

APRIL 2002

ONPOINT

RK EXPANDS TO DALLAS

Rothstein Kass has expanded its resources and capabilities to Dallas, Texas. As a growing and diverse economic center, Dallas is one of the most dynamic business centers in North America. The city's centralized U.S. location is ideal for Rothstein Kass to effectively serve its domestic and international clients.

range of specialized services that this particular industry requires. In addition, the Dallas economy spans numerous other industries - parallel to various industries that Rothstein Kass serves - including technology, real estate, transportation, family offices and retail.

For more information about our Dallas office, contact:

Rothstein Kass is a leader in the financial services industry with an extensive hedge fund and offshore fund client base. As a growing center for hedge funds, a Dallas office will allow Rothstein Kass to provide the wide

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DOES YOUR BUSINESS HAVE THE APPROPRIATE INSURANCE?

Whether you have a rapidly growing business or just have a sideline business that provides added income, it is important that you protect yourself with the appropriate business insurance. This includes adequate liability and property damage coverage and possibly one or more of the following:

- Business interruption insurance, if destruction of the premises makes it impossible to carry on operations
- Extra expense insurance designed to cover added costs of having to move your business temporarily to another location

- Fidelity bond protection to protect the business against losses stemming from a dishonest employee's embezzlement
- Employment practices insurance to cover legal fees and damages if you are sued for defamation, slander or harassment

Insurance requirements differ widely depending on the size and nature of the business. For more information on this and other insurance matters, contact JoAnn Ralph, managing consultant of our insurance and risk management affiliate, RK Risk Management, LLC, at (973) 994-6666 or by e-mail at jralph@rkco.com. ●

PRODUCTIVITY GAINS FROM NETWORK INSTALLATION

Are you relying on a number of "stand-alone" PCs to administer your business? This is a common situation as companies grow. But you might find that declines in the cost of computer network installation could make this investment worthwhile. Productivity gains that might arise from network installation include:

- Backup procedures that automatically back up data to a secure central location
- Remote access that enables any authorized employee to access the system from anywhere, seven days a week and around the clock
- Enhanced security that provides greater protection against loss or theft of data than freestanding computers
- Ability to transmit in-house e-mail without the use of an outside e-mail provider
- Ability for several employees to access the same web page and electronic document simultaneously
- Enhanced file transfer, since floppy disks do not have to be physically transferred from one computer to another to transfer data

Besides these potential productivity gains from network installation, there are also likely to be significant cost reductions. These arise from the ability to share printers, reduction in the need for fax machines, lower cost for Internet access (since the network can be connected to a single high-speed digital subscriber line instead of separate dial-up connections for each free-standing computer), and lower paper costs since many in-house documents such as employee manuals, sales catalogs, etc., can be stored electronically. If your systems have not been reviewed and evaluated in at least the past three years, you might want to consider a systems upgrade. Our information technology affiliate, RK Systems Solutions, Inc. (RKSS), can evaluate your situation and discuss possible benefits of an upgrade. To see how we can help you, contact Mark Ruzicka or James Russell of RKSS at (973) 994-6666. ●

TECHNIQUES TO GET PAID ON TIME

When customers have cash flow problems, they are often selective about whom they will pay, favoring large suppliers and those who are most aggressive in demanding payment. It is therefore important to make vigorous collection efforts to be among those who get paid on a timely basis. Some unusual techniques for coaxing payment from customers include offering a discount if payment is made via a credit card, extending added credit to customers if they pay outstanding invoices in full, offering to continue to provide credit to customers who pay at least one-half of the amount owed, or negotiating a settlement that will allow you to recover your costs if you believe the customer is likely to go under. Of course, these techniques must be used very selectively to avoid driving a customer with a serious financial problem into bankruptcy and leaving you high and dry. ●

Visit us on the
Internet at:
www.rkco.com

ROTHSTEIN KASS RANKED IN "BEST OF THE BEST"

Rothstein Kass has been named again among the "Best of the Best" in *Bowman's Accounting Report* list of the Top 100 Firms in the country. *Bowman's*, a national accounting newsletter, is the only publication that conducts an annual analysis of management operations in America's national, regional and local firms. "Best of the Best" firms earn their honor by exhibiting excellence in fiscal and management performance. ●

