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PRACTICAL TIPS TO GET THROUGH CASH DIFFICULTIES

www.practicalpd.com

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PRACTICAL
PD



Introduction

- Welcome to all
- I hope this can help save businesses and organizations and jobs
- Some of you are in crisis, other want to be ready if it comes...or just need PD hours...
- I wish we were live!
- I want you to see me
- The bad and the good ...



Introduction

- Welcome to all
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Introduction

- There are lots of blanks _____ to make the delivery more interesting...
- You may want to fill some in, but don't worry if you can't, **just email for completed slides when done**
spriddle@bell.net
- Don't take everything I say too seriously




Watch this any way you want



All my live seminars/webinars have an opportunity to win prizes

I can't do that on the self-study version
BUT, send me an email with:

- example of how you plan  / a tip
- another tip idea
- useful feedback
- clean relevant joke

and you will enter a draw for a prize
spriddle@bell.net



Course background

- I have created many practical courses for accountants and I saw a need for this one, an expansion of some existing course content
- Created during the COVID-19 crisis to help, **but tips apply** to any cash difficulties situation, at any time or for any reason (commodity price, product life cycle, competition...)



My background

- Corporate CFO 24 of the last 25 years
- KPMG 5 years, then large corporation for 5 years
- Medium-size corporations since then
- Have always taught on the side: university, CPA/CA/CMA/CGA licensing, PD, college & more

Currently

SUREWx

- CFO, Director & co-owner
- SureWx group - aviation weather systems, SAAS business
- You have benefited, unless you never fly in the winter





I have been authoring cases for over 30 years, including

- Dozens of published professional cases on businesses and organizations **in financial difficulty**
 - Customers: Many you know, including Big Four accounting firms
 - A large number of you have actually
-



Where am I?



Warnings!

- This is a very stressful topic
- Some of you may be in very tough situations
- So _____ helps....there will be a few



Let's set expectations

- I don't have the "_____" for your cash difficulties
- There may be ___ overall/single solution, but lots of big and small steps to take



Let's set expectations

- Some of you will know some points I share
- This could confirm that what you are doing, has been done by others, is not _____....
- I will give you some different ideas
- Some tips will just get you thinking, which could _____ you to develop related tips that fit your context
- Hopefully there will be a handful of _____ for your situation



We will not cover

- Specific _____ for your business
- This is not a course on the details of the _____ to help businesses in crises – but there will be some tips on them
- _____ legal aspects



However

- If you just cannot meet your liabilities, even with major deferrals, negotiations and reductions, and many are taking you to court, or large secured creditors are pressing:
- _____may need to be considered
- (By the way, your owner(s) may be able to _____back this way, after _____....)



Personal experience

- With three different companies, I have sought the _____ of an _____, during cash crises
- _____)
- An _____ has attended this course...and _____



You all come from different places...

- Foreign subs, public companies, owner-managed businesses, NPOs, charities....
- Different sizes, billions, millions, thousands
- Different industries
- Projects, goods, services, large receipts, many small receipts...
- Different financing agreements & suppliers
- Different degrees of financial stress



Be patient

- Different tips will apply to different folks
- You have no bank debt, so bank tips not applicable...
- You can't issue shares to employees, but some can....



Note

- How things work, will be impacted if you had a plan for the _____ before your crisis hit
- Conservatism in business sometimes pays off....

Where does the content come from?



- _____! (which may be different than yours)
- I have been in a cash crisis a number of times, driven by: recessions, bad management, market crash, start up fundraising, COVID (I wish I had taken this course _____!)
- In different contexts: Gov't owned, public, private: family-owned, foreign-owned, VC funded
- I have never gone _____



Roadmap

- Introduction
- The overall approach
- Cash flow forecasting
- Banks & other lenders
- Government programs
- Dealing with suppliers
- Employees
- Other financing options
- Creative solutions
- Miscellaneous tips
- Conclusions



CPA Quebec new ethics

- Effective date of changes, May 9, 2024
- The only impact on this course is one Rule number change, the content is effectively the same
- Rule 34 general ethics, now Rule 26
- The Handout and Completed slides have been updated, the video will be updated later

NPOs/charities



- Some of you work for them, advise them or sit on their Boards
- Most but not all tips in the course will apply to NPOs/charities
- A moderate drop in the economy, will likely mean a _____ in donations for most charities...
- Government funded NPOs may soon get _____ by governments, short of cash



You need the right attitude

- In my first cashflow crisis, the CEO's _____ shocked me, but I soon realized it was needed
- You may need to be _____ to save the organization
- But also _____, you need to have a _____



Note

- If your crisis is only moderate, or mild, you will adjust the advice I give you today, for your context



NPO/charity attitude

- Tricky area – NPOs/charities are sometimes _____ to let people go in crises, because they are more _____...than businesses



It is possible

- They don't believe there is a crisis
- Someone once said to me:

“

”



You must be in crisis management style

- Focused almost entirely on the _____
- You may want 30, _____...
- (You can't have this approach in the _____)



Leadership

- Finance becomes even more important, gets more _____!
- (Makes your job more secure hopefully)
- In larger organizations, a key _____ team will be essential
- You need to be creative, get _____ for solutions



Cuts

- You will likely have to _____.
- There is always more ____ than you realized before the crisis
- Do you cut gingerly and then have to say, _____, here are more cuts?
- Do you cut too aggressively, and ____ the business/organization??? (short vs long-term)
- Do you cut aggressively and wisely, and then can _____?
- Do you _____, even before the difficult times?



You need the right advisors

- Hard-nosed HR person/people
- Not recruiters, but _____!
- (Get them on contract if you don't have them in-house)
- Your accounting firm can help in many areas



Legal notes

- You have got to be close and working well with your legal team
- Strong in creditor matters, employment matters with _____
- Make sure they don't _____ you!
- So we need a _____



Past live polling question

If you have ever been in a cash flow crisis before, did you ever face an ethical issue because of it? (**don't answer if you have never been in a crisis**)

Yes

No



You still need ethics!

