that you may use in different situations.

Be sure also to keep good notes to make sure that you remember which benefits you mentioned on your last call so you won't sound like a broken record on your next call.

Here's how I might use this technique in my business: "Mr. Prospect, my name is Bill Lee with Lee Resources. We work exclusively with owners and managers who are looking for ways to improve their bottom line. We help our clients measure individual performance and design compensation plans for key employees that reward them for increasing productivity. Among your managers and salespeople, how effective do you believe they are at optimizing their productivity?"

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CSA 2010 – Major Truck Regulatory Change On the Way

Art Brown attended a three-hour seminar facilitated by the Kansas Highway Patrol and the Federal Motor Carrier Safety Administration (FMCSA) to try to understand the CSA 2010 program that is under way for a nationwide launch at the end of this year. It would be impossible to print in this newsletter everything covered in a three-hour presentation, but this program is the largest change in truck regulations since 1992. Here are a few highlights:

CSA 2010 is an important initiative to improve the efficiency and effectiveness of FMCSA's enforcement and compliance program to achieve the agency's mission to reduce commercial motor vehicle (CMV) crashes, fatalities and injuries.

Carriers (all vehicles over 10,001 GVWR) will be required to establish a safety management cycle. Steps in this cycle include:

- Implementing policies and procedures in writing that cover a variety of safety and administrative issues
- Defined roles and responsibilities for all drivers
- Oversight for procedures regarding qualifications and hiring
- Extensive training and communication policies
- Effective monitoring and tracking
- Meaningful action as related to above matters

Contact the MLA office for hard copy details of the above bullet point items.

The three core components of the program that relate to this are:

- 1) New safety measurement system (SMS) - Allows for improved ability for earlier identification of demonstrated safety problems.
- 2) New intervention process - Employs an array of interventions instead of the current principal option, which is a labor intensive compliance review.
- 3) New approach to Safety Fitness Determination (SFD) - SFD would be tied to current safety performance, not limited to results of acute/critical violations from a compliance review.

No question safety is the name of the game and the shotgun approach of coming into a business and writing up citations as they see them are being replaced with a focus on specific criteria by the compliance auditors. More warning letters are part of the program, as well as softer touches

on the number of violations that can be cited. (Example: A bad front brake and bad rear brake would just be one violation - it is currently cited as two.)

Again, this is for all carriers at 10,001 pounds and above, which impacts almost all dealers and it really does not break any new ground in regulatory language; it simply amplifies a safety aspect of the regulations and shows that the target is safer vehicles and more responsible drivers. Look for future information about knowledgeable consultants and web sites for detailed information on how this program will be administered.

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Sunflower Shootout XXII – Memories, Fun and Camaraderie

The annual gathering of dealers and their suppliers was once again regaled at the Salina Elks Country Club where the shouts and laughter once again took place at the Sunflower Shootout golf tournament. CCM Countertop in Wichita walked off with top honors this year for the lowest score and, just as in the past, no one got a hole-in-one on the 8th hole (sponsored by Westfall GMC). Steve Wetter, Concordia Homestore, Concordia, won the driving contest and as such was the winner of the driver in the Neal Denno Memorial Driving Contest. The driver was graciously donated by PWD Inc. (formerly Pluswood). The ever present “Suds Squad” of volunteers was diligent in providing needed refreshments to golfers.

An outstanding Mexican buffet was provided at the end and enjoyed by grateful and hungry golfers. At the end of it all, most who participated probably didn't care what they shot or if they won much of anything. It was just good to once again get together and enjoy the day away from the office and rekindle old friendships and start some new ones.



MLA Regional Manager Art Brown with golf chairman Ray Mueller, Clark Lumber Do-It-Center, Herington, Kan., who have worked together for 22 years to facilitate the annual Kansas Sunflower Shootout.



CCM Countertops, Wichita, Kan., captures 1st place in this year's Sunflower Shootout. Pictured left to right: Brian West, John Hoag, Brent Traylor, and Kevin Sanborn.



