

## President's Message: Back to the Basics



Jay Baldwin

Before the Christmas Holidays I mentioned that we would be very close to reaching our goal of \$100 Million in sales for the year. I am very happy to report that we did in fact reach that goal. That represents an 18% increase in sales over the previous year. But more important, we did so with a modest year end profit that also exceeded our budget goals. This allowed us to again make a \$1.25 million contribution to the profit sharing fund and provide company wide bonuses at our highest level. The \$100 million in sales puts us with an elite group of contractors within the state of Maryland.

To match last years performance we will have to work hard in securing the additional work we need. A declining housing market means more competition for the work available. This is when we depend on the relationships we have built with our customers over many years. While we may not always be the lowest priced contractor, we strive to provide the best value to our customers. That means completing projects ahead of schedule, providing value engineering when appropriate to reduce customer's costs, and helping to manage projects for our customers. These are basic principles that help to distinguish and separate us from our competitors.

Teamwork is also essential to providing a quality product. Together, we all can accomplish more. Working together in a spirit of cooperation and mutual respect is the key to teamwork. It is important to not only work well within our crews, but even

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## Managing the Equipment Fleet is a Balancing Act

Manpower is the key to Reliable's success, but the equipment fleet is the foundation on which the company was founded nearly 80 years ago. Frank and Bill Baldwin started out with a single used dump truck in 1928, hiring out for general hauling jobs, and soon progressed into excavation and earthmoving projects. By the time Tom Baldwin joined the company in 1950, the original Baldwin Boys had almost decided to park the equipment and go back to farming. Tom began the monumental task of re-building the company while maintaining and upgrading its few pieces of aging, rusty equipment. The company's first mechanic did double duty as an operator as well, and from those humble roots, Reliable Contracting has grown into one of Maryland's largest full-service construction firms. The off-road equipment fleet numbers more than 350 pieces, including articulated trucks, dozers, gradalls, graders, loaders, pavers, excavators, scrapers and rollers.



The job of purchasing, maintaining and distributing that equipment now falls to company Vice President Jack Baldwin: "It's a real balancing act," he explains: Deciding when to retire or trade-in a particular piece... for instance, knowing when it's no longer cost-effective to continue maintaining an older paver or track loader vs. buying a new one. Reliable has always approached this differently than other companies do: We like to purchase our equipment, pay it off within three years, and extend its profitable service life through rigorous maintenance. Other outfits choose to keep their equipment for shorter time periods, which minimizes the need for maintenance personnel and downtime of the equipment, but is obviously a much

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## Customer Spotlight: Baldwin Homes

Reliable Contracting has enjoyed a great relationship with Baldwin Homes, Inc. for the past 7 years, completing dozens of site prep, utility and paving jobs for them. Company owner and founder Michael Baldwin knows he can count on Reliable for the knowledge, expertise and professionalism that its employees possess which enable them to do the job right the 1st time. Baldwin Homes



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## Utility Division Up to the Challenge in 2006

Michael Abbott describes the recently-completed sewer line replacement at the Baltimore-Washington Medical Center as one of the most technically challenging jobs ever taken on by Reliable Contracting Co. Acting as a subcontractor for Whiting-Turner, Reliable replaced nearly 1600 feet of dual parallel terracotta sewer line with a single 12-inch Ductile Iron Pipe...without interrupting sewer service to the hospital buildings it served. To maintain service to the hospital we had to install a sewer pump which diverted sewage around the area being reconstructed. Complicating the job were a number of overhead & buried BG&E lines, vehicle traffic to service the hospital, as well as existing buildings and construction trailers standing in close proximity to the trench, all of which restricted the movement of equipment. In addition, the unusual depth of the trench itself, with the existing sewer pipes buried at a average depth of 14 feet, necessitated the use of double-stacked trench boxes, while plans called for the new pipe to be installed 2-3 feet deeper than that!