- There are definitely more temptations
- People might try to justify _____, due to the survival of the organization
- We need to follow the _____ and the CPA Code of Ethics
- May include laws in other countries if you have foreign operations



Rules of Professional Conduct

Quebec effective May 9, 2024

26. Le comptable professionnel agréé ne doit pas préparer, produire ni signer des déclarations, des lettres, des attestations, des opinions, des rapports, des exposés, des états financiers, des avis ou tout autre énoncé ou document, par complaisance ou alors qu'il sait ou devrait savoir :

1° soit qu'ils contiennent des informations fausses ou trompeuses;

2° soit qu'ils omettent ou dissimulent des informations dont l'omission ou la dissimulation est de nature à induire en erreur;

3° soit qu'ils contiennent des informations non conformes aux lois, aux règles de l'art ou aux normes applicables.

De la même façon, il ne doit pas non plus s'associer à de tels énoncés ou documents.



Examples

- The federal program Canada Employment Wage Subsidy (75% of wages..) requires that your sales have dropped over certain comparative periods
- Tempting to mis-state so you _____
- A US program I saw says you must sign that you are a _____ and owner of the company, do you just sign to get the \$?

Actual situation an Ethics Advisor told me about

- CPA tells creditors at a creditor meeting that “_____”
- They don’t _____and one complains to CPA body
- Violation: “_____”





Someone asked me this once in an email

- “I am a controller. We borrow based on receivables”
- “Invoices are issued prior to actual shipment to obtain funding from the asset-based lendersignatures on the shipping documents are forged”
- “If the lender finds out about this, we will go bankrupt. I would like to find a way to comply with my ethical standards and continue in this position”



What would you tell the CPA?



Some CPAs would just say

- Call the _____!



Analysis

- Obviously being done because of _____
- Not acceptable, this is _____, lots of _____ information being put out
- CPA is _____, even if not doing it directly (_____)
- CPA is in likely trouble at least because of "_____" part of rule 205/26 Quebec
- I said "you can't _____ - you actually need to get _____ ..." – I don't _____



We could also discuss...

- Stop the _____ today, and then it is ethical to work there
- What _____ could be taken so the finances work without a fraud?
- What should be done about telling the _____?
- And the other big questions.... _____
- ... _____?



The people in this company
offer a course called



I recently noted some
unethical behaviour during
one of my webinars by a CPA!



Other situations

- Colleague was lying to the LIT, CPA I knew reported it, _____ issue
- Business owner Dad pushing CPA daughter to _____ bank reports, daughter (and Mum) disagree with Dad...
- CPA fired for refusing to bill _____ NRE charges
- Accountant went home at 5 PM, inventory _____ changed at 11 PM for bank reporting



Note

- These raise other issues which I am not going to try to address:
 - _____for getting fired
 - What to tell the _____ in the morning and _____



Your owner/boss/exec

- Is moving toward the unethical
- You don't want to _____
- Or



Talk with boss/owner?

- “By the way, I am not going to do these types of things:
 - _____, even to save the company
 - _____to creditors or employees or government
- “Just give me a _____now, if you need someone to do these things”



Personal

- I once chose to be _____, rather than _____, rather than compromise on ethics, where the unethical behaviour would have helped the company succeed in a crisis...
- I have surveyed about 7,000 CPAs and about % have quit a job, or dropped client for ethical reasons



Key point

- If your personal ethics before you became a CPA were very different from CPA ethics, it will be hard to follow CPA ethics
- All CPAs know the rules, but do they have the _____ to follow them in a crisis
- _____ is more than just worrying about getting caught
- It is about seeking to _____



For more, different, useful ethics content:

- **Ethics - More Than Just the Code**
2 hour video, 2.5 hour webinar
- **Ethics – Where The Rubber Meets The Road**, 2 hour video
- **Ethics – That Feeling In Your Gut**, 2 hour video



Director liability

- Keep your directors continuously _____ about their personal liabilities under law
- I have seen directors get _____ by this, it is _____ covered by D&O insurance
- I have seen directors resign over this, it depends on their _____ and shareholdings often
- I am a corporate director x4, and don't want to get _____



Note on director liabilities

- With respect to employees, they include: *Unpaid wages, vacation pay, reasonable travel and out-of-pocket expenses, and employment benefits. A director's liability under these provisions has not to date, however, been extended to include termination and severance payments that may be owing by the corporation. (Gowling)*



Big picture – your business in crisis

- Assess root _____



Run the numbers internally for every scenario

- If sales recovery after the crisis is _____ of before, what do the numbers look like?
- Is the business _____ with the debt and interest payments?



An example

	Best case	Best estimate	Worst case
000s			
Revenues	56,336	54,230	49,323
COGS	<u>35,999</u>	<u>35,683</u>	<u>33,046</u>
	<u>20,337</u>	<u>18,547</u>	<u>16,277</u>
SG&A	17,384	17,292	15,977
Capital	<u>402</u>	<u>208</u>	<u>24</u>
	<u>17,786</u>	<u>17,500</u>	<u>16,001</u>
Cash before:	2,551	1,047	276
Interest	394	394	394
Debt payments	<u>866</u>	<u>866</u>	<u>866</u>
	<u>1,260</u>	<u>1,260</u>	<u>1,260</u>
Cashflow	1,291	- 213	- 984



We all know cash is king

- Cash is a _____ (bank balance, available credit)
- Profit is more of an "_____"
- And we all know profit does not mean cash



Cashflow crisis

- You must adopt a ____-____ budgeting approach
- There must be _____ of all disbursements



Zero-based budgeting

- The original budget for the year is ____!
- Everybody's budget is ____ for new expenditures, i.e. nothing is _____
- If you really, really need something, bring a very good case for it, to the crisis expenditure decision-makers



Disbursements

- A/P units can only issue payments approved by _____
- Tighter control/shut down of _____
- Cancel _____ if you can, so you can pay when you want

Cash flow forecasting



- You have to live and die by your cash flow forecasting in a crisis
- Are there any tools out there to help?
- _____
- _____
- _____ won't be as helpful as it used to be in forecasting
- (There may be statistical help for forecasting for example micro payment trends)

Question – what are the forecast periods?