The Kansas Social Activities Committee who facilitate the annual Sunflower Shootout golf tournament. Pictured back row (left to right): Ray Mueller, Chairman, Herington; Richard Varnadore, Wamego; Chris Cleaver, Chanute; Alan Bontrager, Junction City; Art Brown, MLA staff; Tony Jantz, McPherson, and Kevin Rasure, Goodland. (Not pictured, Curt Blevins, Hutchinson). Pictured front row (left to right): the “suds squad” volunteers who drive the refreshment carts: Susan Mueller, Herington; Rachel Cleaver, Chanute; and Joleen Jantz, McPherson.



The volunteers who facilitate the annual Sunflower Shootout enjoying the dinner the night before the big event.

Rural Housing Programs – In Hard Times There is Some Help to Get People Housing

There are a variety of programs available to meet the needs of housing for rural areas. As a dealer you certainly have a vested interest in growth in your community if not for the long term just for the fact that if there is housing, you're moving some sticks. Six such programs exist in Kansas. The one constant criterion in all of these programs is that they can only be utilized in non-metropolitan areas of 20,000 people or less. Here is a brief overview of each of these programs:

Single family housing direct loan program:

- Non-metropolitan area of fewer than 20,000.
- Available to individuals and families.
- Direct loan assistance.
- Applicants must be very low or low income. (80% of the median income) for the county.
- 33 year note; no down payment required.

Single family housing guaranteed loan program:

- Non-metropolitan area of fewer than 20,000.
- Individuals and families.
- Guaranteed loan up to 102% of appraised value.
- Applicants cannot exceed the moderate income level (115% of the median income) for the county.
- No down payment required/no Private Mortgage Insurance (PMI) is required.
- No maximum loan amount.

Single family home repair grant and loan program:

- The purpose is to remove health and safety hazards for owner-occupied single-family residences. Program's funds may also be used for general repairs and improvements.
- Again, 20,000 population or less as noted above.
- For individuals or families that own their own home.
- Grant applicants must be 62+ years of age and cannot afford repayment of a loan.
- Grant and direct loan applicants must be very low income (50% of the median income) for the county.
- Funds must be paid back in three years (grants) or 20 years for loans.

Multi-family housing direct loan program

- Again, the 20,000 rule or less population rule.
- This program provides financing of living units to persons with low and moderate incomes. These loans are primarily used to build, purchase or repair apartment-style housing. The housing must be modest in size, design and cost, but adequate to meet the tenants' needs. Monthly rent must be within limits that eligible occupants can afford to pay.
- Individuals, associations, partnerships, limited-partnerships, consumer cooperatives, profit corporations, non-profit corporations, state and local

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- agencies and trusts are all eligible borrowers.
- Direct loans are the financial assistance provided on a 30-year note with 50-year amortization.

Multi-family housing guaranteed loan program

- Non-metropolitan area of fewer than 20,000.
- This program is designed to increase the supply of affordable rural rental housing through the use of loan guarantees that encourage partnerships between USDA rural development, private lenders and public agencies. USDA rural development will issue guarantees on eligible loans made by Agency-approved lenders.
- Qualified lenders and housing providers such as corporations, limited liability corporations (LLC's) and partnerships.
- 30-year note with 50-year amortization provided by guaranteed loan.

Farm labor housing program

- Non-metropolitan area of fewer than 20,000.
- The purpose is to provide funding for the construction of new housing or to convert an existing structure(s) to provide affordable and adequate housing for domestic farm laborers. Grants may be available for economically depressed areas where there is an extreme need for such facilities, and a reasonable doubt exists that the housing cannot be provided within grant assistance.
- Farm workers, family farm organizations, state and local agencies and private broad-based organizations or non-profit organizations of farm workers are eligible for this program.
- Grants and direct loans are available.
- Grants can cover up to 90% of the development costs; loans are for 33 years at 1% interest.

These programs may not be for everyone everywhere, but if you have an interest, they are simply worth exploring and working with local interests in your community for your sake and theirs both.

