

**KJK** CONNECT  
— YEAR IN REVIEW 2017 —

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# A FORWARD LOOK AT 2018

► Friends and colleagues,

Say what you will about 2017, but it was certainly never boring. The past year brought with it vigorous debate about major issues facing our country, including health care, immigration, and the largest tax reform this country has seen in 40 years.

In these pages, we'll help you make sense of some of the latest opportunities and challenges you may face in 2018. That includes critical highlights of the Tax Cuts and Jobs Act, tips for preparing for a merger or acquisition, insights into a little-known product labeling requirement, and more.

I'm also excited to share an advance look at the new technology we'll be rolling out in 2018 as part of Connective Counsel. Our new platform will transform the way you receive legal services. The Connective Counsel Mobile App puts the control in your hands to manage and access your most important corporate records, estate plans, intellectual property, and more in a secure, cloud-based repository. You'll even have access to tools that can generate and send your own legal forms and letters at any time of day or night.

Thank you as always for your support and friendship, and we look forward to being part of your success in 2018.



Jon J. Pinney  
Managing Partner





# KJK'S 2017 YEAR IN REVIEW

**\$200  
MILLION**

ACQUISITION OF  
NATURAL GAS UTILITY

**MORE THAN  
\$1 BILLION**

IN REAL ESTATE DEALS  
RETAIL | OFFICE | HEALTHCARE | RESIDENTIAL | COMMERCIAL

## GETTING LITIGATION RESULTS FOR CLIENTS

- ▶ SUCCESSFUL SETTLEMENTS AGAINST CLAIMS OF DISABILITY DISCRIMINATION
  - ▶ DISMISSAL OF EEOC AND OCRC DISCRIMINATION CLAIMS
- ▶ SUCCESSFUL SETTLEMENT IN EXECUTIVE BREACH OF CONTRACT CLAIM

## RECOVERY

OF POST-PRODUCTION EXPENSES  
FOR LANDOWNER FROM OIL AND  
GAS COMPANY

## REVERSAL

OF SIX-FIGURE TAX  
ASSESSMENT AGAINST  
MANUFACTURER

SUCCESSFULLY

**DEFENDED**

OHIO RESTAURANTEUR IN  
TRADE SECRET DISPUTE  
OVER RECIPE

ADVISED CLIENTS ON

**\$100 MILLION**

IN LOAN PARTICIPATIONS

SUCCESSFUL REZONING EFFORT FOR

**\$50 MILLION**

OFFICE AND RETAIL DEVELOPMENT PROJECT



# NEW MOBILE APP

## FOR CONNECTIVE COUNSEL CLIENTS

**TECHNOLOGY HAS CHANGED** just about every corner of our lives, so why are law firms still doing things the same old way? Coming in 2018, KJK will offer a mobile app to all clients who join Connective Counsel, a new platform that will transform the way businesses access the tools they need to grow. Through Connective Counsel GC, KJK also provides outsourced general counsel services in a customized flat fee structure. The app will change the way you receive legal services, including:



Generating and sending customized legal forms, letters and contracts



Accessing digital versions of your corporate record books, estate plans, employee handbooks and more



Preparing you and your company to defend against and react to the most pressing cyber threats



Connecting to potential lenders that can provide you with the capital you need to grow

**READY TO LEARN MORE ABOUT CONNECTIVE COUNSEL?**  
**CONTACT JENNIFER HART AT 216.736.7208 OR [JMH@KJK.COM](mailto:JMH@KJK.COM).**





# TAX REFORM INSIGHTS

**With the heart of tax season quickly approaching, businesses and individuals are poring over the Tax Cuts and Jobs Act passed in December to better understand how the changes will impact them. Here are just a few highlights from the tax reform changes, or visit [kjk.com](http://kjk.com) for a full analysis.**

**Taking on Ticketing.** Entertaining clients at sporting events, concerts and charitable events has long been part of business development practices for many U.S. companies. Previously, event tickets were deductible at 50% of face value, while tickets to qualified charitable events were 100% deductible. Under the new rules, there is no longer a deduction for entertainment expenses, though meals with clients are still 50% deductible.

**Deduction Loss for Parking Perks.** One of the most popular workplace benefits – subsidies for parking and commuting expenses – will no longer be tax-deductible for employers. There's no immediate change for employees, who will still be permitted to pay for parking or mass transit with pre-tax dollars if their employer offers such a benefit. But the change could make employers rethink the inclusion of parking and commuting subsidies in their benefits packages.

