the LEADING edge

PUBLISHED BY **Brady Ware**

Advice and information to help you manage your business

A NEW ENERGY FOR BUSINESS

Alternatives open up markets

VOLUME 10 • ISSUE 2
WINTER 2010

PLUS: Networking: Change Your Perspective • Resolutions for Your Business

WINTER
VOLUME 10
ISSUE 2
2010

The Leading Edge

From the desk of the CEO

Dear Clients and Friends of Brady Ware:

It's a new year filled with personal and business resolutions. The amount of time you invest in proper planning can be directly correlated to your bottom line.

For instance, have you thought about how going green in your home or business could not only help the planet, but also affect your cost savings? Be sure to read our cover story, "Green in a global world."

The beginning of the year is also a good time to review your record-keeping system. Organizing your personal and company financial records need not be a difficult task, and it's sure to save you time and money in the long run. Our story on page 11 gives tips on how long to keep important documents.

Is this the year that you start planning an acquisition for your business? Our due diligence story explains how we help companies through a successful acquisition process.

And even with all the proper plans in place, you still must be flexible enough to meet the changing conditions of the economy or maybe even your health. Paul Tambe's article on page 12 explains how disability insurance coverage should not be overlooked.

It's not effective to develop a yearly plan at the beginning of the year and then only review it once a year. Review your plan periodically and tweak it as needed. The bottom line is that the more you plan and act on your goals, the better you will get at it—as an individual and as an organization. With more planning, you will be able to anticipate situations, avoid problems and capitalize on opportunities in your industry.

We hope as you plan for a successful year that you will find our many articles helpful to you and your business. Keep your momentum going throughout the year and remember to celebrate your successes along the way.

If I can ever answer any of your questions, please don't hesitate to contact me. I welcome your comments and feedback.

Best wishes for a successful 2010!

Sincerely,

Gary L. Adamson, CPA

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The Leading Edge
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The Leading Edge Alliance is an international professional association of independently owned accounting and consulting firms. The Leading Edge Alliance enables member firms to access the resources of a multibillion-dollar global professional services organization, providing business development, professional training and education, and peer-to-peer networking opportunities nationally and globally, around the corner and around the world.

Members are top quality firms who are very successful, have deep client relationships, and strong ties to the community. The Alliance provides members with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency and quality service of a local firm.

Member firms have access to the best and brightest teams of business advisors – a peer-to-peer connection that provides the right business solutions for clients.

To find out more about the Alliance contact Karen Kehl-Rose, president, at (630) 513-9814 or kkr@The-LEA.com.

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A NEW ENERGY FOR BUSINESS

Alternatives open up markets

By Ann M. Gynn and Stephanie Skernivitz

The new gold rush in America centers on alternative energy and all its possibilities. That's how Greg Lawrence, a partner in the energy and derivatives markets group at McDermott Will & Emery LLP, describes the wide-open opportunities in the energy market. Federal and state incentives are driving the rush.

Although interest in renewable energy and ways to reduce dependence on fossil fuels has existed for years, the last few years have been revolutionary. In last year's federal stimulus act, renewable energy interest combined with the push to create jobs resulting in $3.4 billion earmarked for energy projects.

"The incentives are incredibly potent for businesses," Lawrence says.

In addition to the available dollars, the federal government is mandating the use of renewable resources by 2020. Regulations are now requiring 30 states and Washington, D.C., to have at least 20 percent of their electrical consumption come from renewable energy by 2020.

Investor interest is piqued by the possibilities. In the third quarter of 2009, 20 percent of venture capital dollars invested in the United States went to clean-tech companies, according to Dow Jones VentureSource data. Clean-tech includes renewable energy such as wind, solar, biomass, hydro and biofuel power, information technology, green transportation, electric motors, green chemistry, lighting and other energy-efficient appliances.

Nick Elliott, managing editor of Dow Jones Financial Services' Clean Technology Insight online news engine, says analysts found an uptick in financing for clean-tech investments in late 2009. "The effects of the credit crisis and recession have faded, signaling a return to all kinds of clean-tech financing," he says.

Tax credits, bonds and more

The American Recovery and Reinvestment Act of 2009 permits two types of tax credits for renewable energy—production and investment. Lawrence explains that the production tax credit is available for renewable energy entities who are actually producing energy. Investment tax credits are for the investment of capital today and have the federal government taking the role that investment banks played a few years ago—monetizing the tax credit right away. Eligible developers can take the investment tax credit and receive a cash grant upfront from the federal government for as much as 30 percent of the total facility constructing costs.

The key is the construction of the facility must have begun in 2009 or begin in 2010 and be completed by 2013 for wind, 2014 for non-wind/non-solar renewable technologies and

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2017 for solar technology, Lawrence says.

Bonus depreciations and significant reductions in property and equipment tax basis make this an excellent time to explore energy markets. "That is an irresistible incentive," Lawrence says.

The U.S. Department of Energy also offers grants and loan guarantee programs for everything from energy efficiency projects such as smart metering to research, development and manufacturing of new energy initiatives.

