

# THE ILLINOIS MANUFACTURER

THIRD QUARTER 2019





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**Illinois Manufacturers' Association**

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## MISSION STATEMENT

The Illinois Manufacturers' Association is the only statewide association dedicated exclusively to advocating, promoting and strengthening the manufacturing sector in Illinois. The IMA is the oldest and largest state manufacturing trade association in the United States, representing nearly 4,000 companies and facilities.

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### PRESIDENT & CEO

Mark Denzler

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For address changes and adjustments, write to *The Illinois Manufacturer*. Presort standard postage paid at Bloomington, IL. Postmaster: Send address changes to *The Illinois Manufacturer*, 220 East Adams Street, Springfield, IL 62701. Telephone: (217) 522-1240.

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# MAKE NO LITTLE PLANS...

MARK DENZLER, PRESIDENT & CEO



**M**ore than a century ago, famed Chicago architect and urban planner Daniel Burnham penned the famous words “make no little plans; they have no magic to stir men’s blood.”

Throughout the campaign last year, Governor JB Pritzker used a theme of “Think Big” after four years of rancor partisan bickering between former Governor Bruce Rauner and Democrats led by Speaker Michael J. Madigan who seemed intent to stop him at every turn. As a result, Illinois suffered through an unparalleled two-year budget impasse and a failure to make our state a better destination for job creators.

It’s safe to say that newly-inaugurated Governor JB Pritzker and his allies in the General Assembly had grandiose plans when they kicked off the spring legislative session in late January. I’ve been around the State Capitol for a quarter century, and I’m not sure that I’ve seen a more encompassing wish list or a list of major accomplishments for any Governor, let alone one in their first year in office. The state’s chief executive officer generally focuses on the state budget and one or two priorities in their first year.

This year, Illinois lawmakers passed a host of major bills including a balanced budget, \$15 minimum wage, graduated income tax constitutional amendment, \$45 billion Rebuild Illinois capital infrastructure program, recreational cannabis, major expansion of gaming and sports wagering, and a reproductive health act. Any one of these bills on their own would require significant effort but the fact that every single one of them passed is a major feat.

Now to be very clear, the Illinois Manufacturers’ Association did not agree with a majority of the Governor’s agenda and we battled fiercely with his Administration on the minimum wage hike where they ignored attempts by the business community to mitigate damage on employers by creating a regional wage or phasing in the increase on a slower pace.

The IMA is still leading the charge against the graduated income tax that will now appear on the ballot in 2020. We lobbied lawmakers, spoke to editorial boards, and funded television and digital ads but Democrat lawmakers approved it at the end of the day. Illinois voters will ultimately make the decision about whether lawmakers should essentially be given a blank check to raise taxes on Illinois families and businesses. You will see us highlight this issue again and again in the next eighteen months.

It was a rough start to the year with the minimum wage hike first out of the gate but we regrouped and scored some great wins for the state’s manufacturing sector later in the year that will save hundreds of millions of dollars. We owe a debt of gratitude to House Republican Leader Jim Durkin and his caucus for standing firm for job creators – they refused to go along with any votes in the last days of session unless business reforms were called for votes.

## Our victories include:

- **Five-year extension of the Research & Development tax credit.** R & D is the lifeblood of the manufacturing sector that is building and improving products every day.
- **Enacted a permanent and modern Manufacturers Purchase Credit** that took effect on July 1. Illinois manufacturers no longer will pay state or local sales taxes on consumables like fuel, oils, lubricants, coolants, solvents, adhesives, and more.
- **Eliminated the Corporate Franchise Tax.** First created in 1872, this is an antiquated tax on the privilege of doing business in Illinois. Last year, more than 346,000 Illinois businesses paid \$172 million in franchise taxes that will be phased out over five years.
- **Created a new \$3,500 apprenticeship tax credit** for manufacturers that use apprenticeship programs to help grow their workforce.
- **Secured the strongest workplace protections in the nation** for the recreational cannabis law so that employers can maintain a zero tolerance policy, have a safe and drug free workplace, and drug test their employees.
- **Stopped a forced unionization measure** that would have required refineries, chemical plants, and ethanol facilities to hire unionized workforces and pay the prevailing wage on privately financed projects.

Finally, Illinois finally passed the first comprehensive capital infrastructure program in more than a decade while our infrastructure crumbled under our feet. Manufacturers need to efficiently move people and products around the world and this investment will make Illinois more competitive and enhance our status as a transportation hub. It invests in roads and bridges, air and waterways, rail and technology. More importantly, it makes a strong commitment to K-12 education and higher education including funding new vocational and career tech programs to help address the skills gap in manufacturing.

2019 is one of the most memorable years in my career. It is my first year at the helm of the IMA and we faced tremendous challenges with a new Democratic Governor and Democrat supermajorities with grand plans. We had some good wins and a few losses but manufacturers have a strong and unified voice at the Capitol.

At the IMA, we also have no little plans. We’re in the process of rolling out a new Association Health Plan for small employers, embarking on a Manufacturing Matters tour around our state touting the importance of our sector, rebranding the IMA to reflect today’s modern manufacturing, planning our first fly-in to Washington D.C., and building a stronger Association so that we can continue to be successful in the future.

Thank you for all of your support and investment in the IMA. ♦



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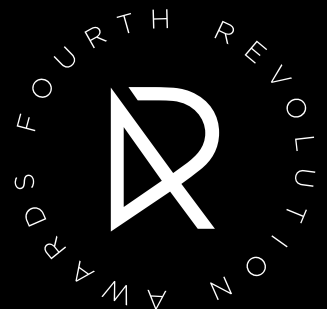
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## THE CEREMONY

The Fourth Revolution Awards celebrates regional manufacturing for its leadership and innovation as the industry stands on the brink of a new technological revolution. The ceremony culminates in the presentation of eight awards to deserving leaders, companies and industrial initiatives that have made significant contributions to the Midwest region's manufacturing ecosystem. Together, we will ensure that the region's manufacturing sector is driven, infused with world-class talent, and continues its reign as a global leader into the future.

## THE REVOLUTION

The Fourth Industrial Revolution fuses physical product development with digital processes to impact all disciplines, economies and industries. Central to this revolution are emerging technology breakthroughs in fields such as the Internet of Things, autonomous vehicles, 3D printing, robotics and artificial intelligence. It is a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity – the transformation will be unlike anything humankind has experienced before.



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# IMA HEALTH PLAN COMING SOON!

MARK FRECH



For the past 18 months, the IMA's leadership has been closely following and helping to shape the ever-evolving Association Health Plan (AHP) landscape in Illinois. While AHPs are nothing new, the Trump Administration gave them new life when an Executive Order was issued in October of 2017 directing the Secretary of Labor and Department of Labor (DOL) to liberalize the conditions under which small employers can unite and procure group health benefits for their employees under an AHP arrangement.

The premise for this expansion of healthcare access through an AHP was severalfold (the following excerpts are directly from the President's Executive Order):

- (1) Large employers often are able to obtain better terms on health insurance for their employees than small employers because of their larger pools of insurable individuals across which they can spread risk and administrative costs.
- (2) Expanding access to AHPs can help small businesses overcome this competitive disadvantage by allowing them to group together to self-insure or purchase large group health insurance.
- (3) Expanding access to AHPs will also allow more small businesses to avoid many of the PPACA's costly requirements.
- (4) Expanding access to AHPs would provide more affordable health insurance options to many Americans, including hourly wage earners, farmers, and the employees of small businesses and entrepreneurs that fuel economic growth.

Since the Executive Order's publication in 2017, a lot has happened. In short, the DOL finalized a Trump-directed "new rule" for expanding AHP access in the middle of 2018. This "new rule" was then challenged in a federal court (*State of New York, et. al. vs. United States Department of Labor*), and it was found to be unlawful by Judge John D. Bates of the District of Columbia on March 28, 2019. Despite the DOL publishing a statement memorializing its disagreement with the court's decision and stating its intent to consider "all available options" moving forward, this development casts doubt on the viability of the Trump Administration's vision for expanding access to AHPs and the DOL's "new rule" path for doing so.

So, where does this leave the IMA and its member companies, many of whom could benefit from exploring an AHP offering delivered through the IMA?

While the invalidation of the DOL's "new rule" for AHP access was noteworthy, it has not changed the IMA's course forward. Since the ink on the President's Executive Order was drying, our leadership has been moving quickly, thoughtfully, and strategically to design an AHP product for our members that is best-in-class in terms of both coverage and cost.

Now operating under the premise of the DOL's "old rule" (which has been vetted and proven viable by trade organizations like ours for decades), the IMA is in the late stages of finalizing a partnership with a leading Illinois medical insurer to offer member companies a group health plan solution. Once finalized, eligible member companies must satisfy the following criteria to gain access to the program:

- (1) Maintain a manufacturing industry focus (SIC code assignment of 2000 – 3999).**
- (2) Employ 2 to 50 total employees (on average) in the prior calendar year.**
- (3) Be an IMA member in good standing.**

Some of you reading this may remember the IMA's health plan trust that operated successfully and profitably for nearly 50 years. I, personally, was involved in the oversight and management of that program for much of my tenure at the IMA. While the IMA's focus on an "old rule" AHP is a different strategy than our legacy approach to providing healthcare for our members, we are confident that it will yield the same value-rich results that all of our member-centric initiatives are designed to produce. We are excited to share more details with you as they become available over the coming weeks.

For more information about the IMA's AHP initiative, including key program announcements and enrollment timelines, please visit [www.imahealthplan.com](http://www.imahealthplan.com). ♦

*Mark Frech*



# Want to learn more about the IMA Health Plan?

Visit

[www.imahealthplan.com](http://www.imahealthplan.com)  
for information and updates

Contact

[ima@ima-net.org](mailto:ima@ima-net.org)  
or Mark Frech at  
(217) 718-4203

# NAVIGATING MARIJUANA IN THE WORKPLACE

CLARK HILL PLC

**O**n May 31, 2019, when the House passed Amended House Bill 1438, the Cannabis Regulation and Tax Act (the “Act”), Illinois became the 11th State to legalize marijuana for recreational use. The legalization of recreational marijuana use in several states, including Illinois, has left many employment policies vague and confused. This article offers insights to questions every Illinois employer should be asking in light of legalization.

## **I Know Recreational Marijuana is Legal in Illinois, But What About Federal Law?**

In 1970 Congress passed the Controlled Substances Act (“CSA”) and classified marijuana as a Schedule 1 drug, meaning that other than for specified research purposes, it is a federal crime to “manufacture, distribute, dispense, or possess” marijuana in any form. The CSA still remains the law of the land today. Thus, while recreational and/or medicinal marijuana use in almost half the states in the nation may be legal from the perspective of state law, or at least not a state crime, it is still illegal under the federal law, albeit one which the government seems less and less inclined to enforce.

