

The *Electrical* CONTACTOR

THE OFFICIAL PUBLICATION OF THE FLORIDA ASSOCIATION
OF ELECTRICAL CONTRACTORS

Volume 2 Number 3
FALL 2006



DON'T MISS! FAEC Annual Convention

October 4-7, 2006. Duck Key, FL

DUCK KEY

PLUS:

- Spotlight on Coastal Electrical Company
- Transferring Your Company to Insiders
- "Grounding vs. Bonding" Part 2

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The *Electrical* CONTACTOR

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Mid-year and we're busy planning for the FAEC Convention October 4-7, 2006 at the beautiful Hawk's Cay resort on Duck Key. What a location! If you haven't been there before, you

won't want to miss this trip. Hawk's Cay is located about one and one-half hours South of Miami or about seven hours from Orlando. The property hosts a multitude of housing options and our room rate is applicable for several days prior to and after our Convention so you can make a real vacation out of this event.

Bring the family—there is an on-property "dolphin pool" where you can swim and play with the beautiful water mammals or just sit out by the tiki bar enjoying pine coladas. We have an excellent line-up of programming planned and our social events allow for lots of laughs and fellowship.

The draw-back at present is we've already used up the room block—it was gone in two weeks—so we've reserved some additional housing but, space is limited and once it's gone.....it's gone! So, while many of you have already signed-up, for those of you late registrants, you need to get busy with your reservations and registration with our office.

This year, we've held a variety of educational programs including a summer series that helped many of you get those last CE's prior to license renewal. Remember, this

year, if you don't have enough CE credits, you won't be able to renew your license.

You may have noticed over the past several months that our *Contactor magazine* has grown in size thanks to the content being contributed by many of our industry partners. We've also added a "Member in the Spotlight" section and invite any FAEC member to submit an article of one page length and a power point presentation including photos to our Publications Department, c/o Cheryl, and we'll be happy to make you the "Member in the Spotlight". This is open to all contractor and/or associate members. Let us hear from you.

The Board of Directors is once more looking for volunteers to come forward and to help us serve the industry. The Board meets quarterly; one at the spring conference, once at the annual convention and two miscellaneous times during the year at the Association's office in Casselberry. Perhaps you would consider donating some time to our industry? If you have an interest, please drop me a note or call me so we can put your "name in the hat". We look forward to seeing you all in October and want to thank all of our members who have helped make this year such a success for FAEC. Membership continues to grow with a better than 90% retention rate.

Hope to see you all at beautiful Hawk's Cay!

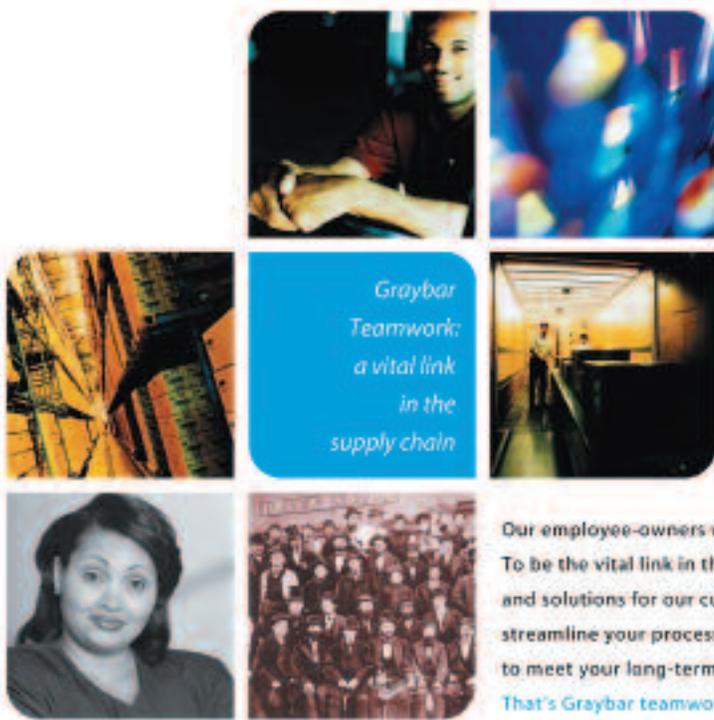
Janice

FAEC BENEFITS OF MEMBERSHIP INCLUDE:

- A Voice in the Legislative Process through a full-time lobbyist in Tallahassee.
- An Annual "Spring Conference" & "Fall Convention" offering Continuing Education classes relative to license renewal.
- The official publication of FAEC — The "Contactor" bringing you up-to-date on association information and industry news.
- A Group Major Medical Insurance Program.
- A General Liability Insurance Program.
- An Annual Membership Directory.
- "Legislative Alerts" distributed throughout the session to keep you abreast of industry concerns.
- The opportunity to interact with fellow contractors to share industry concerns and discuss industry issues.

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Florida Electrical Apprenticeship Program

By Jamie Furgate, Program Director



In 1986 the Home Builders Association cancelled their apprenticeship program, so a new industry group—the Mid-Florida Electrical Contractors Association—agreed to sponsor apprenticeship. Twelve apprentices graduated that first year. Soon after, Mid-Florida Electrical Contractors merged with FAEC and in 1987, Florida Electrical Apprenticeship & Training (FEAT) was formed as a separate entity.

Bob Kurr was the education director throughout the whole period of changing sponsors. Along with Roy York, they developed the first curriculum and laid the groundwork for FEAT. Several of us were brought in that first year to be interviewed as instructors by Bob, Harold Simmons, and Hank Ennen. Bob was an imposing man and being interviewed by Bob and Hank was an intimidating experience!

