

## ONPOINT

A publication of Schneider Downs &amp; Co., Inc.



INSIGHT ■ INNOVATION ■ EXPERIENCE

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## KEY TAX DATES

## SEPTEMBER

15

**Estimated Tax.** Payment due of third installment of 2008 estimated tax by calendar-year corporations.

Payment due of third installment of estimated tax by individuals, by trusts, and by estates and certain residuary trusts in existence more than two years.

**Corporations.** Last day for filing 2007 income tax return by calendar-year corporations that obtained automatic six-month filing extension.

## OCTOBER

15

**Estates and Trusts.** Last day for filing 2007 Form 1041 for calendar-year estates and trusts that obtained an automatic six-month filing extension.

**Partnerships.** Last day for filing 2007 Form 1065 for calendar-year partnerships that obtained an automatic six-month filing extension.

**Individuals.** Last day for filing 2007 income tax return for calendar-year individuals who obtained an automatic six-month filing extension.

SCHNEIDER DOWNS ANNOUNCES  
THREE NEW SHAREHOLDERS

Schneider Downs & Co., Inc. is pleased to announce that Roy Lydic, Kathy Petrucci and John Popies have been promoted to Shareholder, effective July 1, 2008. Roy and Kathy work in the Columbus office, and John works in the Pittsburgh office. Schneider Downs currently has more than 340 employees and 32 shareholders.

Roy, Kathy and John have been with Schneider Downs from the near beginnings of their careers. Roy Lydic, who will serve as an Audit Shareholder, has more than 20 years of experience with audits, reviews, compilations and tax engagements, and serves clients in the nonprofit and governmental sectors, as well as the automotive and professional service industries. He serves on the Columbus office's Nonprofit and Governmental Services industry groups, and is a member of the American Institute of Certified Public Accountants (AICPA) and the Ohio Society of Certified Public Accountants (OSCPA). Roy is a graduate of Ohio State University.

Kathy Petrucci, now a Tax Shareholder,

has more than 13 years of experience in corporate, partnership and individual taxation matters, including compliance and planning issues, and serves a variety of industries including automotive, insurance, manufacturing, transportation and the nonprofit sector. She chairs the Columbus office's Automobile industry group and serves on the Columbus office's Women in Business group. Kathy is a member of the AICPA and the OSCP. She is a graduate of Otterbein College, with a B.S. in accounting, and holds an M.S.T. from Capital University in Ohio.

John Popies, Audit Shareholder, has more than 14 years of experience in the areas of audit, review and compilation, and serves clients in the transportation, hospitality and manufacturing industries. He is a member of the Pittsburgh office's Automobile, Transportation and ERISA Benefit Reporting Groups. John is also a member of the AICPA and the Pennsylvania Institute of Certified Public Accountants. He earned his M.B.A. at Duquesne University in Pittsburgh, and his B.A. in Accounting is from Washington & Jefferson College.

The firm congratulates Roy, Kathy and John, our newest shareholders! ■

## New Safe Harbor for “Small” Retirement Plans is Proposed by Scott R. Rain, Senior, Tax Advisors

The Department of Labor (“DOL”) recently announced a proposed regulation intended to provide greater protection to “small” plans (fewer than 100 participants) regarding the timing of employee contributions. Typically, a failure to remit employee contributions to a plan in a timely manner is considered a “prohibited transaction” under ERISA, which subjects the plan sponsor to excise taxes as well as potential claims of fiduciary breach.



Previously, the DOL issued regulations that established an underlying rule that contributions withheld by an employer should become plan assets on the earliest date on which they can reasonably be segregated from the employer’s assets. However, in no event should the segregation occur later than the 15<sup>th</sup> business day of the month following the month in which the participant contributions are withheld from the participants’ wages. Many employers incorrectly believe that this 15<sup>th</sup>-day guideline constitutes a safe harbor. However, the DOL generally makes its determination of timeliness based on the facts and circumstances surrounding each plan sponsor’s remittance procedure.

