

bringing down costs: Increasing the size of the insured pool spreads out risk.

No exchanges are up and running yet. In theory, they will give small businesses the long-awaited ability to buy insurance at rates that once belonged only to large companies. The federal law ordered states to create them, and a dozen already have begun establishing them.

### Slimming side-stepping benefits

Many business owners have utilized one of the tax-deferred benefit plans, such as Health Savings Accounts (HSAs), Flexible Savings Accounts (FSAs) and Health Reimbursement Arrangements (HRAs), for themselves and in many cases for workers, thus avoiding the administrative and paperwork burden required of more formal benefit plans.

Last year, for the first time, sole proprietors and small business owners could no longer use the pretax dollars of these plans to purchase non-prescription, over-the-counter medicines (except insulin). What's more, an increased, additional tax on nonmedical early withdrawals from an HSA, from 10 percent to 20 percent, put them at a disadvantage with IRAs and other tax-advantaged accounts, which remained at 10 percent.

Beginning Jan. 1, employees will face a \$2,500 cap on the amount of pretax salary deferrals they can make into a health care flexible spending account. There is no cap under current law. In light of the new cap, employee benefits groups are lobbying Congress to modify the use-it-or-lose-it rule that means employees forfeit unused funds in their accounts at the end of the plan year.

### Not all bad news

Fortunately, it's not all bad news. The ACA limits how much premiums can go up each year. Under the law, premiums for some landscape contractors may drop, if the law's proponents are to be believed. The law eliminates the surcharges that insurers impose on businesses that have employees with

serious medical conditions. Plus, the state-operated exchanges are expected to offer small businesses lower rates than insurance companies charge.

Because the law requires all individuals to have health insurance, the smallest businesses—those with fewer than 50 employees—will be able to compete for good workers with larger

companies. And while there is the possibility that lawmakers will completely or partially repeal the ACA, planning to cope with the many tax hikes already in place, as well as those scheduled in the years ahead, is strongly advised. **LM**

*Battersby is a freelance writer based in Ardmore, Pa.*



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Heaviland Enterprises planted 10 large-canopy magnolia grandiflora trees at an elementary school as part of the Spruce Up Your School sweepstakes.



# A SEAT IN THE SHADE

Heaviland Enterprises joins OPEI and Discovery to give one school a gift for the ages.

BY **BETH GERACI** SENIOR EDITOR

**P**alomar Elementary School in Chula Vista, Calif., is in a rough part of town. Its 350 students have seen a lot, probably more than they should have at their young ages. As far as California public schools go, it's small—but mighty.

In the seven years Mary Anne Arabia has taught at Palomar, she's always been bothered by the lack of shade on the playground. It's most abrasive during the school's annual end-of-year Olympics, when parents and grandparents come to watch.

Palomar is a generational school; many of the students' parents and

grandparents graduated from there. So the annual Olympics is a big deal. Parents often take a day off work to attend. Like the students, they bake beneath the blazing sun.

"I thought, oh my goodness, our playground is basically this asphalt jungle. The kids don't have anywhere to go for shade," Arabia says.

So when the Outdoor Power Equipment Institute (OPEI) and Discovery

Education teamed up again this year for their annual Spruce Up Your School sweepstakes, Arabia flooded the ballot box with as many votes as she could.

"I voted every day for a couple months, then I forgot about it," she says. Until, that is, mid-March, when Discovery Education called to tell her she'd won the grand prize. "I was so excited, I literally jumped around and called my

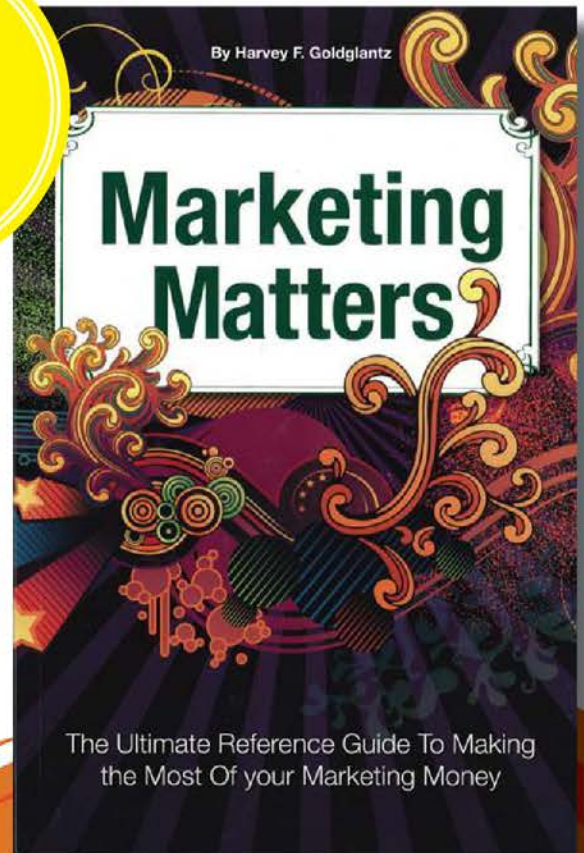
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**Landscape**  
Management