## **Can We Still Have a Drug & Alcohol Free Workplace?**

Yes – and employers should. The Act specifically instructs that Illinois employers may prohibit employees from using or being under the influence of marijuana while in the workplace, while performing the employee’s job, or while on-call. In fact, the Act specifically recognizes an employers’ right to do so, saying “Nothing in this Act shall prohibit an employer from adopting reasonable zero tolerance or drug free workplace policies.” Employers who wish to implement a zero tolerance or drug free workplace should consider drafting/amending their drug policy to include the following language:

*No employee may use, possess, manufacture, distribute, sell, purchase, or be under the influence of illegal drugs during working hours, in the workplace, while conducting any business for and/or performing any job duties on behalf*

*of the company, in any company vehicle, whether rented or leased, and while traveling in connection with company business, or at any other time or place that may affect their employment with the company or the company’s business or operations.*

*Under this policy, “illegal” drugs are those drugs or controlled substances the possession of which is unlawful under federal, state, or local law, and includes prescription drugs obtained without a lawful prescription or that are used in a manner inconsistent with prescription directions. Although certain states permit use of marijuana/cannabis for medical or recreational purposes, marijuana/cannabis remains illegal under federal law, and is considered an illegal drug under this policy.*

The Act broadly defines “workplace” to mean the “employer’s premises, including any building, real property, and parking area under the control of the employer, or area used by an employee while in the performance of the employee’s job duties, and vehicles.” This broad definition of “workplace,” ostensibly covering any area in which an employee is performing the employee’s job duties, arguably extends the employer’s “workplace” to offsite locations, including customer/client offices, and even an employee’s personal residence if the employee is telecommuting and performing his job duties from his/her personal residence.

## **Can We Still Drug Test and Maintain a Drug Test Policy?**

Yes – and employers should. The Act specifically permits Illinois employers to adopt and implement reasonable “employment policies concerning drug testing.” In fact, the Act states that an employee or applicant has no basis to file a lawsuit against an employer if the employer requests that the employee or applicant submit to “reasonable drug testing under the employer’s workplace drug policy, including an employee’s refusal to be tested or to cooperate in testing procedures . . . based on the employer’s good faith belief that the employee used or possessed cannabis in the employer’s workplace or while performing the employee’s job duties or while on call,

in violation of the employer’s employment policies.”

The Act provides specific examples of employee conduct that may support an employer’s “good faith belief” that an employee is using marijuana in the workplace. For example, a good faith belief may stem from sudden changes in an employee’s speech, physical dexterity, agility, coordination, demeanor, and/or other irrational or unusual behavior. Further, under the Act, a good faith belief may be supported by an employee negligently or carelessly operating a piece of machinery, disregarding the safety of other employees, getting into an accident that results in damage to equipment or property, disrupting production or the manufacturing process, or injuring another person due to carelessness.

## **Can We Still Discipline Employees for Violating Our Zero Tolerance and Drug Testing Policies?**

Yes – and employers should. The Act provides that employers have the right to discipline and/or terminate employees for violating their drug free workplace policies. Such action comes with a caveat, however. The Act states that if an employer disciplines an employee based on the employer’s good faith belief that the employee is under the influence of or impaired by marijuana, the employer must provide the employee with an opportunity to contest the basis for that determination. Notably, the Act does not provide guidance on permissible means to contest, or the length of time an employer is required to provide an employee who wishes to contest. Unlike alcohol, there is no permissible threshold for impairment yet, nor does the Act provide a threshold for how much marijuana consumption constitutes legal impairment. Thus, such decisions ultimately will be left up to the discretion of the employer and the employer’s written drug policy. Prior to making such decisions, employers are advised to consult with their employment attorney.

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## Can an Employer Discipline an Employee for Off Duty Marijuana Use?

Depends. The Act amends the Illinois Right to Privacy in the Workplace Act to provide that recreational and medicinal marijuana are legal products and employers cannot refuse to hire, discharge or otherwise discriminate against an individual solely because the individual uses marijuana off premises during non-working hours and non-call hours. Under the Act, an employee is "on-call" when the "employee is scheduled with at least 24 hours' notice by his or her employer to be on standby or otherwise responsible for performing tasks related to his or her employment either at the employer's premises or other previously designated location by his or her employer or supervisor to perform a work related task."

However, the Act permits employers to maintain a zero tolerance/ drug free workplace policy, and possessing marijuana is still illegal under federal law. The Act even expressly provides that federal law takes precedence over state law, stating that "Nothing in the Act shall be construed to interfere with any federal, state or local restrictions on employment, including but not limited to the United States Department of Transportation regulation 49 CFR 40.151 (e), or impact an employer's ability to comply with federal or State law, or cause it to lose a federal or state contract or funding."

Thus, under the Act, use of marijuana outside of the workplace and during non-call hours, which results in an employer's good faith belief that an employee is "impaired" or "under the influence" of marijuana while in the workplace, while performing the employee's job, or while on-call, appears to provide employers with a legitimate basis to discipline and/or terminate an employee for violation of the company's zero tolerance/drug free workplace policy, and not simply because the individual uses marijuana outside of the workplace and during off duty hours.

## How, if at All, Does the Act Affect Medical Marijuana Users?

It doesn't. The Act specifically states that it does not in any way "enhance or diminish protections afforded by any other law, including but not limited to the Compassionate Use of Medical Cannabis Pilot Program Act." Thus, an employer still cannot

discipline and/or terminate an employee solely on the basis that the employee is a medical marijuana card holder. It also is important to remember that the American with Disabilities Act does not protect illegal drug use and, therefore, because marijuana is an illegal drug under federal law, with no exceptions for medicinal use, its use is not protected under the ADA, and an employer is not required to provide reasonable accommodations for the use of prescribed marijuana. However, an employer may be required to accommodate the underlying condition, separate and apart from the employee's use of medicinal marijuana for that condition.

In summary, these are new and unchart-

ed workplace issues for employers. But, employers seeking to maintain a zero tolerance and drug free workplace may still do so. This intent must be set forth in a clear and concise drug policy. Employers should also communicate with employees and job applicants their zero tolerance policy relating to drug screening practices and consequences of use on the job or off duty. And, employers should train managers on how to deal with potential use on the job or "for cause testing" on the job, along with the ability to identify signs of using at work. Finally, it is always advisable and highly recommended that employers consult with their employment counsel regarding any issue relating to marijuana in the workplace. ♦

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Be sure to check out our upcoming event...

### Economic Outlook: 2020 and Beyond

What do the leading economic indicators tell us about what's to come? As businesses look to start the budgeting process for next year, decisions about who to hire, what equipment to purchase, etc., are impacted by questions about the future of the U.S. and global economies.

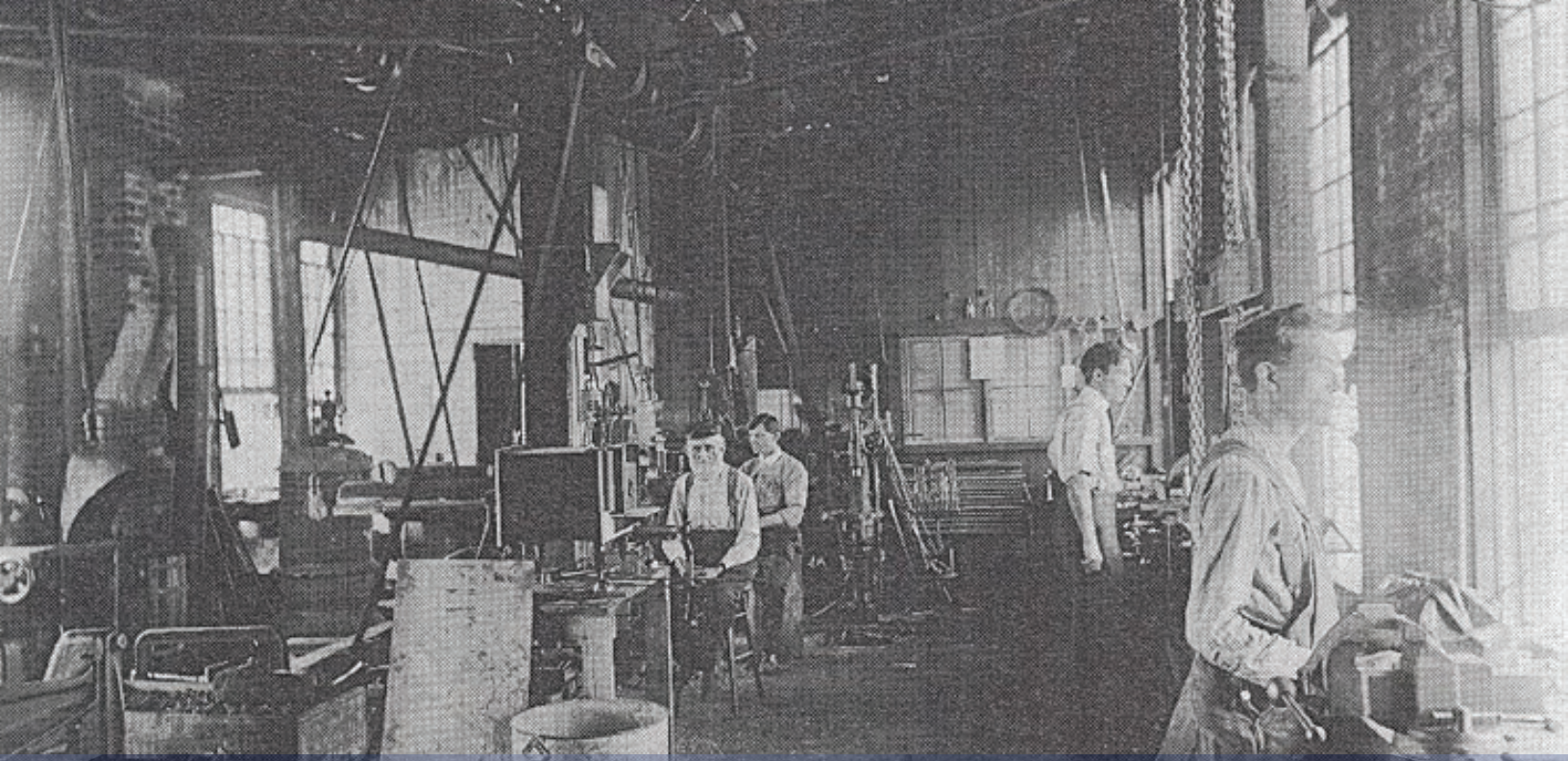
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## FRANTZ MANUFACTURING COMPANY: 110 YEARS OF INNOVATION AND ADAPTATION

Keeping a business alive for 110 years is no easy task. With changing markets and changing needs, staying relevant as a manufacturer can be tricky to say the least. FRANTZ Manufacturing in Sterling, Illinois has survived since 1909 not by continually doing the same thing, but from constantly innovating and adapting to the needs of the customer. The story of the steel ball and conveyor components manufacturer is not a straight line, but rather a path that diverges and reconverges over the decades into a brand that has been involved with some of the most important innovations and inventions of the last century.