### New Rule: 7 Days to Remit for Small Plans

Under the new safe harbor rule proposed by the DOL, small plans will be treated as having remitted salary withholdings and other employee plan contributions

in a timely manner if the amounts are remitted to the plan within seven (7) business days following withholding. Accordingly, deposits that satisfy the requirements of the proposed regulation will be treated as having been remitted to the plan on “the earliest date on which such contributions can reasonably be

segregated from the employer’s general assets,” even if they could have been segregated and remitted more rapidly.

Further, the proposed regulation suggests that small plans that fail to comply with the seven-day safe harbor do *not* automatically violate the timing requirements. However, the employer would have the burden of demonstrating that it deposited the participant contributions as soon as reasonably possible and no later than the maximum deadline.

“Large” plans (100 or more participants) will remain subject to the prior rule that employee contributions must be remitted to the plan as soon as they can reasonably be segregated from the general assets of the employer. The DOL is currently soliciting input from practitioners regarding the contribution processes of employers who sponsor large plans. ■

Scott Rain has more than nine years of experience working with individual and corporate clients in many different fields including professional services. His experience includes working with individuals to meet their retirement, estate and income planning needs.

## Are You Prepared for a Disaster?

*by John H. Stafford, Shareholder, Technology Advisors*

It is the time of year when we hear about tornados in the mid-west, hurricanes in the Gulf states and fires in the west. When you stop to think about it, most areas of the country are subject to natural disasters. We are living in a time, post-9/11, when we must be prepared for both natural and man-made disasters. Do you have a plan for your family and home?

This summer, you might want to find an opportunity for a family conversation about developing a disaster preparedness plan, and to make sure the right resources are in place to deal with an emergency. Some things to consider:

- What basic supplies do you need?
- How will your family communicate if power is unavailable?
- What medications are needed, and do you have a supply available?

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OnPoint is a publication of Schneider Downs & Co., Inc. The matters highlighted in this newsletter are presented in broad, general terms and, accordingly, cannot be applied without consideration of all the circumstances. The firm will provide additional details on matters discussed in this newsletter upon request, and will be pleased to discuss with clients or their attorneys the possible effects of these matters in specific situations.

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# FEATURE ARTICLE

## A Corporate Finance Case Study *by Peter J. Lieberman, Managing Director, Schneider Downs Corporate Finance, LP*

Picking the right time to exit a business and executing a successful transaction can be challenging undertakings for any business owner. For a professional services firm, whose primary assets walk out the door every night, the challenge is even greater. Finding a partner who recognizes the sustainable value in a firm's expertise, reputation and customer relationships is no easy task—nor is quickly and confidentially executing a transaction in order to minimize employee disruptions.



**Private Engineering Firm Wants to Sell**  
S/D Engineers, Inc. was a privately owned engineering and construction management firm based in Pittsburgh. The company provided its services primarily to the metals manufacturing and processing industry and to customers requiring projects related to industrial air and water quality. It had roughly 200 employees. The company's ownership group consisted of its president, a number of key employees, and a small group of outside owners who had invested in the business 10 years earlier.

From 2003 to 2006, S/D more than doubled in size, and required significant reinvestment to continue its rapid growth. So, by early 2007, the external investor group decided that it was time to harvest their investment and sell to someone who had the resources to continue to grow the business.

### SDCF Advises on the Sale

After interviewing several investment banking firms, S/D selected Schneider Downs Corporate Finance, LP (SDCF) to advise the company on a sale. SDCF

held two meetings with S/D's ownership group prior to being selected. At the first meeting, SDCF professionals introduced their practice. At the second meeting, they discussed a detailed preliminary valuation of the company that identified the range of value that they were

confident they could deliver in a transaction.

### The Process

Early on in the process, the ownership group made it clear that confidentiality and speed-to-close

were paramount concerns. They were concerned not only that competitors would take the business from the firm, based on market rumors—but, just as importantly, that competitors would poach their valuable engineers and managers once the market was aware that S/D was for sale. In an extremely tight labor market for engineering talent, a significant defection could cripple the firm and jeopardize a pending transaction.

To address management's concerns, SDCF proposed a multi-stage sales process. Working with the company, SDCF developed a list of approximately 50 potential industry buyers and another list of roughly 75 financial buyers or private equity groups. Additionally, SDCF asked management to identify any buyers who they felt were highly likely to be interested or had contacted them prior to the sale process about an acquisition and would be

unlikely to breach the confidentiality of the process.

