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2016 DETENTION EQUIPMENT CONTRACTORS REPORT



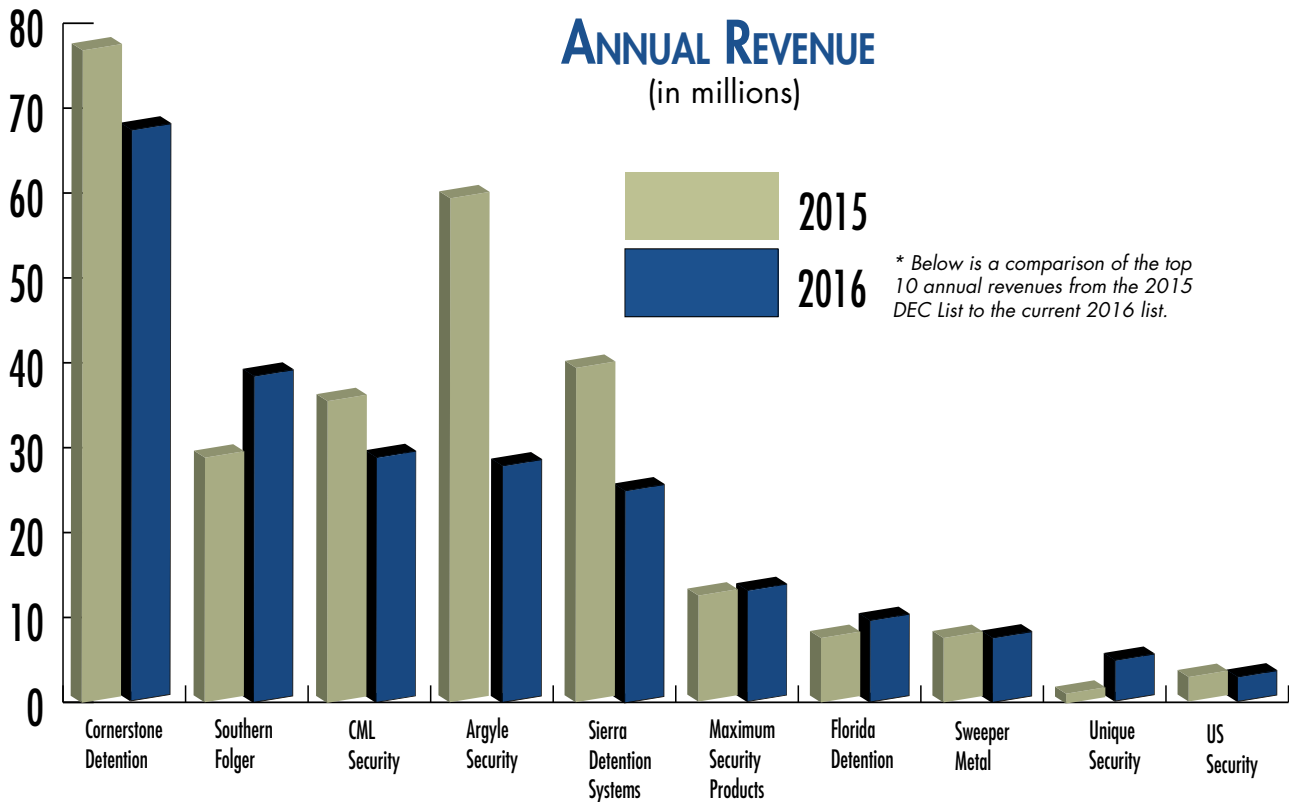
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2016 ANNUAL DETENTION EQUIPMENT CONTRACTORS LIST