FRANTZ Specialty Manufacturing Co. originated when Peter Frantz began to take his natural gift of working with his hands and used it to provide for his family in a way he was not able to before. Peter had a knack for inventing, and so instead of running the family farm as he was expected to, he followed his dreams and sold the farm to begin personal projects for several manufacturers in the Sterling area. Soon, Peter became the Plant Superintendent and Tool Designer for Reynolds Wire Company in Dixon, Illinois, where he and a friend created the first Fence Stay machine.

By the age of 35, Peter decided it was time to start his own manufacturing company and create his inventions under his own roof. The first of many inventions of Peter's was his lamp adjuster, which allowed workers to move their light source over machinery or desks. After several samples were sent to local businesses and met with rave reviews, Peter knew he would have to grow his business and produce the lamp adjuster in larger quantities in order to fill customer demand for the product. He turned to Clarence Lahman, who he worked with on the Fence Stay machine at Reynolds Wire Company. Clarence convinced other members of the Lahman family to invest in Peter's company, and in 1909 FRANTZ Specialty Manufacturing Company was born.

At the time, the company was described as a "general manufacturing business for the purpose of manufacturing and selling

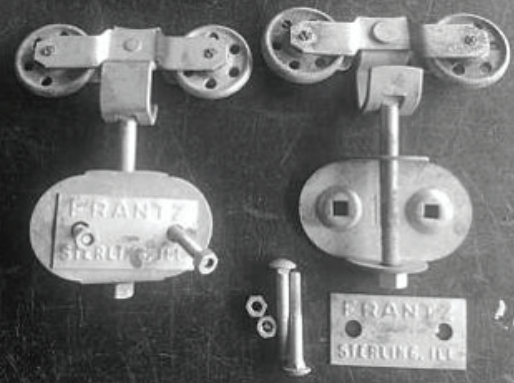
various kinds of mechanical inventions and specialties constructed of metal, wood, or other materials." This broad and open-ended description afforded Peter the opportunity to test the waters in many markets and manufacture specialty products for various applications.

As the Lamp Adjuster became more popular and sought after by businesses, Peter knew his product needed wider exposure. He took to the road, traveling as far as Texas and New York to personally sell his invention, while three workers stayed at the manufacturing plant and built the adjusters as the orders came in.

Two years after the founding of FRANTZ, Peter came up with another revolutionary invention: a bird-proof and waterproof 'glide hanger' for barn door tracks with sturdy, steel wheels. At the time, Peter may not have known just how important this invention would be for the future of his company, but today, evolved versions of these steel wheels are still being produced by FRANTZ.

As Peter's business continued to grow, many customers requested models of his products. In 1919, FRANTZ purchased wood working equipment and established a Sample and Model Shop at the facility. Soon after, one of Peter's own employees came to him with an idea: since the company was already working with wood and most of the woodworking machines were idle much of the time, the company could expand its operations and move into the toymaking market. The toys were a hit and were sold all over the country – even at Macy's in New York and Marshall Fields in Chicago.

FRANTZ was so successful with its toymaking division that, after five years of production, Peter decided to separate it from the FRANTZ Manufacturing name. Thus Hustler Toy Corporation was born. From wooden horses to board games, and even roller skates that featured the very same wheels from Peter's glide hanger, there was virtually nothing made from wood or metal that the manufacturer couldn't make. Hustler Toy Corporation produced over a



The steel wheels from Peter Frantz's 1911 glide hanger inspired numerous inventions.



By 1933 FRANTZ Manufacturing Co. adapted their steel wheels for roller skates.



This same 'skate wheel' was used in FRANTZ's bearings, which are still made to this day.



Today, FRANTZ manufactures specialty bearings for conveyors, still using production methods and designs that Peter Frantz and C.R. Wolf created.



The progressive die has been a revolutionary tool for manufacturers across the world, and it all began at FRANTZ Manufacturing Company.

million units a year at its peak, until the depression took a heavy toll on the toy industry and FRANTZ had to discontinue the line.

At the same time that the Hustler Toy Corporation was in its heyday, FRANTZ chief engineer C.R. Wolf had begun working on yet another new invention – an 'over-the-top' garage door that would save space by rolling up and out of the way, whereas other garage door models had to be folded or rolled shut from the side and took up a lot of space. The invention was a hit, and as garage door hardware sales increased faster than the company could manufacture them, the company needed to expand once again. In 1941, FRANTZ doubled its manufacturing floor space to accommodate the orders that were coming in.

C.R. Wolf, like Peter, was also a problem solver and innovator. Punching out millions of skate wheels for the roller skates was time consuming and required several machines and presses to complete. To simplify the process, C.R. developed a machine that could do many operations with one press. By moving the product under a different die already attached to the same press, each stroke of the machine could perform multiple functions. This became known as the 'progressive die' system which is still in use in manufacturing facilities around the globe.

The progressive die was specifically designed to mass-produce FRANTZ's skate wheels, which had more applications than just roller skating. As roller conveyors were becoming widely adapted for transferring goods, FRANTZ tapped into the conveyor market and used the skate wheels it was already famous for as bearings for the ends of the conveyor roller tubes. This was a vital development that led the company to where it is today.

During the second world war, steel was in short supply and was reserved for manufacturers who were producing materials for the troops. Seeing an opportunity to help with the war effort and gain access to steel, FRANTZ manufactured over 1 million cots for army soldiers, and was able to acquire the steel needed to continue pro-

duction of the skate wheels.

When the war ended and steel was again available for normal production, FRANTZ decided to take on the challenge of making its own steel balls for the ball bearings. In 1950 the company opened a new facility – Sterling Steel Ball – specifically for the manufacturing of these steel balls, and from there the business took off. There are many uses for these steel balls, such as drawer slides, shot gun shells, fishing lures, and even push rods in large automobile engines. Today, those push rods are the primary market for Sterling Steel Ball.

As the economy globalized and China began to take over the bearing market, FRANTZ yet again had to adapt and innovate to stay relevant and competitive. Today, the manufacturer still makes ball bearings and steel balls, but it has specialized its products in ways that are different from other competitors. Going back to its origins, the company again became a specialty manufacturer of high-quality products that could not be purchased from overseas manufacturers. Some of these products include the FRANTZ Labyrinth bearing, which extends bearing life by blocking dirt from getting inside and clogging the bearing. FRANTZ has also developed a quieter bearing that reduces the noise levels of conveyors by several decibels. This makes an enormous difference in the noise levels of facilities that use thousands of rollers in their conveyor lines.

From beginning with a lamp adjuster and glide hanger, to producing roller skates, progressive dies and specialty bearings, FRANTZ has continued to evolve with the changing landscape of the manufacturing sector in order to remain relevant producers of necessary products. While the company may have seen several of its innovations come and go, it was not only the tenacity and creativity of Peter Frantz but also of his successors that has kept FRANTZ Manufacturing Company going strong for the last 110 years. ♦

# HOW THE ECONOMY IS TIED TO ENERGY

CONSTELLATION

Constellation market analysts regularly monitor the macroeconomic factors that have an impact on energy, such as the gross domestic product (GDP), industrial production (IP), unemployment rates, auto and trade sales, and government budgets and the trade deficit.

The acronyms we study measure economic activity, which rolls into things like energy demand and therefore, price. For example, we analyze:

- Gross domestic product or GDP is a sum of all the transactions and measures if these transactions are growing or shrinking. Interest rates and the relationship between short-term and long-term interest rates measure the availability of credit in the system, as the Federal Reserve System is easing or tightening monetary policy.

- Industrial production or IP measures the increase or decrease in industrial activities. For example, is it growing or shrinking? If it's growing, will it translate to more jobs, a growing economy, etc.?

- Talking about jobs, jobless claims are the closest thing to a real time estimate of economic activity. Increasing jobs equals increasing economic activity and income (i.e., you need people to provide goods and services) and the same goes for decreases.

We look at auto and home sales because those are the biggest purchases people generally make. They take credit, jobs, etc., to make those purchases happen. Think of the economic activity around a house purchase – such as paint, furniture, credit, brokers, etc.

The trade deficit measures the amount of money leaving or coming into the economy, whereas government budgets measure the amount of money that is going to be spent in the coming year.

## Economic Activity Affects Energy Demand & Prices

Economic factors – like the above – are impacted by many things, one being demand, and demand is linked to economic activities (i.e., the making, purchas-



ing and selling of services and goods). Strong economic activity increases demand and energy prices follow, and the opposite is also true, so a knowledge and understanding of the status of the economy is essential for understanding the energy markets.

Recent news headlines illustrate the impact economic activity has on demand and prices. Headlines include factory output in the European Union fell in March at the fastest pace in six years, while U.S. manufacturing activity slid to its lowest level in almost two years. This news sent equity markets lower and oil prices lower as traders were concerned about a pending global slowdown, which would reduce the demand for energy.

The Purchasing Manager's Index (PMI), which is used to measure current economic health for manufacturing and

service sectors, is analyzed by energy market analysts and includes survey areas, such as new orders, inventory levels, production, supplier deliveries and employment. The index is an indicator of future manufacturing activity, which is energy-intensive in nature. For example, if credit tightens and automotive plants, which require large amounts of energy, reduce output by one million cars annually, then that can have an impact on industrial energy demand and reduce energy prices.

For more information on how the Illinois Manufacturer's Association's Energy Program with Constellation can help your business during changing economic times, please visit [associations.constellation.com/IMA](http://associations.constellation.com/IMA) or contact Rich Cialabrini at [richard.cialabrini@exeloncorp.com](mailto:richard.cialabrini@exeloncorp.com) ♦

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# ARE GAS PRICES EXPECTED TO RISE?

## A LOOK AT THE FUTURE OF OIL AND GAS IN A CHANGING POLITICAL LANDSCAPE

CONSTELLATION

A recent Wall Street Journal article titled “Shale Companies, Adding Ever More Wells, Threaten Future of U.S. Oil Boom” got me thinking that there may be a very subtle structural shift in oil and gas production occurring.

