Overcoming an industry business environment stymied by the worst economic recession in recent years, NPES has something to celebrate—37 new members—marking its third best membership recruitment year in recent history! Particularly in contrast to many membership organizations that struggled this past year to attract new members, this is a clear indicator that companies see a value and benefit in belonging to NPES during these challenging times.

As background, NPES welcomed 47 new members in 1996, the most in any year, followed by its second best tally in 2008 that reached 42 new members.

To what do we attribute this success? The appeal and interest generated by: content-driven programs; essential networking opportunities; by amending the membership criteria to enable dealers, associates and NAFTA colleagues to join; through the recognized value of PRIMIR study reports; the advantage of GASC show exhibitor savings and—good old-fashioned ‘elbow grease’—in face-to-face meetings and phone time!

Just as industry leaders, like you, were driven to evaluate the return on investment from every program and activity, the following organizations made the important decision to join NPES. Throughout the coming year, as you meet your peers from each of these organizations at NPES programs and events, join with us in congratulating them on their commitment to the graphic communications industry through their membership in NPES—and welcome them aboard!

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<th>NPES WELCOMES NEW MEMBERS</th>
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Continued on page 2
chairman’s perspective

D.J. Burgess
NPES Chairman
Burgess Industries, Inc.

Call to Action: Let’s Get Down To Business

On behalf of NPES, I want to personally welcome you to 2010 and wish you great success in the New Year. Certainly I am not alone in saying how glad I am that 2009 is behind us. Yet unfortunately, as we begin this new decade we continue to face many of the same economic challenges, which is why I decided to forego sharing New Year’s resolutions and chairman’s ‘words of wisdom’ and get right down to business.

The great Winston Churchill once said, “To improve is to change; to be perfect is to change often.” Looking back at 2009—globally, within our industry, and at what lies ahead for 2010—I believe his words must become the mantra for every business leader going forward.

“To improve is to change; to be perfect is to change often.” — Winston Churchill

By now, most companies have their finalized business plans with estimates, projections, assumptions, and strategies. And be they large, medium or small, every company has the same financial needs and wants, and all are focused on earning a profit. To have achieved our goals in the past we’ve all learned that “information is power” and the essential element for creating and measuring strategies and making sound business decisions.

So let’s go back to the business plan for 2010—your “roadmap” for success—and recognize that a core value and the fundamental ‘product’ NPES provides to its members is information! For all of the information you need to develop your business plan—from up-to-the-minute market data and trend forecasts, to expert strategic analysis, to up-to-the-moment updates on print world economics that will ultimately impact your business—NPES has done all the research for you.

For 2010 I am sending a “Call to Action” to encourage all NPES members to step-up their participation in our Association. Now more than ever is the time to take advantage of the invaluable programs and services that NPES provides, each one designed to provide all of the information and insights you will need to skillfully lead your company with confidence through the recovery in these historic times of change.

First, I invite you to join us for the NPES 2010 Industry Summit, March 22-24 in Baltimore, MD, where together we will learn all about where we are in the economic cycle, what the recovery will look like moving forward, and how best to prepare our companies to take advantage of the opportunities that it presents. This fast paced event will kick-off with PRINT OUTLOOK and a series of thought-provoking sessions including “The Outlook for Commercial Printing in 2010,” “Keeping Print Relevant in a Digital World,” “The Financial Meltdown and its Impact on Business: How Did We Get Here? What Else is in Store?,” “Integrating Traditional Print with Digital Print and the Internet,” plus an interactive NPES Public Policy Forum where we will receive and discuss the latest updates on Healthcare Reform, Post Office Policy, and Do Not Mail legislation. The Summit continues with the PRIMIR Spring Meeting, where among other information we will get an insider’s preview of the newest PRIMIR study, “Megatrends in Digital Printing Applications.”

Next, the NPES Trade Missions scheduled throughout the year will open doors for our businesses to expand into new and emerging global markets that are filled with new profit opportunities. We are all facing the most challenging industry environment of our careers—especially if our businesses are focused on the U.S. or North American market. Fortunately, opportunities exist in emerging markets that we can develop while the domestic market is soft, and many of these markets are growing despite the global economic downturn. PRIMIR’s “The World Wide Market for Print” study provides a roadmap for the NPES Trade Mission Program in 2010 that will help members succeed in six of these countries. For a schedule and complete details visit: http://www.npes.org/itrade.