Over the course of six weeks, SDCF developed a concise confidential information memorandum describing S/D, and prepared introductory letters for each of the potential industry buyers that detailed the opportunity to acquire S/D without disclosing S/D's name. In any M&A process, each buyer needs to execute a confidentiality agreement prior to being provided with an information memorandum or, in most cases, before being told the client's name.

Additionally, SDCF identified one potential buyer, Siemens Power Generation, as an interested party with virtually unlimited resources and a need for engineering talent, and that represented limited competitive risk. Siemens had been an S/D customer in years past, and there were significant personal ties between the businesses at the management and ownership levels.

So, prior to sending introductory letters to a broad group of potential buyers, SDCF approached Siemens with the opportunity to bypass the process. Siemens was informed that they could quickly make a bid that would be so attractive that S/D would not want to market the firm to other buyers.

The window of opportunity given to Siemens was tight – two weeks – and SDCF was prepared to immediately begin marketing the firm to other potential buyers if S/D wasn't satisfied with Siemens' response. That contingency preserved S/D's leverage in the process.



**PETER J. LIEBERMAN**  
**SCHNEIDER DOWNS**  
**CORPORATE FINANCE, LP**

*Managing Director and Chief Compliance Officer*



# NEWS YOU NEED

## The Results

Ten days after executing a confidentially agreement and receiving the confidential information memorandum, Siemens responded with an offer that was 25% higher than the top of the valuation range that SDCF had identified to the ownership group. Additionally, Siemens offered a 10% bonus to S/D to close the deal without contacting additional buyers.

S/D was impressed by the offer, and was prepared to move quickly toward an agreement. SDCF immediately began due diligence and negotiations toward a final agreement, which was signed in September 2007, and closed in November 2007 after some necessary government approvals.

## Every M&A Situation is Unique

Every sale or acquisition candidate brings with it unique challenges to maintaining the existing business and getting maximum value for owners. Experienced outside advisors like those at SDCF have the tools to help a company through a sales process that addresses those challenges, preserves ownership's flexibility and options and generates maximum value. SDCF listens to the concerns of ownership, understands their contingencies and helps them make choices that provide them with the best chance of a successful transaction. ■

*Schneider Downs Corporate Finance, LP is a registered broker/dealer. Member FINRA/SIPC.*

Peter Lieberman is responsible for the management of all aspects of Schneider Downs Corporate Finance LP's advisory assignments. His areas of substantial industry experience include metals processing and distribution, branded consumer products and food processing.

## Q & A

### Schneider Downs Wealth Management Advisors, LP *Question of the Quarter*

#### Q. What constitutes a bear market?

The past several months have seen the stock market plunge from its all-time high, bottom out during a credit crisis-induced frenzy, and then muster a brave advance amidst a reconciliation of media-fueled hype and relatively sound fundamentals. After five years of positive calendar-year returns, this extreme market pattern could leave the casual market observer wondering who now is in control, the bulls or the bears.



A broadly recognized definition of a bear market is a decline of at least 15% to 20% of a market index. The S&P 500 Index reached its all-time high in October of 2007. The decline in the index from that point until the market bottomed out in March of this year was about 19%. Therefore, technically speaking, the U.S. stock market was in bear market territory by the end of the first quarter. This fact raises questions regarding the average length of bear markets, and what catalysts, if any, could bring the bulls back to prominence.

Historically, the average bear market has lasted about 18 months. Not surprisingly, the variance around this average is wide. For instance, investors spent most of the decade of the 1970s in a bear market environment. Conversely, after the sharp, severe market downturn in October 1987, the market returned to bull territory within a year.

Given that the greatest factor in the long-term movement of the stock market is corporate profits, it is useful to assess the outlook for profits when attempting to predict the return of the bull market.

While it is not reasonable to expect a return of the strong, double-digit profit growth from the past few years, there are expectations that profits could settle into the mid to high single-digit range. The

strong financial position of the average S&P 500 company, along with the very low level of recent earnings of the large financial sector, bolster the case for a moderately strong profit environment going forward.