Here is the contact information:

- USDA State administrative office
Topeka - 785-271-2700
- USDA Area 1 office
Hays - 785-628-3081
- USDA Area 2 office
Manhattan - 785-776-7583
- USDA Area 3 office
Iola - 620-365-2901

- USDA Area 4 office
Newton - 316-283-0370
- USDA Area 5 office
Garden City - 620-628-3081

Management Tips - cont. from page 5

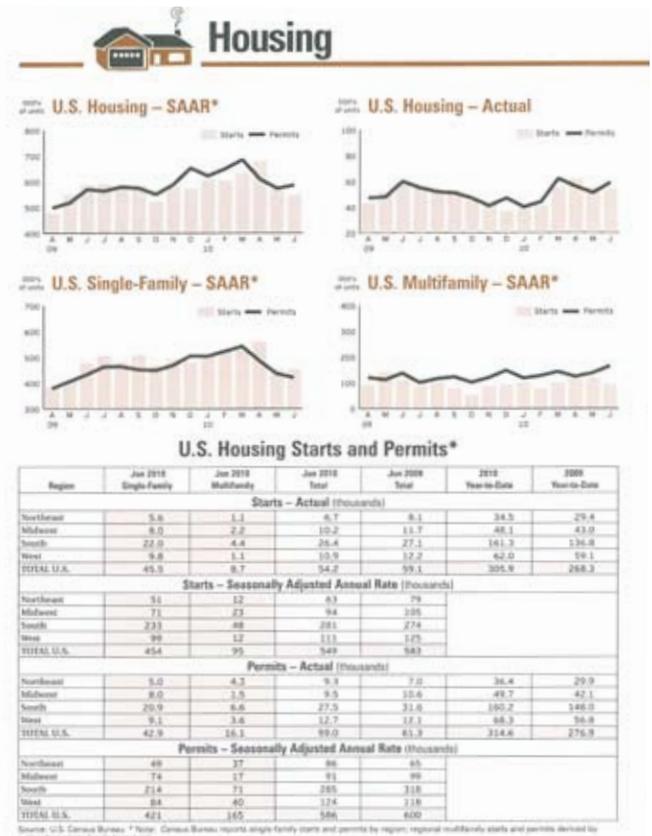
Or this: “Mr. Prospect, I consult with companies that are looking for ways to help their sales organizations grow sales and improve gross margin. What programs do you have in place now to improve the productivity of your sales team?”

Voice Mail Message

This kind of opening statement works equally well as an impressive message to leave when you make the decision to leave a message in a prospect’s voice mailbox.

Just like my prospects, your prospects are busy. But they all have several common interests: 1. Putting more money on the bottom line; 2. Solving their most pressing business problems; 3. Being more successful. Remember this: To be effective, your opening statement must answer the question: If I do business with you, what’s in it for me?

For more information go to www.BillLeeOnLine.com.



Housing Report is reprinted by permission of Random Lengths Publications, Inc., Eugene, OR. This information is from the July 2010 edition of their “Yardstick” publication.

Healthcare Reform Law: Timeline for Small Business

The new healthcare reform law will be implemented over much of the next decade. From 2010 to 2013, changes largely involve new taxes, fees and mandates on individuals and small businesses. Most healthcare system changes begin in 2014 and later years. This document presents a timeline of some major provisions.

2010

- **Small business tax credit:** A temporary small business tax credit is available for some firms who provide qualified health coverage. However, the credit puts small business owners through a series of complicated tests to determine the actual amount of the credit. (1) Very few small firms will receive the full credit (only firms with 10 employees or less). For firms with 11-25 employees, the credit is reduced per employee. Firms with more than 25 employees get NO credit. (2) Only firms who pay their workers an average of \$25,000 or less are eligible for the full credit. The credit is reduced as the average wage goes up, stopping when it reaches \$50,000. (3) Only firms covering 50% or more of insurance costs will be eligible. (4) The credit is only available for a maximum of six years. There are additional provisions for start-up firms beginning business after the enactment of this law.
- **Age 26:** Children may stay on their parents' policies until age 26.
- **Tanning salon tax:** A 10% excise tax on indoor tanning services begins July 1.
- **Economic substance doctrine:** The bill alters long-standing judicial doctrine in ways that could reduce tax-planning options and increase litigation.