- No crisis, I do monthly
- In a crisis, weekly (daily if very tight!)
- Can be in aggregate or by accounts and currency
- But I have now found it is better to do it around _____ the biggest single cost hit
- It could be also done around _____, or both
- I find this works much better...
- Obviously evergreen and rolling





Do multiple case scenarios

- Optimistic, pessimistic, _____
 - How much a contingency or cushion do you put in?
 - Which one becomes your planning tool?
 - _____ it
 - Get another set of eyes on it
-



Bank reconciliations

- Your people definitely have to reconcile the bank accounts _____ in a crisis
- It is a good practice anyway

Brinks/evergreen cashflow

- You control disbursements, they are
“ ”

- What to do with _____ receipts in a cash
flow forecast? (_____)





Let's work through and example

- Company has four month cash flow forecast divided by pay periods, the biggest hits
- Focusing on the next month, the rest is incomplete, have \$500K line only
- Have ranked types of payables
- Giant customer will hopefully pay in May



Note

- We will talk about how you might be able to “_____” this customer payment later



We can forecast this in several different ways



Suppose

- Your owner/CEO/CFO has a _____ cash flow forecast than yours?
- Reconcile the differences
- I believe and trust _____, not theirs
- Reconcile the differences
- Yours will be proven “right” in _____, but there might be wrong decisions from theirs
- A story of how I solved the problem



Note

- Crisis or not, look back to analyze how _____ accurate your forecasts are



Interesting audits

- The class sharing
- I was involved in the Bank of Canada audit
- Auditors had to attend special counts
- My “_____” opportunity



Prize

- Just for fun, the first person to type “I am not asleep” in the chat, wins the alertness prize



Dealing with banks and other lenders in a crisis

- A very important topic
- Someone attended the webinar and wrote:
- *"I was a 30 year Banker, leading corporate lending teams for a big 6 Bank, and found the information very on point and would be useful for people having to deal with their Bank in this environment"*



Dealing with banks and other lenders in a crisis

- Most banks are great when your business is _____, things are fine, but when it changes...they are less than helpful
- “Banks offer you money when you don’t really need it, and take it away when you _____.”
- (In defence of banks, they are not high _____)

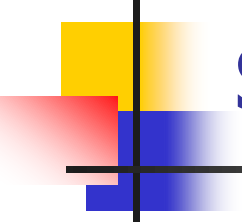


Banker joke



- An accountant for a computer company called her bank to ask for mercy on a payment coming up Friday





Your bank/lender may be
squeezing you right now...



First thing

- Maximize what you already have from your banks/lenders, any way you can



Did you know this?

- Your line of credit may have a _____ that is the ability of the bank to _____, but this is not in the financing agreement
- I called my Big Five bank once, and was told my \$2M line of credit, had a _____, if:
 - a) the covenants were on side; and
 - b) the account manager signed off
- You should call your bank after the course to find out!



Margining receivables & inventory

- Many businesses borrow based on a formula related to A/R and inventory at each calendar month end
- The higher the A/R and inventory, the more you can borrow (50% inventory, 60-75% on receivables, usually)
- The end of the month margin report must be submitted, before the end of the following month

Margining receivables & inventory

- You reported this on May 10, so this is your current margin base, after reporting:

	<u>30-Apr-20</u>
Marginable A/R	854,204
Marginable inventory	<u>500,142</u>
	<u>1,354,346</u>

- At the end of May, it is:

	<u>31-May-20</u>
Marginable A/R	904,252
Marginable inventory	<u>654,722</u>
	<u>1,558,974</u>

- You submit it at _____

Margining receivables & inventory

- You reported this on May 10, so this is your currently margin base:

	<u>30-Apr-20</u>
Marginable A/R	854,204
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	<u>1,354,346</u>

- At the end of May, it is:

	<u>31-May-20</u>
Marginable A/R	704,252
Marginable inventory	<u>454,722</u>
	<u>1,158,974</u>

- You submit as late as possible, _____

Margining receivables & inventory

- Suppose in mid-May, you got a large order from a customer, so it is:

Marginable A/R	912,444
Marginable inventory	<u>582,422</u>
	<u>1,494,866</u>

- Then you call the bank and ask permission for _____, before May 31
- Also, try to get a _____ increase in margin calculations, I have heard of _____ on inventory, instead of 50%



Dealing with banks and lenders - offensive

- Can you add some _____ now, to help you get through?
- Know exactly what you _____ and put together your well thought out submission package, key question, _____
- The banks and the government are talking about lending a lot due to loosening credit, I am not _____



They want to call your loan

- Do they have the strict _____ under the agreement (likely _____)
- How many days before you have to _____?
- Ask for an _____
- Get full or partial _____ from another institution
- Will they accept _____ payment and then a plan?



A big picture view

- Is your going concern value greater than your _____ value? (_____)
- Would your liquidation value cover the _____ creditors? second secured creditors? other creditors?
- Would the values of assets specifically secured satisfy the obligations of those lenders?



