

MANUFACTURING MATTERS

Welch Allyn and Fulton Companies Host 7th Annual Manufacturing Careers Day

Partners for Education and Business, Inc. (PEB) and MACNY, The Manufacturers Association of Central New York (MACNY), held its 7th Annual Manufacturing Careers Day, on Friday, October 7, 2016, at Welch Allyn, a subsidiary of Hill-Rom, as well as the Fulton Companies in Pulaski. Over 400 students and 40 teachers participated from 10 of the region's high schools at the Welch Allyn and Fulton locations.



Lieutenant Governor Kathy Hochul and New York State Regent Elizabeth Hakanson were the special guests at the Welch Allyn site. The Lt. Governor spoke on matters that hit close to her, such as making sure high school students and youth get the education and training for jobs needed by manufacturers. She stressed that a new level of workforce skills are required for the jobs in advanced manufacturing – that include higher levels of math and science.

At the Fulton Companies, a global manufacturer of heat transfer products and provider of innovative energy management solutions, students were welcomed by Mark Hilton, Fulton's VP of U.S. Manufacturing. He said "We are honored to host this event, and sincerely hope to inspire the next generation of manufacturing leaders in Upstate New York."

Nearly 2700 events were scheduled as part of the National Association of Manufacturers (NAM) "Manufacturing Day," with events being held nationwide so high school students can visit manufacturing companies to learn firsthand about the great job opportunities available in manufacturing.

The event also serves as the kick off of New York State Manufacturing Month, a month long series of various events held statewide supporting and celebrating New York State manufacturing. Once again, Governor Andrew Cuomo proclaimed October as Manufacturing Month.

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We are excited to be holding Maximize Your Membership sessions on the second Thursday of each month from 9 AM - 10 AM.
Mark your calendars for our next three meetings...

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Please contact Cindy Nave at cnave@macny.org or 315-474-4201 ext. 11 to sign up for any of our upcoming sessions!

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MACNY - The Manufacturers Association

PRESIDENT'S MESSAGE



Randy Wolken
President & CEO

Manufacturing Month Success

Throughout October we celebrated National Manufacturing Day and New York State Manufacturing Month. Following our tradition, now seven years strong, we kicked off National Manufacturing Day the best way we know how: with 400 students, over 100 business, education, and community leaders, and countless hardworking and engaged manufacturing volunteers—all at two world class manufacturing facilities here in Upstate New York.

For our 7th Annual Manufacturing Careers Day, we've partnered with our affiliate organization, Partners for Education & Business, to hold day-long events at Welch Allyn in Skaneateles and the Fulton Companies in Pulaski. The day kicked off with a morning session for business, education, and community leaders and followed with tours of both Welch Allyn and Fulton Companies' manufacturing operations. And concluded, with Lieutenant Governor Kathy Hochul speaking to the students about the many benefits of careers in manufacturing.

I have had the honor of attending and participating in all seven of our Manufacturing Day celebrations. Each year, I think that our annual event cannot get any better, and lo and behold, each year, I am proven wrong. The excitement from all the students, the participation and generosity from our local manufacturers and their employees, and the dialogue and idea sharing from our business and community leaders is inspiring year after year. I am so

proud of the collaboration, the passion, and the dedication of our sector in educating tomorrow's workforce TODAY for careers in manufacturing.

We were also thrilled to announce that for the third year in a row Governor Andrew Cuomo declared October to be New York State Manufacturing Month. Throughout the state of New York there were over 90 events going on during the month of October celebrating and highlighting manufacturing.

Of course, we can make every day a manufacturing day - and we need to do just that. Otherwise, we will not have the workforce we will need to make our companies stronger and grow our economy. The time is now for our State and Nation as a whole to not only recognize just how critical manufacturing is to any nation's growing economy, but to act on it.

With that, I hope you and your businesses will be inspired to do your part and educate others about the many benefits of careers in manufacturing. For more information about the on-going campaign to promote manufacturing and to learn about ways you can get your business more engaged, please contact us here at MACNY.

Thank you for all you do to support manufacturing in our communities, our State, and our Nation.

Business Activity Continued to Decline in New York State

Business activity continued to decline in New York State, according to firms responding to the October 2016 Empire State Manufacturing Survey. The headline general business conditions index slipped five points to -6.8. The new orders index edged up but remained negative at -5.6,

indicating an ongoing drop in orders, and the shipments index increased to -0.6, suggesting that shipments were essentially flat. Labor market conditions remained weak, with both employment levels and the average workweek reported as lower. Price indexes increased somewhat,

and continued to signal moderate input price increases and a slight increase in selling prices. Indexes for the six-month outlook suggested that manufacturing firms expect conditions to improve in the months ahead. For more information visit www.newyorkfed.org.



