

MEMBER CONNECTION

A QUARTERLY NEWSLETTER FOR MBI MEMBERS

Fall 2008 | Volume 1, Number 1



MBI LAUNCHES MEMBER CONNECTION

The Modular Building Institute is proud to present the inaugural edition of our newsletter – *Member Connection*. This is the first in a series of quarterly publications that will discuss topics of interest for all of our members.

As the name *Member Connection* implies, the goal of this publication is to keep all our members connected with the latest information affecting the commercial modular industry.

This newsletter will provide you with up-to-date policy issues, financial outlooks, useful resources, MBI upcoming events and other valuable information. This printed newsletter is a supplement of the weekly eLINK which delivers more time sensitive news. By staying actively involved and informed, you can help us in our effort to effectively monitor legislation and trends.

We welcome any news that you would like to share (see pg. 7 for advertising opportunities). Items of interest can be submitted to aileen@modular.org for possible inclusion in future issues.

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MBI FIGHTS INDUSTRY THREATS

By Tom Hardiman, CAE

MBI Government Affairs Mission

To reduce, remove and eliminate unnecessary government interference and to promote industry favorable legislation and regulations allowing our members the opportunity to compete on a level playing field.

In 2008, MBI reviewed and monitored nearly 2,000 bills and hundreds of proposed regulations germane to our industry. We are actively working on the following:

Prison Industries

Perhaps the single largest challenge our industry faces in 2009 is the continual erosion of our market share by government

supported prison industry programs. In addition to the Federal Prison Industries program known as Unicor, all fifty states have a prisoner workforce program, primarily building office furniture and supplies.

However the federal program and state programs in **New York, California and Alabama** also build and provide modular buildings as part of their “rehabilitation” efforts.

In early 2008, the United States Congress addressed and corrected some of the unfair practices and adverse impact Unicor was having on private industries by requiring the agency to bid on proj-

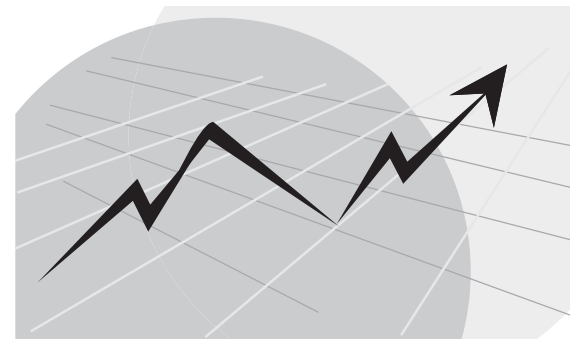
ects where they were deemed to have “significant market share” (5%+). For markets in which Unicor does not have significant market share (such as the modular building industry), the acquiring agency is required to conduct market research to determine if Unicor’s products are comparable in price, quality and time of delivery as the private sector. If Unicor is not comparable, the acquiring agency must solicit bids using an open and public process.

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Industry SNAPSHOT

2q2008



The Modular Building Institute (MBI) has partnered with Robert W. Baird & Co. (Baird) for the purpose of preparing joint industry surveys on the commercial modular construction market. The second quarter 2008 survey results have been released and demonstrate that companies engaged in the commercial modular construction industry are optimistic despite some concerns.

* Dealers reported a 14% growth in leasing revenues and a 12% increase in unit sales compared to a year ago. Lease revenue growth, fueled by an increase in rental rates, occurred despite a decrease in utilization of 150 to 200 basis points.

* Dealers remain positive about lease and sales growth for the upcoming year, expecting an 8% increase in lease growth and a 22% increase in sales.

* Regarding capital expenditures for the upcoming year, dealer forecast a 2% decrease over the next 12 months, which is significantly better than the 12% decrease dealers reported in the first quarter.

* Manufacturers reported a 14% decline in revenues during the second quarter compared to the prior 12 months, based on 11% fewer floors produced and 15% fewer floors shipped for the period.

