

THE ILLINOIS **Manufacturer**

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Spring 2013

**Health care
and the small
business
owner**



IMA MEMBER PROFILE:
Forest City Gear lands on Mars
**Changing the way American
businesses fuel fleet vehicles**

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Quarterly Economic Update

Commercial Bank



We continue to expect that economic growth this year will be close to 2+%(4Q/4Q) and pick up further in 2014. Support for expansion has improved with moderate but sustained job gains, more effective monetary accommodation as reflected in buoyant financial markets, and the rippling effects of reviving housing. Short-term volatility due in part to weather distortions has provided an extra lift to Q1 GDP but consumer discretionary spending has softened post tax hikes. Fiscal drag is nearing its peak impact in the next several months as sequestration is implemented. The recovery's underlying momentum also may buffer some of the effects of deficit reduction. Our base case fiscal outlook does not anticipate major reforms.

To discuss how this data can impact your business please call:

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The Federal Reserve's aggressive forward guidance and open-ended bond-buying have yielded the longest stretch of accommodative financial conditions since the late-1990s. The drag from fiscal restraint and Fed officials' high bar for satisfactory job growth will likely sustain QE at an elevated pace through the first half. Beyond that, officials may begin to curtail the pace of QE by the start of Q4. High unemployment and low inflation suggest no start to exit strategies through 2014.

The outlook for inflation remains relatively benign with recent underlying price trends softer than long-term policy targets. Seasonal biases have firmed core CPI slightly but the patterns in PCE measures are more muted. We expect inflation to stabilise close to its 2% target this year with modest cyclical pressures thereafter as global growth firms and wage costs rise with continued gains in hiring demand.

United States — Economic Forecasts, 2012-2014F

| | | | | | 2012 | 2013 | | | | 2014 | | |
|----------------------------------|------|------|-------|-------|------|------|------|------|------|------|------|------|
| | | 2012 | 2013F | 2014F | 4Q | 1QF | 2QF | 3QF | 4QF | 1QF | 2QF | 3QF |
| GDP | SAAR | | | | 0.4% | 2.8% | 1.1% | 2.6% | 2.9% | 3.1% | 2.9% | 3.1% |
| | YoY | 2.2% | 1.9% | 2.8% | 1.7 | 1.9 | 1.8 | 1.7 | 2.4 | 2.4 | 2.9 | 3.0 |
| Domestic Demand | SAAR | | | | 1.5 | 1.5 | 1.3 | 2.6 | 3.0 | 3.4 | 3.3 | 3.5 |
| | YoY | 2.0 | 1.7 | 3.1 | 1.8 | 1.6 | 1.6 | 1.7 | 2.1 | 2.6 | 3.1 | 3.3 |
| Consumption | SAAR | | | | 1.8 | 2.7 | 1.1 | 2.6 | 2.9 | 3.5 | 3.2 | 3.5 |
| | YoY | 1.9 | 2.0 | 3.1 | 1.8 | 1.9 | 1.8 | 2.1 | 2.3 | 2.5 | 3.0 | 3.3 |
| Business Investment | SAAR | | | | 13.2 | -0.3 | 4.7 | 5.9 | 7.1 | 6.9 | 6.4 | 6.4 |
| | YoY | 8.0 | 4.3 | 6.5 | 5.5 | 3.5 | 3.8 | 5.8 | 4.3 | 6.1 | 6.6 | 6.7 |
| Housing Investment | SAAR | | | | 17.6 | 10.2 | 13.7 | 19.4 | 21.1 | 17.2 | 21.0 | 18.6 |
| | YoY | 12.1 | 14.4 | 18.6 | 14.9 | 12.4 | 13.7 | 15.2 | 16.0 | 17.8 | 19.7 | 19.5 |
| Government | SAAR | | | | -7.0 | -3.3 | -1.3 | -1.2 | -1.2 | -1.0 | -0.8 | -0.8 |
| | YoY | -1.7 | -2.2 | -1.0 | -1.8 | -1.9 | -2.0 | -3.2 | -1.8 | -1.2 | -1.1 | -1.0 |
| Exports | SAAR | | | | -2.8 | 2.1 | 3.4 | 4.0 | 4.1 | 4.7 | 4.1 | 4.6 |
| | YoY | 3.4 | 1.9 | 4.3 | 2.1 | 1.6 | 1.1 | 1.6 | 3.4 | 4.0 | 4.2 | 4.4 |
| Imports | SAAR | | | | -4.2 | 4.1 | 2.4 | 3.8 | 4.4 | 5.6 | 5.8 | 5.8 |
| | YoY | 2.4 | 1.5 | 5.0 | 0.2 | 0.5 | 0.4 | 1.5 | 3.7 | 4.1 | 4.9 | 5.4 |
| PCE Deflator | YoY | 1.8 | 1.3 | 2.1 | 1.6 | 1.2 | 1.1 | 1.3 | 1.4 | 1.7 | 2.2 | 2.2 |
| Core PCE Deflator | YoY | 1.7 | 1.5 | 2.1 | 1.5 | 1.3 | 1.3 | 1.5 | 1.8 | 2.0 | 2.1 | 2.1 |
| Unemployment Rate | % | 8.1 | 7.6 | 7.0 | 7.8 | 7.7 | 7.7 | 7.6 | 7.3 | 7.2 | 7.0 | 6.9 |
| S&P 500 Profits (US\$ Per Share) | YoY | 6.1 | 6.0 | 6.4 | 7.2 | 5.0 | 6.3 | 6.0 | 6.8 | 6.4 | 6.7 | 6.7 |

Notes: F Citi forecast. E Citi Estimate. YoY Year-to-year percent change. SAAR Seasonally adjusted annual rate

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, I/B/E/S, Treasury Department, Wall Street Journal and Citi Research

| | | Quarterly Average | | | | | |
|--|---------|-------------------|-------|-------|-------|-------|-------|
| | Current | 2Q 13 | 3Q 13 | 4Q 13 | 1Q 14 | 2Q 14 | 3Q 14 |
| US | | | | | | | |
| Policy Rate (Fed Funds) End Quarter | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| 3-Month Libor | 0.28 | 0.28 | 0.30 | 0.34 | 0.40 | 0.50 | 0.60 |
| 2 Year Treasury Yield | 0.22 | 0.24 | 0.30 | 0.40 | 0.50 | 0.63 | 0.75 |
| 5 Year Treasury Yield | 0.70 | 0.78 | 0.93 | 1.08 | 1.28 | 1.53 | 1.73 |
| 10 Year Treasury Yield | 1.72 | 1.86 | 2.13 | 2.38 | 2.63 | 2.83 | 3.00 |
| 30 Year Treasury Yield | 2.90 | 3.08 | 3.40 | 3.68 | 3.93 | 4.13 | 4.30 |
| 2-10 Year Treasury Curve | 150 | 162 | 183 | 198 | 213 | 220 | 225 |
| 2 Year Swap Spread (Swap Less Govt), bp | 15 | 15 | 16 | 19 | 20 | 20 | 20 |
| 10 Year Swap Spread (Swap Less Govt), bp | 17 | 17 | 14 | 8 | 3 | 0 | 0 |
| 30 Year Swap Spread (Swap Less Govt), bp | -7 | -6 | -10 | -15 | -18 | -23 | -28 |
| 30 Year Mortgage Yield | 3.51 | 3.58 | 3.73 | 3.88 | 4.10 | 4.33 | 4.45 |
| 10 Year Breakeven Inflation | 240 | 240 | 240 | 240 | 245 | 248 | 243 |

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Mission Statement

The object for which the Illinois Manufacturers' Association was formed is to strengthen the economic, social, environmental and governmental conditions for manufacturing and allied enterprises in the state of Illinois, resulting in an enlarged business base and increased employment.

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Share your company news with IMA . . .

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The re-awakening of the American dream



The Illinois Business Immigration Coalition (IBIC) is a group dedicated to common-sense immigration reform as a means to rebuild the economy and provide companies with the talent they need . . .

At the invitation of Caterpillar Chairman and CEO Doug Oberhelman, and John Rowe, Chairman Emeritus of Exelon, the IMA was invited to participate in the launch of the Illinois Business Immigration Coalition (IBIC) — a group dedicated to common-sense immigration reform. The business-backed group hopes to avoid some of the political pitfalls of the past and instead focus on the immigration issue as a means to rebuild the economy and provide companies with the talent they need while promoting the integration of immigrant-consumers/taxpayers into our economy. The Illinois Manufacturers' Association is supporting this organization because it is introducing a reality-based checklist into the immigration debate. Below are just a few of the cogent points being made:

- **We need high-skilled immigration:** The U.S. is facing a critical shortage of science, technology, engineering, and math (STEM) workers. By 2018, there will be more than 220,000 advanced-degree STEM jobs that will not be filled, even if every single American STEM graduate finds a job.
- **We need low-skilled immigration:** Currently, 75 percent of agricultural workers hired in the United States are foreign born. And, according to the USDA Economic Research Service, a decrease in available immigrant labor could reduce U.S. agricultural output and exports over the long haul, even as the demand for food is growing.
- **We need immigrant entrepreneurs:** Illinois' 56,567 Latino-owned businesses had sales and receipts of \$10.3 billion and employed 77,449 people in 2007, the last year for which data is available. The state's 59,367 Asian-owned businesses had sales and receipts of \$18.5 billion and employed 102,991 people, according to the U.S. Census Bureau's 2007 Survey of Business Owners. Immigrants are nearly twice as likely as U.S.-born entrepreneurs to start new businesses according to analysis of entrepreneurial activities between 1996 and 2008.
- **We need to make sure international and undocumented students trained by American universities are able to create jobs here at home:** Nearly 90 percent of patents from the University of Illinois have at least one immigrant inventor. Providing incentives for undocumented students to pursue college and allowing them to work here legally will add 1.4 million jobs and generate \$329 billion in economic activity over the next 20 years.
- **We need immigrant consumers and taxpayers:** In the Chicago metro area alone, the consumer expenditures of unauthorized immigrants generated more than 31,000 jobs in the local economy and added \$5.5 billion annually to the gross regional product, according to a 2002 survey by the University of Illinois at Chicago. Unauthorized immigrants in Illinois paid \$499.2 million in state and local taxes in 2010, according to data from the Institute for Taxation and Economic Policy, which includes \$85.4 million in state income taxes, \$45.8 million in property taxes and \$368 million in sales taxes.
- **We need immigrants to sustain American manufacturing:** A 2011 survey conducted by Deloitte and the NAM's Manufacturing Institute found that even with unemployment hovering close to nine percent, U.S. manufacturing companies could not fill 600,000 open positions for skilled workers. More than half the executives who participated in the survey expected the shortage to grow over the next three to five years.

The IBIC hopes to recruit over 1,000 businesses and 300 CEO's from all economic sectors of the Illinois economy to sign up in support of this effort. And then, we need to contact our federal legislators and urge them to support common-sense reform. If you support the effort, please go to www.illinoisbic.biz and sign up to help this effort.