Karyn Burns

VP, Communications & Government Relations

New York State Must Repeal Antiquated Regulations in Order to Curate A Better Business Climate

In my (just about) 10 years lobbying for MACNY, the time spent with manufacturers has embedded many golden rules of business success into my head and mindset. Of everything I have heard, the one I hear most often is such: in order to remain successful, one must be constantly innovating, adapting and changing to the needs of the customers, in order to succeed.

Sounds simple enough, right? However, when it comes to governmental relations this simple philosophy of success has not been taken to heart. Take New York State regulations for example. Did you know that there are 83 volumes consisting of State regulations alone? Thousands of these regulations have not been reviewed in decades, and have remained the same since they were implemented. How can this make sense? Business and the New York State business climate are vastly different than it was, say, 100 years ago. Heck, even 10 years ago. So how is it that Government is not addressing, adapting, and changing the regulations based on the needs of the business community, who, at risk of an argument, could be considered their customers?

A perfect example of this is the Scaffold Law. New York's Scaffold Law makes employers and property owners absolutely liable for work site injuries, even if the injury was caused by the worker's gross negligence. That means that there is virtually no defense from a lawsuit, even if the worker's negligence contributed to the accident, such as being intoxicated on the job. Even parties that had no supervisory control over the work are held liable.

For the record: this Law was passed in the late 19th Century, AND New York State is the ONLY remaining State to have the Scaffold Law still in place. While its intent to protect injured workers back in the late 19th Century was well intended and appropriate at the time, today the Law is antiquated, unnecessary in today's business environment, and incredibly costly. Because this relic of a law is still in effect in its original intent, it is causing incredible stress on our business community as we are set up today and operating. For example, the number of Scaffold Law cases has increased 500% since 1990, even though the rate of injury has decreased. Moreover, more than half of the top 30 highest settlements in New York have resulted from Scaffold Law claims, and of those, 25% were against public entities. It is estimated that the Scaffold Law alone costs taxpayers \$785 million annually.

Simply put, the Law is antiquated and no longer working as it was supposed to. This is because our business climate and those operating within it has vastly changed and operates much differently than it did in the late 19th Century. So why has it not been repealed, or adapted? And what should be done? Specifically, the current standard of "absolute liability" must be replaced with a standard of "comparative negligence." Under this standard, liability is apportioned by a jury, in proportion to actual fault. This common-sense reform would not prevent injured workers from collecting Workers' Compensation or bringing lawsuits for their injuries. It would simply give New York property owners, business owners, and contractors the chance to defend themselves in court when a worker's own negligence is a contributing factor in an accident. This is the way every other state and virtually every other area of our civil justice system functions.

The change is a simple one, a sound argument, and for the betterment of the State's business climate and taxpayers alike. Albany needs to take a page from the hard working manufacturers and businesses and realize that they too, need be innovative, adapt, and makes changes for the needs of their "customers" in order to remain successful and "in business."

If you have an interest in learning more about Scaffold Law, its impacts, or ways you can get involved in the effort to have it repealed, please visit www.scaffoldlaw.org or contact me directly at kburns@macny.org.



John Lawyer
VP, Energy Solutions

ReChargeNY Surprise!

I was interested to learn that there are ReChargeNY power allocations available for manufacturers.

As of the July New York Power Authority Trustee meeting, the following amounts of power are available to be awarded:

- 44.3 MWs for retention of large businesses
- 101 MWs for new or expanding large businesses
- 10 MWs for small businesses and not-for-profits

Of course, these values are constantly changing as applicants are awarded allocations, or when companies leave the program. The companies have an agreement to certain employment and capital investments, often the retention of current business. If a company decides not to make those investments, they end their participation in the program and the power can be allocated to another company.

In total, the ReCharge program includes 731 businesses across the State that currently have a low cost power allocation. Of this, 88 customers are located in the Central NY region.

As of a 2014 report, ReCharge New York customers saved \$89M across the State. Customers in Central NY saved \$7M. These savings were realized in the relatively low cost power we have experienced over the last couple of years.