The article in summary says that expectations for even more aggressive returns based upon production may be ending. This combined with the Green New Deal and votes to ban or limit fracking in specific states may be signaling the end of almost unbounded growth of production on the oil and gas side. Plus, energy production executives are starting to be critiqued on cash flow and profits rather than production, which could also spell the end of growth.

Maybe I am daydreaming, but could we get a price pop if production scales back and if demand grows? In fact, we expect demand to grow in the next five years by about 10 Bcf of gas a day. The growth may come from liquefied natural gas (LNG) exports, Mexican exports, demand for gas generation and industrial demand, to name a few. If production doesn't grow to meet demand, we could have a structural rally, which is a fundamental-driven shift higher in prices due to growth in supply falling below growth in demand. This may be a small possibility, of course, but think about the possibility.

### Clean Energy & its Impact on Oil and Gas Production

Clean energy also plays a major role in impacting oil and gas production. For example, in the news lately, we've seen that banks and the government may be less likely to make dollars available for oil and gas due to increased interest in clean energy. There are always private equity firms, but they demand larger returns.

Then the political landscape may be changing. For example, Colorado is the state getting attention on restricting locations of oil and gas drilling but look

at what Texas is proposing: an eminent domain bill — CSSB 421. The bill could delay oil and natural gas pipeline construction, which could drastically increase the cost of heating and cooling Texas homes, schools and businesses and make it more difficult to deliver fuel in the event of natural disasters, the Texas Oil and Gas Association comments in a press release.

The bill moved out of Senate committee with a vote of 8-0 but must still pass the full Senate. But what is surprising about this bill is that Texas is known as a home to many oil and gas businesses in the United States and a state that has been more permissive than most with oil and gas development, yet even they might be in the midst of changing their energy landscape.

There is also an increased political opposition to new-build gas pipelines, such as the Atlantic Coast Pipeline in Virginia, the PennEast Pipeline in New Jersey or the Constitution Pipeline in New York. This could limit the growth of gas production in the future as constrained gas would lower the rate of re-

turn producers could earn.

Could \$2.60 Bcf/day for gas in the forwards be the new low? Is it time to buy long-dated natural gas (e.g., buying gas for future terms, such as 2020)?

The changing political landscape may have the potential to impact the prices of oil and gas in the future.

If you want to protect your business from typical price volatility, it may be time to change the way you purchase your natural gas. By diversifying your purchasing strategy and making smaller purchases over time, you can minimize risk and increase your budget certainty.

Learn how Constellation can help you take advantage of this kind of diversified purchasing strategy through our SmartPortfolio program. For more information on how the Illinois Manufacturers' Association's Energy Program with Constellation, please visit [associations.constellation.com/IMA](https://associations.constellation.com/IMA) or contact Rich Cialabrini at [richard.cialabrini@exeloncorp.com](mailto:richard.cialabrini@exeloncorp.com) ◆

*NYMEX has found “technical” support (more buyers than sellers) since Q4 2016 at ~\$2.55/MMBtu (the red line)*



# FASTEN YOUR SEATBELTS

JIM NELSON



A report released by The Council of Economic Advisors in June noted that “[F]or the first time since the Government began tracking job openings nearly 20 years ago, there are more job openings in the United States than unemployed people looking for work.”

## Let that sink in for a moment...

There are more job openings – your job openings – than there are unemployed people to fill them. In fact, nationally, there are over 1.6 million more job openings than people to fill them. Even if every unemployed person had the right skills and experience you were looking for, they aren’t out there. They don’t yet exist...the next generation of workers is still in grade school.

Closer to home, the prospects aren’t painting a happier picture. According to the State of Illinois, by 2025 the number of jobs in Illinois will remain pretty close to 6.2 million but the total labor force in Illinois will number less than 5.9 million workers. Our labor force is projected to shrink by more than 337,000 workers with no relief on the horizon.

As we’ve written here previously, manufacturers have very few options available and taking the long view for planning workforce needs is critical. It still is and it’s going to become worse.

## THERE IS STILL AN OPTION AVAILABLE FOR ASSURING A STEADY PIPELINE OF WORKERS WHO ARE SKILLED, KNOW YOUR COMPANY AND ARE READY TO ADD VALUE TO YOUR PRODUCT LINE.

The options aren’t exactly easy or cheap, and there are precious few from which to choose. By strategically bundling options through a carefully considered plan focusing solely on your company, or each company work location, the impact can be diminished.

Over several years, we’ve been discussing the value of Registered Apprenticeships as a means to cultivate a workforce specifically for your company. In the face of present-day challenges, that means reaching and hiring potential workers at an earlier age and preparing them for careers in manufacturing. Starting conversations in middle school classrooms about manufacturing and new product designs can lead many students to consider what they want to do much earlier than they do now. Given the chance to design a product or process, most students create things that are nothing short of amazing.

The IMA has taken a leading role amending current state laws to allow for apprenticeships to begin at a younger age. Just last year, we led the effort to amend the School Code of Illinois to require the State Board of Education to eliminate non-academic mandates so students wishing to apply for an apprenticeship could do so at age 16, just as their counterparts do around the world. And because of automation and technology, there are virtually no jobs that cannot be done by women and done well.

This year, the IMA succeeded in convincing the Illinois General Assembly to pass legislation that will give a substantial tax credit to employers who engage Registered Apprentices and pay their tuition, books and fees beginning in 2020. The credit, up to \$3,500 each year, is designed to have minimal paperwork and applies to all Illinois employers.

While Illinois and the nation have “hit the wall” when it comes to workforce, there is still an option available for assuring a steady pipeline of workers who are skilled, know your company and are ready to add value to your product line. The IMA will continue its efforts to minimize the difficulties and do what we can in Springfield and Washington to improve conditions.

Times will get tougher before they get better, and there are a number of famous quotes that could capture our times. But I think I’ll go with Bette Davis’ admonition.

**Fasten your seatbelts...it’s going to be a bumpy night. ♦**

# THE ICATT APPRENTICESHIP PROGRAM IS GROWING!

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## TAKING CARE OF EMPLOYEES AT MARTIN ENGINEERING

In the small, rural town of Neponset, Illinois where the nearest health clinic, grocery store, and fitness center is a 15-minute drive away, one manufacturer is investing not only in its employees, but in the community. Founded in 1944 and celebrating its 75th anniversary this year, Martin Engineering has quite literally changed the landscape of Neponset. The town's baseball field has proudly been renamed Martin Field in honor of the manufacturing company and its employees who "paid it forward" and donated the time and supplies to make the field look brand new. Even the local water tower reads "Home of Martin Engineering" in honor of the strong influence the manufacturer has on the community in which it operates.

"We refer to each other as the 'Martin Family,'" said Kathy Erdmann, People Development & Training Manager. "When families have been in need – even families that were former employees – we have always contributed or helped where we could to keep that comradery. We are all in this together."

The manufacturer of belt cleaners, dust management solutions, and industrial vibrators is unique for a number of reasons, but what stands out most about Martin Engineering is the way that it takes care of its employees, investing in their wellbeing inside and outside of their jobs. As a midsize manufacturing facility with just over 250 employees, it isn't the norm to offer health and wellness services or fitness programs. But at Martin, these benefits are a must.

"Since we have opened our health clinic and developed our wellness program, we have seen our insurance rates stay flat for five out of the last six years" said Sandy Milnes, People & Culture Manager. "It is very important to us that we give our employees the tools they need to lead healthy lives."

Maintaining a healthy lifestyle requires proper diet, exercise, and healthcare. Martin Engineering has made healthy living a part of its culture by providing a health clinic, fitness center, and a café for its employees.

The café, which opened in 2007, staffs two women who work full-time five days a week to prepare breakfast and lunch for Martin employees. Lunch includes a full salad bar, daily soup options, a warm entrée, and water flavored with fresh produce.

**EMPLOYEES CAN LEAVE WORK  
FOR 10-15 MINUTES, SEE THE  
NURSE PRACTITIONER, AND THEN  
BE ABLE TO GO BACK TO WORK  
INSTEAD OF HAVING TO MISS A DAY  
IN ORDER TO GET TO THEIR APPOINTMENTS.**

Martin heavily subsidizes the café to keep the cost of meals low for its employees, charging just two dollars for breakfast and three dollars for lunch. This offers employees an affordable and easily accessible place to eat while also providing them with access to healthier options.

"There aren't many options for food here in Neponset," Sandy said. "A lot of people had to rush over to the nearest town – which is 10 miles away – to pick up food and then rush back to work."

Along with offering a well-rounded meal plan, Martin also



A healthy convenience: having an in-house café helps employees to eat healthier meals and saves them from traveling to the next town for a meal.

# TWO HARBORS



Rachel Brody (left) and Nurse Practitioner Catherine Cristensen (right) provide a friendly atmosphere at Martin's Two Harbors wellness center.



Kirk Jenkin has offered fitness and nutrition tips to Martin employees as a part of his six-week internship through Central College in Iowa.



Two Harbors includes two exam rooms as well as a pharmacy for the convenience of Martin employees and their families.

provides an on-site fitness center for its employees. This year, Martin has hired a summer intern to work with employees on their personal wellness journeys – whether they need help with learning how to operate the fitness equipment or tips for nutrition plans. Kirk Jenkin, an Exercise Science major at Central College in Iowa, is spending six weeks of the summer working one-on-one with Martin employees.

“I want to be in corporate health and wellness, and Martin is the perfect place to be because they do a lot for their employees. I’m excited to be talking to employees about their personal fitness plans,” Kirk said.

Not only does Martin provide a fitness center and a personal trainer, but the company also incentivizes employees for taking advantage of these benefits. For example, employees who scheduled a 15-minute fitness consultation with Kirk were entered into a drawing for a matching set of reclining lawn chairs.

“We have a wellness committee that works on monthly activities and contests to get people excited about their personal health. We also do annual biometrics and that helps people to control their health concerns before they become something more significant. I think it has helped people to be much more aware,” Kathy said.

Of all the benefits Martin offers to its employees, the most remarkable is its on-site wellness center. Opened in 2009, “Two Harbors” is free to any employee and their dependents that are enrolled in the Martin healthcare plan.

“The inspiration for the name of the wellness center came from my late sister’s courageous battle with breast cancer,” said Catherine Cristensen, NP-C, MSN. “She and I spent countless hours together in beige waiting rooms during her course of cancer treatments, and we had plenty of time to speculate on

how we would decorate our waiting room if we had a clinic. As fate would have it, I was eventually able to do just that! Two Harbors is a small town in northern Minnesota, which was my sister’s favorite destination to soak up nature and recharge her soul. The wellness center is named after that town.”

