FAR WEST EQUIPMENT DEALERS ASSOCIATION

BULLETIN

Vol. XXI No. II February 2012

Inside This Issue

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Message from the President

Jason Behrend

Are We Too Busy Doing Too Many Good Things?

Yesterday I was fretfully sitting in an all day store managers meeting. I had my laptop open on the conference table, and a smart phone hidden down by my lap. On the surface I looked engaged in the meeting, but inside my mind was racing with all the "other things" I needed to complete for the day. Constantly my cell phone was vibrating with incoming calls, texts, and Tweets. My laptop's email and instant message icons were constantly flashing indicating I had people needing answers to important questions – well not all were important. To stem the tide of requests, I inconspicuously held my smart phone below the table and responded to the various requests, appearing to listen to the meeting topics. Occasionally I slipped in a quick IM and Email when I "had to" look up data for the meeting on my laptop. I was jotting down notes, not about the meeting topics, but for upcoming projects or various items I needed to follow-up on. My leg nervously bounced up and down as my mind raced with all that I needed to complete. All the time while I was in this meeting I was not "in" the meeting. Physically I was there, but mentally I was not. I rationalized my behavior because I was engaged in good things. I was helping salesmen close deals. I was approving equipment orders and trade values. I was responding to vendor's questions. I was explaining my requests to the accounting department. I was keeping the business going. These are all good things, right? I was engaged in the business doing my job.

Later that night I was sitting at my home computer doing email and trying to complete my day's work from being in the meeting all day. I was two hours late for dinner and hustling to respond to the 70 plus emails I got that day. Knowing I would be away on a three day business trip the following day my intensity increased. My eight month pregnant wife was trying to wrangle in my laughing three year old son who just wanted to play with daddy. Each time he cheerfully came into the den and asked "come play crash with me daddy" (his version of football). I kept telling him I am almost done…one more email…which painfully turned into 30+ more. Each time he would

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FAR WEST EQUIPMENT DEALERS ASSOCIATION

Upcoming Events Calendar

February 2012

20	President's Day - Office Closed

April 2012

10	California Area Meeting, Tulare, CA
11	California Area Meeting, Davis, CA
12	California Area Meeting, Ontario, CA
17	Wyoming Area Meeting, Casper, WY
24	Utah Area Meeting, Sandy, UT
25	Nevada Area Meeting, Fallon, NV
26	Arizona Area Meeting, Phoenix, AZ

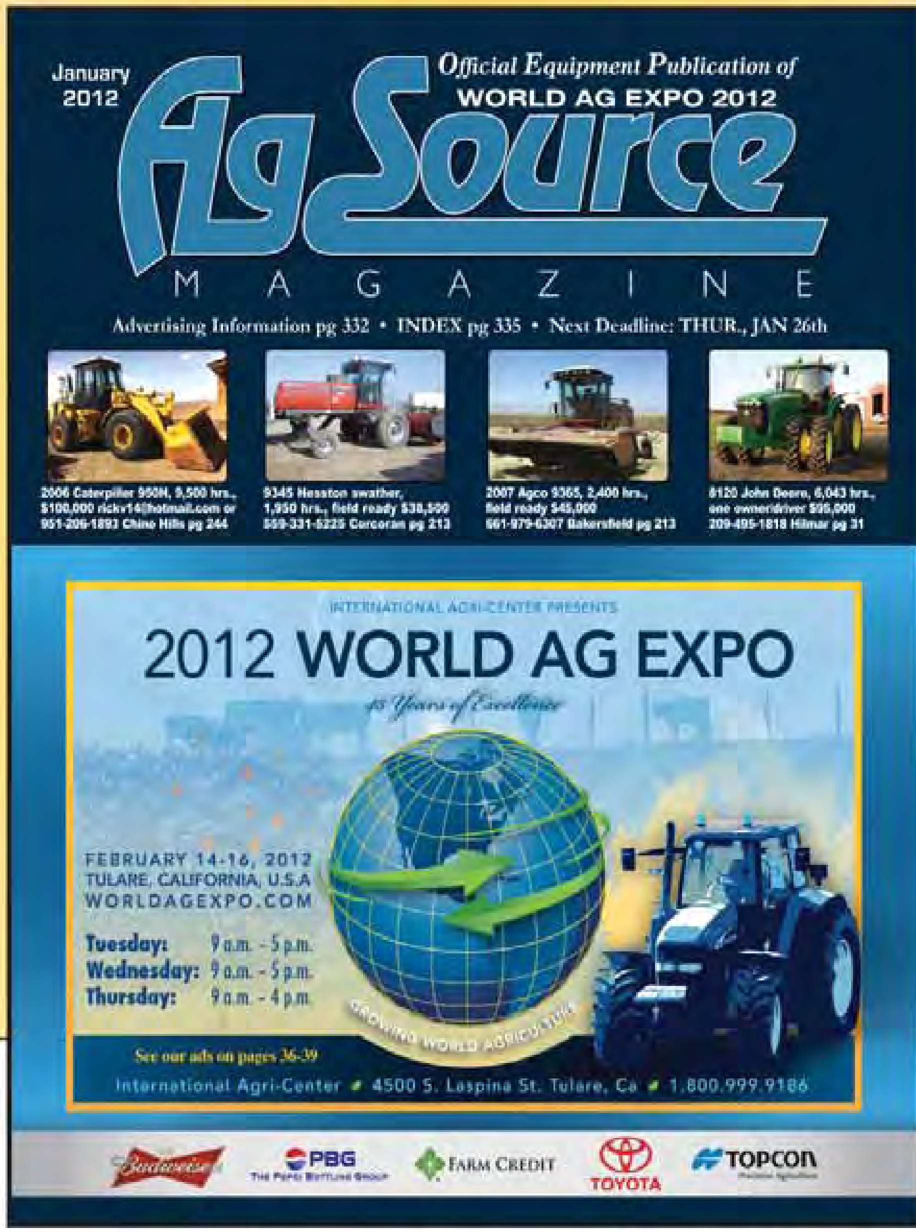
March 2012

29-30	FWEDA Board Meeting, Pismo Beach, CA

May 2012

28	Memorial Day - Office Closed

OFFICIAL EQUIPMENT PUBLICATION OF
World Ag Expo 2012



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NLRB Postpones Poster Rule

The National Labor Relations Board (NLRB) on Dec. 23 agreed to postpone the date by which employers must put up posters to notify their employees of their rights under the National Labor Relations Act (NLRA). The rule was originally scheduled to go into effect on Nov. 14, 2011, which was then changed to Jan. 31, 2012, and is now April 30, 2012.

The U.S. Chamber of Commerce and several other business groups sued the NLRB over the employee rights notification rule, maintaining that the rule violates federal labor and regulatory laws as well as First Amendment rights.

In announcing the postponement, the NLRB stated that it determined that postponing the effective date of the rule would help with resolution of the legal challenges that have been filed with respect to the rule. A Washington, D.C. federal court requested that the NLRB move back the date in order to decide the case.

For a complete explanation and Q & A regarding the Final Rule, as well as a downloadable poster, go to http://nlrb.gov/news/nlrb-postpones-effective-date-rights-posting-rule-april-30.

New Safety Rule Limits Hours of Service For Truck Drivers

The U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) has revised the hours-of-service (HOS) safety requirements for commercial truck drivers. Commercial truck drivers and companies must comply with the HOS final rule by July 1, 2013.

FMCSA's new HOS final rule reduces by 12 hours the maximum number of hours a truck driver can work within a week. Under the old rule, truck drivers could work on average up to 82 hours within a seven-day period. The new HOS final rule limits a driver's work week to 70 hours.

In addition, truck drivers cannot drive after working eight hours without first taking a break of at least 30 minutes. Drivers can take the 30-minute break whenever they need rest during the eight-hour window.

The final rule retains the current 11-hour daily driving limit. FMCSA will continue to conduct data analysis and research to further examine any risks associated with the 11 hours of driving time.

"Trucking is a difficult job, and a big rig can be deadly when a driver is tired and overworked," said Transportation Secretary Ray LaHood. "This final rule will help prevent fatigue-related truck crashes and save lives. Truck drivers deserve a work environment that allows them to perform their jobs safely."

As part of the HOS rulemaking process, FMCSA held six public listening sessions across the country and encouraged safety advocates, drivers, truck company owners, law enforcement and the public to share their input on HOS requirements. The listening sessions were live webcast on the FMCSA website, allowing a broad cross-section of individuals to participate in the development of the rule.

"This final rule is the culmination of the most extensive and transparent public outreach effort in our agency's history," said Anne Ferro, FMCSA's administrator. "With robust input from all areas of the trucking community, coupled with the latest scientific research, we carefully crafted a rule acknowledging that when truckers are rested, alert and focused on safety, it makes our roadways safer."

The rule requires truck drivers who maximize their weekly work hours to take at least two nights' rest when their 24-hour body clock demands sleep the most — from 1 a.m. to 5 a.m. This rest requirement is part of the rule's "34-hour restart" provision that allows drivers to restart the clock on their work week by taking at least 34 consecutive hours off-duty. The final rule allows drivers to use the restart provision only once during a seven-day period.

Companies and drivers that commit egregious violations of the rule could face the maximum penalties for each offense. Trucking companies that allow drivers to exceed the 11-hour driving limit by 3 or more hours could be fined $11,000 per offense, and the drivers themselves could face civil penalties of up to $2,750 for each offense.

The rule is available online at fmcsa.dot.gov/HOSFinalRule.

Source: Rental Pulse

Dealers See Upside, Downside to Depreciation Bonus

To encourage equipment purchasing, President Barack Obama signed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The TRJA extended the depreciation bonus for 2011 and 2012 and extended Sec. 179 expensing limits through the end of 2012.

Companies that buy new equipment can depreciate 100% of the cost in the first year. For new equipment purchased in 2012, the bill provides for a 50% depreciation bonus, plus the percentage of the remaining basis in the equipment that would ordinarily be depreciable under the Modified Accelerated Cost Recovery System.

To get the pulse of how farm equipment dealers see bonus depreciation impacting their business, Ag Equipment Intelligence took a poll of a small sampling of dealers during the second week of December.

The dealers were asked, "What percentage of your total wholegoods sales growth in 2011 do you estimate was or

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I Do Not Understand!

By John Walker, President, After Market Services Consulting

For over 50 years, I have been working with equipment dealers in the various industries of farming, construction, industrial, outdoor power, heavy duty trucks, golf and turf, material handling and the lift truck industry. These dealers run from $500,000 in sales to over $250 million in sales. For the most part, equipment dealers are the salt of the earth; independent business men imbued with thoughts of building an independent business, hiring and growing the business in a particular community. Most started off living the American dream, focused upon the idea of making a profit by servicing their customers. We have seen and worked with dealers from mediocre to what we refer to as "world-class dealerships." Equipment dealers are the "true" customers of all these manufacturers and suppliers that they represent. They are dealers who fulfill the challenge of marketing product and/or the tools to their customers to keep our economy productive.

Last month these industries saw the passing of an icon. Ed Walsh was the original consultant and trainer to the equipment dealers of North America. Ed was a friend and close associate. In his later years, I had several opportunities to discuss with Ed some of his business frustrations and his contributions to equipment dealers and manufacturers. Several days following his death, I picked up his book, which was a compilation of the articles he had written. I once again recognized that some of Ed's frustrations about equipment dealers were identical to mine, and quite frankly those that I have been attempting to deal with over the past four years. Thanks Ed, not only for the help you were to me, but all of the help you gave the dealers who used your services over the years.

