

# **Protecting the Balance Sheet**

**How Accountants and Other  
Trusted Advisors Can Protect  
Clients**

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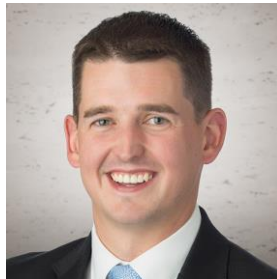
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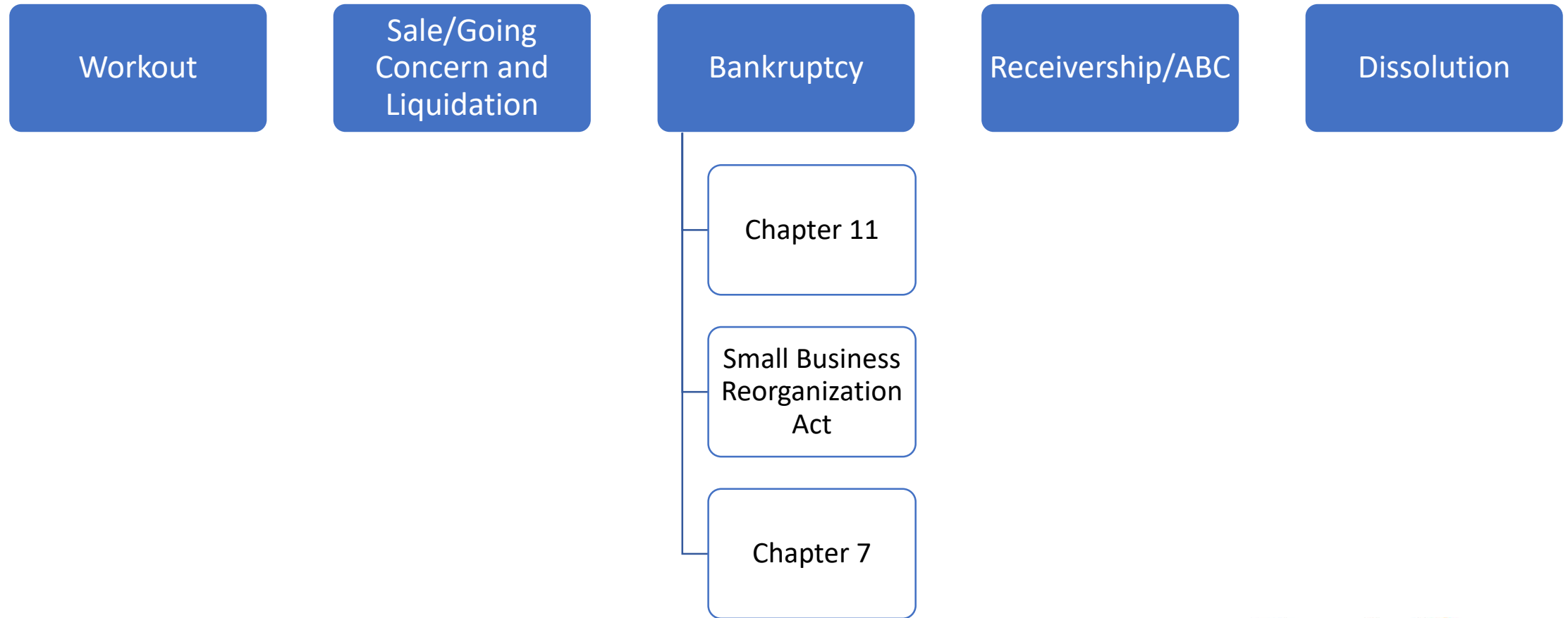
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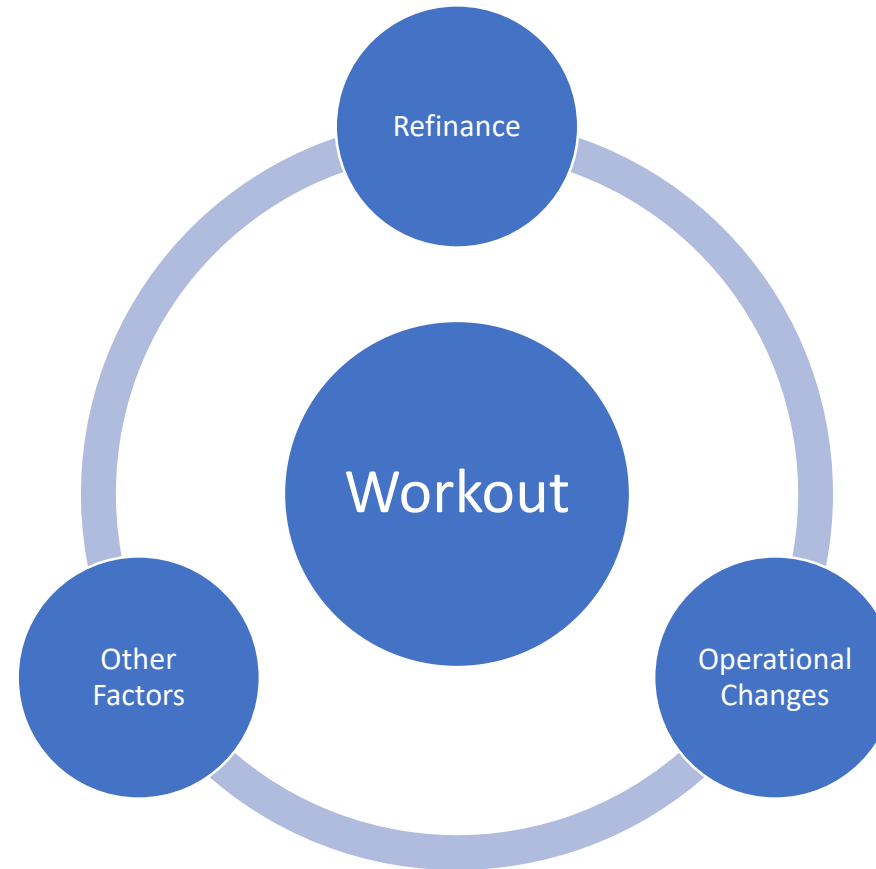
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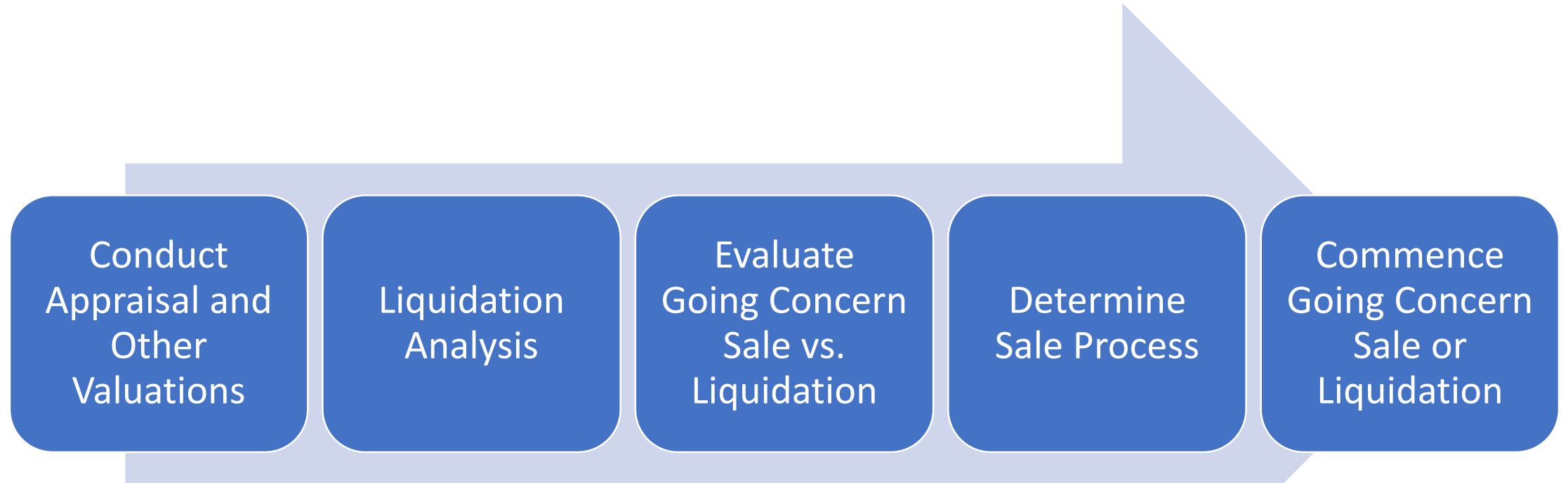
# Strategic Alternatives