The schedule of the project caused Reliable to rethink industry standard construction practices of starting at the lowest point of the gravity system. While Foreman Jimmy Stubbs and his crew started at the low point, Foreman Joe Albert and his crew first installed the last 400 feet of sewer, giving Jimmy a clear target to work toward and match the elevation of the sewer manhole installed by Joe. The sewer was installed at .30% fall, which is virtually flat. We had to work closely with Anne Arundel County and Whiting-Turner on this redesign because for this to work we had to do something that we have never heard of being done before. It required several planning meetings to convince all involved that this innovative approach would work, and would save several months on the schedule. When Joe installed the 400 feet of sewer it was accomplished by placing the new sewer directly below the old sewer, keeping the old sewer active for the hospital. To accomplish this process, we specified custom-designed manholes that allowed flow to be diverted as necessary from the old pipe to the new. The project started in May of 2006, and averaging 40' of pipe per day, was completed in November.

The Utility Division also anticipates 100% completion of Piscataway Sewer Outfall Contact J by the end of February. We were the recipient of the Associated Builders and Contractors Chesapeake Chapter annual Excellence in Construction Award for Contract "G" which is the first piece of this outfall. Contract "J" begun last February and this ambitious project involved the installation of over 2,800 feet of sewer main through extremely marshy ground and a stream crossing of more than 50 feet wide. Numerous plan revisions and subsequent permit expiration issues failed to dampen the

resolve of our crews, and Reliable is very proud of the work of Foreman David Smoot, Superintendent Mike Betts and their crews in meeting this challenge head-on.

After spending more than two years on-site, Reliable has completed work on phases 1-3 of the Lennar housing subdivision Summerwood, located off of Indian Head Highway. Reliable's involvement in the project went from clearing all the way through grading, utilities and paving, and showcased once again why Reliable is considered a "One-Stop Shop" for any site preparation job.



Quarterfield Crossing, one of Reliable's largest earthmoving projects to date (9,000,000 cubic yards of earth moved) has transitioned into the fine grading and utility phase. Reliable expects to devote a minimum of four full-time utility and grading crews to the site, working to develop the overall infrastructure, as well as individual sites for Lowe's, Walmart and Kohl's. Reliable is hoping it will also



secure a contract to develop the site for a Sam's Club within the same shopping complex.

# Grading Division Report

Working within tight time constraints, Reliable Contracting's Grading Division completed Phase 1 of the Heritage at St. Charles housing development. Phase 2 is already underway, and more sections are expected to come up for bid later in 2007.



In the early fall of 2006, Reliable was pleased to complete, ahead of schedule, an important State contract to construct a new temporary and permanent parking lot at the Odenton MARC station, as well as another large parking lot for the Maryland transportation Authority. The new parking lots have alleviated a long-standing parking crunch at the station and will be welcomed by commuters as cold weather finally arrives. Credit to Project Manager Liam O'Meara and Grading Foreman Mark Sewell for a job well done!

Venturing farther afield than usual, Reliable has just begun work on the grading, curb & gutter and paving for Kinnamon Meadows, a 100-home subdivision in Greensboro on Maryland's Eastern Shore. The project is being developed by Baldwin Homes, and will involve moving nearly 60,000 yards of borrow material. Z. Meade Turner, Jr. says that the location of this job will pose challenges for transporting material and crews to the site, but he welcomes the opportunity to expand Reliable's reach into a new community.

In the fall, Reliable completed a mass grading project for the Annapolis Town Center expansion. Reliable's crews installed 85% of the infrastructure for the on-site buildings, and are now grading building pads and basements for the developer. In mid-March, Reliable will begin construction of necessary off-site road improvements. Due to its location right on the Annapolis City/Anne Arundel County boundary, this project is generating great interest from both government agencies.

Looking ahead for 2007, the Grading Division anticipates a large amount of new work to come available due to the planned expansion of Fort Meade, and through our White Plains Office, is currently bidding on Phase 1 of a new Charles County subdivision to be called Meyers Estates.