Apprenticeship is a partnership between Industry and Education. A Department of Labor Registered Apprenticeship Program cannot exist without the active participation and support of electrical contractors. From the beginning, Mid Florida Tech and Seminole Community College were active education partners with FEAT. By 1989, with the help of Dan Petro, we expanded to Westside Tech in Winter Garden. In 1999, FEAT formed a partnership with Osceola County Schools. From that first class of 19 students, the Technical Education Center of Osceola (TECO) has grown to 100 students.

It's been almost 20 years since Florida Electrical Apprenticeship & Training (FEAT) was formed in 1987. In that time, we've watched the program grow due to the support of the contractors, the electrical industry, and a dedicated group of coordinators and instructors. Today, FEAT is the largest single-trade apprenticeship program in Florida with over 500 apprentices.



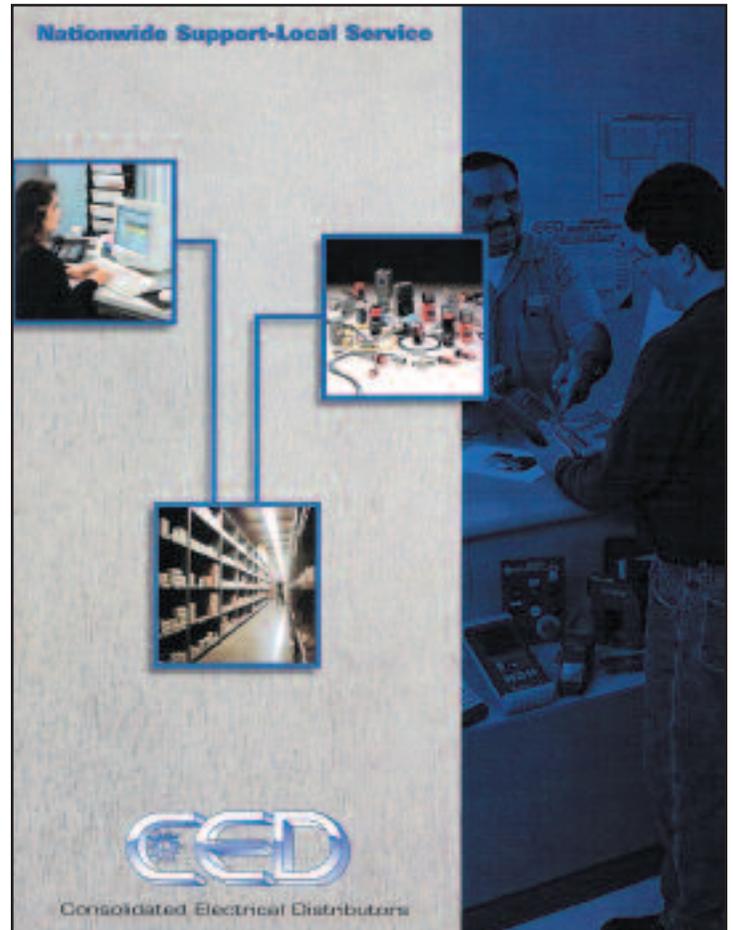
In the beginning, FEAT started with 30 Participating Employers. Bob always credited Buddy Eidel and Tri-City Electrical Contractors as the main driving force behind FEAT. Some of those original contractors are gone, but most are still in business and active in FEAT.

Clarence Wilson, one of the first FEAT instructors, taught Motor Control at Seminole Community College (SCC). Clarence would bring contactors and relays to the classroom in a brown paper shopping bag because we had no labs. The first Motor Control Lab at our office in Winter Park was quite an accomplishment. The room was so small, students had to walk sideways to get past the lab stations.

Over the years, the FEAT office has gone from a tiny rented office in Longwood, to half of a converted Cumberland Farm store in Winter Park to a wonderful old military building in the McCoy Annex. Finally, we had space to grow and build more labs—at least in Orange County. At SCC, we used shared classrooms. The Motor Control students from SCC had to drive to McCoy Annex in South Orlando for the whole semester (some from as far away as Deltona and Orange City).

In 2000 Orange County Public Schools built a building shell on the Mid Florida Tech Campus. Both contractors and suppliers pitched in with material and labor to build out the FEAT portion of the building that included offices, classrooms, and labs.

That same year, with a matching grant from the legislature, Associated Builders and Contractors, FAST (fire sprinkler apprenticeship), and FEAT contractors worked together to build a Construction Trades building on the SCC campus. Both those projects were the envy of apprenticeship programs throughout the State.



GROUNDING VERSUS BONDING

Part 2 of 2

By Mike Holt, NEC Expert

The general requirements for grounding differ from those of bonding

Article 250 begins providing grounding and bonding requirements in Section 250.4. It breaks these requirements down into two groups:

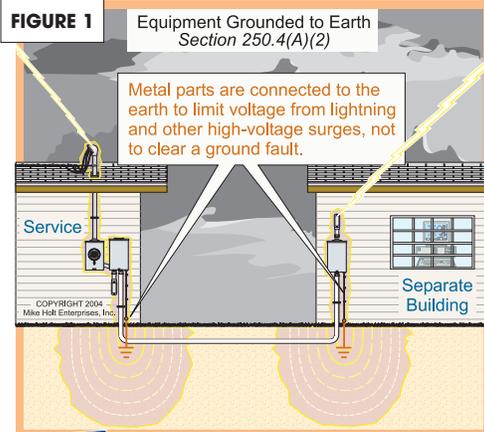
- Grounded systems (250.4(A))
- Ungrounded systems (250.4(B))

It may seem odd that the NEC has grounding and bonding requirements for ungrounded systems, but we'll explain that in a bit. However, 250.4 starts with grounded systems—so that's where we will start. The first requirement is for electrical system grounding—exactly what you won't find in an ungrounded system.