The cozy, beautifully decorated wellness center includes a small pharmacy where Catherine works full-time to conduct exams and dispense medications to employees, saving them a trip to their doctors and to the pharmacy.

“The idea behind the wellness center was not only to save the company money from the employees going to their doctors and paying a deductible, but also for the time away from work,” Sandy said. “Employees can leave work for 10-15 minutes, see the nurse practitioner, and then be able to go back to work instead of having to miss a day of work in order to get to their appointments.”

After 10 years, the benefits of the Two Harbors wellness center are clear. Not only are employees and their families taking advantage of the convenient center, but they are actually healthier because of it.

Martin Engineering takes pride in the goods that it produces as well as the people that produce them. Adding employee benefits such as the café, fitness center, and wellness center has boosted company morale, but more importantly, it has created a healthier organization inside and out. The IMA applauds Martin Engineering for working hard to provide the best for its employees and their families, as well as the community of Neponset. ♦

# NEW LEGISLATION IN ILLINOIS: WHAT EMPLOYERS NEED TO KNOW

TAFT STETTINIUS &amp; HOLLISTER LLP

In the last few months, the Illinois General Assembly has passed legislation at a historic rate, including several bills that affect employers, employees and workplace relations. This article discusses three important bills that the General Assembly recently passed concerning workplace transparency and fairness, and use of employee pay histories. It is important that manufacturers and businesses understand the impact of these laws in the workplace.

## **New Obligations for Employers Under the Illinois Workplace Transparency Act**

On June 2, 2019, the General Assembly passed Senate Bill 75, entitled the "Workplace Transparency Act" ("WTA"). The WTA provides further prohibitions concerning sexual harassment in the workplace and imposes significant new obligations on Illinois employers. The Governor is expected to sign the legislation into law. Most of the WTA takes effect January 1, 2020, with other portions taking effect on July 1, 2020.

### **Arbitration Agreements**

The WTA prohibits employers from entering into employment agreements that include non-disclosure or non-disparagement clauses for claims of harassment or discrimination. However, the WTA permits such clauses in settlement or separation agreements so long as:

- (1) the harassment or discrimination claims arise before the agreement is signed;
- (2) the clauses are mutually agreed upon and benefit both parties;
- (3) the employee/applicant is given 21 days to review the agreement before its execution; and
- (4) the employee/applicant has 7 days after signing the agreement to revoke it and the agreement is not enforceable until that revocation period ends.

Additionally, under the WTA, unless an arbitration agreement excludes discrimination and harassment claims, the arbitration agreement is unenforceable. Further, arbitration agreements drafted by employers may not: (i) shorten applicable limitation periods for claims; or

(ii) limit an employee's right to assert claims or remedies available under state or federal law – e.g., by prohibiting class actions. The WTA's prohibition of class action waivers appears squarely inconsistent with recent U.S. Supreme Court precedents (*Lamps Plus, Inc. v. Varela*, *Epic Systems Corp. v. Lewis*, and *Kindred Nursing Ctrs LP v. Clark*). Nonetheless, until a court addresses this provision of the WTA, Illinois employers' ability to enforce arbitration agreements prohibiting class actions has become unclear.

### **Mandatory Annual Disclosures**

Starting July 1, 2020, the WTA requires all private or public employers, labor organizations, and parties to a public contract to report annually any settlement, adverse judgment, or administrative ruling against them – involving harassment or discrimination – to the Illinois Department of Human Rights ("IDHR"). The required disclosures include the total number of settlements or judgments and those settlements and judgments based on each characteristic protected under the Illinois Human Rights Act ("IHRA").

This information reported to IDHR is not subject to disclosure requests under the Illinois Freedom of Information Act nor will IDHR identify any employer in its public reports of this data. However, IDHR may use the reported information to begin an investigation and possibly bring a discrimination charge against an employer. Employers who do not comply with the reporting requirements are subject to penalties ranging from \$500 to \$5,000 per violation, with the penalty amount based on the number of an employer's employees and whether the employer has prior violations.

### **Sexual Harassment Training**

The WTA also requires every employer to provide annual sexual harassment prevention training. The training must equal or exceed the standards provided under a model training program that will be published by IDHR. The program will include an explanation of sexual harassment, examples of prohibited conduct, a summary of applicable laws about sexual harassment, and a summary of employee rights regarding sexual harassment. Fail-

ure to provide the required training will result in the same monetary penalties for violating annual reporting requirements. The WTA does not indicate when IDHR will publish its model training program or when employers must complete their initial annual harassment training under the WTA. IDHR presumably will address the training deadline in its forthcoming regulations implementing the WTA.

### **Other Provisions**

The WTA also amends the IHRA to prohibit discrimination based on any actual or perceived protected characteristics. Previously, the IHRA barred perceived discrimination only when based on disability. The WTA amendment dramatically expands "perceived" claims to those based race, gender, age, and every other protected characteristic. This means even if an employee does not have a particular characteristic but contends the employer perceives the employee to have that characteristic and discriminates against the employee for that reason, the employee can bring a discrimination claim under the IHRA.

Regarding leave, the Illinois Victims' Economic Security and Safety Act ("VESSA") requires employers to provide 8–12 weeks of unpaid leave for employees to obtain medical, psychological, or other services after experiencing domestic or sexual violence. The WTA amends VESSA to include sexual harassment among the qualifying reasons for taking leave under VESSA. However, for VESSA purposes, "sexual harassment" need not have any connection to the workplace or employment.

Finally, the WTA extends the protections of the Illinois Human Rights Act to independent contractors and consultants. This means employers could be held liable for harassing conduct that substantially interferes with the work of an independent contractor or creates a hostile work environment adversely affecting a contractor.

The takeaway under the WTA is that Illinois employers should consider reviewing their employment contracts, arbitration agreements, separation agreements, and policies for compliance with the new

obligations imposed under the WTA. Employers also should watch for forthcoming information about the reporting and training that the WTA requires.

### **Illinois to Become the Eleventh State to Ban Pay History Inquiries**

On May 29, 2019, House Bill 834 passed both houses of the General Assembly and has been sent to Governor Pritzker for signature. The bill amends the Illinois Equal Pay Act of 2003 (the “EPA”) by restricting employers from inquiring into an applicant’s pay history, among other sweeping changes. The Governor is expected to approve the legislation, which will become effective 60 days after it is signed into law.

The EPA prohibits Illinois employers from paying employees who perform substantially similar work different pay rates based on their sex or because they are African-American, subject to certain exceptions, including that the wage differential is based on a factor “other than sex” or “other than race.” House Bill 834 amends the EPA to prohibit employers from:

- (1) screening applicants based on their wage or salary history;
- (2) requesting applicants disclose their wage or salary history; or
- (3) seeking an applicant’s wage or salary history from a current or former employer.

There are exceptions for applicants whose wage or salary history is a matter of public record and for current employees who are seeking a different position with the same employer.

House Bill 834 also prohibits contracts or waivers that restrict employees from talking about their own salary levels. Further, the legislation clarifies existing standards for establishing equal pay violations under the law. Importantly, House Bill 834 does not prohibit employers from discussing an applicant’s expectations with respect to wages or salary, or negotiating salary based on the applicant’s skills, qualifications or experience.

Restrictions on salary history inquiries are intended to narrow the wage gap by preventing employers from perpetuating historic pay disparities in the market. Under House Bill 834, it is no longer ap-

propriate for employers to ask applicants how much they earn in their current job in order to offer a competitive starting salary. Instead, employers should solicit information about the applicant’s pay expectations by asking “what will it take” to attract the applicant away from their current employer. Employers remains free to negotiate with applicants concerning starting salary based on their work experience, education and demonstrated skills and qualifications. Inevitably, during negotiations, applicants may voluntarily disclose their current salary. Employers should redirect discussions away from salary history and back to the applicant’s

compensation expectations.

If an employer is going to set different pay rates based on a factor other than sex or race, the employer should be confident that the factor justifies the entire differential. For example, it may be suspect to offer two applicants of different genders or races significantly different starting salaries solely because one had four years of experience while the other had three and half. The difference in pay must be proportional to the differential other than sex or race – in this example, years of experience. ♦



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# MAKE OR BUY: THE CLASSIC STRATEGY DECISION APPLIED TO THE SKILLS GAP

ICATT



**T**he Skills Gap in numbers: 20,000 manufacturing employees are retiring per year in Illinois; just 5,000 each year are entering the profession from the state's high schools and community colleges. And as more and more of the baby boomer generation approaches retirement, this problem is going to get worse.

So when there aren't enough workers with the right skills to be found, what can manufacturers do?

Apprenticeship programs are a way to shift your workforce strategy. If you can't find the talent you need on the job market ("buy"), move to a "make" strat-

egy and create your own.

## The Case for a Make Strategy

The bulk of the advice on whether to make a certain component or buy it on the open market describes the cost and accounting factors to consider, but one factor can trump the savings of a few percentage points: whether the component in question is of strategic importance and critical to the success of the company.

When this question is applied to the manufacturing workforce, the answer is a resounding yes: skilled technicians are indeed of critical strategic importance.

A Buy strategy only works if you have

a reliable supplier – or in this metaphor, a reliable supply – and that's exactly what's missing in today's employment market. Building their own pipeline of talent means that employers take charge of their own workforce needs rather than competing and poaching from the same dwindling pool of talent. They control the timing of production and diversify their sources of raw materials. Most critically, a Make strategy allows manufacturers to continually evolve their training and develop the talent they will need in three or five or 10 years, to keep up with changing technology.

"[The apprenticeship program] works

for the industry, and to protect our industry in automation and manufacturing. If we don't have these the industry will die. The industry will stay where it is today and we will struggle to be competitive." –Darragh Staunton, President of BBS Automation Chicago

### **The Challenges of a Make Strategy**

All of the returns that come from a successful workforce investment strategy are only possible with a careful upfront investment. When planning their Make strategy, employers should approach the challenges with open eyes.

**Make or Buy corollary:** sourcing and selecting the raw materials

Recruiting and interviewing for entry-level apprentices is different than most traditional hiring. Employers need to look for general aptitude instead of specific knowledge; for interest and motivation instead of experience.

#### **1) "Diamonds in the Rough" Just Look Like Rocks**

Surprisingly to some, many young people don't have resumes. Hiring managers can shake their heads and exclude those that don't, but there's the risk that they're missing good, moldable material. Someone just out of school likely has little to no experience interviewing and doesn't know how to present themselves well. Leverage the "people person" on your team to draw them out of their shell. There are also resources available for interviewing based on situations the candidate has experienced in everyday life.