If you are not familiar with the ReChargeNY program, information about the program, eligibility, and the application can be found at www.nypa.gov/RechargeNY/

A few highlights from the program include:

1. The key resource for the program is 450 megawatts of hydropower from the NYPA Niagara Power project.
2. The key purpose of the program is job creation and retention.
3. Large Applicants are those with a peak power load above 400KW. There is a larger amount of these power left to allocate.
4. There is also power for smaller companies with a load under that threshold.
5. There are a number of criteria for evaluating applicants including the number of jobs being retained or added, and the significance of energy to the company's business.
6. The local regional economic development council has input into the evaluation process.
7. A typical allocation has been 25% of the load of the company. Another 25% of market power procured by NYPA can be allocate as well. Many companies have opted to take only the hydropower allocation.
8. There is a delivery discount available, in the form of a discounted systems benefits charge. I do not know what will happen to this benefit when the SBC charge is replaced by the Clean Energy Standard fees.

A company applies using the Consolidated Funding Application (CFA). I have assisted companies with their CFA and it is not particularly long or complicated. I encourage you to apply for an allocation if you have not already done so.

- 61% of people born in NY have stayed in NY - 13% have moved to NJ or FL.
- Norway is going to build underwater traffic tunnels – that float.
- There is a deep sea sponge that lived an estimated 11,000 years.
- Divorce filings peak in March and August.
- There is such a thing as a quadruple A battery.
- The U.S. Mint consumes 18 tons of ink per day.
- 2M tons of Tuna are eaten every year. 25% of that is in Japan.





Patty Clark
HR Services Manager

A New Take on Wellness Programs

In the past, the typical company wellness program included a smoking-cessation program, a walking at lunch program, as well as a biometric screening program. Today, companies are going beyond the basics with new and innovative benefits to attract and retain employees. They are offering generous health benefits that promote healthy eating, as well as a healthy mind and body. According to a recent study of young working women conducted by PwC, 97% still state a good work-life balance is important to them when looking for employment. Some of the trendiest new offerings are a meditation room at Twitter, breast milk shipping for nursing mothers traveling for work at IBM, and unlimited vacation days at Netflix.

The new objective of wellness programs is a well-rounded employee, offering programs that effect employees' physical and mental health, social lives, and even a sense of purpose. Epic, a health care software company based in Verona, Wisconsin, offers a four-week paid sabbatical after employment of five years so employees can expand their horizon. Primal Wear, a cycling apparel company, takes care of the registration and the entry fee for local bike races, and even buys lunch for the racer and staff after the ride. These are just a few of the many new and innovative perks companies are implementing when trying to raise the bar when it comes to wellness programs at work.

Although the innovative benefits seem like a great idea to current staff, and even to potential employees, some could see the initiatives as something else to find time for in their busy day. One perk, unlimited vacation time, isn't working for some, people just don't take enough time off. It seems like a great idea to offer things like on site exercise classes, an indoor rock climbing wall, yoga classes, or even a napping chair, but if you don't have time to take advantage of them, why are they offered? To work through any potential issues, some companies are investing in "organization support," making sure managers are participating in the perks such as a yoga class and encouraging staff to do the same. As Jody Kohner, VP of Employee Marketing and Engagement at Salesforce stated, "It's a fast-paced company, and we're trying to win. But we all need to stop and breathe every now and then."

Companies obviously benefit from a wellness program. They help with recruiting and retention of employees as well as reducing the cost of healthcare for employers. Just as it is important for a company to have some degree of a wellness program, it is just as important to care about the wellness of employees. Genuinely valuing and caring about the health of staff has a positive effect, leading to a well-balanced and engaged employee with an improved job performance. The days of looking at an employee as a line item should be fading and moving towards a well-rounded person, physically and mentally.

Some of the innovative and creative wellness perks represent a small percentage of companies in the United States. Whether the programs are big or small they all add to an overall healthy and engaged workforce which ultimately impacts the bottom line.

Hot Off The Line

Q – I’ve always been told that one employee cannot work alone in the office part of our building. I understand the concern on the shop floor, but what about the office? I did not see a policy in our handbook. Is this an OSHA rule?

A – There is not a rule that states more than one person has to be in the office part of the building at one time. It would be an individual company policy. (Sorry if you were trying to get out of going in to work by yourself!)