Grounding in grounded systems

The NEC requires you to ground (earth) system windings to limit the voltage imposed on the system from lightning (see sidebar, "Lightning and line surges"), unintentional contact with higher-voltage lines, or line surges. Another function of this earthing is to "stabilize the voltage to earth during normal operation" by providing a common reference point.

The NEC also requires you to ground (earth) metal parts of electrical equipment in or on a building or structure. See 250.24(A) for services and 250.32(A) for separate buildings or structures. You accomplish this grounding (earthing) by electrically connecting the building or structure

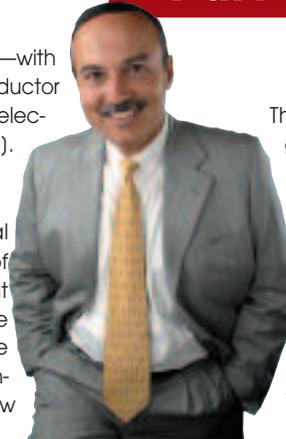
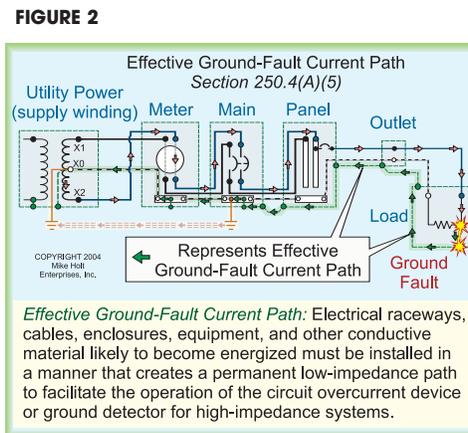


disconnecting means (225.31 or 230.70)—with a grounding (earthing) electrode conductor (250.64(A))—to a grounding (earthing) electrode (250.52, 250.24(A) and 250.32(A)). But, grounding (earthing) has limitations:

- Grounding (earthing) of electrical equipment doesn't serve the purpose of "providing a low-impedance fault-current path to clear ground faults." In fact, the Code prohibits the use of the earth as the sole return path—because it's a poor conductor of current at voltage levels below 600V (250.4(A)(5) and 250.45(B)(4)).
- Grounding (earthing) the metal parts of electrical equipment doesn't protect electrical or electronic equipment from lightning-induced voltage transients (high-frequency voltage impulses) on the circuit conductors inside the building or structure. Nor does it protect equipment within a structure from transients generated from other equipment in that structure.
- To provide protection from voltage surges, you must engineer a proper surge protection system. The design should address surge protection devices (Articles 280 and 285) at service equipment, panelboards, and critical loads. Also consider point of use surge protection in branch circuits (not covered by the NEC).

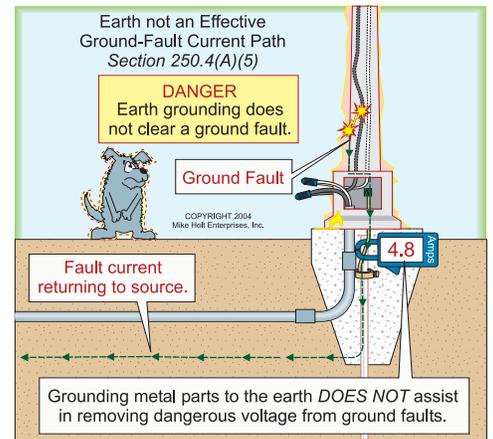
Bonding in grounded systems

An "effective ground-fault current path" is a permanent, low-impedance path for fault-current, and it facilitates the operation of the circuit overcurrent protection device (OCPD) (250.2).



The earth is not an effective ground-fault current path. Because the earth is a poor conductor, it doesn't permit sufficient fault current to flow back to the system winding to open the OCPD. Thus, a rod or concrete-encased electrode will not assist in clearing a ground fault (IEEE 142 Section 2.2.8)

FIGURE 3



A ground fault clears on a circuit through the automatic opening of the OCPD. The time it takes for an OCPD to open is inversely proportional to the magnitude of the fault current. Thus, the higher the ground-fault current value, sooner the OCPD will open and clear the fault.

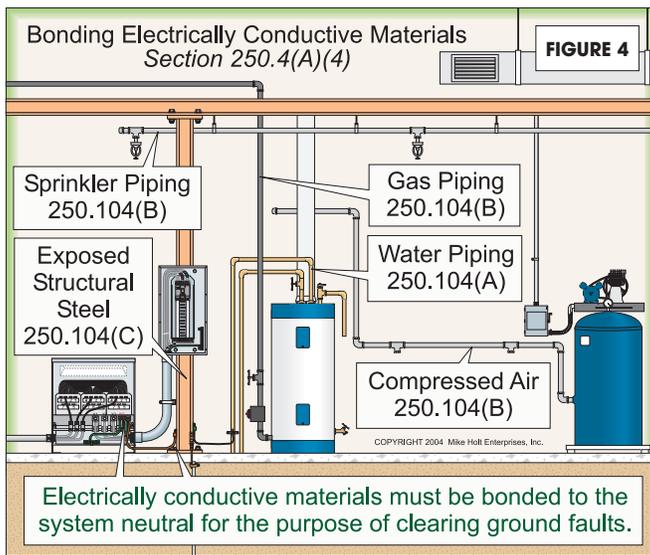
To quickly remove lethal touch voltage from metal parts after a ground fault occurs, the fault-current path must have sufficiently low impedance for the fault current to quickly rise and facilitate opening the OCPD. For example, a 20A circuit with an overload of 40A (two times the rating) would trip a breaker in 25 to 150 seconds. At 100A (five times the rating) the breaker would trip in 5 to 20 seconds.

Thus, the effective ground-fault current path is critical. And you establish it through bonding. Start by connecting non-current carrying conductive materials of electrical equipment together and to the electrical supply source (250.4(A)(3)).



