

TOP 10 THINGS

A Business In Distress Should Be Doing Right Now

- 1 ANALYZE**

Financial distress promotes panic and inability to think. Stop and analyze what is happening rather than focusing on the next emergency.
- 2 MONITOR AND FORECAST CASH FLOW**

Without cash, and sources of cash, the business cannot survive. Business units that burn cash must be identified and either justified or shut down.
- 3 ACT BEFORE CASH RUNS OUT**

Without cash, you can't pay employees, vendors, rent and other critical items. Even a bankruptcy filing requires cash. Alternatives disappear when you don't have the cash to operate even the most viable business.
- 4 COMMUNICATE AND LISTEN**

All of your customers, lenders, employees, owners, and people you have contracts with are in varying states of the same mental and financial distress that you are. They have ideas and potential solutions. Your peers and competitors do as well. Talk to them and perhaps you'll identify additional options and build good will for the tough, long haul. Listen, but make your own decisions.
- 5 BE HONEST**

Lack of honesty with yourself and others may be a means of avoiding reality. Remaining in business will require exhausting negotiations. Those negotiations will fail if your customers, lenders, contract parties, employees and owners don't trust you. Being direct and forthcoming about difficult issues builds trust. Conversely, creditors often overreact to a perceived lack of honesty. They cannot trust you if you are less than honest.
- 6 EXECUTE DECISIONS YOU SHOULD HAVE ALREADY MADE**

There are aspects of your business that you have needed to fix for some time. They are not going to heal in financial crisis. Those are the actions that are a given, and will then let you evaluate the fundamentals for a successful recovery.
- 7 TEST ALTERNATIVES**

You or others may see solutions, or have ideas for solutions. To the extent possible, test those alternatives to see if they can be executed, and if you get the result needed for a reasonable cost. Then compare the alternatives.
- 8 MAKE HARD DECISIONS**

Financial distress is painful. People lose their jobs, businesses shut down, bankruptcy filings increase. Delaying the hard decisions simply costs you time and money that can be devoted to successful recovery.
- 9 TRACK EXPENSES BENEFITTED IN THE EMERGENCY LEGISLATION**

Both the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act provide programs intended to support payroll, employee benefits, debt service, rent and utilities. A business' ability to ameliorate such costs through tax benefits, payroll protection loans, and forgiveness of such loans is directly related to its ability to document such expense, particularly over the next 120 days.
- 10 CALL YOUR ADVISERS**

We get it. Lawyers and financial advisers cost money. But it's money spent to obtain experience and expertise without having to know and worry about everything yourself. Your lawyer with experience in bankruptcy, for example, can help you determine if bankruptcy could lead you to restructuring and a viable business, and the time and other inputs required to enhance the chances of success. Your lawyer may also be able to help you avoid bankruptcy if there are better options available, including those in the new, emergency federal legislation.