* Manufacturers forecast a 3% decrease in revenues over the next twelve months, compared to a 2% increase reported in the first quarter.

OTHER LEADING INDICATORS

U.S. Department of Commerce – Construction Put in Place June 2008

Total private non residential construction increased 15.0% from June 2007

Total public non residential construction increased 5.4% from June 2007

Total residential construction decreased by 26.4% from June 2007.

Growth markets:

- * Lodging accommodation put in place increased by 32.8% compared to June 2007
- * Office construction increased 15.4%
- * Healthcare increased 10.6%
- * Educational construction increased 4.6%

Flat/Declining markets:

- * Commercial remained flat
- * Religious facility construction dropped 9.6% from June 2007

ARCHITECTURAL BILLINGS INDEX FOR JUNE 2008

The Architecture Billings Index is derived from a monthly “Work-on-the-Boards” survey and produced by the AIA Economics & Market Research Group. The findings amount to a leading economic indicator that provides an approximately six month glimpse into the future of nonresidential construction activity, with a score below 50 indicating a decrease in architectural billings. Overall, the ABI for June 2008 was below 50 for the 5th consecutive month. While billings were down, inquiries for new business rose back above 50, providing some optimism. Conditions improved in the Midwest to a score of 51 and the South with 50, but weakened in the Western United States.

Statistics Canada June 2008

Non residential (industrial, institutional, & commercial) building construction investment growth vs. June 2007:

- * Canada overall increased 7.5%
- * Quebec increased 10.3%
- * Ontario increased 10.0%
- * Alberta increased 12.9%
- * British Columbia decreased 7.0%



BAIRD

About Baird

Baird, established in 1919, is an employee-owned, international wealth management, capital markets, private equity and asset management firm with offices in the United States, Europe and Asia. Baird's principal operating subsidiaries are Robert W. Baird & Co. in the United States and Robert W. Baird Group Ltd. in Europe. Baird also has an operating subsidiary in Asia supporting Baird's private equity operations. Robert W. Baird & Co. is a member of the New York Stock Exchange and other principal exchanges and the Securities Investor Protection Corporation (SIPC). Robert W. Baird Ltd. and Baird Capital Partners Europe are authorized and regulated in the United Kingdom by the Financial Services Authority.

Look for 3rd quarter snapshot in a November eLINK

CALL FOR NOMINATIONS: MBI AWARDS



In 2008, Robert Kullman accepted the Hall of Fame award for his father Sam Kullman at the MBI 2008 awards banquet.

MBI recognizes industry leaders through awards programs like the Hall of Fame and Outstanding Achievement Award. We invite you to nominate individuals for these two awards.

Hall of Fame:

By establishing this award, MBI recognizes the contributions of those whose careers are or were dedicated to our industry or whose acts have had a significant impact on the careers of all others involved. While we salute lifetime achievement, we also acknowledge there may be individuals who via a single breakthrough achievement contribute so tremendously to the industry that recognition is deserved. MBI member company employees nominate individuals for the Hall of Fame by October 31st. Nominees are reviewed by the nominations committee, which recommends inductees to the board of directors. To be eligible, nominees must have accomplishments in all four criteria. MBI staff or the nominations committee may contact you for additional information. Inductees will be notified by January 15th and will be formally inducted at the annual convention. MBI will waive the convention registration fee for the inducted candidate and one guest.

Outstanding Achievement:

This award is given annually to one individual in honor of his or her exemplary contribution and service to the commercial modular buildings industry and in particular to MBI. MBI member company employees nominate individuals for the award by October 31st. Nominees are reviewed by the outstanding achievement committee and must have accomplishments in both criteria. A recipient will be notified by January 15th and will be formally awarded at the following annual convention. MBI will waive the convention registration fee for the awardee and one guest.

How to Nominate:

Email MBI executive director Tom Hardiman (tom@modular.org) for a Hall of Fame and/or Outstanding Achievement nomination form. Submit completed forms by mail, fax, or email to MBI Headquarters. Submissions in electronic form are encouraged. Phone nominations will not be accepted. Nominations must be received no later than 4:30 pm on October 31, 2008.