I do not understand! Every dealer I have asked as to why they were in business has basically replied: "For the profit we make in moving the equipment from the suppliers we represent to our customers." This is a noble comment on the part of dealers. But as with everything in a global economy, we have faced dramatic changes over the past 50 years. More and more competitors have moved into our markets, and many of our products have become commodities. There is also no denying that most of the manufacturers and suppliers are continuing to demand more and more "market-share."As this pressure mounts, we see margins declining steadily, to the point where many dealers are seeing equipment margins running in the low, single digits. When this happens, you see more and more dealers throwing up their hands wanting to get out. But then the question becomes: How do you sell a multi-million dollar business that is netting 2 to 3 percent before taxes? Add to this the fact that most manufacturers are not offering relief in this area. In fact, their National Account programs continue to add pressure for dealers to maintain an acceptable profit.

I do not understand why most dealers are missing the answer. It does not take a business degree from a major Business College. It takes four or five minutes reviewing your own financial statement and noting the following: 1) which profit center currently provides your dealership with the highest gross profits and, 2) which profit center currently provides your dealership with the lowest contribution to total sales? Generally the answer to both these questions is the Service Department.

It was back in the early 1980's that Stu MacKay pointed out to both equipment dealers and to the manufactures of equipment that the customers were basically telling the industry that no one is asking the customer for the service business after the sale. In a couple of weeks we will be working with an equipment dealer (farm) who has total sales of $40 million, and his service sales produce a 76.5 percent gross margin. All is well until you discover his service contribution to the dealership's total sales is an anemic 5.7 percent! It will be our intention before we leave this dealer to show him just how, and what steps he must take, to reach the average service sales contribution within his industry: 7.3 percent. Reaching the average service sales contribution will produce an additional gross profit of dollars in service of $577,585. Remember the movie Tom Cruise stared in? "Show them the money!" This is exactly what you can do for yourself by analyzing & focusing upon your service profit opportunity!

How much time after you do this research for yourself, would it take to make a list of those customers who buy equipment from your dealership but who do not use your facilities for service? I do not understand why dealers cannot find the time to perform this very short exercise and when they do, how long will it take for them to take the necessary action to turn their opportunities into a steady stream of cash flow into the dealership? Once this small exercise is performed, how long do you think it will take you to have someone from the dealership ask why the customer is not buying your service, and after the answer is discovered, take the time to market the dealership's service to that customer

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will be driven by the Section 179 equipment depreciation bonus and extended expensing limits? (e.g, sales growth YTD in 2011 = 15%; estimated 10% of growth driven by Sec. 179 tax incentive = 1.5%)

We also asked them how the faster depreciation would affect their sales in 2012.

Overall, dealers are seeing a significant, positive impact in 2011 and somewhat of a negative impact for 2012. Of all the dealers responding, 34% expect 2011 sales to increase by 10% or less as a result of the current depreciation schedule. Another 25% are seeing improved sales levels of 11-20%. The remaining 41% see their sales growing by 20% or more this year due to the beneficial depreciation.

In 2012, it's a different story. Half of the dealers responding (50%) anticipate that a combination of the enhanced depreciation schedule for 2011 and lower depreciation levels in 2012 will decrease their forecasted sales by 1-10%. Another 33% believe it will drop their sales next year by more than 10%.

Only 8% expect their sales to increase by more than 20% as a result of the beneficial depreciation schedule in 2012. The remaining 9% don't expect the changes in the depreciation allowances to significantly impact sales one way or another.

One Midwest dealer explains the equipment sales expansion by saying, "Our customers are spending their profits because of the tax laws, not because they need more iron."

Another adds, "Section 179 is HUGE!!"

One dealer explains the dichotomy this way: "We would estimate 20% or more of our growth is driven by the current limits. We see a possible 6-10% drop related to this in 2012. We still go into 2012 optimistic, regardless."

A Connecticut equipment dealer doesn't believe that the more generous depreciation schedule has helped his business much at all in 2011. "Since the economy is so horrible, many small businesses are not in a taxable position and/or have very low cash flow. This does increase business, but it is not as significant as it could be. Coupled with the operating environment within the state of Connecticut, it will have very little impact for 2011. We think it will have a greater impact for 2012 and future years."

"While we recognize the section 179 and bonus depreciation deductions will be reduced in 2012, we think farmers will continue to look to offset income and take advantage of these deductions for equipment purchases. A large proportion of farmers will have fully depreciated equipment in their existing fleet."

HBS Systems Names Lynn Reed Chief Technology Officer

HBS Systems today announced that Lynn Reed has been named as its Chief Technology Officer. In his expanded role, Mr. Reed will be responsible for all technology functions of the company including Software, Hardware, Conversions, Training and Support.

Mr. Reed joined HBS Systems in 1986 as one of the original four startup members of the company. Over the past twenty six years, he has held a number of positions within the company most recently serving as Executive Vice President overseeing our Research & Development efforts.

"We are pleased to expand Lynn's leadership responsibilities to encompass all technology-focused areas of the company", said Bob Stone, President and CEO of HBS Systems. "His continued vision, coupled with both industry and technical expertise, will ensure that HBS Systems remains at the forefront in providing innovative products and services to our clients".

Mr. Reed is a magna cum laude graduate holding a B.S. in Electronics from McNeese State University in Lake Charles, Louisiana.

Land Pride Grooming Mowers: FDR36 Series

Land Pride's New FDR3690 Rear Discharge Grooming Mower is designed for commercial use with a 90" cutting width and 6 free-swinging medium-lift blades. The rear discharge keeps clippings off landscaped areas and directs clippings and other debris toward the ground. Blade tip speed is 16,500 fpm.

The unit is designed for long-lasting service with a durable 3/16" deck, four 13" semi-solid tires, a Double-V Powerband belt, and an optional front-roller. The drive line is a Category 4 with quick-coupler. The hitch is a floating 3-point Category 1 and is quick-hitch compatible. The tapered deck allows users to get close to trees or other obstacles and the medium-lift blades produce a finely groomed lawn every time.

Back to Basics Good Old Common Sense Thoughts

To start the year off, I wanted to get 'Back to Basics.' Things you all probably know, but may have forgotten. Certainly I've noticed that many of the things we think are common sense and basic are clearly not. They're usually simple, little things. See if these don't get you thinking:

1. "Please" and "thank you" always have been, and always will be, powerful words. Seldom overused.
2. "You're welcome" is the best replacement for "no problem."
3. "Sorry 'bout that" is not an apology. It's a cliché. "My apologies" is much better.
4. A frown is a smile upside down. Stand on your head if you must; but SMILE, darn it!
5. You cannot do two things well at once. Pay attention to the call or the customer.

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6. One word answers on email or in person are considered cold and rude. Three words make a sentence.
7. Learn what phrases frustrate your customers. They're probably the same ones that bother you.
8. When was the last time you sent flowers to someone just because?
9. Drop a personal handwritten note to a client and just say "thanks for being a good client."
10. "Hey how 'ya doing?" is not a great way to start up a conversation.
11. Out with friends or family? Put the cell phone away. Talk for 30 minutes. (If you remember how.)
12. Email manners? The same as phone and in person.
13. The old "don't tell 'em what you can't do; tell 'em what you can do" applies to most, if not all, customer interactions.
14. Get excited!
15. Oh, and smile. That needed to be said twice.

Worldwide Ag Machinery Markets Maintain Strength Going into 2012

The largest markets in the world for farm equipment — US, EU, CIS and Brazil — all experienced solid sales results in 2011. Signs point toward another strong year in 2012.

In a January 11 report to investors, Ann Duignan, machinery analyst for JP Morgan, summarized the factors that will have the most significant impact on the industry in the year ahead. "With adequate global supplies of most crops, the fundamentals in 2012 are likely to be driven by weather events rather than material changes to demand. Wheat supplies in the Ukraine and corn and soybean supplies in South America are already being negatively impacted by inclement weather. As a result, U.S. crop prices are likely past their seasonal trough, at least through planting season," she says.

North America. "After five years of growing demand in North America, it is hard to imagine how 2012 could be any better than 2011," says Duignan,

Healthy crop prices in 2011 supported solid sales throughout the year are expected to continue into 2012. "Given the continued favorable global fundamentals, we do not foresee a significant decline in demand especially with the recovery in protein sector profits. We currently forecast modest 5% unit growth for 40 horsepower and higher tractors, and a 1% decline in combine unit sales in 2012."

Europe & CIS. These markets remain healthy despite larger economic concerns. Overall, ag equipment sales are estimated to have increased 16% in 2011, following a 22% increase in farm income estimated by Eurostat in 2010.

In Germany, sales of farm machinery reached an estimated $6.3 billion in 2011, a new record, according to VDMA,Germany's Agricultural Machinery Assn. That represents a 25% improvement over 2010 sales.

"We expect a strong start to 2012," says Duignan. "However, we do not anticipate

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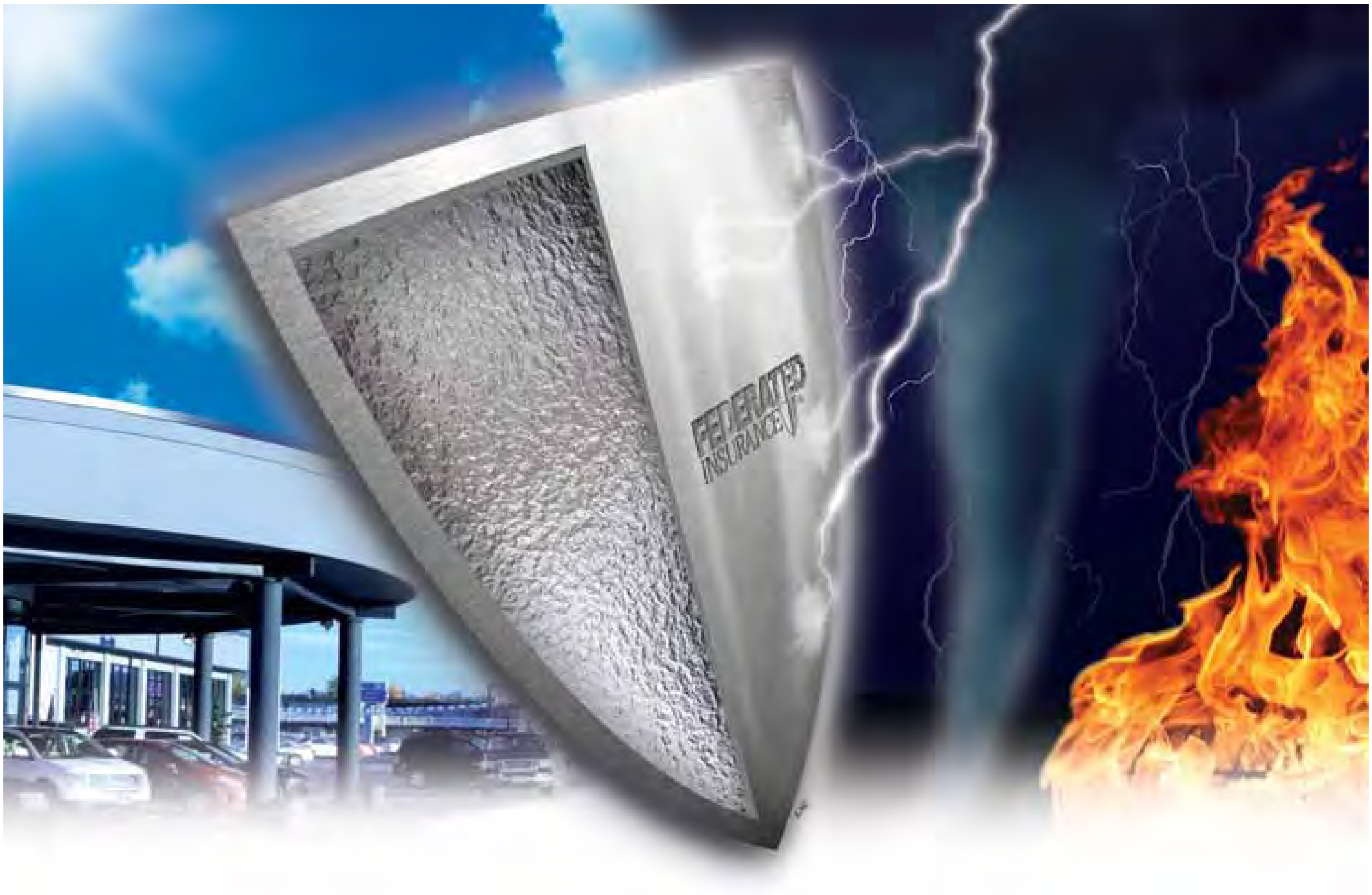
IN MEMORY

Irving August Hock, September 6, 1921 - December 28, 2011 (also known as Buster in early years), was born on September 6, 1921 in Salt Lake City, Utah to Charlotte Hilda Johnson and Alvin Irving Hock; his earthly journey lasting 90 years. After school years K-11, he attended the U of U for 2 years prior to being drafted for service in WWII. He enlisted in the U.S. Navy and served with great pride on the Destroyer Escort #8 in the South Pacific as a Chief-Quartermaster for 3 years. During that time he married Joyce Edward and from that union they were blessed with two wonderful sons… Douglas Irving and Roger Edward Hock.