HR Stats & Facts

- According to a Benefits Strategy & Benchmarking Survey by Gallagher & Co., fewer than 5% of employers use a defined contribution arrangement & a private exchange. This number is expected to triple by 2018. This is one innovative alternative to the traditional plan. *Source: EBN Sept. 2016*
- A recent survey of 577 HR and Benefit professionals, found that nearly 25% of large companies offer fertility services to their employees. *Source: ebn.benefitnews.com*
- A person burns 548 calories in an hour long rowing session. *Source: Self Magazine Oct. 2016*

C P I

Wage/Clerical	Aug.	July	Pt. Chg. (Mo.)	\$ Chg. (Mo.)	% Chg. (Yr.)
1967=100	699.7	699.4	0.4	0.1%	0.7%
1982-84=100	234.9	234.8	0.1	0.1%	0.7%
Urban					
1967=100	721.5	720.9	0.6	0.1%	1.1%
1982-84=100	240.9	240.6	0.2	0.1%	1.1%
Unemployment Rates					
August - Onondaga County: 4.2; Metropolitan Syracuse Area (MSA): 4.5					



David Freund
Chief Leadership Officer

Are You Big Enough?

I recently heard a story of two high school football players who were both being evaluated for Division One college programs. Both played on the same team in high school and were very good. One better than the other. As the college offers came, the slower of the two athletes was offered a Division One scholarship, and the faster of the two did not get an offer. Disappointed and heartbroken he approached the recruiter and asked why he was not chosen. The recruiter replied, "Because your frame is too small. You do not have a big enough structure for the strength and conditioning coaches to build on." He was fast enough, talented enough, but not structurally big enough to build on.

Can this happen to us as well? We may be fast and agile. We may have a great deal of talent and desire but are we limited? We can be too small to achieve our goals and dreams. Are we missing the structure needed to fully utilize our gifts?

The way to overcome this challenge in our lives is to reverse the process. We need to build from the inside out. We need to focus on growing who we are on the inside which will result in building a structure big enough to take us to the next level. We need to become intentional in our growth. Do we have a plan to grow? Have we identified who can help us grow?

For a dozen years, I worked as the president of a company that was nearing its 100th anniversary. My job was to build the business and position it for its next century. What became clear to me is that for the company to grow, I had to grow. In his book *The 21 Irrefutable Laws of Leadership*, John Maxwell writes about the "Law of the Lid" which states that the organization is limited by its leaders ability. Unless I was willing to admit my lack of ability and begin to grow, the business I was the custodian of would not be able to grow.

So what keeps us from growing? I think most often the main reason we do not grow is that we have been successful. We often look at how far we have come as opposed to how far we can go. Maybe we have accomplished some amazing things, or maybe people have told us how well we have done for ourselves. All of this may be true, but past performance is not always a predictor of future results. In fact, we may have plateaued, and do not even know it. What a dangerous position to be in. The world around us is changing at an ever increasing pace, while we are merely coasting and oblivious to what is happening.

Let's take a look at very successful people. Benjamin Franklin invested roughly one hour per day in the pursuit of **deliberate learning**. According to his journals, he started each day with a question, namely, "what good shall I do this day?" and each evening he ended the day with the questions " what good have I done this day?" Franklin was intentional about learning and growing his entire life and thankfully shared his journey with us through his writings. Bill Gates reads 50 books a year, and Mark Zuckerberg is said to read one book every two weeks. Leadership guru and best-selling author John Maxwell reminds us that "Good Leaders Ask Great Questions." John is often heard asking his team "What am I missing?"

What about you? Are you the slower athlete with a frame big enough to build on or are you the quick athlete who is limited by his frame? What deliberate action will you take to prepare yourself for tomorrow's opportunities?

I would be happy to help you discover the answer to that question.



Bruce Hamm
Director of Business Engagement

MACNY Apprenticeship Program Updates

Thanks to the hard work of all our participating companies, progress on launching the MACNY Apprenticeship Program is going exceedingly well. I would ask you to join me in welcoming MACNY's newest employee and Apprenticeship Program Coordinator, Martha Ponge. Martha comes to us with an extensive background in teaching in industry, community college, BOCES, and high school. Martha holds her BS in Mechanical Engineering from Clarkson and her Master's in Education from SUNY Oswego.

She started with us in mid-September and has already jumped in with both feet and proven immensely valuable in just a few short weeks. Many of you have already had the pleasure of meeting Martha and working with her. She has been and will be working with individual companies, our training providers, and the New York State Department of Labor (NYSDOL) to help us implement the program. If you would like to get in touch with her to ask about apprenticeships or just to introduce yourself she can be reached at mponge@macny.org or 315-474-4201 ext. 16.