Do the same for electrical raceways, cables, enclosures, equipment, and other electrically conductive materials that are “likely to become energized” (250.4(A)(4)). Whether something is “likely to become energized” is subject to interpretation by the authority having jurisdiction.

What about conductive materials other than electrical equipment? Can’t you have dangerous voltages on metal water piping systems, metal sprinkler piping, metal gas piping, and exposed structural steel members? Yes. And if any such items are likely to become energized, you must bond them to the effective ground-fault current path.



Ungrounded systems

When we say a system is ungrounded, we are referring to its supply configuration and wiring scheme. In a grounded system, the supply transformer secondary windings may be a wye-configured with the center tap grounded or it may be a delta-configured with a corner grounded.

Unlike a grounded system, an ungrounded system doesn’t have a winding grounded at the supply transformer. This allows for continued operation if you have a ground fault on one phase. Presumably, qualified personnel will locate and repair the fault before a ground fault on a second phase takes the system down.

Ungrounded systems are common in factories in the southern United States. These facilities typically have ground fault monitors to alert maintenance personnel to a ground fault on any phase. For example, the Daramic plant in Owensboro, KY, has a ground fault monitor on the wall between the maintenance offices and the machine shop—where maintenance personnel pass by frequently.

But, maintenance crews at such facilities must repair the fault promptly. If a ground fault persists on an ungrounded system, the system could see overvoltage-to-ground as high as eight times the phase voltage. This excessive voltage can puncture conductor insulation and create additional ground faults.

Grounding in ungrounded systems

The general requirements for grounding electrical equipment in ungrounded systems differ in purpose from those for grounded systems. As there’s no system grounding, there’s no stabilization of the system voltage to earth. And for this reason, we limit the voltage (imposed by lightning, unintentional contact with higher-voltage lines, or line surges) at the equipment level rather than at the system level.

Bonding in ungrounded systems

Whether your system is grounded or ungrounded, you must bond enclosures and equipment together. In ungrounded systems, bonding of electrical equipment (250.4(B)(2)) serves a purpose similar to that set forth for bonding electrical equipment in grounded systems (250.4(A)(3)). The difference here is you are bonding the equipment of an ungrounded system to each other, rather than to each other and the source.

One consequence of this arrangement is the equipment bonding path must be capable of carrying the maximum fault current likely to be imposed on it. Remember, the bonding system must be able to remove dangerous voltage from a second ground fault.

The same difference and consequence applies to the bonding of electrically conductive materials and other equipment in ungrounded systems (250.4(B)(3)) vs. those in grounded systems (250.4(A)(4)).

Fault current paths

The requirements for establishing paths for fault current are similar for grounded and ungrounded systems. In either case, you cannot use the earth as the sole equipment grounding conductor or consider it a fault current path in either configuration.

And in either case, you must install electrical equipment, wiring, and other electrically conductive material likely to become energized in a manner that creates a permanent, low-impedance circuit. Yet, there is a key difference in this requirement:

- For grounded systems, you must establish an effective ground-fault current path. The circuit must be capable of safely carrying the maximum ground-fault current likely to be imposed on it from any point in the wiring system where a ground-fault may occur to the supply source.
- For ungrounded grounded systems, you must establish a fault current path (not ground-fault current path). The circuit facilitates the operation of overcurrent devices should a second ground fault occur.

A single ground fault cannot be cleared on an ungrounded system because there’s no low-impedance fault-current path to the source. However, all metal parts of an ungrounded system must be bonded together so—in the event of a second ground fault (line-to-line fault)—the bonding path will provide a low-impedance fault-current path. This will allow the OCPD to clear the fault (250.4(B)(4)).

As with the definitions in Section 250.2, Section 250.4 differentiates between grounding and bonding. You will notice more of this differentiation as we continue our study of grounding and bonding in Article 250.

The grounding and bonding requirements contained in this article apply to solidly grounded systems that operate at not more than 600V (such as 120/240V, 120/208V, and 277/480V).

Lightning and line surges

When lightning occurs, high voltages drive high current (as much as 40,000A) into the earth for a fraction of a second. Typically, lightning strikes to wiring are to outside utility wiring. Therefore, grounding (earthing) the system windings will assist the flow of lightning into the earth.

When a ground fault over 600V occurs, the voltage on the other phases can rise significantly for the duration of the fault (typically 3 to 12 cycles). This voltage surge during the utility ground fault will be transformed into an elevated surge voltage on the secondary—possibly destroying electrical and electronic equipment. The lower the resistance of the utility grounding (earthing) system, the lower the secondary voltage surge.



Announcing



October 4-7, 2006

REGISTRATION FORM INSTRUCTIONS:

1. Complete all portions of this form and return to FAEC, P.O. Box 180458, Casselberry, FL 32718-0458. A check payable to FAEC must accompany this form in order to secure registration.

2. Your name and company will appear on your name badge and registration materials as you indicate below.

3. Type all portions of this form.

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After Sept. 1, 2006

- _____ FAEC Member(s) @ \$350.00 per person
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- _____ Member Spouse/Guest(s) @ \$225.00
- _____ Non-Member \$500.00 per person**

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Room Rate: Single/Double \$145/Per Night.

*For early arrivals/stayovers, the group rate will be honored to all attendees with no minimum/maximum required, subject to availability.

** If non-member joins FAEC within 30 days of conference \$150.00 will be applied towards first years dues.

***PLEASE NOTE THAT A CREDIT CARD AUTHORIZATION MUST BE USED TO SECURE ALL ROOMS! PLEASE MAKE A COPY FOR YOUR RECORDS

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FAEC ANNUAL CONVENTION AGENDA

HAWK'S CAY RESORT, DUCK KEY, FL.