	Company	Contact	Geographic Area Covered	Annual Revenue	Number of Employees	Largest Contract in Past Year	Value of Jobs Under Contract	Value of Backlog	
REVENUES \$25 MILLION AND ABOVE	Cornerstone Detention Group Madison, Ala. www.cornerstonedetention.com	Shannon Claborn 256-355-2396	North America and International	\$70 million	175	\$16.6 million	\$175 million	\$82 million	REVENUES \$25 MILLION AND ABOVE
	Southern Folger San Antonio, Texas www.southernfolger.com	James Harris 210-531-2719	U.S. and International	\$40 million	130	\$16.8 million	\$31.5 million	\$21 million	
	CML Security Erie, Colo. www.cmlsecurity.us	J.J. Ramsey 303-704-6036	U.S. and International	\$30 million	95	\$18 million	\$85 million	\$30 million	
	Argyle Security San Antonio, Texas www.argylesecurity.com	Buddy Johns 832-829-4262	U.S.	\$29 million	140	\$13 million	\$70 million	\$72 million	
	Sierra Detention Systems Brighton, Colo. www.sierradetentionsystems.com	Bryan Trojan 720-881-6753	U.S. and International	\$26 million	112	\$4.8 million	\$23 million	\$23 million	
REVENUES \$5 MILLION TO \$15 MILLION	Maxium Security Products Corp. Waterford, N.Y. www.maximumsecuritycorp.com	Thomas Townson 518-233-1800	U.S. and International	\$13.6 million	42	\$2.2 million	\$16.7 million	\$12.3 million	REVENUES \$5 MILLION TO \$15 MILLION
	Florida Detention Systems Inc. Melrose, Fla. www.floridadetention.com	George Stewart 352-475-5391	Rockies, Midwest, East Coast & Caribbean	\$10 million	28	\$7.8 million	\$11.5 million	\$2.9 million	
	Sweeper Metal Fabricators Corp. Drumright, Okla. www.sweepermetal.com	John Schiffmacher 918-352-2133	U.S. and International	\$7.9 million	52	\$2.1 million	\$9.5 million	\$7.5 million	
	Unique Security Inc. Montgomery, Ala. www.uniquesecurityinc.com	Gary Hart 334-239-8343	Easten U.S. and International	\$5 million	14	\$4 million	\$2.3 million	\$2.3 million	
REVENUES LESS THAN \$5 MILLION	US Security Systems Inc. Montgomery, Ala. www.ussecuritysystems.com	John Ames 334-273-8778	Southeast and Midwest	\$3 million	4	\$4.1 million	\$8 million	\$6 million	REVENUES LESS THAN \$5 MILLION
	Jails Correctional Products Minster, Ohio www.fabcor.com	Kim Razor 419-628-4428	Continental U.S.	\$2.6 million	18	\$1.3 million	\$5.9 million	\$4.4 million	
	Detention Equipment Services Inc. Landenberg, Pa. N/A	Michael Harris 302-379-2800	Mid-Atlantic and Southeast	\$2.5 million	4	\$1.3 million	\$1.2 million	\$1.2 million	
	Design Supply Kansas City, Mo. www.designsupplyinc.com	Toby Stowe 816-483-5100	Missouri, Kansas, Arkansas, Oklahoma, Texas, Iowa	\$1.8 million	28	\$900,000	\$576,000	\$225,000	
	Stronghold Industries Inc. Racine, Wis. www.strongholdind.com	Tom Ackley 262-886-1077	Midwest	\$1.7 million	8	\$370,000	\$4.1 million	\$2.7 million	
	Noah Detention Construction Niceville, Fla. www.noahdetention.com	Robin Noah 850-865-6386	Southeast and Midwest	\$1.2 million	3	\$489,000	\$4.9 million	\$3.7 million	

