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## 2017 DETENTION EQUIPMENT CONTRACTORS REPORT

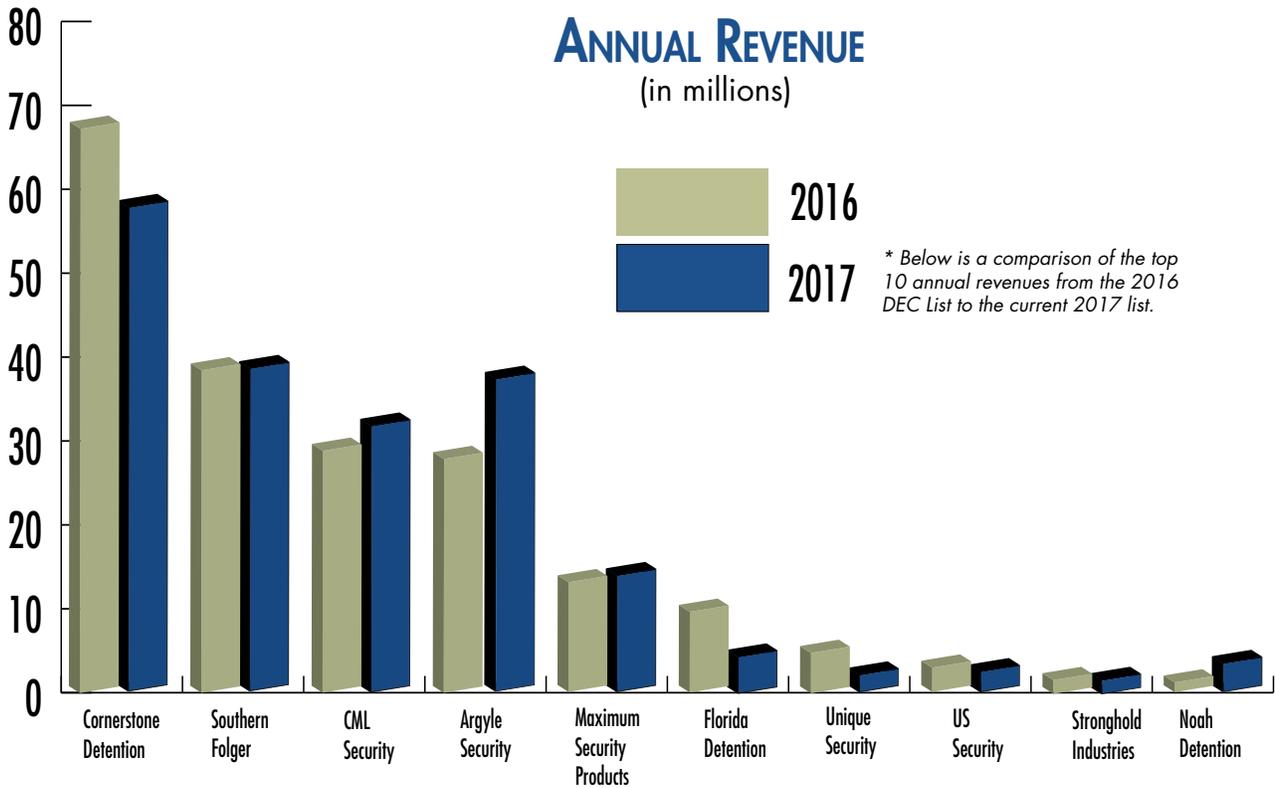
# 2017 ANNUAL DETENTION EQUIPMENT CONTRACTORS LIST

|                                      | 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 & ABOVE        | <b>Cornerstone Detention Group</b><br>Madison, Ala.<br><a href="http://www.cornerstonedetention.com">www.cornerstonedetention.com</a>    | Shannon Claborn<br>256-355-2396   | North America                           | \$60 Million   | 260                 | \$16.6 Million                | \$214 Million                | \$126 Million    | REVENUES \$25 MILLION & ABOVE        |
|                                      | <b>Southern Folger</b><br>San Antonio, Texas<br><a href="http://www.southernfolger.com">www.southernfolger.com</a>                       | John Clark<br>210-531-4115        | U.S./International                      | \$40 Million   | 167                 | \$16.8 Million                | \$45.7 Million               | \$35 Million     |                                      |
|                                      | <b>Argyle Security</b><br>San Antonio, Texas<br><a href="http://www.argylesecurity.com">www.argylesecurity.com</a>                       | Buddy Johns<br>832-829-4262       | U.S.                                    | \$38.7 Million | 243                 | \$39.5 Million                | \$129.3 Million              | \$38.8 Million   |                                      |
|                                      | <b>CML Security</b><br>Erie, Colo.<br><a href="http://www.cmlsecurity.us">www.cmlsecurity.us</a>   | J.J. Ramsey<br>303-704-6036       | U.S./International                      | \$33 Million   | 115                 | \$13.5 Million                | \$110 Million                | \$57 Million     |                                      |
| REVENUES \$5 MILLION TO \$15 MILLION | <b>Maxium Security Products Corp.</b><br>Waterford, N.Y.<br><a href="http://www.maximumsecuritycorp.com">www.maximumsecuritycorp.com</a> | Thomas Townson<br>518-233-1800    | U.S./International                      | \$14.4 Million | 44                  | \$3.1 Million                 | \$24.2 Million               | \$20.8 Million   | REVENUES \$5 MILLION TO \$15 MILLION |
|                                      | <b>Sweeper Metal Fabricators Corp.</b><br>Drumright, Okla.<br><a href="http://www.sweepermetal.com">www.sweepermetal.com</a>             | John Schiffmacher<br>918-352-2133 | U.S./International                      | \$11.5 Million | 71                  | \$4.9 Million                 | \$13.5 Million               | \$11.3 Million   |                                      |
| REVENUES LESS THAN \$5 MILLION       | <b>Florida Detention Systems Inc.</b><br>Melrose, Fla.<br><a href="http://www.floridadetention.com">www.floridadetention.com</a>         | George Stewart<br>352-475-5391    | Eastern Half of the U.S.                | \$4.5 Million  | 37                  | \$1.3 Million                 | \$20.8 Million               | \$5 Million      | REVENUES LESS THAN \$5 MILLION       |
