

August 2002

Hamilton County Department of Inspections to Educate John Hester, P.E. will be our featured speaker on special night in September

There will be no formal meeting in August, but members and prospective members are encouraged to participate in this year's Ohio Valley NARI Golf Outing, August 8, 2002 at the Twin Oaks Golf Club in Covington.

The event is filling quickly, so if you haven't reserved your foursome (individual registrations gladly accepted), do so today!

Members and guests will be hitting the educational trail again in September, but on a special night, Wednesday, September 11th. Mr. John Hester, P.E. with the Hamilton County Department of Inspections has spoken to members and guests of Ohio Valley NARI for the past three years and has met with rave reviews each time.

John will answer frequently asked questions and review frequent mistakes that cause plans to be unacceptable or job sites to fail inspection. He will spend time with remodelers and suppliers to ensure projects run smoothly in Hamilton County.

If you have specific questions or situations you would like Mr. Hester to address, you can fax or email them to the Ohio Valley NARI office at cincinnati@naripro.org or 937.222.5794 and staff will get them to Mr. Hester in advance of his presentation.

NARI members are encouraged to bring a guest to show the remodeling community an example of the educational and networking exchange that takes place each month.

Tool swap was outstanding

For those not attending last month's Tool Swap and Picnic, you

missed a terrific event. While attendance was sparse (due in large part to too many vacations), the interaction was outstanding. Besides the usual networking, everyone brought tools and some wonderful deals were struck, allowing many members to leave with new toys.

Ohio Valley NARI wants to thank all of the events' participants, but especially Steve McCord, CR, Steve McCord Carpentry for being our grill master for the event. The weather cooperated as we had one of the nicest days of the summer.

As a bonus, participants were able to not only see Steve Zimmer's (Steve Zimmer Home Improvement) Harley-Davidson, but many got to actually touch it. Rumors of test drives have not been confirmed, however.



Call to RSVP

What: September Meeting
When: Wednesday, September 11, 2002
Where: Cincinnati Marriott North at
Union Center Boulevard
Time: 6:30 p.m.
RSVP: Ohio Valley NARI at (800) 498-NARI
Cost: \$20 (members) or \$25 (non-members)

Government affairs update from NARI

Asbestos suits climb

A plague of asbestos lawsuits not only threatens thousands of U.S. businesses and our economy in general, but are also starting to touch more than manufacturers, including contractors. In recent years, lawsuits have been multiplying at an alarming rate. The targets of asbestos lawsuits now have spread far beyond asbestos manufacturers to businesses that had absolutely nothing to do with the production of asbestos. Thousands of businesses are now in the crosshairs of asbestos litigation. And they range from huge multinational firms down to local small businesses.

With the growth in asbestos lawsuits has come a dramatic increase in the number of businesses being targeted for legal action. And as more and more firms are forced into bankruptcy due to asbestos litigation, the attorneys involved in bringing these cases have expanded their nets to ensnare businesses - many of them small businesses -- that had nothing to do with asbestos manufacturing.

The businesses named as asbestos defendants "are scattered across 44 of the 82 industrial categories used by the U.S. Department of Commerce, meaning that employers across more than half of the American economy now face asbestos liability."

To show that you do not have to be a big business to be targeted, according to Contra Costa Times (April 13, 2000), Allwood Door Co., which employes about 100 workers, faces

lawsuits because it sold fire-barrier doors that unknowingly contained asbestos.

The number of smaller businesses targeted in asbestos lawsuits stretches across the nation, including, for example, Connecticut roofing company, American Saturated Felt, Liberty Plumbing in Florida, the Aurora Pump Company in Illinois, and shingle manufacturer Bird, in Massachusetts to name just a few.

Debt, rate of return and business risk

All businesses make investments in both plant and equipment, and also in their employees. Depending on the type of enterprise, some businesses will have more invested capital than others. For example, a manufacturing oriented business will have substantially more hard physical capital invested than one devoted to service. No matter the type of business, the primary question remains the same. The question is—what is the purpose (or goal) of any business investment? The answer—the purpose of any investment is to increase the **net worth** of that investment.

Then, how do you accomplish this? This is accomplished by maximizing the return on invested capital. Unfortunately, therein lies the rub. By maximizing your rate-of-return on invested capital you also maximize your business risk—and also your competition. If you wish to shoot for high returns, then you have to accept a higher level of risk. If you can concisely take all the wisdom in the world and melt it down to a single sentence, it would read

Find CotY entry forms at www.naricincinnati.org

The chapter has worked hard to develop one of the best resources and lead generation systems for professional remodelers in the Cincinnati area. Visit www.naricincinnati.org for information, a listing of members, information for homeowners on how to select a profes-

sional and information about chapter activities.