As I reported to you in September, our Steering Committee selected five occupational titles to start the program. The five occupational titles selected by the committee were: CNC Machinist, Toolmaker, Welder, Electronics Technician, and Maintenance Mechanic. I also reported that five subcommittees would thoroughly review the NYSDOL outlines and bring them up to date. Our companies were extremely responsive in providing highly skilled members for the subcommittees. The review work was completed in record time by them, and the revised outlines have already been submitted to NYSDOL for review and approval. We have been told that all of the revisions looked good and there should be no problems with them being approved.

We have continued to meet with ToolingU and have finalized plans for them to expand the NYSDOL outlines into competency based training frameworks that can easily be followed by the companies that will be training apprentices on-the-job. We will also be contracting with ToolingU to provide each apprentice with a full subscription to the library of over 400 training offerings available.

We have completed almost all of our initial meetings with the area community colleges that are expected to provide a great deal of the additional technical classroom training the apprentices will need. The colleges are reviewing the NYSDOL outlines and preparing training plans and selecting courses that will match the knowledge requirements of the apprentices.

We have also met with the Central New York Technology Development Organization (CNYTDO or TDO for short) concerning training for the persons who will be overseeing the apprentices on-the-job. The persons who will be training the apprentices will not only need to know the material on the training outlines themselves, but they will need to be able to pass their knowledge on to the apprentices as well. There are well established techniques for doing this, and we want to make sure the apprentice instructors have the knowledge and the tools they need to be successful in preparing the apprentices.

Lastly MACNY is in the process now of registering all five programs with NYSDOL. The participating companies don't have nearly the paperwork requirements they would have if they were registering programs on their own however there are a few items they will need to work with MACNY to provide. If you are involved already you know we are working with you to get this information. If you are not involved but think you might be interested, the time to contact us is now! We expect apprentices to be coming on board as early as November and enrollments will continue through the first of the year. Contact Bruce at bhamm@macny.org or Martha at mponge@macny.org or call us at 315-474-4201.



Joe Vargo
Executive Director
Partners For Education & Business

Welch Allyn Hosts 400 for Manufacturing Careers Day *Lt. Governor Kathy Hochul Addresses Participants;* *Fulton Companies Serves as 2nd Site Hosting 100 Students*

Partners for Education and Business, Inc. (PEB) and MACNY held its 7th Annual Manufacturing Careers Day event on October 7th at Welch Allyn. Fulton Companies also served as host for students from the Northern Onondaga County/Oswego County region. Manufacturing Careers Day serves as an annual opportunity for regional high school and college students to visit participating manufacturing companies to tour, engage, and learn firsthand about the many benefits and opportunities available in manufacturing careers. It also serves as the kick off for New York State Manufacturing Month, a month long calendar of nearly 100 events held statewide supporting manufacturing in New York State.

Angela Lee, Senior Vice-President of Human Resources at Welch Allyn, initiated the Manufacturing Careers Day celebration with opening remarks and welcomed the education and business leaders in attendance at an opening session. In her remarks, she emphasized the critical importance of early education and providing pathways into successful careers including manufacturing. She said, “We are thrilled to have you here today for PEB’s 7th Annual Manufacturing Careers Day at Welch Allyn. Our collective goal is to expose students and teachers to the myriad of potential career paths and opportunities that abound in a manufacturing career. These students are our nation’s future, and we want to engage with them early on and introduce them to careers that they may have never even thought possible - right here in their own backyard.”

After a welcome from Matt Tryniski, President of the PEB Board of Directors and Randy Wolken, President of MACNY, the audience was introduced to Special Guest, Regent Elizabeth Hakanson.

A total of 435 students and teachers from nine area high schools spent the morning visiting six tour stops at each of the campuses of Welch Allyn and Fulton Companies. Welch Allyn’s agenda included demonstrations of Robotics/Manufacturing Supply, Customer Experience Center, Supply Chain Management, Research & Development, and Lean Simulations.



At the end of the tours, Val Finarty, Vice-President of Operations for Welch Allyn, addressed the audience on the need for early engagement of students and the critical and essential role of manufacturing. She then introduced Lt. Governor, Kathy Hochul, who challenged the students to take advantage of education and careers and to work in New York State,

especially in the many opportunities in manufacturing offered at companies like Welch Allyn. Dan Cummings of News Channel 9 served as emcee.

Fulton Companies hosted students including those from Oswego County and the P-TECH Program at the Syracuse City School District. The students learned about the process of Manufacturing through tour stops on 3-D printing, Robotic Welding, Mechanical & Electrical Engineering, Manufacturing Custom Mechanical Equipment, Manufacturing Custom Electrical Controls, and Lean Manufacturing.