Immigration is certainly a hot button political topic. However, a growing economy, one that can compete with any nation in the world, needs vibrancy and talent to meet the challenges of the upcoming decades. Allowance for new citizens from all over the world is something we should embrace, not fear. Immigrants have always been a key element of the American dream. I urge you to join this effort to help your business, your state and your country. ■



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For more information contact IMA board member **Karen Kurek** at karen.kurek@mcgladrey.com or **312.634.3920**.

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Dear Governor Quinn and lawmakers . . .



In the last three years, Illinois exports have jumped by more than 60 percent, to \$68 billion, largely because of the industrial sector. Today, manufacturers employ nearly 600,000 workers . . .

I hope that you had a nice vacation. As you return to the Capitol from the two-week spring recess, I hope that you are well rested and prepared to make the tough, but necessary, decisions that will begin to restore Illinois' fiscal health so that we can again be an economic engine for the Midwest and United States. We have the transportation infrastructure, world-class airport, education system, skilled workforce, and a great location in the middle of the country. Our innate advantages are the envy of nearly every state in the nation but we face big challenges and decisions must be made.

Unfortunately, rather than leading Illinois forward, most of you have kicked the pension and budget cans down the road, preferring political expediency to actually solving problems. Some of you cast votes or advocated for the largest income tax hike in history with a promise that it would be temporary and used to pay down the mountain of bills and address the pension debt. Two years later, despite \$15 billion in new tax money, our backlog of bills still exceeds \$8 billion and our pension debt skyrocketed nearly 30 percent to \$96 billion.

It's time to stop passing the buck, blaming the other party and sticking your heads in the sand on pension reform. If you need inspiration, take Teddy Roosevelt's advice to heart when he stated that "in any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

As you know, Illinois simply cannot continue on this path. Don't take my word for it. Standard & Poor's have downgraded Illinois' bond rating and we're now judged as the least creditworthy state in the nation. Moody's Analytics who prepared a state economic outlook for the Commission on Government Forecasting & Accountability earlier this year noted:

"Despite some favorable signs, Illinois' economy is in rough shape and the odds of a misstep are high. The state is one of just a handful nationally in danger of falling back into recession. A weak housing market and poor state finances are largely to blame. After a promising start to the recovery, Illinois has been among the Midwest's weakest and is underperforming the nation in most economic gauges. . . . Longer term, Illinois has a lot of what businesses need to thrive — talent, access to customers and capital, and transportation — but painful fiscal reforms are needed before it can fully capitalize on these strengths."

While our current economy is bleak, there is some daylight at the end of the tunnel if you make the right decisions. Take manufacturing for example. In 2011 and 2012, manufacturing added net jobs in Illinois for the first time since 1998. In the last three years, Illinois exports have jumped by more than 60 percent, to \$68 billion, largely because of the industrial sector. Today, manufacturers employ nearly 600,000 workers directly (not to mention the additional 2.5 jobs created for every manufacturing job) and contribute the single largest share of the state's Gross State Product.

Moody's agrees noting, "manufacturing has been a stronger force for the state's recovery, with factory employment closer to its prior peak than nationally in all but two of Illinois' metro areas. Statewide, more than one-third of the necessary job loss has been recouped, compared to one-fifth nationally."

Not all the decisions that you make this spring are tough — some should be very easy, such as enacting a framework for high volume hydraulic fracturing that has the potential to create nearly 50,000 new jobs while generating hundreds of millions of dollars in new revenue. The IMA, along with other members of the business community, labor unions, environmental advocates and agricultural interests, along with the Governor, Attorney General and key lawmakers on both sides of the aisle, reached an agreement on a regulatory and revenue framework (HB 2615). If all of these diverse groups and individuals can come together, surely you can pass it into law!

(continued on page 8)

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Changing the way American businesses fuel fleet vehicles

Future growth projected in Illinois as companies switch to CNG

For the first time in what seems like forever, there is good news on America's horizon.

Following too many years of economic angst and pessimism, there is finally an American commodity that is able and ready to put the good old USA back at the front of the line as an employer and a leader in manufacturing while providing a fuel source that helps to ensure a cleaner environment.

The development of natural gas across the United States, a resource liberated by new technologies and innovation, is signaling a new era of American prosperity. Every day new stories break about the economic and environmental realities that flow from the development and use of natural gas.

And one of the most intriguing methods by which natural gas will soon change America's way of life is as a fuel for our motor vehicles. Today, hundreds of American businesses have either committed to compressed natural gas (CNG) or liquefied natural gas (LNG) to power their commercial fleets, or are researching options for doing so.

After reviewing the benefits of natural gas and comparing it to alternative fuels, it is easy to understand why natural gas vehicles (NGVs) are quickly changing the streetscapes of Illinois. Among the most obvious benefits of natural gas vehicles:

- Natural gas is cheaper than petroleum. The average consumer and business can currently save one third over diesel or gasoline whenever they fuel their natural gas vehicle.
- There is no power sacrifice in conversion to natural gas. In converting their fleets from diesel

power to compressed natural gas, some businesses were initially concerned that natural gas might not have provided enough energy to power large vehicles, but that concern was unfounded. Further, a residual benefit is a quieter vehicle.

- The conversion to natural gas vehicles is part of a booming job-creation package. More than 1.7 million jobs have been created nationally by the natural gas industry and by 2020 it is estimated that number will reach three million.

The Ozinga experience

In 2011, in south suburban Chicago, the Ozinga Ready Mix Co. completed the conversion of 13 of its ready mix concrete trucks from diesel to a cleaner, more affordable option — compressed natural gas. The goal of this family-owned business is to have its entire fleet converted by 2020. The company's deci-

sion is not only sound for business, it represents a commitment to the future. The company will open three fueling stations that will be open to the public by summer's end.

From a business perspective, compressed natural gas provides a \$1 to \$1.50 per gallon equivalent savings compared to diesel fuel. Of course, as one of the first privately held Illinois companies to embrace the conversion effort, Ozinga was concerned about performance. That concern was allayed when company drivers reported their trucks not only performed equally with diesel but also ran much quieter.

Furthermore, the vast potential of natural gas conversion in the United States extends into manufacturing and in power generation. Recently the Potential Gas Committee came out with a study forecasting historically high natural gas supplies, enough for many generations to come and this has real positive

see **FLEET VEHICLES** page 8



Michelle Bloodworth is Vice President, State Affairs and Business Development, with America's Natural Gas Alliance. For more information visit their Website at <http://www.anga.us>.

LEGISLATIVE REPORT

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There are other easy decisions that you can make this spring. Pass a permanent extension of the Research & Development tax credit. Passage will not cost one more dime this year but will provide valuable certainty for employers. Work with the IMA (designated STEM

leader in Illinois) and community colleges to adopt Manufacturing Skills Standards and NIMS credentials so we have a pipeline of qualified workers to replace the nearly 300,000 workers expected to retire in the next decade. And, with all due respect to the Governor, stop his ill-conceived plan to hike taxes on employers by a half-billion dollars, including eliminating the production activities incentive that encourages manufacturing in Illinois.

I look forward to seeing you in Springfield and working with you on these challenges. I'm very proud to represent companies that make things in Illinois and I want to keep it that way. ■

Sincerely,

FLEET VEHICLES

Cont. from page 7

impacts on our nation's energy security. As more commercial and individual motor vehicles convert to natural gas, America's reliance on overseas energy — often imperiled by unstable governments — for our needs continues to diminish.

Natural gas and the environment

This new abundance of natural gas is a result of technological advancements that allow the production of natural gas from tight shale formations by way of horizontal drilling combined with hydraulic fracturing. Hydraulic fracturing is the process of creating fractures in the shale formation to allow natural gas to flow into the wellbore and

be collected at the surface. Water, sand and other additives are pumped under high pressure into the formation to create the fractures that are "propped" open by the sand to unlock the resource from the shale formation.

In Southeastern Illinois, commercial ventures are poised to explore the geology in the New Albany

Because natural gas is a cleaner burning fuel with 50 percent fewer carbon dioxide emissions in power generation than other fossil fuels, it has fast become both a baseload fuel and a viable bridge to a future of cleaner energy.

Shale, specifically the Wabash Valley, an area that could hold vast reserves of natural gas. The Wabash Valley reserves could have huge amounts of natural gas for commercial and residential consumption.

Because natural gas is a cleaner burning fuel with 50 percent fewer carbon dioxide emissions in power generation than other fossil fuels, it has fast become both a baseload fuel and a viable bridge to a future of cleaner energy. In fact, today natural gas fires nearly three-fourths of all new electric generation power plants.

The relative low costs compared to other fuels help keep power generation costs down. Moreover, the capital cost of a natural gas power plant are significantly less than other generating units.

This means cleaner air and, more practically, fewer hurdles to construction and generation. It is precisely this use of more natural gas in power generation that, according to the U.S. Energy Information Administration, that this year helped us reach our lowest level of greenhouse gas emissions since 1994.

The impact of natural gas on manufacturing and jobs

As with most innovative change, there are some challenges. Until there are a sufficient number of motor fuel filling stations that offer compressed natural gas for retail sale, a mass consumer conversion to CNG will be slow to develop. Illinois currently has 36 public and private fueling stations which includes those built and maintained by private businesses that have opened the stations to retail consumers.

But as more businesses convert their fleets to compressed natural gas, the retail consumer market will follow. Local commercial fleets will show the way: there are an estimated 330 CNG taxis serving Chicago's streets

Ultimately, we are in the infancy of an opportunity that gives the U.S. the ability to lead the world in providing cheaper and cleaner energy. Accessing this abundant natural resource will create jobs for generations and impact manufacturing and other sectors through development. ■

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How effective HR leaders can help drive results in manufacturing

Many small to mid-size manufacturing companies have become increasingly aware of how an effective human resource leader can contribute to the success of the business's bottom line. Consider just a few of the significant changes that have taken place in the last 10 or 15 years that represent continuing challenges for many businesses.

Your HR leader must effectively communicate the value of employee benefit programs so that employees can make wise decisions.

Health care costs have been rising at three times the inflation rate over the last 10 years. The decisions that your HR leader makes in these areas alone have a significant impact on your bottom line, as well as on your ability to attract talent.

Turnover is expensive. The competitive marketplace, together with the ever changing technology and business environment, have made it necessary for businesses to invest more in employee training and development programs so there is more company money riding on each hire. The Society of Human

Resource Management (SHRM) estimates that the total cost of losing key employees is anywhere from 30-150 percent plus of the salary associated with that position.

This article discusses in greater depth how an effective HR leader and HR function can help a manufacturing company's bottom line, including developing a positive and engaging work environment for your company. The full range of HR functions (see sidebar) is beyond the scope of this article, but we will discuss six key HR functions:

- 1 Compensation management
- 2 Benefits evaluation/administration
- 3 Recruitment/talent acquisition
- 4 Training and development
- 5 Performance appraisal and management
- 6 Employee and labor relations

Compensation management

Compensation expense is typically the second largest business expense next to raw materials or purchased goods. Failure to maximize the value of a company's compensation or

benefit programs can easily cost two to four percent of total payroll costs.

