



Business Enterprise Program Council
CERTIFICATION SUBCOMMITTEE MEETING MINUTES

Monday, March 26, 2018

1:30 pm – 3:30 pm

James R. Thompson Center

100 W. Randolph Street, Suite 4-404

Chicago, IL 60601

SUBCOMMITTEE COUNCIL MEMBERS IN ATTENDANCE

Larry Ivory, Sharla Roberts, Beth Doria, Sheila Hill Morgan

SUBCOMMITTEE COUNCIL MEMBERS NOT IN ATTENDANCE

Charisse Witherspoon, Karen Eng, Edward McKinnie

OTHERS IN ATTENDANCE

Ngozi Okorafor

COUNCIL SECRETARY

Amiel Harper

CMS STAFF IN ATTENDANCE

Carlos Gutierrez



**Business Enterprise Program Council
CERTIFICATION SUBCOMMITTEE MEETING**

Monday, March 26, 2018

1:30 pm – 3:30 pm

Room 4-404

Via Teleconference Number - 888-494-4032

Access Number - 2587213722

AGENDA

- I. Welcome
- II. Call to Order
- III. Roll Call
- IV. Posted Business
 - Meyer Roofing Appeal
 - House State Government Committee Meeting – April 4, 2018
- V. Suggestions for BEP Council meeting agenda
 - Next BEP Council Meeting – April 23, 2018
 - Next Subcommittee Meeting – May 29, 2018
- VI. Public / Vendor Testimony
- VII. Adjournment

I. Welcome

Chair Roberts welcomes all.

II. Call to Order

Chair Roberts called the meeting to order at 1:30pm and proceeded with roll call.

III. Roll Call

Roll call conducted. Quorum was established.

IV. Posted Business

- **Meyer Roofing Appeal**

Chair Roberts welcome Ms. Pruitt and her Attorney Juan Morales and explained the rules and procedures of the hearing. Next, everyone introduced themselves. Chair Roberts gave the floor to Ms. Pruitt to address the subcommittee regarding her appeal.

Ms. Pruitt apologized for not being able to attend the meeting in February due to the death of her father. Ms. Pruitt started her speech by outlining the 3 reasons given by BEP for the denial of her application. She outlined the reasons as: 1.) Lack of control of her company's operations; 2.) Ms. Pruitt is too heavily dependent upon her employee General Manager Dallas Stevenson; and 3.) That her husband can independently access the business funds and can independently enter into contract on behalf of the company. She said they have provided numerous letters attesting to her leadership and control of her company. She said the letters were from a previous owner and a person she conducts business with. She said intends to prove that all the allegations against her made by BEP are not valid and hold on weight.

Ms. Pruitt talked about her life story including her early childhood, high school, college, and professional journey to owning her company.

Member Doria said Ms. Pruitt's administrative functions and qualification are not in dispute. She further said that being in control speaks to one's requisite knowledge of the function of the company. Member Doria said they are looking to see whether Ms. Pruitt could run the company during the absence of Mr. Stevenson. Ms. Pruitt responded by saying as a business owner and as a person that have been exposed to contracting for 30 years, there is a process to every contract such as writing bids, making sure you have the manpower for the contracts, and making sure you have the tools and the equipment. She said she had handled bidding some small contracts on her own.

She said she does not have to know everything about putting the roof up but she must know that the people who worked for her know that. She does not believe that the owner of the business must know everything that everyone does. She said the sole function of the owner is to know what everyone does all the time. She gave an example of one owning a retail business but not knowing how to use the cash register.

Mr. Morales added that Ms. Pruitt is a signatory to the collective bargaining agreement which prohibits her from going up there and doing the job.

Member Doria asked Ms. Pruitt to tell us what led her to purchase the company. Chair Roberts wants to know who Bob Meyer is. According to Chair Roberts she read he provides professional consulting. She also asked why Mr. Meyer name was retained for the company after she bought it from him. Ms. Pruitt said it was a way of honoring him. She said he is an older gentleman. She said she had known them for many years.

Chair Roberts wants to know how the company can be a LLC and doing business as a company. She wants to know how that was feasible with the Secretary of State. Mr. Morales said they filed with the Secretary of State when they first incorporated Roofing Associates LLC. He said the Secretary of State was fine with them doing business as a company.

Member Doria wants to know what prompted Ms. Pruitt to purchase a roofing company and whether it was a leverage buyout or outright purchase and how much did she pay for it.

Ms. Pruitt said she did not just wake up one day and decided to buy the company. She said she worked for Pruitt for 30 years. She said the last ten years was difficult and she was looking to remove herself from that situation. She said she had been in contracting for 30 years when she heard the Meyers were trying to sell their company. She got interested and spoke with them concerning her interest in purchasing the company. She said roofing was like a natural progression based on her experience. She said she negotiated with the owners back and forth until they got to a purchase price. She said she did an asset purchase from the owner. That included all the equipment, cars, and building. She said she paid \$290,000 for the equipment and put an additional \$20,000 fixing up the equipment. She said she has a note on the equipment.