And last, but certainly not least, is the invaluable NPES Market Data Program, which reveals tremendous insights and the market information necessary for key planning, measurement of strategies, and the practical basis for sound business leadership.

In this new decade of accelerated change and challenge, it seems that Winston Churchill’s words of advice ring truer than ever. That’s why I encourage you to join me in utilizing the many tools that NPES provides to help you thoughtfully and actively plan for your company’s success in the New Year and beyond.

Again, I wish you great success in 2010 and look forward to visiting with you at the upcoming NPES Industry Summit in March.

"To improve is to change; to be perfect is to change often." — Winston Churchill
By most accounts the recovery has begun. But what does that really mean to YOU? What industry trends will most immediately impact the direction your company will take in the months and years ahead? Find out at the NPES 2010 Industry Summit.

This year's Industry Summit is a timely information-packed event that brings together PRINT OUTLOOK 2010, the PRIMIR Spring Meeting and NPES Board of Directors Meeting to provide you with all of the information, insights and perspective you need to move confidently forward now. Here you will enhance your industry knowledge and maximize your networking opportunities while minimizing your time away from the office.

PRINT OUTLOOK 2010, slated for March 22-23, will deliver all the answers you need about the state of the economy, pivotal trends in the marketplace and information on business prospects for the future.

Leading off a powerhouse line-up of speakers—and back by popular demand—will be economist Alan Beaulieu, President and Chief Executive Officer, Institute for Trend Research. In his much-anticipated session titled “From Recession to Recovery: the Road Ahead,” Alan will present his unparalleled analysis and forecasts for the economy that will enable you to return home with a clear understanding of where we are in the economic cycle, what the recovery will look like moving forward, and help you to understand how best to prepare your company to take advantage of the opportunities it presents.

Members will further hone their competitive edge by participating in the PRIMIR Spring Meeting immediately following PRINT OUTLOOK. Each year, PRIMIR conducts several of the industry's most comprehensive research studies on topics of critical strategic concern to manufacturers, suppliers and printers. Be there at the Spring Meeting for an insider's preview of the newest PRIMIR study, “Megatrends in Digital Printing Applications.”

REGISTER NOW!
For complete program and registration information visit: www.npes.org.

PROGRAM HIGHLIGHTS
PRINT OUTLOOK • March 22-23
From Recession to Recovery: The Road Ahead
Alan Beaulieu, President and CEO
Institute for Trend Research

The Outlook for Commercial Printing in 2010
Andrew Paparozzi, VP and Chief Economist, NAPL

Keeping Print Relevant in a Digital World
Douglas Ehlmann, VP and CTO, The Sheridan Group

The Financial Meltdown and its Impact on Business:
How Did We Get Here? What Else is in Store?
Bob Seeds, Owner, International Financial Services Corp.

NPES Public Policy Forum
Moderators: Ralph J. Nappi, President, NPES
Mark J. Nuzzaco, Government Affairs Director, NPES

Issues to be addressed:
• Health Care Reform • Post Office Policy • Do Not Mail Legislation

Presentations and Panel Discussion: The Future of Communications—Print’s Role
Moderator: William K. “Kip” Smythe, VP Global Programs, NPES

Integrating Traditional Print with Digital Print and the Internet
Jeff Hayes, President, InfoTrends

Ensuring a Print Future in a Digital Age
Dr. Samir Husni, “Mr. Magazine,” Director, Magazine Innovation Center, The University of Mississippi

The Impact of Mobile Marketing on Direct Mail
Speaker to be announced

The Outlook for Books in a Digital World: Books, Books on Demand, Digital Books, and e-Books
Gilles Biscos, President, INTERQUEST

PRIMIR Spring Meeting • March 23-24
Print Suppression Trends in Fortune 500 Companies
Kemal Carr, President, Madison Advisors

Megatrends in Digital Printing Applications
Marco Boer, Senior Consultant, I.T. Strategies

Electronic Displacement of Print - Yesterday, Today, and Tomorrow
John Zarwan, President, J Zarwan Partners

Study Presentation: Benchmarking and Worldwide Market Trends for Flexographic Printing
Speaker to be announced

Luncheon Presentation: Packaging Trends & Overview
John Kalkowski, Editorial Director, Packaging Digest
Recovery after the deepest recession in recent times has proven challenging to many businesses, including those in the graphic communications industry. NPES News interviewed Chris Payne, Director and Vice President, Business to Business Marketing for Kodak for his perspective on moving forward.