Driving new road for fuel

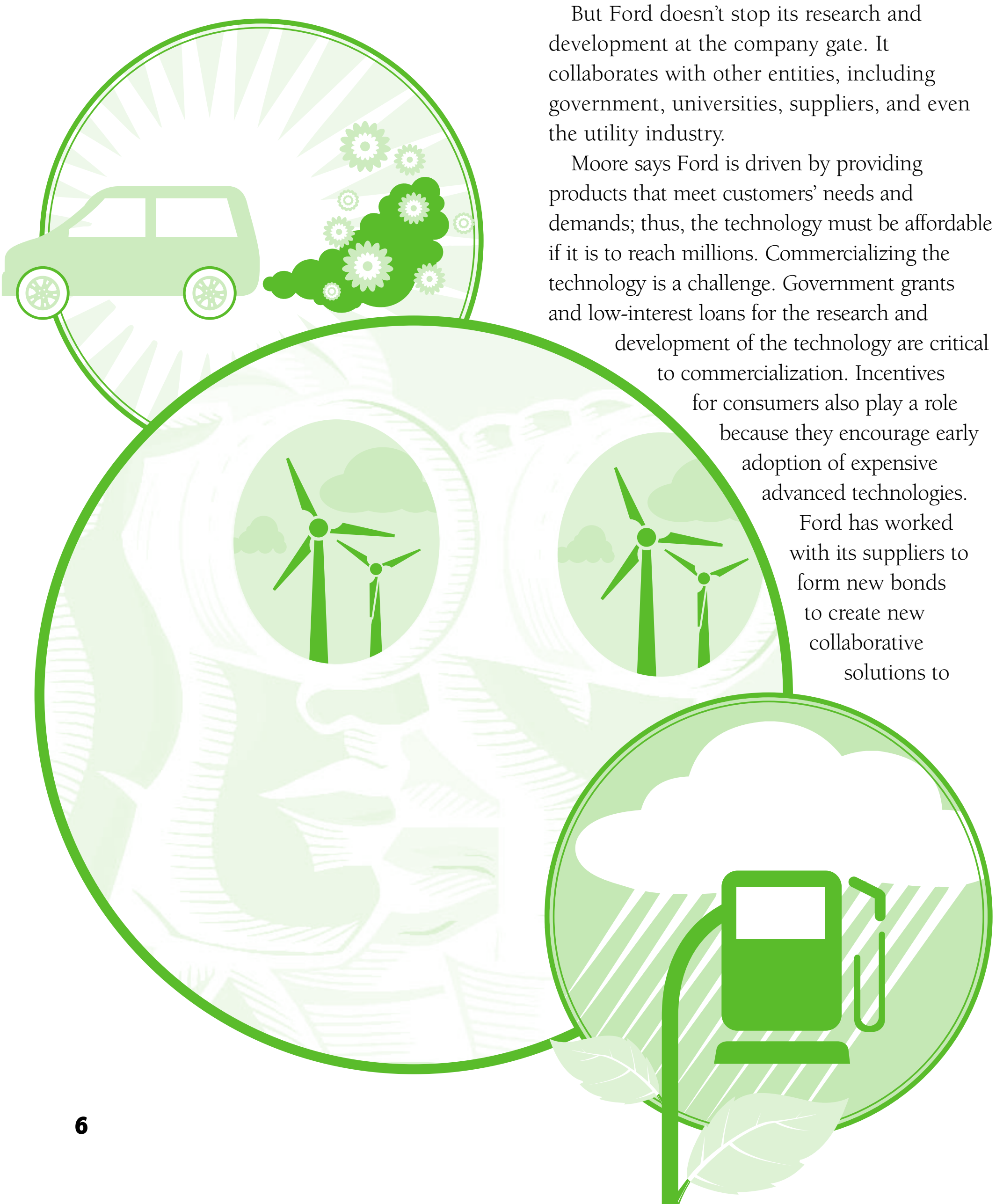
Ford Motor Co. launched its alternative fuel technology programs in 2007 with its blueprint for sustainability, says Jennifer Moore, a Ford communications manager. The plan detailed near-, mid- and long-term actions to bring more fuel-efficient vehicles to market to meet both customer demands and the national agenda. It's spent almost $14 billion on advancements so far and is on track to reduce the carbon dioxide emissions of its product lines by 30 percent from its new vehicles by 2020.

Ford is working on EcoBoost engines, electric power-assist steering, six-speed transmissions and other technologies for affordable fuel economy improvements. It also is increasing hybrid offerings and production. At the same time, Ford is focusing on weight reduction as a way to achieve increased fuel efficiency and is preparing to deliver plug-in and battery-electric vehicles in the next four years.

"Ford has a 100-year-long history of researching and developing advanced technologies with the full recognition that investment in advanced technologies for the vehicles we will bring to market is critical to the future success of the company," Moore explains.

But Ford doesn't stop its research and development at the company gate. It collaborates with other entities, including government, universities, suppliers, and even the utility industry.

Moore says Ford is driven by providing products that meet customers' needs and demands; thus, the technology must be affordable if it is to reach millions. Commercializing the technology is a challenge. Government grants and low-interest loans for the research and development of the technology are critical to commercialization. Incentives for consumers also play a role because they encourage early adoption of expensive advanced technologies.



Ford has worked with its suppliers to form new bonds to create new collaborative solutions to advanced and alternative fuel technologies. "Supplier relationships are essential to the business," Moore says. "We are working to strengthen our collaboration with suppliers as they contribute significantly to the innovation and value of our products."

As Ford CEO Alan Mulally said in the company's annual sustainability report, "I am convinced that our vision makes sense from a business point of view as well as an ethical one."

Grow the fuel

Innovation Fuels Inc. touts itself as the financially, socially and environmentally responsible choice. It offers a diesel fuel alternative, which is produced from a chemical reaction between alcohol and vegetable oils, fats or grasses, according to CEO John Fox.

It's already looking for next-generation "bio" crops such as pennycress, camelina and algae, which do not take away from crops that could feed people.

Based in New York, Innovation Fuels finds significant opportunity in the Northeast which, Fox says, consumes 14 billion gallons of fuel annually in its boilers, trucks, trains, boats, construction equipment and power systems. However, the company also sells its fuel in the global market, including Australia, Singapore, Eastern Europe and Israel.

Although experts say the market for alternative energy will grow, it isn't growing quickly enough for executives like Fox. "Many biodiesel plants have been shuttered," he says.

"The market is down and the investor appetite is low for companies like ours. Most support is from government, although government is slow in support. However, there are advantages with federal mandates requiring the Exxons of the world to blend biodiesel, which is beneficial for our company," Fox says.

"More people need to be educated on the benefits," he says. "Most of us are small companies fighting day to day (for) working capital, getting sales, increasing production."

Catch the wind

Publicly traded HelixWind Corp. has sold more than 140 small wind turbines since its incorporation in 2006, says President Scott Weinbrandt. Platforms that can accommodate them include electricity generators, cell phone towers, cruise ships, retail malls, ski resorts and billboards. They also work well in the pumping market for oil and gas, potable water and agricultural use.

The turbines catch wind from all directions, creating a smooth, powerful torque to spin the electric generator and provide power to a home or business. Weinbrandt says the turbines can cut average electric bills by at least half. Prospective buyers must take a little time to research whether the wind turbine will work well for them. Among the considerations:

- Does local zoning allow for installation of small wind turbines?
- Does the site get ample wind at speeds of more than 14 miles per hour?
- Can the site accommodate a 35-foot turbine?
- Can you sign an interconnection agreement with the local utility?

Weinbrandt says the San Diego-based company already reaches 30 states and sees a "huge" market in this country. "We want to have a strong footprint in the United States," he says.

HelixWind also sells around the world, with certified distributors in 23 countries.

Look inside

Using energy in alternative ways also can bring benefits. Buildings designed to operate more efficiently can cost two-thirds less than some new alternative energy projects, says Michael English, founder and senior partner at Horizon Engineering. Unfortunately, he says, because the changes are more mundane, they don't get the attention from government.

Horizon Engineering reviews how buildings operate and how those operations relate to their intended purpose. The analysis, which can include an energy audit, can result in improvements to the overall operations and their effect on energy conservation.

Some building owners, particularly with larger facilities, realize the big impact energy has on the bottom line. "It doesn't take a rocket scientist to figure out the utility bills are so high," English says. In many companies, utility costs rank right behind employees and rent.