Post-war years found him in Idaho Falls, Idaho, where he opened a business, "Hock Tire Service", which included a large tire plant and car service center. During that time he served as President of the Idaho Falls Kiwanis Club and continued in the role of Lt. Governor of the Utah-Idaho District. He was very active in the Chamber of Commerce and The Shrine Club. After closing the tire store he returned to Utah to take over a hardware business in Bountiful and became President of the Intermountain Hardware Dealers Association. Upon retiring, and not enjoying it, he served as a P.R. representative for several Hardware and Implement Dealers Associations, including Intermountain, Mountain States, California, and Far West, respectively, making many fine friends along the way.

Tragically, his two sons, Douglas and Roger, predeceased him; Doug in 1970 and Roger in 2010. He is survived by his wife Joyce, two adored grandchildren, Allison and Ryan, and daughter-in-law Margaret Hock. Private family graveside services were held in Idaho Falls, Idaho.

The family wishes to thank the V.A. Medical Center for the special care they gave him. Care entrusted to Lindquist's Bountiful Mortuary. Condolences may be shared at www.lindquistmortuary.com.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U.S. Ag Flash Reports

November 2011 Flash Report U.S. Unit Retail Sales

(Report Released 01/10/2012)

	Dec-11	Dec-10	% Chg.	YTD 2011	YTD 2010	% Chg.	Beginning Inventory December 2011
Farm Wheel Tractors - 2 Wheel Drive							
< 40 HP	6,572	5,906	11.3	84,711	83,999	0.8	51,238
40 < 100 HP	5,651	4,967	13.8	50,163	48,318	3.8	24,603
100+ HP	3,317	2,943	12.7	27,465	26,971	1.8	7,013
Total 2-Wheel Drive	**15,540**	**13,816**	**12.5**	**162,339**	**159,288**	**1.9**	**82,854**
Total 4-Wheel Drive	**533**	**628**	**-15.1**	**5,985**	**5,784**	**3.5**	**936**
Total Farm Wheel Tractors	**16,073**	**14,444**	**11.3**	**168,324**	**165,072**	**2.0**	**83,790**
Combines (Self-Propelled)	**937**	**1,327**	**-29.4**	**9,909**	**10,678**	**-7.2**	**1,169**

Source: AEM

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a significant increase in demand from current levels, given the tough comparables."

In France, a $5.6 billion market, the dairy and grain sectors are key, and the market was up 20%-plus in 2011. "Since demand in France only started to recover in late 2010, there is an expectation for additional growth into 2012," Duignan says.

Russia's market for farm machinery is estimated to have reached $2.92 billion, well below the peaks of recent years as import tariffs slow growth. "Pent-up demand is considerable for equipment in Russia," says Duignan, "Overall, we're forecasting a 5% increase in unit sales next year, on top of 12% in 2011."

Brazil. Planting and production continues to expand in Brazil. This, along with equipment modernization, will continue to stoke demand for new ag machinery.

"Ongoing depreciation in the Brazilian real supports farmer income, as producer costs are in real but payment is in U.S. dollars. We currently forecast tractor and combine unit sales to increase by 10% and 5% in 2012, respectively," says Duignan.

"While consultants forecast South American soybean production to be flat year-over-year given adverse weather conditions," says Duignan, "Brazilian corn production is projected up 6.3% and Brazilian planted acreage is projected to incrase by 9.1%. Sugar remains challenged due to reduced investment in 2008-09. However, legislation will support mechanization in the near term."

Source: Ag Equipment Intelligence

Construction Employment Below Peak Levels in Every State

Construction employment in Nevada, Arizona and Florida is more than 50 Percent below peak levels while employment in North Dakota, Oklahoma and Louisiana is nearest to peak levels

Five years after states first started shedding construction jobs, construction employment remains below peak levels in all 50 states and the District of Columbia according to a new analysis released last week by the Associated General Contractors of America. Given the continued weakness in construction employment, the association is launching a new effort to encourage Congress to pass years-late legislation to fund highway, bridge and transit construction work.

"The construction industry remains a shell of its former self in too many states," said the association's chief executive officer, Stephen E. Sandherr. "Making long-overdue investments in our nation's aging roads, bridges and transit systems will put people back to work and give a needed boost to the broader economy."

Sandherr noted that construction employment in Nevada has declined more compared to that state's peak employment levels than in any other state. Construction employment in the state de-

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Labor Law Update

Be Ready: Labor Enforcement Task Force Launched

The California Department of Industrial Relations (DIR) announced the launch of a new task force to "combat the underground economy."

The Labor Enforcement Task Force (LETF) will be made up of personnel from the Department of Industrial Relations, the Employment Development Department, the Contractors State License Board, the Board of Equalization and the Bureau of Automotive Repair.

The LETF was created to crack down on businesses that do not follow the state's labor laws — hiring employees off the books and paying them under the table.

According to DIR, businesses that operate underground may violate many laws, including not paying income taxes, unemployment insurance or disability insurance; not carrying workers' compensation coverage; not paying proper wages; and not registering for required licenses and permits.

"These underground operations subsequently pay lower overhead costs which give them an unfair competitive advantage over legitimate, law-abiding businesses," the DIR said in a statement.

The DIR said the LETF was created to

- Ensure workers receive proper payment of wages and are provided a safe work environment
- Ensure California receives all employment taxes, fees and penalties due from employers
- Eliminate unfair business competition by leveling the playing field

The LETF will also be working with the state Attorney General's office, local district attorneys' offices and the Department of Insurance on enforcement efforts.

The Department of Insurance said it will work with the LETF to focus on those employers who underreport payroll or misclassify employees to obtain a lower rate for workers' compensation coverage, thus committing premium fraud.

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clined 61 percent since its peak level in June 2006, from 146,400 employees to just 57,500 as of November 2011. Other states experiencing large declines in construction employment compared to peak levels include Arizona (55 percent below peak); Florida (52 percent below peak) and Idaho (43 percent below peak).

In contrast, construction employment has almost returned to peak levels in North Dakota, where the November 2011 industry employment of 25,400 is only 3 percent below the peak set in September 2011 of 26,100. Other states with current employment only slightly below peak levels include Oklahoma (6 percent below peak); Louisiana (9 percent below peak) and South Dakota (13 percent below peak).

Association officials said that one way to help boost construction employment was for Congress to finally enact the years-late surface transportation bill that sets funding levels for federal investments in highway, bridge and transit construction. Since the prior bill expired in late 2009, Congress has passed a series of short-term funding extensions. These extensions make it difficult for transportation planners to move forward on key projects because they don't know how much long-term funding will be available.

As part of its new effort to push for passage of a new transportation bill, the association's members will be contacting their Congressional representatives and urging them to pass the legislation. The association will also work with local groups representing the broader business and labor communities to have them explain the need for new transportation investments. And the association will launch new online advertising and conduct a number of media events around the country to highlight the need for the transportation bill.

For more information about the new effort, visit www.agc.org/roads.

Source: AED

Dealers See 4% Growth for 2012; AGCO Retailers Most Optimistic

North American farm machinery dealers are maintaining their outlook for continuing strong sales into 2012, according to the results of Ag Equipment Intelligence's December 2011 "Dealers Trends & Business Outlook" survey.

"Looking out to 2012, dealers maintained their forecast and expect 4% sales growth for the full year, consistent with October," says Curt Siegmeyer, analyst with Cleveland Research Co., who partners with Ag Equipment Intelligence to conduct the monthly survey of dealers.

"Consistent with the above average order growth, it's not surprising that AGCO dealers are still the most optimistic, reporting the highest full year growth outlook at 8%, while shortline dealers report the least optimistic outlook at 2% on average," says Siegmeyer.

Dealers in the Mountain, Pacific and Canada regions are the most optimistic, while ag equipment retailers in the Northeast region are forecasting sales to be flat in 2012.

Source: Ag Equipment Intelligence

Caterpillar Reports Record Sales and Profit for the Fourth Quarter and Full-Year 2011; 2011 Profit up 83 Percent from 2010

Momentum Carries into 2012 with Sales and Revenues Outlook Raised to $68 - $72 Billion.

Driven by outstanding execution and stronger global demand, Caterpillar delivered record-breaking 2011 sales and revenues of $60.138 billion, an increase of 41 percent from $42.588 billion in 2010. Profit in 2011 was $4.928 billion, an increase of 83 percent from $2.700 billion in 2010. Profit per share of $7.40 was up 78 percent from $4.15 in 2010. Excluding the impact of the acquisition of Bucyrus International, 2011 profit was $7.79 per share, up 88 percent from a year ago.

Fourth-quarter sales and revenues in 2011 were an all-time quarterly record at $17.243 billion, an increase of 35 percent compared with $12.807 billion in the fourth quarter of 2010. Fourth-quarter profit was $1.547 billion compared with $968 million in the fourth quarter of 2010. Profit of $2.32 per share was 58 percent higher than the $1.47 per share in the fourth quarter of 2010.

"Our strategy is squarely focused on customers, and in 2011 our employees, suppliers and dealers delivered. We improved product quality, invested significantly in manufacturing capacity and product development, and improved our market position. We completed two large acquisitions—Bucyrus and Motoren-Werke Mannheim Holding GmbH, important growth industries that are a great strategic fit and provide our customers an even broader range of products," said Caterpillar Chairman and Chief Executive Officer Doug Oberhelman.

"We also delivered for stockholders with outstanding financial results, beating our previous 2008 profit record of $5.66 per share by more than 30 percent. It was a great year for cash generation as well with our Machinery and Power Systems operating cash flow near $8 billion—our best year ever," Oberhelman added.

"The 2011 increase in sales and revenues was the largest percentage increase in any year since 1947, and much of it was driven by demand for Caterpillar products and services outside of the United States. As a result, 2011 was a record-breaking year for U.S. exports at nearly $20 billion, which supported thousands of jobs in the United States, demonstrating the tangible benefits of free trade. Sales and export growth creates jobs, both in the United States and around the world. Not including acquisitions, our global workforce grew by more than 14,000 in 2011, and since the start of 2010, we have increased our workforce by more than 33,000, with more than 14,000 of those jobs in the United States," Oberhelman added.

2011 Accomplishments

Strong growth in most of the industries we serve and a focus on executing our updated strategy provided the foundation of our record-breaking financial results in 2011. Our strategy is centered on operational excellence that drives value for our customers, and in 2011 we improved in a wide range of operational areas around the company.