|                                      | <b>Jails Correctional Products</b><br>Minster, Ohio<br><a href="http://www.fabcor.com">www.fabcor.com</a>                                | Kim Razor<br>419-628-4428         | Continental U.S.                        | \$4.2 Million  | 17                  | \$1.2 Million                 | \$10.2 Million               | \$6.3 Million    |                                      |
|                                      | <b>Noah Detention Construction</b><br>Niceville, Fla.<br><a href="http://www.noahdetention.com">www.noahdetention.com</a>                | Robin Noah<br>850-865-6386        | Southeast & Midwestern U.S.             | \$3.5 Million  | 3                   | \$770,590                     | \$7.5 Million                | \$5.2 Million    |                                      |
|                                      | <b>US Security Systems Inc.</b><br>Montgomery, Ala.<br><a href="http://www.ussecuritysystems.com">www.ussecuritysystems.com</a>          | John Ames<br>334-273-8778         | Southeast & Midwestern U.S.             | \$2.5 Million  | 4                   | \$4.1 Million                 | \$14.6 Million               | \$9.8 Million    |                                      |
|                                      | <b>Unique Security Inc.</b><br>Montgomery, Ala.<br><a href="http://www.uniquesecurityinc.com">www.uniquesecurityinc.com</a>              | Gary Hart<br>334-239-8343         | Eastern Half of the U.S./ International | \$2.1 Million  | 15                  | \$1.8 Million                 | N/A                          | N/A              |                                      |
|                                      | <b>Stronghold Industries Inc.</b><br>Racine, Wis.<br><a href="http://www.strongholdind.com">www.strongholdind.com</a>                    | Tom Ackley<br>262-886-1077        | Midwest                                 | \$1.7 Million  | 9                   | \$936,000                     | \$7.4 Million                | \$5.6 Million    |                                      |

\* The DEC List was compiled using information self-reported by the companies listed above; a bulk of the data for the 2017 list is based on information collected from 2016 records.

| ADDITIONAL DEC'S               |                    |
|--------------------------------|--------------------|
| Jailcraft Inc.                 | Owings Mills, Md.  |
| Secure Control Systems         | San Antonio, Texas |
| Pauly Jail                     | Noblesville, Ind.  |
| Universal Security Products    | San Ramon, 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 |
| W. Lewis Frame N Door Inc.     | Willow Grove, Pa.  |

\* Additional DEC's represent those who have not provided information for the 2017 DEC List ranking.



