

GOERING CENTER FAMILY BUSINESS REPORT



Finding Solutions
Sharing Experiences



UC College of Business

The Family Business Marathon

Several days ago the athletes in the Flying Pig marathon came past our home on their journey to the finish line. Our home is just past the half-way mark – 13.1 miles into the run. Each year I take an hour or so to stand at the street side and cheer on the runners. Some are totally focused on the event, concentrating on the task at hand, while others are moving along in a more relaxed way, often with friends from running clubs, churches, schools or companies. Some run to raise funds for their favorite non-profit organization. Later in the morning, the walkers come by, often in groups. Since they are past the half-way distance, every individual has a common goal in mind – to finish this grueling feat. Each athlete has trained and been supported by others during the months prior to the race and when they return to Sawyer Park at the end of the race, there are thousands of runners, families, friends and event workers to heartily greet them. Congratulations, blisters, and tired athletes prevail. Yes, there is a unique spirit of triumph at every marathon.



Larry Grypp,
President

So it is with family businesses in the tri-state area as they navigate their own journey, hopefully towards a celebration. At the Goering Center we support these family and private businesses through excellence in education and training. For twenty years we have been cheering on family businesses during their private marathons. Some dash along the journey to success quickly, while others have a more deliberate pace. But they all have the same goal of reaching the finish line, and then preparing to do it again.

The Goering Center has observed and researched the best practices of the most successful family owned companies. These best practices can be adopted by companies interested in growing – in going the distance. Our current members are most willing to share their victories, training techniques and disappointments with other members in our safe haven environs.

We have three types of Goering Center members. The first category is our Core Family and Private Business members. These companies are effectively controlled by a family or families. They aspire to grow

and thrive in an ever changing economy. They have unique challenges and issues in that they must deal with both traditional business issues, plus the family dynamics. Next, our Associate Members are not ‘family’ owned, but have an active interest in the challenges and needs of family owned and privately held businesses. They are often advisors to our Core Members or provide products and services to them. Thus, networking with our Core Members is desired. Finally, we have our sponsors – our Corporate Partners. These companies sponsor and underwrite the various Core Member programs, including our breakfasts, luncheons, and half-day educational forums. Our multi-day institutes provide in-depth training and education. One of our members recently suggested that the biggest room in business is the room for improvement. We agree and offer our programs and classrooms for that purpose.

Since this is my first year as President of the Goering Center, I have been on the side lines, auditing our premier program, the Next Generation Institute (NGI). This eight part program introduces family business owners/leaders, and their potential successors, to the eight steps of succession planning. It has been a rewarding experience to hear the various sub-

ject experts review these steps with our program participants. You can sense moments of enlightenment for our participants when a “training technique” hits the mark. The most beneficial outcomes are when the two generations vastly improve their knowledge of the issues, as well as their communications within the family or company. The participant evaluations of the individual sessions are continuously 9+ on a scale of 1 to 10. By the way, our next NGI series begins this November. Feel free to contact the Goering Center for additional information.

While their family business marathons are not complete, we do have our own annual celebration of greatness. Each August we gather at Music Hall to recognize the tri-state Family Businesses of the Year. Since it is our tenth year of this celebration, this year we will recognize the Family Businesses of the Decade. The candidate pool includes all of our prior annual winners and finalists along with those companies who have completed our Institute programs. In addition, Matthew Kelly, the renowned author and speaker, will share his thoughts on how family businesses can be Dream Managers themselves. Hold August 25th on your calendar – no endurance training required for this event.

We are fortunate to have a new

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Lease or buy? How to determine leasing versus purchasing decisions

By Chris Bell and Mark Zink, Fifth Third Bank

It is probably no surprise that economic activity in the \$650 billion equipment finance sector has slowed. According to the Equipment Leasing and Finance Association's Monthly Leasing and Finance Index, new business volume for March 2009 declined by 30 percent compared to the same period the year prior. This contraction in new equipment capital expenditure is clearly resonating in the commercial sector.

Companies are focused on capital preservation as new investment is curtailed, inventories are being reduced and a general "belt-tightening" with expenses is



Chris Bell



Mark Zink

occurring.

While general business activity has softened, many companies are still faced with the decision of when to acquire new or replacement equipment and how to finance the purchase. The recently enacted provisions under the 2009 American Recovery and Reinvestment Act was passed to inspire businesses to invest in new equipment by extending the depreciation bonus created by the 2008 Economic Stimulus Act.