PROTECT YOUR BUSINESS AGAINST E-COMMERCE RISK

Loss of data due to a power outage, equipment failure or a virus attack can be disastrous for any business and recovery may be an extremely costly process. But are businesses covered by their regular property insurance policy? In general, although courts have held that the cost of recovering lost business data is covered by such insurance, insurers are likely to fight tooth and nail to avoid paying a claim. That is why experts recommend that if data is lost, claims for recovery cost should be made quickly. This negates the insurer's ability to deny payment for filing an "untimely" claim, and arguing that by the delay, the insured forfeited its right to collect. Of course, in today's electronic world, while your primary concern should be with loss prevention and the establishment of sound systems and procedures that would prevent data loss in the first place, to avoid potential problems if claims occur, e-commerce insurance should be obtained to cover both equipment and data. We can help you devise appropriate controls and procedures to prevent data loss and speed data recovery, and also evaluate the adequacy of insurance to protect against e-commerce risk. ●

COST CONTAINMENT STRATEGIES FOR RISING HEALTH INSURANCE PREMIUMS

Rapidly rising health insurance premiums now represent anywhere from 5% to 7% of total compensation based on industry and occupation. These added costs often cannot be absorbed by the employer, increasing pressure to have workers pay the additional cost. According to estimates by one consulting firm, the average percentage of health care premiums paid by covered workers in 2000 was 14% for single coverage and 27% for family coverage. Thus, firms whose workers contribute significantly less to their insurance costs could reasonably ask employees to share a larger portion. Alternatively, you might want to consider some other cost containment possibilities. Here are some suggestions:

- Obtain bids from several carriers before renewing health care policies.
- Make a utilization review based on claims history to evaluate the use of benefits, and cancel those which employees seldom use.
- Provide medical savings accounts so employees can pay insurance premiums with pre-tax dollars. The pay set aside will also reduce overall compensation, reducing employer and employee payroll taxes. ●

EXTRA RETIREMENT BENEFITS FOR EXECUTIVES

Since there are limits on the amounts that can be contributed annually to qualified retirement plans, many businesses establish non-qualified plans to provide extra retirement benefits for executives. However, since these benefits are usually merely contractual obligations, there is no assurance that the company will be able to meet its obligation if it runs into financial difficulty in the future. Therefore, various trust arrangements are used to fund the non-qualified plans. Possibilities include:

- **Rabbi trusts** whereby the company deposits the funds needed to pay the benefits into a segregated account, assuring executives that the funds to pay them have been set aside while deferring taxes on the executive and company until the funds have been paid out. Unfortunately, there is uncertainty with these trusts since they are subject to the claims of the company's creditors.
- **Secular trusts** which are trusts that are beyond the reach of the company's creditors, assuring the executives that they will receive the funds deposited in the trust accounts. However, because the funds deposited become the property of the executives at the time they are deposited into the trust, income and other taxes become due immediately, even though the executives will not get the funds for a considerable time.
- **Hybrid rabbi/secular trusts** whereby the trust starts out as a rabbi trust into which the non-qualified retirement funds are deposited, providing for tax deferral. But pursuant to terms contained in the trust agreement, the trust converts to a secular trust upon the occurrence of specified conditions that increase the risk of insolvency, protecting the funds from the grasp of creditors. Of course, the executives will be faced with an accelerated tax bill at the time, but this may be a reasonable price to pay for assurance that retirement assets will be there when promised. ●

STEVEN KASS ELECTED AS CHAIRMAN OF AGN INTERNATIONAL

Steven Kass was elected as Chairman of the Board of Directors of AGN International, a worldwide association of 182 separate and independent accounting and consulting firms located in 74 countries worldwide. Rothstein Kass is the largest U.S. member of AGN International and has been a member since 1995. The firm has been involved in the organization on numerous levels to share resources, information and knowledge with other industry professionals.

Mr. Kass is the second person from Rothstein Kass to lead AGN - Harris Rothstein chaired the organization's nine-member board from 1997 to 1999. Mr. Kass was elected at the Board of Director's meeting during AGN's annual World Congress in Sydney, Australia. The meeting attracted delegates from 20 countries and featured sessions on technology, knowledge management and topics of interest to the global business community.