ECLB APPROVED SPONSOR #0000857

Wednesday, October 4, 2006

3:00-5:00 p.m. Registration & check in for early member arrivals. Members can stop by and pick up their registration packages and familiarize themselves with the hotel.

Thursday, October 5, 2006

8:00-5:00 p.m. Member Registration & check in. Members can stop by and pick up their registration packages anytime during the day.

9:00-11:00 a.m. Committee Meetings – An informal meeting of the various FAEC committees to discuss their activities including plans and goals for this year along with preparation of committee agendas for presentation at the 3:00 p.m. Board of Director's meeting.

3:00-5:00 p.m. Annual Board of Directors Meeting. This is the Annual meeting of the FAEC State Board of Directors. Open to all attending.

5:00 – On Open evening for visiting area restaurants, shops or taking a trip to beautiful Key West to watch the sunset.

Friday, October 6, 2006

8:00-5:00 pm. Registration Desk Open – Staff will be available to help with member check-in and questions.

8:00-1000 a.m. Continental Breakfast and CLASS I – ECLB# (approval pending) 2 Hrs Business CE "Understanding Contractor Taxation" presented by Steve Bierbrunner, CPA, Berman, Hopkins, Wright & LaHam, CPA's, LLP., Melbourne, Fl. An educational program designed to familiarize attendees with a general understanding of tax accounting and determining company and job costs methods and opportunities. Topics to be touched upon include tax savings/deferral opportunities, small contractor exemption, IRS focus points, sales tax issues including taxable and non-taxable along with multi-state activity.

10:00-12:00 Noon Class II – ECLB # (approval pending) 2 Hrs Technical CE "Uninterruptible Power Supplies: Blown Up and De-mystified", presented by Steve Boyles, Power Systems Manager, MGE UPS Systems. This course provides an understanding of the typical UPS industry terminology, component level description of the internal components of standard double conversion UPS systems, basic power flow descriptions under normal, emergency and battery operations, basic and

advanced UPS applications and market trends in the UPS industry. A new technical class added to our CE agenda and one we're sure you'll find interesting.

10:00-10:15 a.m. Refreshment Break – Time for a quick "pick me up" with fresh juice, coffee and granola bars.

9:30-12:00 Noon Spouse Class – A special event for our spouses to keep them entertained while contractors are busy with classes.

12:00 – 1:00 CLASS III – ECLB #0000632- W-1 HR Mandatory Worker's Comp for license renewal. Presented by Jeff Reed, Federated Insurance Co. Jeff will update us on the latest issues regarding worker's compensation insurance. Included in this presentation will be issues covered during the last Legislative Session as they relate to comp coverage.

1:30-3:30 CLASS IV – "CEO Round Table Discussion" ECLB #0000622 Renewal Pending. Approved for Two (2) Hours of Business CE. Presented by Dan Petro, Brite Future Electric, Inc., Orlando, Fl. Back by popular demand – Dan will be on hand for this open and frank CEO roundtable discussion to cover labor, journeyman licensing, planning, financial analysis, job management, developing industry relationships, networking, and devising action plans for implementation. Another terrific program for Owners only.

3:30-On Free Time to visit the "Dolphin Pool" take a swim in the beautiful pool or just hang out at the Tiki Bar before dinner.

6:30-9:30 p.m. Theme Party Dinner and Entertainment – A fun-filled night tied in to a silent auction to help raise funds for our 2007 Legislative activities. Come prepared to laugh a bunch, enjoy a great evening of socializing and take home some great prizes! Margaritaville is our theme complete with pina colada's and clam bake. Wear your best Jimmy Buffet outfit and win a prize! Auction items gladly accepted.

Saturday, October 7, 2006

8:00-9:30 a.m. Sunrise Breakfast Buffet and Mini-Mart Networking Session. Start the day off right with a full breakfast buffet and another session of networking with our Association benefit provider companies. Due to the success of the last event, this program will be repeated and networking partners have increased. Space is limited – Register early for

Great Door Prize Give-aways and a grand prize drawing of \$250.00

9:30-11:30 SPOUSE EVENT – A special event just for the ladies.

9:30-11:30 CLASS V – ECLB # (approval pending) 2 Hrs CE-T Technical Credit; "VFD Harmonics & Their Treatment" presented by Tony Hoevenaars, Mirus International Inc., Ontario, Canada. This presentation will provide a complete review of Harmonics, recommendations on how to apply IEEE Standard 519 and present various methods for treatment of harmonics generated by VFD's. Covered in depth will be the 6-pulse rectifier & harmonics, the negative effects of harmonics, and performance examples and case studies. A new great program you won't want to miss.

11:45-1:00 CLASS VI – Lunch with One (1) Hour of Safety – Mandatory Credit for license renewal. ECLB #0000786 Presented by Jeff Reed, Federated Insurance, this presentation will cover workplace safety, an update on safety regulations and new programs available to FAEC members through our Federated Partners to improve your company's over-all safety record.

1:30-3:30 CLASS VII – ECLB # (approval pending) 2 Hrs B –Business Credit, "Financial Tools for Contractors" presented by Steve Bierbrunner, CPA., Berman, Hopkins, Wright and LaHam, Melbourne, Fl. This program is designed to familiarize contractors with a general understanding of tax accounting and determining company and job costs methods and opportunities. To be included in this presentation is key indicators of a "healthy" contractor, estimating, job costing, fade analysis and maximizing cash flow followed up by "what does it all mean" and new accounting pronouncement FIN46R. A must attend session for all contractors.

3:30-On Free time to visit the beautiful Florida Keys.

In accordance with the American with Disabilities Act, those individuals requiring special accommodations or equipment during the meeting should contact headquarters well in advance of the meeting at 407-260-1313.



Just the Ticket!