The package contains some pro-growth elements, specifically allowing businesses to accelerate depreciation deductions on their

investment in qualified property. Among other incentives, the provision allows for an additional first-year depreciation deduction equal to 50 percent of the adjusted basis, for qualified assets, ordered and placed in-service in 2009.

Equipment lease financing in today's market

The current economic landscape has CFOs looking for creative ways to fund equipment acquisitions and manage capital budgets. A renewed focus is being squarely placed on working capital and increased liquidity. This sensitivity to capital value places greater emphasis on leasing as an alternative to traditional debt financing.

Companies lease for many reasons. The most common reasons

for leasing are: 100% financing, enhancing the utilization of tax deductions, and transferring asset obsolescence risk to a third party (the Lessor).

A company's tax status can affect the decision to lease or buy

A company should consider its current and future tax position when determining an optimal capital structure for owned vs. leased assets; depreciation vs. rent deductions. Some companies may find they can't utilize some or all of the depreciation deduction when owning equipment. A lease, when properly structured, can transfer tax benefits to the lessor in exchange for lower rental payments resulting in lower cost of financing.

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Weathering the economic storm

By Raymond J. Pikna, Jr. and James B. Harrison, Wood & Lamping LLP

It's not your fault that customers don't pay on time like they used to; why don't your suppliers understand that you'll pay them as soon as you get paid by your customers - you've always been good for it before, and you'll take care of it now.

Sound familiar? If so, you have plenty of company. Businesses throughout the country are struggling as credit has tightened and customers who still order goods often place smaller orders than before. Although bankruptcy filings currently dominate the headlines, bankruptcy remains a last resort for most businesses. What other options are there?

The starting point for finding solutions is to identify the problems to be solved. Many businesses are structured as separate legal entities, such as corporations

or limited liability companies, in order to protect the owners from personal liability for the business debts. Businesses rarely have sufficient cash for operations, and they must therefore borrow money from a lender such as a bank. Historically, lenders were willing to loan money if they were confident of being repaid. Lenders commonly obtained collateral to secure the loans, and personal guarantees to give the lenders additional protection and to assure that the guarantor had

a personal stake in seeing that the lender was repaid. When a business owner guarantees a loan to his business, he is personally liable if the business fails to pay the amount due to the lender. The business owner then has dual objectives: (i) to save the business and (ii) to protect personal assets.



Raymond Pikna



James Harrison

Due to these intertwined relationships, the financial problems encountered by a business frequently have a personal adverse effect. The prudent business owner will enlist professional help to identify the underlying causes for the financial problems and to devise and implement solutions. The owner who procrastinates is likely to have greater difficulty and fewer options for solving the problems than a proactive owner who acts decisively to turn the business around with an eye on protecting personal assets.

Symptoms of a business in trouble include greater aging of accounts receivable, bloated or outdated inventories, and an inability to make payments when due. The problems are more severe if the business fails to pay taxes and diverts those monies to cover operational expenses. The failure of a business to pay trust fund taxes will also result in personal liability for the owner, officer, or individual responsible for

the payment of those taxes plus severe penalties and interest.

Maintaining good communication with suppliers and lenders during this difficult time is vital. An owner should only promise what can be delivered. Trust must be maintained in order to have a reasonable chance to turn the business around successfully. It may be necessary to request additional time to pay a vendor, or to request that a lender waive late fees or reinstate a non-default interest rate on a loan. Cooperation from vendors and lenders is more likely if they see steps being taken that demonstrate that the owner is serious about solving the problems. These steps may include hiring a turnaround professional, taking a lower salary, or eliminating unproductive positions. Taken together, they comprise a workout plan.

The workout plan ultimately results from negotiations among the parties, with the objective of

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Choosing a professional service provider

By **Tony Schweier, CPA**, Clark Schaefer Hackett & Company

The business owner focused on building and maintaining a successful business must build three distinct teams for his/her organization: a management team; an outside Board of Advisors; and a professional services advisor team. Today's article focuses on identifying and selecting the members of your professional services team. Choosing a professional service provider is a five step process. The process consists of understanding what a professional services team means, identifying the expertise required, identifying the potential advisors, the interview process, and finally engagement.

