

C

LEVEL

MAGAZINE

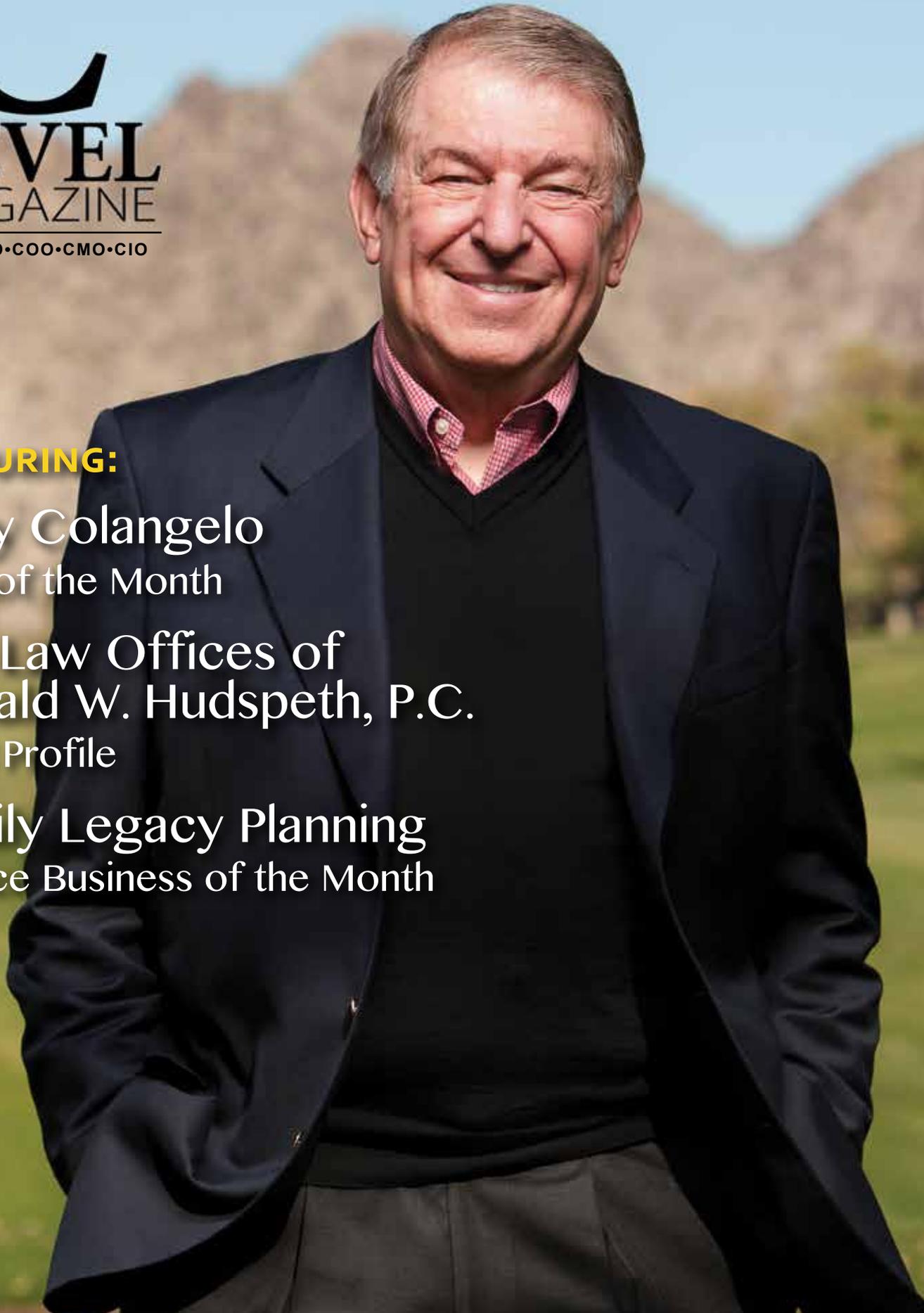
CEO•CFO•COO•CMO•CIO

FEATURING:

Jerry Colangelo
CEO of the Month

The Law Offices of
Donald W. Hudspeth, P.C.
Legal Profile

Family Legacy Planning
Finance Business of the Month



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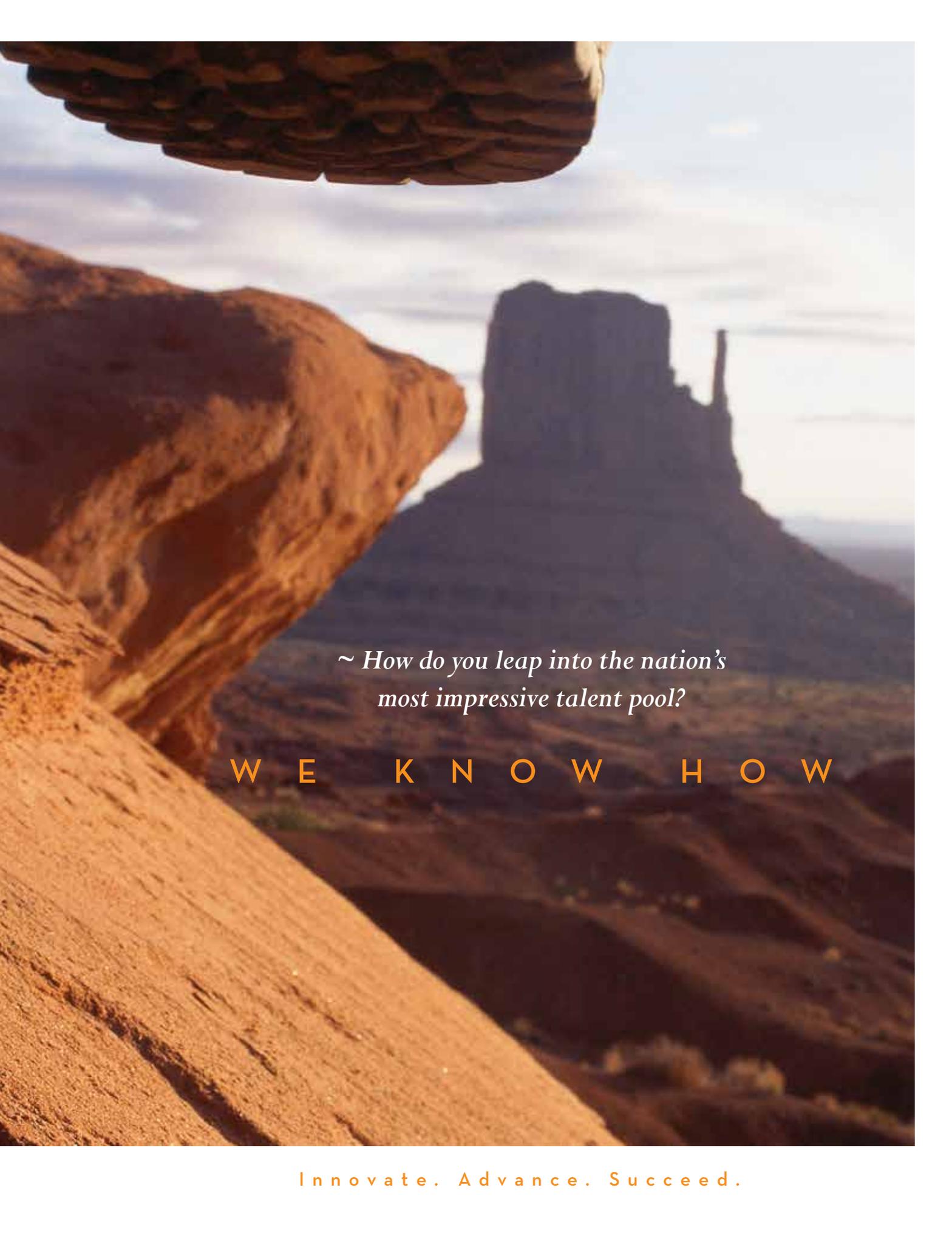


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FEATURES:

9 The Law Offices of
Donald W. Hudspeth, P.C.
Legal Profile
By Dan Baldwin

18 Jerry Colangelo
CEO of the Month
By Caitlin Demo

23 Family Legacy Planning
Finance Business of the Month
By Lynette Carrington

SPECIAL SECTIONS:

16 Corporate Giving

EDITORIAL:

6 Purpose Revived: Ask Yourself and Your
Employees the Most Important
Question of All

By Brian Mohr

8 Wellness Is Awareness

By Tom Beal

13 What's the Value of Your Home?

By Brian Kusmer

14 Transitioning the Family Business to
the Next Generation

By Michael E. Minyard CPA, MBA

15 "If You Build It . . ." Homeowner
Claims Likely To Rise as the
Residential Construction Industry
Gets Back to Work in Arizona

By Rina Rai

21 Go 'Virtual' and Save

By Wally Christofferson



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LETTER FROM THE PUBLISHER

Welcome to the first issue of C-Level Magazine. As our magazines have grown in the Phoenix area, we have been blessed to work closely with many professionals in Maricopa County. Attorney at Law Magazine, Public Accountant Magazine and Financial Consultant Magazine have all been built around these strong professions. I'm excited for the addition of C-Level Magazine and all it will contribute to the business community.

C-Level Magazine is similar to our other publications; however our focus is not on one vertical market but on the majority of thriving industries here in town. Within that focus, we will highlight the corporate level executives in those industries that have achieved great success. Our editorial content will cover practical, digestible and implantable insights and takeaways on a wide variety of topics including leadership, development, human resources, employee fulfillment, recruiting and staffing, strategic alignment, creative business strategies, and many more. We truly view our publication as a dessert magazine, something you will find pleasurable to flip through. We strive to print articles that you want to tear out and share with employees and business partners.

On a monthly basis we will feature an executive on the cover, with an in-depth story highlighting their insights on leadership, as well as the characteristics and anecdotes to which they attribute their success.