In providing direction to senior management, an HR leader must develop a total compensation strategy for the different levels and/or functional groups within a company. This task includes determining the right mix of base pay, variable pay and benefits that motivates and retains high performers, and aligning the salary and incentive programs to performance markers. Once the compensation strategy is agreed upon by top management, HR is responsible for administering the wage and salary program with consistency. In addition the HR leader must make sure the compensation program is both externally competitive and internally equitable and that's not an easy task.

Benefits evaluation and administration

Managing and controlling the increasing costs of employee benefits while balancing the needs of the employees has become a very sensi-

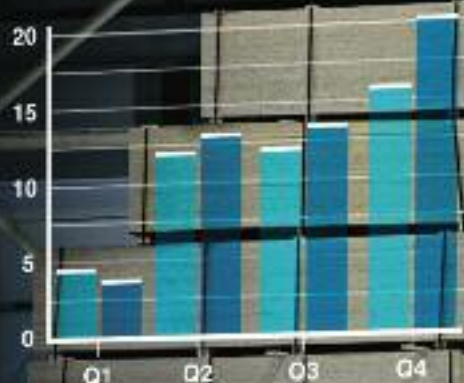
see **HR LEADER** page 12

HR Practices that Support an Organization's Goals and Performance

- Staffing & Recruitment
- Compensation Strategy & Administration
- Employee Benefits & Wellness Programs
- Incentive Programs
- Training & Development
- Employee & Labor Relations
- Performance Management
- Policies & Procedures
- Management & Supervisory Skills
- Career & Organizational Development
- Succession Planning



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Dealing with OSHA in Illinois — the most common mistake companies make

This is part I of a two-part feature. Part II will appear in the summer issue of *The Illinois Manufacturer* magazine.

About half of our 50 states run their own OSHA programs. Federal OSHA runs the programs in the other states. In Illinois, the feds run the program except for a small state program that covers only state and local government employees.

Federal OSHA has a regional office (Region 5), in Chicago that covers six Mid-western states. It also has five area offices in Illinois. These are located in Calumet City, Des Plaines, North Aurora, Peoria and Fairview Heights. It is these offices that conduct workplace inspections in Illinois. These inspections always begin with a surprise visit. So how can a company take the surprise out of the inspection?

Say an OSHA inspector shows up at your door, unannounced, and wants to conduct an inspection of your workplace. What do you do? If your company is like most others, you let the inspector proceed. At the conclusion of the inspection, which could be days, weeks or months later, you find out if OSHA is going to issue any citations to your company. Then, if you are cited for one or more violations, you might for the first time in this process call your lawyer.

Compare that scenario to a visitor who is injured on your property and sues your company. You (or your insurance company) immediately hire a lawyer to defend the lawsuit. The lawyer is integrally involved in all aspects of discovery; depositions, document production, etcetera. By the time trial comes around, the lawyer has carefully prepared the case and knows all of the applicable facts about it.

Now think back to the OSHA inspection. That inspector was inter-

viewing your employees (i.e. taking depositions), looking at your logs, records and written programs (i.e. reviewing your documents), and where was your lawyer? Not hired yet! Most companies let OSHA conduct and complete its discovery before even calling their lawyer. Big mistake! You would never do that with the personal injury lawsuit, so why do it with OSHA?

A lawyer who is knowledgeable about OSHA procedures and requirements can help a great deal with the conduct of the inspection, in many cases significantly affecting its outcome. I routinely tell my clients that while both are important, if they only are willing to have me involved with either the inspection or the contest phase defending the violation, I can usually help them more during the inspection.

OSHA inspections occur in several ways. In each case, the inspector is limited to inspecting the part of your operation that gave rise to the inspection, but no more. For example, if an employee complaint or an accident in your loading area lead to the inspection, the inspector is not supposed to delve into other areas of your operation. With that said, they can cite you for violations in other areas if they happen to observe them or learn of them during their inspection of your loading area. Many inspectors, if allowed, will gradually expand the inspection to encompass other areas of your business. Containing the inspection to one particular area or operation and shielding others from view has obvious benefits to the employer.

Examples of ways that a given

see **OSHA** page 18



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HR LEADER

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tive issue, especially with respect to health insurance. Offering a benefit program that may be costly to the employees will make it difficult to attract and retain key talent.

There are basic questions to answer, such as whether to offer multiple benefit options, how funding for the plans should be split between employer and employee contributions, and how much of the benefit plan administration should be handled internally and how much should be outsourced. The HR leader should also consider both strategic and operational issues.

Recruitment/talent acquisition

The ability to effectively recruit talent at all levels of the organization in a cost-effective manner is critical. The year 2011 saw the oldest baby boomers reach the age of 65. Their retirement begins a skills and talent drain that compounds the talent and skills shortage on the shop floor, which has many causes.

The HR leader must develop a recruitment process and strategies that result in timely hires at a reasonable expense. Even if a company does not use an outsourced recruiter, the total cost of hiring and on-boarding employees can be anywhere from eight to over 25 percent of a person's first year salary.

Training and development

The degree to which employees are "engaged" has a direct impact on profitability. A motivated, engaged, and well trained workforce can help increase value-added revenue per employee by \$5,000 to \$10,000+. It is important to have an effective HR leader work with department heads, top management and consultants to better understand team and department needs and devise the appropriate training.

HR leaders typically do not provide all of the training but need to effectively manage this area, whether by mentoring, contracting for off-the-shelf programs and study courses, hiring outside consultants, or leveraging train-the-trainer programs offered by suppliers. Experienced HR leaders should be knowledgeable about securing training grants from local, state and fed-

eral sources when it makes sense. These dollars can be significant in some cases, bringing in \$20k, \$30k, sometimes more than \$100k per year depending on the training programs and the size of the workforce.

The right training programs should contribute to decreasing turnover and its associated costs, thereby increasing the quality of a company's product and service and improving decision making at the supervisory and executive level.

Performance appraisal and management

Employees need and want meaningful performance feedback. It is an essential requirement if a company wants their employees to grow, develop, and adapt to changing business needs. The evaluations will be performed by the employee's supervisor/manager. HR will design and implement the formal employee appraisal programs internally or use outside consultants to assist with the process to insure that the process and tool are aligned with the organization's goals and draw upon current best practices.

Effective performance management supports employee engagement. Practical systems and processes, including training, can greatly reduce the potential for litigation and legal fees. Legal and settlement costs of a mishandled employee termination can easily reach \$50,000-\$200,000 plus per incident.

Employee and labor relations

HR leadership in employee and labor relations is especially important in manufacturing companies. If the company is non-union, it typically takes time and effort to sustain this status. If unionized, labor negotiations and on-going relations with the union have a key impact on company financials, as many budget items are items for negotiation. Whether the shop is unionized or not, the HR leader is likely to be the mediator between labor and management, in addition to being responsible for cre-

ating, communicating and implementing policies that help prevent work-related injuries or labor conflict in the first place.

Company management should evaluate how well their HR function is prepared to deal with such circumstances. Labor relations is a specialty within HR management. Smaller companies often do not hire labor relations specialists, but instead rely on an HR generalist to handle all personnel issues. While this may be adequate normally, it is worth considering other options—like refresher courses in labor law for the HR generalist, outsourcing policy review and formation to a labor relations specialist, or hiring one inhouse. When hiring, make plant experience mandatory, advises the Society for Human Resource Management.

HR related metrics

When it comes to metrics, most manufacturing companies focus their energies on financial and operational measures. Well-run companies also focus on various HR metrics that assess efficiency and effectiveness of training, recruitment, and employee retention. In the box below are a few examples of key HR metrics.

The manufacturing HR imperative

Effective HR is more critical than ever for small to mid-size manufacturers due to multiple economic and demographic trends. Here we focused on six key HR functions. Beyond these, make sure your top management has the HR leadership to help drive bottom line results. Equally important, make sure top management supports your HR leader and function by involving them in your planning and major decision-making processes. HR leadership can help better align your HR practices and programs with your business strategies, resulting in greater profitability, better competitive performance and the positive culture your company desires. ■

TRANSACTIONAL

1. Headcount of F.T.E.'s
2. Total jobs filled
3. Total performance appraisals completed monthly
4. Total training hours
5. Lost time days
6. Absenteeism
7. Training course evaluations

STRATEGIC

1. Employee turnover by performance level
2. Unwanted employee turnover
3. Average performance appraisal rating of new hires after one year
4. Employee satisfaction survey scores
5. Value added revenue per payroll \$ expended
6. Impact of employee behaviors that can be tied back to training provided

Building a 21st Century Manufacturing Economy



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Opening Keynote:
Scott Garberding,
Senior Vice President of Manufacturing/
World Class Manufacturing,
Chrysler Group LLC



Afternoon Keynote:
Matt Levatich,
President & COO,
Harley-Davidson
Motor Company

Summit Opening: Networking & Continental Breakfast

Morning Panel: Midwest Competitiveness

American manufacturing is coming back, but will Illinois and the rest of Midwest share in the rebound? States in other regions are typically viewed as friendlier toward business, with cheaper wage rates and anti-union laws. However, Illinois has a strong labor pool, superb transportation networks and an infrastructure ready for the digital age. An examination of what Midwest business and government leaders can do to join in the factory sector's expansion.

Selim Bassoul, CEO, The Middleby Corp.
Marion Cameron, President, Sipi Metals Corp.
Peter Duprey, CEO, Broadwind Energy
William Hoffer, President, Hoffer Plastics

Luncheon Buffet and Networking

Afternoon Panel: The Global Marketplace

Few manufacturers can operate today as purely domestic companies. Even if they don't see a bigger world out there, competitors in China and other developing countries see a bigger world here. There's still a powerful lure to outsource work to China and other low-wage nations, but wage rates in China are climbing fast, and U.S. energy supplies are becoming plentiful and cheap, which means companies might be able to onshore production. CEOs will share their first-hand perspectives.

Edward Carney, President & CEO, Superior Graphite
Akira "Kevin" Koyasu, President & CEO, Nippon Sharyo USA
Craig Nielsen, CEO, Nielsen-Massey Vanillas
Scott Severson, CEO, Flexan Corp.

Roundtable Discussion on Workforce Development:

Attendees engage in discussion around this critical topic and share take away with entire group.

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Forest City Gear lands on Mars

Fred Young, CEO of Roscoe, Illinois-based Forest City Gear with models of Mars Rovers. FCG made gears for NASA, and made them better than even NASA thought possible ...