Or

- Business can generate \$2M a year in cash before loan interest and
- Business would liquidate for \$7M
- Therefore _____



Negotiating with secured creditors

- (Assumes your going concern value is greater than your liquidation value)



Negotiating with secured creditors

- “We can’t pay you and we believe the business would produce at best _____ now on liquidation, we owe ___ to you, you will have a poor realization in liquidation, I think you need to work with us to get repaid _____, now is not the time to put us into receivership”
- “If you bear with us, we think you will _____”



Personal guarantees

- A huge issue in small business
- (I have 12 ideas to _____ them in new financing agreements in another course) **Sharpen Your Business Loan Negotiating Skills (2 hours)**
- You may be helping protect your owner's _____



Other notes

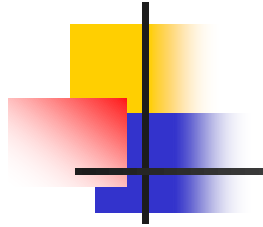
- Try to draw down on the bank relationships you have, not just the account manager, hopefully some of their _____ you have got to know
- Seek legal and insolvency advice



Dealing with banks in a crisis - defensive

- “The borrower is _____”
- They usually have got you with all kinds of clauses
- Should you ____ your problems or be _____? I suggest the _____
- Go to the bank with your well thought out “_____”
- It has _____, not just problems

Problems & solutions example





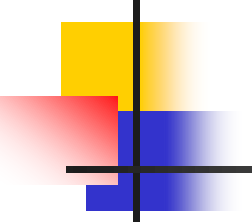
Don't forget financial reporting impacts of the crisis

- Write downs, impairment
- And the impact on the financials and bank _____
- This can be a big problem area



Covenant violations

- They usually can call your loan due to covenant violations
- They might hold off and then....



They can do what they want when you have violated covenants

- The public co I was Controller of had violated covenants and was in some trouble
- The bank said “we have decided to charge you a \$15K a month, ____ fee”
- “Now, we have decided to send a _____ in to check your situation weekly, the monitor will be _____, oh yes, and you are paying...”
- Our loans were likely now with the _____ loans dept of the bank

Get ahead on covenant violations



- You see one coming
- Check if you have a "_____" clause
- Example: _____
- _____
- _____
- _____



Business tip

- In future, always ask for _____...in financing or any agreement with “breaches” that have bad consequences



Get ahead on covenant violations

- Give the bank the _____
- Explain that it _____
- Explain the plan to get _____
- Ask for a “_____”, some institutions are saying they will offer one



Negotiations

- Beg them to just wait until the _____
- Ask for a _____, that is a principal

- Ask for a temporary loan _____if there
is no _____



Question

- Why do sharks leave bankers and lawyers alone?



Watch outs

- Defer all payments you can defer, but don't forget about them, and interest accruing
- Beware just going _____, even in terms of government supported loans if there a reasonable chance you can't service and repay them



Other watch outs

- _____ clauses that trigger demands on other loans
- Uncommitted lending facilities are _____, and you are not made aware
- Large foreign exchange moves, resulting in increased usage of _____, or margin calls
- Insolvency of _____, causing your problems



A banker took this course
recently – his comments



Note

- I have over 110 tips on negotiating good bank deals up front, (not negotiating after you in trouble), in my 2 hour course **Sharpen Your Business Loan Negotiating Skills**



EDC help

- Loan guarantees
- BDC co-lending
- Advance payment insurance
- Foreign exchange facility guarantee
- Performance security guarantee
- And another area we will discuss furtheron



BDC



-
- This government niche lender has been tasked with helping businesses
 - Better a government lender than a _____ if you have _____
 - May have less than the usual _____ than a Chartered Bank, that you would not be able to pass
 - BDC still often wants _____



Crisis – cash in

- Your best source of cash is _____
- Know how you fit into their _____
- What creative ideas will get more/new cash from them?
- Don't assume contracts can't be _____

Don't assume contracts can't be renegotiated creatively



- "We will change the contract, so if you give us deposit toward next _____, your price is dropped 15%"
- "If we can increase the price for the summer _____%, we will drop it for Q4, _____%"
- Can you pay us _____ instead of monthly?



An aggressive approach

- Your customers are in a crisis too
- _____ their request for a reduction in what they owe you
- Tell them: we will _____but keep buying/paying in this crisis (if you are late paying,_____..)
- I have seen this work



Customer cash - collections

- Can you _____ A/R to get cash quicker?
- Otherwise use _____



Special discount & negotiation

- “I know our net 60 invoice was only invoiced 12 days ago and you would be paying it some time in May, based on your past pattern
- We would prefer to get the cash very early in May, _____ and wire the money, here is our bank account information”



Special discount & negotiation

- The future of discounting/factoring
- It might be this model:_____
- Your customer must be set up with them
- Go on their site, and click if you accept the discount to get paid (___ for me), and you get paid immediately



Receivables

- Do you have _____ for non-payment?
(doesn't cover customer disputes)
- _____% annual premium, outside Canada only
for me



From EDC email

- For **domestic credit insurance**, we are teaming up with Coface for domestic insurance so they still cover for domestic but we did a reinsurance agreement with them so we agree to cover 50% of the losses in exchange for them keeping the domestic limit for our clients. The reinsurance agreement has specificity so not all buyers can be part of the reinsurance agreement”

Collections humour





Other collections advice

- Use ___ to block call display or collection clerk's personal cell phone if they don't answer calls
- File a ____ against them (get legal advice)
- _____ your collection calls
- For laggards, take _____payment, even if not the norm in your industry



NPO/charity specific tips

- Get your _____ in faster, is easier than cutting/delaying expenditures
- Change your _____ if it gets funding in earlier, in some cases



NPO/charity tips

You have money in a restricted fund

	<hr/>	
	General Fund \$	Building Fund \$
Assets		
Cash & investments	\$39,067	\$6,324,986



NPO/charity tips

- Ask donors for _____ fund change
(_____)
- Hold a key _____ meeting and explain
the situation, if appropriate
- _____



Let's talk about suppliers



Suppliers are pressing in the crisis

- You have no obligation to disclose all your employer's _____ to your suppliers
- In fact you have CPA confidentiality so be careful _____, and employer confidentiality as well
- Having said this, everybody _____



Situation

- You are quite behind on your trade accounts payables
- One _____supplier says they are taking you to court
- Another calls every day asking for \$
- In total you have \$645K of trade A/P overdue, only \$_____in the bank after payroll to pay A/P
- What are you going to do?