Nominations should be sent to:

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| Year | Recipient | Company |
|------|--------------------|----------------------------------|
| 2008 | A. V. Williams | Williams Mobile Offices |
| 2008 | S.D. Southern | ATCO Structures, Inc. |
| 2008 | R.D. Southern | ATCO Structures, Inc. |
| 2008 | Sam Kullman | Kullman Industries, Inc. |
| 2007 | John Harty | PBS Building Systems |
| 2006 | Bruce McDonald | McDonald Modular Solutions, Inc. |
| 2005 | Sid Braaksma | Northgate Industries Ltd. |
| 2004 | Pat Geary | Geary Pacific Supply |
| 2004 | Ray Tyson | Tyson Corporation |
| 2004 | Roland Undi | Evergreen Mobile Company |
| 2003 | Bernie Brouwer | B & R Sales and Leasing |
| 2003 | Bob & Jean McNeil | NRB, Inc. |
| 2003 | J.F. (Jack) Toboll | Sioux Falls Structures |
| 2002 | Barry Gossett | Williams Scotsman/Pascal-Turner |
| 2002 | Harold Kullman | Kullman Industries |
| 2002 | Otto Miller | Miller Building Systems |
| 2002 | Don Rasmussen | Modern Building Systems |
| 2002 | Kenneth Sommer | Sommer's Mobile Leasing |
| 2001 | Randolph Bard | Bard Manufacturing Co. |
| 2001 | Don Carlson | Automated Builder Magazine |
| 2001 | Lowell Stanley | Coastal Trailer Corporation |
| 2001 | Junella Stanley | Coastal Trailer Corporation |

PLEASE JOIN US IN WELCOMING MBI'S NEWEST MEMBERS:

Advanced Modular Mfg.

Ayd Transport

B&B Rentals Inc

BCT Structures

Daley-Hodkin, LLC

Denille Industries Ltd. o/a Auburn

Diamond Builders, Inc.

Donaldson Enterprises

DRC Emergency Services

eGreen Corporation

Envision Prefab, LLC

EZ Systems

FoundationWorks, Inc.

Four Lane Manufacturing & Leasing

Freeport Homes Ltd

Keith David Building Solutions, Inc.

Maxim Manufacturing Inc

MBSI, LLC

Mecalfab Ltd

Modern Industrial Structures Inc

Moduline Industries Ltd

Pacific Development Solutions, Inc.

Paragon Steel

Prevost Construction Inc

Proteus On Demand Facilities

Purdy and Lanz Marketing Corporation

S & E Building Services Inc

Trachte, Inc.

Travelaire Canada Ltd.

World Wide Homes Inc

ZETA Communities



2009 world of modular



Get complete information at modular.org under calendar

Annual Convention & Tradeshow • Red Rock Resort, Spa, & Casino • Las Vegas, Nevada • March 28-31, 2009

MBI FIGHTS INDUSTRY THREATS (cont.)

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This is not the case for state programs. For example, New York law requires other state and local agencies to purchase from Corcraft any needed products that it produces. Only if Corcraft is unavailable to produce the product can the public entity turn to the private sector.

The risk is two-fold; that these agencies will expand their modular operations in states where they already exist, and that other states will begin to include modular building programs in their business model.

Classroom Acoustics

MBI and its members, participating in a formal working group, have been active in the development of drafting an addendum to ANSI S12.60-2002 Classroom Acoustics Guidelines. The original standard was adopted in 2002 and set forth certain acoustical performance guidelines for schools to adhere to. While the standard itself is voluntary, it has been adopted in a few parts of the country and by certain departments of education, primarily in the northeast United States.

Of concern to the modular industry was the fact that the standard did not consider relocatable classrooms when originally drafted. Many provisions in the current standard are site specific and therefore difficult if not impossible to comply with for our industry. Further, the standard calls for a maximum indoor background noise level of 35 decibels, while other more widely accepted programs such as LEED for Schools and the Collaborative for High Performance Schools (CHPS) call for a background noise level of 45 decibels with additional points awarded for achieving 40 dBA and 35dBA.