Energy audits can have an immediate impact. For example, they can reveal that the air conditioning or heating operate before people come to work or the thermostats are set on the same temperature for vacant floors as occupied ones. Such reviews also include thermostat calibrations—something many building owners or renters don't consider. However, English says, thermostats should be calibrated to ensure that they read correctly, so the company isn't setting the thermostat at 70

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Key strategy: Involve employees

All employees can be involved in sustainability or alternative energy efforts. LoyaltyOne's 1,500 employees all are asked to help the Canada-based loyalty rewards program provider and consultant get involved with sustainable energy solutions.

"Our associates want to work for a company that offers them choices to make their lives more sustainable at home and at work," says Debbie Baxter, chief sustainability officer. For example, the company's sustainable car fleet allows staff to use a Smart car for out-of-office meetings. That also allows more employees to use public transit for their own commutes and the Smart car for out-of-office activities during the work day. Discounts are offered on transit passes to encourage public transportation, as well as scooter purchase discount and ride share programs, because one size does not fit all when it comes to commute options, Baxter says.

Among its strategies for communicating with employees and encouraging their participation at LoyaltyOne:

- Quarterly town hall meetings where sustainability programs are promoted
- Orientation for new staff on how to be green at the company
- Weekly newsletter
- Special quarterly newsletter, "Sustainability Matters"
- Program promotional posters in all elevator lobbies for employees to see when they come into the office
- Contests where employees can win by participating in sustainability programs
- Environmental fairs to learn about eco-programs of LoyaltyOne and its vendors
- Surveys to assess employee interest and participation
- Knowledge management intranet as one-stop source for all corporate sustainability information
- Lunch programs on key topics or films with eco-topics
- User groups to ensure buy-in within each department, including a Sustainability Council to serve as advisers on new programs, a volunteer group to organize lunch programs and other activities, and an administrative council that provides feedback on implementation and deployment of changes to business processes to make them more sustainable. **e**

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but the system heats to 76.

Building energy reviews also are helpful in retaining building tenants, English says. As tenants have more options in the rental market, energy savings passed along can be a big help to their bottom lines and encourage them to stay in place.

The cost of energy audits can be about $1 to $1.50 per square foot, but many utilities in the United States and some government entities offer energy audit assistance, reimbursing companies for some of their auditing costs or giving them low-cost loans. The cost of the audits can be recovered in energy savings over a few years, English says.

Raise the roof, remember the snow

In fall 2008, Canada-based LoyaltyOne took sustainability to the executive level when Debbie Baxter assumed the role of chief sustainability officer.

"We decided to embed sustainability into everything that we do as a business," she says. "We added it to our strategic priorities, the top 12 things that we focus on to be successful.

"Our stakeholder groups are demanding a high degree of care for the environment. We have 10 million Canadians who are members of the Air Miles Reward Program, who need to see that we 'walk the talk' when it comes to the environment," Baxter says.

LoyaltyOne created the largest rooftop solar system in Canada when it constructed its new 70,000-square-foot building. Baxter says construction already had begun when the idea of a solar system was discussed.

"We needed to constrain our plans for the solar system to be limited by the roof space, the design features of the building that impacted the roof availability and the overall engineering design of the structure," Baxter explains.

Those factors affected the solar energy system choices and size. For example, LoyaltyOne installed panels in a level design with no slant to the sun to accommodate the expected snow load for the structure. Even with those constraints, the rooftop system produces 165 kilowatts of energy every hour.

Unite at common crossroad

Iowa State University launched the Biobased Industry Center in 2008. It leverages interdisciplinary research and education programs to address business, infrastructure, supply chain and policy issues facing the growing bio-based economy.

James Bushnell, who leads the center and previously worked at the University of California Energy Institute, also serves as the first Cargill chair in energy economics at Iowa State. Cargill endowed the chair to accelerate research in biorenewable energy and bring leadership to the Biobased Industry Center.

Bushnell says the center serves as the translator between academia and industry. It builds bridges to turn academic research into practical applications. Businesses benefit from the research, and academics gain insight from the frontlines of industry.

Centers such as the one at Iowa State also help present an unbiased perspective on policy and regulatory initiatives, digging through the hype and politics to help identify clear, specific goals.

"Energy and climate have a lot of markets created that wouldn't exist without government mandates and subsidies for desirable (programs)," he says. "Because government policy plays such a central role, it's that much more important to have independent perspective."

If the goal is to reduce energy consumption, for example, subsidies for alternative energy projects likely won't achieve that. Incentives make alternative energy look artificially cheaper and typically do not reduce long-term consumption. Disincentives or penalties for using less-desirable energy are more likely to have an effect on consumption, Bushnell says.

He encourages investors, interested companies and others related to the energy industry to take a step back from the excitement of government investment and ask questions if they want to create a business that will endure. Ask how long will the government subsidy or assistance be available and what happens when it's gone.

"There are gambles. You have to anticipate policies that may or may not arise. It's not unlike other industries in that sense—investors gamble a patent will come through or a product need exists," Bushnell says. However, the gamble grows when government is involved because it adds another level of uncertainty.

Proceed with caution

Lawrence agrees with the sentiment of caution. "Investors need to be hypervigilant so their investments are sound and secure because there are so many projects," he says.

"Make sure you do everything right—securing rights, developing the project, picking equipment (to connect into systems owners of transmission lines may require specific equipment types). It's all part of interconnection and transmission process. If you rush it, you may make a mistake and risk being kicked out of queue."

Bruce Piasecki, author of *The Surprising Solution: Creating Possibility in a Swift and Severe World*, says companies need to take a wide view of their strategy. "If you run your business on a single technology approach, you do not have long-term stability," he says. "There's a lot of boom and bust. The answer is combined renewables. It's about creating bigger possibilities by taking a larger company view."

Lawrence says it's also about picking the right strategy because the ultimate winners in renewable energy may not be the ones chosen by the federal government. "They may not run the race the longest," he says. Remember, Thomas Edison didn't just invent the light bulb, he invented the entire delivery system. **e**

"BUILDINGS DESIGNED TO OPERATE MORE EFFICIENTLY CAN COST TWO-THIRDS LESS THAN SOME NEW ALTERNATIVE ENERGY PROJECTS"

Client Spotlight: CityWide Development

From ghost town to Tech Town: Nonprofit helps create Dayton, version 2.0

Can one organization transform a city? In the case of CityWide Development and Dayton, the answer may be yes.

"When I began working in Dayton in the 1980s," says Keith Hypes, CityWide's controller, "the downtown area was a ghost town after 5 p.m. People came to work and they left. There was nothing to keep them here."

For the past 30 years, CityWide has worked to change that dynamic by funding development projects designed to create a vibrant and bustling Dayton that comes alive at night and on weekends. CityWide, in fact, has played a part in nearly every major project affecting the city—from rehabilitating dilapidated homes in the 1980s, to development of The Landing apartments in 1992, to last year's unveiling of Tech Town, Dayton's high-tech business district.