		Sept 28, 2021		Accounts Payable		
	Current	1-30	31-60	61-90	> 90	TOTAL
9226-2674 Canada Inc		-	-	13,000		13,000
Advantekss Inc.		12,127	-	-	-	12,127
Amadi Canada					12,500	12,500
Health Limited	22,100				-	22,100
400500 Canada Inc.		8,000				8,000
LMK Corporation		12,323				12,323
Jones Vones Bark LLP				8,054		8,054
Wing Family Supply Inc			19,500			19,500
GD Inc.		8,054	18,767	84,522		111,343
Zone Corp			17,956			17,956
Sweden Import AB			1,005	1,005	-	2,010
Percy Real Estate Inc.		85,000				85,000
Gallivan (USA) Inc.				57,253		57,253
Farley Consultants Inc.			11,300			11,300
Rachel Demski				2,400		2,400
City of West Village	9,102					9,102
Sedin TwinsTruck Centre		856				856
Cruel Construction Corp			84,822			84,822
Lake Community College				500		500
Dept of Environment USA			6,050			6,050
John Horgan Corp				4,562		4,562
Coley Insurance Broker			2,348		-	2,348
Trump Inc.		10,000				10,000
Cummins Inc.				86		86
Pacific Blends Limited	3,127	3,127	3,127	-	-	9,380
Bill Morneau Inc		-	26,054	-	-	26,054
Trudeau Inc		4,542				4,542
O'Toole Inc			22,044			22,044
Hasbun Smith LLP	10,500					10,500
Whi Canada Corp		5,000				5,000
Clarke Inc.		84,503				84,503
Provincial Hydro		14,554				14,554
	<u>44,829</u>	<u>248,085</u>	<u>212,972</u>	<u>171,381</u>	<u>12,500</u>	<u>689,767</u>



Creditor preference

- All provinces have laws on creditor _____
- This generally means that where certain creditors were _____ in the months before bankruptcy, the LIT will reverse the transaction
- This is intended to stop _____, not bona fide business decisions on prioritizing payment



An alternate strategy – send
all your suppliers this



All the wrong answers

- You prioritize for payment, your _____, who can _____, who _____ and so on



You should actually

- Understand these _____ and manage them well
- Meet with them early in the crisis, and discuss _____ as you seek to manage them



Question

- Is there a near term _____ benefit from paying the supplier?
- What kind of short, medium and long-term _____ do we get in by deferring payment



Negotiating with unsecured creditors taking legal action

- Do you have an _____?
- Delay them and get legal advice



Negotiating with unsecured creditors taking legal action

- “The business would yield an estimated \$____ cash and assets on liquidation, we owe \$____ to secured creditors ahead of you, you will get _____ in liquidation, so work with us, don’t try to push under”
- Would you be willing to _____?



Discounts

- Terms: 1.5% off if pay in 10 days, other wise net 30
- You are paying _____
- Annualized interest rate of return _____
- But this is _____



Landlords



- Are _____ a critical supplier?
- Most would say "_____"
- I would say, "_____"
- "Look we have fallen on hard times, but the economy is bad, I know you could _____, but _____, let's work out a partial payment/delayed payment plan"



Are employee expenses critical?

- Yes, I think so, don't force them to finance you (they may _____ to, we will discuss that later)



Note

- It's all about _____



Local supplier – small town



Remember

- Delaying \$645K of A/P a while is liking getting a \$645K _____ from a lender
- Applying this all with good judgement in the context, don't take my recommendations as universal....



A recent comment on all this



Yes, it is

- Time-consuming and tiring versus just, telling A/P “pay all approved bills when due...”



More ways to analyze payables

- Can you call them and ask for a ____, and you will pay right away (easier with small businesses, so no approval delays in bureaucratic organizations)?



Some lines...

- “We are _____ right now (like everybody)
 - We know you are probably _____
 - We need to work together for _____
 - _____
 - _____
- ”

Post-dated cheques

- Often will get suppliers to leave you alone
- Yes, they know you can _____







Charities note

- Suppose a supplier is not a critical but a _____ to the charity -> _____

- Suppliers may be nicer to you than a business in financial trouble, "_____"
- _____



Tricky area

- Be careful when signing _____ with suppliers
- Sometimes in the _____, the signer is personally responsible for the corporate debt if not paid
- I don't think you want to personally guarantee anything accidentally – I have seen it happen: _____
- _____



Suppliers you can't pay are calling



Have a recording



Or tell them you use the hat
method...



Suppliers you can't pay are calling

- _____ the _____ or emails (senior person)
- Don't _____ or fail to meet your new _____
- (Helps your _____)



Reputation and ethics

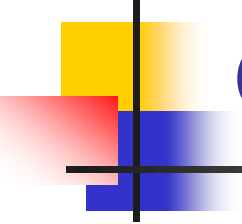
- Don't promise what you can't _____
- If the President says, "we will pay them next Thursday" don't tell the supplier "we will pay you next Thursday"
- Say the President said "_____

_____"
- Then you are covered, if the President changes their mind
- This has paid off for me..



Delaying payment

- They say mail the cheques but....



Put the cheque in the
envelope, but



More seriously

- I normally pay my suppliers _____
- This helps in price negotiations and if you ever have to stretch



More seriously...

- My overall intention is that all my trade and other suppliers _____, although there may be delays
- Only a few suppliers in my entire career _____ – but it was after my time, due to owner decisions, not a bankruptcy, and it still bothers me...



People costs

- A huge cost for most of us
- More sensitive from a _____
- _____ and hard to deal with
- You want to make it as least painful for all, as reasonably and economically possible



Those difficult human decisions...

All other things being equal/who goes/stays?



Also difficult if...