- The Caterpillar Production System (CPS) is the way of life at Caterpillar and has been a principal driver in improvements in safety, quality, velocity and efficiency. We continued to improve in each of these areas in 2011 and achieved new records in many areas.
- The safety of our workforce, contractors and visitors is a fundamental value for Caterpillar, and we are pleased that our enterprise safety metrics improved again in 2011—an 83-percent improvement in safety performance since 2003.
- Product quality is important to customers, and in 2011 we continued to see meaningful improvements in product reliability.
- Given the sizable increase in demand in 2011, we stretched our factories and our suppliers to produce more. The results were outstanding, and we were able to significantly increase production and improve our on-time delivery performance. We thank our suppliers for a remarkable year in support of our business.
- For many of our products, demand in 2011 was very strong and above capacity. Throughout the year at our factories around the world, we, along with many of our suppliers, invested in production capacity to support customers. Despite the increases in capacity and expected additions in 2012, we are still very tight on many products and are currently quoting extended delivery times for some products. For example, we are now quoting delivery times into 2014 for many models of large trucks.
- 2011 saw significant new product introductions related to new emissions requirements in the United States and Europe and continued the most

Continued on page 14

Continued from page 13

extensive new product development program in Caterpillar history. The introduction of these new products has gone well, and feedback from dealers and customers has been very positive.

- Another important consideration for customers is aftermarket parts availability, and we made notable improvements in delivery performance in 2011.
- While it was a good year for the industries we serve, it was an even better year for Caterpillar. In the aggregate, and for most of our products, our sales increased at a faster rate than the overall industry. Better quality, good delivery performance, our investment in capacity, the performance of our suppliers and modest price increases all helped drive better value for our customers and better performance for Caterpillar.
- Over the past year and a half we have made three large acquisitions—Bucyrus, Electro-Motive Diesel, and MWM. Integrating them into Caterpillar is a high priority and a major focus, and we are pleased with the progress.
- Our working capital metrics in 2011 notably improved for payables and receivables, and the improvements were important to the generation of record M&PS operating cash flow.
- Leadership development is critical for our long-term success. In 2011, we invested in our new leadership development program, which is designed to build high-performing teams and prepare leaders for the future. More than 7,000 people were involved in the program in 2011.

2012 Outlook

The outlook for 2012 sales and revenues has increased and is expected to be in a range of $68 to $72 billion. Profit per share is expected to be about $9.25 at the middle of the sales and revenues range. The outlook includes full-year results for the two large acquisitions that we completed in 2011—Bucyrus and MWM.

"We're expecting 2012 to be another year of good growth and continued focus on executing our strategy. While we have much to do in 2012, we'll be particularly focused on four things—continuing to improve quality, our investment in product development, integrating our acquisitions and adding production capacity. We're very tight on production capacity for many of our products and are continuing to invest in new and existing factories. Our investments in capital expenditures and R&D will certainly add cost in 2012, but it's the right thing to do. We expect 2012 to be a new sales record at a time when construction activity in the United States and Europe - two large markets for us - are still depressed. Our employees and suppliers have done a great job taking care of our customers, but we have to be prepared for recovery in the developed world beyond 2012 and continuing growth in emerging markets," Oberhelman said.

"In 2011 our investment in M&PS capital expenditures was $2.6 billion, with nearly 60 percent of that investment in the United States. For 2012, we expect capital expenditures of about $4 billion. We are transforming Caterpillar with an intense focus on customers driving a reinvigorated sense of urgency as we invest and grow the company like never before. As I look forward to the goals we set for 2015, I am more confident than ever that we will deliver, and we're in a hurry to do it," Oberhelman said.

Why is Kubota Pursuing Kverneland?

When Kubota introduced its 135 horsepower tractor in 2009, its most powerful M-Series tractor to that point, some of its boots on the ground in the U.S. hailed the launch as the company's first step toward becoming a "real farm equipment company."

That rollout was only the first signal that the company was getting serious about farming.

Last month, the company sent its strongest signal yet that it's serious about being a player in worldwide farm equipment markets when it offered to acquire the European ag implement manufacturer Kverneland.

Comments from the company's chairman and CEO in Kubota's 2010 - 11 annual report confirmed its interest in expanding it agricultural presence.

Yasuo Masumoto says he wanted Kubota to become a truly global manufacturer by designing and building products specifically for the markets in which they will be sold. As a step toward that goal, he says Kubota needed to broaden its farm machinery focus from paddy rice production in Asia to other agricultural crops.

"Kubota has started forging ahead with strategic planning aimed at strengthening our manufacturing with a global perspective," says Masumoto. "Going forward, we will work harder than ever to identify the fields of technological development we need to focus on and to acquire advanced technologies."

Year 'Zero.' In the annual report, Masumoto describes 2011 as "year zero" in Kubota's reincarnation as a genuinely global company. "We are going to speed up the expansion of our overseas production, the overseas localization of our R&D and other processes," he adds. "Although our overseas revenues ratio has increased dramatically, Kubota is still inclined to transplant its Japanese systems overseas and attempt to apply them to its local operations.

"We must cease to accord Japan special status and start seeing it as one of our principal markets, looking carefully at which systems should only be used in Japan, and which should be implemented overseas," Masumoto continues.

"Our efforts toward building new businesses that will support the next-genera-

Continued on page 23

Continued from page 3

walk away saying "Ohhh" with his head dropped low. This process repeated itself until it was time for bed. I rushed through family prayer and put him to bed, hoping he would fall asleep soon so I could finish my projects. I was engaged in good things right? I was at home, responding to all the needed requests, tasks, and projects. I was not out gallivanting around; I was engaged in good things – right?

Can you have too much of a good thing? The old saying too much of a good thing…meaning excess of any one thing can be harmful. Balance in all things is needed. In my case being involved into too many good things has kept me from doing the best thing with my time, or rather the most important things with my time. I was engaged in good things, but they were not the best things to be engaged in at that time. Several times during the meeting there were important topics that I could have helped influence or flushed out if I were truly engaged. As a result I let my team down and I know they did not feel (nor did I show them) that they were important to me. Same experience with my family, this is a rare time in my life when my son will want to always be around me. I missed out on a golden opportunity to play with my son and show him family is the most important thing in this life. I can be replaced at work, but I cannot be replaced at home.

Never before have we been so connected, e-mail, IM, Tweeting, Facebook, smart phones, texting, etc. We are always connected to our work and it never seems to stop. The speed at which we conduct and transact business is ever increasing and I don't see it slowing down. As a matter of fact, we have to continually learn to maximize technology and become even more efficient to stay ahead of the curve. So how do we manage all of the tasks before us? How do we manage being connected to our work 24/7? If you struggle with prioritizing your time and seem to be always be engaged in the immediate need versus doing the best thing for your organization and family, please join us at the FWEDA Area Meetings. This topic is going to be addressed. A time management expert will be discussing ways we can focus on the important topics that will move our organizations and ourselves forward. I am excited to have some education on how to effectively prioritize my time and my tasks.

I will see you there and thanks for letting me share.

Jason Behrend

"It's the Government, Stupid!!!"

Paul Kindinger, CEO
North America Equipment Dealers Association

The ratings for both the President and Congress are deplorable at best.

During the first Bill Clinton campaign, his political advisor and confidant, James Carville, summed up the essence of the campaign with the immortal words, "It's the economy, stupid." The press used that line throughout that campaign, and even today, people like me continue to play off those words to describe situations that seem so obvious—even to the casual observer. That's why the title of my article this month is, "It's the government, stupid!"

In the December issue of Money magazine, it was reported that a CNN Money.com poll asked the question, "How do you think the economy will do in 2012?" An astounding 43% said it would slip back into recession. Another 29% said it would be stagnant. Only 22% said they saw growth enough to spur jobs, and a mere 6% indicated they thought the economy would bounce back strongly. In my world, those are pretty telling statistics! They suggest to me that people still don't have much belief that we will prosper, at least for the next 12 months or more.

So, the obvious question becomes, "Why are people feeling this way? What is going on to make folks so pessimistic about the future?" Several pollsters continue to point toward uncertainty (a subject of one of my previous columns). People lack confidence that things will change or get better anytime soon, so they are holding back, playing it safe, being conservative. And who can blame them? They have seen friends, neighbors and even family members lose their jobs or homes, and wonder if they could be next.

Those who know me well know that I am definitely a "glass half full" kind of person. I have always had a strong belief that even when things were bad, hope is just around the corner and everything will cycle around and be just fine. But this time it's different. I, too, see the impact that poor policy decisions, greed, favoritism and lack of true leadership have had on people's lives and our economy. Although I still maintain a high degree of optimism about our future, if I am being totally honest, I have never had so many doubts creep into my thinking as I have during the past two or three years.

Every day we are bombarded with unemployment statistics and the rising debt in our country and in many other countries around the globe. We are fighting wars in several areas of the world with other areas ready to erupt with just one wrong move. The foreclosure rates are staggering, and we are told that a housing recovery is two or three years down the road, and, even then, it will be slow or weak at best. All these factors weigh into the mood of consumers and make it difficult for them to move forward.

Having said all of that, I still believe that most people could deal with many of those issues and be more optimistic if those were the only factors impacting people's thinking. However, the one huge variable that feeds lack of confidence perhaps more than any other is government.

People, rightly or wrongly, look to our elected politicians to provide them with leadership - leadership that provides reassurance that everything will be safe and sound, that we have the right policies, that we are making the right decisions and will persevere and come out stronger than we were before. Today, in my opinion, that simply does not exist.

Sure, there are always a few exceptions, but, overall, look at the poor ratings we give to politicians and government in general. While I don't place high expectations that the reported number is an exact statistic, it still provides us with a sense of the "mood" or a "gauge" of how people are feeling about their elected leaders. Today, the ratings for both the President and Congress are deplorable at best. If I were to summarize it in my own terms—I'd say the approval numbers suck!

Therein is the biggest challenge we have when trying to be optimistic about the fate of our future. In our industry, we are indeed fortunate that agriculture is doing well, as you will see reported in other parts of this issue. However, when we step back and take a more global view, we lack confidence that our elected leaders will do what is right for the country or the economy or the people. Instead, we sense a growing belief, with evidence to back it up, that our leaders are mostly interested in their own well-being.

Until we have leaders who are willing to put us - the people - first, we will continue to have a difficult time regaining the confidence we need to forge a strong future - a confidence that symbolizes our past and helped us build North America into the envy of the world. It is a sad day, in my opinion, when a communist-run country like China is kicking our butts economically. It is also a sad day when we continue to write checks that place our entire government and our way of life in grave danger. It is an even sadder day when we can't trust our elected officials to control their own behavior and make sound decisions that will benefit versus harm our future.

I am hoping, beyond all hope, that every eligible voter will exercise his or her right to question our leaders and select the best ones available to represent us at all levels of government. Because, in my opinion, the one thing that is holding us back more than any other - is government. As I said in the beginning, "It's the government, stupid!"

What is your perspective on this subject? Send your comments to naeda@naeda.com or make your comments on the CEO blog version of this column on www.naeda.com. By commenting, you are granting NAEDA the right to publish and reuse your words in NAEDA Equipment Dealer magazine the NAEDA Web site, and/or other materials or communications, unless you specifically indicate not to make your comments public.

PAUL KINDINGER is president/CEO of the North American Equipment Dealers Association. The association, in coordination with affiliated state, provincial and regional associations, provides educational, legal, legislative, and financial services to approximately 5,000 retail agricultural, construction, large property, and outdoor power equipment dealers in the United States and Canada.

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QUARTER SCALE

PolyBuilt

CAL POLY
SAN LUIS OBISPO

We are excited to ask for your involvement in supporting Cal Poly students and engineers of tomorrow.