By Caleb Reger, Southeast Region Account Executive
Federated Insurance Companies

Many business owners have seen their operations grow impressively over the years, perhaps from a handful of employees to 50 or more. Typically, they have invested much time and effort to avoid costly insurance losses. Many are hard pressed to remember the last time they filed an insurance claim. They have employees who are experienced and follow effective risk management practices, and they reward them through a safety incentive program. They know that these strategies have helped reduce or eliminate uncovered expenses such as retraining costs and equipment downtime, which often accompany claims. And yet, these business owners would like to further reduce their insurance costs if only some way existed that could effectively reward them for their good records.

Federated's Self-Insured Retention (SIR) program may be just the ticket for these larger employers.

The SIR plan is an innovative risk management strategy that more directly ties premium payments to claims payments. This simple plan allows the business to retain more of the insurance risks while offering the opportunity to receive significant up-front premium savings.

Let's look at an example of SIR at work. Imagine that premium for a "traditional" property and liability insurance policy averaged \$100,000 over a 3-year period. Annual premium under SIR might be reduced to \$60,000. In exchange for this up-front \$40,000 savings, the business owner agrees to pay the first \$50,000 in claims and related expenses. Sound simple so far? Yes, but where's the payoff?

successful in managing risks and preventing losses. You may want to visit with your Federated marketing representative about the possible benefits and qualifications of establishing a Self-Insured Retention Program for your operation.

For questions about this or any of our other innovative insurance programs, please call Caleb Reger at (404) 497-8840 ext. 1215 or your local Marketing Representative.

This article is an excerpt from The SHIELD a periodic newsletter published by Federated Insurance Companies with the mission to inform readers on important risk management issues. It is intended to provide general recommendations regarding risk prevention. It is not intended to include all steps or processes necessary to adequately protect you, your business or your customers. You should always consult your personal attorney and insurance professional for advice unique to you and your business. Copyright 2006, Federated Mutual Insurance Company. All rights reserved.

The FAEC Exclusively Recommends Federated Insurance

	Non SIR Premium	SIR Premium	Difference
Scenario 1: No Claims	\$100,000	\$60,000	\$40,000 SAVINGS
Scenario 2: \$30,000 Claims and expenses	\$100,000 Plus deductibles	\$90,000 Plus deductibles (\$60,000 + \$30,000)	\$10,000 SAVINGS
Scenario 3: \$70,000 Claims and expenses	\$100,000 Plus deductibles	\$110,000 (\$60,000 plus \$50,000 retention) Plus deductibles	\$10,000 Additional cost

The best case scenario would be no claims, resulting in a \$40,000 savings. In the worst case scenario, the business may have over \$50,000 in claims during the policy year. In this case the payment might add up to \$110,000 (the initial \$60,000 premium plus the first \$50,000 in claims and related expenses). Federated pays anything (less applicable deductible) over and above the first \$50,000 in claims and related expenses, up to the policy limits.

In this example the business owner would risk \$10,000 for the possibility of receiving an up-front \$40,000 premium savings! The SIR program truly rewards the qualifying business that is

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Transfers to Insiders

When transferring your company to insiders, a Low Value puts Big Dollars in your pocket. Owners of successful businesses valued between \$5 and \$10 million face two difficult exit problems:

1. Cash buyers are usually seeking larger companies
2. Owners are generally unwilling to assume a long-term installment note because of the risk of non-payment.

Given these hurdles, the owner has four transfer options:

1. Long term installment sale to employees
2. Leveraged Management Buyout
3. Employee Stock Ownership Plan
4. Modified installment/cash sale

Let's look briefly at each.

Long Term Installment Sale

In this sale, the former owner holds a promissory note that the buyers (employees) pay off over a seven to ten year period. The note is secured by the assets and stock of the business and the personal guarantees and collateral (usually residences) of the buyers. Little or no money changes hands at closing. Of course, if the new management cannot maintain the company's profitability, the owner does not receive his purchase price.

Leveraged Management Buyout

An owner chooses this transaction structure when she wants to achieve the goals mentioned above and if his/her company has:

- A management team capable of operating and growing the business without owner input
- Stable and predictable cash flow
- Good prospects for future prosperity and growth
- A solid, tangible asset base

Again, the key to this transaction structure is for the owner and management team to agree on a fair value for the company. Once agreed, the management team arranges the senior bank debt to fund a portion of the transaction. The bank, in turn, requires management to make an equity investment prior to closing. At this point, the management team finds and offers an equity investor a complete package of price, terms, debt financing and management talent. If a private equity investor cannot be located under acceptable terms, the seller can elect to maintain an equity position in the company, or subordinate a term note to the bank.

Employee Stock Ownership Plan (ESOP)

Avid readers of *The Exit Planning Review*[®] recognize this transfer technique from our last issue of *The Review*. For our purposes here, in an ESOP arrangement, the owner is largely cashed out of the business, perhaps having to carry only a portion of the purchase price of the stock sold to management.

Modified Buyout

Of all the methods of "insider" transfers identified here, the Modified Buyout is the choice of most owners because it best meets the typical owner's objectives described earlier.

In a nutshell, an owner makes available a pool of non-voting stock (about 40 percent of total ownership) for current and future purchase by key employees. That stock is valued using an agreed upon Valuation Formula but adjusted downward using minority discounts (to be affordable and to provide an incentive for employees to stay with the company.) Employees purchase stock via a Stock Purchase Agreement. After the employees have paid for the stock (usually three to four years) the owner can then decide to:

1. Sell the balance of the company to key employees at true fair market value for cash because they can likely get bank financing
2. Sell to an outside third party
3. Continue to own the company

The advantages to the Modified Buyout are:

- Acquiring part of the company at a reduced cost rewards and motivates key employees
- Key employees knowledgeable in business and trusted by owner receive the entire business
- Owner receives all of the company's fair market value

The disadvantages to the owner are that:

- He does not receive the entire purchase price for three to four years
- He generally remains active in the business until the initial employee buy-in is completed

In summary, the Modified Buyout works because the low initial value:

1. Allows a buy out with future cash flow
2. Reduces taxes
3. Provides an incentive and sets up a low price for the eventual cash buy out

Creating and implementing your Exit Plan is the most important business and financial event of your life.