The first step is to have a common understanding of the term "professional services team." A typical professional services team should consist of your attorney, your CPA, your insurance/benefits consultant, and your banker.



Tony Schweier

In addition, depending on the nature of your business, an additional specialist such as an investment advisor may also be on the team. It should also be noted that while each advisor is a valued team mem-

ber the relationship with each advisor should be unique. For instance, the discussions you have with your lawyer are not necessarily appropriate discussions to have with your banker.

The second step is to identify those areas of technical expertise that your business requires. Note that business owners frequently identify (or even hire) professional advisors before they determine the needed expertise.

A business owner would not hire an employee without first having a job description. Don't hire a professional advisor without identifying the skill sets necessary for your team. Typical requirements include industry

experience (familiarity with the overall issues you have), technical expertise relevant to your needs (Do we need tax advice or audited financial statements?); issue expertise (Do you need help with growth, divesture, or ownership transition within the family?). Other important skill sets may involve demonstrated listening skills, a lifetime learner attitude and a willingness to express an independent point of view (be an "investment" rather than a consultant). Finally, since advisors are not employees you have wider latitude to make decisions which include gender and age. A start up business may prefer to have an advisory team that is closer to their parents' ages than to their own age, or the owner may want an advisory team made up of his/her peers. The important issue is to identify those very characteristics that will truly aid the business and use those as your selection criteria.

The third step is to identify

more specific individuals who might fit the criteria developed. Some of the better ways to identify these individuals is to ask your CEO roundtable, the business owners you know, your friends, your other professional advisors, your suppliers, and your vendors. These potential sources coupled with a removable search of the information available on the Internet should provide a short list (2-3) of candidates.

The fourth step is to interview each candidate. This process should mirror how you handle the hiring of an employee. The objective of this process is not only to verify/validate that the potential advisor meets the required skill set, but equally as important, to ensure that the advisor's personality fits well with you, your management team, and your other advisors. No matter how talented the advisor is, if you don't enjoy their presence/style/mannerisms then the relation-

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WHAT DO THE FOLLOWING SUCCESSFUL EXECUTIVES HAVE IN COMMON?

Bob Sullivan, President & CEO - Fifth Third Bank Greater Cincinnati
T. D. Hughes, Chairman of the Board - LaRosa's, Inc.
Tara Steinhauer Halpin, President - Steinhauer, Inc.
Mike Sipple, Jr., Vice President - Centennial, Inc.

THEY ALL BELONG TO EXECUTIVE ROUNDTABLES!

Ask Yourself

- Are you looking to be the best business leader you can be?
- Do you want to grow your business in challenging times?

Join us as our panel discusses the value of belonging to an executive roundtable. Hear how roundtables offer an opportunity to interact with peers, enhance professional and personal lives, grow businesses, and give/receive valuable insights with other members.

Our panel will share their lessons learned over time through their experience in executive roundtables. You will learn how you might become involved in your own roundtable.

Moderator: Ron Rosselot, President and CEO of the Rosselot Financial Group, Inc. Ron has been a member of the Goering Center since 2000 and has served on the Board of Advisors since 2005.

Wednesday, May 27, 2009, 11:30 am - 1:30 pm
Crowne Plaza, 5901 Pfeiffer Road, Blue Ash (I-71 & Pfeiffer Rd.)

Register on line at www.Goering.uc.edu, email: Goering@uc.edu or phone 513-556-7185.

Members - \$25 - Non-members - \$50

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Small business survival plan: Maximizing cash flow during economic downturn

By Rick Rokosz, Executive Vice President Market Manager – Business Banking PNC, Southern Ohio Market

Small business owners across the state of Ohio are working to manage through the recession by learning the keys to survival. Managing and preparing for the cash peaks and valleys that all businesses experience becomes even more critical when times are tough. After all, cash flow is everything to a small business.

The impact of the economic environment on a business' cash flow is a top of mind concern. In the latest results of the PNC Economic Outlook survey, only 22 percent of Ohio business owners expect their cash flow to increase in the coming months. In order to help weather the storm and cope in today's economy 90 percent of those businesses surveyed plan to reduce or eliminate expenses, 79 percent plan to reduce capital spending, 77 percent plan to conserve cash and maintain more bank deposits and 67 percent plan to collect receivables more quickly.