Joe Vargo, Executive Director of Partners for Education & Business added, “For over 22 years, PEB has worked with our business, education, and community leaders on strategies to improve the ways we can reach students to educate them on the career opportunities available to them. Manufacturing

Careers Day is just one example of the many successful programs necessary to achieve this goal of awareness. We applaud the businesses, educators, administrative leaders, and sponsors on their commitment to provide students with important information about the variety of careers that await them in advanced manufacturing in greater Central New York.”



Mark Hilton of Fulton Companies explaining operations to Oswego County students.



He also thanked the sponsors of the event: **Welch Allyn, Fulton Companies, Corning, Volpi, Knowles, Nucor Steel-Auburn, Lockheed Martin, Cryomech, Currier Plastics, INFICON, Schneider Packaging, Morse Manufacturing, West Rock, GE Inspection, EJ USA, and Bo-Mer Plastics.**

Preliminary survey results are encouraging: two-thirds of the students stated that the visits to Welch Allyn and Fulton Companies changed their mind about how they view careers in manufacturing. When asked if they would consider a job in the manufacturing industry after their experience, over 70% said YES! In addition, about one-third of students stated they

were still “Not Sure” which proves the need to provide more awareness about these careers.

October 7th was also recognized as National Manufacturing Day, with over 2,000 events held throughout the United States highlighting the successes of advanced manufacturing.





Barbara James, Partner
Harris Beach, PLLC

New Proposed Regulations on Valuation of Family Owned Businesses

On August 2, 2016 the IRS and the Department of Treasury issued proposed regulations dealing with the valuation of family-owned businesses for gift and estate tax purposes. While regulations in this area had been expected for some time, most practitioners had not expected that the regulations would take the direction adopted by the IRS, and the new regulations could cause substantial changes in the way closely held businesses are valued for gift and estate tax purposes.

The proposed regulations would apply to businesses which are owned 50% or more by a family. (The IRS already has fairly complex family attribution rules in place, and these rules would apply here.) A family member's interest in the business would be valued under the proposed rules as if the owner could immediately sell the interest back to the company for a value equal to the pro-rata value of the entire company (less debt), paid in cash or property (generally note including a promissory note). Discounts of up to 30 or 50% or higher, such as discounts for minority interest or lack of marketability, which are currently available, would be reduced or even eliminated. The IRS will do this by disregarding certain restrictions on voting rights and/or the ability to transfer or liquidate interests – restrictions that would ordinarily permit the use of a discount to the value of the interest. The restrictions subject to the new rules are defined by the effect they would have on the transfer tax value of the company, rather than by the particular kind of restriction to be disregarded.

Transfers within three years of an individual's death will be affected by the new rules, which would require the value of a lost liquidation right to be included in the decedent's estate. This "lost value" would create a "phantom asset" subject to estate tax.

Some exceptions are provided for transfers of business interests to non-family members.

The new rules will apply to all family-controlled businesses, whether in the form of a corporation, partnership or LLC, and they will also apply to operating businesses as well as partnerships or LLCs whose sole purpose is the management of investments. The net effect of the new rules would be to increase the value of the business interest for gift or estate tax purposes, and to increase the gift or estate tax payable (although reducing capital gains tax paid when the business interest is actually sold).

A public hearing on the regulations is scheduled for early December, and the new rules (whatever form they may take) will be effective when final regulations are published. Because of the uncertainty as to the form of the final regulations, and the likelihood that the new regulations will be less favorable to taxpayers than current law, any family contemplating transfer of business interests that would involve discounts (including minority interest and lack of marketability) should plan to complete the transfers before December, 2016 in order to be able to take advantage of the current law.

Barbara counsels her clients on estate planning, estate administration and elder law. She has extensive experience drafting wills and trusts and in all facets of estate administration, including preparing estate and gift tax returns, probate documents, and estate and trust accountings for both New York and Florida estates. Barbara has a significant elder law practice that includes planning for long-term care expenses, and tax planning for retirement benefits. Harris Beach has offices throughout New York state, including Albany, Buffalo, Ithaca, Melville, New York City, Rochester, Saratoga Springs, Syracuse, Uniondale and White Plains, as well as New Haven, Connecticut and Newark, New Jersey.



Ryan C. Cartwright, CPA, CGMA
Firley, Moran, Freer & Eassa, CPA, P.C.