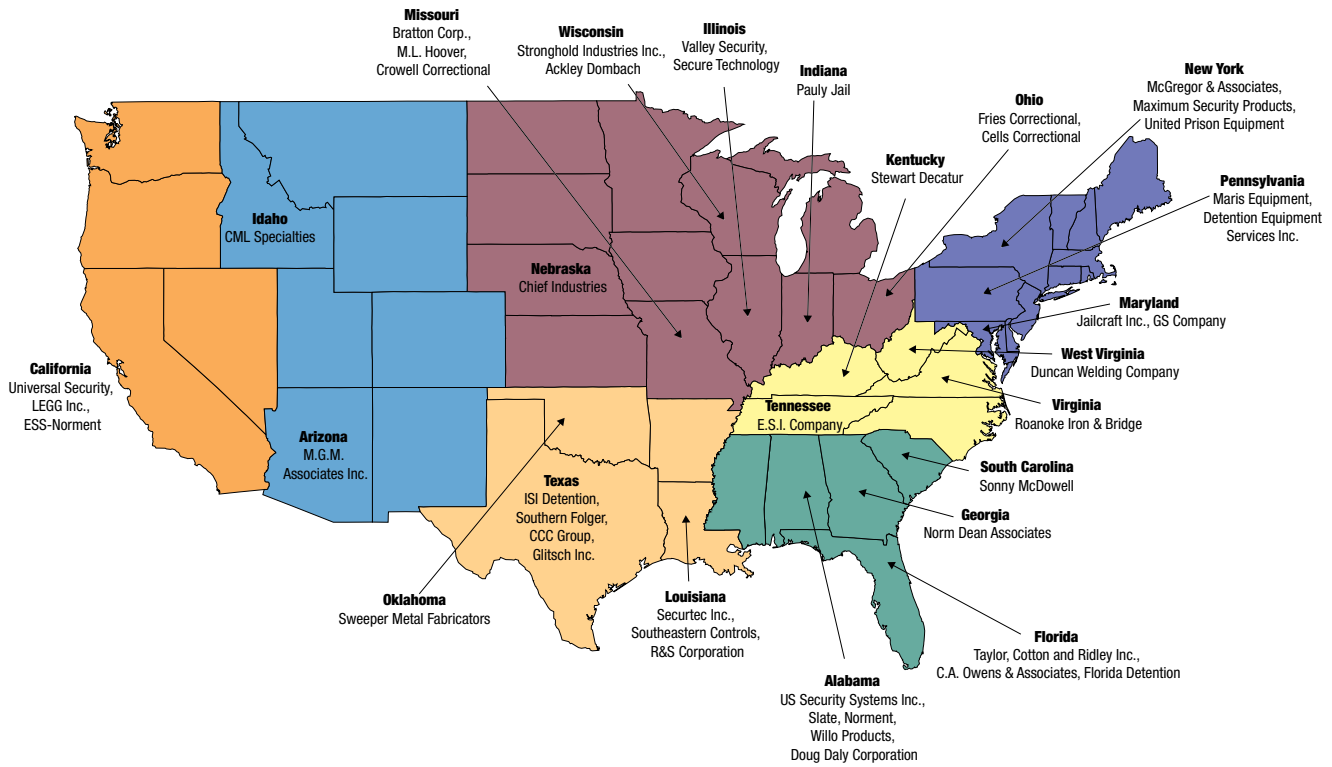
ADDITIONAL DEC'S	
Jailcraft Inc.	Stevensville, Md.
Secure Control Systems	San Antonio, Texas
Pauly Jail	Noblesville, Ind.
Universal Security Products	Sacramento, Calif.
Securtec Inc.	Baton Rouge, La.
R&S Corporation	Baton Rouge, La.
Valley Security	Elgin, Ill.
United Prison Equipment	Green Lane, Pa.
Taylor, Cotton and Ridley Inc.	Gainesville, Fla.
C.A. Owens & Associates	Freeport, Fla.
Montgomery Technology Inc.	San Antonio, Texas
M.G.M. Associates Inc.	Tucson, Ariz.
W. Lewis Frame N Door Inc.	Willow Grove, Pa.

* Additional DEC's represent those who have not provided information for the above 2016 DEC List ranking.

