

T3 TOOLS FOR TOUGH TIMES

To survive in this troubled economy, owners and leaders are looking for tried-and-true resources to help in key aspects of their business. Based on patterns and trends that partners at Platinum Group see daily in many different businesses, this "Tools for Tough Times" column showcases common needs and a variety of tools that can be applied to help address these needs.

"When liabilities exceed assets, what alternatives to bankruptcy do we have?"

In this down economy, many companies are unable to meet their obligations to their lenders and vendors. In many cases, some form of balance sheet restructuring is needed. This often requires the cooperation of the secured lenders, the landlord and a substantial portion of the unsecured creditors. To gain that cooperation, business owners can look to Platinum to help them develop a plan that improves on the liquidation outcome for each of those groups.

Common signs of the problem:

- The company is unable to pay vendors on a timely basis.
- Lenders are declaring loans in default or imposing additional restrictions on the company's use of cash.
- Customer orders go unfilled because the company is unable to pay its suppliers.
- Secured creditors indicate they may foreclose on their security.

The following are actions to consider or avoid from Platinum Partner Bob Stewart:

- By any means necessary, reduce expenses to minimize the level or revenue at which the company will break-even (without debt service) on a monthly, weekly or daily basis.
- Create realistic, conservative projections for future positive cash flows.
- Communicate with the company's secured lenders and essential suppliers to create a set of payment expectations that can be met.
- Together with the company's creditors, agree to a fixed debt level (possibly adjusted downward), determine a schedule for repayment and meet that payment schedule.
- Do not encumber assets from outside the protections of the corporate shell (personal assets or asset from another business) with the obligations of the company. This is no time to cash in retirement savings or put another mortgage on your house.
- As a general rule, do not stop communicating with creditors.
- Do not delay in taking action!

Click to access the following tools that can be used for managing through a situation involving an "upside-down balance sheet:"

1. Track and project cash availability and usage for the next quarter using a 13-week cash flow projection model. Learn more about the benefits of this model by reading the article "[Running on Empty.](#)" [Click here](#)
2. Develop a credible Liquidation Analysis for the Business. [Click here](#) for a sample spreadsheet.
3. Calculate the company's point of cash flow break-even. [Click here](#)
4. Determine whether your business is a candidate for a workout, rather than a form of bankruptcy. Read "[Does Your Company Need a Workout.](#)" [Click here](#)
5. Read "[Financial Survival in 2009: New Disciplines for Weathering the Storm.](#)" [Click here](#)