Forest City Gear (FCG), a Roscoe, Illinois-based company has been in business for more than 58 years and an IMA member for the last 25. Stetler and Evelyn Young started the business in 1955 in Rockford, Illinois. "Originally my Dad worked in Sterling, Illinois, for another gear company that went out of business," Fred Young said. "A former client contacted him and said, 'We're in trouble.' The Chicago gear manufacturer who was making their gears had a dirt floor and the customer was concerned about the quality. They asked Dad if he would be willing to get back into the business of making gears for them. That was the first job he secured for \$17,000 in 1955. That was quite a bit of money then, and this was quite a leap of faith for this customer, considering that there was no building, no machines and no business established yet." Stetler Young accepted that challenge and was delivering gears within six weeks, according to Fred.

Fred, along with his wife Wendy, now run the company just outside of Rockford in Roscoe, Illinois. "Excellence without Exception" is the company motto, and that goal is evident in the precision gears they create for a wide variety of products.

The company recently made new gears for a subway system on the East coast after the destruction caused by Hurricane Sandy. They have also received much attention for their role in supplying gears for the Mars Rover wheel drive assemblies and actuator arms..

"The Spirit and Opportunity Mars Rovers job literally fell into our laps," according to Fred. "Two other gear companies had the work, but were unable to do the wheel drive gear for the vehicles. So they were casting about for other gear companies, and our name came up. After we agreed to do the job, of course they wanted them right away.

Unfortunately, the design they submitted was not feasible, so we suggested some modifications and submitted them to NASA for approval. Much to my surprise, the modifications were approved within two or three days.

That's pretty unusual for a big government agency like that. They told me at the time that it cost them about \$100,000 an ounce to get these things to the surface of Mars. We were able to pare off a little bit of weight for them, so they were eternally grateful for that."

"I had a chance to go into what they call the Mars yard at the JPL (Jet Propulsion Laboratory) in Pasadena, California. It's a little test area, like a huge sandbox, in that they have a hill, with different inclines and various obstacles, to test the vehicle to see how they can traverse that," Fred said. Spirit and Opportunity, the Mars rovers, were only slated to last about



90 days, and in fact, one lasted six years and one of them is still going.

While Forest City Gear, in 1955, started out making home ice cream makers and electric can openers; today's business encompasses everything from computers and power tools for all of the major power tool makers, to gears for Nascar and Indy racing vehicles, yachts and military equipment. This is in addition to the work they do for the aerospace industry.

"We made the titanium winch gears for the America's Cup racing yacht that brought the trophy back to the United States in 2010. I saw a preview of the yacht . . . it was still under black tarps when I went out to Seattle to see it . . . quite an amazing machine," Fred said. The company also has customers in the medical and dental, and military and defense industries.

"Currently aerospace gears comprise 25 percent of our total sales, another 5-10 percent in medical, 5-10 percent in military and 5-10 percent in racing vehicles," he continued. "We've been told that we have gears in all of the Nascar and Indy car machines, and we have been making gears for Formula 1 race cars and motorcycles as well."

The company believes in continuous investment in equipment, facility and personnel. One thing that distinguishes FCG from their peers in the gear industry is that historically they have reinvested 25-40% of their gross sales each year back into new equipment, which exceeds the norm. That has allowed FCG to be able to differentiate themselves from their competitors and garnered the attention of other people throughout the world. It has allowed the company to manufacture products that only a handful of other gear companies in the world are able to replicate. They enhance their reinvestment in machinery and equipment with a comparable investment in training their employees.

"It's pretty hard to find people out there these days with any manufacturing experience. We do all in our power to encourage young people to become involved in manufacturing," noted Fred. "Last November I met with Governor Quinn about STEM research and we've been trying over the years to encourage young people,

and their parents, to consider a career in manufacturing."

Fred serves on the advisory board of a high school in Wisconsin, as well as a local high school. He also sits on the manufacturing council for the Rockford Chamber of Commerce, and Rock Valley College works closely with the company.

FCG has approximately 400 customers, 75 of which are other gear companies, or OEMs who cut gears themselves. "We have deliberately positioned ourselves over the years to be able to do some oddball things that other people can't do . . ." Fred stated. "And to demonstrate that we can do them at the highest quality levels. That's another reason for the thrust and investment in new equipment and advanced training for our employees."

Fred Young is an "addicted" fly fisherman who travels around the world in pursuit of his hobby. Wendy Young, Fred's wife, is the President. She started after their three girls were grown and she could devote more time to the business. She manages the sales, marketing and customer service operations.

Fred is second generation. The third generation is also involved in the business, as well as some of Fred and Wendy's grandchildren. The fourth generation are sometimes included in the company's promotional materials.

"It's always been my goal to continuously upgrade our equipment to allow us to satisfy new niches in demand out there. We're gradually adding more capabilities in various areas in order to be more self-sustaining," Fred stated.

Fred is a former chairman of the American Gears Association and has considerable knowledge of other gear manufacturers, working with many of his competitors on various projects supplying them with the needed gears.

Fred believes and hopes that many of his competitors would have only good things to say about Forest City Gear.



Altruistically, he hopes gear manufacturing will remain in the U.S., rather than migrating offshore. That's just one of the reasons he collaborates with other gear manufacturers, helping them make a better product — so we can all continue manufacturing in America. ■

Opposite page, lower right and above: Forest City Gear employees take pride in the precision gear manufacturing processes that have made the company a leader in their field. Below: FCG CEO Fred Young and his wife, Wendy Young, FCG President.



Health care and the small business owner

By Kevin Cassidy

Divisional Senior Vice President, Illinois Markets
Blue Cross and Blue Shield of Illinois



The passage of the Affordable Care Act (ACA) in 2010 — also known as health care reform, brought sweeping changes for all participants in the health care system, including employers of all sizes. October 1st marks a key milestone of these changes as it is the first day of open enrollment for the soon-to-be-established Illinois health insurance exchanges, also known as health insurance “marketplaces.” All participants are analyzing what these changes mean for them, including new regulatory and business requirements. I was asked to provide some observations with regard to those changes that may impact Illinois’ small business owners.

First and foremost, access to health care will be changing. According the non-partisan *Kaiser Health News*, the number of uninsured Americans dropped in 2012 from 49.9 million to 48.6 million. That marked the first time since 2007 that the number did not increase. Kaiser attributes that decline to ACA’s rule that adult children could remain on their parent’s policies until age 26. This is just one part of the new health care law designed to expand Americans’ access to health care.

Incentives and payment structures for providers are also evolving. When it comes to improving the quality of care, the focus is shifting from fees-for-services to financial incentives for health care providers — doctors and hospitals — to deliver better patient outcomes, while penalizing practices that diminish the quality of care and drive up cost burdens on the system. We at Blue Cross and Blue Shield of Illinois are working similarly to raise the bar for providers in a way that improves the nature of how our members receive their care. Through innovative new models of care delivery and reimbursement, we’re working to move the Illinois health care system from one whose provider incentives and payments are based on volume to one that is focused on delivering value and results — paying for high quality, efficient care with incentives for providers that work to keep people healthy and out of the hospital in the first place.

Quality of care is critical, obviously to each of us as patients. But, quality is also key to controlling health care costs, increas-

ingly important given the impact that increased costs for services have on all of our insurance premiums. Focusing on quality can also foster innovation and adopting clinical best practices from others. We have a lot of opportunity for improvement when it comes to quality in the U.S. According to a 2012 Institute of Medicine report, 180,000 Medicare patients alone died last year from overtreatment, medical error or preventable medical harm.

That equates to two jumbo jets crashing every day, 365 days a year. And that's just the subset of Medicare patients, not all patients. We can all envision a safer, more efficient health care system.

As we move closer to exchanges and full implementation of health care reform, Blue Cross and Blue Shield of Illinois, as the state's leading insurer, is routinely sought out to help our members and customers understand the details of health care reform. It is important to recognize that ACA is a complex law and it is difficult to generalize about its provisions and how they apply to any given situation. So, as we also advise our business customers, it is important that your benefits team or other advisor be consulted about how ACA applies to your particular situation.

ACA requires that health insurers submit an annual medical loss ratio (MLR) report for each MLR reporting year. Under ACA, an MLR is generally the percentage of insurance premium that is spent on reimbursement for clinical services and activities to improve health care quality. The MLR standard for the large group market is 85 percent and the MLR standards for the individual and small group markets is 80 percent. If an insurer's MLR does not meet or exceed the applicable MLR standard for a market, the insurer may provide rebates.

For the 2011 MLR reporting year, Blue Cross Blue Shield of Illinois met or exceeded the applicable MLR standards for all Illinois' markets and, therefore, did not issue rebates in the markets of the state. Information and answers to questions will continue to evolve as reform takes hold and becomes a part of the system. We're an active participant and partner with the

state, our customers and employers, and the members and communities we serve to inform and navigate change. We are all in this together.

Blue Cross and Blue Shield of Illinois has been a longstanding proponent of increasing access to health care, and our community investments in safety net hospitals, clinics and health and wellness initiatives for disadvantaged communities reflects that. Being advocates for greater access to care and seeing that more Illinoisans are insured comes from our foundation since 1936 of being owned by the members who carry our cards and not being a publicly traded company. Our first priority is always to our members and our customers.

For business owners — especially small businesses with limited resources and perhaps less infrastructure to help them understand the complexities of health care benefits for their employees — this time of complex change and new requirements and risks can be confusing. So, let's focus on the areas of health care reform that we believe employers are most interested in understanding. They are: The health benefits being offered on the state exchange/marketplace; market reforms; and, understanding what the "affordability test" is about — in other words, an individual's ability or inability to receive a subsidy, and the employer's best means of avoiding financial penalties.

First, let's talk about the marketplace and what is expected to be offered as health care benefit plans. To clarify, the public exchange is a marketplace for consumers — both individuals and small employer groups — to shop, compare and enroll for health coverage. It's intended to be a competitive marketplace that provides consumers with a choice of affordable health plans. As you know, these marketplaces, as the Department of Health & Human Services now refers to exchanges, will impact individuals and employers and the way they purchase health insurance. Four levels of plans will be offered, each being referred to by a different metal — bronze, silver, gold and platinum.

When individuals purchase insurance through a public marketplace,

premium tax credits may be available to individuals whose household income is generally from 100 to 400 percent of the federal poverty level (FPL). In 2014, cost-sharing subsidies and caps on out-of-pocket costs may be available for eligible individuals who select a Silver-level plan and have a household income below 250 percent of FPL.

As you see, many of the options available to individuals on this public marketplace are dependent on household income. The other key role of the marketplace is to determine eligibility by confirming U.S. citizenship. Both income and citizenship verification means that participants will likely need to have a checklist of items needed for the application process.

For Americans new to carrying insurance coverage and who may not be familiar with the health care system, many of the processes and systems in our view will require organized awareness and education efforts. We'll be doing our part to help educate, as will the state, through Governor Quinn's office, along with not-for-profit social service agencies which may serve as health care navigators for the uninitiated newcomers to health insurance.

Many employers ask us what we think an exchange or marketplace will look like. These state marketplaces' online websites are anticipated to function in much the same way as travel sites in which the visitor can book a hotel, a car, a flight. Likewise, on the marketplace site, an individual can compare products from each health insurer at various "metallic" levels, and each plan must meet actuarial equivalents, so that the comparisons are equal. The idea is to make it as easy as possible to compare apples-to-apples.