Complete entry information, rules and guidelines for the 2003 Ohio Valley NARI Contractor of the Year contest is available on the chapter's website. Think about those jobs now and begin taking pictures. Visit often or email the office at cincinnati@naripro.org.

— there is no such thing as a free lunch. (Although, at times, it is possible to transfer the cost to someone else.)

If you are in the business world you have to accept risk. Business is risk. There is a difference, though, of shooting for the moon and taking a calculated risk. The financial debacles of both Enron and Global Crossing illustrate an important point. Both companies decided to utilize large amounts of leverage (debt) to quickly expand both their top and bottom lines. In their conceit they forgot one important rule when utilizing debt. Even the ancient Persians know that LEVERAGE IS A TWO-EDGED SWORD. When business conditions are in your favor, leverage can rapidly expand both your top and bottom lines.

Market economies are characterized by turbulence and chaos. They are not well behaved organisms. They aren't predictable. Most likely, it's not a question of will the environment change to adversely impact original plans, but when. When this happens, reverse leverage can cut you to ribbons.

The bankruptcies of Enron and Global Crossing plus the difficulties Tyco International encountered all were based on what they call corporate swagger. Assuming an optimistic business scenario, they all took on an enormous amount of debt to expand their businesses rapidly. Due to their overconfidence they did not ask the suitable question when they were ballooning their debt to equity ratios. This question is— if the market conditions change (they will), can we **manage** the burden of this debt without hitting the ropes and going down. If this question was initially asked, they and many others could have saved their stockholders and employees much grief. A business example that illustrates the role of investment suitability is the misadventure of Pacific Enterprises. In the 1980's Pacific Enterprises, a large utility holding company, bought the retail drug chain Thrifty Drug (now part of Rite Aid). The company thought they could easily transfer their expertise of managing a utility over to the

retail drug business. Bad decision! They overpaid for the retail drug chain by issuing a large amount of corporate debt. In addition, they knew nothing about the unique problems of managing a retail drug establishment. They simply got too far afield from their core business. Their losses started to grow and the company's stock value plummeted. Pacific Enterprises was forced to sell Thrifty Drug at a sizable loss. The investment they made in Thrifty was not a suitable one when compared to their core business.

The nexus between business risk and maximizing your rate-of-return is **suitability**. Suitability is the most important investment criterion whether on a personal or business level. Not only does it concern the investment that is made, but also how it is financed. Is it financed by taking on a substantial amount of debt or by equity capital (common stock or internally generated funds for example)?

Which one is for you? Debt is more risky, but allows for faster growth. Equity financing is not as risky and hence allows for more stable growth. Without asking yourself the question as to whether this particular investment is suitable to my operation, you may make reckless business decisions that do not mesh with sound financial management and your basic business philosophy.



Coming Events

September 11, 2002 - 6:30 p.m.

Membership Meeting at Marriott North
Speaker will be John Hester, P.E.

October 10, 2002 - 6:30 p.m.

Membership Meeting at Marriott North
Topic: Contractor Roundtable

November 4, 2002 - 5:00 p.m.

Deadline for 2003 CotY Entries

November 14, 2002 - 6:30 p.m.

Evening of Excellence at the Boat House
(tentative location)



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NARI PRO announces payroll processing discount to members

NARI PRO (Professional Remodelers of Ohio) announces an agreement with Paychex payroll processing services to offer members across Ohio a discounted fee. Paychex, which specializes in payroll processing services for businesses with 1 to 200 employees, provides payroll, payroll tax payment and human resources services.

Paychex has six state locations offering services to all of Ohio and more than 100 other locations serving hundreds of thousands of clients nationwide. Recently, Paychex announced an innovative Flexible Pay Package, which simplifies the account reconciliation process while providing employers a number of choices in the way they pay employees.

Payment options include, traditional paper checks, direct deposit or a payroll debit card. Funds are transferred from the employer's bank account in a single debit transaction making account reconciliation a one-step process.

Additional services offered through Paychex:

- New Hire Reporting
- 401(k) Recordkeeping
- Section 125 Plan Administration

• W-2 Processing

Paychex was founded in 1971 and is based in Rochester, New York. The company is a national provider of payroll processing, human resource and benefits outsourcing solutions for small to mid-size businesses. For more information about Paychex, visit their website at www.paychex.com.

To take advantage of the NARI member discount of 15% off payroll processing, visit the Ohio Valley NARI website's Members Only section at www.naricincinnati.org or call the office at 800.498.NARI.



THE NARI RENOVATOR

A Publication of the Ohio Valley Chapter of the National Association of the Remodeling Industry

The Ohio Valley NARI newsletter, *The NARI Renovator*, is produced by Ohio Valley NARI as a service and benefit to its membership. The organization's office is located at 136 South Keowee Street, Dayton, Ohio 45402; (800) 498-NARI or fax (937) 222-5794.

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