The PolyBuilt team is an extracurricular academic-related organization, run by students, within the BioResource and Agricultural Engineering Department. Each academic-year the team designs and builds a small, powerful tractor from the ground up. The objective of this tractor is to compete in the ASABE (American Society of Agricultural and Biological Engineers) International Quarter Scale Student Tractor Design Competition, held in Peoria, Illinois. Since our first year of competition in 2000, we rely on contributions from the college and community.

Above and Beyond the Classroom:

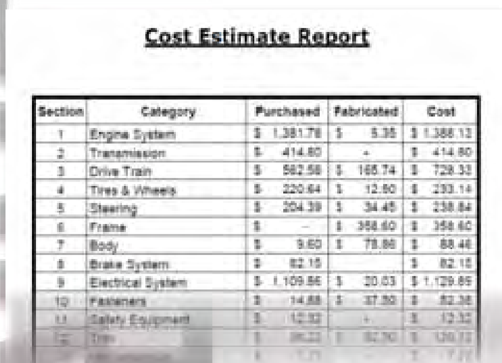
Cal Poly's unique learning experience is based on its *Learn by Doing* policy; the PolyBuilt Team has epitomized this methodology to its fullest extent by giving students the opportunity to participate in design, fabrication, event coordination and leadership roles. Students that participate in the PolyBuilt Team gain valuable experience that puts them ahead of their peers in entering the professional workforce.

National Recognition:

The competition brings notoriety to our sponsors on a nationwide level.

We are interested in getting you involved!

CAL POLY
SAN LUIS OBISPO


Cost Estimate Report

Section	Category	Purchased	Fabricated	Cost
1	Engine System	$ 1,381.78	$ 5.35	$ 1,386.13
2	Transmission	$ 414.80	-	$ 414.80
3	Drive Train	$ 562.58	$ 165.74	$ 728.32
4	Tires & Wheels	$ 220.64	$ 12.50	$ 233.14
5	Steering	$ 204.39	$ 34.45	$ 238.84
6	Frame	$ -	$ 358.60	$ 358.60
7	Body	$ 9.60	$ 78.86	$ 88.46
8	Brake System	$ 82.15		$ 82.15
9	Electrical System	$ 1,109.86	$ 20.03	$ 1,129.89
10	Fasteners	$ 14.88	$ 37.50	$ 52.38
11	Safety Equipment	$ 12.32	-	$ 12.32
12	Trim	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	$ [illegible]	-	$ [illegible]

Getting involved and how you can help:

The PolyBuilt Team designs and builds a tractor for a nationally recognized competition. The competition is held in Peoria, Illinois from May 31st to June 3rd, 2012. Countless efforts are taken into not only building a cutting edge machine, but also transporting the team and tractor across the United States to proudly represent Cal Poly!

Forms of Support:

Financial support: By far the greatest need for the success of the team is donations to cover the expenses we face.

Material support: Metals, plastics, and composites are all used in the design for the greatest combination of strength, weight, and cost. Specialty fasteners are frequently required in advanced design.

Transportation/Fuel: The team requires a vehicle capable of hauling our trailer and tractor to Illinois. Fuel Donations allow the team's financial assets to be used for other expenses.

Special Processes: Some fabrication requires special equipment beyond what can be done on campus. Some examples include plating, metal hardening, die cutting, and vacuum mold forming.

Level	Amount of Donation	Recognition
1	$250	Name on the website
2	$500	Name on website, name on T-shirt, 4"x6" logo on tractor
3	$1,000	Above and 11" x 17" logo on PolyBuilt trailer and Recognition Plaque
4	$2,500	Above and custom size logo on tractor and custom size logo on PolyBuilt trailer
5	$7,000	Above and full recognition at donor's event of choice.

Upcoming Area Meetings

Time Management
Achieving Your Highest Priorities

In the new era of business, success is no longer measured by simply getting things done. It's the people who know how to focus on the most important goals that move their organizations forward - and enjoy a greater sense of job satisfaction.

This workshop is all about personal effectiveness and productivity at the office - and outside of work. With the right tools, you can find time for the things to really want to accomplish and lead a happier, more productive life.

This engaging, highly interactive workshop will help you think differently about how you spend your time and give you the tools to:

- Increase productivity by identifying and focusing on your top priorities.
- Enhance changes of success by setting goals that align with your most important objectives
- Keep focused with a planning system that integrates the tools you use (Planner, PDA, desktop)
- Effectively manage all the information that comes across your desk (e-mail, voicemail)
- Reduce stress by recognizing and eliminating low-priority activities and distractions

Who Should Attend?

- Dealer Principals
- Operation Managers
- Product Support Managers
- Service Managers
- Parts Managers
- Sales Managers

Dates and Locations

April 10th - International Ag Center, Tulare, CA

April 11th - Western Center for Agricultural Equipment, Davis, CA

April 12th - Hampton Inn & Suites, Ontario, CA

April 17th - Hilton Garden Inn, Casper, WY

April 24th - Courtyard by Marriott, Sandy, UT

April 25th - Holiday Inn Express, Fallon, NV

April 26th - Hampton Inn & Suites Goodyear, AZ

Please contact the Far West Office to Register

800-576-8850 or 707-678-8859

Lynne Brown

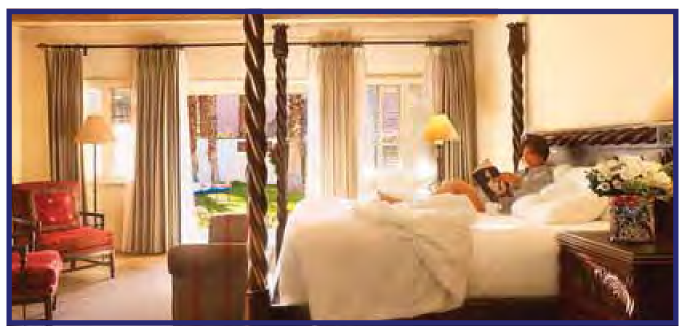
Seminar Presenter

Lynne Brown is a recognized leader with over 30 years experience as an aerospace and financial services leadership team member, coach, and organization development consultant. Her practical, hands-on experience in organization change and start-ups was developed during her years with Fortune 500 companies including Sperry Aerospace, Honeywell, United Technologies, and American Express. Her innovative work as a leadership team member for the Hamilton Standard, Mesa, AZ startup facility resulted in benchmarking requests by many Fortune 100 companies and training houses.

Mark Your Calendar
For the
2012 Annual Convention
November 8th - 10th

La Quinta RESORT & CLUB

La Quinta RESORT & CLUB



2010 Cost of Doing Business Survey

The 2010 Far West Equipment Dealers Association Cost of Doing Business Survey (CODB) has been compiled.

Thanks to the many members who participated in our survey this year, the Report continues to take on new significance in assisting dealers to:

- Compare their financial performance to that of all dealers (regardless of lines or manufacturers represented);
- Assist in the valuation process of their businesses for estate planning, buy/sell agreements; sales, mergers/consolidation purposes;
- Utilize benchmarks in the survey so that dealership goals and budgets can be established for future years.

Finally, your Far West Association must continue the tradition of generating this type of survey so that trends in business can be established and information can be gleaned that will help dealers improve financial performance in future years.

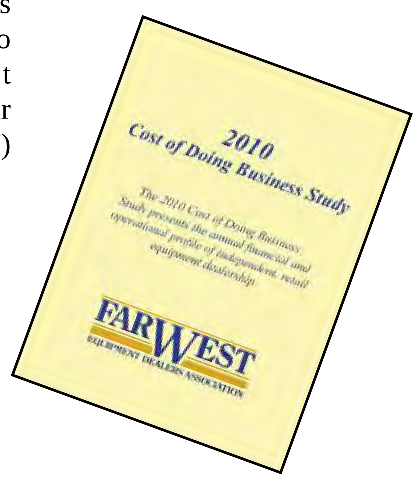
The SouthWestern Association's Certified Public Accountants – Curt Kleoppel, CPA, CVA, Bob Charbonneau, CPA, CVA and Lonnie Finch, CPA, CVA – took the information provided by dealers and compiled the results into a Study that we are proud of and one that will be a useful tool in the management of your dealership(s).

The completed survey results are priced as follows:

- Far West members who submitted financials – No charge.
- Far West members who did not submit financial information - $99 per survey.
- Nonmembers who submitted financials - $199.
- Nonmembers - $399.

Please contact the Far West office to receive your copy of the 2010 Cost of Doing Business Study.

If you have any questions or comments, please do not hesitate to contact Steven or Luella at your Association office at (707) 678-8859.

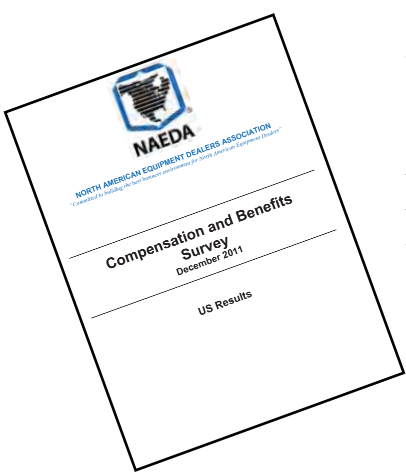


Now Available

2011 Compensation and Benefits Survey

The 2011 North American Equipment Dealers Association Compensation and Benefits Survey (CABS) has been compiled.

Thanks to the many members who participated in our survey this year, the Report continues to take on new significance in assisting dealers to determine levels of compensation and benefits.



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The North American Equipment Dealers Association took the information provided by dealers and compiled the results into a Study that we are proud of and one that will be a useful tool in the management of your dealership(s).

The completed survey results are priced as follows:

- Far West members who submitted financials – No charge.
- Far West members who did not submit financial information
  - Free email version.
  - $25 per booklet.

Please contact the Far West office to receive your copy of the 2011 Compensation and Benefits Study.

If you have any questions or comments, please do not hesitate to contact Steven or Luella at your Association office at (707) 678-8859.

Continued from page 14

tion Kubota are also making steady progress. In the past, our overseas business expansion relied on horizontal rollouts, whereby we adapted existing businesses and products to new overseas markets."

He concludes by saying, "In addition to our existing rice-farming agricultural machinery, Kubota plans to create a broader range of agricultural machinery, aiming to contribute to food production on a global scale as a comprehensive manufacturer of agricultural machinery."

Kverneland's Role. Acquiring Kverneland Group would go a long way toward achieving that last ambition because it has a wide portfolio of both tillage and hay products developed principally for European farming conditions but also suited to dairy farming operations in North America and other markets around the world.

Kubota's interest in Kverneland, which typically generates sales revenues equivalent to $518 million at current exchange rates, coincides with an enthusiasm on the part of Kverneland's major shareholder to cash in on its long-term investment.

The Norwegian private equity group Umoe, whose CEO is Kverneland's chairman, has made a binding commitment to sell its 30% - plus holding to Kubota for approximately $86 million. This agreement was reached after CNH Global and Chinese farm and construction machinery maker Chery Heavy Industries responded to Kubota's initial offer by expressing interest in making counter-bids.

In a January 9 interview with a Wall Street Journal reporter, CNH Global Chairman Sergio Marchionne indicated that it will not continue its bid to acquire Kverneland. "Those discussions are pretty much done," he said. Kubota's Norwegian subsidiary has issued a formal offer to other shareholders, who previously were mainly Norwegian banks, investment firms and pension funds, but which now include Goldman Sachs, First Eagle Investment Management and Bank of New York Mellon — each with more than 5% of the stock — as well as State Street Bank and Morgan Stanley.

In all, the top 20 shareholders after Umoe collectively control more than 48% of the stock, but Kubota still hopes to secure Kverneland as a wholly owned subsidiary.