We also seek to highlight the non-profits in the community and the local businesses that support their causes. We are excited to share with our readers the upcoming charitable events and the great generosity seen in our community in our monthly "Corporate Giving" section. We endeavor to promote the businesses and the non-profits that help to improve our community. Within this section we will encourage the corporate giving we witness every day and promote the non-profit organizations who achieve notable success.

This magazine will be delivered directly to the executive community of Maricopa County. As a local publication, our focus is on the interests of Phoenix executives.

In this first issue, I am pleased to introduce our CEO of the Month, Jerry Colangelo. He is a legend of a man, who has accomplished amazing things here in the Valley. We are honored to have him as a member of the Phoenix executive community and C-Level Magazine.

For further information about the magazine or to submit a nomination or an article, please feel free to contact us at 480-219-9716.



*Best Regards,
Ryan Greer*

C-Level Magazine is a trade publication for and about local corporate executives, business leadership and corporate giving. This controlled circulation publication is mailed for free to all C-Level executives of mid-cap companies throughout Maricopa County with a print and digital distribution of over 25,000. For more information on editorial submissions, feature stories or advertising opportunities please contact your local publisher at 480-219-9716.



Purpose Revived: Ask Yourself and Your Employees the Most Important Question of All

By Brian Mohr

Brian Mohr is nationally recognized in the employment, recruiting and staffing industries for his executive roles and thought leadership. Brian has experienced his fair share of working with executive headhunters in Phoenix, which led him to a new path. He helped found Y Scouts, a purpose-based executive recruiting and consulting firm in 2012. Y Scouts helps organizations recruit leaders. Whether you're looking for meaningful work or looking to attract talent, they can help. As a founding member of Y Scouts, Brian passionately believes the high currency in today's employment market is meaningful work, not just a paycheck. For more information about Y Scouts and the Y Scouts Purpose Discovery Process, go to www.yscouts.com or call 480-374-7120.

It was totally unexpected. I was standing on stage, gazing out over a sea of professionals when I noticed that one gentleman seemed ultra-eager to share his answer to a question I had posed to the audience: What did you want to be when you grew up?

"I wanted to be Indiana Jones," the gentleman replied when I called on him. "I love adventure and discovering new things."

Yes, the audience chuckled. It seemed like a playful answer amidst a serious conversation about the decline of employee engagement, turnover and workplace satisfaction scores. And, quite honestly, I couldn't imagine a better answer to catapult me into the real reason I was there speaking—to talk about purpose.

As an executive recruiter, I get the opportunity to understand the needs of clients who are looking to fill positions. And, I also get the opportunity to discover the wants, needs and interests of candidates. It's a perspective—seeing the hiring process from both sides—that gives guys like me a window into a reality that many C-Level readers might not want to face. That reality, quite simply, is that your business is suffering because "purpose" has been left in the dust. And, ironically, it's the one thing that would solve most of your engagement issues, turnover issues and low satisfaction scores.

Think about this. When we were children, we dreamt of becoming great in endeavors that connect to us on emotional levels. We wanted to be rock stars, ballerinas, dolphin trainers or even super-



We believed we were in this world for a purpose—and we were willing to give every ounce of our energy to see that purpose through. That is, until our purpose was squashed.

heroes. We believed at our core that we could have an impact on our world doing those things and being those people that we “wanted” to be, instead of those people we’re “supposed” to be. We believed we were in this world for a purpose—and we were willing to give every ounce of our energy to see that purpose through. That is, until our purpose was squashed.

It’s no big surprise that a Gallup survey reveals that 71% of employees are disengaged at work. It’s not a big shocker that a survey conducted by PARADE magazine and Yahoo! Finance of 26,000 Americans found that almost 60 percent of employees would choose a different career if they started over. And, it’s not mind-blowing to consider that, according to research by The Kelton Group, approximately 40 percent of workers say they don’t even understand their own company’s vision.

These dismal statistics point back to two possibilities. First, the human race is just a bunch of lazy whiners. Or, second, that we’re not doing a good job of preparing, or connecting, people to work that actually inspires them, energizes them or engages them.

Consider for a second how our current “system” squashes purpose. As children turn into teens, we steer them toward professional learning to prepare them for college. In college, we hand them a list of classes tailored to specific industries and job functions. When they graduate, we hand them a list of companies. Inside those companies we hand them a list of job titles. In those job titles, we hand them a list of tasks and responsibilities. And, during their first day of work, we hand them the most horrible thing ever—a cubicle. Speak for yourself, but I don’t recall any of my childhood friends telling me about how fantastic their cube would be someday. Yet, that’s where most of us start in the workforce—going through the entire “system” in a box, without anyone ever asking us what we really care about.

What if we could start changing the “system” today to transform all those dismal statistics for the future? What if a simple tweak in the way we think and hire could instantly reduce turnover, increase engagement and sky-rocket satisfaction (ultimately boosting productivity, innovation and profits)? What if we all just focused on the aspects of the “system” that we can change, and started implementing those changes today?

How can we change the “system” and revive purpose?

1. Instead of job postings that list tasks and responsibilities, organizations could broadcast their purpose—therefore attracting candidates, with various skillsets who are already engaged. Consider building candidate pools for your organizational purpose, instead of candidate pools for job functions.
2. Instead of interviewing candidates about their past, ask them to explain their purpose for the future (what they really want to spend their time doing). Get to know the real person instead of “What the person thinks you want to know about them.”
3. Instead of dismissing employees who don’t fit in their current role, take the time to understand if purpose is the reason for the misalignment. During reviews, spend more time talking to employees about what really matters to them (what they truly care about and how you can help them migrate toward those activities) and less time picking apart their past performance.
4. Instead of viewing people as a resource, view them as a potential. Empowering people to truly chase their purpose increases engagement, boosts morale, stimulates innovation and accelerates performance beyond imagination. Show people that you care about their purpose, and they’ll immediately care about your purpose.

Follow these steps and you’ll quickly become part of the change that needs to happen in today’s workplaces. You’ll not only surprise and delight your employees, but you’ll probably feel something that you haven’t felt in while either—your own sense of purpose. What did you want to be when you grew up? Was it Indiana Jones?



Wellness Is Awareness

By Tom Beal

Tom Beal is the founder and CEO of Beal Benefit Solutions, Inc. Beal Benefit Solutions is a full-service turnkey insurance brokerage firm that will help save costs and build a long lasting healthy working environment for your company's employees. We promise to match or beat your current benefit quote, but unlike any other insurance brokerage company, we pride ourselves in going the extra mile by providing a custom online solution, at no extra cost, to meet your healthcare benefit needs with any carrier that you choose. We go out of our way to give you personalized service with custom solutions to help streamline your company's benefit experience. Our goal is to make your employees happier and your bottom line healthier. For more information on wellness programs please visit our website

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For the past twenty years, expensive medical technology coupled with better medical outcomes has caused employer healthcare costs to increase faster than inflation. We're living longer, but paying increased healthcare costs. To help lower the rising costs of health insurance, benefit brokers and employers need to look outside the box and educate employees on how to be better consumers of healthcare.

Researching the utilization of a health reimbursement account (HRA) or a health savings account (HSA), both part of a consumer driven health plan (CDHP), that is specific to your company can help your employees reduce their health risks and improve the quality of their care, which will lower their total medical costs. Implementing management-supported wellness programs, such as health fairs, educational videos, webinars and biometrics, can help educate and hopefully change unhealthy behaviors resulting in healthier employees, claims going down, and lower benefit premiums.

A good broker can usually get the carriers to pay for wellness programs in full, so there's no additional cost. It's a win/win for both the employee and the employer because lower claims typically mean lower premiums. The goal is to slow the trend of rising healthcare benefit costs. For the past fifteen years, these costs have averaged ten and twelve percent per year, so when a broker can shave four points off an employer's cost, it's a big deal.

Beware of brokers that tout immediate savings with a wellness program. Wellness programs are not immediate fixes; it's a long-term plan. It's a strategy, which over a period of on-going years pays off. After all, wellness is awareness.

One overlooked and under-utilized technique of a broker is to involve employees in the process of building a benefit plan. Typically a broker will meet only with the CEO, CFO or COO regarding a company's benefit plan and its implementation. After analyzing the history of your company's past claims and structuring a plan based on future trends, quotes from various carriers are reviewed, a platform chosen and it's revealed to the employees as a "done deal" and is rarely favorable from the employees' view. Employers should consider involving their department heads, sharing how and why the rates are where they are. They can take this information back to the employees, making the decision process more transparent. The employees better understand how their benefit costs are derived and why. Employees should also be aware that all personal health information used by a carrier in order to determine rates is completely confidential and protected by the HIPAA laws. Employers and brokers only see the claims information in a generic format, so they can pinpoint the company's current and upcoming claim challenges.

In today's world, everyone is striving to become more "green," increasing the popularity of online benefit enrollment. The problem is that the technology is often poorly implemented and not very user friendly. Choosing the right online benefit system, however, can cut administrative costs within the benefit plan. One that will process the inputted enrollment information from your employees to the carrier, capturing the data and uploading the results back to your HR department is standard. However, a system that can streamline the process of enrollment for your employees, automatically upload to your specific carriers and produce detailed reports for HR is a major plus. If your business has multiple locations the ability to break down reports on eligible, enrolled, waived, terminated and COBRA employees by location is huge. Some brokers will charge the employer a specific amount per employee for the cost of outsourcing the more advanced online electronic services. Other brokers might tell you there is no charge but inadvertently "hide" the costs within your benefit package. My advice is to find a broker who is willing to "foot the bill" for those electronic services, this will lower your administrative costs and keep HR happy.

Healthcare is always in a state of reform, so brokers and employers need to look at the whole picture of benefits. Of the 3000-plus pages of the healthcare reform package, there are really only five bullet points that most employers need to truly understand.