"Local leaders realized that something had to change, and they created CityWide," Hypes says. "We're focused on creating reasons for people to stay downtown. That means bringing housing, business and recreation to the city. You need all three."

By aggregating funds from government, banks, and private investors, CityWide is able to make targeted investments in all three areas:

Housing. In the 1990s, CityWide rehabilitated dilapidated homes in neighborhoods like McPherson Town, Huffman, and South Park that were sold exclusively to owner-occupants, often with affordable, low-interest loans. In the early 2000s, CityWide spearheaded the Genesis Project, which helped transform a neglected neighborhood between the University of Dayton and Miami Valley Hospital by rebuilding or renovating more than 34 homes. Currently, CityWide is leading the Phoenix Project, a strategic partnership with the city and Good Samaritan Hospital to transform neighborhoods in Northwest Dayton.

Business. CityWide has helped hundreds of businesses throughout Dayton start, expand, or renovate, which has created or retained thousands of jobs in a variety of industries. CityWide, in partnership with the city of Dayton, are co-developers of Tech Town, a research park on Dayton's river edge focused on commercializing sensor, RFID (Radio Frequency Identification), and aerospace technologies. Tech Town's first building opened in 2009 and is 100-percent leased; a second building will open in 2011.

Recreation. In the 1990s, CityWide helped the city purchase options for the land where the Dayton Dragons stadium now sits. The organization also provided "backstop" funding for the developer of the Schuster Performing Arts Center and financed numerous renovation projects in the Oregon District, Dayton's dining and nightlife hub.

"Dayton is changing from a manufacturing town to a high-tech destination," says Hypes. "It's not happening overnight, but it is happening."

"When you go downtown in the evening now, you see people. There's a reason to be downtown. Ohio's governor has named Dayton as an aerospace hub, and businesses are moving here because of the high-tech research happening. I'm proud of CityWide's part in all of these changes."

Also located in the heart of downtown Dayton is CityWide's financial advisory firm, Brady Ware.

Brady Ware's role

Brady Ware began supporting CityWide in the 1980s with employee benefits and pensions—helping the company develop the best health care and 401(k) plans for the lowest cost.

"Ever since I've been at CityWide, I've been able to pick up the phone and call Anita Flohre about HR (human resources) and benefits," says Hypes. "I trust her to advise me on tough questions. She's part of our family—she helps us all stay safe and well."

"Rick Pummill at Miami Valley Pension, a Brady Ware company, is wonderful, too," says Hypes. "He helps us find the right balance of cash and investments in our retirement plan, and he's built a great user interface that helps our employees manage their plans online."

When CityWide needed a new accounting firm in 2006, it turned to Brady Ware.

"We evaluated several firms and found only three that could handle A-133 audits," says Hypes. (A-133s are specialized audits that assess a nonprofit's financial statements and disbursement of federal funds.) "In terms of knowledge, experience, and cost, Brady Ware was by far the leader."

Bob Reynolds and Twana Cheek sat down and trained me on how to prepare for an audit. They gave me detailed lists of exactly what information they needed. Now, audits that used to take four to five weeks are done in two."

"CityWide is a complex

(L-R) Keith Hypes, controller; Steven Budd, president

organization, with eight distinct business units and millions of dollars flowing through our balance sheets every year," Hypes says. "There are very few people who could really understand us. Brady Ware does."

Looking ahead

In addition to the ongoing development of Tech Town, CityWide will assist Dayton in developing a new recreational complex on the west side. CityWide will continue its neighborhood development partnership with Good Samaritan Hospital and the city on the Phoenix Project. Currently 33 new homes are being built in the Fairview neighborhood and design work is underway for the expansion of Fairview Park and Pool. In addition, Dayton Public Schools recently began construction of a new elementary school in the heart of the Phoenix redevelopment area. A master plan calls for the creation of a new civic space called Fairview Commons, which links the school and park through lighted trails and shared recreational spaces. Hypes gets excited talking about it. "I love Dayton, and I love my job—every day I get to help the city," he says. "It doesn't get any better than that." **e**

See the big picture

Some tax-cutting strategies make good financial sense. Other tax strategies are simply bad ideas, often because tax considerations are allowed to override basic economics.

Here's one example of the tax tail wagging the economic dog. Let's say that you run an unincorporated consulting business. You want some additional tax write-offs, so you decide to buy $10,000 of office furniture that you don't really need. If you're in the 28 percent tax bracket and you deduct the entire cost, this purchase will trim your tax bill by $2,800 (28 percent of $10,000). But even after the tax break, you'll still be out of pocket $7,200 ($10,000 minus $2,800)—and stuck with furniture that you don't really need.

There are other situations in which people often focus on tax considerations and ignore the bigger financial picture. For example:

- Someone increases the size of a home mortgage, solely to get a larger tax deduction for mortgage interest.
- A homeowner hesitates to pay off a mortgage, just to keep the interest deduction.
- Someone turns down extra income, because it might push him or her into a higher tax bracket.
- An investor holds an appreciated asset indefinitely, solely to avoid paying the capital gains tax.

Tax-cutting strategies are usually part of a bigger financial picture. If you are planning any tax-related moves, we can help make sure that everything stays in focus. For assistance, give Tom Munhall a call at (614) 384-8413 or e-mail at tmunhall@bradyware.com.

Thinking about buying a business?

Due diligence and acquisition assistance

With companies frequently changing hands in today's highly competitive business environment, company owners need reliable assistance in managing these complex business transactions. The professionals at Brady Ware have extensive experience helping business owners evaluate these opportunities and in implementing a successful acquisition.

Our approach

We work closely with the business owner and legal counsel to customize the due diligence approach based upon the specific risks and transaction structure of each assignment. We do not take a one-size-fits-all approach.

- **Team approach**—Each assignment begins with meeting with you and your acquisition team, reviewing background information then formulating a preliminary due diligence action plan. This plan is constantly updated based upon work performed and findings.
- **Focus**—Our work plan focuses on the "drivers" of the transaction value while considering the risks mitigated by the purchase structure.
- **Reporting**—We provide feedback to you and your team of advisors regarding key risks and issues on a frequent basis in e-mails, memos, phone conferences, financial schedules, etc. Depending on the circumstances and level of prior communications, we may also issue a summary report at the conclusion of the engagement highlighting the significant matters noted throughout the course of our engagement.
- **Process**—We have developed a standard process (i.e. engagement letters, representation letters, work programs, etc.) that serve as a beginning baseline for each engagement. This approach helps ensure engagement quality and allows us to focus our attention on the unique characteristics of each transaction.
- **Fees**—We normally provide a fee range based upon the anticipated scope of the engagement. Amounts billed are based upon actual hours incurred, but not to exceed amounts quoted.

