Financial recovery from Wilma

Cash sources to speed your disaster recovery **By Nick Jovanovich**

Hopefully, by now, your business is back in full operation. But if your business is like most with a concentration of activity in South Florida, the financial consequences of Hurricane Wilma linger on.

In last month's issue, my colleague, Marc Shuster, wrote — pre-Wilma — about the need for thoughtful, long-term planning of risk mitigation strategies. More than ever, a long-term focus is now demonstrably important. This month, I want to address specific sources of recovery for some of your disaster losses.

Conceptually, there are three primary sources of financial recovery.

■ **Insurance**. In addition to property insurance, carefully consider the applicability of any business interruption policy that you maintain. Business interruption insurance coverage varies dramatically.

As with all insurance policies, the scope and nature of coverage provided depends on the terms and exclusions of the agreement and are very much case-specific. It is critical that you get advice as to the applicability of any such insurance from a professional with the requisite experience and independence.

■ **Governmental assistance**. FEMA and the Small Business Administration are coordinating special direct assistance and loan programs for individuals and small businesses impacted by Wilma. These programs primarily target needs not addressed by insurance.

■ **Tax relief**. Because much of South Florida was declared a disaster area, you may be able to file an amended return for 2004 and use casualty losses incurred this year to offset some of your previously reported taxable income, thereby potentially creating a cash refund.

Casualty loss calculations are different for business and nonbusiness property, so you will want to promptly consult your tax adviser to help calculate your loss and to file your amended return.

Your adviser can alert you to the revised due dates for various future returns, some of which may give you additional time to stabilize your cash flow.

Achieving expedited relief is, regretfully, not always easy. Depending on the complexity of your situation, you may well need expert assistance from an accounting firms specializing in things such as filing business interruption claims.

And, where parties don't promptly give you the relief you deserve, you may need legal intervention to remind others of their responsibilities to you.

If you are able to establish the validity of your claims, your lender may be willing to advance you some percentage of your various claims so that you can have immediate cash to offset the working capital shortfall caused by Wilma losses.

Most perplexing of all will be those situations in which your customers suffered Wilma losses and look to fund their losses by slowing down payments to your company. In the extreme, this could even cause you to require expert restructuring advice.

Wilma has delivered a serious blow to many businesses in the area. Key to recovering from that blow is a prompt, thorough exploration of recovery possibilities and the development of a financial game plan for getting back on your feet.

NICK JOVANOVICH is a tax and transactional attorney at Berger Singerman. Read more about how Jovanovich's team is helping companies to recover from the financial impact of Wilma online at www.bergersingerman.com.

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