Chair Roberts said Ms. Pruitt said she contributed \$65,000 as a start up contribution. She wants to know whether that was in cash. Ms. Pruitt

said yes. She said she provided evidence for the source of the cash. Member Doria said she noticed upon the funding of the company, Ms. Pruitt had some significant contracts. She wants to know whether that was in the works with the previous owners. Ms. Pruitt said yes. She said she met with each of those companies and spoke with them about her company. Member Doria wants to know when Meyer Roofing ceased. Ms. Pruitt said they are still in existence. Member Doria wants to know how much had she paid Mr. Meyer as a consultant. She said her payment to Mr. Meyer average about \$4000 a month.

Member Ivory said it is not uncommon to hire the principal as a consultant because of his connections and experience. Ms. Pruitt admitted that was a factor in her decision to hire him. Member Hill-Morgan wants to know whether the contract was re-bid. Mr. Morales said Ms. Pruitt had to go out and meet with these companies and negotiate with them because they already had contracts with Meyer Roofing. They worked with Ms. Pruitt understanding the nature of the conversion of the company. He said in the case of Springfield, they cannot speak as to whether it was re-bid now. The other contracts were negotiated directly by Ms. Pruitt.

Member Roberts wants to know if those contracts were bid. Mrs. Pruitt said during the eight months of negotiation, Mr. Meyer bid on contracts as Meyer Roofing and/or Assigned. Mr. Morales said apart from the Springfield contract, the rest were private entities that would not have the formal process as we would expect. Member Ivory concurred with what Mr. Morales had said. Member Ivory also asked whether Meyer Roofing that is acting as prime on these contracts subcontracted any of their work. Mrs. Pruitt said not a lot.

Assistant Director Harper asked whether Mrs. Pruitt was the sole signer on the asset purchasing agreement. Mrs. Pruitt said yes. Assistant Director Harper wants to know how the amount of \$290,000 was derived at. Mrs. Pruitt said that is what Mr. Meyer asked for after he listed the value of all his assets. Assistant Director Harper wants to know whether Mr. Meyer was still negotiating new contracts when the business was acquired. Ms. Pruitt said no because Mr. Meyer was wrapping things up and was no longer a competitor. Assistant Director Harper asked whether Mr. Meyer has since wrapped up his operation. Mrs. Pruitt said yes. Assistant Director wants to know what products Mrs. Pruitt company sells. Mrs. Pruitt said they do Shingle roofs, EPDM roofs, TPO roofs, Hot roofs, Build Up roofs, Tear Up and Replace roofs, and re-roofs. Assistant Director Harper wants to know how they decide which contract to bid on. Mrs. Pruitt said it depends on the owner's preference. She said some people have more experience in a certain kind of roofing than others. Assistant Director Harper wants to know when Mrs. Pruitt will use an EPDM versus a

TPO. Mrs. Pruitt said you could bid upon both and let the owner decide. Assistant Director Harper asked what the difference between EPDM and TPO roofs is. Mrs. Pruitt said one is rubber and the other is PBC coded roof, durability and pricing. Assistant Director Harper asked Mrs. Pruitt to explain both roofs. Mrs. Pruitt said she does not know it all about these roofs. That is why she hired people who are knowledgeable in that field. Assistant Director Harper wants to know whether there are differences in pricing among these roofs. Mrs. Pruitt said yes. Assistant Director Harper wants to know which one is the most expensive. Mrs. Pruitt said EPDM. Assistant Director Harper wants to know why. Mrs. Pruitt said because it is a rubber product and has a lot longer warranty period. Assistant Director Harper wants to know how Mrs. Pruitt knows her estimator is doing an excellent job on the estimation for a job. Mrs. Pruitt said she will know from the drop cost report, job and sales report, comparison from the estimate to the actual and see whether there is a positive or negative variance and whether they lined up with the different phase codes that they use. Assistant Director Harper wants to know if Mrs. Pruitt took classes. She said no, she purchased software to aid in estimating. Assistant Director Harper wants to know what the steps for putting on roofing are. Mrs. Pruitt said it depends whether you are it is a tear off or whether you are going over an existing roof. Assistant Director Harper said tear-off. Mrs. Pruitt said they first take off the existing roof, take off the old installation, sometimes we do metal decking and other times wood decking, sometimes change order is involved, installation of what product chosen. Assistant Director Harper asked Mrs. Pruitt how she knows her employees are doing the work correctly. Mrs. Pruitt said at the end of each process, the manufacturer of the products goes and test and make sure it adheres properly because the hold the warranty after the first two years. Assistant Director Harper wants to know whether she does quality inspections. Mrs. Pruitt said no. She said they relied on superintendent and field foremen.