**Changes to 529 Savings Plans.** Section 529 savings plans are a popular tool used to invest pre-tax dollars for future college expenses. Under the new tax reform measure, savings in these 529

plans can now be used to pay for primary and secondary education. The tax reform measure allows taxpayers to withdraw up to \$10,000 per year for qualified elementary and high school expenses such as tuition and books.

**To C or Not to C?** This tax reform measure has prompted some companies to consider converting their S Corp, LLC or partnership – all pass-through entities – into a C Corp to benefit from the new lower corporate tax rate for 2018. It's a decision that involves more than just examining the relative tax burdens, and deserves a hard look by business owners. It's true that the highest corporate tax rate was reduced from 35% to 21%, but the Act also introduced a 20% deduction for "Qualified Business Income" (QBI) – all domestic business income other than investment income – for many pass-through companies. By crunching the numbers with the help of an accountant or attorney, many S Corp owners may find that it's better to remain a pass-through entity when it comes to the bottom line.

**FOR A FULL ANALYSIS OF THE  
TAX CUTS AND JOBS ACT,  
VISIT [KJK.COM](http://KJK.COM).**

**LEARN MORE ABOUT HOW KJK  
CAN ASSIST YOU IN NAVIGATING  
THE NEW TAX REFORM RULES:**

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# A SUCCESSFUL \$200 MILLION ACQUISITION FOR GAS NATURAL

► When the publicly-traded utility company Gas Natural was successfully acquired for nearly \$200 million in 2017 by the global fund BlackRock Real Assets, it was a major win for a business rooted right here in Northeast Ohio.

The deal was highly complex, taking more than a year to complete and requiring the involvement of dozens of professionals. KJK securities attorney Chris Hubbert was a critical part of that team, representing Gas Natural in this deal from start to finish.

"This was a highly complicated process," says Chris. "We guided the Gas Natural leadership team through detailed negotiations, an exacting due diligence process and other challenges that often come along with a deal of this size."

In the end, the deal gave Gas Natural – which distributes about 21 billion cubic feet of natural gas to roughly 70,000 customers in Montana, Ohio, Maine and North Carolina – access to new capital to expand its distribution platform.



## GET TO KNOW CHRIS

Over his 25-plus years of legal practice, Chris has worked with companies ranging from internet start-ups to publicly-traded companies with a focus on securities law and corporate governance. In addition to his work with Gas Natural, Chris has also represented a retail eyewear company in its IPO, helped an internet start-up with its formation and two rounds of private angel financing, and represented a NASDAQ-listed company in going private, among many other transactions.





# PREPPING FOR A MERGER OR ACQUISITION IN 2018

BY STEVE BERTICKER, CHAIR  
KJK CORPORATE PRACTICE GROUP

**FOR A MID-MARKET BUSINESS,** a merger or acquisition is rarely as lengthy or complex as it was for Gas Natural. But there are lessons that smaller companies can learn from big deals like this one to get themselves ready for sale.



**Be opportunistic.** Even when you aren't actively seeking a buyer, the right one might appear when you least expect it. Think long-term about your goals in case a deal presents itself.

**Prepare well in advance.** Conduct "self diligence" to prepare yourself for due diligence in a sale. If your house is in order, you can respond more quickly and thoroughly when an opportunity arises.

**Assemble the right team.** Make sure you have advisors supporting you who understand your industry and can help you maximize valuation while setting realistic expectations.

**Show consistent and growing profitability.** Don't take actions that will cause large fluctuations in your financials, which can raise questions and potentially work against you when it comes time for valuation.



# PROP 65:

## CHANGES COMING TO LITTLE-KNOWN PRODUCT LABELING REGULATION

BY JOHN ARCHER AND JENNIFER HART

### MANUFACTURING COMPANIES

are no strangers to product labeling requirements, but there's one little-known California regulation that can carry hefty penalties for companies that unwittingly violate it. It's a measure known as Prop 65, and it requires the following:

*"WARNING: This product contains a chemical known to the State of California to cause cancer, birth defects or other reproductive harm."*

The label is required to appear on packaging for any product that sells into California containing one of 900 restricted chemicals commonly found in household products, plastics, food and even medicines. In many cases, manufacturers aren't even aware Prop 65 exists until they get notice of a complaint, which can result in a hefty fine of up to \$2,500 per violation per day.

Here are three things to know now about Prop 65:

**Warning requirements will soon apply online.** Since consumers don't usually see product packaging online in advance, the Prop 65 warning must be displayed prominently on the product information page of the e-commerce site.