## Completed Projects:



CVS at Highbridge completed



Progressive Claims Center completed



Oak Creek completed



Edelen Village E&D completed

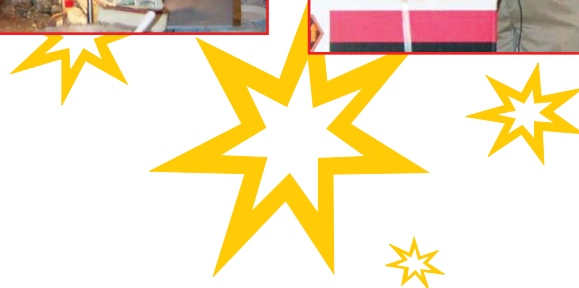
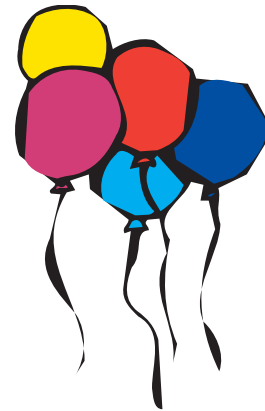
# Bull Roast Honors Reliable Best and Brightest

On January 28, Reliable hosted a large crowd of employees, family and friends at Michael's Eighth Avenue in Glen Burnie for its 4th annual Bull Roast. In addition to a wonderful buffet of raw oysters and oyster stew, pit beef and ham, fried chicken and pork BBQ, many vendors were on hand to answer questions about insurance, fitness and financial issues. This much-anticipated kickoff to 2007 also served as the venue for honoring the Employee and Foremen of the Year for each division, celebrate the 10th, 20th, 30th and 45th anniversaries reached by those employees in 2006. (Pictured on Page 8)

## EMPLOYEE AWARDS

Asphalt Plants:  
 Paving Division:  
 Grading Division:  
 Utility Division:  
 Truck Division:  
 Truck Shop:  
 Equipment Shop:  
 Concrete, Landscape, Engineers:

Brian Conde  
 Billy Hope  
 Grafton Smith  
 Robert Smoot III  
 James Jackson  
 Robert Weaver  
 Victor Miller  
 Robert Keller



FOREMAN OF THE YEAR NOMINEES:

Asphalt Division:

Chuck Linton

Paving Division:

Warren Johnson

Grading Division:

Mike Temple

Utility Division:

Robert Smoot, Jr.

Concrete, Landscape, Engineering:

Russell Bollinger



Foreman of the Year



SAFETY DIVISION AWARDS

Jimmy Ben, Jr. – winner of 42” plasma TV



# Paving Division

## Plants and Paving Keep Rolling Along...

2006 was a banner year for Reliable's Paving Division. General Manager Rob Scrivener reports record production outputs of 718,779 tons of hot-mix from the Millersville and Glen Burnie plants combined. That number represents a 10% increase over 2005 and comes despite the Glen Burnie site being off-line for several months while a new 400 TPH Terex counter-flow drum plant was installed.



Production and sale of sand and gravel were up also, topping 275,000 tons in 2006. Reliable recycled 225,000 tons of broken asphalt and concrete...it's no wonder that hot-mix asphalt is America's #1 recycled material!

The Quality Control Lab began using a new truck-mounted laser high-speed profiler in 2006. This crucial tool measures the smoothness of a road, and unlike the model it replaces, can take measurements at highway speeds, eliminating the need to close the road.



To end 2006, Reliable successfully completed 3 Anne Arundel County resurfacing and Reconstruction contracts totaling nearly 105 miles of roadway. This huge undertaking required close collaboration with a number of subcontractors who helped with curb and gutter, PetroMat and milling operations, while our own crews laid down 250 tons of hot-mix. Congratulations to the plant staff, drivers and crews responsible for bringing this project to completion on schedule.

## Customer Spotlight: Baldwin Homes

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specializes in a broad range of home styles from starter homes to multi million dollar Estates, and has built more than 120 quality homes and 13 subdivisions over the past decade.

Most recently, Reliable successfully completed work and the release of bonds at Arundel Ridge, a single family home subdivision located in Hanover, and just completed paving on two other subdivisions; Gerard Plaza in Glen Burnie and Twin Oaks in Linthicum.

Current projects ongoing with Baldwin Homes include Park Meadows a small subdivision in Severna Park and a 100-home subdivision on Maryland's eastern shore, known as Kinnamon Meadows. Kinnamon Meadows will involve grading, paving, and stormwater management. While in Park Meadows we have just completed the utility phase of construction and will soon be paving.

We wish Baldwin Homes continued success, and thank them for helping Reliable Contracting continue to grow.