Team and resources

Our team is made up of accomplished professionals who have significant experience in performing due diligence services. Ancillary capabilities and services that compliment our due diligence service offering include:

- Significant tax resources and experience with issues unique to acquisition transactions and structure.
- Brady Ware Capital, an affiliated entity that serves primarily as sell-side business advisors, providing significant transaction and market experience to our team.
- Strong network within the financial community, including financial institutions, ABL lenders, angel investors, governmental support, etc.
- Strategic relationship with Duff & Phelps, an investment banking firm with a worldwide presence.
- ABL audit services to help assist with determining collateral value and risks.
- Certified valuation experts to assist with valuation of market prices, multiples, etc.

Please contact Jim Kaiser at (937) 913-2528, jkaiser@bradyware.com or Todd Roberts at (937) 913-2511, troberts@bradyware.com to learn more about our due diligence services.

How to clear out the clutter and streamline your recordkeeping

Organizing your personal financial records need not be a difficult task, and it's sure to save you time and money in the long run. A well-organized system will help you retain important paperwork and reduce the clutter of keeping every scrap of paper. The first step in getting organized is deciding which records to keep and for how long. Use legal requirements and your common sense as guidelines for how long to hold on to records.

Tax records

You should keep tax records for at least as long as it is possible for tax authorities to audit your return. Generally, the IRS has three years after the return is due or filed, whichever is later, to examine your return and assess additional tax. This is called the "statute of limitations." If you've made a major error on your return (defined as omitting more than 25 percent of your gross income), the IRS has six years to examine your return. There is no statute of limitation for fraudulent filing or for returns that are not filed at all. To be on the safe side, keep your tax records for seven years after a tax return is filed. The IRS does not require that you keep your records in any particular way. The only requirement is that your records allow you and the IRS to determine your correct tax liability. Keep checks, receipts, and other records that document the income and deductions you report on your tax return. Copies of tax returns themselves should be retained permanently.

Home

Expenditures for your home fall into two categories: repairs (such as routine yard maintenance and painting) and improvements (usually big-ticket items such as room additions). Discard repair receipts once the warranty period expires, but keep receipts for improvements indefinitely. Improvements add to the tax basis of your property. Despite the $250,000 capital gain exclusion amount ($500,000 for joint filers), substantial increases in market value could make you liable for capital gains tax when you sell your home. Complete records of your home's original cost plus improvements will help reduce any taxes due.

Investment real estate

Keep all documents relating to purchases of property, along with substantiation for improvements made to the property. Keep written appraisals and tax depreciation schedules.

Investment records

Investment records generally should be kept until the investment is totally liquidated, plus a period of seven years. Keep any records for taxable accounts that show reinvested dividends. You can usually toss monthly or quarterly investment statements if you receive a comprehensive annual statement.

Retirement accounts

Keep copies of forms 5498, 8606 and 1099R until all money has been withdrawn from your IRAs. Good records are necessary so that you are not taxed on nontaxable withdrawals.

Insurance

Keep your current policies and 12 months of cancelled checks and statements. Ask your insurance agent about discarding expired policies. Your liability for prior years can vary.

> A WELL-ORGANIZED SYSTEM WILL HELP YOU RETAIN IMPORTANT PAPERWORK AND REDUCE THE CLUTTER OF KEEPING EVERY SCRAP OF PAPER.

Estate planning documents

In your home, keep a copy of your current will, any trusts and any special directives. Give the originals to your attorney, and consult your attorney about destroying all out-of-date documents.

Keep it simple

In most cases, you don't need an elaborate recordkeeping system to keep your affairs in order. File tax returns separately by year and file investment records by broker. For expenses, even an accordion file tabbed by category works wonders. **e**

If you have any questions or need assistance in setting up a recordkeeping system, give Angela Rees a call at (765) 935-8227 or e-mail arees@bradyware.com.

Disability insurance coverage should not be overlooked

Say "insurance" to most people and auto, health, home, and life spring to mind. But what if an illness or accident were to deprive you of your income? Statistics show that your chances of being disabled for three months or longer between ages 35 and 65 are almost twice those of dying. Even people with financial savvy overlook disability insurance. The fact is that most individuals should consider disability insurance in their financial planning. To get the right coverage for you, take the following steps:

- **Scrutinize key policy terms.** First, ask how "disability" is defined. Some policies use "any occupation" to determine if you are fit for work following an illness or accident. A better definition is "own occupation," whereby you receive benefits when you cannot perform the job you held at the time you became disabled.
- **Check the benefit period.** Ideally, your policy should cover disabilities until you'll be eligible for Medicare and Social Security.
- **Determine how much coverage you need.** Tally the after-tax income you would have from all sources during a period of disability and subtract this sum from your minimum needs.
- **Disability insurance is not inexpensive.** Plan to forgo riders and options that boost premiums significantly. If your budget won't support the ideal benefit payment, consider lengthening the elimination period. **e**

Ask Paul Tambe about the options available to you by calling him at (937) 913-2493 or e-mailing ptambe@bwebenefits.com.

Brady Ware Inside/OUT

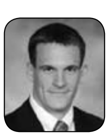
CONGRATULATIONS

Several team members recently celebrated milestone anniversaries with Brady Ware. **Anita Flohre**, Account Manager for Brady Ware Employee Benefits, celebrated 25 years with the firm while **Sharon Hess**, Accounting Manager, celebrated 20.

Wedding bells rang when **Sara Clingman** (White) married Michael Clingman. Sara is a Sales Support Associate.

Kelly Hale, Accounting Manager, is now a CMI (Certified Member of the Institution for Professionals in Taxation) with a designation in property taxation. Kelly recently passed the oral debate section and a written exam to earn this property tax certification.

Hats off to CPAs **Katie Arnett** and **Zach Haning** who recently passed all sections of the CPA exam.



Congratulations to **Lauren Touris** and **Nate Conley** who have been promoted to Senior Accountants.

Director **Bob Reynolds** was appointed to the Buckeye Ranch Foundation Board and to the Executive Committee of the American Institute of Certified Public Accountants Governmental Audit Quality Center.

Paul Tambe, President of Brady Ware Employee Benefits, assumed the role of President of the Dayton Metro Business Network International Chapter.

The Leading Edge Alliance awarded Brady Ware with the Innovative Firm Initiative of the Year Award for 2009. This award was given to recognize a specific initiative that has successfully improved the operation or service delivery of an accounting firm. Brady Ware won for the our Roles and Advancement Initiative, which provides defined career paths that enhance and stimulate growth opportunities for the firm and its team members and provides succession for the firm by identifying ownership opportunities for our team members.

BRADY WARE WELCOMES NEW TEAM MEMBERS

Welcome to **Phil Hartke** who joined the firm as a Team Accountant. Phil's primary focus is auditing and taxation.

SPEAKING ENGAGEMENTS AND ACTIVITIES

Kim Howell gave a presentation regarding the differences between employees and subcontractors to the Miami Valley Chapter of the American Payroll Association.