The cash flow cycle can be inconsistent and unpredictable for many businesses. When times are tough it is especially important for small businesses to take stock of the small business tools



Rick Rokosz

at their disposal, analyze operations, understand their business needs and then choose the right combination of Cash Flow Options to manage finances more effectively.

The key to positive cash flow is to keep money coming into a business faster than it is going out. It is no surprise that 67 percent of Ohio small business owners plan to collect receivables more quickly. After all, managing receivables more efficiently allows you to put those funds to work much sooner.

You can improve your cash position by streamlining your systems for collecting payments and giving customers multiple payment options, such as credit cards, check cards, gift cards and electronic check services. Remote deposit services also allow you to easily and securely deposit checks without ever leaving the office.

Another option is to motivate customers to pay their invoices in a timely manner. Offer a set percent discount for early payments and assess a set percent penalty for late payments. If your customers still fail to pay on time, it is important that you go

after your payments quickly and diligently.

In addition to Accelerating the Collection of Receivables, here are a few other things a small business owner should consider to make the most of his or her money:

Improve the Ways You Make Payments

A variety of new technologies are available to help you enhance your cash position by reducing the time and costs involved with paying bills. Consider utilizing online bill pay services to reduce the time and costs involved with paying your bills, as well as online payroll services to make tax payments more efficiently.

Invest Your Excess Cash Effectively

If your business is flourishing you may have the luxury of dealing with extra cash from time to time. Putting your excess cash in a business money market account or business certificate of deposit allows you to put that extra cash to work for you.

Utilize Online Information and Reporting Tools

Online information reporting tools, including online banking, can help you make better busi-



ness decisions by providing you with the latest information on your cash position.

Ensure Access to Cash When You Need It

Don't wait for a cash crisis to ensure you have access to extra cash. Establishing a business line of credit that you can access in the event of a cash crisis or to take advantage of an unexpected opportunity will ensure that you will always have extra cash on hand when needed.

Managing cash flow is one of the most important things small business owners can do. Poor cash flow is a leading cause of small business failure. By revisiting your contingency plans, leveraging technologies and managing the factors that create cash flow pressure, you are better able to protect your business through the good time and bad.

The current market conditions provide small business owners a greater opportunity to reassess their cash flow needs. Managing and improving cash flow today in measurable ways will prove invaluable for a small business owner throughout the journey of their business.

Weather the storm, Continued from Page 2B

cutting losses and returning the business to viability. The implied or express threat of bankruptcy might be a helpful tool. The plan may require an additional infusion of capital, providing collateral (or additional collateral to an already-secured lender), or providing personal guarantees. The plan should be evaluated not only for its effect on the business, but also on the owner who is charged with its implementation.

An owner must act cautiously when assessing the commitment required to save a business. Even when an owner has guaranteed the business's debts, the owner

may have personal assets that are sheltered from the reach of creditors. Legislatures have enacted exemption statutes for that specific purpose. Attorneys can assist business owners with exemption planning in order to take maximum advantage of the protections available under law.

When pressed to raise funds to save a business, owners may be tempted to tap their retirement accounts for cash. Whether this is an appropriate solution depends on the specific facts of the case, and must be evaluated carefully. Most common types of tax qualified retirement plans

are exempt under Ohio law. This means that the funds in those accounts cannot be seized to satisfy a creditor's claims. Withdrawals from retirement accounts may trigger liability for taxes and penalties. If an owner withdraws funds from a retirement account to help the business, the owner is effectively losing the protection provided by the exemption, and is also jeopardizing his or her retirement. The owner must balance the impact on his financial well-being with that of the business.

Businesses and their owners are facing numerous challenges

during these difficult economic times. Early identification and intervention will minimize the adverse effect of these problems and increase the likelihood that both the businesses and their owners survive for years to come.

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Unions looking for new ways to increase membership (and dues)

By Lee P. Geiger, Esq., Graydon Head & Ritchey LLP

Much has been written about the Employee Free Choice Act (EFCA) over the last six months. If passed, EFCA would make it significantly easier for employees to unionize their workplace. EFCA is a threat to all businesses, particularly small and family-owned businesses that operate on thin labor margins and cannot afford to absorb the increased expenses and headaches that tend to accompany unions.