Those four metal-level packages referenced below correspond to an "actuarial value" or "AV" percentage. A plan's AV percentage acts like a reference guide to generally show consumers the average percentage of medical costs that the plan is anticipated to cover.

- Bronze: 60 percent of Actuarial Value (AV)
- Silver: 70 percent (AV)
- Gold: 80 percent (AV)

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HEALTHCARE

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- Platinum: 90 percent (AV)

Insurers must offer Silver and Gold packages if they want to participate on the marketplace. Likewise, insurers must charge the same premium rate for the same plan whether it's offered inside or outside of the state health insurance marketplace. Other key features of the marketplace include prohibiting exclusions for pre-existing conditions. For 2014, limits for member out-of-pocket costs for certain "essential health benefits" cannot exceed an estimated amount up to \$6,400 for an individual, and \$12,800 for a family plan.

Marketplace coverage must also include coverage for essential health benefits. We at Blue Cross and Blue Shield of Illinois are proud that Illinois selected our small group plan as its benchmark for essential benefits. Much of this information is the same for the Small Business Health Options Program marketplace, also referred to as the SHOP exchange. The SHOP marketplace is

intended to be a state-based forum to facilitate small business purchase of insurance and qualification for tax credits. The individual and group metallic levels are all essentially the same product designs. Each state was given the choice whether or not to offer separate or combined SHOP and individual marketplaces.

For the sake of the insurance mandate however, as of 2014, federal law will define small group as 1-100 employees however states may elect to maintain a definition of 1-50 until 2016. At this point, we understand that Illinois will continue to use a definition of small group as 1-50 until 2016.

The Employer Shared Responsibility provision of the Affordable Care Act goes into effect on January 1, 2014. Generally, employers who employed on average, 50 or more full-time employees (counting full-time equivalents), during the preceding calendar year may be required to make a non-tax deductible assessable payment to the IRS if they fail to offer minimum essential coverage to all or substantially all of their full-time employees (and dependents who are children),

and fail to offer self-only coverage to their full-time employees that is affordable and has minimum value.

It also stipulates that the MEC be "affordable" and provide minimum value. How is "affordability" calculated, you may ask. One method of calculation is if the employee's annual insurance for his or her individual coverage is not more than 9.5 percent of their lowest paid employee's W-2 wages, then the plan is deemed "affordable." Because this Employer Shared Responsibility provision includes other methods to determine affordability, the best advice for any business owner is to seek out the counsel of your broker, your insurance carrier and your tax accountants to understand these tax code provisions. ■

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OSHA

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inspection can be contained or allowed to expand are too numerous to mention in this article. But the point is that it is OSHA's right to conduct the inspection it is there to conduct, not some broader one. The best way to keep it from expanding into a larger inspection, and a bigger deal, is by assigning someone to represent the company in the inspection who knows the OSHA procedures, requirements and case law. That person is your OSHA lawyer.

So, say you're now convinced that you should bring in an OSHA lawyer to represent your company during an inspection. How can you do that when the inspector has shown up at your door unannounced? Here is how.

OSHA has two mechanisms for conducting a legal inspection, your voluntary consent or a valid search warrant. The OSHA inspector seldom

shows up with a search warrant. Without a search warrant, the only way the inspection can proceed at that time is by you voluntarily agreeing to allow it. If you tell the warrantless inspector that you will allow the inspection, but only once your OSHA lawyer arrives to participate in it, the inspector has only two alternatives: 1) he or she can leave and either obtain a search warrant or forget about you; or, 2) agree to wait for your attorney. If the delay is limited to, say, an hour or two, they will usually wait for the lawyer. Even if requiring a day or two, they usually will agree after consulting by phone with their supervisors. Getting the search warrant requires a considerable amount of bureaucratic red tape and usually takes several days.

While the OSHA procedures strongly favor surprise inspections, the OSHA rules also expressly provide for making reasonable accommodations for a company that has someone responsible for OSHA matters who is not present at the work-

place being inspected. This regulation also helps allow companies to negotiate a delayed start to the inspection. For most of my OSHA clients, I am designated as their corporate representative for OSHA matters.

Another step that is useful in getting your company ready for a surprise OSHA inspection is an anticipatory meeting between your OSHA lawyer and your facility managers. At that meeting, the process suggested in this article can be explained to each manager who may be the one in charge at the time an inspector shows up, as well as considerably more details such as: how to handle the initial introduction; what to expect once the inspection proceeds; what equipment to keep ready (i.e. camera and film to take side-by-side pictures of whatever the inspector photographs); what to tell employees; etcetera. Such a briefing can usually be accomplished in one to two hours, and makes a big difference in how your company fares when that surprise visitor from OSHA shows up. ■

Patent Reform — The Leahy-Smith America Invents Act

Ushering in a myriad of change, the Leahy-Smith America Invents Act (“AIA”) affects almost every aspect of patent law. While many of its provisions became effective in 2012, the last set of major AIA provisions was implemented in March of 2013. This article provides a brief overview of the AIA and the numerous changes it has brought to the U.S. patent system.

Background

The AIA, which became law on September 16, 2011, is the most significant revision to the U.S. patent laws since the 1952 Patent Act. It represents a culmination of efforts over the last decade toward patent reform and represents the latest step towards the harmonization of the patent laws of the United States with those of other major patent systems of the world.

AIA provisions already in place

Many of the provisions of the AIA have already taken effect, including the following:

False marking — To address the plethora of false marking cases that were filed following the Federal Circuit’s decision in *Forest Group, Inc. v. Bon Tool Co.*, changes to 35 USC §§287 and 292 were made to eliminate false marking suits, except for those cases initiated by the government or competitors. Marking with an expired patent is no longer a violation.

Venue and federal jurisdiction

— The Eastern District of Virginia, rather than the District Court for the District of Columbia, now has jurisdiction over appeals and actions against nonresident inventors. In addition, the AIA added a new patent removal statute (28 USC §1454) by which an action asserting a claim relating to patents, plant

variety protection or copyrights may be removed to federal court.

Limitation on joinder — To join parties as defendants in one action, there must be: (1) joint, several, or alternate liability “arising out of the same transaction, occurrence, or series of transactions,” and (2) questions of fact common to all defendants that will arise in the action. Merely alleging in a pleading that the accused infringers each have infringed the patent or patents in suit will be considered insufficient for joinder.

Prior user rights — Prior user rights have been expanded under §273 from business method patents to all patent technologies. These rights provide a defense to a patent infringement claim that must be proven by clear and convincing evidence. The defense is based upon a

commercial use that occurred at least one year before the earlier of either “A) the effective filing date of the claimed invention; or B) the date on which the claimed invention was disclosed to the public.”

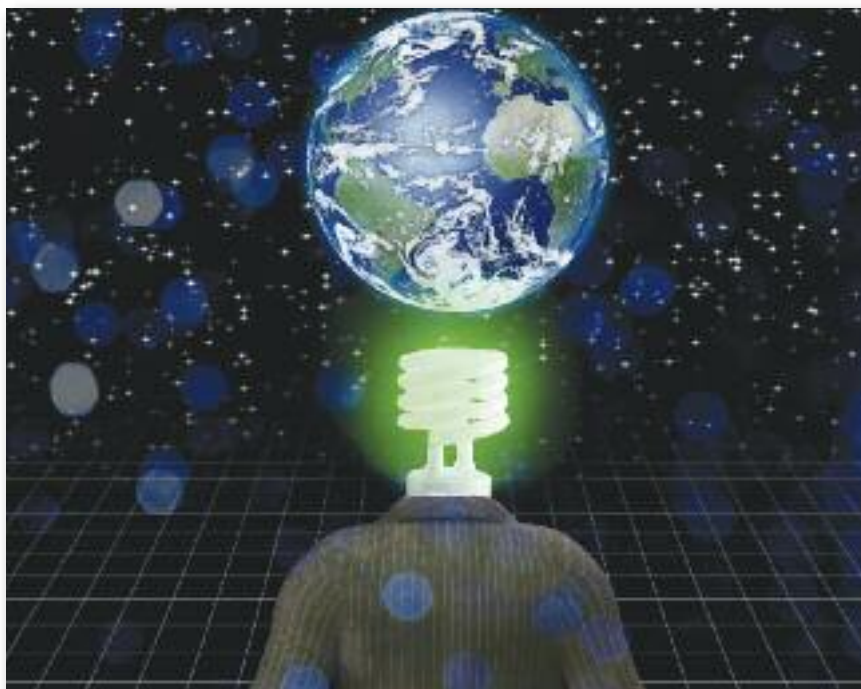
Prioritized examination

Applicants can request prioritized examination for applications having up to four independent claims or a total of 30 claims for an additional fee. Prioritized examination sets a 12-month pendency goal for examination and only applies to nonprovisional applications filed electronically after September 26, 2011. The number of prioritized examinations, however, will be limited to 10,000 requests per fiscal year.

Inventor’s oath or declaration

— An oath or declaration must

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Five business problems Load Response and Energy Efficiency may be able to solve

1) High power bill costs

Every year, businesses pay capacity and transmission related charges that account for 20-30 percent of their total electric bill. Yet, most of these charges are due to using power during several system-wide "peak" hours each year. Your capacity and transmission charges for the following year are based on your energy usage during these system-wide "peak hours." Wouldn't it be useful to actually know when those system-wide peak hours occurred so that you can better manage your usage during those periods? Through the Constellation Peak Response program, our team of load response experts will predict the peak setting hours and send you day-ahead email notifications and day-of reminders when these peak hours are expected to occur. These notifications will let you know when you should curtail energy use, which is strictly on a voluntary basis. Our

success in predicting these peak setting hours has saved participating customers money since implementing this program in 2010.

2) Missing financial opportunities during "conservation hours"

Electricity prices constantly fluctuate. Prices can spike during extreme weather, power plant outages, wind conditions and a variety of other situations that Constellation identifies as "Conservation Hours." For these reasons, many of our business customers choose a fixed price electricity option to provide budget security and spending stability.

Additionally, did you know that fixed price customers can also get paid to use less energy during certain hours? For customers on a fixed price contract, you're eligible to enroll in a no-obligation program called Price Response, in which we pay you to use less energy during times that we designate as "Conservation Hours."

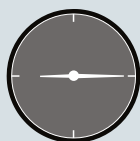
Participants in Price Response will receive a notification about the times they can get paid to use less energy. Once agreeing to and initiating the conservation measure, we will calculate your payment and issue funds at the end of each quarter.

3) Using more energy than necessary

Facility managers are always looking for ways to reduce energy consumption. Yet, implementing efficiency programs can be a daunting undertaking due to upfront costs and a lack of resources. Taking these obstacles into consideration, Constellation developed its Efficiency Made Easy program that allows organizations and businesses to launch an energy efficiency program without upfront costs or a need for extra resources. By incorporating the cost of energy efficiency upgrades into the electricity rate over the length of the contract, com-

see **PROBLEMS** page 22

How Price Response Works: Inside a Typical Conservation Day



9:15 a.m.

