

PRACTICAL TIPS TO GET THROUGH CASH DIFFICULTIES

- At the beginning is the handout for watching the course, and then fully completed slides are found starting on P. 336 in this course material (the PDF viewer has the slide numbers)
- It is suggested that you don't look at the completed slides while watching the video. If you do, punch lines are spoiled, it would be like watching a movie with the script in hand. Also, you may not do self-reflection on mini-cases, because the answers are right there! But it is up to you...
- There is also a Cheat Summary of key course points, in the last 5 pages

COURSE INFORMATION

- This course deals with complex matters and may not apply to particular facts and circumstances. For these reasons, the course material should not be relied upon as a substitute for specialized professional advice in connection with any particular matter. Although the course material has been carefully prepared, neither Stephen Priddle, or the professional body sponsoring this course accept any legal responsibility for its contents or for any consequences arising from its use.
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PRACTICAL TIPS TO GET THROUGH CASH DIFFICULTIES

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PRACTICAL
PD

INTRODUCTION

- We are glad you are taking this course
- 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 want you to see me
- The bad and the good ...

Inside organizations
Advising organizations

INTRODUCTION

- There are lots of blanks _____ to make the delivery more interesting...
- The course material includes a fully completed slide deck starting at P. 336 of this package, but I suggest you don't look at it until after, as explained on the first page of the material
- I have included some past webinar chats in italics for “participation”
- Don't take everything I say too _____

ALL MY LIVE
SEMINARS/WEBINARS
HAVE AN
OPPORTUNITY TO
WIN PRIZES

I can't do that in the self-
study version

BUT, send me an email
with:

- an ethics story
- another tip idea
- useful feedback
- usable relevant joke

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



WATCH THIS ANY WAY YOU WANT

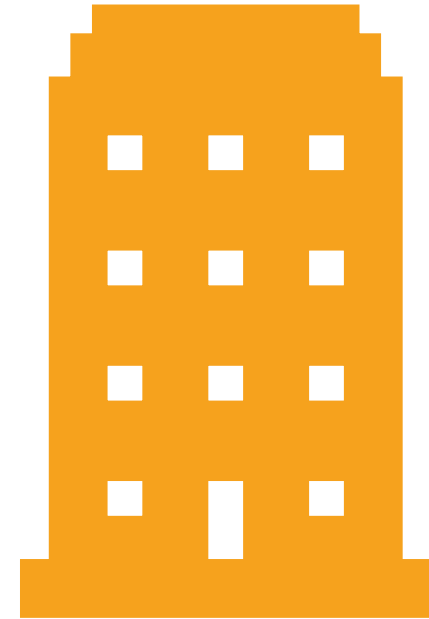


COURSE BACKGROUND

- I have created many practical courses for accountants which over 34,000 have taken and I saw a need for this one
- The **tips apply** to any cash difficulties situation, at any time or for any reason (**tariffs**, commodity price, product life cycle, competition, bad management, regulation changes, technology impact, and more...)

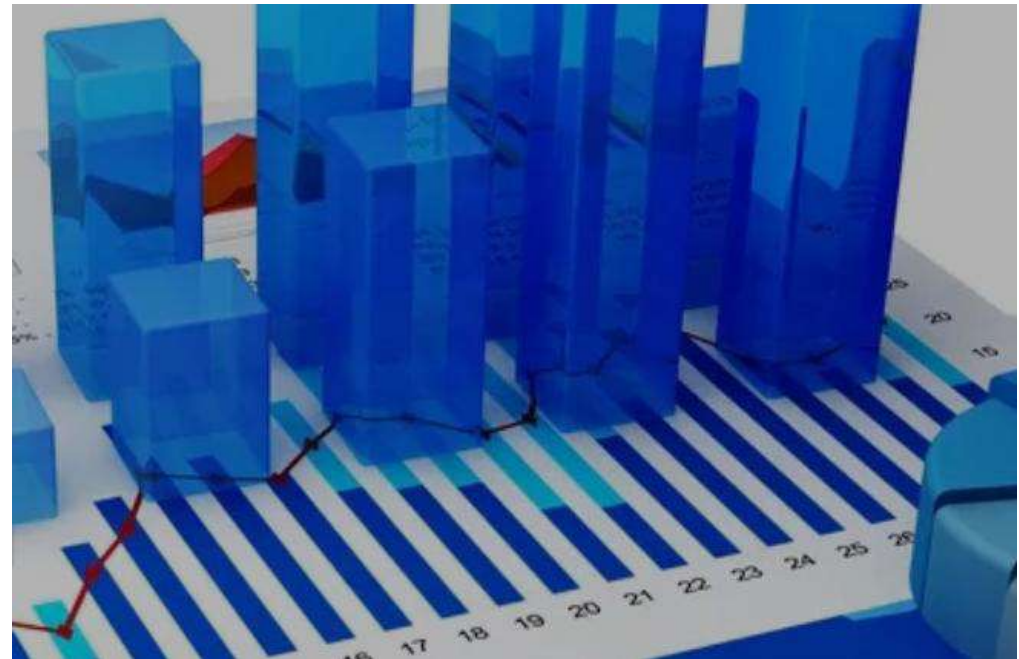
MY BACKGROUND

- KPMG 5 years, then a large corporation for 5 years
- Medium-size corporations since then
- Corporate CFO 28 of the last 29 years
- Have always taught on the side: university, CPA/CA/CMA/CGA licensing, PD, college & more



CURRENTLY

- VP Finance & CFO
- Fidus Analytics Inc, a fintech company



ALSO

- Secretary, Director & co-owner
- SureVx group - aviation weather systems, SAAS business
- Was the CFO for nearly 12 years
- You have benefited, unless you never fly in the winter

SUREVx



I HAVE BEEN AUTHORIZING 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?



COURSE OBJECTIVES

- To give you a wide range of tips to deal with getting through a cash crisis
- To remind you about ethics, in the context of tight cash

WARNINGS!

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





LET'S GET
TO KNOW
EACH
OTHER....

- I do a few surveys in the webinar, I will share some results relevant to you



HAVE YOU
EVER BEEN
IN A SEVERE
CASH
CRISIS?

- Only about ____ of accountants have been through a severe cash crisis



HAVE YOU
EVER HAD
YOUR PAY
CUT?

- About ___ of accountants have
- We will talk about this in the course



COURSE ROADMAP

Introduction

The overall approach

Ethics in the crisis

Cash flow forecasting

Cash in

Dealing with suppliers

Banks & other lenders



COURSE ROADMAP

Employees

Other financing options

Outside the box ideas

Miscellaneous tips

Personal advice

Conclusions

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

BIG PICTURE

- If you are having cash problems, and you diagnose that these are _____, you survive using tips from this course and hopefully get through and may have to trim the business some, permanently
- If you are having cash problems, and you diagnose that they will be _____, but survivable with downsizing/restructuring, you do the latter
- If you are having cash problems, and you diagnose that the problems are _____ in the current situation, you....
- See the decision-tree, next slides to portray this

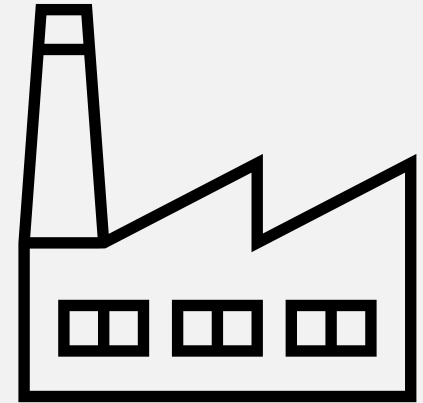


058	154,568	95,054
487	56,845	97,511
,000	110,000	99,011
,450	150,000	99,216
6,502	35,000	101,090
	83,000	101,684
	45,000	101,962
		102,747
		006

A DECISION-TREE

DOWNSIZING/RESTRUCTURING

- Specific downsizing/restructuring steps for your business or organization are very particular to your situation, so they can't really be covered in this course
- Obviously, they involve _____





THE THIRD SITUATION

- If your organization just cannot meet your liabilities, even with major restructuring, downsizing, debt deferrals, negotiations and reductions, and many are taking you to court, or large secured creditors are pressing:
- _____ may need to be considered and you need to talk to a Licensed Insolvency Trustee (LIT)

ANOTHER WAY OF SAYING THIS

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

IN THIS CONTEXT

- Do you know your organization/business _____?