- Waiting period for **all** eligible employees cannot exceed 90 days
- Coverage must be credible per government guidelines. Deductibles cannot exceed \$2000.00 per employee, or \$4000.00 per family. Partial self-funded plans are excluded from this ruling.
- Employee (only) health coverage contributions cannot exceed 9.5% of their annual salary.
- Out of pocket maximums: including deductibles, doctor and prescription co-pays, and coinsurance **cannot** exceed \$6400.00 per employee or \$12,800.00 per family yearly, indexed yearly for inflation.
- Employers, who employ 50 or more full time employees, must offer credible health coverage to **all** employees and their dependents who work 30 hours or more, employers are allowed to look back 12 months to determine 30 hours or more.



THE LAW OFFICES OF DONALD W. HUDSPETH, P.C.

“The Business of our Firm is Business”®

By Dan Baldwin

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Competently Representing the Business Client

“One of the most frustrating things for a business executive is to talk to a lawyer who doesn’t have a clue about what it’s like to be out there in the arena. Well, I have more than a clue. I spent half of my business life there,” says Donald W. Hudspeth, founder of the Law Offices of Donald W. Hudspeth, P.C. “Out there” for his firm can be generally described as dealing with the practical aspects of managing a business enterprise.

The Law Offices of Donald W. Hudspeth has more than 35 years experience in business, business law, commercial litigation, corporate representation, and business formation including start-ups, contracts, franchises, international business, and intellectual property. Local attorneys who practice other areas of the law, such as divorce, estate planning, immigration, seek out the firm for legal services and counsel when a business or business related matter is involved. And, out of state transaction and litigation counsel use the firm when they have a contract or dispute in Arizona.

Local Counsel; Global Business – Helping Business Transitions To and From Arizona

In addition to servicing Arizona business with business law matters, the firm now assists out-of-state and international firms establish business and business relationships within Arizona and assists Arizona firms to do the same out of state and in national and international markets.

More and more business clients and law firms from out of state and out of the country are contacting The Hudspeth Law Firm because they have a transaction in Arizona - they have a plant or facility they want to open here, or they are involved in Arizona litigation. Interstate, national and international organizations realize the need for local counsel to advise and provide answers to complex legal issues. The Hudspeth Law Firm is well-versed in the business law of Arizona for both transactional and litigation matters.

The Arizona business climate also fosters organizations seeking to expand beyond state borders and in many cases beyond



national borders. The Hudspeth Law Firm is there to help in that outward movement. Hudspeth says, “Phoenix, Maricopa County, and Arizona are some of the best places in the world to own and grow a business. The Arizona business owner is now becoming an international entrepreneur and the Arizona business executive is going global. We help make this happen. We are local counsel for global business to and from Arizona.”

Organizational Issues and Strategic Partnerships in Government and Finance

Whether the client is local, national or international, Hudspeth says, “We can help with organizational issues. We’ll talk about the entity, operating agreements, money and power considerations, client, employee and vendor contracts, trademarks, lease and real property issues and other business law matters, which we call part of the ‘legal brick house’ or ‘organizational engineering.’”

The Hudspeth Law Firm does far more for its business clients through its network of strategic partnerships. The firm has experienced and well-connected advisors who can meet with, advise and represent clients in their dealings with the appropriate government agencies. For the right client this can result in favorable taxation or financial assistance.

In addition to these government advisors, The Hudspeth Law Firm has former high level Wall Street financiers who can advise firm clients on the financial structure of the transaction, introduce the client to the appropriate local banks and bank contacts, and in general bring a high level of knowledge, expertise and credibility to any project. Hudspeth adds, “These kinds of contacts are tremendously valuable, especially to an out of state or international client.”

Business Law for Business Owners and Executives

The challenges the Law Offices of Donald W. Hudspeth faces are varied, but the clientele falls into three basic categories.

“The paradigm client that we built the firm on is the owner or executive of a small or medium sized business (“SMB”). I mean, the ‘Joe the Plumber’ and ‘Kelly the Consultant’ type. He or she may have a construction company, a plumbing company, a paint company, a mortgage company, a realty company, coffee house, franchise, retail store(s), technology company, or similar. Whether these clients are small or large the SMB client has been our traditional client for all these years,” Hudspeth says.

However, in the Great Recession many of these SMB



clients were adversely affected, so, firm revenues from these clients plunged. However, Hudspeth says the changing and challenging economic climate led to two new basic types of clients. “One is the major corporate firm whose management said, ‘We have to watch our dollars. We need to have accountability in terms of the amount of time it takes and the money we’re spending on our legal fees.’ So, the firm started picking up a major amount of business that maybe would not have come

to us before. And we’ve been able to keep these corporate clients because we have produced good work for them at a price they like. Working for small business was a great training ground for learning corporate accountability.”

Hudspeth says, “The third type of client is the very small firm or start-up company that some law firms might turn away because they don’t have large budgets for legal services. But these very small clients need representation because if they don’t get it they’re just going to get crushed. So, the firm created a ‘Small Matters Division’ where we use talented and precocious mid- and lower- level associates and interns to work on the file.” This approach helps to keep the small client in the litigation case, or deal, long enough to achieve a settlement and more favorable outcome. Often this is the difference between staying in business or not.

“So, now we have these three levels of clients – from the very small to the international. And, as any experienced lawyer knows, it is not the number of zeroes on the file that makes the matter complex. Some small matters can be incredibly complex with novel business and legal issues,” says Hudspeth.



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“I Was a Real Person Before I Became a Lawyer”

“I tell people I was a real person before I became a lawyer. I’m joking, of course, but what I mean is that I know what it’s like to not be a lawyer, to need and use a lawyer. I have been on the other side of the desk. I operated my own chain of bars and bar real estate, a chain of mall stores, then served as a chief financial officer for an office furniture manufacturing company before I went to law school. I have more than ten years experience being on the other side of the desk, the executive’s side of the desk, talking to my own lawyers, accountants and advisors about my business. That practical, hands-on business experience is just invaluable. What I know about business is not just from reading books – but I have read a lot of them and taught business law at Arizona State University for five years — it’s from having ‘been there’ and ‘doing that,’” Hudspeth says.

“I can address a client and say, ‘Mr. Executive, I’ve spent half my business career being where you are, being behind a desk like yours talking to people like me about what we are going to do.’ The client realizes that he and I are talking the same language and

that I understand not only the law, but also the business perspective. We share a common background of business operational experience and issues. This creates a bond of understanding, caring and empathy which I know would not exist otherwise.”

Hudspeth says he wears two ‘hats’ when meeting with his clients: the lawyer’s hat and the businessperson’s hat. “The ability to wear both the ‘lawyer’s hat’ and



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the ‘business hat’ is extremely valuable to my business clients,” he adds. “The two perspectives are often at odds – a situation a savvy lawyer must address. Every time I meet with a client I say, ‘Here’s my lawyer’s hat advice. This is what you’re paying me to tell you, so I want to make sure I make these legal points clear.’ But from the practical side, putting on my business hat, I realize the client faces certain practical problems. So now, with the legal and practical points we’ve considered you can make an informed decision,” Hudspeth says.

The “Ability to See,” or Having and Using “The Vision Thing”

“One of my favorite films is “Searching for Bobby Fisher.” The movie is about a child chess prodigy. What I like about the film is Fisher’s ability to see the board without the pieces on it. I call this the ‘ability to see.’ So, a second special thing about The Hudspeth Law Firm is that it looks for lawyers with this ‘ability to see.’ It’s a ‘vision thing’ - being able to see how the deal or the dispute should play out and end from the beginning. It is about knowing the game and possible and probable outcomes before making the first move,” Hudspeth says.

Hudspeth says, “It’s also a natural instinct - knowing what to do instinctively. The Hudspeth Law Firm looks for that talent. You either have it or you don’t. That ability to see, that natural instinct, is huge. In business law matters we have that,”

The Hudspeth Law Firm Business Model: A New Way of Thinking for a New Age

The Hudspeth Law Firm’s business model allows best case outcomes at less cost. Hudspeth explains, “The traditional law firm is based on having a floor of lawyers. The problem with that is you’re paying for the real estate, you’re paying for the salaries, and you use the attorney on the floor rather than the attorney who might be the best attorney for the job. This is counterproductive. So, under our business model we just have ‘core space’ and ‘core attorneys’ on-site, then we use other attorneys with expertise in the area we need: technology prowess, finance, appeals, trademarks, international contracts, etc. The cost to the client is the same, but using the most qualified attorney on an as-needed basis optimizes outcomes and is cost-effective because the model reduces overhead. We have no need or incentive to ‘work the file’ just to cover the cost of rent and attorneys on staff.”

Accountability, Accountability, Accountability

“How do we survive and prosper? In a word: accountability.” Hudspeth credits the firm’s ability to weather the challenging economic times and to continue to prosper and serve local,

regional, national and international clients to its focus on accountability. “A business ethos of accountability is a main reason why we got the great firms during the recession. They were looking for somebody who would do the work in a timely manner and at a reasonable cost. When we started out with smaller clients we always had to talk dollars, and cost-benefit. Learning to practice law on a budget was a great training ground for learning accountability to clients,” Hudspeth says.

Firm Philosophy: Caring

“I like to treat people the way I would want to be treated. And I like to leave things better than I found them. The ancient Greeks talked and wrote a lot about the ‘Good Life.’ For me I would like it said: ‘He did some good things. He made the world a little better,” Hudspeth says.

Whether the client is large or small, moving into Arizona or expanding to national and international markets, the clients of the Law Offices of Donald W. Hudspeth would certainly say the firm continues to make those legal matters far better than when they found them – that they are most definitely being treated the way they want to be treated.

AT A GLANCE

Business Law and Commercial Litigation

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What's the Value of Your Home?

By Brian Kusmer

Brian Kusmer is a long time Scottsdale resident where he resides with his wife, Amber, and their three children. As a local realtor, he is responsible for the sale of tens of millions of dollars' worth of real estate each year. His clients vary greatly from investors to homeowners to commercial real estate and land development clients. Over the last 15 years, Brian has received many accolades, honoring his competency as a realtor. As a Re/Max agent, he was honored in the Re/Max Hall of Fame, the highest tribute available. He has also earned the Lifetime Achievement Award.