#### **Tips for evaluating young applicants:**

- Adjust expectations: often no resumes
- Interview skills (or lack of them) don't correlate to future job performance
- Personality and motivation are important, but can be hard to learn about. Get them talking about something they love
- Get to know the parents
- Build relationships with your local HS tech teachers, and ask for their insight

#### **2) Test Drive**

For a successful apprenticeship, both you and the prospective apprentice need to know what you're getting into, and this can be challenging because young

people have less exposure to manufacturing than their parents or grandparents did. To help ensure a good fit on both sides, start early. Ideally, a potential apprentice should work full time for around six weeks before the official apprenticeship begins. Alternately, high school seniors may be able to take part time jobs before graduation.

#### **3) Your Raw Materials Choose You**

Unlike commodities, potential apprentices have a choice on whether they come and work for you. If your goal for the apprenticeship program is to attract more young people to your company, evaluate what you're offering. Many traditional apprenticeships follow the model of a 40-hour work week, with several hours of classroom learning in the evening. While this model works for some, few of today's generation are dreaming of a 50-hour week. (Safety is a question, too: tired apprentices are far more prone to make mistakes.) Manufacturers are in a fierce competition for talent, and traditional models are simply not attracting enough people. Apprenticeship programs such as ICATT in IL and surrounding states, MAT2 in MI, and MAP2 in OH and FL, all have a model where work and college alternate, with the deliberate intention of attracting more young people.

### **Make or Buy Corollary: Personnel for Ongoing Production**

#### **1) Take the Time to Do it Right**

When planning a new Make strategy, manufacturers include the personnel resources needed to carry out the production processes. Unfortunately, they often overlook or underestimate these personnel resources when starting an apprenticeship program. Apprentices need active training, guidance, and feedback, which means they need a supervisor or mentor who has time to invest in these things. Employers should plan to invest more time in the apprentices than they typically do in semi-skilled hires who learn only as needed, over time.

This investment has a significant payoff. The time spent by the mentor in demonstrating, checking, giving feedback, and general coaching leads to faster skill attainment and better retention of information. Well-trained apprentices make a greater contribution to the business, sooner.

"Most of the mentors we choose have responsibilities elsewhere, so it can be hard to allocate enough time to focus on the apprentices. However, the time they take pays off in the end, and it can be balanced with some attention. The apprentices need to be patient and understand, and at the same time the mentors need to make it a priority. Our management completely supports this." –Scott Weiss, Operations Manager, Herrmann Ultrasonics, Inc.

#### **2) Prepare Your Team to Make**

Not every engineer knows how to run production, and not every skilled technician knows how to train. Trainers need practical skills to transfer their knowledge and ensure effective learning. An effective Train the Trainer program can teach mentors how to break down complicated tasks, give effective feedback, work with different types of learners, and recognize and correct problems. The ICATT Apprenticeship Program provides that training for every participating company to ensure company-based training is high-quality.

### **Make or Buy Corollary:**

#### **Leverage Outside Expertise Where Needed**

Many manufacturers have lost the institutional knowledge they may have had in decades past on structuring an effective apprenticeship program. Luckily, there are groups to help. Cluster-based programs such as ICATT, MAT2 and MAP2 provide access to a wealth of expertise and resources, as well as a network of like-minded employers. The U.S. Department of Labor also has experts who can advise on Registered Apprenticeships. Your local community college similarly has a workforce specialists who can help.

### **Make or Buy Corollary:**

#### **Make AND Buy**

Henry Ford famously wanted to own even the ships that brought the steel to his plants. Today's manufacturers recognize they can't do everything themselves. Apprentices need a lot of guidance, and while they make a contribution from day one, it takes time before they are as productive as full-time employees. Employers need to remain active in traditional hiring to cover today's needs, while at the same time building up apprentices to ensure success tomorrow. ♦

# NOW IS MORE IMPORTANT THAN EVER TO UPDATE RESALE CERTIFICATES

DHJJ

**W**ith new tax laws in place, manufacturing businesses need to ensure their resale certificates are up to date. Resale certificates are a very important part of the state and local sales tax process. As a manufacturing company, if you sell to another business that intends on reselling your product, you must have a resale certificate on file. Not having the correct certificates on file can land your company in trouble.

Here are some considerations for your manufacturing company in regards to resale certificates.

## Updating Resale Certificates

If your company purchases items in order to resell, you will need to provide a resale certificate. Since your company is reselling, you are not the consumer or end user of the product, and therefore should not pay sales tax. Many states require the resale certificate be updated over a certain period time in order to remain valid. In Illinois, the resale certificate should be updated every three years. Not having an updated resale certificate on file can result in the company being charged sales tax, even if they are not the end user of the product.

## Resale Certificates and Audit

If you collect resale certificates from customers for resale, the most important reason to be sure an updated resale certificate is on file is because of sales tax audits. An auditor will request resale or exemption certificates if they notice that no sales tax was charged to your customer. If the resale certificate is not on file, your business may be liable to pay the uncharged sales tax. This can be a costly mistake.

Additionally, it is important to note that every state has different forms for resale certificates. If you happen to be in multiple states, you will need to be sure to collect the correct state's resale certificate. Very few states accept other state's resale certificates for a sale.

## Resale Certificates and Drop Shipping

Resale certificates are especially important in drop shipping situations. There are several states that do not accept other state's resale certificates, and therefore, an out-of-state resale certificate can't be ac-

cepted. California is an example of this. If the drop shipper has nexus in California and are shipping to California on behalf of an out-of-state retailer, then the drop shipper should charge sales tax on either the amount the out-of-state retailer charged their California customer (if known) or the amount the drop shipper charges the out-of-state retailer plus a 10 percent markup.

Understanding the rules and your responsibility for each state in which you do business is important for sales tax collection, resale certificate collection, and fee quoting your customer.

## South Dakota v. Wayfair and Resale Certificates

Last year, the Supreme Court sided with South Dakota in South Dakota v. Wayfair. This ruling said states may charge tax on purchases made from out-of-state-sell-

ers, even when the seller does not have a physical presence in the taxing state. In doing so, the Supreme Court decision has opened the floodgates for multi-state sales tax remittances. A company's gross revenue in a state may exceed the new nexus thresholds, but they may only sell items for resale purposes. The company may have to register in the state but collect the proper resale certificates from customers in that state.

As tax laws change, it is important for manufacturers to keep up with the changes so your company isn't overpaying or underpaying on sales tax. There are many changes that are favorable for manufacturers but having a clear plan can make the process easier for your company. Reach out to your tax strategist to ensure you are taking advantage of the changes. ♦

## TAX CHANGES MANUFACTURERS NEED TO CONSIDER NOW

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# ENVIRONMENTAL DUE DILIGENCE FOR CORPORATE ACQUISITIONS

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

For most companies, the decision to acquire part or all of another company is a major undertaking that occurs infrequently at best. Temptingly, buying another company can accomplish instant expansion, the acquisition of important product lines or brands, acquisition of key employees, customers, or contracts, and/or rapidly increase market share (especially with the acquisition of a competitor). However, with such high potential rewards, such moves often come with significant risks. Generally, from the legal perspective, when one company buys another company (that is, the acquiring company purchases all of the stock of the target company), that means that the purchaser acquires all of the liabilities of the target company. In other words, the purchaser is buying not only the company as it exists at that time, but it also acquires (for better or worse) the entire history of the target company's operations.

With very few exceptions, most companies (especially smaller ones) are not well-versed in dealing with the many issues that arise in the course of a corporate acquisition. Significant issues such as personnel matters, ownership of intellectual property (e.g., company name, brand names, websites, customer lists, patents and goodwill), real estate and facilities, customer/vendor contracts, corporate financial condition and potential latent liabilities, all pose unquantified risks that must be researched and dealt with in the course of conducting "due diligence" on the target company.

One often-overlooked aspect is environmental due diligence, which is accomplished in several different ways. Some involve physical site visits and investigations, and some require researching corporate compliance history and liability. Often, the investigation results drive the terms of the deal and implicate contractual provisions between the

buyer and seller such as indemnities, express assumptions of environmental liability, covenants not-to-sue and releases, and even environmental insurance products, to help manage and mitigate identified risks.

For starters, many people are already aware that when acquiring real property, a "Phase I" Environmental Site Assessment (ESA) is highly recommended – both for ascertaining any potential problems that could pose significant risks (as well as providing the chance to identify and factor those risks into the purchase price) and also for establishing certain statutory defenses to environmental liability (such as the "Bona Fide Prospective Purchaser Defense" under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA," aka "Superfund"), 42 U.S.C. § 6901, et seq.). Many corporate acquisitions will include one or more properties (often with operating facilities) that should each be evaluated with its own specific Phase I ESA (or together as a portfolio). It should be noted that if institutional financing (i.e., a bank) is involved, the lender will almost certainly insist on a Phase I ESA for each and every parcel of real estate.

But, environmental due diligence for a corporate acquisition most often needs to go beyond a basic Phase I ESA, which is primarily focused on the conditions of the property itself – for example, investigating past uses of the property (though historical aerial photographs, city directories, fire insurance maps and other tools) and physical signs of potential contamination (stained soils or surfaces, vent pipes for underground storage tanks, pits or sumps in the facility, etc.). Typically, because most corporate acquisitions involve operating facilities and businesses, an Environmental Compliance Audit (ECA) is needed in addition to the Phase I ESA.

An ECA picks up where a Phase I ESA typically leaves off and focuses on the

business as a going concern, and whether the company (or specific facility) is operating with the proper environmental permits (e.g., air emissions, outfalls or sewer discharges), is in compliance with environmental laws and regulations (for example, hazardous waste management), and whether the company or facility is under threat of enforcement or litigation for any non-compliance issues. An ECA will evaluate whether the current operations pose any problems or whether the company has a recent history of violations.

For example, a facility with a plating line could have numerous recent permit violations and is in danger of being shut down by the applicable environmental authorities – but without a proper ECA, this situation could go unidentified until months after the purchase of the company is consummated (at which point substantial penalties could be assessed, or even an unanticipated shutdown by the regulators could occur). Or, a facility might be operating without proper permitting at all – for example, a printing shop that is required to have air permits for its volatile emissions coming from the printing presses, or a parts manufacturer that needs a permit for its spray paint booth. Other compliance problems besides adhering to permit conditions can be found when environmental regulations govern operational aspects, such as hazardous waste management, that don't require a permit but are subject to many requirements for proper handling and manifesting of waste transportation and disposal.