## A LESSON IN GIVING

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principal," Arabia says. "I was screaming."

The contest awards \$5,000 to an educator who wants to add green space to his or her school. Arabia was chosen at random from more than 15,000 entries from around the country.

Arabia thought about how much the green space would mean to her fifth-grade students. "Ours is a little school," Arabia says. "It's in a tough area. These are kids that don't have a lot."

Even so, Palomar Elementary is rising. It's the recipient of the 2012 California Distinguished School Award and the 2012 Title I Academic Achievement Award. It's also up for the National Blue Ribbon Award.

### Helping hands

As excited as Arabia was about winning, she was at a loss for what greenery to buy. Then she got the call from the Professional Landcare Network



(PLANET). Member Tom Heaviland of San Diego-based Heaviland Enterprises had signed on to do the project for free.

"We said, 'This sounds like a great program and something we can certainly join forces with,'" says Heaviland of why his company got involved. "This was nice. It just felt good, you know. Great class, great school, great history. There was just a good vibe about it."

Since the project would be a surprise for the students, Heaviland's crew did the project on the weekend, planting 10 large-canopy magnolia grandiflora trees.

The Spruce Up Your School sweepstakes is part of OPEI's TurfMutt program, a curriculum designed to encourage youths to appreciate green space.

The trees were 36-inch box size, "fairly big," Heaviland says. "We wanted something that was well established, that was going to be attractive, that would provide some height and be relatively maintenance-free."

The Heaviland crew also obtained and installed four backless steel benches so spectators can face either the track or

*continued on page 36*

PHOTO: TOM HEAVILAND; ILLUSTRATION: ISTOCK-INTERNATIONAL INC.

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## A LESSON IN GIVING

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the soccer field during games.

"It looks like a park," Arabia says now. "There's been nothing like this in the 52 years the school's been open."

Heaviland Director of Field Operations Oscar Hernandez oversaw the project.

"You know what, at first, without knowing anything, I thought, I can take care of this no problem," says Hernandez. "But during the process, seeing the passion Mary Anne had and what she went through to win the prize from Discovery and OPEI, it was amazing, amazing to be part of it."

Arabia's passion energized the Heaviland crew, Hernandez says.

"She broke down in tears to see the trees going up," Hernandez recalls. "It gave us more motivation to make sure everything looked good."

"I absolutely got emotional, because I thought, these trees'll be here long after

**"I absolutely got emotional, because I thought, these trees'll be here long after I am."** —MARY ANNE ARABIA

I am," Arabia says. "I was telling my students, 'You can come back and say, these are my trees, this is my project.' To me, there's nothing that's as beautiful as a tree. It's going to live and grow for a long time, and that's how I feel about my teaching."

### Grand unveiling

The trees and benches were unveiled to the students on May 15.

The trees are emblazoned with plaques for each grade, so every student will have some sort of ownership over them.

At the unveiling, Heaviland spoke to students about trees' benefits and their important role in the ecosystem.

Heaviland employees sponsor

families during the holidays and assist military families from time to time, but the Palomar project was unique.

"To be involved in the community and to educate people about the benefits of landscaping, it makes you feel good, and I hope to do more of it," Heaviland says. "Hopefully this has given us incentive to go seeking projects like this in the future."

When she sees the trees, Arabia always will be reminded of how far the school's come, and of all the people who made the renovation possible.

"We're like *The Little Engine That Could*," she says. "Palomar's always been a gem, but now other people are starting to see that, too." LM

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## THE BENCHMARK

JEFF HARKNESS

The author is owner-manager of 3PG Consulting. Reach him at [jeff@3PGconsulting.com](mailto:jeff@3PGconsulting.com).