Our industry is finally emerging from the most challenging economic times in recent history. What key strategies has Kodak engaged that have enabled it to weather the storm and remain a leader in the marketplace?

There is no question that our industry has been through a period of significant change over the past few years, with increased pressure on pricing and a need to implement more efficient production processes. At Kodak, our mission is to respond to these trends by offering one of the broadest portfolios of solutions in the industry, covering all the bases from workflow right through to digital printing.

We spend a lot of time talking to our customers to better understand their challenges, tailoring our development efforts to address those needs. It’s important to be much more than a supplier today—so we work hard to be a true partner to our customers, helping them find ways to grow their businesses as the economy picks up. Technology is a key driver in this area, enabling our customers to differentiate themselves with innovative services.

For example, the new KODAK PROSPER Presses leverage our 40-year heritage in continuous inkjet technology to deliver offset class quality, productivity and cost across a wide range of coated and uncoated media, while our unique Kodak Dimensional Printing available on KODAK NEXPRESS Presses creates raised—or 3D—text and images to differentiate and add impact to any printed piece. And our KODAK Unified Workflow products such as PRINTERGy and our prepress solutions such as KODAK THERMAL DIRECT non process plates satisfy the needs of a demanding customer base. Solutions such as these help our customers stand apart and position Kodak as a strong leader in the marketplace.

Kodak’s ONE magazine illustrated how excellence in finishing is one important way that today’s printers can outdistance their competition. What additional advice do you offer to help them continue to grow as the recovery continues to take hold?

The most effective way for today’s printers to achieve success is for them to spend time getting to know the business goals and needs of their clients. By understanding what their clients are trying to achieve, they can truly help design and produce effective multichannel campaigns that leverage the best of all media—including print—to have the biggest impact on the target audience. Whether that is selling a product or service through direct marketing, communicating to existing customers via statements, updating shareholders on accomplishments, or any other communication need, printers must develop a partnership that enables them to counsel clients on the best approach.

Traditional, static offset printing still works fine for some applications, and we support the offset workflow with a number of market leading software and prepress solutions. But you can’t beat the power of digital printing and personalization for capturing the attention of the recipient and delivering a targeted message that elicits an active response. Print service providers that make the transition to marketing service providers are able to exploit the power of digital to create unique, multichannel pieces that extend the value they offer to clients, resulting in additional volumes and investments that boost the bottom line.

We use ONE magazine to show how the latest solutions can really make a difference. As an example, the cover of our September 2009 issue highlighted the unmatched quality of the KODAK FLEXCEL Digital Flexographic System to produce stunning flexographic print pieces. We also produce ONE magazine to help customers understand the trends in the market and identify growth opportunities.

Print marketing has been under fire for ROI and sustainability. How should the industry respond to these points?

As companies become more strategic about their marketing spend, it is more important than ever to define, track, and assess the return on marketing investment (ROMI). And as part of the media mix, print plays a critical role in boosting ROMI. Critics too often measure the effectiveness of a medium by its overall cost, failing to take into account the actual response that it drives. This is what has made it hard for print to compete with email and web-based marketing in recent years, but now analysts are seeing quantifiable data on the ability of print to enhance results when used the right way.

Our integrated portfolio of solutions is designed to address the need for a strong

Chris Payne
Director and Vice President, Business to Business Marketing, Kodak
ROMI, bringing the various components together and managing the overall campaign. The industry has undertaken a number of initiatives to educate marketers on the power of print, and in fact a recent article in the Wall Street Journal tackled this topic head-on. In the article “Firms Hold Fast to Snail Mail Marketing,” reporter Teri Evans looked at a number of companies that had reduced print budgets in favor of less expensive digital media, only to discover there was more to the analysis than cost. “However, some entrepreneurs who were quick to write off direct mail as too pricey or passé are finding it’s not so easy to dismiss,” observed Evans in the article.