For those not familiar with decibel ratings, they are logarithmic not linear, meaning

a 10 dBA reduction from 45 to 35 is not equivalent to a 22% reduction in noise level. To achieve a 3dB reduction, you must cut the noise level in half. To achieve another 3dB reduction, that reduced noise level must be cut in half, and cut in half a third time to get from 45 to 36dB. MBI has been working with the Acoustic Society of America for the past two years to draft an addendum to this standard that can be more readily applied to the relocatable market. Approximately ten industry participants as well as the MBI Executive Director (serving as Co-Chair of the working group) have spent countless hours on this issue. We anticipate having a draft of the addendum available in late November for the full working group to consider. If approved by the working group, the draft will be submitted to the ASC S12 Committee on Noise for consideration and approval. If approved, this addendum will be incorporated into the current standard and become effective where the current standard applies. Currently **Connecticut** is the only state that has adopted the standard in its entirety, and none have done so since the inception of our working group two years ago.

Unfair Taxation of Modular Buildings

It seems as if every state and province addresses the taxation of modular buildings a little differently. Some apply a sales tax to the entire cost of the building, but provide relief in the form of a “deduction” usually equivalent to 30-40% of the value of the building. Other taxing agencies apply the tax rate only to the cost of the actual materials used in the construction of the building, similar to how the site built industry is taxed. However, some areas tax modular buildings on the full cost of the unit, materials and labor, with no deductions allowed, while comparable site built facilities are taxed only on materi-

als. Such is the case in **Ontario**. MBI has retained local representation to address the inequitable tax situation in Ontario and anticipates legislation to be introduced in late 2008 or early 2009. MBI is also addressing a confusing and cumbersome tax structure in **Arizona** and will likely continue meeting with key stakeholders in that state.

Programmatic Issues

MBI regularly communicates with regulatory and administrative personnel throughout North America to deal with how our industry is governed. We have found that states and provinces with strong centrally-located approval and labeling programs work best for our industry. Additionally, regions that utilize the services of approved third party agencies improve the efficiency of programs typically short on staff and budgets.

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Problems occur in areas that do not have a central approval process as our industry is left at the mercy of numerous local code officials and their own interpretations and biases of the building codes. When possible, MBI has supported efforts for state level programs, as we did in **Louisiana** and are currently working on in **Pennsylvania**. We also work to improve what we consider “weak” programs or regions in which our members do not have a voice, such as in **Nevada**. Finally, there are opportunities to improve upon existing relationships and well functioning programs such as in **Alberta, Florida, New York, Texas, Indiana, Maryland, Virginia, and Georgia**.

Building Codes

Many of our industry issues stem from unclear or misinterpreted building codes. By now, most states follow the International Building Codes (IBC) or some form thereof. However, problems arise in those variations and with the local interpretations. Specifically MBI has seen two areas of the code more commonly misinterpreted; the section dealing with “moved structures” and the section regarding adequate plumbing facilities for buildings. The ICC seems content to allow the local code officials to interpret the code however they see fit, putting additional burdens on our factories and third parties. MBI successfully addressed these issues in 2008 in **Maryland**. We are also actively involved in code changes and implementation at the state level in areas like **California**. But at some point, it would be in the industry’s best interest to approach ICC with language to clarify these sections with regard to our temporary products.

Federal Oversight of Modular Industry

Another huge threat our industry faces next year is the very real possibility of massive multi-agency federal oversight. Brought on by the concerns over formaldehyde and other unsafe conditions in so called “FEMA trailers” used in Hurricane Katrina relief efforts, the Centers for Disease Control has spearheaded a multi agency initiative to address what they perceive as “unsafe conditions in manufactured structures”. The CDC, in conjunction with Housing and Urban Development, FEMA, The EPA, and possibly OSHA and the Consumer Protection Agency all have concurred that our industry doesn’t appear to have any singular federal oversight agency and that their agencies should collectively step in and fill that void.