# Considering an exit?

**B**uilding profits and increasing the value of your company in the current environment is a challenge. Does it seem like today's economic climate and political agenda are working against you? Health care mandates, expiring tax cuts, immigration reform, high fuel costs and little change in the housing market—shall I go on? If you're considering an exit in the next six to 18 months, make sure you have a plan to quantify these fundamental deal points.

### Enterprise value

The goal is to make money now. Earnings, not revenue, is the biggest driver behind valuation. Look at your "LTM" (last 12 months) of performance and "recast" or "adjust" the net income to normalize costs or reflect owner add-backs. While profits are recovering due to better and leaner management, they are not where they once were. Twelve percent to 15 percent adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) is more the norm but not top of the table. Examine your value drivers and value detractors and get a professional to update your valuation each 6-month period on a rolling basis.

### Impact of the balance sheet

A strong or weak balance sheet can affect your total purchase price consideration. While each

deal is unique, understand that retained assets or liabilities can be negotiated just like your multiple or adjusted EBITDA. Cash, timing of a closing date, working capital requirements or the payoff of long-term or short-term debt all contribute to your net purchase price.

### Tax consequences

Most deals in the Green Industry typically involve purchasing assets rather than stock. Liability risk and tax treatment usually drive the deal structure. S corporations or LLCs have more favorable tax treatment when assets and goodwill are being sold, but C corporation shareholders can minimize the "double tax" impact of an asset deal through careful negotiating and the use of personal goodwill.

In practical terms, purchase price in an asset deal is allocated between Fixtures, Furniture & Equipment (FF&E), goodwill and non-competition agreements. (See IRS form 8594 and engage a tax advisor for more specifics.) The allocation or breakdown should be documented in the purchase agreement and negotiated and agreed to by each party. Dollars allocated to goodwill have the most favorable treatment for a seller because they are treated as capital gains at the federal and state levels. Buyers can amortize this expense at 15 years. Dollars allocated to FF&E should reflect the fair market value of the assets at the time of closing. This is negotiable but must be defensible. Buyers will look to drive this value up as they are allowed to depreciate these assets over five years to help pay for the transaction. Sellers must recapture depreciation as it relates to each asset and the amount of depreciation taken as of the sale. This means it costs the seller more in taxes on dollars allocated here.

Lastly, dollars allocated to non-competition agreements are taxed at ordinary income tax rates. This is bad news for the seller, but not great for the buyer, either, as a 15-year amortization applies. Get it right. It's not what you make, but what you keep. Be smart and creative.

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**Examine your value drivers and value detractors** and get a professional to update your valuation each 6-month period.





## AT A GLANCE

**NAME:** Steve Pattie

**COMPANY:** The Pattie Group

**YEAR STARTED:** 1968

**INDUSTRY INVOLVEMENT:**

Former president and current member of the Ohio Landscape Association; former PLANET board member; SIMA

**EDUCATION:** Attended Ohio University and graduated from Kent State University with a business degree. "But it's funny, I don't think my education's ever stopped."

**HOBBIES:** I love pruning my yard. I like traveling. I like coaching companies, too. I teach them how to restructure their companies to make them more profitable.

**FAMILY:** I have three kids and four grandkids. All three kids are at the company (Jonas, 35; Carla, 33; and Brian, 30).

**WEBSITE:**  
www.pattiegroupp.com

At The Pattie Group, based in Novelty, Ohio, the focus not only is on customer service, but on mentoring and training employees. "We have very good coaching, very good mentoring, very good structuring," says The Pattie Group President **Steve Pattie**. About \$150,000 of the full-service company's \$7.5 million revenue is attributed to lawn care.

The company trains its staff continuously and tests them on their knowledge. It even has its own certification system in which employees can gain credentials in new skills.

Here Pattie talks with *Landscape Management* about the company's work-related initiatives, its values and more.

**What is your business**

**philosophy?** Honesty and integrity come first to mind. We train our staff to be proactive and helpful to our clients and to others. So if they see someone broken down on the side of the road, they have to stop to assist them. It's not just about landscaping. It's about life.

**What special work-related initiatives do you have in**

**place?** We require 45 hours a year of continuing education. Twenty-six hours are provided through the company; the rest is through recommended reading or classes or seminars. The average budget for that is between \$200 and \$300 per employee. It's been very effective. We can tell the staff's growth by the number of licenses our staff has. We have 30 or 40 certifications represented among our 88 employees.