# Evaluation of Workout Alternative



# Evaluation of Sale Alternative



# Evaluation of Bankruptcy Alternative

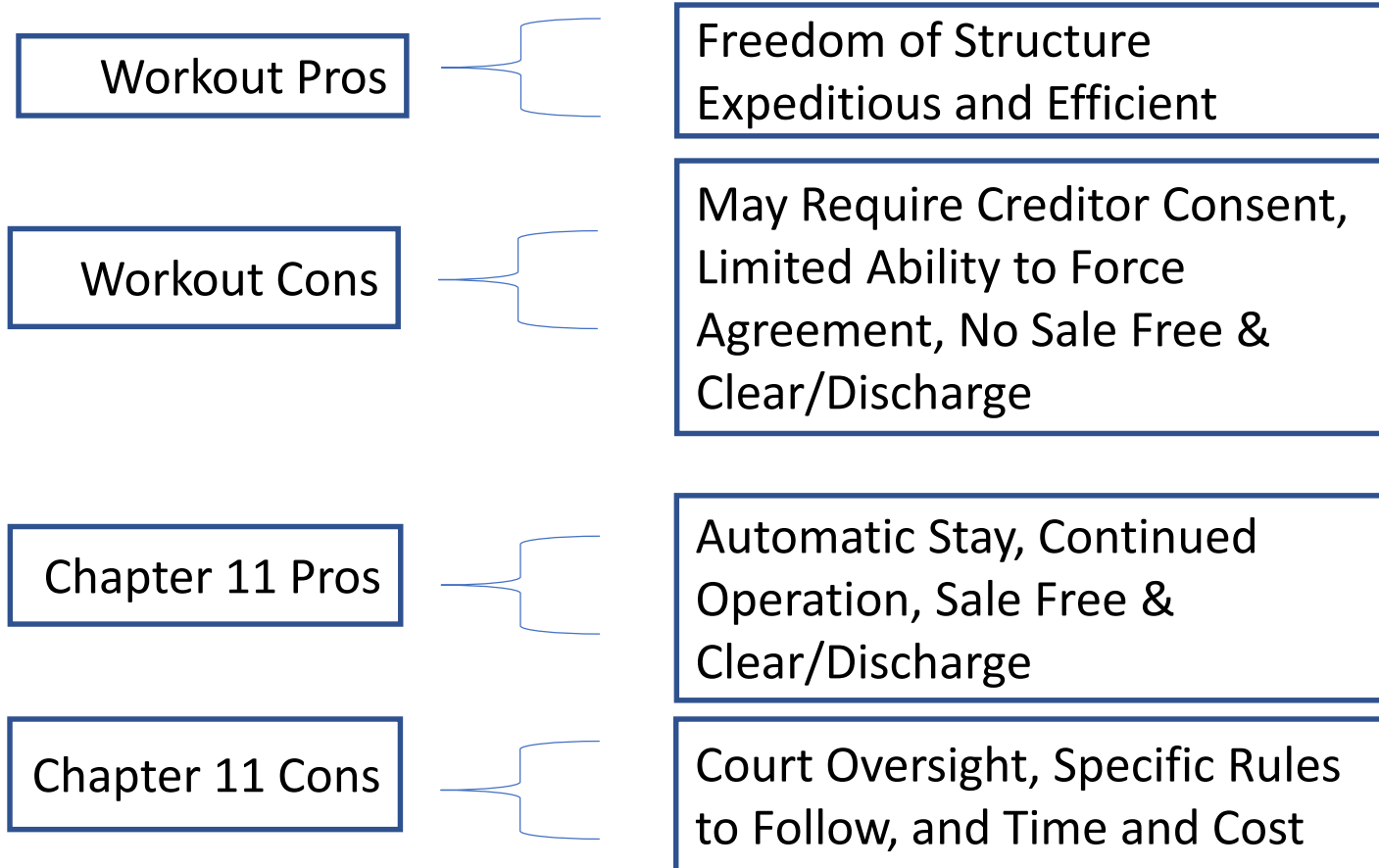
## Bankruptcy

Chapter 11

Small Business  
Reorganization  
Act

Chapter 7

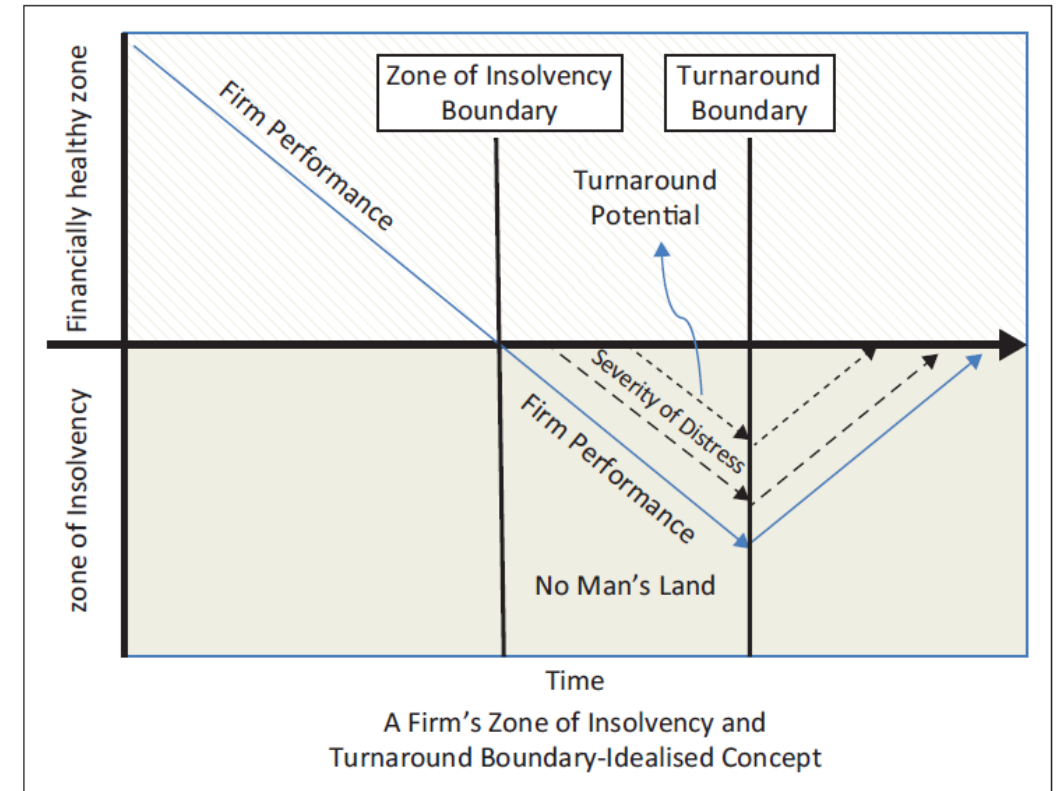
# Evaluation of Strategic Alternatives/ Advantages and Disadvantages



# Fiduciary Duties

Zone of Insolvency

D&O Insurance





# Tax Considerations

## Factors to Consider

- Discharge of Indebtedness Income
- Bankruptcy and Insolvency Exceptions
- Capital Gains Tax and Sales in Bankruptcy

**1120** U.S. Corporation Income Tax Return  
Form 1120  
Department of the Treasury  
Internal Revenue Service

For calendar year 2011 or tax year beginning \_\_\_\_\_, 2011, ending \_\_\_\_\_, 20\_\_\_\_

OMB No. 1545-0123

▶ See separate instructions.

**A Check if:**  
1a Consolidated return (attach Form 990) ☐  
b Life/nonlife consolidated return ☐  
2 Personal holding co. (attach Sch. PH) ☐  
3 Personal service corp. (see instructions) ☐  
4 Schedule M-3 attached ☐

**TYPE OR PRINT**

Name \_\_\_\_\_  
Number, street, and room or suite no. If a P.O. box, see instructions. \_\_\_\_\_  
City or town, state, and ZIP code \_\_\_\_\_

**B Employer identification number** \_\_\_\_\_  
**C Date incorporated** \_\_\_\_\_  
**D Total assets (see instructions)** \$ \_\_\_\_\_

**E Check if:** (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a	1b	1c	1d	1e	2	3	4	5	6	7	8	9	10	11	12
1a	Merchant card and third-party payments. For 2011, enter -0-															
b	Gross receipts or sales not reported on line 1a (see instructions)															
c	Total. Add lines 1a and 1b															
d	Returns and allowances plus any other adjustments (see instructions)															
e	Subtract line 1d from line 1c															
2	Cost of goods sold from Form 1125-A, line 8 (attach Form 1125-A)															
3	Gross profit. Subtract line 2 from line 1e															
4	Dividends (Schedule C, line 19)															
5	Interest															
6	Gross rents															
7	Gross royalties															
8	Capital gain net income (attach Schedule D (Form 1120))															
9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)															
10	Other income (see instructions—attach schedule)															
11	Total income. Add lines 3 through 10															
12	Compensation of officers from Form 1125-E, line 4 (attach Form 1125-E)															

# Other Important Considerations

## Asset Protection

- Exemptions—Assets of Individual Protected from Creditors
- Fraudulent Transfer Exposure
- Transfers and Distributions to or for Benefit of Owners and Insiders and Risks

## Privileged Communication

- Communication with Attorney Privileged
- Communication with Accountant Not Privileged Unless Necessary to Legal Representation

# Questions?

# Thank you!

