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Since 1950 Colton Groome & Company has provided clear strategies in a complex financial world. Colton Groome is a financial strategies and benefit planning company that assists business owners in establishing carefully constructed financial security and succession plans. Offices are located at 34 Orange St., Asheville. (828/252-1816, fax 828/254-5895)

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Dixon Hughes is the largest public accounting firm in the Southeast. Its capabilities include accounting and auditing, tax planning and preparation, estate planning, litigation support, health-care consulting, financial services and general management consultation. Offices are located at 500 Ridgefield Court, Asheville. (828/254-2254, fax 828/254-6859)

First Citizens Bank

Established in 1898, First Citizens is the largest family-controlled bank in the United States. First Citizens' product array includes a full line of financial services such as personal and relationship banking, private client banking, investor and trust services and insurance services. Its main office in Asheville is located at 108 Patton Ave. Call Brad Blackburn for information. (828/257-5747, fax 828/684-4329)

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McGuire Wood & Bisette is the oldest law firm in Asheville with continuous practice dating to 1894. The firm is focused on the business, financial and litigation needs of its clients in Western North Carolina and across the United States. The firm is located at 48 Patton Ave., Asheville, in the Drhumor Building. (828/254-8800, fax 828/252-2438) www.mwbavl.com

MEMBER NEWS . . .

At the January meeting of the North Carolina Association of Nurserymen, Wilma Penland of Reems Creek Valley Nursery was honored with the Libby Wilder Outstanding Woman in Horticulture award.

The NC Association of Nurserymen is a membership organization of firms interested in the welfare of the general Nursery industry with emphasis on the nursery industry in North Carolina. NCAN was originated in the 1930's and has 1,000 members. Members include wholesale growers, retailers, suppliers, landscapers, horticulture students and educators.

The nursery industry probably has more family businesses than most other fields, and women in this industry typically keep the books or run the greenhouse. However, Wilma has always jumped at the chance to use a shovel and plant trees and shrubbery. She enjoys driving around town to point out the trees she has been responsible for planting, and there are quite a few.



Wilma Penland



Herrmann International Celebrates 25 years of Better Thinking and Better Results

Founded in 1981 by Ned Herrmann, this family business provides training, development and performance improvement products and services to many Fortune 500 businesses. The international company, located in Lake Lure, NC has planned a year-long celebration with clients, community and staff throughout 2006. The company is using a special designed 25th logo and held a celebration dinner experience at fellow FBF member Chimney Rock Park, as part of the company's recent customer conference held in April. A community and staff celebration is in the planning stages for fall.

In addition, each month the company is releasing resources to delight and help clients be more successful using Herrmann's core product the HBDI™ (Herrmann Brain Dominance Instrument). Several of the releases have been in honor and remembrance of founder Ned Herrmann, deceased 1999, author of "The Creative Brain" and "The Whole Brain Business" book. An un-published book chapter, some of Mr. Herrmann's favorite insights about the brain are a few examples of the releases. Current CEO, Ann Herrmann-Nehdi is working on a new book to be released early 2007 as another commemorative contribution. More information on the 25th celebration can be found on the US website: www.herrmanninternational.com.



Generations

The Family Business Forum
of the University of North Carolina at Asheville

Spring 2006
Vol. 5, No. 3

Coming Events

The Family Business Forum will wrap up the current program year with a **May 16, 2006** evening program that will take place in **UNCA's Alumni Hall** in the lower level of the Highsmith University Union.

We are encouraging members and invited guests to bring their spouse or significant other and join us from **6 to 8 PM** that day for conversation, dinner and an entertaining and educational program featuring Loyola University Chicago professor of Philosophy and author **Dr. Al Gini**. His topic: "The Importance of Being Lazy: In Praise of Play, Leisure & Vacations."

Dr. Gini is the co-founder and editor of "Business Ethics Quarterly", the Journal of the Society for Business Ethics. He conducts programs for community and professional organizations on corporate ethics and can be regularly heard on National Public Radio's affiliate, WBEZ-FM. His books include "My Job My Self: Work & Creation of the Modern Individual" and "The Importance of Being Lazy: In Praise of Play, Leisure and vacations." Dr. Gini has written and produced two plays and his latest book "Why It's Hard to Be Good" was published in 2005.



Dr. Al Gini

Invitations to this event and maps with parking instructions were mailed out in the latter part of April 2006. In the event that you did not receive one but would like to attend this event, please contact **Susan Maas** at 828-251-6527 on or before May 11, 2006.