2011

- **W-2 reporting:** Employers will be required to report employees' health benefits on W-2s.
- **Brand-name drug tax:** Manufacturers and importers of brand-name drugs will pay a tax of \$2.5 billion in 2011, \$3.0 billion per year for 2012 through 2016, \$3.5 billion for 2017, \$4.2 billion for 2018, and \$2.8 billion for 2019 and thereafter.
- **HSA & FSA limits:** Consumers are prohibited from using HSA and FSA funds to purchase non-prescribed items, including over-the-counter medication (except insulin).

- **HSA penalty:** The penalty for using HSAs for non-qualified purchases increases to 20%.
- **Federally subsidized long-term care:** Employers may voluntarily participate in the CLASS long-term care program. Participating firms' employees will be automatically enrolled and subject to payroll deductions unless they choose to opt out. This program will almost certainly cost the federal government far more than what the payroll deductions will cover.
- **Cafeteria plan safe harbor rules added:** Employers will have to meet minimum contribution requirements to receive protection from nondiscrimination requirements under cafeteria plans.

2012

- **1099 reporting:** Businesses will have to send Form 1099s for every business-to-business transaction of \$600 or more – a tremendous new paperwork burden for small business.

2013

- **Medical device tax:** Manufacturers and importers of certain medical devices will face a 2.3% excise tax.
- **Fewer deductible medical expenses:** New limits are placed on the deductibility of medical expenses on individual income tax returns. This provision raises the 7.5% AGI floor on medical expense deductions to 10%. The AGI floor for those 65 and older (and their spouses) remains at 7.5% through 2016.
- **"Medicare" payroll taxes:** The Medicare payroll tax on wages and self-employment income in excess of \$200,000 (\$250,000 joint) will increase to 2.35% and is not indexed to inflation. This tax marks the first time that funds designated for Medicare will be diverted elsewhere – specifically to pay for the insurance policies of people under the Medicare age. This establishes a precedent for treating this payroll tax as a revenue raiser for other purposes.
- **"Medicare" investment tax:** In addition to the payroll tax, there will be a 3.8% tax on investment incomes for higher-income taxpayers ("higher-income" is based on wage and self-employment income plus other factors).

Continued on next page

Like the payroll tax, these funds are officially designated for Medicare but will be spent elsewhere.

- FSA limits: Cafeteria plan FSAs will be limited to a maximum of \$2,500 (inflation-adjusted after 2013).

Source: National Federation of Independent Business

Thompson Lumber - Business of the Month

Maxine Thompson 92 years young and still in the game

Thompson Lumber, Marysville, Kan., was recently awarded the Business of the Month award from the Marysville Chamber of Commerce. A family business founded by Ty Thompson in 1957, it is one of Marysville's mainstay businesses.



Shown in the photograph is (L-R) John Howard, Marysville Chamber of Commerce; Bob Thompson, co-owner; Virginia Grifree, longtime dealership administrator; Maxine Thompson, widow of Ty Thompson, and at 92 years old still maintains a slot on the staff. Next to her is her daughter, Karen Dick, who with her brother, Bob Thompson, runs the day-to-day operation of Thompson Lumber Co.

One-Stop Online Resource Library Available to Federated Clients Includes New "Drug and Alcohol-Free Workplace Program"

Introducing Federated's Shield NetworkSM

Federated Mutual Insurance Company announces the development of Federated's Shield NetworkSM – an online risk management resource for our clients. It is designed as a one-stop source that offers our clients 24/7 access to risk management services and materials using the convenience and efficiency of the Internet. It offers access to Federated brochures, forms, signs, multimedia, and support, as well as a gateway to services provided by vendor partners who specialize in disaster planning, employment-related practices, employee screening, and employee training.