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# DEC Market Analysis: 2017 & Beyond

By David Swies

This year's annual Corrections Summit, held in historic Pinehurst, N.C., from Sept. 10-13, was yet another Summit for the ages. The event focused on the theme of quality, exploring issues such as revived industry passion for sustainable and evidenced-based best inmate programming practices and millennial succession plans that many leading industry companies are currently implementing with talented strategic hires.

The Summit reflected on the past 20 to 30 years, the past year since we last met in Pinehurst, and most importantly, the immediate present and not so distant future — all in an effort to understand how quality has built our industry and the critical importance it plays in the sustainable and successful future of our industry.

This year's Corrections Summit focused on quality legislation bills, quality of life for inmates and staff, the quality of the project delivery method, the quality of executive and project management staff and their ability to deliver as committed, and most importantly, the quality of the finished products and services that we are delivering to our clients.

Progressive design-build was discussed at length as a means of providing a quality planning, programming and pre-construction experience for all project team members. The days of offering up free design, bidding and pre-construction services are in the past, as project pursuit teams look at potential projects differently. Smarter target pursuits and the current strong corrections industry construction economy are allowing national firms to pick and choose what they go after, rather than throwing darts at a wall and seeing what sticks.

In addition to all the examples above, the DEC panel that presented this year touched on probably the most critical quality elements that have plagued our corrections industry since the 2008 financial crash: the quality of executive and project management staff and the quality of the finished products and services being delivered to our clients across the nation, which have suffered long enough.

Correctional projects across the U.S. continue to run into financial, schedule and contractual challenges as claims and litigation are used to solve problems and resolve

disputes. Open communication, transparency, ownership and accountability seem to be foreign to construction terms, which continue to drive wedges between project stakeholders rather than drive projects to a successful completion.

The cyclical nature of the DEC market acquisition and consolidation rollercoaster has not made the reality of our industry any easier to digest; however, the recent acquisition and consolidation spike over the past three years has allowed other competition to enter the marketplace.

This year's Summit has taught us that this cycle has been a consistent theme in our industry over the past 20 to 30 years. Each acquisition and consolidation trend, though somewhat different, shares a commonality: Every trend cycle leads to new DEC supplier and subcontractor competition. This new competition can be a positive for our industry as long as the quality of these new companies hold true to best-in-class executive and project management staff and best-in-class products and services.

This year's Summit attendees also agreed that no single DEC supplier and subcontractor can possibly manage all of the projects that are slotted for the foreseeable future, whether at the local, state or federal level. Therefore, honest and fair supplier and subcontractor competition is what should bring quality back to our corrections industry landscape.

This might mean that competing companies partner up and bid projects together when it makes sense to provide best-in-class quality, joining forces and capitalizing on each other's strengths and weaknesses. Our industry could benefit from this unorthodox strategy.

Who would have thought three years ago, let alone last year at this time, that Erie, Colo.-based CML Security and Noblesville, Ind.-headquartered Pauly Jail would be partnered up on the new Metro-Davidson Nashville jail complex in Tennessee? I'll do everyone a favor and say absolutely no one. How times change, especially when quality is brought to the forefront of our day-to-day mindsets.

This partnership is great to see, as it shows two of our industry's top DEC subcontractors stepping outside of their comfort zones and putting their egos aside to work together for the client's benefit.

Quality results require quality people making quality decisions. This year's Summit leadership and attendees reminded us that it is up to us as industry experts and professionals to sustain our industry for another 20 to 30 years.



Swies

*David Swies is a senior project manager at Austin, Texas-based Broaddus Companies.*



Claborn



Halloran



Johns



Langersmith

## Doing More with Less:

### *The State of the DEC Industry*

There's a common sentiment in the Detention Equipment Contractor (DEC) market that mergers and acquisitions have made it a significantly different industry than it was five years ago. That combined with a steady upsurge in projects that have had to rebid due to budgetary issues and constraints means that there are fewer companies providing services to more.

In this DEC Roundtable, Correctional News spoke with Mitch Claborn, president and CEO of Cornerstone; Don Halloran, president of Southern Folger Detention Equipment Company; Buddy Johns, president and CEO of Argyle Security; and Michael Langersmith, founder and executive director of CML Security, to get a pulse on the current DEC market and what the future holds.

**Q:** *How is this change in the marketplace affecting the way you do business?*

**Claborn:** The reduction in suppliers has required us to seek out partnerships for certain products and new manufacturers for other products.