Brian previously collaborated with a worldwide direct sales company, providing motivational speaking and consulting for sales training. Currently, he is a member of the HomeSmart Elite Group and is a recipient of the Diamond Club Award. Brian can be reached at 602-469-5823 or at bkusmer@hotmail.com. For more information feel free to visit www.teamkusmer.com.

Many people ask me, "Hey Brian, how is the real estate market?" What they are really asking is "What is my home worth?" The answer to that is that it depends on where you live. When we talk about percentages of increases in the valley, certain towns, subdivisions and even streets within a subdivision can vary. We can look at trends, but they do not always equate to increases or decreases in the value of your property. So, "how is the market?" is a very diverse and interesting question when it comes to residential real estate in Maricopa County.

In our ever-changing real estate market a lot of people really have no clue what their real estate is worth. With some of the pricing I'm finding on the MLS, a lot of real estate professionals can't keep track of what values really are either. There are several factors which will determine what a single residence is worth:

- List price of homes in your neighborhood
- Conditions of the listed and sold properties in your neighborhood
- Distressed vs. non-distressed sales
- Concessions to buyer or seller
- Number of days on the market
- Percentage of increase of like-kind properties over the last six months
- Locations such as hillside or lakeside community or backing to a golf course

I have a couple of recent examples that really shed light on the ever-changing market and how strong our market is becoming. These examples are in two different price ranges and show the difference between what appraisers are valuing homes at and what the buyers are willing to pay based on supply and demand.

The first example is of a buyer purchasing a very unique property just north of Northern and 18th Street. It was professionally remodeled, redecorated and landscaped and had been featured

in several home magazines. It was elevated on a mountain with full views of Piestewa Peak and the beautiful city backdrop. An initial appraisal was improperly done; the comparables in the neighborhood really weren't comparables to this particular home. It was matched up to short sale and foreclosed properties with similar square footage, but without the views and professional landscaping. The buyer had it contracted for \$446,000 and there was a backup offer for \$455,000. Even with all this information, the appraiser still set the value of the home to be worth \$365,000. Because of the real estate crash and the scrutiny that the appraisers felt for over-valuing properties during the real estate boom, they are now under-valuing properties to protect themselves from any potential lawsuits.

In the second example we find ourselves in Paradise Valley. This homeowner was going to sell his home himself. The first step he took was to call an appraiser. The appraiser valued his home at \$1,350,000 and proceeded to verbally tell him that he may get as high as \$1,500,000 for his home. The seller was going to list his home for \$1,500,000 For Sale By Owner (is like going to court without an attorney and that's a separate article which you will read about in the future). Fortunately, I was able to speak to the seller just before he listed it. After an analysis of his property, I determined his home was worth \$1,700,000. In the end, the home sold in six days for \$1,665,000, which was \$315,000 over the appraiser's value.

The natural boom and bust of the real estate market has put appraisers on the defensive, which is why homeowners need to consult a professional who fully understands the changing market. While getting an appraisal may be an important first step, getting a broker price opinion (BPO), is essential to assessing the full value of your home.



Transitioning the Family Business to the Next Generation

By Michael E. Minyard CPA, MBA

Michael E. Minyard CPA, MBA owner and president of Minyard & Co., P.C. has more than 36 years of diverse business and entrepreneurial experience in the areas of technology, agriculture, construction, real estate, and oil and gas. He is a member of the American Institute of CPAs, the Arizona Society of CPAs and the National Society of Tax Preparers. Established in 1991 Minyard & Co., P.C. has a wide range of services. Including accounting, tax, payroll, and consulting services, company structuring, organizing, funding, qualification, acquisition, audit, tax planning, forensic accounting, risk mitigation, growth control and impact.

The bulk of their clientele are developing businesses in industries such as oil and gas, real estate, retail, manufacturing and distribution. Their reach is global. As members of the association of accountants, auditors and tax consultants called IECnet; they enjoy an established infrastructure of mutual support and shared expertise. They are also PCAOB qualified. For further questions call 602-266-1060 or email at mail@minyardcpa.com. Visit our website: www.minyardcpa.com.

A 70+ year old patriarch has built a successful business from his days as an entrepreneur to operations supporting the family in a manner beyond his most active imagination. He begins to feel tired every day and his mind doesn't function as well as he is accustomed. Visits to the doctor don't provide answers. Then one Monday morning his chest begins to ache. Within a few hours he is in the hospital having survived a mild heart attack. After discharge he calls his accountant and attorney. "I think it is time to do something with that estate stuff you have been talking about." And thus begins the process of planning the transition of the family business to the next generation.

Why are some families successful transferring the family business to the next generation and others seem to struggle? We have not been able to define a consistent reason for success, but we have identified some successful traits which may support a more successful transition.

It is generally accepted that family business accounts for about 90% of all business tax returns. These businesses employ more than 60% of the workforce and generate as much as 65% of the gross domestic product. It is important to the family, the employees, and the economy to transition smoothly.

To increase the possibility of a successful transition;

Make a Succession Plan

Write it down. Enlist professional assistance. Discuss it with your accountant, attorney and board. Depending on the size of the business, it may be necessary to involve an industry specialist or valuation expert to appraise and establish values. Discuss the plan with potential candidates and involve them in the process.

Start Early

As potential candidates demonstrate an interest in the business, room should be made to develop that interest. If an interest is not indicated, it is consistently unsuccessful to try to force the business to a subsequent generation. When an interest is indicated nurture it by starting the candidate through a process of education and training.

Treat the Family Business as a Business

Family business consists of family, ownership, management and employees as stakeholders, all with differing requirements and expectations. Each individual may have multiple positions within each stakeholder classification. The patriarch or matriarch may have management responsibilities as well as ownership positions and they will most certainly have family considerations. A son or daughter as a potential successor may have an operational position with family considerations. If the business has grown to the extent professional staff and/or management has been brought in, that stakeholder will primarily be concerned with the operations and management of the business and may not have an overriding consideration for family.

Separate the Business

Define the business as separate from the family. The business is a separate entity and is to be treated as such. Separate business and personal finances, and pay family members involved in the business with equitable industry-consistent compensation. Maintain financial records and books of accounts consistent with industry practice. Issue stock certificates, maintain corporate records, hold annual meetings, and vote on appropriate corporate matters.

Let Go

Founders and entrepreneurs frequently identify so strongly with the business it becomes their alter ego, or they become its personality and they don't perceive one without the other. This is one of the most consistently difficult issues to address as the current ownership-in-control has to be willing to relinquish the reins to the subsequent generation. Transition has to be initiated and executed by the current ownership. If this is not willfully extended, an orderly, timely transition cannot succeed.

Prepare the Next Generation

Guide educational preparation in the industry. Ensure solid financial and management education. Training should incorporate corporate governance, caretaking, family values, stewardship and responsibility. Encourage potential successors to work outside the family business for at least two years after completing formal education. Outside work experience appears to increase the potential successful transition through the succeeding generation. Initiate a training program. Formalize it. Move the trainee through various line and support positions sufficient to ensure a complete understanding of finance, operations, personnel, and management.

Don't Give Up

If a potential successor fails or withdraws, start with another. If multiple candidates are available concurrently involve all of them. If a candidate does not initially succeed but wants to continue, retake the reins and work to transition again with specific attention to the areas of failure.

Transition planning is one aspect of overall estate planning. Estate planning may involve consideration of alternatives to manage the overall estate to maximize value passed to the subsequent generation. With planning, commitment, and determination family business can be successfully transitioned for many generations.

If your transition plan is not in place, today is a perfect day to get started.



“If You Build It ...” Homeowner Claims Likely To Rise as the Residential Construction Industry Gets Back to Work in Arizona

By Rina Rai

Born in Birmingham, England and raised in California, Rai attended the University of California at Riverside where she received her Bachelor of Arts degree in liberal studies in 1993. Rai attended Pepperdine University School of Law where she obtained her JD degree in 1996. While attending Pepperdine, she also obtained a certificate in alternative dispute resolution from the nationally recognized program. Rai is admitted to practice in Arizona and California and is experienced in the areas of construction defect, insurance defense and civil litigation. Over the past 17 years, Rai has devoted a significant portion of her practice in the areas of construction defect litigation and general liability in both California and Arizona. Rai has represented hundreds of contractors in complex litigation cases and has successfully taken cases to trial and negotiated settlements and dismissals for many of her clients. Rai was one of the youngest members of the bar to chair AZ’s State Bar’s construction section. She also recently co-authored *The Arizona Construction Law Manual*, published by the State Bar of Arizona. www.RaiBarone.com • 602.476.7100

As Arizona homebuilders and their subcontractors turn their lights back on and dust off their equipment, they may face challenges resulting in what many in the legal community call the “second wave of construction defect litigation in Arizona.” Indeed, the demand for housing is on the rise, so too is the demand for skilled labor to build all of these houses and condos. Historically, when there is a shortage of labor and less experienced people are hired to construct residences, construction defect litigators seize the opportunity to exploit shortfalls in construction techniques and workmanship standards. Shortages in materials will only exacerbate the problem, leading to increased construction claims in Arizona. Accordingly, builders and subcontractors will need to employ greater care in contracting, obtaining insurance and quality assurance.

The number of building permits pulled is the highest it has been in the last four years, suggesting an increased need for workers in the framing, masonry, stucco, concrete and roofing trades. While Arizona’s construction industry still cannot compare to the pre-2006 days, demand is rising and the future looks bright. This is certainly great news for Arizona’s construction-driven economy, but next comes the question, “Who is going to build all of these homes?” After the bottom fell out of the construction industry, many skilled workers left the state in search of other work. This, coupled with some of the harshest immigration laws in the country, has Latino workers reluctant to return to a politically unappealing Arizona. Even as the demand rises, documented workers refuse to return.