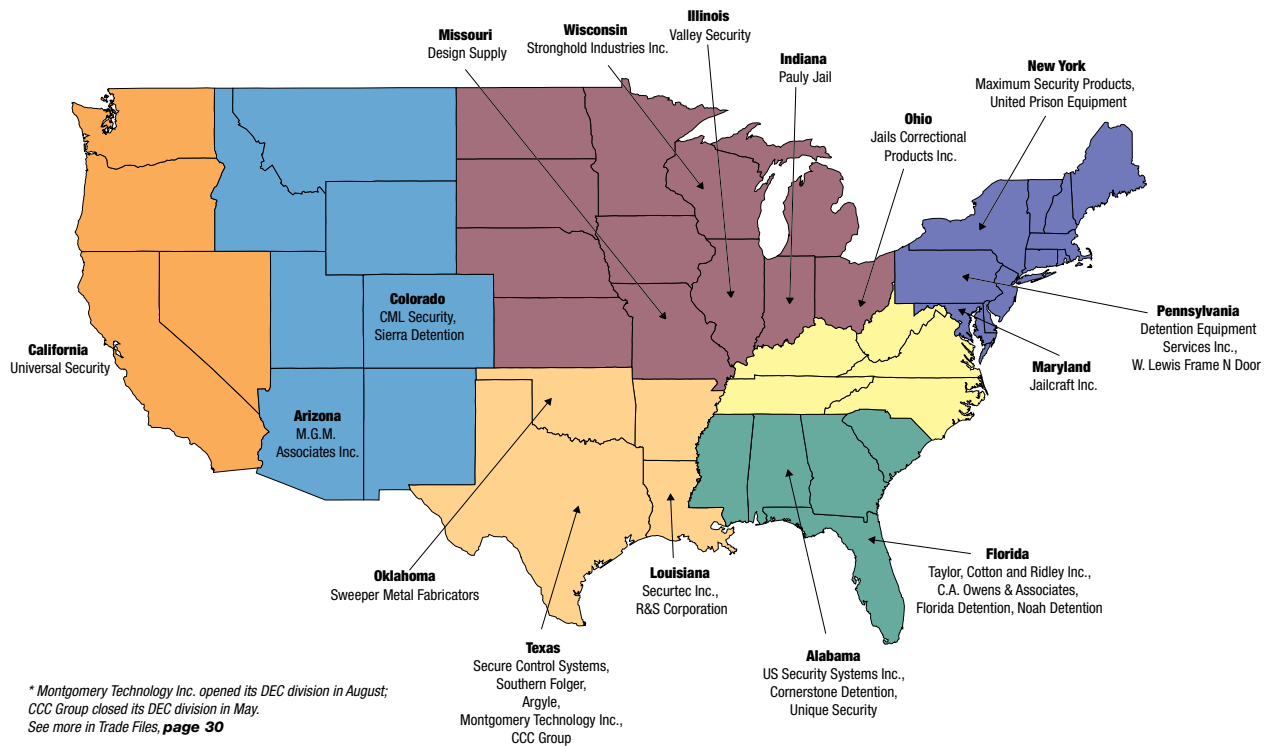


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DECs in the Mid 90s



DECs in 2016



Mapping the Changes in the DEC Market

By Brad Schotzko

I have spent the past 21 years working for Huron, S.D.-based Trussbilt, and the one constant within the dynamic has been the ever-changing landscape of the corrections industry. It's of no surprise that since the collapse of the global economy in 2008, the corrections industry has taken a severe hit. **While this industry has always experienced peaks and valleys of workflow, these past eight years of severely diminished volume has caused a catastrophic effect on our market.** In addition to having lost several detention equipment manufacturing companies during this period, we have more importantly lost experienced tenured people from various sectors, who had a vast "working" knowledge of our industry. I believe the biggest challenge facing the industry going forward is not quantifiable manufacturing capacity, as many have focused concern, but a supply of key people with the experience to make necessary and timely decisions to facilitate the design planning and sequenced construction scheduling of projects within budgetary constraints in order to successfully fund and efficiently build secure facilities.

Analysis of the recent contraction of the detention hollow metal manufacturing sector pivots attention and postulates concern over the ability of remaining companies to effectively absorb upcoming demand. Before confronting this important issue, the fact remains that while there is some positive news on the horizon for upcoming projects, the industry must first come to terms with a few clearly volatile and uncertain circumstances.

First, while new construction appears to be looking more positive for the next couple of years, the number of projects and fiscal expenditures that are being



Trussbilt has been supplying facilities for decades, including the Lyon County Justice Complex (pictured here), in Yerington, Nev. The facility was completed in 2013.

forecasted is a fraction of what it was before the recession. Second, funding for construction remains a major issue and will continue to be an obstacle while municipalities continue to improve their post-recession financial positions. One of the most frustrating circumstances our industry continually deals with is projects being extended, cancelled and revised for financial considerations. Third, with the upcoming election and the emotionally charged debate on divergent views of dealing with law and order, the future course of corrections in the United States is uncertain. With all the discussion and propositions

encompassing penal reform, reduced sentences, rehabilitation and adjudication, I don't believe anyone has a definitive answer of what is going to ultimately play out in our industry.

While all of these factors are major concerns, I believe it creates a very clear theorem of why entire companies and experienced individuals have exited our industry. Businesses and individuals instinctively strive for stability, and quite frankly, our industry has been out of equilibrium for quite some time.

With this backdrop being drawn, how did the merged entity of Trussbilt-American survive the constriction within our market, and what is our business model going forward, as it relates to profitability and responsibly fulfilling the industry's demands for quality certification-compliant manufactured security products? It is of profound importance to clearly define that the "merger" of Trussbilt in Huron, and

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American Steel Products in Swainsboro, Ga., was a well-strategized and synergistic combination. At the time of the merger in 2014, Trussbilt was the largest detention equipment manufacturer in North America, and American Steel Products, the third. The combined entity comprises more than 200,000 square feet of manufacturing capacity with state-of-the-art manufacturing facilities in both South Dakota and Georgia and with sales and engineering offices in Minneapolis and Atlanta. The two companies combined have more than 170 years of engineering and manufacturing longevity and expertise. The combined entity offers an extensive mix of certified detention/security products, including but not limited to SHM doors, frames, windows, TrussWall metal wall panels and three security grades of metal security ceilings.