If it does, Kubota will pay a little over $270 million for a business that employs 2,000 people and has factories in Norway, Denmark, Germany, France, The Netherlands, Italy, China and Russia.

It also runs 19 sales companies around the world, while distributing through independents in another 60 countries.

On the Cheap. At that price, it looks like a bargain alongside the $149 million paid two years ago by Kuhn's Swiss parent, Bucher Industries, for Kverneland's hay baler product line and factory in The Netherlands.

Kverneland itself has plenty of experience in the field of acquisitions, having been transformed from a moldboard plow specialist to one of the few manufacturers on the world stage with both tillage and hay product lines — a process it achieved through a series of business and product line acquisitions in the 1990s.

More recently it secured a near-40% stake in Italian hay baler manufacturer Gallignani and acquired the self-loading hay trailer line from a Dutch manufacturer.

Kubota says it has no plans to change Kverneland's structure or the way it does business, but that it would have the opportunity to develop and manufacture implements for Kubota tractors and tap into Kubota's extensive distribution channels, especially in Asia.

Other Agreements. It remains to be seen if any deal affects Kverneland's agreement signed with CNH in October to supply U.S. New Holland dealers with hay equipment, or the agreement with AGCO in Europe to supply Massey Ferguson-branded round baling machinery.

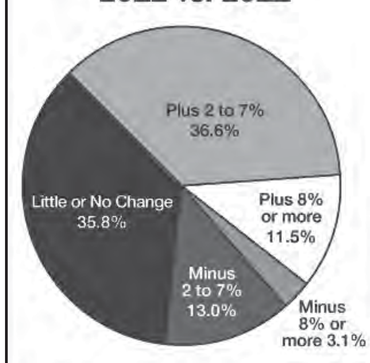
Kubota simply notes that a successfully completed acquisition of Kverneland would be a milestone in establishing the company's significant presence in the agricultural machinery market for non-paddy crop production.

Source: Ag Equipment Intelligence

Rural Lifestyle Dealers Look for Another Solid Sales Year in 2012

Nearly half, or 48%, of equipment dealers serving the rural lifestyle, lawn and landscape markets expect business levels to continue improving in 2012 compared with 2011. Combined with those who are forecasting that their revenues will come in at least as good as 2011, nearly 84% of these retailers are confident sales of equipment will be solid throughout the year ahead.

Breaking down the responses of more than 130 rural lifestyle-focused dealers responding to the survey conducted by Rural Lifestyle Dealer, a sister publication to Ag Equipment Intelligence, in December, 11.5% are projecting total revenues will increase by 8% or more in 2012.



Nearly half (48%) of North American dealers serving the rural lifestyle market expect revenues to rise in 2012 vs. 2011.

Continued on page 26

LightSquared Update

Another Test Finds LightSquared Satellite Service Interferes with GPS

Federal regulators have renewed charges that the mobile Internet service LightSquared interferes with military and aviation operations, in what experts say is a severe blow to the fledgling business.

The fresh test results, released late last week, had been a last-ditch chance for Reston-based LightSquared to prove that its satellite service was safe. But the results confirmed findings that the network would interfere with key Global Positioning System technology used to steer planes and operate sensitive construction and military equipment.

The company is slated to announce its business plans in the wake of the report.

Some government officials said the problems didn't seem fixable.

"There appear to be no practical solutions or mitigations that would permit the LightSquared broadband service, as proposed, to operate in the next few months or years without significantly interfering with GPS," wrote Ashton Carter, deputy secretary of defense, and John Porcari, deputy secretary of transportation, in a letter. The officials head the interagency National Space-Based Positioning, Navigation and Timing group.

Their conclusion, after several months of testing, will put off the company's attempts to gain license approval by the Federal Communications Commission to light up its satellite network and begin selling broadband Internet service that would compete with AT&T, Verizon and T-Mobile.

"There's no way the FCC will grant that approval after this report," said Christopher King, an analyst at Stifel Nicolaus. "The question will be, when will they run out of money?"

Indeed, an urgency to resolve interference problems brought Philip Falcone, founder of LightSquared, to Washington on January 4 to meet with FCC staff. At the meeting, the hedge fund billionaire and founder of Harbinger Capital highlighted the company's extensive investment — of $3 billion — in the venture that supports the agency's goals of extending broadband Internet to more U.S. homes, according to public filings.

The FCC is under investigation by some Republican lawmakers, who question the agency's decision in early 2011 to grant LightSquared an initial waiver to fast-track its business.

Amid its regulatory headaches, LightSquared has responded with its own offense against federal officials. It has protested the government's process in testing its network, saying the interagency group's vice chairman, Brad Parkinson, has a conflict of interest because he serves on the board of GPS maker Trimble, which has lobbied against LightSquared.

"Government testing has become unfair and shrouded from the public eye," LightSquared said in a news release. "Under an agreement worked out directly between representatives of Trimble — the same company that has paid for a year-long lobbying campaign against LightSquared's network — LightSquared was specifically excluded from the testing process."

The interagency group and Trimble both failed to respond to requests for comment.

Source: The Washington Post

FCC Can Prevent Crisis by Moving on Spectrum Now

Congress and the Federal Communications Commission are mired in a debate over how to free more spectrum for wireless broadband. Meanwhile, it's been nearly two years since the White House and FCC promised to double the amount of spectrum we currently have for mobile broadband. It's time for government to stop standing in the way of solutions to the looming spectrum crisis.

Americans are beginning to feel the spectrum crunch already in densely populated cities. While most may blame their cell phone company for slow or unresponsive service, the true fault is government. Wireless carriers spend over $20 billion dollars per year just to upgrade and maintain wireless networks. But maintaining roads only has a residual impact on traffic when what are needed are more lanes. With spectrum, the government has been slow to provide.

The last major spectrum auction was back in 2008. Yet, the FCC is sitting on spectrum it can auction today, including the D Block. Meanwhile, they helped kill the AT&T/T-Mobile merger aimed at using spectrum more efficiently to expand coverage and capacity. And they've slowed AT&T's purchase of Qualcomm spectrum. Here's to hoping they don't stall Verizon's purchase of unused spectrum from cable companies.

When the company LightSquared announced plans to launch a brand new, $14 billion 4G wireless network combining satellites and cell towers, the FCC cheered. They praised the company for expanding broadband to underserved areas and bringing an innovative new form of wireless service. With the FCC's initial blessing, the company acquired spectrum and began building out its new network years ago.

Yet, when the GPS industry and federal departments complained that LightSquared's network could interfere with some GPS devices, the Commission quickly quieted, cowered, and slowed the company's plans. The GPS industry used influence with bureaucrats in the federal government to curb progress, even leading to the Pentagon and other agencies leaking a preliminary report on spectrum interference in an effort to tarnish LightSquared's public image. While progress has been made by setting up a working group between stakeholders, the Commission has largely bowed to this outside pressure. Instead, they should be working to facilitate a solution.

The LightSquared and GPS debate is at its core a technical issue. However, it is becoming clear that government is failing in its most basic, legitimate function of facilitating property rights disputes. There is natural interference between frequencies, and the FCC's most fundamental task is to prevent such interference, in much the same way judges adjudicate disputes on land issues between neighbors. In this instance, GPS devices aren't just picking up frequencies on GPS spectrum, but they're also "looking into" the spectrum held by LightSquared.

The FCC and federal agencies should be better mediating this dispute and looking at ways to help fix these interference issues to bring more mobile broadband to the market. The Commission should also drop regulatory restraints on LightSquared that prevent it from making its wholesale network available to other wireless carriers.

For their part, the other federal agencies stalling these efforts – while hoarding over half of usable spectrum – should be forced by Congress to auction off their inefficiently used spectrum to the private sector, where it is much needed.

There are also lawmakers weighing in heavily against LightSquared, even stalling the appointment of FCC Commissioners to kill it. It's not a free-market position for lawmakers to advocate for the interests of one industry against a new entrant in another. Government should not be subverting a free marketplace where consumer demand – not policymakers – decide which companies succeed and which do not.

Congress and the FCC have dragged their feet for too long on spectrum to have a credible say in micromanaging competition. This includes attempts to derail new wireless companies and spectrum-centric acquisitions. Some lawmakers have argued alongside FCC Chairman Julius Genachowski that spectrum auction legislation shouldn't be "overly prescriptive to derive some predetermined outcome." But they'd prefer bureaucrats at the FCC set such "overly prescriptive" rules, like preventing some companies from even bidding on spectrum.

The focus on Capitol Hill should be advancing a free-market framework by the House of Representatives to auction spectrum, while stopping the FCC from imposing unnecessary regulations. And the FCC should focus its energy less on lobbying Congress for more micromanaging power, and more on working to put the spectrum we need for mobile broadband onto the market.

Source: The Hill

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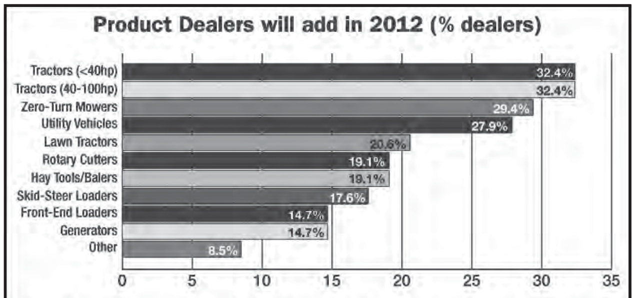
Another 36.6% forecast revenues growing by 2-7%. Only 3.1% of dealers anticipate revenues falling by 8% or more, while 13% expect revenues to decline by 2-7%. The remaining 35.8% of dealers are forecasting little or no change going forward compared with 2011 revenue levels.

Overall, a net 32% of dealers believe their revenues in 2012 will increase vs. the previous year as 48.1% expect sales to be 2% or higher compared with 16.1% who anticipate sales will decline by 2% or more.



With the improving economy, rural lifestyle-focused dealers are looking to add additional equipment to the product lines. Compact and utility tractors and zero-turn morwers tops their list.

Equipment dealers are also anticipating increasing revenues from aftermarket (parts and service) sales.

As a group, 47.7% of rural lifestyle equipment dealers see parts and service revenues improving by 2-7% in 2012, with another 4.7% expecting aftermarket revenues to increase by 8% or more.

Few dealers (11.7%) are anticipating decreased parts and service sales compared to last year. Less than 4% see revenues from these sources falling by 8% or more, with another 7.8% expecting a drop of 2-7% in the year ahead. The remainder, or 35.9%, sees little or no change in the level of aftermarket revenues in 2012 vs. 2011.

Growth Drivers. Dealers in the survey identified at least 10 products they expect will drive improving revenues in the year ahead.

Chief among these are utility vehicles, as 53.4% of equipment retailers are forecasting higher sales of 2-7% (46.7% of dealers) to increased revenues of 8% or more (6.7% of dealers).

Number two on their list of best prospects for increasing revenues in 2012 are under 40 horsepower tractors with 44.2% of dealers anticipating growth of 2-7% and another 5.8% forecasting increased revenue of 8% or more.

Zero-turn mowers was number three on the list with 42.9% of dealers anticipating rising revenues of 2-7% and 6.7% projecting an 8% or more growth in revenues.

Expanded Lineups. To improve revenue growth in the coming year, dealers are also looking to add new products to their current lineup. Nearly one-third of dealers (32.4%) say they're currently looking to expand their product offerings in 2012 by adding both under-40 horsepower and 40-100 horsepower tractors.

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Cal OSHA Compliance Information

Employers who need help developing, improving or maintaining a safe and healthful place of employment can obtain free professional assistance from the Cal OSHA Consultation Service on any of the issues or activities described in this manual.