Brady Ware team members volunteered for Dayton Habitat for Humanity's Women Build project, which recruits and trains women to build and maintain homes for families in need.

Several team members organized a supply drive at Brady Ware for Crayons to Classrooms. Crayons to Classrooms is striving to reach as many of the children in greater Dayton who live below the poverty line and cannot afford basic school supplies. The drive produced more than 15 large boxes of supplies.

Tina Jobe and **Shirley Blanford** helped pass out candy to 1,200 children at the annual Safety Village Accounting House event in Richmond, Indiana. The event combines fun with important safety information for area children and their families.

Make resolutions for your organization

New year offers ideal chance to envision future and plan how to get there

By Melissa Fitzgerald

Before the groundhog makes his appearance each year, most people have forgotten their New Year's resolutions. Has your organization made its own resolutions for 2010? Goals, expectations, strategies—whatever the word, resolutions allow you to look forward and consider the possibilities. Their effectiveness comes when you not only remember them, but set a plan of action to achieve them so next year you don't just write "see 2010" for your 2011 resolutions.

Before you start on this year's resolutions, analyze what worked and what did not in 2009. Whether external forces of the economy or internal factors had the biggest impact on your year-end results, take note of changes you could make and assess your objectives. By taking a break from your daily grind to focus on the goals, you are positioning yourself further on the path to getting there.

For resolution inspiration, consider these suggestions:

Put customers first.

Your customers are your biggest advocates. They always should be at the top of the list. Consider creating an in-house advocate for them. "Appoint a chief customer officer," says Mark Stevens, CEO of global marketing firm MSCO and sales columnist for Entrepreneur.com. "Empower them to identify customer needs and wants, and put the process in motion to deliver them."

Prioritize your most valuable customers and plan appointments with them to nurture vital relationships. "Try to meet with customers your business may have lost recently and ask what you can do to earn their business again," suggests Domenic Rinaldi, president and managing partner of business brokerage firm Chicagoland Sunbelt.

Break the marketing mold.

Evaluate new marketing tactics. "Experiment with a breakout marketing initiative," Stevens says. "Something you have never tried before that drags you out of your comfort zone." Look into Twitter, Facebook, LinkedIn, blogs and more. They can give you a direct line to your customers, and social media is not going away.

Implement new cost-savings procedures.

How much could you save if you went paperless? Are you paying too much for phone services? Numerous free services exist that could lower your expenses. For example, if you host conference calls, consider eliminating the expense. FreeConferenceCall.com provides the technology to connect with up to 96 others. Users pay only for the long-distance call to access the conference. The service is used worldwide with more than 800,000 registrants.

Webinars are another great way to save time and money. Use these online meetings or conferences for multi-office training, or to meet with out-of-area clients without the time and expense of traveling. Check out desktop-sharing utilities such as Cisco's WebEx or similar software from CrossLoop Inc. and Microsoft.

Reward employees creatively.

If the forecast for salary increases in 2010 is grim, consider an employee rewards program. Recognition in the form of rewards may cost less and help increase productivity and loyalty.

"People drive business and incentives drive people," says Razor Suleman, founder and CEO of I Love Rewards, a Web-based employee rewards program. Suleman's own company pays its employees 10 percent of any savings they generate for the company. His employees have discovered operational efficiencies and negotiated smarter vendor contracts. With annualized revenue of $12 million, I Love Rewards predicts a 200 percent revenue growth over the next two years.

Find an alternative to layoffs.

While the unemployment rate is at an all-time high, not all employers are considering layoffs. "To reduce the trauma of unemployment and help retain morale and skill levels, many employers have cut back in other ways," says Rob Wilson, president of Employco, a Chicago-based human resources outsourcing firm.

Consider reducing hours, imposing furloughs or trimming salaries. "There are real expenses associated with layoffs and in some cases they may actually cost employers more money in the long run."

Explore growth markets.

"As the economy begins to turn around in 2010, business owners are going to have to be creative in order to grow their operations," Wilson says. "They will have to go after new sources of revenue and get out of the office to generate business."

Wilson sees a reduction in demand rather than an increase in competition as the culprit in declining revenue. Consider new areas of demand. How can you tweak your services to reach new audiences?

Tailor your resolutions.

Not every resolution fits every organization. Identify your company's particular needs and create one or two ways to meet those demands. Involve your employees—in fact, consider asking your employees to make their own work-related resolutions. And next January, gather everyone together to share how 2010 was THE year you actually remembered and achieved your resolutions. **e**

Networking: Change your perspective

By Mark Slatin, True Colors Consulting

Networking, at least the face-to-face variety, creates anxiety for many.

You know—the chamber power networking breakfast, the industry trade show cocktail party or the association dinner. After you sketch your John Doe on the name tag with a big fat marker, you slap it on your blazer knowing full well it will peel before you shake your first hand.

You prepare to grip, grin and greet. Time to put on the mask. After all, the masquerade is about to begin; it's time to look and act the part.

I don't know about you, but I've been in the sales arena for more than 27 years and I believe I'd rather listen to nails on a chalkboard than network in person. That is until I changed my perspective. Successful networking requires understanding the most common mistakes and having a willingness to adopt new mindsets.

1 Always closing. It's not about showing up and making a sale the first time you meet someone.

New mindset—Mission: relationship building, not speed dating. The paradox in selling is the less we work to make the sale and the more we make the relationship the sale, the more success we enjoy. With so many potential customers in the room, I know this seems counterintuitive. There's a real temptation to feel like you must turn over every stone in the room and bounce from person to person.

The problem with that is we may come across as self-oriented, just out for a sale. According to trust expert Charles H. Green, co-author of *The Trusted Advisor* and author of *Trust-Based Selling*, self-orientation, whether perceived as high or low, is the most powerful component of our trustworthiness as measured by others (see my blog, Transparency and Selling, at www.truecolorsconsulting.com). This hit-and-run approach reeks of a high self-orientation. You're essentially saying, "I'm moving on now because you're not worth my time."

2 Misguided expectations. Understandably, we hope to generate a bunch of leads. Surely, you'll bump into at least one person who needs your remedy to cure what ails him or her. When no one seems interested, you go home hanging your head.

New mindset—Reset your expectations. Most people in the room are seeking to market their services, not to buy yours. "OK, if that's true, aren't I just wasting my time and money?" Maybe, but not necessarily. Don't ask, "Will they buy from me?" Instead ask, "Could anyone in their sphere of influence benefit from my offerings?" For example, if you sell employee benefit programs to small- and medium-sized businesses, the financial planner who runs a solo practice may not be a prospect himself, but who does he know who might be? Think about his prospect and client base. Are you starting to see the possibilities opening up?

3 Sell by telling. How many times have you endured a seemingly endless sales pitch at a networking function? When common courtesy would dictate a bullet point, some turn it into open-mike night.