What is EFCA? The ironically-named Employee Free Choice Act, if passed by Congress and signed by President Obama, would take away an employee's right to vote on whether or not he or she desires to be represented by a union. EFCA could also force employers to concede to union demands or risk a less favorable result from an arbitrator.

How are things done now? Under current labor laws, a union wishing to represent a group of employees must first demonstrate a showing of interest among employees in the prospective bargaining unit. This is typically done by collecting union authorization cards from 30% of employees indicating a desire to be represented by the union. After a sufficient showing of interest is established, there is generally a secret ballot election scheduled by the National Labor Relations Board (NLRB) to allow employees the opportunity to vote be-



Lee P. Geiger

tween being represented by a union or remaining union-free. Prior to the election, both the employer and the union have an opportunity to provide information to the employees about the pros and cons of union membership. This process allows employees to make an educated decision about whether or not to join a union without threats or coercion from the union or the employer.

How will EFCA change things? If EFCA passes as currently drafted, the union will be automatically established if more than 50% of potential bargaining unit members sign authorization cards. There will be no right to an election. EFCA denies employees the right to vote on union membership even if they were pressured by a union representative to sign an authorization card or they simply did not understand what they were signing. Employees are effectively denied the opportunity to learn the employer's side of things or other reasons why union membership may not be in their best interest.

What else will change? A long held maxim of labor law is that a union cannot force an employer to make a concession it is not willing to make. This means that, although employers are obligated to bargain in good faith, there is no obligation that the employer agree to any of the union's demands. This would dramatically change under EFCA as currently

drafted. For the first time in US labor history, EFCA would impose the concept of first contract arbitration. Essentially, this means that if the employer and union are not able to reach agreement on the terms of an initial contract within a specified period of time, a federal arbitrator will dictate the terms of the first collective bargaining agreement. That means that an arbitrator, not the employer, may ultimately decide your employees' wages, benefits and other terms and conditions of employment. This could be devastating to a small or family-owned business.

Are there any other changes? The final noteworthy change that EFCA will bring to American labor laws is the penalties the NLRB can impose on employers who commit unfair labor practices. Under current law, if an employer improperly discharges an employee for activities protected under labor laws, the employee can be reinstated with full backpay. Under EFCA, the employee can be reinstated with triple backpay and the employer can be subjected to other penalties.

Will EFCA become law? That is the question on everyone's mind. Labor unions have experienced a resurgence in the last five to ten years. They played a major role in the 2008 election cycle and take credit for the shift in power in Washington DC and across the country from Republican to Democratic control. Until recently, it appeared that EFCA

might not have enough support to overcome a Republican filibuster in the Senate. However, Senator Arlen Specter's surprise announcement on April 28, 2009, that he is changing parties to become a Democrat may significantly change that dynamic. It is likely that some form of EFCA will become law. Instead of entirely replacing an election, Congress may require shortened timeframes for elections. Instead of first contract arbitration after 120 days, Congress may require a longer negotiation period or mandate non-binding mediation instead of binding arbitration. While these alternatives may be slightly more palatable to employers, they will still be radical changes to US labor laws and a serious infringement upon a company's right to manage its workforce.

Whether EFCA passes in its current form or a different form, there is no doubt that the pro-union movement is alive and invigorated in ways that have not been seen for years. It is likely that union membership will continue to grow at rates not seen in more than half a century. It is imperative that all employers – large and small – be aware of the implications of this movement and take measures to educate themselves and their employees on the benefits of being union-free.

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Goering Center
For Family & Private Business

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The Family Business Report

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Property and casualty insurance cost containment strategies

By Todd Chapman, USI Insurance



Leading through Innovation

In the current economy, businesses are scrutinizing every expense. In the area of commercial insurance, the need to reduce current expenses has to be balanced against the potentially devastating impact of cutting too deep, and suffering an uncovered loss in the future. While limits of liability and deductibles are important areas of potential savings, the sophisticated buyer will realize much greater benefits by taking a broad view of the coverages involved and a proactive approach to the purchasing process. Below are some examples.



Todd Chapman

1. Control your exposures that create a risk of Financial Loss.

Solidify your company's non insurance contractual risk transfer. Evaluate your hazardous operations: Identify hazardous conditions and eliminate them where possible through avoidance, prevention, reduction, separation, and physical transfer. Other items to consider:

- Do you have a Safety Committee? Loss control personnel often look to see how the organization assesses and manages risk. The existence of a safety committee with a committee chairperson can have a positive effect on your claim frequency and severity. It also creates a company culture that is infectious.
- Are written safety and risk management standards in place? Businesses with written safety and risk management programs and a demonstrated record of compliance with them generally get rewarded for them.