Cal OSHA consultants help employers by:

- Identifying actual and potential safety or health hazards in the workplace and finding solutions to eliminate or control them.
- Identifying sources of help for employers in further technical assistance is needed.
- Providing a written report summarizing the finding of any consultation visit.
- Interpreting applicable safety and health standards.
- Helping establish or improve worksite Injury and Illness Prevention Programs.
- Helping develop and/or conduct safety and health training of both supervisory and non-supervisory personnel.

All services of the Cal OSHA Consultation Service are entirely separate and distinct from the enforcement activities of the Division of Occupational Safety and Health (DOSH).

Consultants do not issue citations or assess penalties, and they do not inform DOSH of their work with an employer.

Any employer who has had a wall-to-wall survey performed by the Cal OSHA Consultation Service, and has an effective Injury and Illness Prevention Program in operation, will greatly reduce the likelihood of citations or penalties if inspected by DOSH.

Employers with fixed worksites and 250 or fewer employees at a specific worksite, can now become exempt from a DOSH discretionary compliance inspection by participating in a voluntary compliance program.

To obtain assistance or information from the Cal OSHA Consultation Service call 1-800-963-9424.

Equipment Theft Prevention

We continue to see a steady stream of equipment theft reports and scams, indicating that the economic slowdown is not producing any decline in equipment theft activity. Insurance fraud may be driving a portion of the theft activity, as are thefts by fraud, financial scams and rental conversions.

Theft Trends:

- Top Theft States- Texas, California, Florida, Illinois, Maryland
- Top Metro Areas for Theft: Houston, Los Angeles, Chicago
- Rental Operators and Dealers continue to have high theft levels
- Work Sites are still the top theft location
- Yard thefts and thefts from storage areas are increasing across the board, from contractors, farmers, rental companies and dealerships
- Top Targeted Machines- Skid Steers, Tractors, Backhoes, Utility Carts/Vehicles, Mini Excavators (note commercial mowers are not in top five)

Yard Thefts:

Of note is the increase in thefts of stored machines. As contractors and dealers slow down, machines may be relegated to yards which are not frequently observed or monitored. Machines in this environment should be disabled, and if possible not left loaded on trailers. Owners should make a point of randomly inspecting equipment and yard security, and if possible conducting visible activity at night, weekends and early morning.

Thefts by Fraud:

Internet and Phone Scams

We have received an increasing number of fraud reports from member equipment dealers and rental operators, many of which are initiated through internet or email based solicitations. A recent scam in reported by a NER member demonstrates the progression of a typical fraud.

<u>Initial Communication.</u> The targeted company receives an email bid request directed to the company's parts department for several high-end pressure washers. The requesting customer was unknown to the company but provided a valid address within the dealer's area. The request detailed specifications for the machine indicating the customer had knowledge of the equipment and applications, and explained that he was purchasing the machines for a church organization doing outreach work overseas.

<u>Developing the Scam.</u> The Company submitted a quote, which the customer accepted and the customer provided what appeared to be a valid credit card number to begin the order. The card was approved for the charged amount. The customer requested that the items be shipped to an address in Ghana, and asked the company to generate shipping estimates. At this point obviously the company is becoming suspicious, and checks up on the addresses and credit card provided - everything appears to be valid.

<u>Closing the Trap.</u> The customer contacted the company explaining he needed the machines shipped sooner than later, so he would arrange for FedEx to pick them up on his account. This is now several weeks since the first contact was made. When FedEx arrived to collect the machines the shipping order incorrectly estimated the weight, which exceeded the limits for international shipping. The company contacted the customer, who apologized and though it would cost him more, asked that his local shipper in Ghana be used, providing a toll free number, name and email address. The customer provided another credit card number to cover these additional expenses.

When contacted, the shipper arranged to collect the machines, but required the shipping costs be paid up front with an international money order. As the current charges on the customer's cards had been processed, the company sent the required money orders. The shipper arranged a date and time to pick up the machines as they had a truck in the area, but explained that insurance coverage was not included in the original shipping costs, and an additional amount needed to be sent via money order for the machines to be picked up. The customer was contacted, approved the additional costs, and requested that two more machines be added to the order.

<u>Buying the Lesson.</u> At this point, now about 30 days after the initial communications, the company recognizes a fraud is taking place, the transaction is just not making sense. Confirming these fears, the company's bank issued a chargeback on the charges made on the cards as the issuing banks reported the cards were stolen. Why this was not discovered by card services at the time the charges were made is unclear. The company contacted the residents of the address provided to learn that they were unaware their name was being used in this scam, and had no involvement with the customer. And yet, the customer continued to call and email the company regarding the order.

The victimized company reports that local police have no answers for responding to this crime, and were unwilling to take a report on the fraud. The shipping charges paid were in excess of $8,000, and although the machines were not delivered, the company is faced with the costs of this special order equipment.

<u>The Warning Signs.</u> The victimized company did many things right but still was burned. None the less, there are some steps that dealers and rental operators should take, and warning signs to watch for.

1. Train your staff - this scam targeted the parts department, not sales. Educate any counter staff to recognize and communicate potential frauds to management before they can develop.

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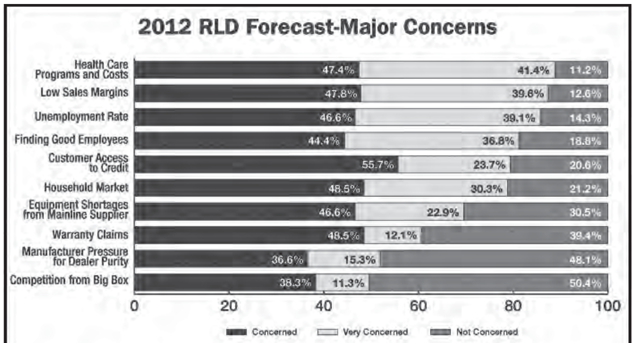

High health care costs, low sales margins and high unemployment rates top rural lifestyle-focused dealers' concerns going into 2012.

Following compact and utility tractors, zero-turn mowers are next on dealers' lists (29.4%) as additional products they want to carry in the year ahead. Next are utility vehicles (27.9%) and lawn tractors (20.6%).

Dealer Concerns. While most rural lifestyle-focused dealers expect solid footing in terms of improving revenue levels going into 2012, they also have major concerns for the year ahead. Chief among these are rising health care costs for employees.

Nearly 89% of dealers (47.4% concerned and 41.4% very concerned) indicated that this is their major issue going into 2012. It was followed by low sales margins, as 87.4% say they are concerned or very concerned with customer's growing fixation on low prices that are leading to much lower margins than dealers were seeing in past years.

Next on the list is the unemployment rate of which 85.7% of dealers say they're concerned or very concerned.

Dealers' Top 10 Products for Increased Revenues in 2012 (% of dealers)

		Increase +8% or More	Increase +2-7%	About the Same as 2011
1.	Utility Vehicles	8.7%	46.7%	37.1%
2.	Tractors (<40 HP)	5.8%	44.2%	35.0%
3.	Zero-Turn Mowers	6.7%	42.9%	41.2%
4.	Rotary Cutters	3.3%	42.5%	45.0%
5.	Tractors (40-100 HP)	5.1%	33.9%	46.6%
6.	Front-End Loaders	4.2%	38.1%	49.2%
7.	Tillers	4.3%	35.9%	50.4%
8.	Hay Tools/Balers	4.5%	32.4%	52.3%
9.	Chain Saws	7.5%	27.4%	53.8%
10.	Finishing Mowers	2.5%	30.3%	56.3%

Finding good employees ranked fourth on the dealers' roster of worries for the year ahead, with 81.2% of dealers indicating they're concerned or very concerned about this issue.

Nearly 80% of dealers listed customer access to credit as the number five issue they'll need to contend with in 2012, with 79.4% of dealers saying they're concerned or very concerned with it going into the new selling season.

Source: Ag Equipment Intelligence

Continued from page 6

and to the others out there who are not buying your service?

The lift truck industry's contribution to service numbers from the Industry Cost of Doing Business Study is a whole different matter. Contribution has been running fairly steadily at 26 - 28 percent. This occurs (we believe) because: 1) In this industry dealers have had "Boots-on-the-Ground," marketing the dealership's service for well over 45 years and, 2) there is a tremendous industry within the lift truck industry supplying "high coverage" of parts for the dealers' competitive makes of equipment. This allows the lift truck dealers to service almost all major competitive brands. This marketing tactic is encouraged by the manufacturers, but distorts the contribution figure for dealers on the equipment they have sold. Therefore in this case, we encourage lift truck dealers to measure contribution by their major line of product to determine the market share of that portion of their market they are achieving from the equipment they sell. Only in this way will lift truck dealers fully understand their service market share!

Some dealers do understand! We have a client who is the leader within his industry. Eight years ago, his Service Contribution was at 5.4 percent. This year he will top out over 15 percent, and this despite the fact that his product sales have continued to grow. He is running a healthy Absorption Rate of 128 percent with a net before taxes of slightly over 15 percent.

He's marketing his service through his equipment sales force, which many of our readers recognize we have not "championed" over the years. This is done with a unique pay for performance program which pays for service sales but also pays a higher commission on product if the service business is sold at the time of the equipment sale. The program is working!

Another example of how this same basic pay plan can work is a dealer who has devised a pay plan for the equipment sales person that increases the commission on the equipment sale with the sale of service to that account at the time of the order or upon delivery of the equipment. The sales person is paid a smaller commission if the sale of the equipment does not produce an agreement for servicing that equipment. This dealer is truly a dealer who thinks outside the box, a dealer who has always come up with a unique twist in his overall marketing scheme.

We believe that dealers are beginning to change their focus. Hopefully they will view their Service Departments as more than just a department for make-ready, for warranty or for working on their rental fleet. The dealer's greatest opportunity for the dealership is to provide additional service sales at the same high level of profitability. It can be done, but only if someone in management recognizes the real opportunity available and focuses upon this opportunity with intensity that they have not put forth any time in the past. It could also happen if manufacturers and suppliers would truly focus upon their dealers' ability to market their service profit center.

May we point out one more time for both dealers and suppliers: One of the customers' major concerns when making a major purchase for a very expensive piece of equipment is unscheduled down-time. Customers want to know that they will be taken care of after the sale. If they are satisfied in this area of concern, then Customer Loyalty and Customer Retention will grow and will encourage customers to return time and time again to purchase their equipment needs, thus pushing up the desired market share! This process may take a bit longer than some might want, but it is good for the dealer's profitability and will eventually satisfy the suppliers cry for increased market share.

By the time this article is published and read we will be into the first quarter of 2012. Some of you will have already made your plans for 2012. We would like to make this offer to all of our readers. If you will email us at: amsconco@aol.com your name and title, your line of equipment along with your answer to the three following questions: 1) Dealership's total sales dollars {New, Used, Parts, Service, Rental combined}, 2) total Service sales dollars and, 3) your Service Gross Profit Percent, we will email you: what we believe will be a challenging but achievable goal for your dealership's Service Department in 2012. If at the same time you would like to request a copy of a manual that literally hundreds of dealers have requested and received,we will email this to you at our special price of $19.99, along with the guarantee that should you find the manual not of value to you, all you have to do is not pay the invoice. We wish all of our readers a very prosperous New Year!