All AGN members have met strict selection and entry criteria to ensure that the standard of the worldwide network is maintained. AGN International is comprised of 9,900 partners, and the firm billed approximately \$1 billion in revenues in 2001, making it the 14th largest accounting network in the world.

AGN provides:

- A resource of international information and professional services to members and their clients
- An international network through which members may sell their services
- A marketing tool for members in their local environments
- Development of new opportunities to promote cross border work for the benefit of members and their clients

For more information on AGN International, visit their website at www.agn.org.

Steven Kass is the principal-in-charge of entrepreneurial services for Rothstein, Kass & Company, P.C. and the principal-in-charge of our New York office. He provides audit and accounting, business consulting, tax, and financial consulting to a diverse group of clientele both privately and publicly held.

Mr. Kass has extensive experience with entrepreneurial businesses and their owners, and frequently lectures before trade and professional associations. In addition, he is extensively involved in the firm's financial services practice, particularly with hedge funds, where he provides advice on initial organizational structure and ongoing consultation with management. ●

HOW TO HANDLE EXCESS INVENTORY

Likely to be stuck with excess inventory because of the sudden business slowdown? Here are three options that will produce tax savings and improve cash flow:

- Establish a reduced value for the inventory to enable you to take a write down. Goods do not need to be sold, but you must make a bona fide offer to the customer to sell the goods at a lower price.
- Abandon inventory to obtain a tax deduction for its full value. You must be able to show that you disposed of the goods to obtain the deduction.

- Donate the goods to a charity. Unlike the situation involving a write-down or abandonment where the deduction is limited to cost of the goods, a larger deduction is available. If the inventory is donated to a charity to be used for the care of needy individuals, infants or the elderly, a deduction equal to the cost plus one-half the inventory's appreciation in value (up to a maximum of twice its cost) is permitted for corporations other than S corporations.

We would be glad to elaborate on these techniques and provide you with other possibilities for lowering taxes and conserving cash flow during these difficult times. ●

Inside RK... continued from back page

Gary Berger, CPA, Principal, Maury Cartine, CPA, Principal, Mel Ozur, CPA, Principal, Jeffrey Schwartz, CPA, Principal, and Kathleen Sidney, Director of Marketing, attended MAR's 8th International Conference on Hedge Fund Investments and 7th Annual Conference on Offshore Funds in Southampton, Bermuda.

Andrew Botwin, Manager, taught a continuing education class for human resource professionals at Fairleigh Dickinson University in Madison, NJ.

Steven Kass, CPA, Principal, was appointed Chairman of AGN International. AGN is Rothstein Kass' international affiliate.

Steven Kass, CPA, Principal, and Michael Oates, CPA, Principal, attended AGN International's annual World Congress in Sydney, Australia.

Leif Novie, CPA, Manager, was appointed Treasurer of the Essex Chapter of the New Jersey Society of CPAs.

Paul Rich, CPA, Principal, authored an article entitled, "Tech Staffing Firms Face Cost Management Challenges," that was featured in *Sterling National Bank Business Brief*.

Jeffrey Schwartz, CPA, Principal, and Kathleen Sidney, Director of Marketing, attended the HedgeFund.Networking Conference in New York, NY. The conference covered market neutral strategies for uncertain times.

Jeffrey Schwartz, CPA, Principal, and Kathleen Sidney, Director of Marketing, attended Infovest 21's Meet the Managers Forum in New York, NY.

Stephen Stout, CPA, Manager, was appointed Vice-President of the Essex Chapter of the New Jersey Society of CPAs.

HIGHER LEARNING

Mina Abdalla, Help Desk Technician of RK Systems Solutions, Inc., passed the Microsoft User Specialist exam for Microsoft Outlook 2000.

Brian Cassidy, Systems Engineer, and Jimmy Yoo, Systems Engineer of RK Systems Solutions, Inc., are now Microsoft Certified System Engineers in Windows 2000.

