



## Coronavirus and My Business: An Early Strategy

By Christopher H. Hart

If you're in business, you're in shock. Trust me, you are not alone. The momentum dragging the economy down is catching off-guard even the most experienced and observant owners. A business that was surviving, maybe even thriving, just weeks ago now faces an uncertain future.

If you're such an owner, here are some considerations. Recognize that this is a crisis and no less than the survival of your business maybe at stake. When you're in a cash crunch, it's imperative that you know your "B's" – "**Burn-Rate**" and "**Bank Account**".

- > *How much money does it take to cover operating expenses each month or pay cycle, what is the expected future revenue and how much money do you have in your bank account?* These key metrics reveal how long you have to weather the storm.

Insolvency and bankruptcy are not the same. Insolvency is a financial state at a specific time; Bankruptcy is a process. Bankruptcy may remedy insolvency. The key is understanding what is causing financial stress and whether bankruptcy has the tools to fix it. Some insolvent companies go out of business, some can be cured. Companies must identify quickly whether there is a cure and if they have the time and funds for the treatment. Thus, companies that still have cash albeit burning it at an unsustainable rate, have options. Knowing your burn-rate and cash is vital.

In the meantime, **Conserve** your cash. You may be facing the scary scenario that you cannot pay all creditors on a current basis. Who do you pay? Who do you stretch? The answers, unfortunately, are not based on general rules but a function of your particular circumstances.

Know where you stand with your **Bank**. Does your bank have a security interest over your assets? Does the Bank have control over your cash, including that used for payroll? Can your bank hold up funds for things other than a payment default? Review your loan documents and do not assume.

Do you have **insurance** that might provide some help (e.g. business interruption)? Does your policy have the word "pandemic" in it?

Some may ask: "Can't I just wait for the bail out?" We respond: "What's your Burn Rate?" Until **Congress** gets off the fence and passes legislation, we will not know what it looks like, how it applies to individual situation and when relief will arrive. A word of advice, the amount earmarked will appear mighty, it's Main Street impact will take time and is difficult to predict.

Finally, should you speak with a restructuring professional like me? Again, this is not a question that can be universally answered. It all depends. What is your Burn Rate? But waiting till the last minute, and your last dollar, significantly limits your options. And, keeping your options open is especially important at a time like this.

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