In recent months, we have seen increases in construction costs and delays resulting from the shortage of skilled construction workers. Increased costs are not the only peril the construction industry faces from what has been called the “biggest shortage of skilled laborers seen in decades.”

Experienced crews are in such short supply that contractors have sunk to luring crews away from jobsites. When successful, the jobsite is abandoned until others can take their place. In addition, contractors must hire workers with far less experience than normal. In step, the construction defect lawyers file claims against contractors alleging inferior construction practices. Even constructed dwellings performing as intended are targeted. Slight deviations from relevant building codes and standards invite time-consuming and expensive defect claims.

So, how do contractors protect themselves from construction claims? There are several ways companies can manage exposure to construction defect claims.

Manage Risks in Your Contracts

We are familiar with risk-shifting contract clauses, including indemnification agreements between contractors and their subcontractors. However, recent case law has examined the language of various clauses and determined their meaning. Contractors may not be as protected as they think they are and, in some cases, subcontractors have agreed to much more risk than they intended. Periodically, attorneys need to review the contracts to ensure that they are afforded maximum protection based on the current state of the law.

Make Sure You Are Adequately Insured

Most construction companies are aware of the need to procure general liability insurance. However, in recent years, many carriers have modified their policies and added exclusions, directly limiting necessary coverage. Indeed, some contractors have no coverage for the defect claims they most often face. For example, we have seen plumbers with policies that exclude mold and graders with soil subsidence exclusions.

Carriers also modified their policies to include provisions such as “known loss exclusions” and “prior work exclusions.” These avoid the obligation to defend and pay damages for any work completed prior to the policy’s inception and/or damage claims that were known to exist prior to the policy inception date. As a result, companies may face defense and liability payments with limited or no contribution from their insurance companies.

Another concern involves the practice of subcontractors naming general contractors as additional insureds on their policies. General contractors often require that very specific coverage be provided in the subcontract agreements. However, in many cases the type of additional insured endorsement they require may not be offered by the subcontractor’s carrier and, in fact, may no longer be commercially available. This places the subcontractor in breach of their agreement with the general. The general may also be deemed to have waived the requirement if they allow the subcontractor to perform the work without the specific coverage called for in the contract. Contractors in Arizona are likely to see increased construction defect claims, and may find themselves without adequate protection. Contractors should consult with their insurance agent to ensure they are protected.

So, in short, “if you build it,” claims likely will follow. Timely consultation with an attorney and an insurance professional, however, will allow the new era of construction on our horizon to shine even brighter on the contracting community.

Corporat

CELEBRATING THE GENEROSITY OF THE COMMUNITY



SOLID ROCK™ FOUNDATION

In 1995, Alice Cooper and Chuck Savale founded Solid Rock Foundation. They envisioned an organization dedicated to improving the lives of kids and teens through the power of music and creativity. In the beginning, Solid Rock worked as a fundraising organization to help other like-minded organizations with the aim to make an everlasting difference in the lives of children. The vision of both the founders didn't stop there. As the foundation grew in strength, they aimed to bring more to their community. They intended to build a center for kids and teens to come and discover their passion through music, dance and other creative outlets. In the spring of 2012 with the combined efforts of Solid Rock and Genesis Church, their vision came to life.

"We want to take the guns out of their hands and replace it with a guitar; remove the drugs and move them with dance. Give them hope and a chance at a new life. If just one kid's life is changed it's going to change his family, his neighborhood and his whole community," said Cooper. The Rock Teen Center at 32nd Street has been the dream of Alice and Sheryl Cooper as well as the entire Solid Rock team for the past 12 years. With so many public schools forced to cut vital programs like music and dance due to lack of school funding, there is an artistic void in the community. Solid Rock is determined to fill that void. The Rock will cultivate a love of the arts to inspire and challenge teens to choose artistic excellence instead of drugs, guns, or gangs.

Solid Rock maintains that "a kid's worst enemy is too much time on their hands," so in an endeavor to fill that time with positive activities, the Rock Teen Center offers a variety of creative programs. Such programs include dance, music, fellowship and vocational opportunities in the sound, lighting, and staging industry. Through this center, Solid Rock hopes to create a model for an arts-based teen center. They strive to construct a creative sanctuary for troubled teens, which can be used as a mold for this community and communities across the country to emulate.

As two long-time Arizona residents and devoted fathers, Alice Cooper and Chuck Savale have created a vision to improve the lives of children. "We are fulfilling a vision we've had for several years...to provide teens with a central place to learn, have fun, and explore their creativity in a supportive and safe environment," said Cooper. "The Rock will be one of the first of many teen centers in Arizona and, ultimately, around the country."

The Rock offers dance and music classes Monday through Friday. In addition, the center has a Teen Room, which is open Monday through Friday from 2p.m. to 8p.m. Teens can come and hang out with friends, play video games, practice or listen to music, or play pool and other games. They are looking forward to adding a recording and sound room as well as a monitored computer lab.

For more information about the Solid Rock Foundation or to find out how you can help please call 602-552-9202 or visit their website at www.alicecoopersolidrock.com

THE ROCK AT 32ND STREET

13625 N. 32nd Street | Phoenix, Arizona 85032

TALK OF THE TOWN

- **Make a Wish Arizona** is excited to announce the creation of a special recognition of their dedicated volunteers, the Volunteer of the Month acknowledgement. This month they are excited to honor **Roxanna Roffey**, a wish granter from Southern Arizona. Her son Herschel, who passed away in 2004, was granted his wish to meet Will Smith and it is a memory she will never forget.
- **Michael Pollack** is doing it. One million dollars. When Pollack says he wants to put Arizonans back to work he is literally putting his money where his mouth is. Once again this week one of the Valley's most generous entrepreneurs has reached into his pocketbook donating **\$100,000 to Goodwill of Central Arizona**. This puts Pollack's lifetime of giving to Goodwill at more than a \$1 million. Pollack's giving has not only come in the form of monetary donations, but the real estate entrepreneur has redeveloped infill space that now houses Goodwill stores. Pollack Investments also uses Goodwill's commercial services, like parking lot sweeping for about 60 shopping centers. A year and a half ago - Goodwill honored Pollack with the **Lifetime Achievement Award** and this past October Pollack was honored with the **2012 Business Partner of the Year** at Goodwill of Central Arizona's **12th Annual Evening of Goodwill**.
- **The Phoenix Suns Wives** organization teamed up with **Cold Stone Creamery®** to hold their annual book drive, taking place at Cold Stone locations valley-wide. Suns fans were encouraged to participate in the book drive and receive a FREE Cold Stone Creamery creation by donating new or gently used children's and young adult books to any Cold Stone location throughout the Valley.
- **Go Daddy** Executive Chairman and Founder **Bob Parsons** and his wife

Renee, returned to Haiti to see how donations have helped earthquake victims there and to follow up on their promise to the school children in Les Cayes. What they discovered during their most recent trip to Haiti was a remarkable transformation, including stories of first-time events that have created a self-sustaining community. **Go Daddy**, the Web's top platform for small businesses, and **The Bob & Renee Parsons Foundation** are working together to make a difference in Haiti. Since the devastating 2010 earthquake, they have donated nearly \$4 million and partnered with **Hope for Haiti**, an organization that has worked to help Haitians for more than 24 years. **Go Daddy** customers have also made a difference by donating to **Go Daddy's "Round Up for Charity"** program. The donations have been centered around the improvements at two schools in Les Cayes. There are new classrooms for the first high school in the community. Children can now look forward to continuing their education and possibly go on to college. Funding has also provided school supplies and teacher salaries, with plans to expand the classes to the 13th grade by 2017.

- The Phoenix affiliate of **Susan G. Komen for the Cure** is updating its name to **Komen Central and Northern Arizona - Komen CAN Arizona** - to better represent its service area. Originally founded as the Komen Phoenix Affiliate, Komen CAN Arizona has been changing the lives of women, men and families in its nine-county service area since 1993.
- **PetSmart Charities** is pleased to announce their newest executive director, **Jan Wilkins**. She has risen through the ranks from PetSmart store salon manager to executive director and has a personal passion for pets that has driven her career.

OUT ON THE TOWN

• 05.23.13—22ND ANNUAL FLAVORS OF PHOENIX PRESENTED BY MAYO CLINIC

At this event, 34 of Phoenix's top chefs come together to present a five-course meal of their signature cuisine. Everything will be prepared tableside and paired with fine wine. There will also be a silent auction. Guests will be assigned to chefs at random. This event is proud to benefit the American Liver Foundation's mission to facilitate, advocate and promote education, support and research for the prevention, treatment and cure of liver disease.

Location: Westin Kierland Resort & Spa **Time:** 6pm-10pm

Website: www.liverfoundation.org

• 06.15.13—VOLUNTEER ORIENTATION AT THE WISH HOUSE

Become a volunteer or wish granter with Make-A-Wish. The new volunteer orientation will start in the morning and will be available to all those wishing to volunteer with the organization. Later in the day, there will be wish granter training for all of those who have completed volunteer training.

Location: Wish House **Time:** Volunteer (8am-9:30am) Wish Granter (9:30am-2pm)

Website: www.arizona.wish.org

• 07.21.13—STRIKES 4 KIDS PHOENIX

A friendly bowling tournament in support of the Strikes 4 Kids group. The group donates proceeds to local organizations in the community that support less fortunate children. Participants will receive a goody bag from event sponsors a photo opportunity, an event t-shirt and at least two games. There will also be a raffle and an awards ceremony to follow. Enjoy pizza, soft drinks and bowling for a good cause.