Do you want to be around
during _____?



Should you then
_____and _____, if
you can?

PERSONAL
COMMENTS

PERSONAL



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



I am glad I _____



And you have other, better options



And they want you to stay



It might be time to ask for _____ and _____....(I never have)

IF YOU THINK
YOU SHOULD
ABANDON SHIP

JOKE - STORY

- The CEO of MCI was given a 24 million dollar bonus for leading the company out of bankruptcy...
- Someday he hopes to _____

BANKRUPTCY NOTE

- Your owner(s) may be able to back this way, after

LET'S SET EXPECTATIONS

- Some of you will know some tips I will 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



With three different companies, I
have sought the advice of an _____
during cash crises





A veteran LIT has attended a
version of this course...and

PERSONAL
EXPERIENCE



YOU ALL
COME
FROM
DIFFERENT
PLACES...

- Foreign subs, public companies, owner-managed businesses....
- Different sizes, billions, millions, thousands
- Different industries
- Projects, goods, services, large receipts, many small receipts...
- Different financing agreements & suppliers
- Different degrees of financial stress
- Some can issue shares, some can't
- So keep this mind, not all will apply to all...

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
often get _____ by
governments, short of cash

I TOOK A
ONE HOUR
BIG FOUR
FIRM
COURSE ON
THIS TOPIC

- All theory and MBA buzz words
- The content was centred around:

- Great tips like: “check if there is a bank account that
_____...”

NOTE

How things work, will be impacted if you had a plan for possible _____ before they hit

I strongly advise this for all organizations in another course

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



As well as a _____ businesses/organizations in financial crisis

BANKRUPT?

- I have never gone bankrupt (personal or corporate)

ASIDE, SUPPOSE YOU
GO BANKRUPT



A SHORT ASIDE ON
SOMETHING THAT MIGHT
DRIVE CASH PROBLEMS

US TARIFFS

- This topic is dynamic and changing, and different for every business, so this discussion will be very general
- No tips for dealing with tariffs were promised in this course, just tips on dealing with cash problems, but a few notes are here
- In a recent webinar on an unrelated topic, ___ of CPAs believed US tariffs would significantly impact their employer, and ___% said slightly impacted



I CAN'T
RESIST SOME
ECONOMIC
POINTS ON
TARIFFS

- My Dad and one brother are economists
- Canada-US tariffs have a long history, this is not the first time either way
- Economics tells us everything is optimized _____
- Tariffs protect weak industries from international competition
- Tariffs also heavily penalize the US buyers for a time, although they add government revenue

I CAN'T
RESIST SOME
ECONOMIC
POINTS ON
TARIFFS

- It may take years for a protected industry to grow, eg building factories to fabricate autos in the US, which were previously built in Canada, so a very slow payoff
- Tariffs could possibly trigger some kind of ____ in Canada
- I am concerned about a _____ in Canadian government credit ratings, will further cause problems for the country

US TARIFFS IMPACT

- Tariffs in your sector may not be definitive and could change, which is part of the problem, huge uncertainty
- Do you trim the business, because of the threat, or do you hold on until things are clearer?
- A difficult management judgement

NEW US TARIFFS CAN:

- Reduce or eliminate your sales to US customers
- Cost you more on inputs if there are countervailing tariffs by Canada
- Hurt you indirectly, by hurting your Canadian customers, who will buy less from you
- Which may result in _____

UNCLEAR

- The difficulties may be temporary or permanent, or may be just about 4 years, but again this may not be clear
- If they are permanent, you adjust or downsize permanently
- This is very organization specific, it is not temporary measures, can't really be taught in a course

TARIFFS

- Customers, suppliers employees, etc, will likely know or guess if your crisis is due to tariffs

**YOU NEED TO FIND WAYS TO
DEAL WITH TARIFFS**



- Is **NOT** the answer

YOU NEED TO FIND WAYS TO DEAL WITH TARIFFS

- This is beyond the scope of this course
- But I will mention a few ideas
- _____
- _____
- _____
- _____

FORCE MAJEURE, RISK AND OPPORTUNITY

- Many contracts have “force majeure” clauses
- Definition: *“a provision in a contract that excuses a party from not performing its contractual obligations that becomes impossible or impracticable, due to an event or effect that the parties could not have anticipated or controlled.”*
- Source: www.definitions.uslegal.com

FORCE MAJEURE, RISK AND OPPORTUNITY

- Risk: your customers/suppliers use the tariffs and the force majeure clause to

- _____
- Opportunity: _____
- Example: _____
- Talk to your lawyer

OPPORTUNITY

- Cash flow problems in your industry and related industries due to tariffs, may represent a

=====

REMEMBER

- Government programs that help those heavily impacted by US tariffs
- You will need to carefully assess these and apply for them, if useful, honestly, we will be talking about ethics soon

EDC Trade Impact Program

We're deploying \$5 billion in capacity to support Canadian exporters

[Contact us](#)

THE OVERALL APPROACH

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, for your context

Think like an _____ of the business!



Always a good thing



Easier if you _____ know the owner!



Some employees get away from this mindset, especially in large or public organizations

REMEMBER TO

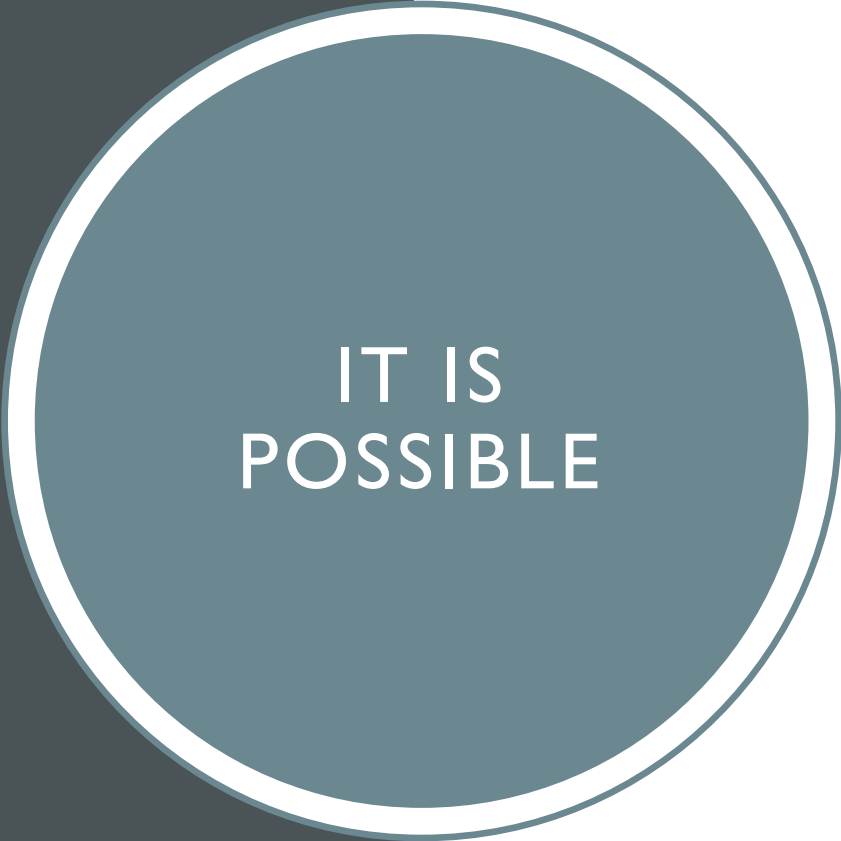
NPO/CHARITY ATTITUDE

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



IT IS
POSSIBLE

- They don't believe there is a crisis



IT IS
POSSIBLE

- They don't believe there is a crisis
- Someone once said to me: “**I was fired because I**
_____”