- If your employer is in a _____...
- The manager is laying off a _____
- _____



Tips

- Some times you don't just keep the _____ people, but the most _____ people in smaller workforce situation



The big question that you might want to air

- “Do we want to _____soon, and all be out of work, or try to get through this together?”
- “We have say _____ of margin, we can’t increase them. We have _____of costs, mostly payroll, so something has to be done about reducing payroll...”



Leadership

- Do the employees trust _____
- Before difficulties, did you have a good or an _____ relationship with your employees?
- If you have consistently treated your employees ____, everything is easier....



Leadership

- Make sure everybody knows that the _____are volunteering for the biggest cuts
- You volunteer for a major cut of course, perhaps to _____



Sometimes it is

- Not enough money to pay people, not much work to do → _____
- Not enough money to pay people, still lots of work to do → _____



Do the easy cuts first

- _____, if any, get cut/defer pay
- Low performers are _____
- Contractors – end the _____
- Term employees – _____
- Hourly employees with no minimum hours,



Also

- _____ freeze, so reduce payroll by attrition
- (But feel free to come with a _____
_____ if there is a really good person available and there is a need. There may be some excellent candidates around - soft market, lower _____)



Another good option

- _____(voluntary)
- Normally, no employment law implications
- Go _____
- Spend time with _____
- _____
- (You don't want your key people to opt for this...)



Accept any who volunteer

- "I will _____some hours"
- I will ____ myself for -----
- "I offer to cut my _____"
- "I will take some _____"
- _____that they volunteered, were not forced



Other less painful ideas

- Increase working _____ to drive more revenue (some businesses), without increasing pay
- Stop or delay RRSP matching is _____ by the employer



But now you have to do more
painful cuts



Information

- You need to know who is really _____ and who is not
- You need your _____ cost by employee
- You need employment contract _____
- You or managers need to know their people, who might be _____ to be more careful
- You need to know employee's _____ (frank discussion, what can you live on?)
- You need to know the _____ that could go to employees (2% of company, 10% etc)



Information

- Current _____ cost
- _____ you need them
- Ability to be incented through _____
- _____ to the company after you implement your plan



Temp layoff

- Saves payroll, no immediate _____ costs, and bring them back when you can
- Works better in some provinces than others
- Check your province's latest rules



Idea

- Max hours before lay-off, so _____



Terminating people

- Never a laughing matter, but how about this line in the layoff meeting...



Share or ease the pain



Work-sharing program - federal

- Cut hours across the board in a “work unit” doing similar work, but EI can still _____
- Must be _____ 10 days before you start by the federal government they are backlogged
- _____ must be involved
- Can be difficult to _____



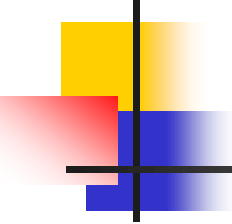
Mini case

- 25 employees now only have 40% of the regular workload
- Do we terminate or temp layoff 60% of the group, or do we do work-sharing, everyone works 2 days a week and get some EI



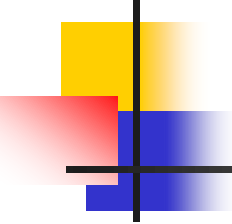
Work-sharing numbers

- Normally, an employee working 2 days a week would get EI reduced 50% for those days of work
 - With work-sharing 2 days a week, they
-



Supplemental Unemployment Benefit Plan (SUBP)

- Not so well known
- Allows you to _____ the pay of people who make more than insurance earnings limit, without _____ subject to limits
- “Payments from SUBP plans **that are registered with Service Canada** are not considered as earnings and are not deducted from EI benefits”



Supplemental Unemployment Benefit Plan (SUBP)

- Example: regular earnings \$65K
- Laid off, EI is \$573/week, \$29,796 annualized, _____
- Best used to keep _____people happier on EI (used for mat/pat leave and other situations...)
- Paperwork to do and approval needed
- There has to be a _____



Announcement

- Your salary has been cut 50% during these tough times



Cut people's pay for a time

- Wait, this is _____
- You are probably correct: _____

- _____

- This is true, but...



Cut people's pay for a time

- But I have never had a _____ for pay cuts
- They want the company to _____
- They agree in writing and are incented by _____
- I have seen all kinds of cuts for different durations of time (10%, 20%, 50%, 80%, 100%)



Past webinar polling question

- Have you ever worked for an employer where there were pay cuts?



bonus example

- You will be in line to get a
-
- Pool = Pre-tax income 2022 fiscal year - \$1.5 million (to a max of \$800,000)
 - Pool will be split between employees with the company at April 1, 2022, based on _____ during 2021



A bonus example

- Pool = \$2.74 million pre-tax income
2021 fiscal year - \$1.5 million (to a max
of \$800,000)
- Therefore, pool is \$_____
- 113 employee took pay cuts
- Employee took 2.36% of the total
foregone salary
- Bonus is _____



Another idea

- ____bonus to employee who got pay cuts, and is with company on December 31, 2021, and Q4 sales are at least _____
- Both bonuses _____
- No need to pay if business _____



A real case I know of

- Large business says to workers: “we either lay off 10% of employees or cut wages 10%, you can vote on this”
- Result: _____



Remind them

- If their salary is cut, soften the blow for them, with your tax knowledge
- 50% pay cut example
- Wait, your take home pay is not _____ (graduated income tax rates)
- Eg \$60K income, monthly take home goes from \$_____ to \$_____, only a **%** drop



Unions

- A different situation, more tricky
 - Historically, unions have sometimes taken pay cuts
- Let's work together, so more of you have jobs...
- You will have to open the books



Past webinar polling question

- Has anyone seen a union work with a company to help, not hinder, in a crisis?
- Yes
- No



Watch out

- I once witnessed a public company CEO announce across the board pay cuts to all in a company cafeteria, with a _____!