Succession Planning Troubles? Consider an ESOP

Most owners of privately held businesses are busy running their business and are not well-versed in the art of succession planning. In addition, the majority of a business owners' personal wealth is usually tied up in the business which creates the need for a "liquidity event" to occur as retirement approaches. Many owners employ several traditional strategies to accomplish this including:

- Transfer of the business to the next generation
- Sale of the business to management
- Sale of the business to an unrelated third party.

However, another exit strategy seems to be gaining traction throughout the United States: the sale of all or a portion of the business to an Employee Stock Ownership Plan (ESOP). This article will describe how ESOP's provide a succession plan and review the advantages and disadvantages of selling all or part of a business to an ESOP.

What is an ESOP?

An ESOP is a type of qualified retirement plan similar to a 401(k) plan, except that an ESOP is required by statute to invest primarily in the shares of stock of the ESOP sponsor. In addition, ESOP's are specifically permitted to finance the purchase of employer stock by borrowing from the plan sponsor. Typically, the ESOP sponsor borrows money from lenders, investors or selling shareholder(s), and then loans the ESOP the funds for the purpose of acquiring shares from the ESOP sponsor. The proceeds from the acquisition of stock goes to the selling shareholder(s). The ESOP sponsor is then required to make tax deductible contributions to the ESOP each year which is then used by the ESOP to repay the loan from the ESOP sponsor. As the ESOP loan is paid down, shares are allocated to employee accounts annually, generally in proportion to the employee's annual compensation. Employees will then receive cash for their shares upon retirement, termination, disability, or death.

Advantages of an ESOP

- Capital gains realized on the sale of stock by a C Corporation may be deferred (or eliminated) provided certain criteria are met.
- To the extent an ESOP owns stock of an S Corporation, those earnings will be exempt from federal taxes.
- Company receives a tax deduction for annual contributions made to the ESOP.
- Shareholder(s) receive desired liquidity without selling to a competitor.
- Provides a retirement benefit for employees.
- Shareholder(s) can gradually transition the ownership over a period of time while maintaining control of business operations.
- Increases employee commitment for future business growth.

Disadvantages of an ESOP

- ESOP will typically pay a competitive price to the selling shareholder(s) but will not pay a strategic premium for the shares as a competitor may have a tendency to do. Owners looking to achieve a maximum cash price for the business should not consider an ESOP.
- Limits apply to the amount of tax deductible contributions that can be made to an ESOP each year.
- There can be significant cost to the ESOP sponsor in connection with the initial set up and ongoing administration of the plan itself.
- The ESOP sponsor will have an obligation to repurchase vested shares from ESOP participants who terminate employment which will require careful cash flow planning.
- ESOPs as an exit strategy require a more structured and deliberate approach to succession and estate planning.

Conclusion

ESOPs are gaining in popularity as a succession planning option as the benefits for shareholders, management teams, and employees can be significant. However, ESOP's are highly technical and complex and are not the ideal option in every situation. If business owners are considering an ESOP as an exit strategy, careful planning and retention of experienced professional advisors is a must.

Ryan C. Cartwright is a Principal at Firley, Moran, Freer & Eassa, CPA, P.C. with extensive Commercial Audit experience. Firley, Moran, Freer & Eassa, CPA, P.C. is a regional Certified Public Accounting firm based on Syracuse, New York. The firm provides a wide range of accounting, auditing, tax and business advisory services to business and individuals within the manufacturing, construction, credit union, energy, wholesale distribution and professional service industries.

MACNY & PEB STAFF UPDATE

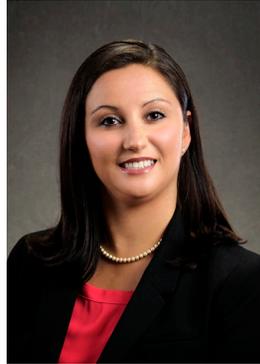
Please join us in welcoming our three newest employees -
Arlene Hiltbrand, Meghan McBennett, and Martha Ponge!
We hope you will have the chance to work with them soon.

Arlene Hiltbrand
Operations Coordinator



ahiltbrand@macny.org
315-474-4201 ext. 19

Meghan McBennett
P-TECH Business Outreach Coordinator



mmcbennett@macny.org
315-448-1012

Martha Ponge
Apprenticeship Program Coordinator



mponge@macny.org
315-474-4201 ext. 16

WELCOME OUR NEW MEMBERS...