SOMETIMES THERE ARE

- CEOs/owners who want to _____



YOU MAY NEED TO BE IN CRISIS MANAGEMENT STYLE

- Focused almost entirely on the immediate and the urgent
- You may want 30, 60 and 90 plans...
- (You can't have this approach in the long run)



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 outside the box for solutions, more on this later



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)
- y, 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 _____



A LAWYER JOKE

ETHICS IN A CRISIS



**WE NEED TO TALK ABOUT
ETHICS UP FRONT**

KEY POINTS

If your personal ethics before you became a CPA were very different from CPA ethics, it will be hard to follow CPA ethics (my ethics got reformed at 21... another story)

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 _____

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 – **typically about**
___%

YOU STILL NEED ETHICS!

- There are definitely more _____
- 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

TEMPTATION EXAMPLES

- _____
- _____
- _____
- _____
- _____

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

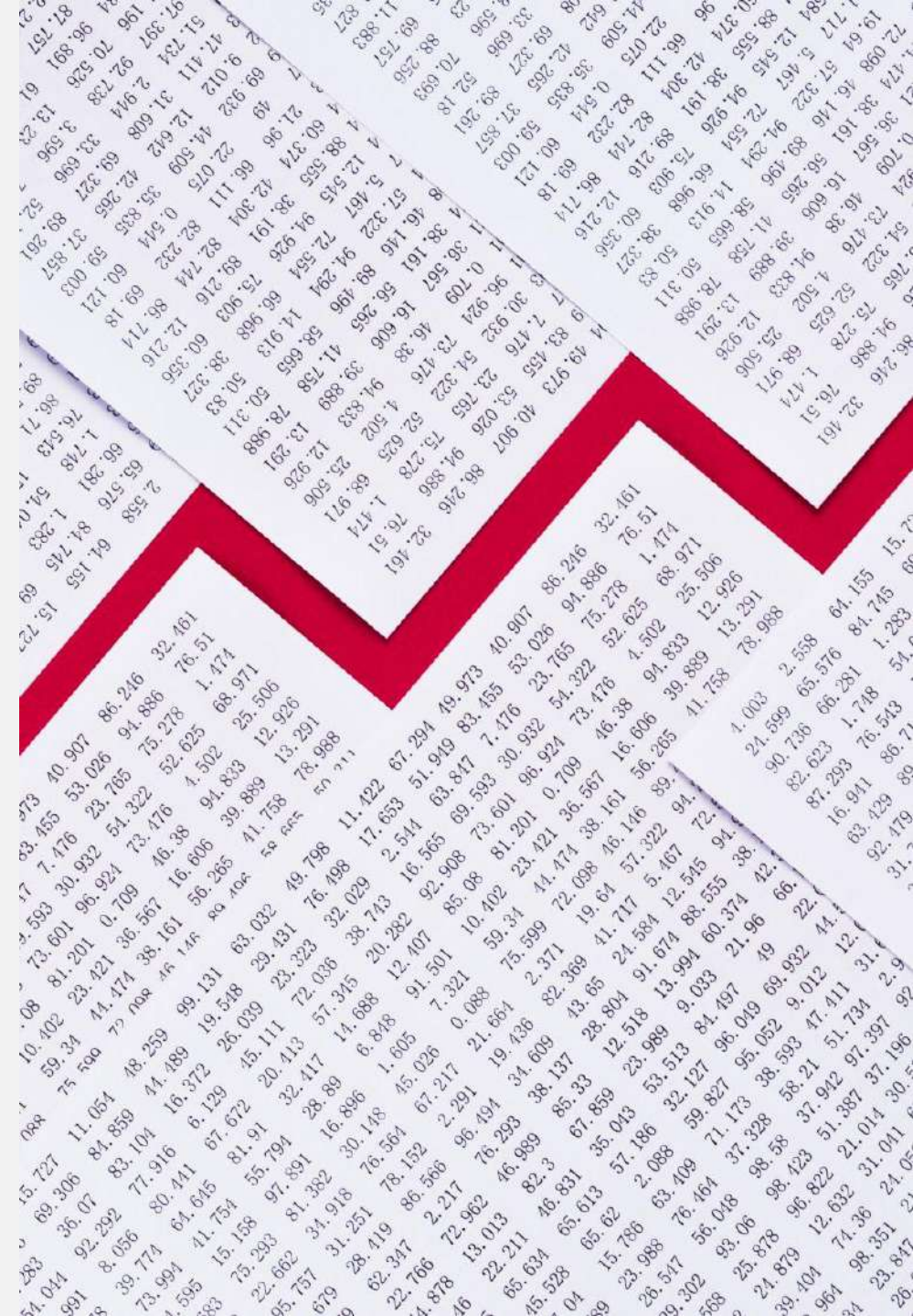


RULES OF PROFESSIONAL CONDUCT QUEBEC

26. The CPA must not prepare, produce or sign declarations, letters, certifications, opinions, reports, presentations, financial statements, opinions or any other statement or document, out of convenience or when he knows or should know:

- 1° either that they contain false or misleading information;
- 2° either that they omit or conceal information the omission or concealment of which is likely to induce in error;
- 3° either that they contain information not in compliance with laws, rules of the art or standards applicable.

In the same way, he must not associate himself with such statements or documents.



WHAT ABOUT QUEBEC ORAL?

- Per an email, from a CPA Quebec ethics advisor
- « *the word « oral » is not written in our Code of ethics, this is implicit* »

EXAMPLES

- The old federal program Canada Employment Wage Subsidy (75% of wages..) required that your sales had dropped over certain comparative periods
- It was tempting to _____
- A US program I saw to help businesses said you must sign that you are a _____ and owner of the company, do you just sign to get the \$ if you are not?



I HELP OPEN A CPAS EYES WITH A VIDEO ETHICS COURSE

- “Well have to say that you have opened my eyes in what I thought was ethical (servicing client and **pushing “envelope” with governments**) may not necessarily be”



AN ACTUAL
SITUATION
AN ETHICS
ADVISOR
TOLD ME
ABOUT

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





EXAMPLE

- A CPA contacted me after taking this course
- They said they had been pressured to give a supplier's VP Finances a gift card to get extended payment terms
- What do you think of this?