A much more difficult, but still very important, aspect of potential environmental liability stems from facilities that a target company may have owned in the past, but sold off years ago. For example, consider a company that at one point had 10 different facilities, but recently sold off half of them – such that when the company became an acquisition target, only five facilities were

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owned and operational. While a proper set of Phase I ESAs and even Compliance Audits on the facilities will give a good snapshot of the environmental condition and compliance status of the current facilities, such investigations typically do not include former facilities that a company at one time owned and/or operated. Such facilities are sometimes referred to as “zombies,” in that they can sometimes come back from the dead to haunt an acquiring company with unexpected environmental liability. Researching whether such former facilities could implicate present-day liability to the target company (which could then inure to the acquiring company) is difficult, time-consuming and expensive, although specific environmental insurance policies can be obtained that specifically cover the risk posed by “zombie” facilities.

Another hard-to-research issue is the prior actions of the target company as to managing its hazardous waste. Many companies historically managed their hazardous waste by sending it offsite for disposal – either in a dump or landfill the company controlled, or through a third-party landfill operator. Even if the waste was managed according to the standards of the time, however, advances in the understanding of how buried waste can affect the environment by contaminating groundwater or similar issues can implicate a current problem that needs to be addressed to protect the environment. Often, the company that sent its waste for offsite disposal can be tagged for liability by environmental authorities, even if the company’s actions were completely legal at the time. Because this is also a difficult problem to assess in the course of environmental due diligence, another insurance product called “Non-Owned Disposal Sites” or “NODS” insurance can help mitigate that risk.

As noted above, the general rule is that liabilities follow the purchase of stock – in other words, when a purchasing company acquires all of the stock of a target company, the purchaser essentially becomes the target company (although some targets may be maintained as a legally separate subsidiary that may help to shield the parent from lia-

bility to some degree). For this reason, many corporate acquisitions are styled as “asset purchases,” where instead of buying all of the stock of a target company, only the desirable assets are purchased. Legally, liabilities do not follow the purchase of mere assets – the target corporation’s liabilities remain with the target corporation, which maintains its legal existence.

However, in practice, most often virtually all of the assets of the target company are purchased (for example, the name, the logo, the website, the customer lists, the products, the accounts receivable and accounts payable, other intellectual property, etc.). The target corporation is left with only a shell, which typically undergoes a name change (to allow the original name to be purchased by the acquiring company), and then the target corporation shell is formally dissolved fairly quickly. At that point, the company is deemed “dead” but is still legally in existence to allow it to be sued for liabilities related to its corporate lifetime. Then after a statutorily-defined time (that differs from state to state, but is usually between two and five years), the dissolved company is deemed “dead and buried” and is no longer susceptible to lawsuits (except in certain cases where fraud or other malfeasance is alleged). Once the company is “dead and buried,” whatever environmental liabilities may have attached to it go “poof.”

Because the courts typically do not like situations where a potentially liable company can no longer be sued for its actions, especially where a new company has come in and bought all of the “good” assets (leaving the liabilities with the shell of the target company), a number of legal doctrines have developed over the years that can hold the buyer company liable for the prior actions of the target company, even in the case of an asset-only sale. These doctrines, with various names such as “mere continuation” and “substantial continuity” may allow (depending on the jurisdiction) claims to be brought against the asset purchaser (especially where the selling company’s stockholders are paid with stock of the buying company, thereby establishing some

continuity of ownership). Thus, environmental due diligence is still important, even for a typical “asset-only” purchase.

Moreover, in practice, sometimes a deal simply cannot be structured as an asset purchase because some of the desired assets may be customer contracts (especially those with governmental agencies) that cannot be assigned, and/or permits, licenses or other contractual relationships that cannot unilaterally be sold or transferred to a different entity.

Once the environmental due diligence is performed, the risks are ascertained and, to the best degree possible, quantified, those risks can be allocated in the context of the deal. For example, if the owners of a selling corporation agree to remain liable for any environmental liabilities that may have inured prior to closing on the deal (even if such liabilities are unknown at that time), the seller can agree to indemnify the buyer. The risk there, of course, is that collecting on the indemnity may be problematic, especially if years pass and the indemnifying corporation dissolves, and the stockholders disperse their assets. However, sometimes this risk can be insured against with an ‘excess of indemnity’ policy. Representations and warranties from the seller as to environmental issues can also help, but are generally not a substitute for due diligence for the same reason (although insurance can also cover reps and warranties). Other contractual “tools” such as releases and covenants-not-to-sue, and express assumptions of environmental liability, can also be used to clearly define where the parties wish the environmental risks to reside at the end of the deal.

In sum, while making a corporate acquisition can be an important and useful strategy for rapid growth, the risks inherent in such a transaction must be thoroughly investigated through proper environmental due diligence conducted by a qualified team of environmental consultants, attorneys and other professionals. ♦

# EEO-1 PAY DATA DUE SEPTEMBER 1, 2019

HUSCH BLACKWELL LLP



**O**n March 4, 2019, a federal district court issued an opinion in the case of *National Women's Law Center, et al., v. Office of Management and Budget, et al.* that vacated the Office of Management and Budget's (OMB) stay of the Equal Employment Opportunity Commission's (EEOC) revised EEO-1 Form and the September 15, 2017 Federal Register Notice announcing the same. Effectively, this means that EEO-1 filers are now required to collect additional wage information for their employees because the court's order reinstated the revised

EEO-1 Form and ordered the EEOC to collect two years of pay data. On May 3, 2019, the Department of Justice filed a Notice of Appeal in National Women's Law Center. However, the filing of the Notice of Appeal did not stay the district court orders or alter EEO-1 filers' obligations, and the deadlines put in place by the court's opinion are still in effect.

Consequently, the EEOC notified employers through a notice on its website of the deadlines for EEO-1 pay data collection. The deadlines for EEO-1 filers are as follows:

- Component 1 pay data reports for calendar year 2018 should have been filed by May 31, 2019. The online survey portal can be accessed at <http://www.eeoc.gov/employers/eeo1survey/>.

- Component 2 pay data reports for calendar years 2017 and 2018 must be filed by September 30, 2019. The EEOC has posted a notice on its website that it expects a web-based portal for the collection of 2017 and 2018 Component 2 data will be active by mid-July 2019. The URL for the portal will be <https://eeocomp2.norc.org>.

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### The EEO-1 Form

The EEO-1 Form is a report filed with the EEOC as required by Title VII of the Civil Rights Act of 1967. The Act requires that employers report the race, ethnicity and gender of their employees by specific job categories, which the EEOC then uses to support civil rights enforcement and analyze employment patterns. Reports include employment data from any pay period from October through December that must then be filed by March 31 of the following year.

All employers located in the 50 states and the District of Columbia which have at least 100 employees are required to file an EEO-1 survey annually with the EEOC. In addition, federal government contractors and first-tier subcontractors with 50 or more employees and at least \$50,000 in contracts must file an EEO-1 report with the EEOC.

The revised EEO-1 Form added the Component 2 data requirement that re-

quires EEO-1 filers to provide wage information for employees in 12 pay bands.

### Pay Data Collection Requirements

Component 1 of the EEO-1 report requires EEO-1 filers to report the number of employees who work for the business by job category, race, ethnicity and sex.

Component 2 of the EEO-1 report, the new data requirement, requires EEO-1 filers to report wage information from Box 1 of the W-2 and total hours worked for all employees by race, ethnicity and sex within 12 proposed pay bands for the 10 EEO-1 job categories. For non-exempt employees the reported hours worked should show actual hours worked. For full-time exempt employees the reported hours worked should show 40 hours per week and for part-time exempt employees an estimated 20 hours per week.

### The 12 Pay Bands Are As Follows:

Pay Band 1	<19,239
Pay Band 2	\$19,240-\$24,439
Pay Band 3	\$24,240-\$30,679
Pay Band 4	\$30,680-\$38,999
Pay Band 5	\$39,000-\$49,919
Pay Band 6	\$49,920-\$62,919
Pay Band 7	\$62,920-\$80,079
Pay Band 8	\$80,080-\$101,919
Pay Band 9	\$101,920-\$128,959
Pay Band 10	\$128,960-\$163,799
Pay Band 11	\$163,800-\$207,999
Pay Band 12	\$208,000 and over

### The 10 EEO-1 Job Categories Are As Follows:

- (1) Executive / Senior Level Officials and Managers
- (2) First / Mid-Level Officials and Managers
- (3) Professionals
- (4) Technicians
- (5) Sales Workers
- (6) Administrative Support Workers
- (7) Craft Workers
- (8) Operatives
- (9) Laborers and Helpers
- (10) Service Workers

### What this Means for Employers

EEO-1 filers are required to file Component 1 pay data for calendar year 2018 by May 31, 2019. In addition, EEO-1 filers should also plan to comply with the September 30, 2019 deadline for submission of Component 2 pay data. ♦



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# MEMBER NEWS

## Smith & Richardson Sees a Century of Change



Rich Hoster has been Smith & Richardson, Inc.'s co-owner and president for nearly 25 years. He joined the company in the mid-1980s soon after graduating from the University of Tulsa with a degree in finance and a concentration in chemical engineering.

Upon starting at Smith & Richardson, Hoster was tasked with accounting and computerizing the business -- a huge undertaking at the time.

"When I came here, there were no computers. It was 1987 when we installed Smith & Richardson's first computer network, and we did it all ourselves," Hoster told TMA News Bulletin.

Smith & Richardson will celebrate its 100th year in 2021. The 70,000 square foot building that houses the manufacturer on Geneva's western side was built to produce chaplets -- those all-important metal spacers used in sandcasting.

Last year, Smith & Richardson made 40 million chaplets, dominating the U.S. market. Despite 2018's impressive number, the demand for Smith & Richardson's original main product has dramatically decreased over the last several decades. And like any long-surviving manufacturer, the company adapted to the changing demands.

"Today, the majority of Smith & Richardson's business is machining," Hoster said. "We went from 16 screw machines to 32 before investing in CNC machines in 1994. Then we added Swiss CNC technology in the early 2000s."

The company now has a diverse customer base they serve with Swiss and conventional CNC, vertical/horizontal milling machines. Their clients include medical, aerospace, IT infrastructure,

hydraulics, instrumentation, sporting goods and general industries.

Over the years as Hoster assumed more responsibilities, he was offered the opportunity to buy shares in the company. "It wasn't easy with a new wife and baby, but we made the sacrifices and did it," he said.

Knowing he's one part of an industry so crucial to the U.S. is rewarding for Rich Hoster.

"I like to work. It energizes me to know the parts we're making are making a difference. It's also rewarding to see employees develop and move onto bigger and better things," he said.

