

THE C & D NEWSLETTER



CITRON & DEUTSCH
A LAW CORPORATION

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BUSINESS IN CRISIS

Crisis Management. The speed at which a company responds to a crisis often determines whether the company will survive. The best team to resolve the crisis is not always the same team "involved" in the crisis. Crisis situations may require the assistance of a turnaround specialist who understands the trauma of reorganization and is experienced in expediting actions required for continued viability of a business.

The Turnaround Specialist. Turnaround Specialists are professionals who understand crisis management. They may be CPAs, lawyers or management consultants. The specialist will work with your management team to stop cash flow hemorrhaging, develop short term and long term plans of action, negotiate with lenders and creditors, assist in maximizing assets to solve problems, and advise on steps to protect your business. A turnaround specialist also assists to maintain and build your most important asset - your credibility with lenders, vendors and clients.

Renegotiation of Agreements. Avoid signing agreements or giving a personal guarantee without independent advice. Creditors often suggest they will be easier to work with after you give them more security. Consider carefully your personal options and develop an overall plan and negotiated agreement before giving a creditor any additional power.

The Bankruptcy Option. Attempt to restructure the business without filing bankruptcy. A bankruptcy is required when a creditor or group of creditors have taken a course of action that will force your business into a desperate situation and require filing. These include attachments, tax liens and contract terms that are impossible to satisfy without destroying your business. Most bankruptcy attorneys will advise you that bankruptcy is an act of last resort. It is expensive and time consuming, and most debtors do not emerge from bankruptcy.

If bankruptcy is necessary, do not wait until the last minute. The best bankruptcies are ones that have been well planned. Sometimes reorganization plans are agreed to with major creditor groups prior to filing. These plans are called prepackaged plans and are becoming quite popular.

A company can be saved if it has sufficient assets or sufficient cash flow to survive and maintain the level of service required to keep its customers. If adjustments cannot be made to continue the level of service, at some point there will not be enough cash to support the minimum needs of the company and its doors will close. The purpose of bringing in a specialist is to identify these levels of service and design a program that allows for maintenance and survival.

This complimentary newsletter is intended to provide general information. Because of the complexities and constant changes in the law, it is important to seek professional advice before acting on any of the matters covered herein.