The topic of sustainability is one that is posing a challenge for many industries, particularly in the manufacturing sector. What many critics fail to take into account when evaluating the printing industry is the carbon footprint of the alternatives. From the energy required to power the Internet to the impact of discarded electronics and communications devices, digital media is not without its hurdles. In our industry, paper manufacturers have made great strides in renewable forestry techniques, printers are working harder to recycle waste, and suppliers are working hard to reduce chemistry and consumables. There is great progress here that we can all be proud of.

Kodak recently reported that Cohber Press, a full service printing and marketing communications company in Rochester, NY, was the first customer in North America to install the new NEXPRESS SE3600 Digital Production Color Press. How strongly do you anticipate the demand for digital printing will counteract the slow recovery to translate into additional installations in the next several months?

We are definitely seeing momentum, particularly in the area of digital printing, as customers move beyond “business as usual” and look ahead to the growing marketing opportunities afforded by short runs and personalization. Cohber Press, right here in our backyard, is a great example of a company embracing technology to offer its clients a unique value proposition. They have been able to show by example how digital print—and Dimensional Printing specifically—increase effectiveness.

So when you combine the growth initiatives already in place by our customers and the availability of the PROSPER Press during the first half of this year, we anticipate an increase in the volume of installations of digital printing equipment. Toner and inkjet, which both have their place in the market, are well suited for their specific applications and meet the needs of our customers for the services they find most in demand by their client base.

The economic recovery will not take place overnight, but we are finding that many of our customers are viewing this time of transition as one of opportunity. Many of them are making very smart investments in their businesses—adding software and equipment—that allow them to produce their work more efficiently and bring the savings to the bottom line at a time when profit margins are razor thin. And when the market does rebound, they will be ready and able to handle a larger volume of work and grow their businesses.

With varying opinions about where our economy and our industry are headed in the short- and long-term, where will you gain the information you need to plan for the months and years ahead?

The great thing about the graphic arts industry is that we have a wealth of resources at our disposal. From our outstanding trade associations to the media and analysts to the discussions taking place on social media, there is no shortage of insight to lean on in our decision making process. We rely heavily on this data, as well as the direct conversations we have with our customers every day, to influence our efforts and shape our plans for the future.

I personally look forward to the seminars and conferences that take place early in the year so that I can get a feel for the trends to watch and the issues that will impact us all. The NPES 2010 Industry Summit in Baltimore in March is a perfect example of the kind of event that brings together the right mix of people in a structure that encourages the most effective networking and conversations.

The urgent need for bank financing for capital equipment investment has joined the imperatives of reducing health care costs and insuring the viability of the U.S. Postal System as top tier NPES Government Affairs priorities for 2010 and the Second Session of the 111th Congress.

Each issue has a pervasive affect on the national economy, and is especially critical to the sustainability of the small business sector, which includes many NPES member companies and their customers.

In addition, these issues continue to be perennial areas of interest for Association members:

• tax policy that enables firms to expand and perpetuate their business;
• trade policy that facilitates access to global markets and insures fair competition in the U.S. domestic market;
• environmental policy that promotes sustainable economic development and prudent stewardship of natural resources; and,
• business regulation and labor laws that insure fairness and stability in the workplace.

These topics will be discussed in an interactive ‘Public Policy Forum’ during the PRINT OUTLOOK segment of the NPES 2010 Industry Summit, to be held March 22-24, at the InterContinental Harbor Court in Baltimore, MD. For complete program information and to download a registration form, visit: www.npes.org/conferences/index.html.

For more information about the Public Policy Forum contact NPES Government Affairs Director Mark J. Nuzzaco at phone: 703/264.7235, fax: 703/620-0994, or e-mail: mnuzzaco@npes.org.
NPES Urges Congress to Rein in Health Care Costs: Opposes Employer Mandates and Curbs on HSAs

In its December 8 Open Letter to the U.S. Senate, NPES opposed the Patient Protection and Affordable Care Act Amendment to H.R. 3590 pending before the Senate at that time. Notwithstanding NPES’ opposition and that of numerous other major business associations and companies, on Christmas Eve the Senate passed H.R. 3590 on a 60 to 39 party-line vote.