Member Ivory outlined 3 concerns he has. 1) When you are bidding on work, there are 3 major factors: Labor, equipment, and materials, 2) He hopes she has her husband helping her with estimating because if she does not, she will be out of business in a brief time. He said she cannot not rely on someone else to estimate for her. Mrs. Pruitt said she has 3 good estimators. She said she also track bids from different competitive companies. 3) Member Ivory said of the 3 factors that go into your estimating or arriving at your cost of bidding, what is your biggest challenge when it come to equipment, labor, and materials. Mrs. Pruitt said labor because the materials and equipment are usually quoted amount so you can hold your vendors accountable. She said the primary variable of any job is labor.

Chair Roberts asked about the building that Mrs. Pruitt secured at 3950 N. Dirksen Parkway. She wants to know if it is that the same location of Meyer's or a different location. Mrs. Pruitt said yes, she did buy the building as well. She said it is the same location. Chair Roberts asked whether this Mr. Meyers still works there. Mrs. Pruitt said she allows him to use a space to do estimation and to wrap up his work at his company. She said it was a courtesy to them. Chair Roberts want to know what was the purchase price of the building. Mrs. Pruitt said \$125,000.

Member Doria wants to know if Mrs. Pruitt share contract with her husband's company. Mrs. Pruitt said no. She said there is no coordination between the two. Member Doria asked about Mark. Mrs. Pruitt said Mark is a roofing estimator. She said Mark would have been unemployed if she had not hired him from Bob's company. She said he had been a roofing estimator for many years. She said Mark was the only one she hired from Meyer.

Chair Roberts asked the members whether they had any other questions. There was none.

Mrs. Pruitt asked the subcommittee to reconsider their decision to deny her certification and certify her company. She said she is responsible for its success or failure of her company.

Mr. Morales spoke on the issue of Mr. Pruitt having undue influence of the company finances. He said they have proven that Mr. Pruitt cannot access any of the company finances. He is not a signatory to any of the lines of credit.

He said regarding a reliance on Dallas Stevenson, Mrs. Pruitt did what every good business owner should be doing: finding subject matter experts to help them along in operating their business. He said even though she does not go up there and hammer shingles, she has a strong working knowledge of the products she sells. He said she does not totally rely on Mr. Stevenson. He said there are other estimators at the company that she can rely upon.

Mrs. Pruitt and Mr. Morales leave the meeting.

Member Doria moved to go into closed session pursuant to Section 2C4 of the Open Meeting Act. Member Hill-Morgan seconded. Vote taken, motion passes.

Member Ivory said Mrs. Pruitt has some degree of knowledge but he is concerned about someone else having a bigger role in terms of

estimating for the company. He said he is not confident that someone else does not carry a bigger role in the operations of the company.

Member Hill-Morgan is not convinced that she has the expertise. She does not think one can run this kind of business without more knowledge. She believes Mrs. Pruitt was very much rehearsed. She said she is not convinced that she has the expertise necessary to run that business.

Member Doria said she believes that there are few troubling aspects to her testimony. She is concerned about Mrs. Pruitt saying that she purchased the business but the Springfield but the Springfield contract was not part of the purchase but the contract started a week later. She believes that having a significant amount of that contract in hand and not making it part of the purchase is troubling. Also concerning was the fact that she hired Dallas from her husband's company.

Chair Roberts said she concurs with the other members of the subcommittee. She believes Mrs. Pruitt knows the bookkeeping part of the job however, she finds it strange the way the company was purchased and the seller is still working his company at her company.

Assistant Director Harper believes some collaboration exist between what Mrs. Pruitt company does and the HVAC company of her husband because usually the equipment is usually on the roof or attic. He mentioned Mrs. Pruitt buying the business in February and starting a contract in March and by June she is applying for the certification but her lack of knowledge of not remembering when she started the contract as being weird. He further said that she lacks the ability to do quality control and relied upon others.

Member Doria motioned that we go back into regular session. It was seconded by member Ivory. Vote take, motion passes.

Member Ivory motioned to uphold the decision made by the Business Enterprise Program to deny Meyer Roofing BEP certification. Member Hill-Morgan seconded. Vote taken, motion passes.

- **House State Government Committee Meeting – April 4, 2018**

Assistant Director Harper said that Al Riley is the chair of the State Government Affairs Committee and on April 4th they are having a meeting to discuss the BEP program. Thus far, individual council members have been invited and CMS staff. He said it is not facilitated by CMS. Members are encouraged to attend.

V. Suggestions for BEP Council Meeting Agenda

- Next BEP Council Meeting – April 23, 2018
- Next Subcommittee Meeting – May 29, 2018

VI. Public vendor testimony

None

VII. Adjournment

Member Hill-Morgan motioned for adjournment. Member Doria seconded. Vote taken and motion to adjourn passed. Meeting adjourned at 3:30pm.