Shares



- A good alternative in some situations, saves _____, gives out some ownership instead
- Can give to certain employees, not necessarily all
- Some of you can't (sub of foreign parent, family won't give any out, NPO, etc)
- No immediate _____ for CCPC employees if structured carefully using options (Section 7 ITA, you need advice)



Share complications for employees and the company

- _____ may be lower, not good for existing shareholders
- They will likely be bound by the Unanimous Shareholder Agreement restrictions (limited ability to sell)
- Valuation issues and voting rights
- Have the company retain Power of Attorney to vote the shares into perpetuity, this helps
- Tricky area: negative tax implications if shares are sold for less in the future



Taking shares

- I knew this guy whose employer owed him significant unpaid wages
- He finally exchanged this for shares (and some cash)
- It worked out quite well for him
- I don't know him personally, but he was the greatest _____



A Canadian idea

- The Oilers should have offered _____
say _____, instead of trading him
to _____



Watch outs

- Keep funding the _____, even if employees are on layoff
- Suppose someone gets _____...
- Suppose someone is _____...



Deferring pay

- Probably get their written consent
- Remember director liability
- Remember employment standards
- Pay them and have them loan _____ back, avoids these issues
- Example: _____



Be nice to your people

- Due to cuts/temp layoff, an employee is going to make \$60K this year, and \$120K next year
- What is the smart thing to do to save them income tax?



The answer

- It is not good to make \$60K this year, and \$120K next year
- Better to make _____
- Therefore give them an _____ at the end of December
- Income tax saving in _____
- May need to protect the company if they _____



For your people who are living on less

- Make it all easier by offering a _____seminar
- Obviously, must be taught by a financially responsible accountant (you)
- Teach them how to track expenses and have a budget if they don't
- Re-finance debt with lower rates
- Tell them to reach out to you if in crisis, answer personal tax questions, but be careful, you are not a tax specialist



Note

- Implement all this carefully with very good, HR, employment law and tax advice



Emergency financing sources

- Buy _____



Emergency financing sources

- I heard of a small business owner who got _____ for emergency financing!...



Emergency Financing Sources

- Only borrow if it makes sense, if there is hope, for _____, for a specific purpose
- You will generally pay ____for emergency financing sources....
- There are _____



A real loan offer, high risk
company and situation



The actual offer

- ___ nominal rate, with commitment and other fees, _____ effective rate, partly due to 90 day time frame
- We did not take it
- Note: _____ is a criminal offence in Canada, at ___ (Section 347, Criminal Code)



Pay day loan rates



Question

- How can a special bridge lender get first security, when there is an existing lender with a first security ranking?
- Answer: _____ by first secured lenders for a specific purpose and a limited time



Charities

- Find a special _____
- No _____!



Emergency financing sources

- Talk to your existing _____
- Liquidate any _____
- Ask employees for _____
- Look for a strategic _____



Existing shareholders might

- Inject new _____
- _____ loans (be careful)
- _____ more money
- Exercise _____



Also new equity investors

- Float a special _____ for new investors
- I have sold shares to _____ for cash in a crisis (I bought some)
- I have sold shares to a _____ for cash in a crisis
- Explain _____ is down, due to the crisis, to incent them
- Ensure you comply with all applicable _____ regulations



Release hidden equity

- Sell anything that is not _____
- This includes _____
- If you still need it, _____
- Example: _____

Liquidate business units

- Use proceeds for _____



Smile

- A _____ filed for bankruptcy...
- They will have to liquidate his assets



Strategic investor

- Perhaps an _____
- You don't have a strong negotiating position
- They may say we will pick up the pieces after you go _____...



Charity/NPO

- _____with another charity/NPO doing similar things



Emergency financing watch out

- Family loans – various family members advancing money to help company survive
- Get the _____, or there may be family trouble later!
- I have a seen a _____ legal action on this account, and I had warned them....

Getting outside the box

- Unusual ideas are especially important in a cash crisis
- You must challenge your assumptions, and think creatively



Getting outside the box

- _____ the business for a period
- Volunteer employees might be able to get _____!
- Loans so there is no LTD _____
- Accountant got CEO treatment _____ - this solved a cash crisis for a company I know
- _____ for work





A different class of shares

- You incent people with common shares, but existing shareholders may get _____
- There may not be much chance of _____ for employees from common shares
- So how about a special class of _____ shares?



Special class of preferred shares

- Bear dividends, _____ at a reasonable rate, say 5%
- Are _____ by the company in the next three years
- Convert to common at a _____
- (Another possibility - _____, to motivate the company to redeem earlier)



Preferred shares from an employee perspective

- " _____ " accrues at a reasonable rate
- They have to get their _____, before the common shareholders
- Dividends are _____ favourably (although ineligible)
- There is a reasonable chance they will get cash, the company has some incentive to _____



Preferred shares for the company

- Not a real _____ with balance sheet and covenant implications
- Not a director liability for _____
- No “_____” that has to be paid
- The company has _____, if it prospers
- _____ employees and _____
- Yes, _____ financing, no tax deduction, but there is a crisis!
- Could also be used for _____, not just employees (bad for tax)



Tax note

- These are tricky to implement as incentives
- You may want to structure with _____



Outside the box

- A first secured lender is pressing us
- An existing shareholder purchased the _____ from the ____!
- Took away a lender that was _____ and replaced it with a “friendly” lender
- Shareholder now in _____ with a number of advantages (better than lending the company to repay the loan)
- (No new cash for the company)



People ideas

- _____-linked pay formula
employees for new employees (how
about this for all _____
employees!)
- New roles for groups, eg _____



More

- Work at home during COVID-19 shows you can do this more, cut _____



Don't be afraid to turn things around, re-invent the business

- The crisis could propel some thinking that might really improve your business
- There have been some great temporary ones, eg from _____ beverages to _____
- But maybe _____ for the better



My business - SureWx

- Was selling this equipment
- And now



Obviously, I had to re-invent
my speaking business



Restaurant re-invention

- Simple: _____
- More creative: can't open, long-term purchase contracts, _____
- High-end steak-house, _____



Initially refusing to re-invent



Notes

- I try to re-invent things, example
 !