In communicating NPES’ concerns to Congress, NPES President Ralph Nappi stressed that “both the House and Senate bills are full of costly mandates that will lead businesses to lower wages, reduce hours, delay if not eliminate hiring, and worst of all cut jobs.” But he also stated that the Association strongly supports a simple three-pronged approach to health care reform that includes:

1. Getting costs under control;
2. Improving insurance options; and,
3. Creating a vibrant and more accessible marketplace for insurance vehicles.

More specifically, NPES urged Congress to:

- Enact medical liability reform;
- Give incentives for lifestyles that enhance wellness and encourage preventative care;
- Provide small business the ability to engage in insurance pooling; and,
- Simplify administrative paperwork.

In addition to these recommendations, preserving Health Savings Accounts (HSAs) has been a special focus of NPES during the health care reform debate. HSAs, (one form of consumer-driven health plans) were created by the Medicare bill signed by President George W. Bush in 2003 designed to help individuals save for future qualified medical and retiree health expenses on a tax-free basis.

NPES has emphasized to lawmakers that HSAs are a proven means by which to tap the power of cost-conscious consumerism by putting employees in control of their own routine health care costs, while still providing coverage for catastrophic illnesses. Regrettably, these effective and time-tested vehicles would be weakened by both the House and Senate versions of health care reform.

Both the House and Senate bills would redefine “qualified medical expenses” such that over-the-counter medications, with the exception of insulin and those authorized by prescriptions, would no longer be eligible for reimbursement or to be paid tax-free from HSAs or any other health care accounts [i.e., Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Medical Savings Accounts (MSAs)].

Contributions to FSAs would be limited to $2,500 annually by both the House and Senate bills.

Under the Senate bill all forms of consumer-driven health plans would be subject to a 40% excise tax on employer-sponsored coverage that has benefit values exceeding $8,500 for individual and $23,000 for families, the so-called “Cadillac plans” tax. Benefit values would be computed by including the value of the group health plan plus contributions to employees’ HSAs, FSAs, HRAs and MSAs.

In addition to the curbs noted above that would apply to all forms of health accounts, some proposed changes that would impact all health insurance policies could adversely affect high deductible health plans (HDHPs) that currently enable people to participate in HSA plans. These changes include:

- Requirements to provide first dollar coverage for preventative care services, required by both the House and Senate bills;
- Minimum actuarial value for benefits covered, 60% in the Senate bill, and 70% in the House legislation;
- Limits on out-of-pocket expenses in the House bill that are lower than the current HSA limits of $5,950 for individuals and $11,900 for families;
- Limits in the Senate bill that would prevent small employers from offering plans with deductibles greater than $2,000 for individuals and $4,000 for families; and,

NPES continues to encourage lawmakers to adopt true cost-effective reforms without increasing the national debt, imposing burdensome penalties and taxes on employers, and weakening consumer-driven health plans in the process.”
**tax talk**

**Deciphering Business Valuation Discounts**

When businesses are valued, whether for a business sale, exit planning, or another reason, generally the owner wants the highest value possible for the business. On the other hand, imagine the same business owner going through a divorce or who is otherwise being forced to buy out a partner through a dissolution proceeding—it is quite a different scenario.

A variety of situations exist where a business owner desires a low value to be attached to their business including: estate planning, divorce, and when a potential buyer desires to purchase a business (i.e. acquisition or takeover). Legitimate avenues do exist to accurately reflect the reduction of value of any given business when appropriate, such as discounts determined for lack of control and lack of marketability are legitimate, and even common, in business valuations.