**What makes an exceptional**

**lawn care professional?** Number one is teaching your staff to think holistically. It's analyzing plant needs, adjusting the water, talking to the client. It's about analyzing what looks right, what needs help, what needs to be enhanced.

When I was younger, I wanted to be the one-stop shop. I wanted to have all the expertise in one location, and we've done that.

**How has that helped your**

**business?** We have the expertise on staff to address all types of problems. When you have your own people involved, once they're trained, you have higher quality.

**What do customers value?** It's

mandatory that my staff gets back to the client within four hours. Four hours. It's hard, but speed sells. You can increase your sales by 30 percent by

speed. We sell by speed and we sell by experience.

**On your website, it says the**

**The Pattie Group encourages Christian values.** We are a Christian company. Our goal is to be ethical and moral. We want you to be a better person. It's not just about work. It's about goal setting. Then you can relate that to other things in your life, to your family. You can relate that to your business goals. It's about how to make you more valuable in the company.

**You sometimes ask politicians to speak to your staff. Why?**

I want our staff to be educated when they go vote, because this country could be headed in the totally wrong direction. I want my staff to know what candidates stand for.

**What are your goals?** I'm 61

and I've done everything I've ever wanted to do. I'm ready to take a step back. I want the succession plan to be instituted and my kids ready to take over by the end of this year. I want to start the second half of my life.

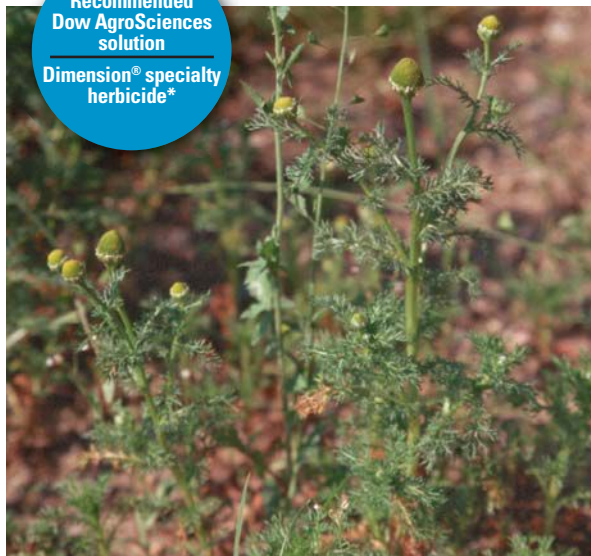
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## PINEAPPLEWEED

*Matricaria matricarioides*

### IDENTIFICATION TIPS

▶ Also known as wild chamomile, this summer or winter annual is commonly found in landscapes and turf, as well as compacted areas like walkways.

▶ Its finely dissected leaves emit a pineapple-like scent when crushed.

▶ This low-growing plant has a bushy appearance, with smooth, branched stems and alternating, hairless leaves.

▶ Greenish-yellow, cone-shaped flowers grow at the ends of the stems on short flower stalks.

▶ Pineapple weed spreads by seed.

### CONTROL TIPS

▶ Hoe or hand-pull any existing plants prior to bloom. This plant reproduces only by seeds that are released from the fruit at maturity. Apply a preemergent herbicide once the area has been cleared and soil has settled from rainfall or irrigation.

▶ In spring or late fall, apply a preemergent herbicide labeled for its control.

\* State restrictions on the sale and use of Dimension specialty herbicide products and Confront apply. Confront is not for sale or use in Nassau and Suffolk counties, NY.

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## AMERICAN BURNWEED

*Erechtites hieracifolia*

### IDENTIFICATION TIPS

▶ This rapid-growing, erect, summer annual is known for its alternate, sharp-pointed leaves with toothed margins.

▶ Common in cultivated areas, American burnweed tolerates moderate shade, but requires moist, well-drained soil.

▶ Small white or greenish flowers grow in open, terminal clusters. When plants mature, the flowers go to seed, resembling dandelion puffs.

▶ Seeds have parachutes attached that aid in wind dispersal and take root in a lawn's thatch layer.

### CONTROL TIPS

▶ Its seeds have the ability to germinate in thatch, which makes the use of preemergent herbicides somewhat problematic. Lowering your mowing height below the growing point of the plant is one method of control.

▶ Apply a postemergent herbicide, labeled for your use site.

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