New mindset—Ask, then listen. Instead of "showing up and throwing up," consider asking and then listening. I don't just mean asking to be nice—but asking with a spirit of curiosity. Let me tell you a little secret about why this works. According to Dr. Stephen Covey, author of *The Eighth Habit*, next to survival, the greatest human need is to be understood (affirmed, validated and acknowledged). Our need to be heard runs deep.

Here are some tips on how to listen to build trust:

- **Clear the mind chatter**—We live in a world of 24/7 mind chatter. "I wonder if I defrosted the chicken?" "Didn't that

hairstyle go out in the '80s?" "I wonder what the door prize is?" Be in the moment, giving the person your undivided attention.

- **Ask follow-up questions**—When somebody shares emotional or important news, read their body language and inquire more. Simply say, "That's interesting…say more about that, "tell me more," or "how does that work?" Then listen.
- **What's your body language saying?**—Are your eyes on theirs or are you distracted? Is your body language open and receptive or are you closed and standing in judgment? Even if your lips aren't moving, you may still be saying a mouthful.
- **Be prepared to share what you do**—See mistake 4.

4 **Process speak.** Robert Middleton, founder of Action Plan Marketing and author of *The Marketing Ball*, says this common mistake happens when customers ask you what you do and you tell them how you do it. For example, "So tell me what you do" is followed by, "Sure, we're a full-service accounting firm with four locations and 70 CPAs, an internal auditing team, and blah, blah, blah, blah…"

Or perhaps the reply is, "I'm glad you asked, we're an IT solutions provider that takes a fresh approach to business process improvement. Our state-of-the-art proprietary blah, blah, blah, blah…" You get the idea. At this point, the inquisitor doesn't want to hear about your process. Instead, Middletown suggests a four-step model that he describes as an Audio Logo™.

New mindset—Develop your Audio Logo™

1. **Who are the customers with whom you work?** Your future customers should recognize themselves in your message. Are they small- to medium-sized businesses? Are they left-handed farmers from Utah? Be specific. For example, say, "We work with IT service professionals with a high-security clearance."
2. **What are the key problems you solve?** Do your future customers struggle with succession planning? Are they miserable revenue forecasters? Is their pipeline dry? Be careful to avoid ubiquitous "me-too" statements such as, "we help them increase sales or reduce costs." Instead include more visually concrete phrases, "We helped them improve their forecasting accuracy by 15 percent" or "We ensure their pipeline stays filled."
3. **What outcome do you provide?** Not what you're going to do, but what they'll get as a result. "We help clients lose weight without feeling starved all the time." "We equip them with tools to streamline their ordering process." "We show them how to drive more demand for their service than they can handle."
4. **What's a success story?** If you asked, "What do you mean" or "Can you give me an example," give yourself a pat on the back. Even if the inquisitor isn't a prospect, you're on the right track. Be prepared with a short story. That means 30 seconds or less. Be sure to explain how it was a success and not just tell them your solution. "They increased sales 15 percent." "Turnover has decreased by 50 percent." "They reduced costs by 25 percent." Note that you're not describing the "how" at a granular level. If they want more information, offer to get together for a cup of coffee to learn more about their goals or issues. Resist the temptation to jump to a solution.

To recap

- Recognize it's all about the relationship, not the sale.
- Remember, fellow networkers probably won't buy, but they probably know someone who will.
- Listen with a spirit of curiosity.
- Develop a succinct audio logo that leaves out the "how" of what you do.

Practice your audio logo until it no longer sounds scripted, until it's part of you. So take a deep breath. With your new mindset, you'll approach networking events with encouragement and confidence. **e**

Mark Slatin, president of True Colors Consulting, works with professional service providers and sales teams who are expert technicians in their field but struggle with how to market and sell their offerings. He can be reached at (410) 480-2255 or www.truecolorsconsulting.com.

Billboard to café—put some life into company Web site

By Christine Hierlmaier Nelson, Ingenuity Marketing Group

At a recent PR Newswire social media panel, someone referred to a company Web site as "the mother ship." The panelists—from television, print media and not-for-profit—were debating how social media could help them pull visitors to the mother ship and prove to them that there was value in spending some time there.

I partially agree with what they are saying. Your Web site will continue to be a central online location to interact with prospects and clients, discuss your competitive difference and build credibility. I hold that it is one of the single best long-term investments you can make for marketing and business development in the coming years—not as a one-time "project" that you can complete and then ignore, but as an evolving and active media and sales tool.

In the not so distant future, consumers will be able to tailor the type of information they choose to receive—likely pulled through applications that fit a mobile device. In order to be among the few voices that your target audience chooses to hear and rely upon, your Web site will need to offer content that is fresh, relevant and real. The format will need to be easily accessible, interactive and immediately gratifying.

But I'm getting ahead of myself with that peer into the future. The reality is that some companies have not moved beyond a "billboard" Web site on the information superhighway. Internet travelers can see the pretty colors and information on those sites, but there is little or no enticement for them to stay and interact or contact the company.

When building the next generation of your company's Web site, consider these recommendations for an accessible, interactive and credible online marketing strategy.

If people are your business, introduce them

If you provide a service-oriented business, clients need to trust your service providers. If you think an employee's interest in travel or gardening has nothing to do with selling their skills, think again. This personal detail can turn a cold prospect online into a somewhat curious warm lead. A Web site without credible, professional photos and interesting bios about your people is boring and a poor sales tool.

Prospects are also smart enough to know that a photo showing "perfect" people of multiple cultures on your home page is probably not accurately portraying the people at your company. I'm sure your people are great, so why not show them off? Prospects want the real deal before they work with your company. In this respect, profile photos from 15 years ago can seem like false advertising.

In a sea of competitors, your people and the experience they deliver will continue to be your top selling point. That can translate to your Web site in several ways:

- Bios that showcase skills plus personality
- Articles, videos and podcasts relevant to your industry, client interests, etc., created by your people
- Interaction with your people through social networks and live feeds

Maybe you're thinking: What if a featured employee leaves our company? Frankly, that

sounds like a human resources issue. Select employees who demonstrate commitment to the future of your company. Showcase them on your Web site and the public relations tied to it.

Use what's already there, but better

As the blogosphere becomes the "statusphere" of social networking updates, your customers and clients are still debating if Web site strategy includes having a blog. With approximately 900,000 blog posts every 24 hours, according to blog search engine Technorati, blogging is still popular and relevant.

Yes, blogging is a way to reach target audiences with an authentic and credible voice and it can boost your search engine optimization IF people follow your posts and interact with your company that way. However, it can almost become a full-time job to write regularly and build your followers. Most companies don't have the resources to commit to this unless they are retaining an outside consultant or assigning the project to an enthusiastic internal team.

A better route is to research the established and credible bloggers and Twitter "voices" in your niche and referral markets who already have a ton of followers and are eagerly transitioning to the next generation of social media. The signs of a good industry blog or Twitter following include: regular new posts, informative content and some activity in the comment section.