Location: Let It Roll Bowling **Time:** 3pm-6pm

Email: jallen@strikes4kids.org



JERRY COLANGELO

A Team Player for the Community

By Caitlin Demo

Be The Best Man You Can

Growing up in Hungry Hill on the Southside of Chicago, Jerry Colangelo and the rest of the neighborhood kids admired Frank Sinatra and Joe DiMaggio. It was Colangelo's coaches, however, who most influenced him. "My competitive edge in sports has always driven me," says Colangelo. It led to him making All-State in basketball, to him receiving sixty-six college offers, to his involvement in professional sports and what brought him to Phoenix as the general manager of the Phoenix Suns.

Colangelo prides himself on the four and half decades spent in the rough world of professional sports. "I did it all on a handshake. I had a reputation. People trusted me and players wanted to play for me," says Colangelo.

"It's important to be a person of integrity through adherence to moral and ethical standards. If people look upon you as someone with integrity, then that opens so many doors," says Colangelo. Leaders are always under a microscope, so "you can't just talk it, you have to walk it." If a leader does not constantly present an image of respectability,

then a tint of falsehood can stain their reputation.

"This was not all by design," says Colangelo. "That's just who I am." He naturally projects a sense of integrity, which has aided him in all his endeavors. "People need to be who they are," which may not be the ideal image of a leader. If, however, they pay their dues and conduct themselves with "elegance, class and integrity, then they have a chance to be successful."

Surround Yourself With Better Men

Jerry Colangelo looks back on his success and knows for certain that one of the key ingredients was the men and women he surrounded himself with. "When you build a company, you need to surround yourself with good, smart people—maybe smarter people than you are," says Colangelo. In all of his organizations, he strived to build a team. According to Colangelo, it's not something you can wake up and decide to do. If, however, the leader offers each team member respect, then the leader can earn their mutual respect.

With the management team, this endeavor becomes more essential. “Surround yourself with people who don’t have bad habits,” advises Colangelo. In his businesses, he trains his management team and, as they earn his respect, he gives them room to grow. “I made my share of mistakes, and I learned from them,” says Colangelo. He gives his team the same opportunity. By giving them space, he not only offers them the chance to err and grow, but the chance to become the people they can be.

“Life is relational,” says Colangelo. “Most everything we do, the decisions we make, are tied to our relationships. The most important thing someone can do in the business world is to develop those relationships.” In the old days, as Colangelo called them, people built their Rolodex. Now, people need to develop their email and iPhone contact list. While some people dread networking, Colangelo knows that it is an integral part of building a successful foundation. “You never know when a relationship is going to reappear in a business or some other setting”

Be Willing To Risk Everything Or Gain Nothing

Colangelo remembers an “old-timer in my neighborhood. He was an immigrant from the old country.” He liked Colangelo and took him outside one night and pointed at a star in the sky. Once Colangelo was able to locate the star, the old man told him, “remember, it’s better to be on that star for one day, then to never get there at all.” For most of his life, that quote has been a part of him.

There are many attributes, many ingredients in a success story. And while there is no secret formula that guarantees the success of a business, there are destabilizing traits. “Quite often, people have a lot going for them,” says Colangelo, “but they’re not willing to take that extra step, that calculated risk. You must be willing to do that.” In 1987, Colangelo was in a position to buy the Phoenix Suns. The asking price was 44 million dollars. It was the most anyone had ever paid for a basketball franchise at that point in time. People were shocked when he chose to move forward with the deal. “All I ever wanted was the opportunity to have it,” says Colangelo of the Suns. “It was up to me to make it happen.”

While every entrepreneur, every executive needs to be able to make a calculated risk, they need to know their boundaries. In his many years in the professional world, Colangelo has seen many successes, many almost successes and some failures. In his eyes, most people make mistakes when they step away from what they know. “Quite often, when people venture too far from their comfort zone, their sphere of influence and knowledge” that’s when they make a mistake. “In my lifetime,” says Colangelo, “my success is geared toward the space that I know well. When I ventured out into a space where I’m not as experienced, that’s where I made mistakes.”

“You’re going to make bad decisions,” says Colangelo. “It’s inevitable.”

The best way to try to avoid them, however, is by being prepared. “As I reflect back on the decisions I wish I could do over again, most of them were from shooting from the hip. Not doing the due diligence required. When you jump the gun without being prepared, there are risks.”

As any entrepreneur starts out, they need to build a foundation. “There are very few shortcuts in life, so the quick, easy fix attitude usually has a lot of pitfalls. Rome was not built in a day, neither is a business,” says Colangelo. He does believe, however, that with these five things, an entrepreneur has a good chance to succeed:

- Be prepared
- Know your product, your space
- Build the relationships and the ability to put the finances together
- Be willing to take the lead and have your own stake in it
- Have the “stick-to-itiveness” to see it through

“Many people are willing to do their part, but I encourage them to do more than that.”

Remember The Community & Yourself

During his first Phoenix press conference in 1968, Colangelo said, “this community owes us nothing. We need to earn the respect of this community by our conduct on and off the court and by our contribution to it.” Since his arrival, he has made it one of his goals to develop and grow Phoenix. According to Colangelo, it should be the goal of every man and woman to improve their town. They should strive to “make the community a better place to live, not only for themselves and their family, but for all future generations. Many people are willing to do their part, but I encourage them to do more than that.”

To this day, despite his commitments, he never loses sight of the community. In fact, he is still as connected to his hometown as ever. “I’ve never forgotten who I am or where I came from,” says Colangelo. While his career has taken him far beyond the streets of Hungry Hill, he does not forget his family or his Italian roots. “I have always felt that I have vicariously represented them all.” When he goes back home, the house his father built, the street he played on as a child and the gym where he played basketball are all still there. The surreal aspect of his life is the plaque in front of his home, labeling it as *his* childhood home, the road sign dubbing his street “Jerry Colangelo Way” and the

gym named after him.

While Colangelo is proud to represent Chicago and his family and Phoenix, his proudest moment was being able to represent America. “Everyone should feel blessed that they were born or live in this country, where the sky is the limit.” “I’ve been very blessed,” says Colangelo. “I’ve had some great moments.” The opportunity to represent our country on the international stage in Beijing when we won the gold medal was his proudest moment. “It was more than a high school, a college, a state—this was representing my country,” says Colangelo.

“It was more than a high school, a college, a state—this was representing my country”

Future Plans

As Phoenix has grown, Colangelo is proud to see roots growing. When he first arrived in this transient community, most people were “just here for a cup of coffee.” He is honored to say that, “there are now three generations of Suns fans.” As Phoenix continues to establish itself as a permanent home to the melting pot of newcomers, Colangelo welcomes the opportunity to expand one of the fastest growing cities in the country.

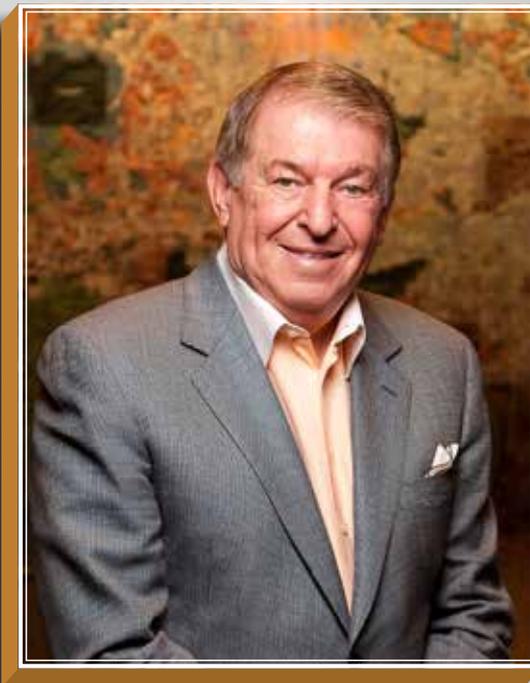
“My partners and I have been in business for 35 years. We are the largest landowners in the state,” says Colangelo of his partnership with JDM Partners. They have entitlements to build a city of 300,000 people. It will have 110,000 homes, 60 million square feet of commercial buildings and a park larger than Central Park.

Colangelo and his partners are also involved in the Interstate 11 project, which will build a freeway from West Phoenix to Las Vegas. This interstate will be one leg of the Canada-Mexico Corridor.

In addition to his real estate endeavors, Colangelo hopes to bring the USA Basketball team headquarters to Phoenix. Every other national team has their own space; Colangelo would like to give that to our team as well. They are currently located in Colorado Springs.

Colangelo and his partners continue to contribute to the Phoenix community. After more than forty years, Colangelo is still making good on his promise to earn the respect of the community and to make it a better home for our generation and the generations to come.

At a Glance



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602.224.2307
Websites: jdmpartnersllc.com • jcolangelo.com

Partners

Jerry Colangelo, David Eaton & Mel Shultz

Education

University of Illinois

Family

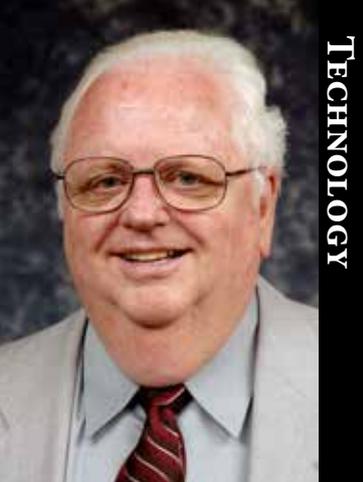
Wife, Joan, four children, nine granddaughters and four grandsons

Accomplishments

- Chairman & Managing Director Men's Basketball
 - Gold Medal 2008 Olympics
 - Gold Medal 2012 Olympics
- Former Owner of Phoenix Suns
- Former Owner of the Arizona Diamondbacks
- Former Chairman of the NBA's Board of Governors
- Sports Illustrated named him 5th Most Powerful man in NBA
- Member of the Basketball Hall of Fame

Civic Involvement

- Humanitarian of the Year Award, Sinai Institute
- Spirit of Caring Award, United Way



Go 'Virtual' and Save

By Wally Christofferson

Wally Christofferson is vice president of technology for QCM Technologies in Scottsdale. Wally has worked in the information systems industry for almost thirty years, beginning as a programmer and then moving up to the CIO position with a firm in Mesa, Arizona. During the 1980s, Wally was active in and served as the president of the Sun Valley User Group, an IBM midrange systems user group. Wally has also gained national recognition by serving on the AS/400 Customer Advisory Panel in Rochester, MN. For several years, Wally has worked as an organizational and team leader in sales and technical services for AS/400 systems. Wally is well respected in the local community by both customers and IBM as an expert in midrange systems solutions, systems design, and system sizing. For more information or to contact Wally please call 480-556-6000 or visit www.qcmtech.com.

