



Chart a Viable Path Forward: *10 Tips for Businesses to Survive COVID-19 Financial Challenges*

- 1 Cash is King!** In this uncertain business climate, preservation of cash and liquidity is paramount. Many businesses have drawn down their credit lines in order to have cash available because of concerns about the future of their bank lenders.
- 2 Principals Putting Money into Business:** Business Principals investing their personal funds is normal and customary in the ordinary course of business; however, these are not ordinary times! Before investing money in order to bridge your operations, seek help or concessions, such as forbearance from your lender, agreements with important suppliers to defer invoice payments and promise to keep supplying you with their products, and agreements with other important parties to keep working with you. There is power in the money you are going to put in.
- 3 Extending Liquidity Runway:** In addition to considering additional funding and preparing a budget based on alternative assumptions regarding the impact of the ongoing pandemic on the business, the company should seek assistance for review of lease, credit agreement and other contract provisions that may mitigate liability for non-performance (e.g., force majeure clauses). Evaluating credit relief alternatives may be necessary or optimal for maintaining viability, including payment and other contract term forbearance, deferral, abatement, moratoriums, modifications, extensions and/or restructuring.
- 4 Responding to Demands and Actions of Creditors and other Counter-Parties:** Be sure to obtain appropriate advice and professional assistance when responding to requests from lenders, creditors, suppliers and others who work with your business. The likelihood that some of these parties are having their own financial challenges is high and you need to make sure that your company is properly protected and mitigates risk. Hiding from them makes a troublesome situation much worse. Be proactive and responsive.
- 5 Accounting Personnel:** If you see a company with whom you're doing business getting rid of accounting personnel, that is a signal that something is very wrong. Deal with that company with care because losing these kinds of employees are a sign of deeper and likely wider ranging problems. Similarly if you have to make employee cuts, refrain as much as possible from laying off accounting personnel. Your ability to generate financial information and reporting to your accountants and creditors is very important.

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6 Insurance Coverage: Many companies have business interruption coverage and all have general liability policies. There could be insurance coverage that you are entitled to be compensated for in consideration of the COVID-19 crisis. Qualified professionals will examine your policies without cost and in consideration of the prospect of seeking recovery from the **insurance** company who has issued the policy.

7 Bring Together the Facts and Snap Out of it!: This crisis has hit all of us like a thunderbolt. It is important that you get into the essence of what has happened to your business as a result of this crisis. It is not enough to say that sales have declined because of COVID-19. Go further than that and talk about your customers or clients, your suppliers, your employees. Each situation is different and having that information readily available is important. And the crisis notwithstanding, snap out of it!

8 Focus on What You Do Best: None of us can be responsible for everything. Be responsible for what you do best and emphasize that strength in your activities each day. Delegate tasks that are not your strength. This is the best time to focus on what you do best.

9 Your Professional Advisors and Consultants are Very Important: Rely on these people like you never have before. They are going to be there for you. Speak with them and be sure to take their advice. You may need some new professionals or advisors. Be open to considering them if they can help you. Don't take this on yourself, it is too much for any one or two people to handle!

10 Evaluating Options for Path Forward: If your business is suffering under significant financial distress, even if the problems only arose as a result of the fall-out from the pandemic, it is important to proactively access outside expertise in charting a viable path forward. Where feasible, the goal should always be to resolve issues outside of court that allow the company to move forward on a restructured and sound basis. When necessary, business reorganization through a more formal process should be considered. It is important that you do not wait until it is too late to rehabilitate the business and that adequate funds are maintained and/or financing lined up to facilitate business reorganization.