# EMPLOYEE NOTES

## RELIABLE MOVERS AND SHAKERS!

Named as Middletown Road  
Project Manager



**Rick Schultz**  
Promoted to Milling  
Crew Foreman

Promoted to Utility  
Crew Foremen



**Chuck Daniels**  
Promoted to Utility  
Crew Foremen

Promoted to Utility  
Crew Foremen



**Wayne Brown**



**Billy Hope**



**William Lawrence**

## Welcome to Reliable

*Please welcome a few of our new employees:*



**Francis "Hall" Chaney**  
Hired as Grading Project Manager



**Paul Richardson, Jr.**  
Hired as Utility Crew Foreman

### President's Message

From Page 1

more so between divisions. While divisions are set up to help us manage our projects, we are all one team. We succeed together, or we fail together.

I wish each of you much success in this coming year. Our backlog of work continues to grow, and barring any unusual weather, we look forward to completing another good year. Please stay healthy and safe as you are each a valuable part of our team.

Thank You,  
  
Jay Baldwin

### Managing the Equipment Fleet is a Balancing Act

From Page 1

more expensive way to operate. For the cost of one large front-end loader, we can hire several very talented mechanics, extend the working life of our equipment, and reduce the company's overall operating cost-per-hour, giving Reliable a competitive advantage when bidding for jobs.

Jack credits Equipment Shop manager Russell Hatfield and his crew of 13 mechanics, 7 lube techs, 3 parts specialists and 1 welder/fabricator for keeping the loaders loading and rollers rolling, but admits that it's an uphill battle just to keep pace with the basic maintenance and repairs. "The biggest challenge has always been to attract and retain quality personnel. We've been very lucky with referrals from our existing staff, and word of mouth is our best recruiting source." Jack also notes that more high-tech features and computerized systems are being incorporated into new construction equipment, and says that the next generation of mechanics will have to be as knowledgeable about computers as they are about equipment repair. The life cycles of Reliable's equipment varies widely, and Jack knows from experience when to hold 'em and when to fold 'em. It's not unusual for an asphalt roller to last 16 or 17 years, like the two he recently replaced, but a front-end loader at the asphalt plant will be pretty well used up within 8 years and will easily have racked up 20,000 hours of use! No matter what the job requires, Reliable's equipment fleet is up to the task.

# Safety Division Report

## *Safety Pays Dividends on the Bottom Line*

Maintaining a safe work environment is the responsibility of every Reliable employee. The benefits to health and well-being are obvious, but safety incidents can dramatically impact the fiscal health of the company.

Between 2002 and 2005, the number of auto liability claims against faced by Reliable averaged around 50 per year. This number jumped to 70 in 2006, and the total amount of money paid out was almost double that of 2005. The number of Workers Compensation claim incidents did drop in 2006, but the cost per claim continues to rise, so Reliable now spends around \$5,000 per occurrence.

The good news for 2006 is that General Liability claims were the lowest in 4 years, although the main area of concern is "Line Hits". These are very costly in terms of both money and reputation – a fiber optic line repair starts at around \$10,000! Another growing issue is vibration claims. More and more of our jobs are being performed in areas that are close to existing structures, and we must start paying more attention to this problematic issue. Since we have a large deductible

insurance plan, all of these claims are paid directly out of our bottom line.

One of the focuses this year for the Safety Division will be Safe Driver Training. Our goal....to have the safest fleet on the road in the state of Maryland!



# Thanks for Growing With Us!

## 10 Years



Left to right: Alvin Porter, Tom Porter, Louis Phipps, Chuck Willis, William Evans, Ralph Jackson, Mike Rachuba. \*Not shown: Brian Heckman, Obdulio Blanco, Richard Stapf, Henry Washington, Larry Worsley and James Ball.

## 20 Years



Left to right: Al Whitcomb, James Stubbs, Alan Patterson, Russ Bollinger. \*Not shown: William Hobbs, William Batts and Richard Woodson.

## 30 Years



Left to right: Milton Mclean, Sidney Ripple, Ken Rzepkowski, Phil Sweeny, C. Meade Baldwin, Jr. \*Not shown: Steve Creek.

## 35 Years



Louis Schneider, Phil Wallace

## 45 Year



Jack Baldwin (right)