From The Director

I wanted to begin my comments by thanking each of the Advisory Board members for the work they have done in the past year on our programming. Mary Alice Arthur, Tom Hunnicutt, Jr., Dini Pickering, Richard Kort, Glenda Weinert and Katherine Morosani offered valuable guidance and input throughout the year. Neil Farnam, another Board member, found his ability to be involved limited by the fact that he sold his business to a British company. I have managed to get Neil's opinions by phone throughout the year so, despite being unable to attend formal meetings, he was able to contribute and I thank him for that. For those of you who might ever consider selling the family business, Neil would be a great resource as to understanding the process and issues before, during and after the sale.

As we have no scheduled programs after our May 16 event until next September, I would suggest all of us revisit the topics covered in this year's programming and analyze what action plans, decisions and changes we have made or will make as a result of these sessions. Strategic planning, business continuity, family harmony, working effectively with non-family employees (and a program to instruct them on working effectively in the family business), family dynamics & family governance, next generation succession planning, life planning for all family business members and women's roles in the family business were all discussion items this year. And, we will wrap up with a session on why it is important for all of us to schedule some down time in our busy & oftentimes hectic lives.

Very soon we will begin the summer meetings with each of you that are so important to the planning of next year's programming and the selection of our new Advisory Board. Prior to them, we intend to mail you a survey that we would like you to complete in advance of the scheduled meeting such that it can be discussed during the visit. In addition, our corporate partners would like to participate in the summer meetings that they might have a first hand understanding of how the Family Business Forum can best be of service to you and your family business. All this, in my mind, adds up to a stronger, more focused and relevant service provider to your family business.

We thank you for your involvement in the UNC Asheville Family Business Forum and look forward to being of continued service to you in the coming years.

Rich Lasher
Executive Director

UNCA Family Business Forum

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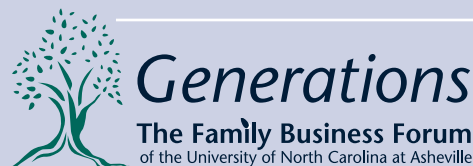
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Mr. Roger Aiken

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The Family Business Forum of the University of North Carolina at Asheville

The purpose of the Family Business Forum of the University of North Carolina at Asheville is to enhance the viability of closely held businesses in the region. Guided by its members and supported by sponsors, the forum presents programs and activities that are meaningful and relevant to the membership. The Advisory Board, composed of a sponsor, FBF members and the executive director, develops programs for the year, which runs September–May. The forum is a resource to successful family-owned businesses seeking to support the entrepreneurial spirit of the family and the company.

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Visit our Web site at www.unca.edu/fbf/

Friday Staffing Services – Celebrating our 25th Anniversary



In 1980, a service minded lady in Hendersonville, NC founded “Friday Temporary Help Services”. At first doing clerical work out of her home, then providing that service at her clients businesses the business grew to the point where she was looking to sell it so she could devote more time with her young children. As it happens in 1987, former banker John Modaff was looking to launch a second career, after relocating from the Chicago suburbs to the Asheville area in the 1980’s. An interest in the staffing business led him and his late wife, Diane, to cold-call that service minded lady and to purchase her business. Now known as Friday Services, Inc., the staffing group has become a multimillion dollar operation and celebrated its 25th year.

“It’s a highly service-oriented business, so I was able to use my customer service experience” John says of his tenure as a commercial banking officer. “We are a family owned business competing with national and international firms and doing it successfully.” Since the Modaffs took over they have expanded the business adding technical and professional services for clients and benefits for employees.

Their daughter, Lynda, a graphic artist in California, created the company’s logo – the friendly Dalmation puppy with the nationally registered trademark “Hang On, Friday’s Coming!!” This image is an accurate reflection of Friday’s corporate culture,

a business that can be professional and a fun place for people to work. The company has 25 internal employees covering eight Western North Carolina counties from offices in Asheville, Hendersonville and Morganton. Currently there are over 700 employees assigned to work at over 200 client companies. Friday does traditional industrial and clerical staffing but also provides workers in technical fields including engineering, supply chain management and computer services, and does full-time employee placement.

In 2000, their son David joined the business and in 2006 became president with all operational responsibility. “It has been a wonderful opportunity to work along side my father and now to take what he and my mother created into its next stage. Friday is facing many challenges as staffing has become more of a commodity and we will be adapting our business to stay vibrant for another 25 years and beyond.”

Friday Staffing currently counts many members of the Family Business Forum among their valued clients. They would like to offer our services to those members they do not have a business relationship with at this time. You may contact Dave at 828-768-9230 for more information.