It seems like just a few years ago that we were talking about data management in terms of “megabytes” and “gigabytes.”

Oh wait, that *was* just a few years ago!

How quickly things have changed! Thanks to the rapid development of new technologies and the requirements mandated by new legislation over the past few years, today we routinely discuss storage and backup issues involving “terabytes,” “petabytes,” “exabytes,” and (coming soon) “zettabytes” of data. In fact, the amount of new computer data now created every two days is greater than the amount of data created from the dawn of the computer age through the year 2003.

Of course, this “data explosion” is having a major impact on every sector of business, since consumer transactions, employment issues, government regulations, new technologies, litigation and a variety of other concerns drive an insatiable desire for documentation. One way or another, all of this information has to be stored, managed and secured. And it’s only going to get worse in the years ahead.

Whether you are running a large company with 5,000 employees or you manage a relatively small 10-person office, chances are that your data management challenges are growing at an alarming rate. It’s also likely that your IT environment includes more servers, storage devices, routers, switches, laptops and PCs than you would have anticipated just a few years ago. All of that equipment is expensive, takes up a lot of space and requires continuous cooling, power, maintenance and protection.

Looking ahead, your ability to effectively meet the increasing challenges of data management, while staying within the limits of a very restricted budget, may become a matter of survival for your organization.

So, the **big** question becomes: *How do you address increasing capacity demands without dramatically increasing your “IT footprint” and without busting your IT budget?*

The answer: **Virtualization.**

Believe it or not, “virtualization” can enable you to increase the

security and efficiency of your IT environment, while drastically reducing your IT “footprint” and controlling (and even reducing) your overall IT costs.

At a very basic level, virtualization of the IT environment consists of three primary strategies: server virtualization, storage virtualization, and desktop virtualization.

Desktop

“Desktop virtualization” ultimately involves the elimination of the PC from the IT environment. With a virtual desktop infrastructure (VDI), individual users (i.e., your employees) will continue to have access to email, the Internet, and all of the software they are currently using. However, each individual workstation will consist of a keyboard, mouse, and screen (“monitor”) that are all connected directly to your organization’s main server environment. With VDI, there is no need for an individual computer (or “tower”) at the individual workstation.

When an authorized user needs a particular piece of software, it is “streamed” to the workstation from the server environment. Since the individual user accesses the software only when it is needed, VDI eliminates the need to purchase individual copies of software for every PC in your environment.

As a security enhancement, VDI enables your support desk to more readily prevent employees from downloading malicious software to their own workstations **and** enables you to implement and enforce protocols to prevent inappropriate copying of data and removal of sensitive files from your office. Finally, VDI enables your support desk to monitor all network traffic and enforce internal standards for use of your IT environment.

From the perspective of individual users, VDI facilitates easy access to personal desktops and software from any workstation in your organization – without compromising security protocols. Of course, this also allows for easier and less expensive software upgrades for individual users or for your entire team.

Storage

Unlike VDI, “storage virtualization” essentially involves over-allocating existing disk space to meet the storage demands of individual applications running on your network. Typically, application administrators will require specific amounts of storage disk space to support their solutions; however, the space requested will usually far exceed the solution’s requirement – at least for the foreseeable future. This means that when you are running several applications (all requiring excess storage) on the same network, your IT budget is driven unnecessarily higher by acquisition and maintenance costs for disk space that is essentially unused.

So, the BIG question becomes: How do you address increasing capacity demands without dramatically increasing your “IT footprint” and without busting your IT budget?

The answer: Virtualization.

Storage virtualization enables you to “share” or provision unused storage capacity between several applications on a “just-enough and just-in-time” basis. While providing sufficient storage space to support an application’s current activities, storage virtualization also allows for the increased allocation of disk space as the application’s storage requirements grow.

Server

At the server level, virtualization facilitates a dramatic enhancement in the overall efficiency of your server environment. In a traditional IT infrastructure, individual servers are dedicated to specific tasks. One server might handle your email system. Another might support your Windows environment. Another might handle your accounting function. Another might support your website. And so forth. All of these servers might then be duplicated on redundant machines at another location for disaster recovery purposes. Within a few years under this scenario, a successful, growing organization could easily find itself with an IT environment consisting of dozens of servers and related support devices – all of which carry a sizeable price tag, take up space, generate considerable heat and require support from a team of dedicated (and expensive) IT professionals.

What many laymen do not realize is that this kind of

infrastructure generally leads the IT environment to be very inefficient (as well as expensive). Individual servers that have been dedicated (i.e., programmed) for one particular function (e.g., Internet access) might use as little as 10 percent of their actual capacity in completing their assigned tasks. Additionally, within any IT environment, individual machines are regularly taken “down” or offline for backup or maintenance. During these “downtime” periods, the users must either do without the server’s assigned function (e.g., no Internet access for the next several hours) or rely on a redundant (“backup”) server that may have been assigned to this task. This places the organization in a situation where (at least temporarily) either its employees will not have access to critical functions, or those functions may be completed via backup servers that are now operating without support from other redundant servers and thereby placing critical data at risk.

However, in a virtual environment, an individual task is assigned to a “virtual machine” (VM), which consists of codes that can be housed (or “hosted”) on any one of several “host” servers. However, since the host server has not been programmed exclusively for one specific task, it can also be used to host one or more additional VMs that are supporting other tasks within the IT environment. This can lead to a dramatic reduction in the number of physical servers within the server environment.

As capacity requirements change, individual VMs can be relocated (or ‘dragged’) to different servers by an individual operator using a ‘point and click’ strategy from a desktop workstation. When a particular server is scheduled to become unavailable (due to issues related to backup, maintenance, etc.), the operator can easily drag the VMs assigned to that server over to other machines within the server environment. Additionally, for disaster recovery purposes, the operator can very easily create duplicate VMs to handle any critical operations within the IT environment.

Perhaps most notably, this “virtual” structure can enable an organization to reduce the physical size of its server environment by as much as 75 percent! Of course, this translates into lower investment in your physical environment, lower cooling costs, a smaller IT “footprint” within your office, and the ability for your current IT support staff to handle more data as your organization continues to grow.

In short, virtualizing your IT environment can enable you to dramatically reduce costs, increase productivity, and better protect the integrity of the data that are critical to the success of your organization.



Family Legacy Planning

Decisions Today That Impact Lives Forever

By Lynette Carrington



Where it comes to financial matters of legacy planning, nothing should be left to chance. Founder of Family Legacy Planning, LLC, Rich M. Groff II has the education, training and experience to make the difference in the lives and legacies of his valued clients. A third-generation financial advisor and savvy entrepreneur, he brings his expertise to high income and high net worth professionals where he can act as a “quarterback” for their unique situation and for planning and implementing successful strategies that will last for generations.

Planning for the Future, Developing a Legacy

Rich Groff explained, “As a successful business owner, I understand the art of trying to balance family, work and life. To help achieve this vital balance during a busy schedule, we have a state-of-the-art mobile office. We literally go to our customers and bring along our

skilled team of financial planners, proactive tax planners and legal expertise. We respect what has made a business successful—their time. With this direct concierge service we can help our clients achieve their financial goals in a timely fashion.”

Today we are historically in one of the lowest federal income tax brackets we as a country have ever experienced. With the real deficit growing over \$60 trillion, this means taxes are rising. “The traditional government-sponsored retirement plans our parents and grandparents used to defer income into a lower tax bracket should not be your only plan for retirement. We design a plan for today’s economic environment. It’s not necessarily what you know, but what you don’t know that could cost you and your family more today or later,” said Groff.

One issue that should always be addressed is that of taxes; specifically income and federal death taxes. “Although taxes have gone up this year when President Obama signed the American Taxpayer Relief Act into law on Jan. 2, 2013, they are still much lower than where they have been historically, such as marginal rates as early as 1980 that were 70 percent and even a maximum effective rate limitation equal to 90 percent of statutory income from 1944-45,” Groff explained. “We must count new financial obligations even if payments are due later (such as Social Security, etc.) and with these included our deficit is more like \$80 trillion.”

“Taking this all into consideration, I find that many of the highly successful business owners and professionals are trying to deduct and defer the tax for later and what if later is more taxes than now...is it really deductible? In essence, you might be causing a worse problem later. I’m not saying not to have qualified retirement plans (401k’s, Defined Benefit Plans, IRA’s, etc.), but you might want to realize the taxes now on some monies and create tax-free income as well,” said Groff.

Client Study

With so many factors that go into figuring out what is best for taxes, it is important to know the best strategies to help protect your assets and know how certain strategies impact your bottom line. In one particular client’s instance (a 40-year-old male), it was decided after a meeting that after the client takes care of his children’s education, weddings and then eventually, retirement, taxes will indeed be higher than they are today. Groff showed his client a “private, non-qualified, tax-free solution” that is only offered through an insurance company, which is one of the many living benefits that is offered if designed correctly with the right insurance company.

“In this client’s case, we’ve designed it so he can contribute as much as \$100,000 annually until age 55 (without violating IRS funding guidelines or limitations) and then begin taking tax-free withdrawals and loans of \$349,397 annually (which is equivalent to \$582,328 at a 40 percent tax rate and \$698,794 at a 50 percent tax rate) at age 65 for 20 years or \$6,987,940 total income received by age 84. These





numbers were based on current costs of insurance, 0 percent loan rates beginning in year six, and 6.5 percent hypothetical growth rate,” Groff expounded. Although history is not a guarantee of a future direction, there are many benefits of going with this type of tax-free investing, in which Groff firmly believes. Ultimately, the benefits speak for themselves.