Solutions can be found in the following book: *The Completely Revised How to Run Your Business So You Can Leave It In Style*, which provides the basics of the Exit Planning process. To receive a free copy of this # 1 selling book on exit planning in America, contact Diane Healey at Legacy Planning Associates, LLC, by calling toll free 888-266-4545 or by dropping an email with your contact information to diane@legacyplans.com

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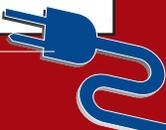
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Coastal

Electric Company of Florida

Coastal Electric Company of Florida was founded in 1991 as a small family business by Tom and Bobby Sanders. Jeff Sanders is the Vice President and qualifying agent for the company. All three are still involved in the daily operations of the business. Mr. Jim Hennessey is the vice president and chief estimator. With an office staff of 12 and currently 117 employees on payroll, Coastal Electric is a family-oriented company and is enjoying long-term relationships with many of its customers and employees.

Coastal Electric customers include: America Online; WTLV TV; WJXT TV; WTVM TV; Northrop Grumman; Trigen Chemical; Colomer USA, and many others. With a large commercial service department and well trained crews for industrial and commercial accounts, current projects include: River City Marketplace near Jacksonville International Airport; Clay County Courthouse; Marina San Pablo Condominiums; Hollywood Movies Theater, and many others.

Tom, Bobby, and Jeff are all members of the Duval County Master Association and Tom Sanders is a past president. Coastal Electric Company is a member and supporter of the Florida Association of Electrical Contractors (FAEC) and Jeff Sanders is a past president and current board member. The family enjoys hunting and fishing and they spend a lot of time outdoors together at the family farm in Hamilton County on the Suwannee River.



Coastal Electric Company of Florida
2759 St. Johns Bluff Road
Jacksonville, FL 32246

FAEC CENTRAL FLORIDA *NEWS*

June 9 Annual BBQ, Table Top Exhibition & Golf Tournament

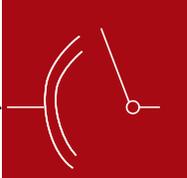
By Cheryl DeFilippo, FAEC/CF Staff

The June 9th Annual BBQ, Golf Tournament and Table Top Exposition turned out to be a great day of activities thanks to the months of planning and hard work put forth by your chapter board of directors and event chairmen. For those of you who have served on the Chapter Board of Directors in previous years, you know what kind of time, effort, and coordination goes into the planning and preparation. This year's board deserves a healthy round of appreciation and thanks for bringing the industry a great day of activities and fellowship. We would like to recognize and say thanks to our Platinum Sponsors for this Annual Event: CED/Raybro; GE Supply; Graybar; Hughes Supply; Mayer Supply; Rexel Consolidated; SESCO Lighting; and World Electric Supply.

Congratulations go to Amber Electric for their "First Place" win in the Volley Ball Competition with Tri-City Electrical Contractors on their heels for

"Second". With lots of games and activities and good BBQ everyone had a great time and enjoyed the break from work to socialize with industry allies.

Thanks also go to our Table Top Exhibitors: Heintzelman Ford, NSI Industries, Lighting Controls & Design, Powerlogics, Square D, Universal Power Solutions, TAW Power Systems, Ring Power Corp., Federated Insurance, GE Supply, Maxwell Lightning Protection, Dynafire, Bill Heard Chevrolet, Advertising Specialty Products, Leviton Mfg. Company, FAEC State, and Seminole Precast. The Golf Tournament at Stoneybrook was nothing less than a sell out. We appreciate the support of over 36 hole/tee sponsors and a full course of golfers that had a great time followed by a luncheon and door prizes for everyone. Please check our website at: www.faeccf.org and visit the photo album for a complete set of photos of the day's events. We look forward to making next year's BBQ Bigger and Better!!!



FAEC/CF Honors Top FEAT Grads

Fifty-three apprentices were joined by family, friends, contractors, inspectors, industry and instructors to celebrate their Theory Graduation on June 3rd. This year's graduation dinner was held at Camp Down. FAEC President Mike Freiner recognized the two top graduates: Harold Galarza, Tri-City Electrical Contractors and John Dippold, John's Electric. In his address to the crowd, Mike encouraged all to advance in their career through education and to become members of the Organizations that support our industry.

The Apprenticeship Theory Graduation is an exciting event and a great success each year, due to the support of the entire industry. The IAEI, Electrical Council of Florida, and Klein Tools participated with great gifts and outstanding-student awards. Special thanks to Hughes Supply for engraved lineman pliers, WESCO for a job saw, and R & W Traders and Tom Christenson for a unique flashlight to each graduate. Thanks to: A-Team, CED, GE Supply (Orlando and Sanford), Graybar, Ideal Tools, Mayer Supply, Rexel (Orlando and Sanford) and World Electric for the super door prizes.