Three competitors have left the industry in the past two years. It is important to note that the exiting of these

the submittal process and eliminating the resubmittal delay. Prior to the recession, when manufacturing lead times were often in the 10- to 16-week range, the submission process was more aggressively managed and generally, more timely, because architects, detention equipment contractors (DECs) and general contractors (GCs) knew that if submittals were not returned responsively, their projects would be placed in jeopardy. With the recession came a very aggressive buyer's market, placing manufacturing lead times at four to six weeks and, with a small expedite premium product, could be turned around in just a few weeks.

While this may have facilitated numerous projects, enhanced the nimbleness of some contractors or backfilled other delays, it became a debilitating and eventually crushing dynamic for the manufacturers. The situation has continued to deteriorate to a point in which submittals over the past couple years have

companies was not necessarily the result of a business maneuver by Trussbilt-American, but more of an evolution or "natural selection" process within the corrections industry. Fewer projects, followed by diminished demand, fueled the inertia of lost profitability and failing companies.

With this said, Trussbilt-American is investing in the future and looking at various ways to continually improve all aspects and efficiencies of our company operations. This includes a recently completed plant expansion at the South Dakota facility, placement of new technologically advanced machinery and equipment, enhancements and integration of our sales, engineering and manufacturing software, with ongoing refinements to testing credentials and development of new and smarter security products.

Moving the discussion forward, addressing operational capacity and demand is not the sole issue. I have spent a tremendous amount of time analyzing the complete process or "cycle" of fulfilling customer, project and overall industry demand. As a company, the single-largest issue we have isolated and wrestled with over the last few years is the timeliness of

gone from taking a typical four to six weeks for approval to taking up to four to six months to get approved. In addition, a further complicating factor exacerbating the inefficiency of the process has been the increased amount of resubmittals we are experiencing. In the past two years, it has escalated from less than 5 percent of our overall projects to more than 25 percent. While every project has its own unique set of needs and criteria, I believe this submittal issue confirms without doubt, that the entire design team, including manufacturers, consultants, architects, DECs and GCs are not only understaffed, but also lack the experienced personnel needed to keep these projects on schedule.

Progressing forward, I believe if our industry is to be committed to streamlining the submission process, all parties involved must work more closely together in an effort to coordinate and enhance communication between each company involved.

Brad Schotzko is the vice president of sales and engineering at Trussbilt.

Insights from the Experts

By Jessie Fetterling

It's been a challenging few years for detention equipment contractors (DECs), as companies continue to merge, change business models or completely exit the industry. As the market continues to recover from the Great Recession in 2008, DEC companies have had to strategize and maintain industry relationships to survive the downturn.

In this DEC Roundtable, JJ Ramsey, executive vice president and co-owner of CML Security, and Mitch Claborn, president of Cornerstone, share their insights on the market's current status and what the future has in store.

Q: *Can you describe your background as a DEC and what made you want to work in the industry?*

Ramsey: It runs in the family. My dad, Jim Ramsey, has been in the business for more than 35 years. He was a DEC, back in the day, with Stewart Decatur. I always enjoyed watching him excel at his career — he's been my mentor from the beginning. My experience as a DEC began with Norment Security Group in the early 2000s. From there, I worked with DECs when I was with Trussbilt. Keith and I purchased CML Specialties in 2012 and haven't looked back.

Claborn: I started in this industry with Willo Products in 1979 as a co-op student running errands and the company's blueprint machine. It was the most fun job you could imagine. It was before FedEx, so I got to drive all over the southeast delivering drawings and was able to meet some really nice, professional people. The company had an engineering department — remember the days before Computer-Aided Drafting (CAD) — so they employed draftsmen, and I thought drawing for a living would be pretty cool. I was hired on full-time as a draftsman when I got out of school. I worked for four DECs from 1979 to 1998. I worked my way up from the blueprint machine to executive vice president. In 1998, I started Cornerstone Detention Products Inc. above my garage. In 2014, [Cornerstone] purchased Norment (where I worked from 1984 to 1989). We now have eight offices in six states, employing over 170 people. I still enjoy design or assisting on projects and problem solving. Besides the stress of a down market, I enjoy my job protecting [corrections] officers, the public and protecting the inmates while incarcerated.