How does this relate to your Web site? By using the tools and online media that already exist, you build credibility and influence, boost search engine optimization and increase sales potential—without investing dollars and energy reinventing the wheel. Include blogs in your online marketing strategy by:

- Hosting a blog with guest authors.
- Commenting on other well-respected blog or Twitter posts.
- Providing bloggers and other social media voices with information as a trusted source.

The same is true for professional/personal profiles on LinkedIn and Facebook. Leverage these tools to showcase the talent of your company, share articles or update your "fans" about upcoming events. Wherever you choose to share information about your company beyond the Web site, make sure that it points the user back to your Web site. Leave your Web site address as a calling card link.

More importantly, once prospects land on your Web site, ask them to do something: download an article, watch a video or send a question.

Start with a café and build around it

Remember when I said that first-generation Web sites are like billboards along the information superhighway? They offer one-way communication and push it out to consumers, but no one really knows if the message is received.

The next generation of Web site s is like a café along the highway where people can stop, chat with other like-minded friends or have a business meeting. The service is immediate and the quality is worth talking about. Yes, I said a café.

To draw people into your Web site café, you need good signage. You also must offer something great when they arrive. Good signage includes appropriate keywords and external links from other sites—including social media sites.

Once they arrive, you could offer a fun, short quiz, photos of your recent ugly dog contest/ charity fundraiser or an article of interest.

If your café is really hopping, you offer a chat box or live Twitter feed that allows prospects to quickly interact with your company as they think about their questions. If a Web site viewer sends a question, he or she gets an immediate response and perhaps a free consultation as well as suggested links to other articles he might like on your site. These users also might see a link so they can connect with your company's Facebook page or LinkedIn group on a topic of interest to them.

Accessibility. Interactivity. Credibility. These qualities should dominate any discussions for improving your Web site. As you build them into your site, envision your friendly café growing into a small town in which you tailor the welcoming committee for each visitor.

A town sounds friendlier than a mother ship, doesn't it? And like a town, you want visitors to consider taking up residence and relying on your people and information to build their lives and businesses.

Rather than a one-time project or a boring billboard that gets passed by, an actively managed Web site—well-linked to other credible niche media and social networking tools—will be one of the best ways to market your people, competitive difference and credibility in a very crowded and commoditized market. **e**

Christine Hierlmaier Nelson is a communications consultant with Ingenuity Marketing Group. She can be reached at christine@ingenuitymarketing.com.

In a Nutshell by Chris DeSantis

WHY IS AN ORGANIZATION'S CULTURE IMPORTANT?

Q: I've heard two professional speakers recently and have been reading a lot about culture being so important in the workplace—more important than anything else in predicting the success of a business. What exactly is "culture" and why is it so important?

A: Life can sometimes be a series of fortunate coincidences as I also have been reading and speaking on the same topic as of late. I think there is a collective undercurrent out there whereby people often gravitate toward the same topics independent of each other. I am only speculating, but I would guess the interest in and the examination of "culture" coincides with the general uncertainty and volatility in business today. We, as professed rational human beings, want to be able to explain what is happening or possibly blame something for its occurrence. I think the general interest in culture is part of that desire to explain and eventually control or at least reduce the volatility.

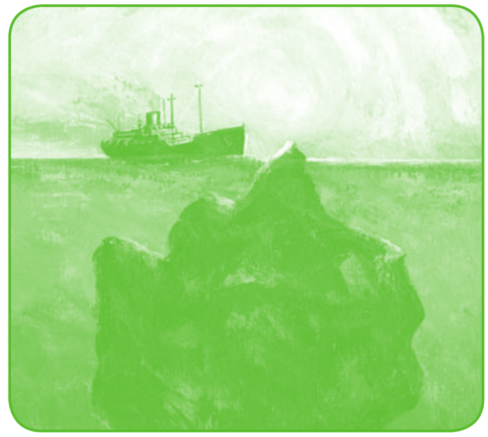
We first have to get an understanding of what culture is before we determine its importance. For that, I draw from the work of Edgar H. Schein. His book, *Organizational Culture and Leadership*, was instrumental in helping me understand what culture is and the impact it has in and on organizations. I am partial to his definition of culture:

> "A pattern of shared, basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems."

Once you reread this several times, it is a rich and dense definition. You can take something different away each time you ponder it. I, like many others, liken culture to an iceberg. When one looks at an iceberg at sea level, one sees only the tip. Nine-tenths of the iceberg is underwater. If you don't attend to the unseen portion, you do so at your own peril as the Titanic testified.

There are many aspects to culture: norms, beliefs, behaviors, rituals, climate, habits, shared meanings, language, espoused values and rules of the games, both stated and unstated. It makes it difficult to articulate what "our" culture is, especially from inside the iceberg. You would have to ask yourself some basic questions. What and who gets rewarded around here? What's important in how we operate? And, one of Schein's favorite questions, "Why are you doing what you are doing?" It's the classic five-why question. You follow each answer by asking why until you reach the root answer, or in our case, the base of the iceberg, the articulated culture of the organization.

Culture, by and large, is an outcome of the integration of the needs of the business during its initial stages of growth and the behaviors of the leadership in establishing how it will meet



and express those needs. In effect, whoever starts a successful business sets in motion "what's important here" to be successful. The challenge with culture is that it is hard grasp. The environments within which successful businesses operate change but often cultures don't because the leadership can't easily identify, let alone articulate, what needs to change to remain successful. This is a situation where habits help, then hinder, the success of a business.

So, in a nutshell, culture is critical to the success of the organization but can hamper ongoing success if and when the environment changes. The difficulty is environments do change and while cultures are elastic, they, like rubber bands, harden and become brittle over time. While businesses stretch to accommodate changes, few take the time to actually reexamine their core norms, values and beliefs and then take the necessary steps to change them until there's a crisis. Even then, the goal is likely getting past the crisis, not preparing the organization for a new competitive landscape. Understanding this goes a long way in explaining why the list of top companies today is very different from that same list 20 years ago. If you aren't willing to change your culture to meet a changing world, no matter how elastic you are, sooner or later you'll snap. **e**

Chris DeSantis uses his 20 years' experience in training and development as an independent consultant. He specializes in the design and delivery of management and organization development interventions. A presenter at Leading Edge Alliance seminars, DeSantis focuses his work on assisting individuals or groups in identifying obstacles to effectiveness and subsequently works with them to create user friendly solutions aligned with the company's strategic initiatives. He earned his undergraduate degree from the University of Notre Dame, an MBA from the University of Denver and an MA in organizational development from Loyola University.

Do you have a workplace question you want answered? What do you want to know to make work a better place? Send your questions to DeSantisCP@aol.com to get Chris DeSantis' two cents as to what he thinks you might want to do.

The members of the Leading Edge Alliance are leaders in many key markets, including:

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