Federated's Shield Network devotes an entire section to our new Drug and Alcohol-Free Workplace Program with tools and materials to make implementation of a program simple and cost-effective. It offers help for either workplace or Department of Transportation programs, including policy statements, employee communications, training materials for employees and supervisors, instant testing devices, a laboratory network, and even legal consultation. A DVD is also available that helps impress the importance of dealing with this risk.

Federated's Shield Network serves as an enhancement, not a replacement, for the personalized service our clients currently receive from their local marketing representatives and risk consultants. It is another value-added advantage that supports our goal to help create risk management programs that are tailored to meet the individual needs of our clients.

Property and Casualty insureds can access Federated's Shield Network through our Web site at: www.federatedinsurance.com. For questions or assistance, contact your local Federated representative.

Federated Named to 2010 Ward 50® Top Performers

Federated Mutual Insurance Company and Federated Life Insurance Company have been named to the 2010 Ward's 50® lists of top performing insurance companies. Federated is one of only two organizations that have had affiliated companies named to both the property-casualty and life-health Ward's 50® group of companies every year since 2001. Ward Group® is a Cincinnati-based consulting firm specializing in the insurance industry. Each year, it reviews approximately 3,000 property and casualty companies and 800 life insurance companies.

Supply Channel Trends

Three reasons why purchasing from distributors may be one of your best bets in this economy

By Jim Schott

With tight margins and continuing pressure to cut costs, a question dealers frequently ask me is “Why should I buy from a distributor?” Naturally, LBM pros are looking at every aspect of their operations, and a common perception is that buying direct from manufacturers can help lower purchasing costs.

In some cases it may, depending on the product, the location of the nearest distribution center versus the manufacturer’s plant, and your relationship with the manufacturer. However, for many materials, working with a distributor provides a number of efficiencies and services that can help dealers better manage cash flows, capture new customers, and even get a more competitive price.

When evaluating your range of supplier relationships, ask both manufacturers and distributors all of your toughest questions, including how they can help you manage inventory, control costs and compete on factors beyond just price. As part of this evaluation, consider the following three key ways distributors can contribute toward your business success:

1. Free up cash through lower inventory.
2. Optimize operations with a breadth of materials from one source.
3. Differentiate from competitors with new products.

Success in these areas can help you survive and thrive during the housing downturn, and position your yard to respond quickly for business growth as the market rebounds.

1. Free up cash

We all know that “time equals money,” but an equally appropriate concept in retail is “inventory equals money.” Managing inventory well is critical to sustaining healthy cash flows.

As dealers experience firsthand every day, getting inventory levels right is a tightrope walk. Too little, and customers become annoyed when materials are out of stock or the selection is poor. Too much, and critical cash sits tied up in the yard for unknown periods.

The average number of inventory turns per year for building material dealers is now around 6.5 – 7, down from approximately 8 in 2006 (see for example 2009-2010 LBM dealer benchmark data reported by the Retail Owners Institute, www.retailowner.com). While turning inventory rapidly is important in any economy, in an era of highly unpredictable demand, it’s especially critical.

Distributors can be an important supply channel partner for better matching inventory to sales. Rather than stocking high volumes in your yard, a distributor can in effect be an off-site (and off-balance sheet) inventory source.

Obtaining timely deliveries from distributors, of course, is critical. Among the dealers in the 2010 ProSales 100 survey, 95% offer same-day delivery to their customers. Because of the tight schedules most builders operate under, dealers are sometimes reluctant to push inventory levels down. Many distributors, though, now focus on just-in-time delivery, helping you get materials to customers quickly, without having to tie-up cash.

2. Optimize operations

By aggregating products from multiple manufacturers, distributors can help dealers streamline their business, and make it easier to enter new market segments.

In most cases, individual building product manufacturers offer a relatively narrow class of products, which can make the logistics of managing so many separate supplier accounts challenging, and create added labor and expense.