Don't be afraid to turn things around, re-invent the business

- Another of my employers was strictly in _____ services, then decided to sell _____
- Sell _____, and have them back on contract to operate (trucks, cleaning)



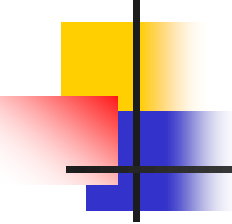
Outside the box financing

- Idea: create a non-traditional vehicle to meet the investor's needs and the company's
- In a crisis, we created a secured loan, without _____, but with a _____
_____ "!" \$750K
- Who were the investors?
- I can't tell you but collectively the three of them played for _____...and were recently retired...



A lot of miscellaneous tips

- Return inventory to supplier, regardless of re-stocking charge – effectively a _____ cost
- Slash inventory levels – fire sales
- See if you can get back any _____ on anything, perhaps with a penalty



Cut all the small things you were thinking of cutting, but delayed

- Telephone lines – go _____
- Stop paying for any _____ you are not using – you would be surprised, there may be quite a bit
- Turn _____ off during non working hours, if there are time-based charges

All costs under the microscope in a public company

- Free coffee/hot choc/juice - _____
- Reception - ____
- The weight room expansion - _____
(\$40K saving)
- We sublet some _____





Tax ideas

- Get the big shipment the _____, not the first day, because of GST/HST/QST refund timing
- Ask if _____ likely not needed now due to losses, can be offset against source deductions or GST/HST/QST



Tax ideas

- Change your _____, to get large Scientific Research & Experimental Development (SR&ED) refundable tax credit claim in early
- _____SR&ED submission - once I did financial statements and tax returns and SR&ED technical reports filed ____ working days after year end, due to the crisis need for the cash (I started well before year end)



Tax ideas

- Government owes you \$? Beg them to
-

More ideas



- _____ (or CEO must approve only well-justified _____)
- Cancel _____ courses...!



Miscellaneous tips

- Cancel/defer _____ expenditures, even if there are penalties or lost deposits
- _____are gone, cell phones, parking
- You become a _____ person (part-time) to help drive revenues
- Trim the _____ plan (drop vision care, reduce dental limits etc) if possible contractually



Miscellaneous tips

- Stop/delay _____
- Do you really need that _____ for a while (check contractual requirements)
- Incent suggestions from employees, with rewards (the _____)



Past webinar polling question

- Do you have an employee suggestion box program?
- Nobody had one in a recent session!



Payroll tips

- Move payroll to _____ (spreads cash, more symmetrical)
- Sell it to employees: your pay cheques will all be bigger, you will get more per month except for two months a year, better for _____
- Your payroll service is sitting on your money, before making _____
- Tell them to calculate the remittances and you _____



Let's talk about our stress



STRESS REDUCTION KIT



Stress

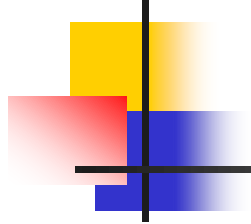
- These stresses diminish some other stresses
- Personal financial stress is less, if you are _____, which has other advantages



Stress management for you

- You bear a lot of the brunt of the stress
- (It is worse for an owner!)
- You need distractions
- Whatever works for you, this works for me
- I am not recommending any _____
- Bigger picture, _____

Spend time with the care-free!





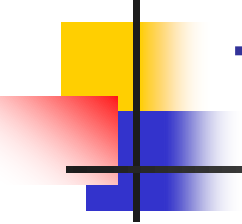
Cashflow crisis – overall comments – big picture

- Can the organization _____?
- Is the business fundamentally unhealthy?
- Do you want to be around during _____?
- Should you then _____ and _____, if you can?



Key question

- Is this a temporary or permanent problem – is the business riding a ____, or is it just ____? _____



What do many org's do with the dead _____?



The only real option



Personal

- I have avoided a later _____ by
_____ once, and I am glad I did
- I am glad I _____



If you think you should abandon ship

- And you have other, better options
- And they want you to stay
- It might be time to ask for _____ and
_____.(I never have)



You have a question for me

- Are all the companies you work for in _____?
- ___! Only _____
- _____

Successes and failures - personal



- I have written off _____
- But I got a large _____



Conclusions

- Best wishes in your cash crisis, if you are in one
- An opportunity to _____ a lot



Want Ad



My other courses

- I have many other courses



Ethics

- **Ethics – More Than Just The Code,**
2 hours
- **Ethics – That Feeling In Your Gut,** 2
hours
- **Ethics – Where the Rubber Meets
the Road,** 2 hours

Other courses of interest – 6-7 hours



- **Practical Tips for Controllers & CFOs**, nearly 11,000 have taken it
- **Practical Tips for Not-For-Profit Financial Leader**
- **Practical Tips for Government Accountants**



Other courses of interest

- **Practical Work Smarts for Accountants** 2 hours
- **Practical Tips to Get Through a Cash Crisis,** 2.5 hours
- **Practical Financial Negotiation Tips** 4 hours
- **Practical Work Solutions From Case Discussions,** 2 hours
- **Practical Brainstorming - Top Ten Trouble Spots and Other Useful Topics for Financial Leaders,** 4 hours



New

- **Sharpen Your Business Loan Negotiation Tips, 2 hours**
- **Practical Tips to Improve Your Internal Financial Reporting, 1.5 hours**
- **Contract Review Tips for Accountants, 1 hour**
- **Practical Foreign Exchange Management, 1 hour**



Closing comments

- Was the video boring?
- Please provide a course review
- You can do LinkedIn with me
- Email for completed slides,
spriddle@bell.net