Special Offer to Readers: After Market Services most recent publication is: Enhancing the Customer's Buying Experience. This document shows you how to create a Customer for Life Culture within your dealership, how to bring customers back time and time again to buy from your dealership and basic but profitable way to create market share. Along with this document we will email you, free of charge a second document entitled: Customer Satisfaction is Customer Retention is Dealer Financial Strength. Simply e-mail your request for this publication, stating your name, your dealership and your dealership's location, as well as your product line, and the document will be sent via email to you along with an invoice in the amount of $19.99, which you will pay after the material has been received. If, after receiving the materials, you are not satisfied, simply e-mail us telling us of your dissatisfaction and withhold any payment whatsoever … simple enough? Our email address is: amsconco@aol.com

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2. Online and phone based transactions - authenticate all transactions and credit card authorizations on any charge that seems odd. Verify billing addresses and account status with the issuing card services or bank- this scam has shown that the receiver merchant services may allow unauthorized card activity for weeks or months. You may be ultimately responsible for the charges so take steps to prevent fraud before it happens, understand the verification codes produced when running phone orders and Card Not Present charges. On the merchant's card scanner, there is a (VR) on the bottom of the receipt. If the address number and zip code have been verified, the code should read - VR: YY. If it reads VR: NN, VR: YN or VR: NY, the zip code, address number and or both have not been verified. At that time the merchant is responsible for this transaction and steps must be taken to confirm you are not dealing with a potential scam.
3. International Orders - establish a company policy to identify frauds and protect legitimate customers. Require cash only transactions or put 30-45 day delivery holds on credit card transactions and international money orders. DO NOT accept or provide wire transfers except to established, known international customers.
4. Do not provide cash out of pocket. This scam was more about the shipping costs than the machines. If cash payment is required for shipping, insist the customer arrange this payment directly, or insist on your own shipping arrangements.
5. Ask for US based business references.
6. Be wary of email solicitations particularly when the author's use of English is broken or grammatically inaccurate.
7. Stay up to date - contact your merchant services fraud unit for tips on avoiding scams, and what scams to be watching for.
8. Go with your gut- if a transaction feels wrong, take steps to protect yourself or end the transaction.

Equipment Theft by Fraud

Offenders use an internet bank issued debit cards to secure the deposit on an equipment rental. The card approves for the deposit ($500.00 or less), offender takes possession of equipment on short term rental, but cannot be located at the expiration of the rental. Provided phone, address and Drivers License are counterfeit, and may have been used to obtain the Debit card as well so pursuing the offender through the issuing bank is not a viable recourse.

Debit cards to be cautious of include:

- Account Now Visa - http://www.accountnowvisa.com/
- Green Dot Prepaid Visa and Master Cards - www.greendotonline.com
- Rush Card Prepaid Visa - www.rushcard.com

Avoiding This Fraud.

- Educate your staff to recognize the difference between debit and credit cards, and how to contact your merchant services for assistance in doing so. Require local business references on new or un-established customers.
- Make it a policy that valid credit cards, not debit cards, are required for rentals. Contact the issuer if you have doubts.
- Independently verify provided addresses, phone numbers, etc.
- Require a business or land line phone number, not just cell numbers
- Increase deposit rates above $500.00 on higher value machines.
- Install a mobile GPS device on equipment. Randomly check the location of the equipment and act if something seems out of line.
- Make it well known locally that your fleet is electronically monitored
- Educate your staff and clients that fraud is a growing problem, and that the steps you take to prevent it help keep costs down for everyone

Source: NER

Hiding Income? Look Out, Here Comes the 1099-K

What merchants need to know about a new form that requires payment processors to report transactions to the IRS.

Starting this month, business owners will begin getting new tax forms issued by their credit-card and online-payment processors and intended to keep businesses from hiding income. The form, called 1099-K, will document all 2011 transactions processed for sellers with more than 200 transactions and $20,000 in annual gross receipts. The IRS estimates that 53 million forms will be issued by such processors as eBay, PayPal, and Amazon as well as credit-card companies, says Steven Aldrich, chief executive officer of Outright.com, which makes online bookkeeping applications for self-employed people and small business owners. Aldrich spoke with Smart Answers columnist Karen E. Klein about how small business owners should handle the new forms. Edited excerpts of their conversation follow.

The new 1099-K requirement was signed into law by President George W. Bush in 2008 but is just now taking effect. Why is the government mandating this?

Electronic payments are a growing part of our economy, but up to now they have not been officially reported to the IRS. People were on their scout's honor to report this income. This new form is designed to help close the gap between what businesses and individuals owe the IRS and what they actually pay. It is expected to bring about $9.5 billion into the U.S. Treasury over 10 years by taxing revenue flowing through electronic networks.

That's a big number.

It is a big number, but our concern is keeping the burden on small business low enough so they don't lose their competitiveness and don't have a big burden of extra time they have to put into dealing with this. All businesses will get these, not just small businesses, but larger businesses have got tax teams and people to handle these matters and small business people usually do not. Our concern is that small business owners could be distracted and worried when they get this form and not know what to do with it.

This is going out for the first time to individuals such as eBay and Etsy online sellers. Have they gotten any notice about the form?

The payment processors were required to obtain sellers' tax identification numbers for these forms, so many of them sent out notices last year when they were verifying the information and making sure the right people got the right form.

What information will the form list?

It's actually very simple. At the top is a box with your total gross revenue for the year, processed by PayPal or whichever payment processor you use. Beneath that box is a breakdown of revenue month by month.

How is that number going to be compared with what's reported on an individual's tax return?

The IRS will look at the gross sales amount reported on the 1099-K and compare it with the total gross receipts reported on an individual's Schedule C. The amount on the tax return has to be at least as much as what's reported on the 1099-K.

The interesting thing is that these amounts reported to the IRS are gross sales numbers. But businesses never actually make their gross sales because of refunds, frauds, exchanges, and returns. But none of those expenses are taken out of the gross sales amount.

And business owners don't pay taxes on gross income, but on net income.

Exactly. So it will be incumbent on the business owner to take the gross amount reported on the 1099-K and capture all the transaction fees, charges, and returns, in addition to the other expenses of running their business, in their tax reporting.

Is that going to be a big burden for micro-businesses?

It's not going to be a big deal if you have good record keeping. The problem is that most small business owners are still using paper and pencil and spreadsheets to track their business data. This reporting is really a clarion call to move those people into the digital age. Certainly, if you're taking electronic payments, you need to move to a digital form of keeping your books.

Are there other pitfalls related to the 1099-K?

For service providers, like consultants, who are taking advantage of electronic payment systems, they might get a 1099-MISC for some part of their consulting revenue. But that income would also show up on the 1099-K if it was processed electronically. That could result in double counting that income, so that's something to be very careful about, especially as more people in the service industry are starting to use services such as PayPal or mobile credit-card readers instead of taking cash or check payments.

Source: OPEI SmartBrief

Achieving a Better Workplace through Supervisor Education and Training

This Article provided by Erik Plantenberg, Regional Marketing Manager, Federated National Insurance Company

Supervisors are on the front line when it comes to maintaining positive employee relations in the workplace. Their impact on the employees' work environment is direct and immediate; they are the first to become aware of problems among employees, and they have significant influence and control over employee attitudes. Supervisors must be educated on how to motivate employees and how to spot potential issues warranting human resources' review.

Effective supervisory development has two components. (1) The employer should provide formal training sessions for supervisors. (2) Human resources should regularly communicate with supervisors.

Supervisors should attend the first formal training session immediately after they are hired into a supervisory position. That way, the employer may ensure the supervisor is trained on key employment laws and on the company's policies and procedures. Periodically, supervisors should attend refresher courses so they can stay updated on changes in the law and on the company's policies and procedures.

The following are examples of important topics to cover during training sessions:

Policies and Practices - Supervisors and managers are the persons primarily responsible for enforcing the employers' policies and practices. Supervisors must be trained on the specific content of the company's employee handbooks and taught how to implement established procedures.

Documentation and Performance Evaluations - Communicating and documenting performance problems and issuing corrective action in response to employee misconduct are among the more difficult aspects of a supervisor's job. Too many supervisors are never trained on how to generate proper personnel documentation or how to conduct themselves when issuing discipline. Employers should explain how to complete proper documentation of employment issues and demonstrate how to properly communicate discipline to employees.

Harassment and Discrimination Laws - Many supervisors are unfamiliar with even the basics of the state and federal harassment and discrimination laws governing workplace relationships. Explain which conduct may be perceived as offensive or harassing and provide specific examples. Discuss the behavior that constitutes professional conduct in the workplace and be explicit about the behavior that will not be tolerated. Provide best supervisory practice tips for encouraging top performance from employees. Teach supervisors to lead by example and to use positive reinforcement to encourage employees to perform well.

F**MLA, ADA, Wage and Hour and Workers' Compensation Laws** - These laws are extremely complex, yet, they impose critical obligations on supervisors that must be fulfilled for the company to remain in compliance. Familiarize supervisors and managers on the basic obligations of these laws and warn them of the "traps for the unwary" associated with each. Encourage supervisors to go to human resources immediately when they believe one of these laws is implicated in a particular situation.

In addition to attending formal training sessions, supervisors need the ongoing support and guidance of human resources in order to successfully manage their employees. Human resource professionals should take the following steps on a regular basis to encourage ongoing positive employee relations in the workplace:

Meet with New Supervisors - Meet with new supervisors one on one when they come onboard to explain the role of human resources, to answer specific questions about the company, and to point the supervisor in the direction of key resources within the organization. Help connect supervisors to a mentor and make sure they feel comfortable in approaching human resources with questions or problems.

Regularly Check-In on Supervisors and their Employees - Take time to "round" on supervisors and their reports on a regular basis. Circulate through workspaces to chat with the employees and supervisors whom you support. Make an effort to say hello in the halls and to learn people's names. Ask individuals "how are things going?" By getting to know employees and supervisors, you will make them feel supported and encourage them to use the human resources department when a problem first arises.

Encourage Use of HR - When individuals do come to you seeking assistance, tell them that you are glad they came to you and that you are concerned about the problem they have raised. While discussing an issue with an employee or supervisor, coach him or her about ways to improve in the future and suggest changes you recommend that he or she should make in the department.

Apply Solutions Broadly - When you recognize a recurring "problem behavior" in the workplace, or observe that multiple supervisors are implementing a particular policy or practice inconsistently or incorrectly, address the concern with all the supervisors to whom the issue applies, not just the supervisor or supervisors who came to you. Fix the problem on a broader level.

Communicate with Regular Newsletters - Send out regular e-mails or other written communications coaching supervisors on best supervisory practices and updating them with changes in the company's policies and in the law. Remind supervisors in these communications that you are there to support them and encourage them to use you as a resource as they manage employees.

This publication 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.

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Webpage: www.fweda.com

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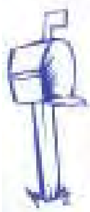

Is Your Name and Address Correct?

PLEASE CHECK THE
ADDRESS ON THIS ISSUE
IF NOT ACCURATE, PLEASE
SEND CORRECTED LABEL TO:
Far West Equipment Dealers Association

QUARTER SCALE

CAL POLY
SAN LUIS OBISPO

☐ ***YES! I want to support PolyBuilt Quarter Scale Tractor Design Team***

Amount Enclosed ____________________ **Or Material Value** _________________________
Please make checks payable to: BRAE Department, Memo: Quarter Scale
Company Name: ____
Contact Name: ____
Address: ____
Phone #: ____________________________**E-mail:** _____________________________________
Please return this form and a business card to the address below:

Attn: Quarter Scale
Cal Poly, BRAE Department
1 Grand Avenue
San Luis Obispo, CA 93407-0253

A charitable receipt will be mailed as soon as possible.

www.QuarterScale.calpoly.edu
FaceBook.com/Groups/CalPolyQuarterScale
PolyBuiltQuarterScale@gmail.com
Fax: (805) 756-2626

On behalf of the Cal Poly's PolyBuilt Quarter Scale Tractor Team,
We thank you for your support,

Michael Burlingame,
Team Captain
(408)893-6453

Nicole Boughton,
President of Marketing for PolyBuilt
(805)748-2239

Keith Crowe,
Faculty Advisor
(805)756-2384

PolyBuilt