**More changes ahead in 2018.** It was once acceptable to place a general warning on all products, but to cut down on overwarning, every product containing at least one listed chemicals must specify the material by name, which could mean hefty investments in product testing and packaging revisions.

**Protect yourself in advance.** Do your own due diligence to know exactly what's in your products. Even if you outsource your manufacturing or sell through a distributor, you're still responsible for proper labeling. Their error could become your liability.



Jennifer Hart |

| John Archer



### **Joint Employer Doctrine**

Big changes are underway at the National Labor Relations Board, including a reinterpretation of the so-called Joint Employer Doctrine, which governs who is defined as an "employer" when two companies govern terms of employment. It's creating uncertainty for franchises and companies that hire temporary workers, and employers should closely monitor NLRB's evolving guidance.

### **Transferring Assets to Adult Children**

A revised Ohio law now allows parents to postpone the allocation of an inheritance or gift until the age of 25, an increase from the prior default age of 21. The change will ease the concerns of some parents about their children receiving an inheritance at such a young age, and will reduce the need to establish a trust for the postponement.

## MUST-WATCH TOPICS FOR 2018

### **Reporting Data Breaches**

Recent high-profile data breaches have proven that even the most thorough protection isn't fail-proof. If your company falls victim to a data breach, make sure you understand your reporting requirements. In the state of Ohio, for instance, the types of data compromised and an assessment of its potential to cause an identity theft or other fraud impacts whether a report is required, and to whom.

### **Beware Investments in ICOs**

High-profile celebrities have recently touted investments in "initial coin offerings" by cryptocurrency companies like Centra and LydianCoin, but the Securities and Exchange Commission is warning investors about ICOs, which are crowdfunding tools that sell newly-issued cryptocurrencies for established cryptocurrencies like Bitcoin or even traditional currencies like U.S. dollars.

**TO LEARN MORE ABOUT THESE AND OTHER IMPORTANT  
LEGAL CHANGES ON THE HORIZON, VISIT [KJK.COM](http://KJK.COM).**



# KJK PROUDLY WELCOMES



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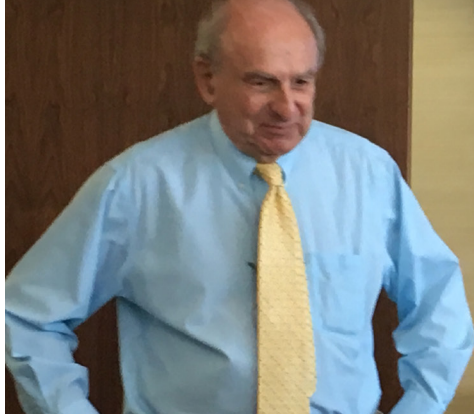


## KJK CONGRATULATES LAURA E. ENGLEHART

ON HER PROMOTION TO PARTNER.  
GET TO KNOW LAURA AT [KJK.COM](http://KJK.COM).

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## AROUND KJK

On September 2, KJK Partner Emeritus **Lee Kohrman** celebrated his 90th birthday. Lee has served the firm and its clients for more than 60 years.



◀ **Samir Dahman**, Partner-in-Charge in KJK's Columbus office, was one of 150-plus people to compete in the Berkshire Triathlon on June 11. Operated by Two Bears Foundation, a nonprofit formed by Samir and his wife Amalee, the marathon raised \$21,000 for Flying Horse Farms and Ronald McDonald House, which serve seriously ill children and their families.



▲ In November, KJK Associate **Melissa Yasinow** won a second term on the Cleveland Heights City Council, and was also named Vice Mayor. She was the youngest person ever elected to that council when she won her first term in 2013.

## CONGRATULATIONS TO OUR KJK ATTORNEYS RECOGNIZED AS **SUPER LAWYERS™ AND BEST LAWYERS™**

### Super Lawyers

*Sarah Gabinet | Rob Gilmore  
Jon Groza | Bob Jackson | Ari Jaffe  
Brett Krantz | Jon Pinney | Alan Rauss  
Susan Scheutzow | Samir Dahman*

### Best Lawyers

*Sarah J. Gabinet (Family Law)  
Robert S. Gilmore (Employment Law-Mgmt)  
Jon W. Groza (Commercial Litigation)  
James L. Lane (Family Law)  
Steven A. Marrer (Real Estate Law)  
Susan O. Scheutzow (Health Care Law)  
Matthew T. Viola (Real Estate Law)*

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