**Halloran:** Due to fluctuations in the market, we have had to diversify in various sectors of our business using our manufacturing capabilities to offer a wider breadth of detention products. The most notable change has been the acquisition of Southern Folger Detention Equipment Company by Coastal Detention Holdings (CDH) in June of this year. Anytime there is a significant change in the market, we must re-evaluate our current business models and streamline our procedures and processes to fit the current needs of the market. We have recently reorganized our construction management division, and have developed more efficient systems of delivering project management services.

**Johns:** Supply reduction has created a need to be more

creative in our service delivery. There is less margin for error now than ever; therefore, creative thinking, preparation and planning must all be continuously enforced.

**Langersmith:** It's made us really appreciate the good suppliers that we have. That's been a blessing for us because the consolidation just so happens to be with companies we've been doing business with for 25 or so years. We have always sought quality, and I think the consolidation reflects that, as the companies that provided better quality are the ones still in business. As far as our business changing, it hasn't changed much because we're working with the same suppliers we always have. We've always seen cycles in this marketplace. There was a period when there were longer lead times, but things are settling out now. The capacity is there for the manufacturers. Where we struggle is getting the information finalized from the owners and architects. The approval process is nearly equal to that of manufacturing, and what we're striving to do as a company is to cut down on the approval time to meet ever-demanding schedules.

**Q:** *Can you provide an example of new things you've had to consider as a result of these changes?*

**Claborn:** Due to a lack of shop capacity for steel prefabricated cells, we developed strategic partnerships to farm out the assembly of the cells. This allows us to meet the product shipping demand, and by selecting these locations strategically, we can gain a competitive advantage.

**Halloran:** We've had to consider acquisitions and mergers to achieve synergies, growth and versatility. [That includes] furnishing our over 400,000 square feet of combined manufacturing space with state-of-the-art equipment and

technologically advanced automation ability as well as implementing ERP systems that coordinate engineering, manufacturing, administrative and project management capabilities within and across all our companies.

**Johns:** Planning product delivery has changed from when the project needs the material to when the manufacturers can fit it into their production schedules. This forces us as a DEC to find ways to mitigate delivery risk by accepting and storing materials months in advance rather than just in time. This extra cost is a reality as to not incur the much higher costs of late delivery. We cannot allow product delivery

products that might facilitate in the rehabilitation process. An example of this is Trussbilt's wood-grained security door, which has the appearance of a wooden door but the strength of a detention hollow metal door.

**Johns:** We have to be able to expand our product lines to include the normalized products demanded by this market. In addition, our crews are being trained to deliver a much more enhanced and commercially acceptable finish. This is not difficult as our market has always handled higher-end finishes, by example of the courthouses; however, the quantity of this effort creates a need for more finish

**Halloran:** The wall panel system at the South County Detention Facility in Tulare County, Calif., is an efficient and cost-effective alternative to concrete masonry units and precast. The McHenry County security upgrade in Woodstock, Ill., includes the implementation of video analytics to help increase security.

**Johns:** Argyle has always had a commercial division, so the movement toward normalized rehabilitation facilities is a simple transition. Currently, we are working on a convention center, a hospital, a medical office building, several school projects and the normal justice market courthouses, juvenile centers and re-entry facilities.

**Langersmith:** We worked on the jail facility in San Mateo, Calif., which incorporated more normalized environments than we had ever seen. That follows the trend that both the amount of clinic space and attention to mental care has really grown tremendously over the years. There's also a wonderfully designed facility we worked on up in Skagit County, Wash., that highlights this mental health portion. It's a given that almost every project we do is going to have a health aspect.

There's a common sentiment in the Detention Equipment Contractor market that mergers and acquisitions have made it a significantly different industry than it was five years ago.

to negatively affect a project schedule.

**Langersmith:** It's created a different type of competitive atmosphere, where we're competing against systems more than we used to. The architects, engineers and general contractors are aware of the dynamic, so what they're doing in response to this is having us bid a product system against another before the design is finished. So, the competition is happening earlier in the design phase, and the designers are designing as a result of the systems that are selected early in the project. That's the new norm.

**Q:** *Specifically, how does the industry's focus on rehabilitation affect the DEC market?*

**Claborn:** It has very little effect on our business.

**Halloran:** We are in the process of developing more aesthetically pleasing

quality-skilled installers than we have needed historically.