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

The mission of Onondaga County Industrial Development Agency is to stimulate economic development, growth, and general prosperity for the people of Onondaga County using available incentives, rights, and powers in an efficient and cooperative manner. Visit them at www.syracusecentral.com

SENECA FALLS SPECIALTIES & LOGISTICS COMPANY

Seneca Falls Specialties & Logistics Company provides warehouse services, logistics, fulfillment, packaging, and storage to Central NY and Western NY companies. Visit them at www.sfslog.com

WORLDLEADERS INC.

Worldleaders helps organizations develop, align, and implement their critical sales dimensions - sales process, sales skill improvement, and acquisition of top sales talent. Visit them at www.worldleaderssales.com

If you know of companies that could benefit from a MACNY membership, please contact Cindy Nave at 315-474-4201 ext. 11 or cnave@macny.org.

Month at a glance... NOVEMBER

- 2 Federal Employment Law**
Time: 8:30 AM - 12:30 PM; Cost: \$195 per MACNY Member (\$175.50 per Individual Member) / \$395 per non-MACNY Member; Facilitator: Michael Dodd
- 2 Business Development Council: Gryphon Sensors**
Time: 8 AM - 10 AM; Cost: Free for Business Development Council Members and Individual Members / \$40 per non-Business Development Council Member
- 3 Training: 5S and Visual Workplace**
Time: 1 PM - 5 PM; Cost: \$195 per MACNY Member (\$175.50 per Individual Member) / \$395 per non-MACNY Member; Facilitator: David Freund, Chief Leadership Officer, MACNY
- 3 HR Council: Mentoring/Teaching Emotional Intelligence In The Workplace**
Time: 8 AM - 10 AM; Cost: Free for HR Council Members and Individual Members / \$40 per non-HR Council Member; Presenter: David Freund, Chief Leadership Officer, MACNY
- 4 P-TECH Mentor Information Session**
Time: 12 PM (lunch provided)
- 8 New York State Employment Law**
Time: 8:30 AM - 12:30 PM; Cost: \$195 per MACNY Member (\$175.50 per Individual Member) / \$395 per non-MACNY Member; Facilitator: Michael Dodd
- 8 Foundational Competencies Training (2-day training)**
Time: 8:30 AM - 4:30 PM; Cost: Free (maximum of three attendees per company)
- 9 Forklift Operator Safety Training: Train-the-Trainer**
Time: 8:30 AM - 3:30 PM; Cost: \$300 per MACNY Member (\$270 per Individual Member) / \$500 per non-MACNY Member; Facilitator: Dave Bennett, Thompson & Johnson
- 9 Finance Council: Evaluating Outsourcing Production vs. Internal Costs**
Time: 8 AM - 10 AM; Cost: Free for Finance Council Members and Individual Members / \$40 per non-Finance Council Member
- 10 Maximize Your MACNY Membership Session**
Time: 9 AM - 10 AM
- 15 Understanding Yourself and Others - Behavior Styles (DISC)**
Time: 1 PM - 5 PM; Cost: \$250 per MACNY Member (\$225 per Individual Member) / \$450 per non-MACNY Member; Facilitator: David Freund, Chief Leadership Officer, MACNY
- 15 Safety Record Keeping**
Time: 8:30 AM - 12:30 PM; Cost: \$195 per MACNY Member (\$175.70 per Individual Member) / \$395 per non-MACNY Member; Facilitator: Mark Sliker, Occupational Safety Consultants, Inc.
- 15 HR Breakfast Briefing: Wage & Hour Update**
Time: 8 AM - 10 AM; Cost: \$25 per MACNY Member/Firm Client / \$35 per non-Member/non-Firm Client; Presenter: Chris Harrigan, Barclay Damon, LLP
- 16 Safety Council: Tour of Byrne Dairy - Cortlandville**
Location: 117 Groton Ave., Cortland, NY 13045; Time: 10 AM, lunch to follow; Cost: \$25 for Safety Council Members and Individual Members / \$65 for non-Safety Council Members

Unless otherwise noted, all events and classes are held at MACNY Headquarters, 5788 Widewaters Parkway, Syracuse, NY 13214



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Work-based Learning Coordinator



MEGHAN MCBENNETT
P-TECH Business Outreach
Coordinator

The information provided herein is general in nature and is designed to serve as a guide to understanding. If the reader has a specific need or problem, the services of legal counsel should be sought to address the particular situation. Non-profit bulk rate postage is paid at Syracuse, NY.