ANSWER

- This CPA didn't feel good about what they did
- I would say that since the benefit was only to one employee to bias their attitude toward a supplier, away from what is best for their employer, it is sort of _____
- The VPF' boss would not be happy _____
- On the other side, if the employee _____ this to their boss, and ensured they treated this supplier _____, it is probably no problem, but the giver would not know this



RELATED

If someone takes you out for lunch in a business context, to curry favour, and_____

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 lender
....signatures 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”



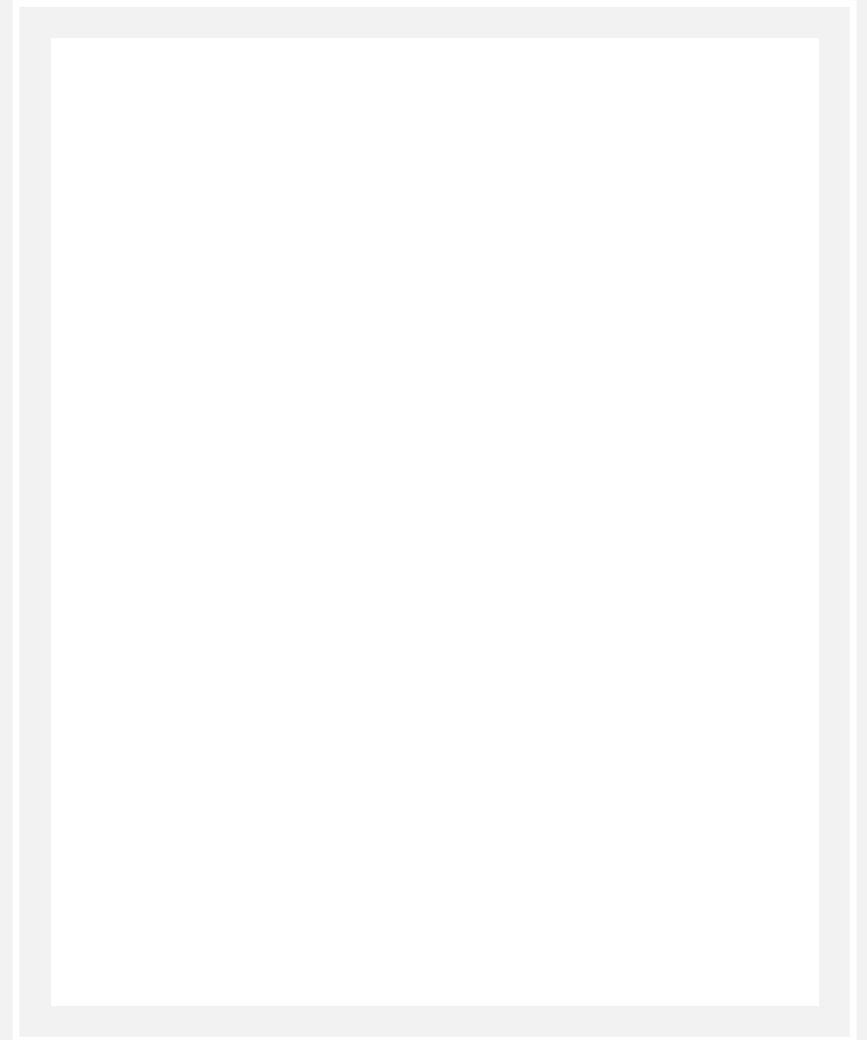
WHAT WOULD YOU
TELL THE CPA?

A prize for the best answer!

RESPONSES FROM THE PAST

SOME CPAS WOULD JUST SAY

- Call the _____ line!
- (most organizations, especially smaller ones, don't have such a line...)



ANALYSIS



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 _____? _____ may also be wrong



And the other big questions.... _____

WE COULD ALSO
DISCUSS...

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

1

Colleague was lying to the LIT, CPA I knew reported it, _____ issue

2

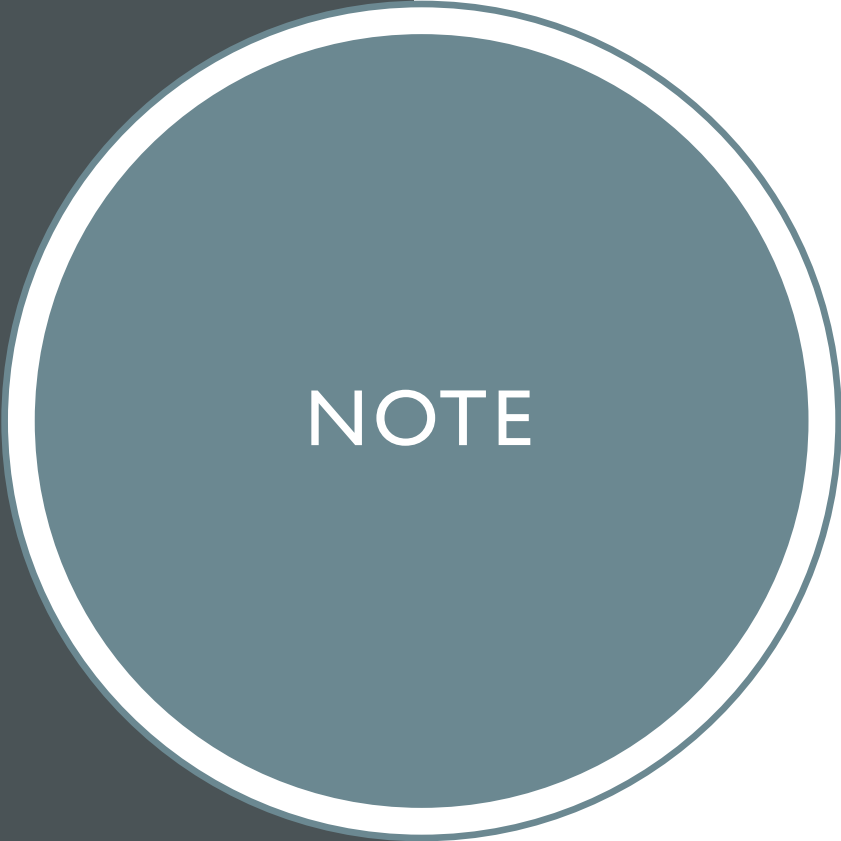
Business owner Dad pushing CPA daughter to _____ bank reports, daughter (and Mum) disagree with Dad...

3

CPA fired for refusing to bill _____ NRE charges

4

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

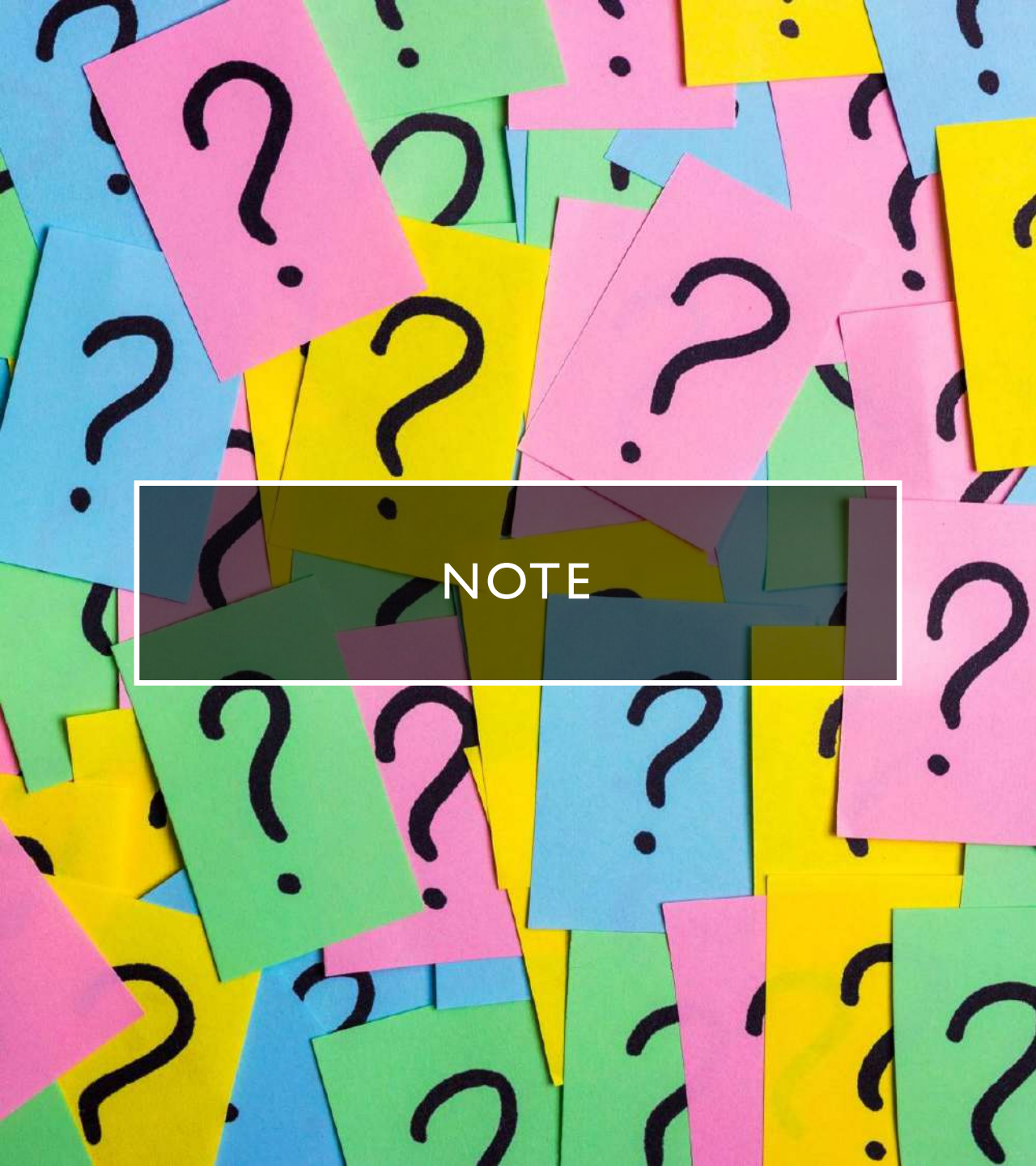
- Is moving toward the unethical
- You don't want to _____
- Or