There is no stock market risk, there is an upside growth potential and an annual reset provision which allows the owner to lock in gains and not lose them. With a cash accumulation based on FIFO (First In, First Out), it allows the owner to take out contributions as non-taxable withdraws. There is an income tax-free access to policy cash accumulation via a policy loan provision and an income tax-free death benefit to loved ones. Unlike other policies, there is no mandatory distribution at age 70 ½ and no IRS penalty. There are also no minimum age or income requirements and there is access to money prior to age 59 ½ without the 10 percent IRS penalty.

Additionally, the state of Arizona provides asset protection for this particular asset class from creditors. And it does not create taxation of Social Security since the income does not trigger a 1099 for the IRS. This policy also helps to avoid the costs, delays

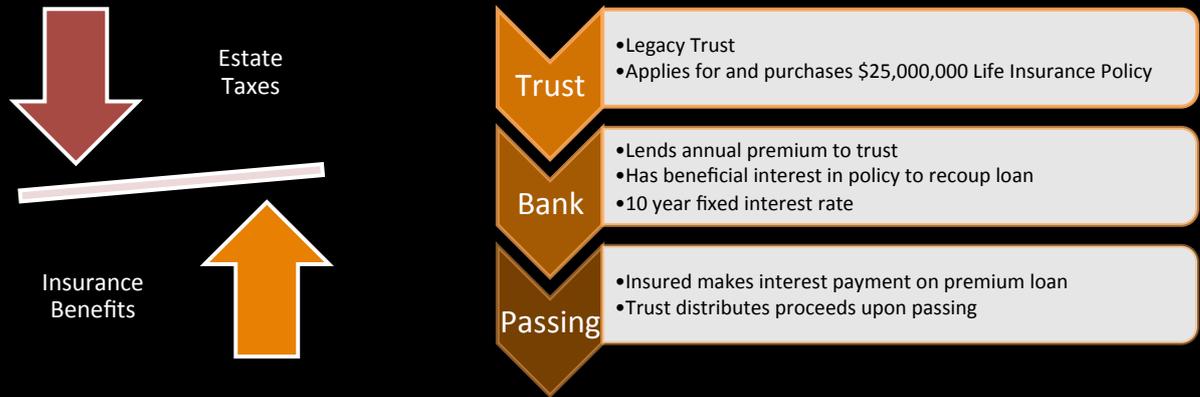
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AS A SUCCESSFUL BUSINESS OWNER, I UNDERSTAND THE ART OF TRYING TO BALANCE FAMILY, WORK AND LIFE. TO HELP ACHIEVE THIS VITAL BALANCE DURING A BUSY SCHEDULE, WE HAVE A STATE-OF-THE-ART MOBILE OFFICE. WE LITERALLY GO TO OUR CUSTOMERS AND BRING ALONG OUR SKILLED TEAM OF FINANCIAL PLANNERS, PROACTIVE TAX PLANNERS AND LEGAL EXPERTISE. WE RESPECT WHAT HAS MADE A BUSINESS SUCCESSFUL-THEIR TIME.

”

Who Gets What?

Your Legacy (\$75,000,000)



The IRS is going to get about

\$33,000,000

Where will the money come from?

and settlement disclosures of probate and provides for flexibility with contribution so the policy owner can reduce or make up contributions as needed in the future.

There is also a chronic illness benefit feature, which allows access to up to 24 percent of the death benefit if you can't perform two of the six ADL's (Activities of Daily Living such as bathing, continence, dressing, eating, toileting and transferring). "According to 2011 Sourcebook for Long-Term Care Insurance, American Association for Long-Term Care Insurance: 70 percent of women and 40 percent of men over age 65 will have a chronic illness during their lifetime," noted Groff.

There is a common oversight with successful business owners with the lack of legacy or succession planning and it involves the federal death tax or what is commonly referred to as the "procrastination tax" that can sometimes force a fire sale of a business after a death. This type of tax can be devastating to a family's wealth. One prime example of this is with the estate

of Joe Robbie. As Groff explained, "Robbie's family lost their National Football League team, the Miami Dolphins, along with the family named Joe Robbie Stadium due to the need for cash to pay federal death taxes. This forced fire sale meant that the Robbie family was out of the football business."

Another example of that procrastination tax coming back to haunt a family was when J.P. Morgan, who formed the first billion dollar corporation in the world, lost over 69 percent of his \$12 million to taxes and costs to settle his estate. Likewise, John Rockefeller, Sr., Alwin Ernst (CPA of Ernst & Young), Frederick Vanderbilt and William Boeing all lost more than 50 percent of their family wealth to estate taxes and related costs. Groff said, "In a survey among heirs to successful family businesses that failed, 97.9 percent failed because of liquidation to pay federal estate tax or also known as the 'death' tax. Even if a business owner has liquid assets, the family still faces a heavy tax burden. The process to prevent this problem is wealth transfer planning which also provides some additional asset

protection which is often appreciated by wealthy individuals.”

Preserving a Business for the Future

A real life situation in which Groff is currently involved is that of a widow, “Jane” who worked with her husband to grow a manufacturing company valued now at more than \$75 million. With the guidance of Family Legacy Planning, LLC, Jane is now keenly aware of the federal death tax and wants to preserve the hard work of her late husband and herself so their family may continue to benefit from the wealth into the future.

“In order to create the liquidity without disrupting the continuity of this business, I brought in an attorney that’s a part of our financial team to prepare a specially drafted “tax-free legacy trust” in which she can transfer up to \$5,250,000 this year into this

trust. This amount is the 2013 lifetime gift tax exclusion which is also the estate tax exclusion (sometimes called the “unified credit”) per person. The future growth of these assets also avoids federal death taxes and is protected from creditors as well. In addition, we agreed that the best return on her investment (ROI) would be the leverage of life insurance,” Groff explained.

In this particular case, the annual premium for an increasing death benefit of \$25 million now at age 75 and ending at age 99 of \$48 million is \$2,725,070 for eight years for a total of \$21,800,560. She had the liquidity to fund this policy, but it was greater leverage to have a bank to finance it for Jane at a fixed rate of 3.5 percent and her company would own it and only the interest on the policy each year. The cash value of the policy would be the collateral for the loan itself instead of having to come up with the nearly \$22



million to create \$47 million of liquidity. She paid for the interest of the course of the loan, totaling \$5 million. “After creating the tax-free legacy trust, we were able to create an additional \$20 million (\$48 million – \$23 million total premiums + \$5 million of interest) for her loved ones to provide to the IRS within the required nine months of Jane’s death. This \$20 million is income tax-free and “cost” her on average only \$500,000 out-of-pocket annually over the ten-year loan and most important kept her family’s wealth from being part of the statistic discussed previously.

Rich Groff, II has enjoyed the client friendships he has procured since the beginning of the financial services industry, back in the late 1980s. He has spoken to thousands of people over the years at churches, business owner functions, public seminars and financial workshops. Groff is currently working on putting the finishing touches on the second edition of his company’s book, “Financial Synergy.” To find out more about Family Legacy Planning, LLC, visit www.LegacyPlan4u.com or contact Rich on

“ We design a plan for today’s economic environment. It’s not necessarily what you know, but what you don’t know that could cost you and your family more today or later ”

his personal cell 602-697-1902, email him rich@legacyplan4u.com to arrange a personal meeting together to address your unique financial needs.

Insurance and principal-protected investing are services offered through Family Legacy Planning LLC (FLP). Investment advisory and financial planning services are offered through Wealth Management International, Ltd. (WMI), an SEC Registered Investment Advisor offering limited discretionary trading through TD Ameritrade. Tax planning, preparation, and estate planning services are offered through Strategic Tax Planning LLC (STP). FLP, WMI & STP are separate companies, but affiliated by ownership and control.

At a Glance

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Dana Shanks, Client Service Associate

Mary Kay Wilson, Client Service Associate

Community Involvement:

- Member, Chamber of Commerce and Better Business Bureau
- Member, Financial Planning Association (formerly IAFP)
- Member, First Financial Resources Inc. (FFR)

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- Certified Financial Planner (CFP) (1994), College for Financial Planning

Professional Certifications:

- Life/Health/Disability Insurance License (1989)
- Securities Licenses: Series 65 (1990-1998)
- Board-Certified, College for Financial Planning (1994)
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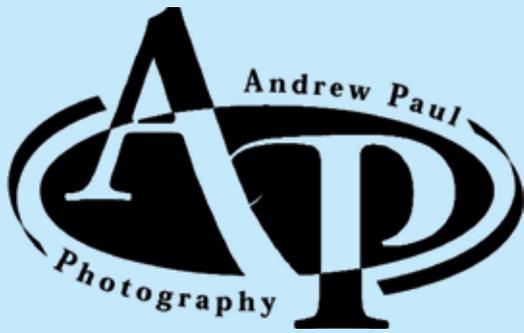
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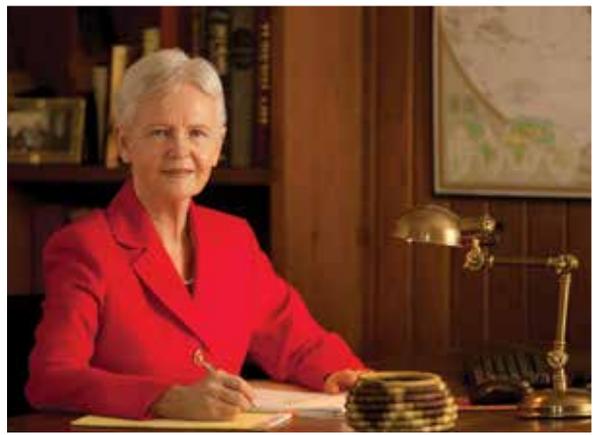
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