Q: *What is the most significant change you've seen since you started as a DEC?*

Ramsey: The most recent and important change I've seen is manufacturers are consolidating and, therefore, becoming



Ramsey



Claborn

more powerful. The DECs that have genuine relationships will flourish; the ones that don't will struggle. CML has always been a relationship-driven and loyal DEC to both our manufacturers and the general contractor community. In addition, the market's design-build bidding process has been more prevalent. The architects and general contractors want to work with DECs that they trust and are comfortable with.

Claborn: Everything originally was hard — concrete and steel (tin-can jails). Now, with the softening of the facilities, the owners are using security hollow metal, glass, wood and plastic. The mentality used to be to 'lock them up and throw away the key,' but now it's about education and rehabilitation programs. Every lock was mechanical and now mostly electronic. Technology-driven corrections is the major change right now. Also, private-prison operators have changed our industry with the purchasing power of cookie-cutter designs.

Q: *How are those changes affecting your business?*

Ramsey: The above changes have created opportunities for us; however, we have to be selective on what we go after. It takes time and money to go after design-build projects as a DEC. The stipends that design-build teams receive unfortunately never trickle down to the DEC level if our design-build team fails to win. Thus, we are very proactive in understanding the dynamics of projects and positioning with our design-build teams to be successful.

Claborn: With new designs, technology and privatization, changes in the DEC market have been abundant. With design standardization comes symmetries and streamline manufacturing, which drive costs lower. The lower the cost, the less margin; the less margin means fewer players with limited specializations. Privatization is under scrutiny now, but it will never go away.

Q: *What are the current trends for DECs, and what products are gaining in popularity?*

Ramsey: There are a few trends that I see in terms of the bidding market. I see projects bidding out the DEC package earlier to lock in pricing and assist with design. Personally, I love this concept because the selection is based on qualifications and less on price. Competition is one thing, but it must be competition at a quality threshold. Just because a company calls themselves a DEC doesn't mean they are qualified. CML has always been a promoter of metal-wall panels, this product has gained market share for a number of reasons, but I do believe the biggest strength is its flexibility on a number of fronts for a project. Metal-wall panels will continue to gain steam going forward.

those products include surface-mounted locks, retrofit sliding devices, adding visual aids (lights) at the door and remote maintenance (electronics).

Q: *What DEC projects is your company currently working on, and how do they represent some of these changes and trends?*

Ramsey: Our largest current project is the jail in Kern County, Calif. We were lucky enough to win this with the design-build team of Balfour Beatty Construction, HOK, Kitchell and DLR Architects — all of which we have past experience working with. Graham County, Ariz., and Churchill County, Nev., are two other projects that reflect the changes mentioned above.

Claborn: We have 94 active

Claborn: Since 2008 (the Great Recession), our industry has been in decline. We were one of the last industries to feel the recession, so we will be the last to recover. Mergers and acquisitions are still the topic of our industry, with old companies leaving the industry and very few startups compared to the past. Retrofit products are the rage and, as long as building is slow, it will continue. Some of

construction projects. One is Warren Correctional Institution in Lebanon, Ohio, where we are replacing old locks with new surface-mounted lock boxes with light. In Jackson County, Mo., we are working on retrofit sliding-cell devices, and in Toledo, Ohio, we are working on a project that involves a technology/electronics upgrade.

Q: *Where would you like to see the DEC industry go in the next few years?*

Ramsey: What I believe will happen are probably two different things. I believe the DEC's that don't have relationships will either consolidate or try to self-perform some manufacturing of their own. I do believe the next 12 to 18 months will be one of change and consolidation related to this. I believe relationships between different types of companies (architects, general contractors, DEC's and manufacturers) will continue to matter more and more. Our industry is one made of relationships and connections. When it comes down to it, the ability to perform the work is the No. 1 determination of success or failure. All DEC's are created equal if there are zero projects and zero revenue. Not all DEC's can handle \$5 million of revenue and/or five projects. You reduce capabilities further when it is \$20 million of revenue and 20 projects. There are not even a few that can do more than that ratio. Experience matters when selecting or teaming with a DEC.

Claborn: My goal is to develop one new product a year to create an industrial revolution with our industry in the next five years. In 10 years, with electronic technology, drones, smart cars and computers, we will be able to house inmates in the most humane, technologically-advanced prisons imaginable.



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