The size of your contribution to the U.S. Treasury can shed light on the Dickens prose. These are certainly better times for many taxpayers; given changes in legislation since 2001. During this period we’ve enjoyed significant reductions in the overall tax system. Capital gain rates have been capped at the rate of 15% or lower and we’ve been blessed with some of the most generous depreciation write-offs in history.

The 30% and 50% bonus depreciation rates ended in 2004. However, business owners can still accelerate depreciation and put more cash in their pocket by expensing asset acquisitions under Section 179. Deductions of up to \$105,000 in 2006 and \$108,000 in 2007 are still available. Most dividend income has been afforded the joy of capital gain rate treatment. Throw in countless tax credits and a smorgasbord of special deductions and one could exclaim, “Yes, it was the best of times”.

However, can the ghost of tax future be beckoning a new era? 2008 will mark the end of the administration’s depreciation write-off fervor. No bonus depreciation or “fat” Section 179’s. 2009 will mark the end of capital gain and dividend income rate reductions.

Taxpayers already paying the “alternative minimum tax,” should note national projections predict increased AMT burden. AMT is a paradoxical world where state taxes, shelters and many of our favorite deductions are “rudely” added back.

Looking into the horizon awaits January 1, 2011, the “Great Sunset”. The lower tax rates, the so-called estate tax “repeal” and the treats of the prior decade disappear like a dream. We awaken to “pre-2001” law.

A sobering thought. How does a taxpayer cope with an uncertain tax future? It comes first with the understanding that there is no best or worst. However, it is our tax planning and action steps in 2006 that will impact our 4-15-07 tax liability.

The Tax Man Cometh

“It was the best of times, it was the worst of times”...Charles Dickens



Michael Rauchwarg, CPA

Every year has its opportunities. Tax bills are passed, laws are added and policy remains in flux. Review your opportunities. Take the gifts you’ve been granted. React to current law. Know that the rug can be pulled from underneath you.

Consider structuring your portfolio income to maximize income rate reductions as much as possible during the next two years. Many people have not taken advantage of the temporary law allowing “C” corporations to distribute its earnings to stockholders at a preferential 15% rate. For many closely held companies, this option has the potential to offer you significant tax savings.

For many, Section 179 deductions can be worth over \$44,000 in tax savings. If not this year, they can be carried forward. Once the old law resurfaces you’ll be limited to the \$25,000, Section 179 deduction. This opportunity in 2006 and 2007 will take four years to achieve the same deduction, when taken in 2008. Review your expansion needs today in order to take advantage of this limited opportunity.

Over recent years there have been major expansions in the amount taxpayers can defer into qualified plans. A husband and wife team within the same company can defer approximately \$15,000 to \$20,000 each in special 401(k) plans with additional profit sharing contributions as well. This can be done with approximately \$40,000 in combined wages. Specialized plans

such as these, where there are no other unrelated employees are cost effective to administer and provides significant savings.

If you have 150 employees or less, explore the benefits of a Simple 401(k). In many projections, the owners of the company are still in the “black” after meeting obligations to employees due to tax savings. The key is to run the numbers while you’re planning.

For those taxpayers in the higher tax brackets and few or no other employees, a defined benefit plan under code Section 412(i) may be the ticket. These deductions, depending on various factors can be in the \$100,000’s.

Now is an effective time to make family transfers to the next generation. Given the uncertainty of the estate tax, the annual \$12,000 per person exclusion is an opportunity that shouldn’t be wasted. If you aren’t making gifts utilizing these in-cash or property, you could be losing valuable tax savings in the long-run. Many of these gifts can be of property that is adjusted due to marketability and lack of control discounting. Currently, discounts still enjoy considerable success. An efficient estate planning vehicle will utilize this opportunity, while it lasts.

In summary, it may be the “best of times” and it may be the “worst of times”. However, it is clearly tax planning time. Prudent taxpayers will take advantage of each year’s litany of opportunities and minimize income and estate tax exposure annually.

Michael Rauchwarg is a CPA Partner in Dixon Hughes, PLLC, located in Asheville. Michael works directly with business owners and corporations to provide high-level tax planning. He also has significant experience as an estate tax planning consultant assisting families and businesses to minimize and eliminate transfer tax. He provides in-depth consulting on organizational structuring that maximizes tax efficiency, liability protection, and succession opportunities. Contact Michael at mrauchwarg@dixon-hughes.com or 828.254.2254.