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 compromise on ethics, where the unethical behaviour would have helped the company succeed in a crisis...
- I have personally surveyed about 8,000 CPAs and about ____% have quit a job, or dropped a client for ethical reasons (this cost them cash!)

The background of the slide is a collage of numerous colorful sticky notes in shades of pink, yellow, blue, and green. Each sticky note has a large, bold black question mark printed on it. The notes are scattered and overlapping, creating a dense, textured appearance.

NOTE

- CPA Quebec won't recognize courses that are partly ethics and other topics, so this ethics time unfortunately does not qualify for Quebec CPAs

REMINDER: DON'T FAIL TO REMIT ON TIME

- Source deductions
- GST/HST/PST/QST
- _____remittances
- This is not your employer's money, it is being held _____!



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 _____

REALITY

- Two corporate heads of finance have shared recently with me, that they are behind on _____ in a crisis
- It did appear that the both the _____ were aware of this, in each case
- This makes it a little less of a _____ to me...

BIG
PICTURE –
YOUR
BUSINESS
IN CRISIS

BIG PICTURE – YOUR BUSINESS IN CRISIS

- Assess root _____
- Often it is very obvious, although some players may be in denial as said earlier
- Commodity price, management, strategy, business model, competition, cost structure, tariffs.....
- Other times, it needs some skilful analysis and investigation

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 current debt and interest payments or do they need to be reduced?

AN EXAMPLE

CASH FLOW FORECASTING

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





CASH FLOW FORECASTING

- Can be an accumulation of _____
- I have prepared them in the billions, and with smaller businesses where \$500 was important

Short-term:

- Actual receipts and disbursements

Longer-term and rough

- net income add back amortization, changes in working capital, investing, financing flows

FORECASTING

- Always tough to do, and very business specific
- A simple idea, ask your _____



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)

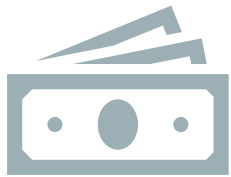
QUESTION – WHAT ARE THE FORECAST PERIODS?

- No crisis, I do them 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, most likely
- How much a contingency or cushion do you put in?
- Which one becomes your planning tool?
- _____ it
- Get another set of eyes on it (_____?)



Your people definitely have
to _____ daily in a crisis



It is a good practice anyway



BANK RECONCILIATIONS

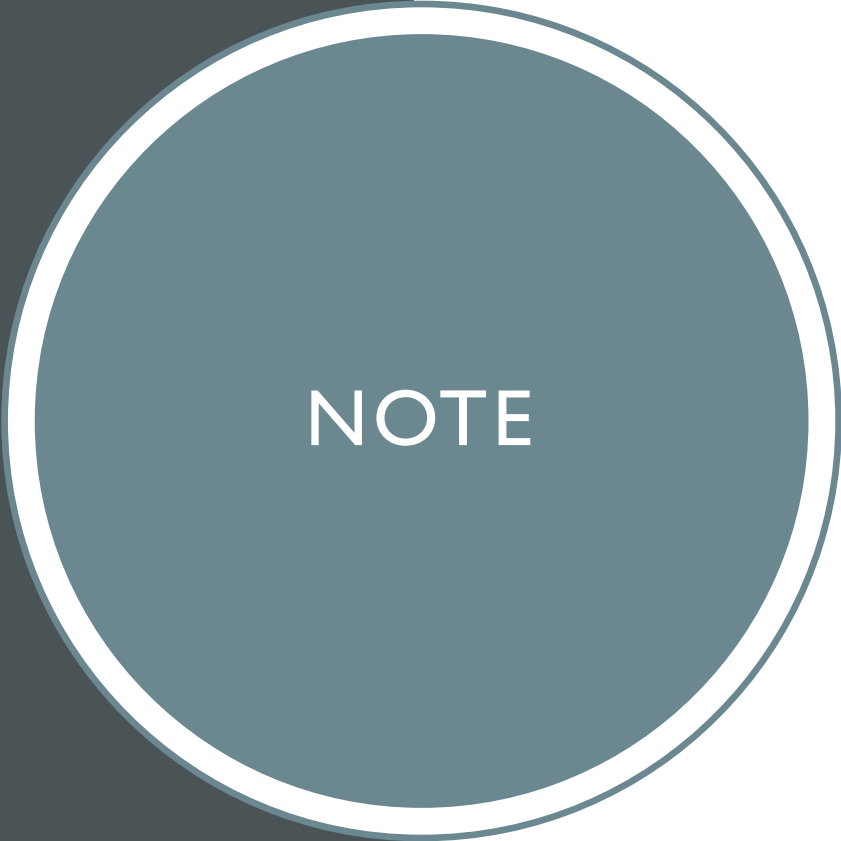
BRINKS/EVERGREEN CASHFLOW

- 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 “control” 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
- Yours will be proven “right” in _____, but there might be wrong decisions from theirs
- A story of how I solved the problem once