FAEC/CF 2006 CASINO NIGHT

By Dave Morris, Casino Committee Chair

IT'S COMING AGAIN IN OCTOBER, so mark your calendars. If you attended last year, you'll want to be there again. If you missed last year, come and see what some people will do for an extra **\$50,000.00.** It's not your ordinary casino style play. **IT'S WILD, CRAZY, FAST PACED,** and no one's a loser—unless you can't get your pants back! **THE WORD'S OUT—DON'T MISS IT !! October 14, 2006**

Committee Reports

Best Practices Committees - Dean Byerls, Residential Chairman; Blake Ferguson, Jr., Commercial Chairman

The Best Practices Committee meets to discuss ideas that may be beneficial to both residential and commercial contractors. In June, the Best Practices Committee held a productive meeting to discuss inefficiencies that we have seen in our field and to try to identify standardized solutions to attack problems that we all face. This month, we discussed prefabrication of material in order to save labor costs on the jobsite. As we all know, labor is our most precious commodity and anything we can do to better utilize it, benefits our bottom line as well as our industry. One of the items that can be prefabbed is PVC 90s and stub-ups for slab work. We also discussed the use of prefab, using caddy-type wall brackets with the boxes, p-ring, ground screws and MC whips ready to install on the job. We discussed the trade-off in the way we do it now (on site) vs. prefabricating at our warehouse with a lower labor cost. The key benefit to this would be the ability to save on installation time and accelerate a slab or a rough-in by a day or two, or in some cases, more. This would make the most sense where there was a lot of repetitive work where the measurements were known up front. Another topic that was discussed was the current state of our workforce and the need for continued education of our workers. A lot of us already use FAEC classes, FEAT apprenticeship training, internal education and other resources. This education and training needs to

be an ongoing process to keep productive and skilled workers and assure that we develop new workers for the future.

Education Committee - Joe Bell, Chairman

The Education Committee is committed to holding classes that will benefit the employees of electrical contractors. This year, we have decided to put the emphasis on safety training. On April 20th, a CPR class was held at Mid Florida Tech. Thirty-two people attended to become proficient in this lifesaving skill. Due to the overwhelming response, another CPR class is scheduled in the early Fall.

Legislative Committee - Tim Quigley & Ken Cross, Co-Chairmen

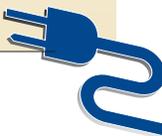
A recent law change proposed by the Alarm Association of Florida has passed and it will become effective July 1, 2006. Florida SS 489.516 (5) is an exemption for electrical and alarm contractors from any mandatory third party certification or licensing. This includes local ordinances or code. Any municipalities requiring this must cease doing so. If anyone is being required to have additional licensing or certifications to do alarm work you are encouraged to contact the Attorney General's office. For more information, please read Bob Neely's article in the Summer, 2006 issue of the *FAEC Contactor* (<http://faecstate.org/FAEC%20Contactor%20Magazine.html>). Bob is the Executive Director of the Florida Alarm Association of Florida, Inc.

Membership Committee - Joe Bell, Chairman

The Membership Committee continues to reach out to potential FAEC members. In June, a mailing was sent to contractors, introducing them to the benefits that FAEC provides through their CEU classes scheduled in June.

Community Service Committee - Dave Morris, Chairman

In our effort to give back to the community, we sponsored a raffle at our Annual BBQ/Volleyball and Table Top. A \$200.00 gift certificate to Bass Pro Shop was won by John Winemiller with Bill Heard Chevrolet. Thank you, all who participated in the drawing and a special thanks to our Community Service Committee Members for donating the prize. Thank you, Oldcastle, Hypower and JFIC. We were able to raise \$305.00 towards helping refurbish the dining hall at Camp Challenge, a camp for handicapped children and adults. An additional \$37.00 was taken in at the dunk tank making a total of \$342.00 added to the \$500.00 collected at the Spring Conference. We plan to hold a raffle for a Mystery Gift Box at our October Casino Night, which may be used in creating Thanksgiving food baskets. Thank you for your support, now and in the future, and be thankful that we are able to help others.



Florida Association of Electrical Contractors

Application for Membership

COMPLETE AND MAIL TO FAEC • PO BOX 180458 • CASSELBERRY, FL 32718-0458

With your Check for the proper dues amount!

Full year's dues must accompany application. Dues for second year will be prorated on applications received March 1 thru November 1.

I, _____, apply for membership in FAEC...a non-profit organization, devoted to the betterment of the Electrical Contracting Industry in the State of Florida.

Name: _____ Title: _____

Company: _____ Phone (____) _____

Address: _____ Fax: (____) _____

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<h3 style="text-align: center; margin: 0;">CONTRACTOR</h3> <p style="font-size: small; margin: 0;"><i>(open to all state registered or certified electrical contractors)</i></p> <p>Dues Schedule (Check One):</p> <p><input type="checkbox"/> New Member First Year Only, \$150</p> <p><input type="checkbox"/> State Certified or Registered Electrical Contractor: \$300.00 Per Year</p> <p><input type="checkbox"/> Certified Specialty Contractor: licensed by ECLB \$200.00 Per Year</p> <p><input type="checkbox"/> Key Personnel: Any person (non-master) in the employ of an electrical contractor desiring to support the interests and efforts of the Association whose responsibilities include overseeing construction projects, estimating, purchasing, safety programming, etc. \$50.00 Per Year</p> <p><input type="checkbox"/> Non-Contractor: A master electrician not conducting electrical contracting \$50.00 Per Year</p> <p>Company Contact Name: _____</p> <p>ER or EC Number: _____</p>	<h3 style="text-align: center; margin: 0;">AFFILIATE</h3> <p style="font-size: small; margin: 0;"><i>(open to all manufacturers, distributors, suppliers, and others who wish to maintain close contact with the industry and support the goals of the association)</i></p> <p><input type="checkbox"/> New Member First Year Only, \$150</p> <p><input type="checkbox"/> Dues Schedule: \$300.00 Per Year</p> <p>In 25 words or less describe what your firm sells to electrical contracting firms, or describe your interest in relation to FAEC.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
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I agree to assist, to the best of my ability, the efforts of FAEC to improve our industry and abide by the by-laws and code of ethics.

Signed: _____ Date: _____

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"As for me and my house, we will serve the Lord [Joshua 24:15]"

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