2. Manage competition effectively.

Your broker, not the insurance carrier, drives the competi-

tion process. Review in advance the carriers that will be approached, their experience with your class of business and their "appetite" for your account. It may not make sense to have three or four

agents shopping your insurance. Rather, pick one to market your account to selective insurance companies.

3. Consider higher deductibles.

Balance your liability to assume small losses and the need for insurance coverage for more costly incidents. Claim frequency has a greater impact on premiums than loss severity. If you

have no intention of turning in small claims you might as well reap the benefits of any premium savings large or small.

4. Remember that your agent can be more important than your insurer.

Evaluate the competence of your agent in terms of the coverage program that has been put together. Has your agent marketed your account to other insurers where appropriate and offered suggestions of alternative plans that can minimize your premium costs? Consider using an agent that has broad market representation and a substantial amount of premium volume with insurance carriers writing your type of business. The relationship of the agent with the insurer is critical. Look at professional

designations that your agent has earned. Agents with the Chartered Property Casualty Underwriter (CPCU), Associate in Risk Management (ARM) and Certified Insurance Counselor (CIC) designations have demonstrated a high level of expertise and commitment to their craft.

5. Trim frill coverages.

Ask your agent to breakdown the premium by coverage. For example, coverages such as towing, rental reimbursement, medical payments, uninsured and underinsured motorists can be expendable. Consider not insuring physical damage coverage on older vehicles.

6. The current market will cause claims to be more closely scrutinized so negotiate policy enhancements where possible and use carriers that offer broader coverages.

Insurers are suffering underwriting losses, and as a result claim representatives are closely analyzing policy language after a loss. Better accounts can negotiate policy language that is broader than average. Make your policies as bulletproof as possible.

7. Review workers' compensation reserving and reporting practices.

For every dollar in paid or reserved claims, the cost of workers' compensation increases by \$1.50, since the premiums are

driven by your company's track record. It is not uncommon for a review to uncover that a carrier is continuing to reserve funds for cases that have long been closed, or is setting aside excessive amounts for a claim.

8. Avoid leaving your current carrier because of a nominal savings.

Consider the long term history of your relationship. If you move to an unknown new insurance company, you may face mid-term expensive loss control requirements, cancellations or non-renewals.

9. Don't give your insurance company an interest free loan.

General Liability and workers compensation policies are based on sales and payroll and are audited annually. Amend your company's payroll and sales numbers to more accurately reflect your current exposure to avoid a large return audit at the end of your policy term.

10. Make a positive impression.

Risk control will likely visit your business to review your exposures and to decide whether to make a positive or negative recommendation to the underwriter. Make a positive impression with good housekeeping, proof of preventive maintenance, and know the answers to a few basic questions: If you have a sprinkler system is it adequate for your fire load? In what years were updates done to plumbing, electrical, roof etc?

If you have questions or comments about this topic please contact Todd Chapman at 513-852-6375, or by email at Todd.Chapman@usi.biz

the sophisticated buyer will realize much greater benefits by taking a broad view of the coverages involved and a proactive approach to the purchasing process.

A legal check-up: An ounce of prevention is worth a pound of cure

By Alan J. Hartman and Katie N. Koch, Dressman Benzinger LaVelle, psc

In the current economic environment it is more important than ever to be proactive rather than reactive. Any unexpected fine or claim arising from improper procedures or deficient agreements could force your company into the red. One way to help ensure that your business continues to be efficient, productive, and profitable is to undergo a legal audit.

Diagnosis

In a legal audit, an attorney takes a comprehensive look into the operations of your business to determine if there are any areas that pose risks to be eliminated or minimized. The benefit of a legal audit is identifying legal issues that can be proactively addressed avoiding the costs of having to react after they become problems. A legal audit should be tailored to the specific needs of your business; however, the potential breadth of a legal audit is great. Every legal audit should, at a minimum, address a few key items.

Business Entity Form.