You receive an email alerting you that 2:00 p.m. to 5:00 p.m. are "Conservation Hours" with a "Conservation Price" of \$275 per MWh.



9:30 a.m.

You and your facility manager determine you're able to curtail consumption by an estimated 750kW during two of the three Conservation Hours between 3:00 and 5:00 p.m.



9:35 a.m.

You confirm your interest in participation by following the instructions on your Constellation Price Response email.



2:45 p.m.

You start conservation measures by implementing the curtailment strategies our engineers helped you design.



5:00 p.m.

Conservation Hours end and you return your facility to normal operations.

How it Works: Inside Your Conservation Payment

After the event, Constellation will compare your actual metered electricity consumption to your Customer Baseline Load (CBL) to determine your Measured Conservation for each Conservation Hour. Constellation will calculate your payment for each Conservation Hour as Measured Conservation x Conservation Price. At the end of each quarter, Constellation will sum your Conservation Payment for every Conservation Day and distribute your Constellation Price Response earnings.

PROBLEMS

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panies can more easily actualize energy cost savings and meet environmental mandates by reducing energy consumption over time using their current energy budget.

4) Waiting for load response revenue

With an option called Rate Response, we'll consolidate your facility electricity bills and offsets from load response into a single monthly invoice. Rate Response applies revenues from your load response participation with every

spin of the meter, allowing you to see these benefits earlier, in a single monthly bill.

5) Lack of current usage data for strategic planning

How long does it usually take your Curtailment Service Provider (CSP) to provide insight into your energy usage? A few weeks? Once a month? Sometimes that's just too long to wait, and you are missing potential cost saving opportunities.

We believe a good energy management strategy includes insight into how your energy consumption is currently affecting your business. That's one of the reasons why we developed an application that allows

you to track your energy usage in real-time. With VirtuWatt™, you can visualize your energy usage down to the last minute, export and save that data and gain access to real-time pricing and accumulated cost calculations, which are very useful when building a budget and planning load reduction strategies. In fact, VirtuWatt™ can automate your participation in load response programs and enable you to participate in shorter notice programs throughout the country!

Learn more at constellation.com/IMAAR1. ■

PATENT REFORM

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include only two statements: (1) that the application was made or authorized to be made by the declarant; and (2) that the declarant believes himself or herself to be the original inventor of the claimed invention. When an assignment recorded with the Office includes these statements, there is no need for a separate oath or declaration. A substitute statement may be filed when the inventor is deceased, legally incapacitated, cannot be found after diligent effort, or refuses to make the oath or declaration. In situations where the inventor has assigned the invention or is under an obligation to do so, applications may now be filed by an assignee (although a declaration or assignment with the above statements is still required).

Priority examination —

Priority examination may be requested for applications that are directed to technologies “important to the national economy or national competitiveness.”

Third-party submission of

prior art — Third parties may submit prior art (patents or publications) for consideration in an application. The prior art must be submitted before: 1) the notice of allowance is issued or 2) the later of six months after the application is published or a first rejection is issued. The submission must include a concise description of asserted relevance and

may be filed anonymously.

Supplemental examination —

Supplemental examination provides a means by which a patentee can correct any errors or omissions in the information submitted to the Patent Office with respect to an application. Such examination is conducted and concluded within three months from the date of request. If a substantial new question of patentability is found, reexamination of the patent is ordered automatically. Should any evidence of material fraud come to light during supplemental examination, however, the Director is to refer the matter to the Attorney General.

Post-grant review — For the first time, review of a U.S. patent after issuance can be requested by a third party. The request to initiate the review must be filed within nine months of the issuance of the patent, but may not be filed if the requester had previously filed a civil action challenging the validity of the patent. For a request for post-grant review to be granted, information must be submitted that demonstrates that it is “more likely than not that at least one of the claims is unpatentable.” Post-grant review may be based upon a broad range of invalidity grounds such as anticipation, obviousness, written description and enablement. The procedure, however, is limited to patents that issue from applications filed after March 15, 2013.

Inter partes review — The existing inter partes reexamination procedure has been replaced with

an inter partes review. A request to initiate such a review can be filed only after either nine months of the issuance of the patent or the completion of any post-grant review. A request for inter partes review will be granted if there is a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims.” In contrast to post-grant review, the possible bases for inter partes review are limited to §§ 102 and 103, and patents or printed publications.

Transitional business method patents — The Director must implement a four-year transitional review procedure for challenging the validity of business method patents.

Advice of Counsel — The failure of an accused infringer to obtain an opinion of counsel or present evidence of such an opinion to a court or jury during trial cannot be used as evidence that the accused infringer willfully infringed the asserted patent or induced infringement of the patent.

Recent AIA provisions to take effect

The last set of major AIA provisions became effective on March 16, 2013, including the following:

First-to-file

Historically, the United States has had a first-to-invent system awarding patents to the inventor who first invented a claimed invention. This was in stark contrast with how other countries award patents, namely to the inventor who first filed an application for an invention. For many

see **PATENT REFORM** page 24

Tax incentives for Illinois manufacturers

Illinois manufacturers who plan to make a substantial capital investment or create new jobs should carefully review tax incentive options early in the planning process. The reason is simple — this early planning and analysis can result in substantial savings for the company in the short-term and over time. These incentive options are typically embedded in State and local tax codes but can also be found in the development, financing or real estate sections of the codes. Some tax incentives are entitlements, meaning that so long as a company meets the applicable legal criteria, a company is “entitled” to receive the tax benefit. Other tax incentives are discretionary which means the administering government agency can decide whether to award the incentive even if all criteria are met. This article is not meant to be an exhaustive review of all codes and programs. Rather, it provides an overview of common, and sometimes overlooked, incentives that are available to Illinois manufacturers. Consideration of all of these options can significantly improve the bottom line for investments in new facilities, equipment and facility expansion projects.

Entitlement tax credits

The Illinois Income Tax Act includes several income tax credits that are geared to manufacturers and that may be used so long as the applicable legal criteria are met. In addition, the Illinois Retailer's Occupation Tax, or the Sales Tax Act, and other pieces of legislation include sales tax exemptions and credits for equipment, parts and building materials used in the manufacturing process.

For example, the Income Tax Act was recently amended to renew the tax credit against Illinois income tax liability to promote increased research and development on new

or improved manufacturing products, processes, or other technical business components. Businesses can qualify for a credit of up to 6.5 percent on “qualifying research expenditures” if the research activities are designed to (1) develop a new or improved business component; (2) eliminate uncertainty concerning the development or improvement of the business component; (3) develop information that is technical in nature; and (4) evaluate one or more alternatives through the experimentation process. In addition, to qualify to the credit, qualifying research expenditures must be increased over the average qualifying expenditures of the preceding three years. The most typical qualifying research expenditure is wages of employees directly involved in the research and development activities. Qualifying expenditures also include supplies such as prototypes and testing materials and contract payments to third parties for conducting research. The Illinois

credit is in fact modeled after the federal credit which can be a credit of up to 20 percent of the amount of qualifying expenditures.

Another valuable entitlement is the sales tax exemption for machinery and equipment. In Illinois, a sales tax is not imposed on sales of machinery and equipment used primarily in the manufacturing process. The exemption also extends to repair and replacement parts as long as the parts are incorporated into machinery and equipment that is exempt under the Sales Tax Act. A buyer of manufacturing machinery or equipment must certify to the seller (on a Department of Revenue form) that the buyer will use the equipment in connection with a manufacturing process. The seller then keeps that certificate and delivers it to the Department of Revenue to evidence the transaction's exemption from sales tax.

One challenge in taking advantage of this exemption is determin-

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years, there was strong resistance in the United States to changing its first-to-invent system. However, with the passage of the AIA, the United States finally implemented the first-to-file system with the amendments to 35 USC §102. Thus, for original applications filed after March 15, 2013, a patent will now be awarded to the first inventor to file a patent application for a claimed invention.

What does the new first-to-file provision mean in practical terms? The filing date of a patent application becomes of paramount importance since a patent will now be awarded to the inventor who first files an application with the U.S. Patent and Trademark Office. Thus, it is in the best interest of companies to get their patent applications prepared and on file with the Office as soon as possible. For many companies, this will likely require a change in the existing procedures for collecting and evaluating invention disclosures and for preparing, reviewing, and filing of applications. Now more than ever, time is of the essence. Invention disclosures will need to be harvested and evaluated more quickly than before.

Applications will need to be prepared, reviewed and filed with greater speed. The filing of provisional applications may gain popularity as a cost-effective means of getting a disclosure on file rapidly. Companies cannot continue business as usual. To do so could potentially risk a patent grant to a more diligent-to-file inventor.

Revised conditions for patentability

In addition to implementing the first-to-file system, the amendments to 35 USC § 102 change the type of activities that qualify for the one-year grace period. Prior to the enactment of the AIA, inventors had a year within which to file a U.S. patent application after using, disclosing or attempting to commercialize an invention in the United States. While the AIA does include a grace period that protects an inventor's public disclosure or publication of an invention, the grace period may not encompass public use or any on-sale activity. It is likely that the courts will ultimately become involved in order to determine the scope of qualifying activities that trigger the grace period. Until then, it would be prudent for inventors to file applications before a disclosure of any kind.

Derivation proceedings

The change to the first-to-file system brings to mind the following scenario: what happens in the situation where the first-to-file "inventor" derived the invention from the true inventor who happened to file an application on a later date? To address this situation, the AIA has introduced a derivation proceeding, which can be used to establish that the "inventor" of an earlier application derived the invention from the inventor that initiates the derivation proceeding, thereby providing a procedure for correcting inventorship. The petition to initiate the proceeding must be filed within one year of publication of a claim to an invention that is the same or substantially the same as the claim in the earlier application.

Conclusion

Whether the AIA will benefit large and small businesses (including manufacturers) and universities alike can be debated at length. Ultimately, this will be determined as the AIA provisions are implemented and, in some cases, litigated in the courts. There can be no disagreement, however, that the AIA has brought substantial reform to U.S. patent law, the ramifications of which will only truly be appreciated with the passage of time. ■

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ing where the manufacturing process begins and ends. There will always be gray areas of the exemption which require a more detailed analysis. However, manufacturers should keep in mind that the purchase of core manufacturing machinery and equipment is exempt from Illinois sales taxes.

A related, and widely underutilized, credit is the Manufacturer's Purchase Credit, or MPC. The MPC is a valuable sales tax credit available to manufacturers that purchase qualifying, exempt manufacturing machinery and equipment, including qualifying repair and replacement parts. Purchasers of qualifying exempt machinery, equipment and parts are entitled to a credit equal to 50 percent of what the state sales

taxes would have been (i.e., 6.25 percent) if the transaction were taxable. The purchaser will receive a certificate of the amount of credit earned from the seller. The MPC referenced in that certificate can be then applied against State (not municipal) sales taxes only on future purchases of "production related tangible personal property" which include, for example, research and development materials and building materials physically incorporated into a manufacturing facility. Users of the MPC must also report credits used on an annual basis to the Department of Revenue.