For the long-term investor, a bear market is not necessarily a bad thing. If anything, for those with cash on the sidelines, and who are willing to invest, a market downturn presents a potential opportunity for greater portfolio growth. Bear market or not, investors who have a shorter-term investment time horizon are generally advised to have a lower volatility asset allocation plan in place. This appropriate strategy will limit the erosion of principal portfolio value during a bear market.

So, indeed, the current stock market environment meets the criteria for a bear market. Although history is not entirely useful in helping predict when the market will fully rebound, past market data does shed light on the factors that could lead the market upward from here. For all investors, the key to withstanding volatile or down-market conditions is having clearly stated investment objectives along with the correct asset allocation strategy in place. ■

# SDANNOUNCES

## Disaster Preparedness

continued from page 2

- What important documents, phone numbers, account numbers, etc., should be compiled and readily available?
- Do you make backup copies of important documents and data files? A low-cost scanner can allow you to make an electronic copy of key documents. Make a plan to store your data in a safe backup location.

There are a variety of resources available to assist you in planning for an emergency. A good basic resource is the website, [www.ready.gov](http://www.ready.gov). This site suggests assembling a couple of "kits" that you can use in an emergency, including a "Go Kit," if you need to leave your home for a period of time and a "Supplies Kit," for use at home. Another good source is the American Red Cross website, [www.redcross.org](http://www.redcross.org).

We're all busy and our days are full. But find a few minutes this summer with your family to develop a strategy and the resources that you might never need, but will appreciate having. ■

## New Hires

Our people are our greatest strength. We welcome our April, May and June new hires:

Frank L. Dantonio  
Elizabeth G. Fricke  
Diana L. Green  
Neil D. Hertenstein  
Alicia M. Kelly  
R. Scott Meyers  
Daniel A. Riske  
Joel M. Rosenthal  
Mark A. Sarver  
Richard A. Schnuerer  
Jeffrey M. Smercani  
Lisa A. Zumpone

WELCOME

## Around SD

### Firm Picnics

The annual Schneider Downs picnics were a great success! The Pittsburgh office ventured to Kennywood on what turned out to be one of the rainiest days of summer, June 14<sup>th</sup>. At least the lines were short! The Columbus office saw much sunnier skies on August 16<sup>th</sup> at the Columbus Zoo and Zoombezi Bay.



Pittsburgh Schneider Downs employees and their families convened near the park entrance during one of the few dry periods of the day.



Columbus Schneider Downs employees and their families take a break for a group photo.

### Welcome Reception

On August 5<sup>th</sup>, the Pittsburgh office of Schneider Downs held a reception at the Heinz History Center to formally welcome Joel Rosenthal as a shareholder in the Business Advisors group and Tricia Warrick as Managing Director of Schneider Downs Corporate Finance.



Mark Shiffman and Joel Rosenthal



Tricia Warrick, Mary Richter and Don Applegarth

## United Way



Schneider Downs received an award from United Way for having one of the top 10 campaigns in Allegheny County in 2007. The Campaign Celebration took place on June 25<sup>th</sup> at the Marriott City Center in Pittsburgh. On behalf of Schneider Downs, Shareholder Sue Kirsch accepted the award from Bob Nelkin, President and Chief Professional Officer of United Way and Morgan O'Brien, President and CEO of Duquesne Light.

## SD in the Community

**Team Schneider Downs** and friends participated in the Pittsburgh MS Walk on April 20, 2008. The team consisted of approximately 25 Schneider Downs employees and friends, and raised over \$5,000 for MS research.

**On July 11**, Schneider Downs team of volunteers helped at the Rebuilding Together Pittsburgh's annual fundraiser, North Shore Club Noir. Rebuilding Together Pittsburgh is a non-profit organization dedicated to rehabilitating the homes of low-income, elderly residents of Southwestern Pennsylvania so they may spend their "golden years" in a warm, safe and dry environment. Volunteers included: Ed Friel, Patrick Armknecht, Tess Harper, Elizabeth Wolfe, Beth DeSimone, Dan Napierkowski, Sarah Ault, Tina Hudak, Susan Paulaskas and Alyssa Remington.