Your attorney should examine your current business form to determine whether it is still the optimal form in which your business should operate (i.e., corporation, LLC, partnership, etc.). This should also include examining the official records of your company regarding formation and maintenance, including annual minutes and reports, shareholder agreements, and the like. Failure to



Alan J. Hartman



Katie N. Koch

maintain appropriate records could cause a company to forfeit its privilege to do business within a state.

Employment Policies and Practices.

During a legal audit, your attorney should examine your company's employment policies and procedures, any employment agreements or non-competes in effect, and your employee handbook. Additionally, Form I-9 compliance and other immigrant employee matters should be reviewed. Child support reporting, employee benefit

plans, and workers' compensation risks and procedures should also be examined to ensure your company is in compliance.

Taxation.

Tax laws change frequently on the federal, state, and local levels. During a legal audit, your attorney should make sure that your company is compliant on each level. The monetary penalties associated with non-compliance are severe and could result in personal liability for you as a business owner.

Standard Form Contracts.

Have your attorney review any standard customer contract forms, re-seller forms, subcontractor forms, confidentiality and nondisclosure forms, and any other standard contracts utilized by your business. Having proper contracts in place with customers makes a significant difference when it is time to collect. If

you have concerns, issues or disputes regarding particular agreements with existing customers, vendors, or subcontractors, ask your attorney to review those agreements as well.

Intellectual Property.

Your attorney should review your company's trade secret, trademark, copyright, and patent protection practices. Significant time and money is expended in the creation of intellectual property. Proper protection measures should be taken to ensure that your intellectual property does not become part of the public domain. If you have certain trademarks, copyrights, or patents, ask your attorney to review them as well. If your business collects personally identifiable information whether on its Web site or otherwise, it is prudent to determine if the proper procedures are in place in terms of collecting and safeguarding this information.

Talk to your attorney about a legal audit. Describe your business and provide a detailed description of your operations, so your attorney can design an audit that will address your company's major risk areas.

Treatment

Once your attorney has completed examining your company's operations, he or she will explain what needs to be addressed in order to avoid regulatory fines or penalties and to minimize any potential claims or litigation. If your attorney uncovers areas where the risk of adverse action is high, he or she should communicate the severity of the issue, the

potential consequences if the issue is not addressed, and the steps that can be taken to alleviate the risk.

Prevention

One of the benefits of undergoing a legal audit is the ability to create a compliance plan on a going-forward basis that will allow you as a business owner to stay on top of any risk hotspots. Staying compliant and aware of potential legal issues requires vigilance. After a comprehensive legal audit, it is much easier to put procedures in place to consistently examine these same issues with the focus of continued compliance.

Everyone knows the old adage, "an ounce of prevention is worth a pound of cure." In the legal sense, nothing is more true. The costs and time needed to deal with claims or litigation and the potential for fines or penalties far exceeds the costs and time it takes to proactively examine and address the various legal issues your company may be facing. And at the conclusion of a legal audit, you have the benefit of understanding how to be compliant and what procedures to implement to ensure your continued compliance. During this tumultuous economic time, continued diligence and effort are helping companies weather the storm. Being proactive with your company's legal health is another measure that can ensure your company's continued success.

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Lease or buy?, Continued from Page 2B

Consider the long-term intentions of an asset when making a lease/buy decision

It is important to develop a capital investment strategy. Obviously, things may change over time, but you should consider some of the following in advance: How long will I need the equipment? Is technological obsolescence of the equipment a threat? Could inflation threaten the future market value of the equipment? What is the value of cash savings from leasing to the company? Perform a lease-versus-buy analysis, which compares the after-tax cost of own-

ership. The lessor can assist with this analysis.

Certain organizations qualify for tax-exempt leases

Each state has its own statutory guidelines for tax-exempt lease qualification. Generally, political subdivisions, such as counties, cities, villages, townships, school districts and fire districts, fall into this category. In contrast to other traditional forms of tax-exempt financing (i.e. bonds and notes), leasing is subject to the lessee's annual appropriation and is thereby not typically considered a general

debt obligation. In addition, some other not-for-profit organizations, such as hospitals and private schools, can utilize tax-exempt leasing through the support of a local municipality. These entities typically utilize this form of financing mainly for an effective low-cost, tax-exempt solution to finance assets over their economic useful life.