As this is being written, these agencies are working on a document tentatively titled “How to Stay Safe in Manufactured Structures”. MBI has been asked to participate in this effort and will be given the opportunity to review the draft documents in October 2008. Early indications are not favorable to the industry, as these agencies have all but ignored the fact that not all manufactured structures are created equal or built to the same standards or codes. The CDC coalition seems to believe that the fact that our industry’s products are built to the same building codes as site built will be a beneficial piece of information that comes out as a result of this document. We believe that any document released by the CDC discussing safety in manufactured structures immediately implies that all manufactured structures are not inherently safe. We’re not convinced that many end users will read on past the title and will simply shun our industry as a result of this scare tactic. 

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Tom Hardiman, CAE

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ADVERTISING

MEMBER CONNECTION

The quarterly *Member Connection* Newsletter is published by the Modular Building Institute (MBI) to provide timely and newsworthy items about the commercial modular building industry. Coverage includes association news, legislative items of interest to our members, quarterly industry financial outlooks, a Bulletin Board section (containing short news items), calendar of events and other information related to the MBI and/or the modular industry.

The *Member Connection* Newsletter is generally 8 pages in length. Advertisement space is limited in all MBI publications so please reserve your ad space early.

SUBSCRIPTIONS:

All members receive a subscription to the Newsletter as a benefit of membership.

DISTRIBUTION:

- Mailed to all MBI member main and branch locations both national and international.
- Bonus distribution at MBI seminars and meetings held each year.

DEMOGRAPHICS:

Demographics include member CEO's, Owners, Branch Managers, and Sales Managers. Our regular membership includes wholesale manufacturers, direct manufacturers, and dealers of commercial modular buildings, while our associate members are companies supplying building components, services, and financing to the industry.

SCHEDULE:

| Issue | Deadline |
|--------|-----------|
| Winter | January 1 |
| Spring | April 1 |
| Summer | July 1 |
| Fall | October 1 |

AD SPECIFICATIONS:

- Full page and horizontal half page ads available in Black and White Only. All advertising material is subject to approval by the publisher. The publisher and printer will make every effort to correct inaccurate artwork, or electronic files. The publisher is not liable for quality of ads printed from faulty ad materials. While every effort is made for timely shipping and receipt of the *Member Connection* Newsletter, time-sensitive material is not appropriate for this publication.
- Advertising Material Electronic Files - Hi resolution, print-ready, black and white PDF files.
- PDF files must be distilled using the "prepare for print" settings. PDF files must have all fonts embedded and have all fonts subset below 100%. All images within the PDF must be high resolution (no less than 300dpi). Bleeds are not available.

PAYMENT TERMS:

Advertising fees must be received 10 days prior to the date of publication.

COST PER ISSUE:

Full-page: \$1000
7 1/8" x 8 1/2"

1/2 page (horizontal): \$500
7 1/8" x 4 1/8"

DISCOUNTS:

We offer a 10% discount for placing your advertisement in four consecutive issues of the newsletter.

RATES EFFECTIVE:

From 10/1/08 to 12/31/09.
Subject to change without notice.

Don't miss this opportunity to reach MBI members. For more information, contact Aileen Holland at 888-811-3288 x156 or aileen@modular.org



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CALENDAR OF EVENTS

LEADERSHIP CONFERENCE FOR MBI BOARD & COMMITTEES
 Hyatt Regency Hill Country
 San Antonio, Texas
 November 5-7, 2008

2009 ANNUAL CONVENTION & TRADESHOW
 Red Rock Resort, Spa, & Casino
 Las Vegas, Nevada
 March 28-31, 2009

2010 ANNUAL CONVENTION & TRADESHOW
 Rosen Shingle Creek
 Orlando, Florida
 March 6-9, 2010

View MBI's complete
 calendar of events from
 modular.org



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