# ONPOINT

## Schneider Downs

1133 Penn Avenue  
Pittsburgh, PA 15222-4205  
TEL 412.697.5200  
FAX 412.261.4876

Huntington Center, Suite 2100  
41 South High Street  
Columbus, OH 43215-6102  
TEL 614.586.7200  
FAX 614.621.4062

[www.schneiderdowns.com](http://www.schneiderdowns.com)

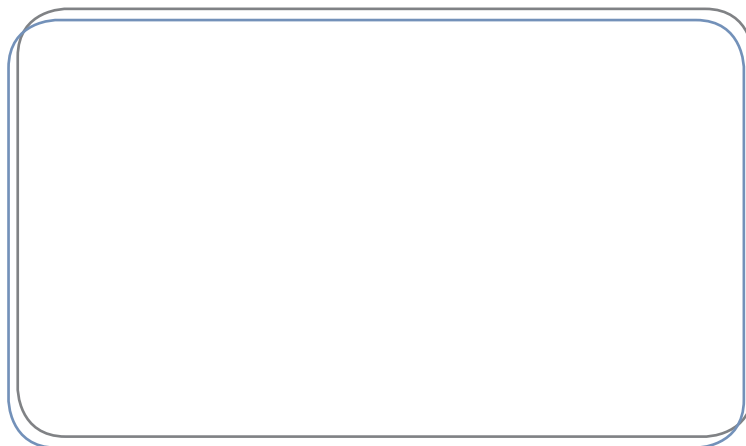


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Are you on our e-mail list? Schneider Downs frequently issues e-mail messages with news, information and updates on topics that are important to our clients' industries. If you would like to receive periodic updates via e-mail, please send an e-mail to [info@schneiderdowns.com](mailto:info@schneiderdowns.com) and request to be added to our list. We'll be sure to keep in touch.



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## PROFESSIONAL NEWS

Meredith J. Christy, Audit Senior Manager, was elected Chairman of the Board of the Armstrong County Memorial Hospital.

Cynthia D. Warsing, CFO, has been elected to the Board of Directors for PowerLink.

Brian C. O'Brien, Michael D. Renzelman, Donald B. Applegarth and Edward R. Friel, Audit Shareholders, attended the National Advanced Accounting and Auditing Technical Symposium in Baltimore in July.

John H. Stafford, Technology Shareholder, was elected to the Board of Directors of the DePaul School for Hearing and Speech.

Thomas P. Giusti, Audit Shareholder, wrote an article titled "Tax Depreciation Implications of the 2008 Economic Stimulus Act" for the June 2008 *Ohio Oil & Gas Association Bulletin*.

Timothy J. Hammer, Audit Shareholder, and Gennaro J. DiBello, Tax Shareholder, attended the Major Firms Group Conference in Washington, D.C. in July.

Susan M. Kirsch, Tax Shareholder, Jay R. Meglich, Audit Shareholder, Tod E. Wilson, Tax Senior Manager and Staci L. Ziants, Audit Senior Manager attended the AICPA Annual Not-for-Profit conference in Washington, D.C. in June.

Edward R. Friel, Audit Shareholder, was appointed to the Executive Committee of the Pittsburgh Chapter of the PICPA.

Raymond W. Buehler, Jr., President and CEO and David E. Kolan, Audit Shareholder, attended the IGAF Worldwide Annual Conference in Vancouver, British Columbia in June.

Eugene M. DeFrank, Audit Shareholder, was quoted in the article, "Truck industry grapples with fuel prices, new emissions rules" which appeared in the August 8<sup>th</sup> issue of the *Pittsburgh Business Times*.

Allison M. Rhodes, Senior, attended the conference, Tax Exempt Organizations - New Form 990 and Advanced Governance Planning in Chicago in June.

Susan M. Kirsch, Tax Shareholder, was quoted in the *Pittsburgh Business Times*' article "New Form 990 may be concern for nonprofits." The article appeared in the June 6<sup>th</sup> issue.

Tricia M. Warrick, Corporate Finance Director, served as a speaker and panelist at the Ohio State Bar Association Annual Conference in Columbus on the topic of "Acquisition of a Diamond in the Rough" in May.

Henry J. Szymanski, Tax Senior Manager, was quoted in the August 22<sup>nd</sup> *Pittsburgh Business Times*' article "New Jersey businessman eyeing area's large car dealerships."