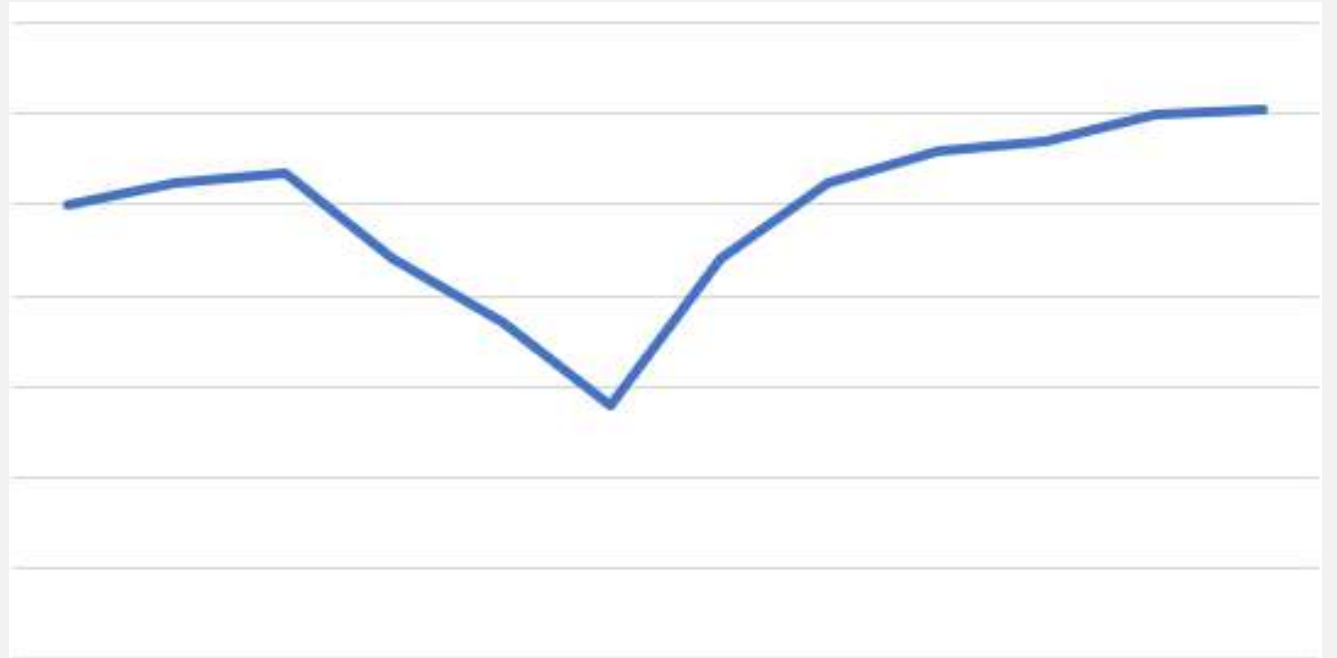


ASIDE: PRE-EMPTIVE MEASURES

- Seeing a crisis from afar via cashflow forecasting

WHAT TO MONITOR

- I do at least a rolling 12 month cash flow
- I monitor the _____
- Your horizon might be different
- In one company, we did a _____ cash flow forecast



NOTE

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

CASH IN

CRISIS – CASH IN

Your best source of cash is your _____

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 who are in a crisis too

_____ their request for a reduction in what they
owe you

Tell them: we will cut prices X%, but keep
buying/paying in this crisis (if you are late paying,
=====..)



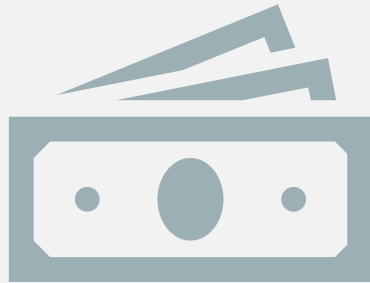
OBVIOUSLY

Collecting A/R faster is a great source of cash

On projects, _____

Use all standard _____practices to achieve this

BE CAREFUL



Your cash is so tight that you call a customer who is 2 days late, i.e. on day 32, with a net 30 invoice



This might _____...

IT HAS BEEN SCIENTIFICALLY PROVEN THAT

- _____ moves faster than _____ to you in the mail
- I know bills and cheques aren't mailed anymore, but you get the idea....





CUSTOMER CASH - COLLECTIONS

- Can you A/R to get cash quicker?

A blurred background image showing a hand holding a pen over a document. The document contains a table with multiple columns and rows of data, including numbers and text. The text "FOR ME ONCE" is overlaid on a dark oval in the center of the image.

FOR ME ONCE

- Our net 60 invoice to a UK customer was only invoiced 12 days ago, I needed the cash, I called a factor company to buy it from us
- They wouldn't do _____factoring, they wanted to factor _____
- Customers would _____
- They wanted a lot of documents and 18% interest

CRISIS – CASH IN

- 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:

www.C2FO.com

Your customer must be set up
with them

Go on their site, and click if you
accept the discount applicabl to
your invoice to get paid (8%for
me), and you get paid
immediately

A background image showing a business meeting. A man in a suit and tie is on the left, and a woman in a dark blazer is on the right, gesturing with her hand. In the foreground, a tablet displays a document with charts and text. A coffee cup is also visible.

RECEIVABLES

Do you have credit insurance for non-payment? (doesn't cover customer disputes)

___annual premium sample, outside Canada only for me with EDC, there are other insurers



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



SUPPOSE YOU FACE THIS AND YOU NEED
MONEY FOR OPERATIONS?

	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 PURCHASING &
SUPPLIERS

A dark, semi-transparent background image showing a group of business professionals in a meeting. They are gathered around a table, looking at documents and using mobile devices. The image is dimly lit, with the focus on the people and their interactions.

EXPENDITURE MANAGEMENT IN CRISIS

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

A white calculator is positioned on a document with a pen resting on it. A black rectangular text box with a white border is overlaid on the calculator's display area.

ZERO-BASED BUDGETING

The original budget for the year is ____!

Everybody's budget is zero 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



You have no obligation to disclose
all your employer's _____to
your suppliers



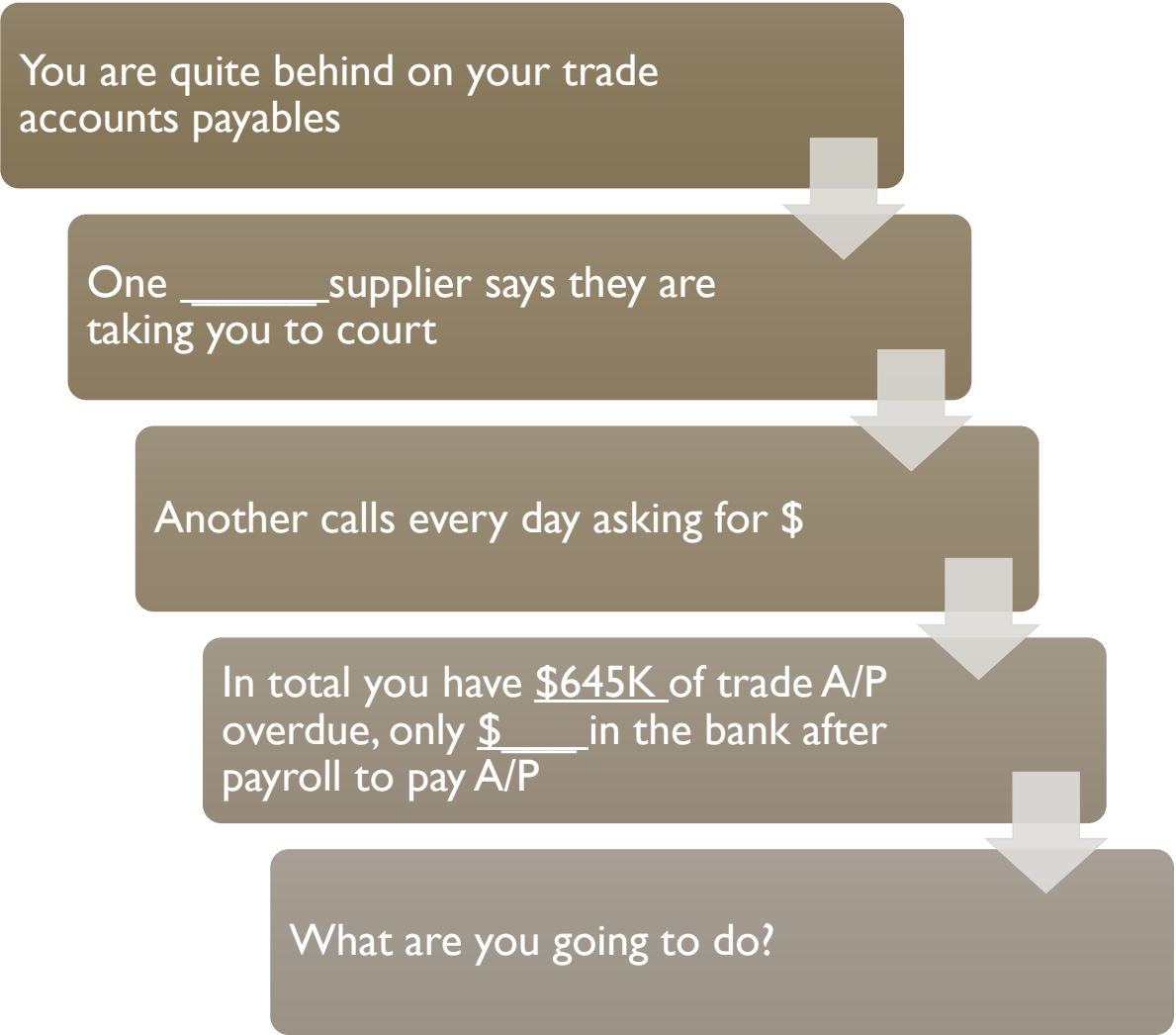
In fact, you have CPA
confidentiality so be careful _____
and employer confidentiality as
well