Enterprise zones also provide an opportunity for sales tax savings in connection with a new facility or facility expansion. An enterprise zone is a specific area designated by the State to stimulate economic activity. Like the sales tax exemption on manufacturing machinery and equipment, purchases of building

materials physically incorporated into a manufacturing facility are exempt from state sales taxes, and typically municipal and county taxes as well. Manufacturing companies can take advantage of this exemption by securing a certificate of exemption from the enterprise zoning administrator. The certificate is then presented to the seller in connection with the purchase of any exempt materials in order to secure the exemption.

Companies should also be aware that the purchase and sale of real estate located within an enterprise zone is exempt from State transfer taxes. Some units of local government, such as the City of Chicago and Cook County, also exempt conveyances of real estate within an enterprise zone from their respective transfer taxes.

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Project Lead the Way . . . Making a difference in Illinois high schools

STEM (Science, Technology, Engineering and Mathematics) education is at the heart of today's high-tech, high-skill global economy. For America to remain economically competitive, our next generation of leaders — the students of today — must develop critical reasoning and problem solving skills that will help make them the most productive in the world.

Project Lead The Way (PLTW) is a leading provider of rigorous and innovative STEM education curricula used in middle and high schools across the U.S.

STEM education programs like the one offered by PLTW engage students in Activities, Projects, and Problem-based (APPB) learning, which provides hands-on classroom experiences. Students create, design, build, discover, collaborate and solve problems while applying what they learn in math and science. They're also exposed to STEM fields through professionals from local industries who supplement the real-world aspect of the curriculum through mentorships and workplace experiences.

PLTW's comprehensive curriculum for engineering and biomedical sciences has been collaboratively designed by PLTW teachers, university educators, engineering and biomedical professionals and school administrators to promote critical thinking, creativity, innovation and real-world problem solving skills in students.

The hands-on, project-based engineering courses for high schools and middle schools and biomedical sciences courses for high schools engage students on multiple levels, expose them to areas of study that they typically do not pursue, and

provide them with a foundation and proven path to college and career success. The curriculum, delivered through PLTW's Virtual Academy, is provided free of charge to schools that register with PLTW. Classroom equipment — computer software and kits for hands-on activities — along with teacher training, which is required, are the main costs related to the program.

But how do students feel about PLTW? Elizabeth Lee, a PLTW student at New Trier Township High School in Winnetka, Illinois says her personal experience is one that

impacts other areas of her high school education.

Elizabeth Lee's story

Student, New Trier Township High School, Winnetka

I am currently in Principles of Engineering (POE), one of the classes offered as part of the Project Lead the Way (PLTW) pre-engineering program, and it is one of my favorite classes. I can't recommend it or encourage it enough to my friends.

The odd thing about it is that it has a load of math and yet, I love it. I

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Jim Nelson is Vice President of External Affairs for the Illinois Manufacturers' Association. He can be reached at 217-718-4211 or jnelson@ima-net.org.

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Discretionary tax credits

While many entitlement tax credits and exemptions exist for Illinois manufacturers, there are an equal number of discretionary programs. All are designed to encourage and enhance Illinois' manufacturing base.

The most common discretionary tax credit program on the state level is the Economic Development for a Growing Economy program, or EDGE. The EDGE tax credit is a non-refundable tax credit against corporate income tax liability over a period generally not to exceed 10 years. Projects where EDGE credits are awarded generally involve the expansion of an existing facility, establishment of a new facility or a decision to keep jobs within the state (compared with moving them out of state). In all cases, a company must demonstrate that it has considered out of state options and, but for the grant of EDGE credits, the project likely would not have occurred in Illinois. To qualify for the EDGE credit, a company must make a capital investment of at least \$5 million and create a minimum of 25 new jobs. Waivers of this minimum standard are available but only in limited circumstances.

The EDGE credit can equal up to 100 percent of the personal income tax collected on salaries paid to company employees in newly created. Retained jobs typically only gar-

ner a credit equal to 50 percent or the personal income tax collected from the retained employees. Each annual tax credit amount may not exceed the company's state income tax liability, but the credit may be carried forward for five years. To keep these tax benefits, a company must maintain the project and jobs outlined in the tax credit agreement in Illinois during the agreement term. By way of example, if a company invested \$5 million in a new facility that created 25 new jobs with a payroll of \$1 million, the company could receive a tax credit of about \$40,000 per year for 10 years. An important point to keep in mind, however, when considering EDGE credits is to be certain the company has, or expect to have, Illinois corporate liability. Otherwise, the credits have no value.

Tax increment financing

The primary discretionary economic development tool utilized on the local level is real estate tax increment financing, or TIF. Under the state's TIF statutes, a municipality is allowed to capture real estate taxes over a certain base level in a particular area that has been determined to be in need of economic development. That area is referred to as the TIF District. The municipality can then use such captured, or incremental, amounts of real estate taxes to pay for or reimburse a company for certain costs incurred in connection with developing the TIF District.

A municipality can only pay for or reimburse a company for "redevelopment project costs" in the area. Costs that qualify include the following:

costs of acquiring property; demolition of buildings, site clearing and grading of land; public works and improvements; costs of job training and retraining; relocation costs; rehabilitation, reconstruction or repair of existing buildings; and certain financing costs of the company. A municipality will generally make reimbursement payments once a year as incremental real estate taxes are paid but will, on occasion, issue bonds backed by the incremental taxes. The proceeds of those bonds are then used to reimburse the company for redevelopment project costs they may have incurred. For example, if a company sites a new facility in a TIF district, it could be reimbursed for land acquisition and site preparation costs, new access roads or other necessary public improvements and even job training for new workers. Even if a site is not in a TIF District, a company can request that the site be designated as a TIF District and thus may be able to take advantage the benefits of TIF.

Even if TIF is not available, manufacturers should consider possible real estate property tax abatements for their new or expansion projects. Units of local government (e.g., municipalities, counties, park districts and school districts) are permitted to abate their share of property taxes. Property tax abatement typically involves a written agreement between a taxpayer and unit of local government whereby the company commits to a certain level of investment and job creation and the unit of government agrees to refund real estate taxes paid each year. This incentive option is not common but does offer an opportunity for real estate tax savings where a TIF District or other incentives are not feasible.

Conclusion

In sum, whenever a company plans an expansion, a new facility or capital investment, it should carefully review its tax incentive options. The state of Illinois and other governmental entities have a number of programs in place to encourage and promote manufacturing and related activities within the state. A small amount of due diligence on a project or investment can result in big savings with the proper planning and analysis. ■

Save the date
Help us celebrate 120 years of
serving manufacturers in Illinois

2013 Annual Luncheon
Friday, December 6, 2013

IMA

JW Marriott Chicago Hotel
151 W. Adams Street • Chicago, IL 60603

ILMO Marks 100th day of year with surprise for employees

IMA member ILMO Products Company is celebrating their 100th Anniversary throughout 2013 with several activities, most recently surprising all 97 employees with \$100 on the 100th day of the year, totaling a giveaway of more than \$12,000 including taxes.

On Wednesday, April 10, ILMO's owners and directors visited all ten ILMO locations to personally present each employee with a \$100 bill and lunch for their team, and to express their appreciation for their dedication to ILMO's success.

Fourth-generation owners, Brad Floreth, President, and Linda Standley, CEO, agreed that honoring ILMO's employees was the most important first step in the anniversary celebration. "Being in business for 100 years says a lot about a business' values, how well they serve their customers and support their community, and their ability to adapt," states Standley. "At the core of those factors, there must always be great people working together as an even greater team, and we think our employees are excellent at what they do every day, so we chose to thank them for helping ILMO reach this rare milestone."

Like ILMO's year-long 100th Anniversary celebration, the \$100 fun didn't end after the 100th day. "Our story is receiving thousands of comments from people who simply want to congratulate ILMO for rewarding its employees," said Blair Austin, Marketing Director at ILMO Products Company. "Our employees and customers are thrilled to see our name in national news, and it's building a new energy inside the company, in addition to what we experienced Wednesday. It's chemistry!"

Earlier this year, ILMO unveiled an anniversary logo and slogan — A Century of Great Chemistry — and will be celebrating in many other ways to thank their customers, employees, vendors, and community for their help in ILMO's success over the past 100 years and through the next century. ILMO has over 100

employees across 10 locations in Illinois and Missouri. For more information, visit www.ilmoproducts.com or connect on www.facebook.com/ILMOproducts to see photos from their 100th day celebration.



GROW-IL Coalition launches in Illinois to support hydraulic fracturing

A diverse group of business, labor, construction, transportation and agricultural organizations have launched a coalition focused on enacting common sense hydraulic fracturing legislation in Springfield. The GROW-IL (Growing Resources and Opportunity for the Workforce in Illinois) coalition is led by the Illinois Manufacturers' Association, Illinois AFL-CIO and the Illinois Petroleum Council. GROW-IL believes utilizing existing energy resources will reduce the reliance on foreign sources of energy while business, labor and consumers will benefit from low-cost energy for decades to come.

Hydraulic fracturing is the process of releasing natural gas and oil from rock deposits deep underground by fracturing shale formations. This cutting-edge technology allows shale gas to be safely extracted from the New Albany Shale in southeast Illinois. The United States is poised to become the largest producer of both natural gas and oil in the next five years and Illinois can be a leader in that energy effort if Springfield can support policies to maximize our energy resources.

"We believe a common sense approach exists that will create jobs, generate millions of dollars in revenue for the state while protecting the environment for decades to come," said Mark Denzler, Vice President/COO, Illinois Manufacturers' Association. "As we have seen in other states, hydraulic fracturing technology results in a tremendous economic boost for nearly every sector of the economy and that's why so many voices have come together to join this coalition."

"All of our industries are poised

to grow and invest in our state if we can pass common sense regulations that will stimulate the development of shale gas in Illinois," said Jim Watson, Executive Director, Illinois Petroleum Council. "This is an opportunity to provide millions of dollars in state revenue and thousands of good jobs."

Several organizations have joined the Coalition. For a list of members, visit <http://grow-il.org/coalition-members>.



Tyson Foods receives an 'A' for new corporate responsibility report

IMA member Tyson Foods, Inc., one of the world's leading producers of meat and poultry, has received an "A" from the Global Reporting Initiative for its latest corporate social responsibility report, company officials announced recently.

The new sustainability report is the fourth Tyson Foods has produced since 2005, but the first to receive the Global Reporting Initiative's (GRI) Application Level "A." This represents a high degree of disclosure and transparency in sustainability reporting. GRI is a world-recognized organization that promotes economic, environmental and social sustainability.

The 2012 Tyson Foods Sustainability Report documents the company's progress from 2010-2012 across four key areas: people, planet, profit and products. The full report can be found online at www.tysonfoods.com/sustainability.