**The Discounts**

**Minority Shareholder Discount**

People generally prefer to have controlling power vs. being controlled. The lack of control or minority shareholder discount in closely-held and small companies is calculated to reflect the detrimental effect of not having control over business decisions. While a minority interest in a publicly traded company is not subject to a lack of control discount, in private companies, “lack of control” means the minority owner is subject to the whim of majority shareholders. Such detrimental decisions to minority shareholders can include: determination of management compensation, declaration of dividends and disbursements, setting the course of the business, and decisions to liquidate or sell business interests. Lack of control discounts can range from 35 to 50%, and even higher in some cases when compared to publicly traded stocks. (Note: the state of Florida recently passed a law making the minority discount illegal whenever a company that has ten or fewer owners is valued.)

**Lack of Marketability Discount**

The lack of marketability discount applies to many small businesses as well. Owners prefer to have assets that are more liquid as opposed to less liquid. It is with this preference that those businesses that can be bought and sold quickly are worth more. Businesses that are hard to liquidate, or are generally unmarketable, are worth less than publicly traded companies. Because of this lack of marketability, certain businesses are given a discount to reflect the detriment of the ability to sell the company. Lack of marketability discounts can range in the area of 20 to 50% when compared to their publicly traded counterparts.

**The Difference**

Often there is confusion between the two discounts. As mentioned above, minority shareholders lack certain controls. Imagine being so suppressed by a majority shareholder that holding the interest in the business makes the stock, not only worthless, but also a legal liability. Would this minority stock (already subject to minority shareholder discount) be very marketable (subject to lack of marketability discount as well)? Essentially the answer is NO! The minority shareholder discount simply applies when the shareholder holds a share in the company of less than 50%. Lack of marketability, on the other hand, applies when external influences limit the attractiveness of a company to be sold in the market place.

For example, imagine a situation where a service company has exclusive rights in the state of New York to replace every light bulb in public buildings. There would be no need for a lack of marketability discount because the lack of a competitive environment would result in a gold mine to whoever owns it. Now imagine, the same service company, but 50 other companies have the right to change light bulbs. In this case, external, competitive forces, no matter how successful the vendor is, limit the marketability of the company. Why? Quite simply, an investor with $50,000 to invest would be repulsed by the external forces. The investor, given the competitive environment, would be more likely to invest in Kimberly Clark stock or another publicly traded company instead of a service company in an extremely competitive market.

**Conclusion**

Some confusion results between the two types of discounts when analysts arrive at discounts for control and marketability. Minority ownership interest discounts relate to the control the subject has in relation to the business. Marketability, on the other hand, deals with the potential to liquidate the company and how quickly and easily the company can be reduced to cash based upon external forces.

Dr. Bart A. Basi is an expert on closely-held companies, an attorney, a Certified Public Accountant and the Senior Advisor of the Center for Financial, Legal & Tax Planning, Inc. He is a member of the American Bar Association’s Tax Committees on Closely-Held Businesses and Business Planning. For more information, contact Dr. Basi at phone: 618/997-3436 or visit: www.taxplanning.com.
Estate Tax Expires as of 2010: Due to Return in Full Force in 2011 Unless Congress and President Act

The Federal Estate Tax has expired as of January 1, 2010 under the terms of The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) signed into law by President George W. Bush. However, under the provisions of the same law, the Estate Tax will be reinstated in 2011 at its pre-Bush Administration level of 55 percent, with an exemption of only $1 million unless Congress and the President act to forestall that reversion.

To avoid the oddity of having the Estate Tax disappear for one year and then return at a much higher rate and lower exemptions, at the end of 2009 the U.S. House of Representatives voted to permanently extend the Estate Tax at its then current level of 45 percent on estates above $3.5 million per individual and $7 million per couple. NPES and a coalition of other small business advocates supported this action, a total permanent repeal of the Estate Tax not seeming to be politically likely.

The two key objectives of NPES and other coalition members are: 1) a $3.5 million exemption that would give relief to the vast number of small entrepreneurial businesses whose competitiveness and sustainability are impeded by the Estate Tax itself, along with the unnecessary and counter-productive estate planning expenses it fosters, and 2) the certainty of a permanent reduction of the Estate Tax rate. Because the U.S. Senate failed to act the Federal Estate Tax was not extended, perma-

NPES will monitor this issue closely, and continue to work toward the goals of high exemptions, low tax rates, certainty and permanency.

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