**Langersmith:** It's created a need for firms like ours to understand normalized environments, yet still make them secure. The security aspects aren't as obvious as they used to be. It certainly creates less of a demand for the hardened cells, but it's the right thing to do. Not only is it good for the inmate, but it's also good for the staff. We see that this is a real opportunity to be creative.

**Q:** *What project is your company currently working on that highlights some of these changes in the market?*

**Claborn:** We are working on several projects that are prisons designed as hospitals. These facilities have a different name, and they are focused on rehabilitation but, with only a few changes, are still a prison.

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

**Claborn:** The current trend is that all recent jobs are facing a budget crisis. Any project that was budgeted over a year ago is out of budget. The raw material price increases we are experiencing along with a market price correction is causing all of the jobs to come in over budget. It will take a year for this correction to work through the budget cycles, but it is definitely a current problem. Also, high-value paint/coating solutions are really gaining in popularity. They have a long warranty, and the owners are looking for solutions to rust, mold and bacteria issues.

**Halloran:** The TrussWall system allows the owner/architect more design flexibility, especially with the current

trends of multiple cell types within the same facility due to the focus on rehabilitation. It also offers the smallest building footprint of any cell system on the market, which results in unparalleled cost savings. In the industry, there are also shorter lead times based on compressed construction schedules. Since the acquisition by Coastal Detention Holdings, there has been better coordination between the detention equipment product lines and the lock and hardware systems, resulting in better engineering and manufacturing lead times, and streamlined project scheduling. In addition, the enhanced integration and coordination of the product lines has resulted in a better-quality end product with statistically fewer jobsite installation issues.

**Johns:** I think the trends relate specifically to your question concerning the impact on the movement toward rehab facilities. The DEC industry has to continue to focus on the quality of our products and services. We are staying well trained in the changing end-user needs and wants, and are shifting what we deliver and how we deliver it to fit those needs. Unfortunately, the corrections market has been forced to deal with the mentally ill and [those facing addiction], so we need to help deliver the facilities that can support that effort.

**Langersmith:** The trend is toward normalized, daylight buildings. Fire codes have also driven a phenomenal change in security glazing. Fire-rated security glazing is replacing wire glass, and glass budgets have increased, which has been a huge deal. The products we've seen from Global Security Glazing have been especially innovative. We're also seeing a desire for the Cortech-type furnishings, including the softer plastic-type furniture.

**Q:** *What do you see as the future for DEC's?*

**Claborn:** I still think the future is bright for any DEC that wants to furnish and install a quality product. The DEC is a critical partner for the general contractor and owner. We have products that are needed at the very beginning of a job, and we, the DEC/SEC, are usually the last to leave. When the final commissioning is complete, the DEC/SEC products are what keep the inmates/correctional officers and the public safe. I'm proud of what our company contributes to the industry, and our goal is to continue to provide a quality product at a quality price that will stand the test of time.

**Halloran:** As DEC's, we need to add more value and expertise to the design team and the owner by being involved earlier in

the pre-design process. Unfortunately, the current trend seems to be that fewer DEC's are self-performing their projects. They subcontract projects to installers. Over time, I believe this will only serve to marginalize the importance and efficacy of the DEC. The DEC's focus should be more on adding value and contracting expertise to a project, the installation component being the most important. Short of this, the DEC community will be relegated to the brokering of products and materials, increasing their dependence on the detention equipment manufacturer.

Of final concern is the financial viability of the DEC community. As a detention equipment manufacturer, it has become pervasively clear that many DEC's struggle financially as do other contracting businesses today, wrestling with the necessary cash-flow requirements to adequately manage projects. From an A/R standpoint, many DEC accounts lapse well beyond contractual terms. Whether this is a result of a constricted market, an inability to responsibly quote projects or lack of fiscal management, it is a trend that must be reversed. The manufacturing sector should not be relied upon to finance the contracting arm of the industry.

**Johns:** This may sound strange, but DEC's are required to deliver so much more than detention equipment. How do you deliver safe and secure walls, doors, windows, etc., without being institutional? We need to assist the end users, engineers and designers in creating normative environments without sacrificing any of the safety and security demands that must remain paramount.

**Langersmith:** We have a role to play, and we can add value through earlier intervention and more design assist. In doing so, we can add value to the aspects of design, efficiencies, installation and products that are more maintenance-free. As a DEC that's been in this business as long as we have, we've been able to work with some of the finest consultants, which allows us to bring a wide variety of philosophies to each project.

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