"For us, sustainability is about trying to do the right thing in everything we do," said Donnie Smith, president and CEO of Tyson Foods. "It's fundamental to our core values, cuts across every aspect of our business, and supports our mission of making great food and making a difference."

Among the key accomplishments outlined in the report:

- Animal well-being: In 2012 Tyson announced the launch of FarmCheck™, a program to audit

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animal treatment at the independent farms that supply the company.

- **Water and fuel conservation:** Since 2004, Tyson has cut water consumption by nearly 11 percent. Through efforts to improve fuel efficiency and reduce emissions, the company has eliminated more than 145 million over-the-road truck miles since 2011.
- **Nutrition:** In 2012 Tyson launched nine new products that meet updated nutritional standards for school meals. These foods feature lower fat and sodium content and eliminate food allergens.
- **Hunger and disaster relief:** Since 2010 Tyson donated more than 18 million pounds of food, valued at \$23 million, to nonprofit hunger relief agencies across the U.S. In 2012 the company also launched the "Meals that Matter" mobile disaster relief supply unit, which was first used in New Jersey and New York in the aftermath of Hurricane Sandy.
- **Charitable giving:** Tyson has donated \$10 million to support education, health and human services, families and the environment since 2010.

"With the global population surpassing the seven billion mark, the food industry's greatest challenge is to help feed the world," Smith said. "But it's not enough just to fill mouths. Creating access to a steady, nutritious diet for people across the globe requires partnerships throughout the food chain that are built on sustainable, modern agricultural and ethical business practices."



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United Airlines earns top honor from Equality Illinois

IMA member United Airlines has earned the 2013 Business Leadership Award from Equality Illinois, the state's oldest and largest organization advocating for lesbian, gay, bisexual and transgender (LGBT) equality. The award is given annually to a business that demonstrates vision and leadership in the effort to achieve full equality for LGBT individuals in Illinois.

"United is a global company, and the richness of our different backgrounds, cultures, experiences and ideas brings enormous value to us," said Jeff Smisek, chairman, president and CEO of United. "We value inclusion and diversity in our business and in our lives, and it's important that we take time to celebrate this. On behalf of my more than 85,000 co-workers, we accept this award proudly."

"From its Illinois headquarters, United Airlines sets a high standard for the entire industry of embracing fairness and diversity. The company consistently leads the corporate world in LGBT workplace equality, and we are proud to honor their work with the Business Leadership Award," said Bernard Cherkasov, CEO of Equality Illinois.

United is committed to creating a work environment where all its employees across the world feel included and empowered to make a measurable difference in its success. United offers policies, programs, benefits, privileges and recognition designed to reward and support the success of its diverse workforce. The airline is equally committed to its multicultural community sponsorships as well as supplier diversity initiatives.

In 2012, for the fifth consecutive year, United received a 100 percent rating in the 2013 Corporate Equality Index, an annual survey administered by the Human Rights Campaign Foundation, which ranks top companies and law firms based on their LGBT policies.



LeRoy Hagenbuch inducted into the Pit & Quarry Hall of Fame

IMA member Philippi-Hagenbuch, Inc. is pleased to announce the induction of LeRoy G. Hagenbuch, P.E. into the inaugural class of the Pit & Quarry Hall of Fame.

The Pit & Quarry Hall of Fame recognizes, celebrates and preserves the history of outstanding leaders in the aggregates industry. The Hall of Fame seeks to create a wider public understanding and appreciation of the industry's role — not only in the past but for the future — in global economic and social prosperity.

"Experimenting started at an early age for me; in fact, my mother once commented that I was their (my parents) first experiment!" said LeRoy Hagenbuch during his acceptance speech. "Growing up on a farm requires you to be creative. One of my fathers principles was "If you need one of something, buy it; if you need two or more, make it. This has always stuck with me."

Hagenbuch went on to discuss his support structure: "One is only able to reach this level of achievement with a lot of SUPPORT! The support I have, which includes my family and our company associates is what has led to my personal and our company success over the past 44 years."

LeRoy G. Hagenbuch, P.E. is the Chief Engineer and Co-Founder of the engineering and manufacturing firm Philippi-Hagenbuch, Inc. of Peoria. His patent for the first commercially available tailgate designed for off-highway haul trucks was only the beginning. He is now credited with over 80 patents in the U.S. and internationally.

Mr. Hagenbuch is a member of many state and national business and industry associations. He currently serves on the Board of Directors for the Illinois Manufacturers' Association (IMA), is a past Chairman of the Illinois Manufacturers' Association's Small Manufacturers Council (IMA-SMC), a past member of the Board of Governors for the National Mining Association Manufacturing Council (NMA), and a past member of the Board of Directors for the National

Stone, Sand and Gravel Association Manufacturers and Services Council (NSSGA).

For more information on the Hall of Fame, please visit <http://www.pitandquarry.com>.



Illinois law schools respond to needs of our veterans

The U.S. has a strong history of citizen soldiers — those who live and work in the community and

accept the call when needed to serve in the Armed Forces through Reserve units.

The John Marshall Law School in Chicago founded its Veterans Legal Support Center & Clinic in 2007 to provide free legal assistance. It has served hundreds of veterans throughout Illinois using a network of attorneys across the state who take cases pro bono on behalf of veterans.

Now Southern Illinois University School of Law in Carbondale is initiating the SIU Law Veterans Project to

assist veterans with free legal assistance. The SIU network of staff, law students and volunteer attorneys will ensure that the needs of our rural veterans are being met.

Both programs will assist veterans, regardless of their active duty or Reserve status.

Contact The John Marshall Law School Veterans Legal Support Center & Clinic at 312-360-2666 or at vlsc@jmls.edu for more information.



PLTW

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wouldn't say it's very math heavy but you have to know your way around numbers. I hate math but I love POE. Normally, in math, I have a hard time understanding why we use some of the formulas or why we need to learn them or how they have a real life application. During the trigonometry unit sophomore year, I couldn't help but think that people don't use trig to figure out how far away a third tower is . . . and I just didn't understand why. But in POE, everything has an application. You don't learn a variable because it's there, you learn it because you need it.

We used trigonometry extensively during the Statics unit and I have to be honest, I struggled for a bit during the calculations. I couldn't wrap my brain around the fact that the static members (which involves analyzing loads on physical systems in equilibrium) themselves don't have to create right angles when you go to calculate the stresses on the members. It went against everything I learned in math. [I believed] you have to have a right angle to use trig, but it turns out you don't. I had to do a sort of re-calibration from this mindset of, "since it's a math problem: one solution — one way" to a more abstract way of seeing the formulas in use. It was still math, which I still hate, but it was applied. I understood why I was using it and why it worked much more readily, than I did dur-

ing the actual unit in my Math class.

POE wasn't just different from math, it was also very different from Physics. I currently take Physics along with AP Bio and although Biology doesn't overlap too much with POE, Physics certainly does.

One of the hardest parts was getting over the difference between Physics vectors and Engineering vectors. Physics wants to see exactly what the forces are doing, so you would point the vectors in the direction the forces are going. But Engineering is different. It looks at how the members would react. I had to go in and talk to my teacher, Mr. Silvers, a few times to clarify this in my head. I would slip up and use the wrong vectors in the classes and when I tried to explain why I would switch my vectors, my Physics teacher didn't understand. The lack of communication between the two disciplines led to that sort of confusion. It also led to where I really didn't need to take notes during Physics because we already went over the formulas and events of such things like Torque, Work, Elastic Potential, and other things already in POE.

Communication is a huge thing in POE. Some of the labs are predetermined and we carry out the instructions, but there are some at the end of a unit where it is all on us. Mr. Silvers gives us the design brief and we create our own machine to fulfill the criteria. Recently, to round off the Statics unit, we had to create a bridge that spanned at least six feet and carry a minimum of fifty pounds. I've done

builds before, but on a much smaller scale and I normally work alone. But working alone, as redundant as it sounds, is lonely. There's no one to bounce ideas off of, no one to pipe up with a different perspective, no one to tell you to drop an idea that isn't going to work, no matter how hard you try. You have to adapt and modify. If anything, I learned how close people can work to their breaking point. And I learned where mine was as well when we had to finagle two members together from scraps. It all worked out great in the end but the experience was high-strung and enlightening. I learned very quickly not to take or make the project too personal. Because it's not my project, it's the group's. And even if it feels as if I have more invested in it, I don't. It is every much the slacker's as it is the over-achiever's.

Conclusion

Are your area high schools offering Project Lead the Way, or its algebra-based alternative Engineering by Design? Today in Illinois nearly 200 high schools offer PLTW. That means there are more than 600 that don't.

If manufacturing is to have access to workers with the kinds of skills needed for successful careers in advanced manufacturing, we need to encourage expansion of PLTW as well as implementation of the Manufacturers Education Initiative in every high school in Illinois. For more information, contact the IMA's Jim Nelson to see how you can become part of the effort. ■

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2013 Calendar of events

June 7, 2013

**IMA's Women in Manufacturing
Council Meeting**

8:30 am–12:00 noon — Cost: \$50.00

Where: G. W. Electric

305 W. Crossroads Parkway

Bolingbrook, IL 60563

For more information, contact Kimberly

McNamara, 630-368-5300,

kmcnamara@ima-net.org, or visit the IMA

Calendar of Events at www.ima-net.org/calendar-of-events to register.

August 2, 2013

IMA's Small Manufacturers Council Meeting

8:00 am–12:00 noon

Where: Marriott Hotel-Naperville

1801 N. Naper Blvd.

Naperville, IL 60563

For more information, contact Kimberly

McNamara, 630-368-5300,

kmcnamara@ima-net.org, or visit the IMA

Calendar of Events at www.ima-net.org/calendar-of-events to register.

October 18, 2013

**IMA's Women in Manufacturing
Council Meeting**

1:00–4:00 pm

Where: to be announced

For more information, contact Kimberly

McNamara, 630-368-5300,

kmcnamara@ima-net.org, or visit the IMA

Calendar of Events at www.ima-net.org/calendar-of-events to register.

November 1, 2013

IMA's Small Manufacturers Council Meeting

8:00 am–12:00 noon

Where: Marriott Hotel-Naperville

1801 N. Naper Blvd.

Naperville, IL 60563

For more information, contact Kimberly

McNamara, 630-368-5300,

kmcnamara@ima-net.org, or visit the IMA

Calendar of Events at www.ima-net.org/calendar-of-events to register.

December 6, 2013

IMA's 2013 Annual Luncheon

Where: JW Marriott Chicago Hotel

151 West Adams Street

Chicago, IL 60603

For more information, contact Kimberly

McNamara, 630-368-5300,

kmcnamara@ima-net.org, or visit the IMA

Calendar of Events at www.ima-net.org/calendar-of-events to register.

Visit <http://www.ima-net.org/calendar-of-events> for information, pricing, registration, etc., related to all IMA events. For more information, contact Kimberly McNamara at kmcnamara@ima-net.org, 800-875-4462, ext. 9371

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