Having said this _____

SUPPLIERS ARE
PRESSING IN THE
CRISIS

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?

SITUATION

				Accounts Payable		
	Current	1-30	31-60	61-90	> 90	TOTAL
9226-2674 Canada Inc		-	-	13,000		13,000
Trim Landscaping		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 Twins Truck 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>



WHO DO YOU PAY FIRST?

- How do you rank suppliers for payment, type your idea into Chat

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 _____?



NOTE

If things are really tight at your company,
pay for this course with shares!

Terms: 1.5%
off if pay in
10 days,
other wise
net 30

You are
paying 1.5%
for ___ days

Annualized
interest rate
of return
___%

But this is
==

DISCOUNTS

NOTE

- In real life, overdue interest is usually _____, I have surveyed accountants, and most don't end up paying it, even though it shows up on statements



LANDLORDS

- Are landlords a critical supplier?
- Most would say “of course”
- I would say, “ ”
- “Look we have fallen on hard times, but the economy is bad, I know you could ”
- Also, ask to draw down



REMEMBER

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

A hand holding a pencil is positioned over a document. The document features a table with multiple columns and rows of data, including numerical values and symbols. The background is a soft-focus image of a person's face, suggesting a professional or academic setting.

YES, IT IS

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

MORE WAYS TO ANALYZE PAYABLES

- Can you call them and ask for a X% cut, and you will pay right away (easier with small businesses, so easy to get approved, there will be delays in bureaucratic organizations)?



SOME LINES...

“We are hurting right now

We know you are probably
hurting (if you think they are)

We need to work together for
mutual benefit, we want to
work with you in the long run
(if true), so let's _____



SUPPLIERS

Also where applicable:

“we saw your
(business/industry) has been
given relief from ____, by
____ share some of this relief
with us....”

POST-DATED CHEQUES

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

A sample of a post-dated check from Jane Doe to Smith Properties, Inc. for \$100,000.23, dated Dec. 11, 2017. The check is from Top Notch Bank and includes a MICR line at the bottom.

JANE DOE 8103
12345 Merry Lane
Anytown, NY 12345

Dec. 11, 2017
Date

Pay to the *Smith Properties, Inc.* \$ *100,000.23*
Order of

One hundred thousand and 23/100 Dollars

TNB TOP NOTCH BANK
9876 Dollar Blvd.
Cash Town, MS 78945

For *Gallery Purchase* *Jane Doe*

1234567895466 1122112211766 8103
TRANSIT ROUTING NUMBER ACCOUNT NUMBER

6021*340

CHARITIES NOTE



Suppose a supplier is not a critical but a major donor to the charity → _____



Suppliers may be nicer to you than a business in financial trouble, "we are trying to _____"

TRICKY AREA

- Be careful when signing credit forms with suppliers
- Sometimes in the small print, 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: _____
- _____

THIS REMINDS ME

- In some countries years ago, people who couldn't pay their debts were put in a “debtor's prison”
- I distinctly remember visiting this “debtor's prison” as a 10 year old in York, England, not too far from where my Dad grew up



SUPPLIERS YOU CAN'T
PAY ARE CALLING

SUPPLIERS YOU CAN'T PAY ARE CALLING

_____ the phone or emails (senior person)

Don't _____ or fail to meet your new
_____ (Rule 205 ethics)

(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 PAYMENTS

From the course **How to Cheat Your
Way Through Cash Difficulties**



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 _____
- Only a few suppliers in my entire career didn't get fully paid out – but it was after my time, due to owner decisions, not a bankruptcy, **and it still** ____....

BANKS IN A CRISIS

DEALING WITH BANKS AND OTHER LENDERS IN A CRISIS

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

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 _____)



BANKER JOKE

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

The banker said “no”

The accountant asked, “_____”

The banker said “___”

The accountant said, “_____”



YOUR BANK/LENDER MAY BE
SQUEEZING YOU RIGHT NOW...

BANKS – BIG PICTURE



Their _____ look at regions and sectors as a whole and make broad decisions, and this may impact you



They are sometimes _____ about sectors, for various reasons, which could include tariff impacts



Then they make decisions about clients in the sector as well as from _____)

Three piggy banks of increasing size (white, blue, pink) are lined up on a green background. A dark grey rectangular box with a white border is overlaid on the middle piggy bank, containing the text 'FIRST THING'.

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) _____

b) _____

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), less statutory prior claims under the Bankruptcy and Insolvency Act (BIA)
- 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>April 30</u>		<u>Margin</u>
Marginable A/R	854,204	75%	640,653
Marginable inventory	500,142	50%	250,071
	<u>1,354,346</u>		<u>890,724</u>

- At the end of May, it is:

	<u>May 31</u>		<u>Margin</u>
Marginable A/R	1,020,333	75%	765,250
Marginable inventory	754,222	50%	377,111
	<u>1,774,555</u>		<u>1,142,361</u>

- You _____

MARGINING RECEIVABLES & INVENTORY

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

	<u>April 30</u>		<u>Margin</u>
Marginable A/R	854,204	75%	640,653
Marginable inventory	<u>500,142</u>	50%	<u>250,071</u>
	1,354,346		890,724

- At the end of May, it is.

	<u>May 31</u>		<u>Margin</u>
Marginable A/R	504,222	75%	378,167
Marginable inventory	<u>454,722</u>	50%	<u>227,361</u>
	958,944		605,528

- You _____

MARGINING RECEIVABLES & INVENTORY

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

	<u>May 14</u>		<u>Margin</u>
Marginable A/R	1,144,556	75%	858,417
Marginable inventory	433,344	50%	216,672
	<u>1,577,900</u>		<u>1,075,089</u>

- Then you _____

MARGINING RECEIVABLES & INVENTORY

- Also, try to get a _____ increase in margin calculations, I have heard of _____ on inventory, instead of the typical 50%

DEALING WITH BANKS AND LENDERS - OFFENSIVE

Can you add some credit facilities or loans now, to help you get through times if it gets worse?