Audrius Radisauskas, Help Desk Technician of RK Systems Solutions, Inc., passed the Microsoft Office User Specialist exam for Microsoft Outlook 2000 and the Cisco Certified Network Associate exam.

WELCOME

Scott Farb, CPA, joined our Firm as a Principal and Shareholder. Mr. Farb is located in our Beverly Hills office and will lead our growing West Coast real estate and entrepreneurial practices. He has over 22 years of experience in public accounting and has extensive experience with closely held public and private companies. Mr. Farb specializes in serving clients in the real estate, hospitality, and professional services industries. Additionally, he has lectured and authored several articles on real estate and technical accounting matters. Mr. Farb is a graduate of Hofstra University and is a George F. Baker Scholar.

David Kaufman, CPA, joined our Firm as a Principal and Shareholder. Mr. Kaufman provides accounting, audit, tax and business consulting to middle-market companies in industries such as manufacturing and distribution, technology, textile and apparel, and professional services. He has over 25 years of experience in the accounting profession and also has extensive

experience in providing litigation support services and serving as an expert witness. He has provided vital information in cases dealing with damage claims and calculations, age discrimination, sexual harassment, and matrimonial and pre-nuptial matters. Mr. Kaufman received a B.S. in accounting from Brooklyn College and has also taken courses in the Master of Taxation program at Baruch College. In addition, he has been accepted as a certified fraud examiner (CFE), which signifies that he has the expertise to identify and investigate possible fraudulent activities of businesses and individuals. Mr. Kaufman is a member of the New York State Society of Certified Public Accountants (NYSSCPA) and the American Institute of Certified Public Accountants (AICPA). He has been and continues to be involved with numerous charitable and philanthropic organizations, in many cases serving in the capacity of chairman or treasurer.

Larry Vanore, CPA, joined our firm as Chief Financial Officer. As a graduate of St. John's University with a B.A. in accounting, he joined the audit staff of Laventhol & Horwath. Subsequently, he served in the capacity of both Controller and Chief Financial Officer in private entities. Mr. Vanore is a member of the American Institute of Certified Public Accountants, the New Jersey Society of Certified Public Accountants and the New York State Society of Certified Public Accountants.

INSIDE RK

SPEAKING OUT

Howard Altman, CPA, Principal, spoke at the AICPA Securities Industry Conference in New York, NY. Mr. Altman spoke about Small Firm Success in a Large Firm World.

Gary Berger, CPA, Principal, was quoted in the December 2001 issue of *Hedge Fund Alert* in an article entitled, "Auditors Forced to Open Cayman Offices."

Maurycy Cartine, CPA, Principal, spoke at MAR's 7th Annual Conference on Offshore Funds in Southampton, Bermuda. Mr. Cartine was on a panel that discussed tax related issues. In addition, Mr. Cartine spoke at IIR's Mastering Effective Tax Practices for Hedge Funds conference. He spoke about planning for investments by tax exempt entities.

Todd Goldman, CPA, Principal, and Michael Hearne, CPA, Principal, spoke at IIR's Effective Tax Practices for Private Equity Funds conference in San Francisco, CA. Mr. Goldman spoke about key planning issues for GPs of private equity

funds, and Mr. Hearne spoke about structuring investments in pass-through entities to avoid UBTI and ECI.

Michael Hearne, CPA, Principal, spoke at IIR's Mastering Effective Tax Practices for Hedge Funds conference in San Francisco, CA. Mr. Hearne spoke about planning for investments by tax exempt entities.

JoAnn Ralph, CPCU, CIC, Managing Consultant of RK Risk Management, LLC, was a panelist at the 4th Annual NJ Insurance Coverage Institute's seminar, *Employment Insurance: Managing Your Risks*, in Iselin, NJ. The panel discussed employment practices, liability claims, and insurance.

Rob Siegel, CPA, Manager, spoke about the new tax law, The Economic Growth and Tax Relief Reconciliation Act of 2001, at the Essex County Tax Seminar.

GETTING INVOLVED

Stuart Bender, CPA, Principal, and Kathleen Sidney, Director of Marketing, attended the HedgeFund.Networking Conference in New York, NY. The event focused on wealth creation strategies for all seasons.

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ONPOINT

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