Plan for the year

From an efficiency perspective, equipment lease lines of credit are often put in place early in a company's fiscal year to manage capital expenditures. The facility may be

structured so that deposits to the equipment vendors may be funded under the line on an interim basis and then upon delivery, termed out into the appropriate lease schedule. The fixed rate form of lease financing provides an ability to plan for future business needs and is a predictable means of matching revenue and expenses.

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Goering Center names Steve Hater membership director and boosts member benefits

Coinciding with the Goering Centers' 20th anniversary, President Larry Grypp has announced the appointment of former family business executive Steve Hater as the Goering Center's Membership Director to help members capitalize on its programs and services.

"Steve Hater's appointment as Membership Director will further improve our service to and deepen communication with the Center's family business members," Grypp added. Steve is former President of Hater Industries, a 48-year old manufacturing company serving the automotive, marine, medical and other industries, where he spent 31 years.

Hater, a graduate of Marquette University, joined his family's firm as a Plant Assistant in 1974 and held positions of increasing responsibility in production, human resources, operations and sales before becoming President in 1999. In the latter role, he strategically repositioned the company to compete globally through plant consolidation and market expansion, producing significant sales and profit growth.

In addition to his roles at Hater Industries, Steve has been a member of Chief Executive Boards International since 1996. CEBI is a supportive, collaborative and confidential peer advisory community, focused

on members helping members to achieve balance and success in their lives. Steve is now the local CEBI representative for the three Dayton, Cincinnati and Northern Kentucky Boards, as well as a National Board Representative. He has also served on the Boards of Directors or Boards of Advisors of five other family businesses.

Since 2008, Steve has been a facilitator at the Goering Center's Next Generation Institute, which helps family business executives learn the issues and steps involved in transitioning family firm ownership and management from one generation to another.

In announcing Hater's selection, Grypp said, "Steve has been an active volunteer with the Goering Center following a dynamic career, operating and advising family businesses. His experience and calm manner will clearly benefit our family business members and their companies. We are excited about Steve's decision to join the Goering Center as our Membership Director."

Goering Center Founder John Goering said the following of Hater: "As someone who has run a family firm, Steve understands from the inside the core issues our Center was created to address. As an advisor, he has gained an objective view of these



John Goering welcomes Steve Hater

issues across a variety of companies and industries. We think this is the ideal combination needed to help our members achieve success."

Of his new role at the Goering Center, Steve said, "There are no books to adequately teach you how to be a family business CEO – or to deal with the issues family business leaders must face. The Goering Center has been helping family firms succeed for 20 years. I am excited to be part of this effective and caring organization."

At the same time, Grypp announced a new package of programs and benefits for family business members. The enhanced group of benefits announced by Grypp include:

- Free breakfasts for family business executives – with speakers on member-requested topics
 - Ongoing peer roundtables for family business executives
 - A new library of family business related books, periodicals, tapes, and articles
 - Deep discounts on Center business forums and Family Business of the Decade awards dinner
 - Free subscriptions to the Cincinnati Business Courier
 - Heavily discounted advertising rates in the Center's quarterly Business Courier supplements.
- "These valuable benefits are just the next step in fulfilling our mission to help family businesses succeed," Grypp said.

Marathon, Continued from Page 1B

colleague join our Goering Center team this month. Steve Hater is our new Membership Director. He has been a volunteer in our Next Generation Institute this year and has decided to broaden his involvement at the Center. As our Membership Director, Steve will be meeting with our Core Members to more fully understand how the Goering Center may assist in their growth and success. As a former family business owner himself, Steve relates

to the issues and opportunities of our members. The feature article in this edition gives you more details on Steve and his background. As members, you will be hearing from Steve.

The Goering Center is celebrating 20 years of service and support to our region's business community later this year. In just 6.2 more years we will complete our first marathon of service. We are fit and looking forward to continuing our training. See you on the course

service provider, Continued from Page 13

ship is doomed. Your advisors will be working with you on some of the most sensitive issues in your life so you should not go down that path with someone you don't like. Note, the goal is not to be best friends but you can't dread the thought of calling them or meeting with them. Step five is to engage the person who is the best fit based on the results of this process.

A post script—some of you may say, "Wait a minute. What about cost?" Cost should certainly be a factor but when you

are sick do you want the cheapest health care or the best care? Do you want your customers buying strictly on the price or do you want quality to be part of the mix? The success of your selection process for professional advisors is really determined by the quality of criteria development you do at step two--measure twice, cut once.

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