Distributors add value by researching product features and benefits, negotiating pricing, and arranging shipping and logistics – all of which can be time and resource consuming for individual dealers to undertake on their own.

Purchasing through a smaller stable of sources can be an important way to free up your team’s time for one-on-one customer sales, marketing and day-to-day yard operations. Product costs may also be lower since distributors can often obtain a better price by buying in bulk. Freight costs may be lower since they are able to combine multiple and diverse types of products into single shipments.

It’s also easier for dealers to build strong relationships when fewer suppliers are on the call list. A good distributor will provide a dedicated salesperson or team that can work closely with you and learn the specific challenges and opportunities of your business. Those experts can tailor product offerings to your yard’s unique capabilities and customer demands, providing you with the best solution, rather than just a workable solution.

Such support can potentially extend into opening up new market segments, which has been a key survival technique for many dealers in the battered housing market. ProSales reports that single-family construction (custom and production) now accounts for only 47% of dealers’ revenues compared to

Continued on next page

65% in 2006. Dealers have had to become increasingly well versed in remodeling, multi-family, commercial and institutional construction. Because distributors frequently work with multiple classes of builders and contractors, they can be an important resource in helping you diversify product and service offerings.

3. Differentiate from competitors

The down construction market has driven many dealers to focus on price as the primary point of competition. But fixating on price alone can often result in missed opportunities for growing both the top and bottom lines.

One valuable way dealers can stand above competitors is to help builders complete projects more efficiently by introducing them to new products that provide better performance, improved value, or reduced labor. Expanding your offerings and expertise can demonstrate to customers a strong commitment to work with them as a partner, rather than only as a seller.

To help grow business, many manufacturers have continued introducing new products, despite the recession. New specialty lumber, framing materials, or other innovative building products now coming to market may provide your customers with solutions to costly and time consuming challenges. Distributors can be a ready source of information on such new products and often will join with your sellers to help present these products to builders, architects and specifiers.

Looking ahead, one lasting change coming out of the current construction market is that pressures will continue – and perhaps increase – for building faster and more affordably without sacrificing quality. The entire construction supply chain will need to coordinate and innovate in support of this. By helping dealers preserve cash flow, simplify business, and open up new options, distributors can be an important resource for your business success.

Jim Schott is the Director of Specialty Products for iLevel by Weyerhaeuser. In addition to offering its own high-performance lumber and engineered wood products including TimberStrand® LSL, Parallam® PSL, Framar Series® Lumber and Pro Series™ Lumber, iLevel distributes building materials from other leading manufacturers, including cedar products, siding, trim, fascia, insulation, housewrap, plywood, and steel and concrete forming products. www.iLevel.com, 888-453-8358

What to Look for in a Distributor

- **Breadth of distribution centers** – Do they have the geographic reach to quickly and cost effectively fill orders at your location(s)?
- **Sales force expertise** – Does the sales team have detailed knowledge of the full range of products they distribute?
- **Scaling** – To what degree will they provide less-than-load orders or leverage bulk buying power to meet your operational and business needs?
- **Access to products** – Do they have supply chain relationships in place to allow direct access to both domestic and imported building materials?
- **Marketing support** – Do they offer national, regional and local marketing and product promotional assistance to help you grow your business?
- **Specialty services** – Can they provide just-in-time shipments, offer access to credit, and provide consulting or engineering expertise, as needed?

In Memoriam

Edmond Fiedler, former owner of D.S. Stuckey Lumber Co. in Wichita, Kan., and past president of the Kansas Lumbermen's Association died July 11, 2010. Ed was a World War II veteran serving in the Army. After the war, he graduated from the University of Kansas in 1949. He was Chief of Flagging and Communications with the Sports Car Club of America and former Sec./Treasurer of Porsche Car Club.



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Please complete and return no later than Friday, October 15, to:

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Hotel reservations must be made by Wednesday, October 13, to get the lowest rate.

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