"We've taken people out of high school and set them on career paths that benefit them and their families. What's better than that? Without people you're nothing. Business is nothing."

## Synergy Flavors Invests in Chicago Food Incubator



**SYNERGY**  
INSPIRING TASTE™

Wauconda-based Synergy Flavors is investing in a Chicago food incubator to support research and development of new flavor products, the company announced in May.

Synergy will develop a kitchen at The Hatchery Chicago, a nonprofit business incubator designed to help entrepreneurs develop and grow businesses in the food and beverage industry. The kitchen, which is expected to open June 1, will be stocked with Synergy's supplies and will be used to support smaller companies in developing flavor choices and taste profiles, the company said in a statement. During the onset, Synergy experts will be involved at The Hatchery's kitchen on a regular basis.

Through the partnership, Synergy said it will use its expertise, knowledge

and consumer insights to inspire entrepreneurs with product development.

"We're excited about the opportunity to be involved in The Hatchery, as it aligns with our core values and offers Synergy Flavors another avenue toward making a positive impact in the local Chicago community while creating sustainable economic growth," said Scott Mortensen, Synergy vice president of sales and marketing.

The Hatchery Chicago recently opened a 67,000-square-foot facility in the East Garfield Park neighborhood, which features 56 private kitchens, meeting and office space and an on-site cooking school. Developed from a partnership between global nonprofit organization Accion and the Industrial Council of Nearwest Chicago, the incubator has attracted interest and investments from other companies like Kellogg's and Deerfield-based Mondelez International, as well as celebrity chef Rick Bayless.

"As we continue to focus on programs and partnerships that further our goal of being a good corporate citizen and community partner, this investment in an underserved area of Chicago allows us to contribute our time and talents to making a tangible impact for years to come" Mortensen said.

## G&W Builds Second Facility in Bolingbrook



Engineered to order. Built to last.

G&W Electric Co., a global supplier of electric power equipment since 1905, has completed construction of its second facility in Bolingbrook.

The new building, next door to the headquarters on 305 W. Crossroads Parkway, will help increase the company's manufacturing capacity to meet growing customer demand. The main focus of the new facility is the expansion of G&W's epoxy molding process.

Epoxy is used to insulate high voltage connectors and switches.

"We are thrilled to expand our presence in Bolingbrook," said John Mueller, Chairman and Owner of G&W Electric. "While this expansion represents our commitment to Bolingbrook, it also represents our continued focus on listening and understanding our customers' needs to ensure we are meeting their expectations."

G&W Electric has called the Chicago area home since 1905. In 2012, G&W moved to its current facility in Bolingbrook after operating in Blue Island for 56 years.

# Taft/

## **Taft Awarded the Women in Law Empowerment Forum LLC's Gold Standard Certification**

Taft Stettinius & Hollister LLP has been recognized with the Gold Standard Certification by the Women in Law Empowerment Forum LLC (WILEF). The WILEF Certification is reserved for law firms which demonstrate that women are active at the highest levels of leadership within the firm.

As the only initiative that emphasizes certifying, celebrating and publicizing law firms with female lawyers in leadership roles, the WILEF Certification focuses on overall percentages of women who are both partners and leaders at their firms. Firms selected for this certification must have at least 300 lawyers in the United States, at least 20% of its equity partners who are women and meet at least three additional criteria that demonstrate a firm's commitment to advancing women in leadership roles. To view the complete list of criteria, click here.

Two criteria of the WILEF Certification are that 20% of a law firm's primary governance committee and 20% of a firm's compensation committee or equivalent must be women. As of 2019, women comprise 50% of Taft's executive

committee and more than 45% of Taft's compensation committee. Taft also exceeded the criterion to have at least 7% of women equity partners who are women of color, with Taft attorneys who identify as women of color representing 9.84% of partners at the firm.

Taft's move to a one-class partnership structure and implementation of a Gender Advancement Committee have resulted in significant increases of women in leadership roles. The one-class partnership structure—adopted to provide more leadership opportunities for women, lawyers of color and younger attorneys at Taft—has led to greater transparency and more inclusion at the firm. Additionally, several paid benefits and initiatives have been introduced at the firm to support female attorneys and other underrepresented groups in the legal industry. These efforts include providing a 16-week paid, gender-neutral parental leave, Milk Stork—an overnight breast milk delivery service, back-up family care service and an annual Women's Symposium to recognize Taft's trailblazers and to elevate leadership opportunities for female lawyers.

"Gender advancement is a priority at Taft," explains Sonya Jindal Tork, co-chair of Taft's Gender Advancement Committee. "We have a record number for the firm of women in leadership positions, and we will continue to strive to lead by example in the legal industry by identifying and promoting opportunities for women and minorities to lead and succeed."

## **Swiss Automation Inc. Donates \$1.3 Million in Gear, Training to ECC**



**SWISS AUTOMATION, INC.**

Elgin Community College is getting \$1.3 million in precision manufacturing equipment, software and faculty train-

ing for its growing Industrial Manufacturing Program that could lead to future job placement and apprenticeship opportunities for its students.

Barrington-based Swiss Automation Inc. has donated a seven-axis Swiss CNC machine – worth \$180,000 – making ECC the only community college in the area with such equipment.

CNC, or computer numeric control, machines are used in prototyping and full production for cutting, carving, machining and milling in a variety of materials, including wood, plastics, metals, ceramic and foams. It can produce parts as small as one-tenth of an inch using a coded programmed instruction and without a manual operator.

"This is something that we couldn't have afforded," ECC President David Sam said. "It's great to have the opportunity to train students on this state-of-the-art equipment."

Swiss Automation – one of the largest manufacturers of precision turned components for the medical, government and aerospace sectors in the United States – delivered and installed the machine in ECC's manufacturing lab Wednesday. The company will begin training ECC faculty members ahead of the launch of a new, advanced CNC programmer certificate program this fall.

It's ECC's first major partnership with a manufacturing industry leader, said Umberto Tinajero, ECC coordinator of computer integrated manufacturing. It will lead to jobs and apprenticeship opportunities with Swiss Automation for students in the program, he said.

For the company, donating the machinery and training is an investment into its future workforce and the industry. Last year, it donated a similar machine to Cary-Grove High School.

"The main reason is to try to get the word out there that we need manufacturing here in the U.S.," said Marc Moran, vice president of operations. "It's going to help all manufacturers."

**CONTINUED ON PAGE 30**

Moran said company officials thought of partnering with McHenry County College in Crystal Lake and Harper College in Palatine, but ECC's manufacturing program was a better fit.

"They are willing to tailor their program to our needs," he said.

Swiss Automation also hires 70 employees yearly for its two manufacturing facilities in Barrington and Cary.

"We're always looking for new employees," Moran said. "We have our own apprentice program that we have been doing for the last 25 years. We have about 14 apprentices at all times. Some of our employees now are taking classes (at ECC) to learn more."

### Mars' Illinois Pet Food Plant Celebrates 40 Years of Success



Mars Petcare on June 21 celebrated the 40-year anniversary of pet food production at its Mattoon plant, which was the company's first dry pet food facility in the US and remains its largest dry food, pet care and treat product factory in North America.

Namesake brands such as PEDIGREE, DENTASTIX, IAMS and CESAR are produced at the Mars' Mattoon location and distributed nationwide.

"We're proud to celebrate the Mattoon site's 40 years of operation and share this moment with our associates and the greater community," said Renee Peets, VP of supply chain for Mars. "The pet food industry continues to grow and evolve, and I feel very proud that our Mattoon site continues to deliver safe, high quality pet food to four-legged family members across the country."

Mars has invested \$90 million into the facility over the last decade. One ren-

ovation added 65,000 sq. ft. and nearly 50 jobs to the Mattoon plant. Currently, it employs nearly 200 people.

The Mattoon facility sources its raw ingredients within 150 miles. It also donates pet food to local K-9 units and animal shelters.

"The Mattoon manufacturing site has been, and will continue to be, a bedrock of our community," said Mattoon Mayor Tim Gover. "Through Mars Petcare's investments and charitable initiatives, the company has shown their support for our citizens, and we look forward to the next 40 years of partnership ahead."

Mars commissioned the Mattoon factory in February of 1977 and began production June of 1979.

### Bourn & Koch's Parent Company, Alleghany Capital Corp, Announces Acquisition of CID Performance Tooling and Formation of New Holding Company for Machine Tool and Consumable Cutting Tool Sectors



Bourn & Koch, an American manufacturer of new precision machine tools, announced on July 3<sup>rd</sup> that its parent company, Alleghany Capital Corporation, has acquired Coastal Industrial Distributors LLC, (doing business as CID Performance Tooling); and has formed a new holding company for its subsidiaries in the machine tool and consumable cutting tool sectors. Headquartered in Saco, Maine, CID Performance Tooling ("CID") is a leading manufacturer of high-performance solid carbide end mills. The new holding company formed by Alleghany Capital, called "Precision Cutting Technologies" will include Bourn & Koch, Inc. ("Bourn & Koch"), Diamond Technology Innovations, Inc. ("DTI"), and CID.

David Van Geyzel, President and

Chief Executive Officer of Alleghany Capital, commented, "This transaction furthers Alleghany Capital's growth strategy in the machine tool and consumable tooling industries. While the formation of Precision Cutting Technologies will not change the management of Bourn & Koch, DTI, and CID, it places these companies under a single platform so that they can share resources and leverage their combined capabilities to provide an enhanced product and service offering to their customers. Alleghany Capital is pleased to welcome CID to the Precision Cutting Technologies group of companies and looks forward to supporting Bourn & Koch, DTI, and CID as they continue to serve their markets."

Terry Derrico, President of Precision Cutting Technologies and Bourn & Koch, added, "We are excited to partner with Jay Lowery, founder and President of CID, as well as his experienced team, and believe that the employees, customers, and suppliers of all the companies within the Precision Cutting Technologies platform will benefit from this acquisition. CID enhances Precision Cutting Technologies' portfolio of consumable cutting tools, while expanding our business in the aerospace, defense, and medical end-markets. With Jay continuing to lead the company post-transaction, CID's day-to-day operations will not be impacted. However, we believe CID will be well positioned to accelerate growth and augment its geographic reach by leveraging the experience, capabilities, and support of Bourn & Koch, DTI, and Alleghany Capital."

"Over the past thirty years, CID has become a leader in producing the highest quality custom tooling solutions for customers serving the most demanding end-markets," stated Jay Lowery. "As we build on our proven track record of quality, innovation, and service, we are pleased to have found a long-term home for the company and are excited about the opportunities that will result from this transaction." ♦

# NEW IMA MEMBERS

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