*Dale (to All - Entire Audience): 12:49 PM:
When things were "good" I had set up many credit facilities with our banking partners. As these are undrawn when things went sour, I have access to funds that are already set up. I have a close relationship with the bank and treat them closer as a partner.*

Know exactly what you want and put together your well thought out submission package – key question, **do you have enough**_____

THEY WANT TO CALL YOUR LOAN



DO THEY HAVE THE
STRICT _____ UNDER
THE AGREEMENT
(LIKELY YES)



HOW MANY DAYS
BEFORE YOU HAVE TO



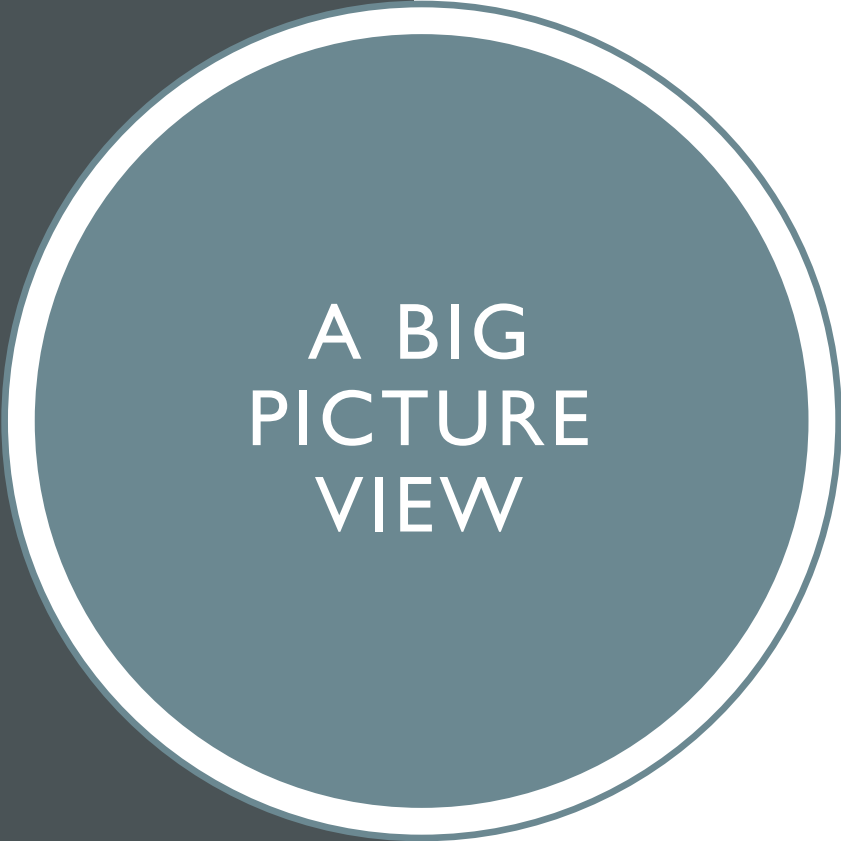
ASK FOR AN _____



GET FULL OR PARTIAL
_____ FROM ANOTHER
INSTITUTION OR
SOURCE



WILL THEY
ACCEPT _____ PAYMENT
AND THEN A PLAN?



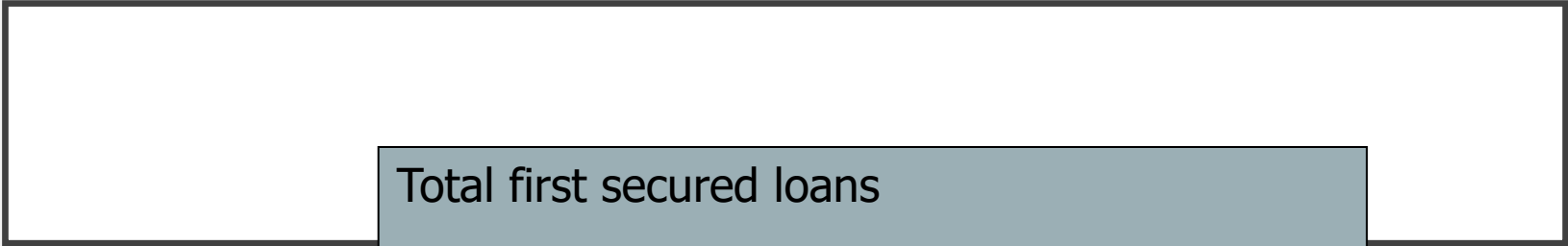
A BIG PICTURE VIEW

- 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?



NEGOTIATING WITH SECURED CREDITORS

- “We can’t pay you and we believe the business would produce at best \$__M 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 _____”



Total first secured loans



Liquidation value

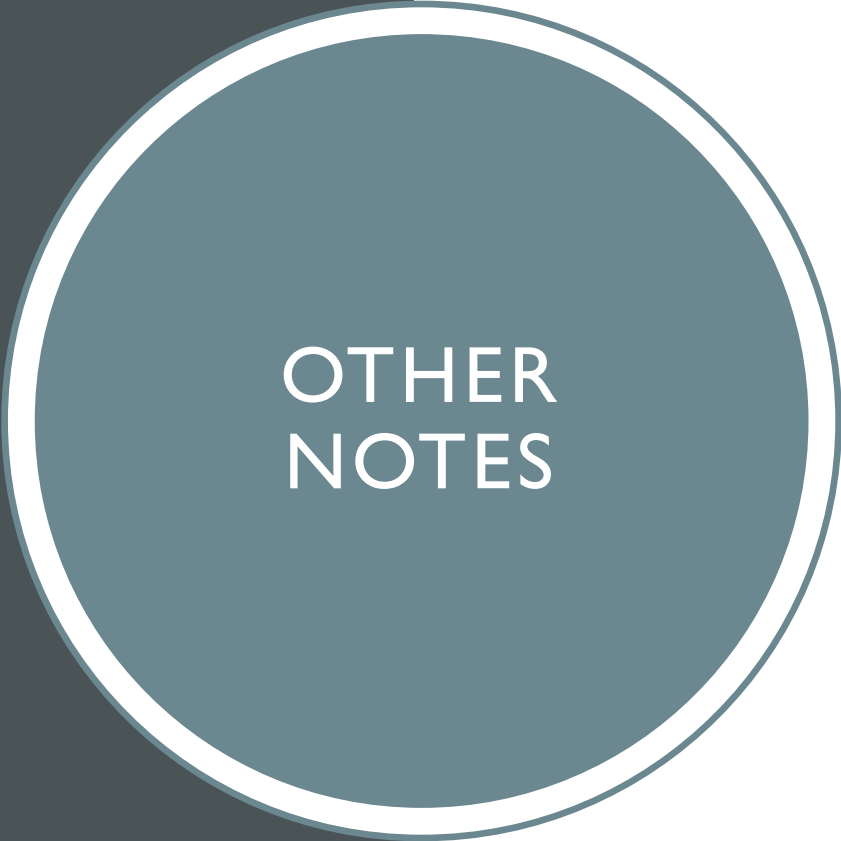


PERSONAL GUARANTEES

- A huge issue in small business

PERSONAL GUARANTEES

- A huge issue in small business
- (I have 12 ideas to _____ them in new financing agreements in another course)
- 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
- Consider threatening to _____ in the media/to politicians, “my bank is being mean to our business, jobs for Canadians are at stake!”
- Seek legal and insolvency advice

DEALING WITH
BANKS IN A CRISIS
- DEFENSIVE

“The borrower is _____” (Proverb)

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

Problem	Solution - Us	Solution - Bank	Notes
Need \$150K more operating facility by June 1	Since partly for export to Europe, we are requesting EDC help	Can we margin inventory at more than 50%	Inventory has 45% average margin
Need deferral on May 31 30 term loan payment \$74K	We can pay June 10	Grant deferral	
Current ratio covenant may be offside at next 2 month ends	Shareholder cash injection might be able eliminate first one	Is waiver possible for 2 nd , only offside a little	
Need to margin new German A/R	Getting credit insurance		90% margin with credit insurance

DON'T
FORGET
FINANCIAL
REPORTING
IMPACTS OF
YOUR CRISIS

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

They usually have
the right to call all
your loans due to
covenant violations

COVENANT VIOLATIONS

GET AHEAD ON COVENANT VIOLATIONS

- You see one coming
- Check if you have a “ ” clause

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

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”

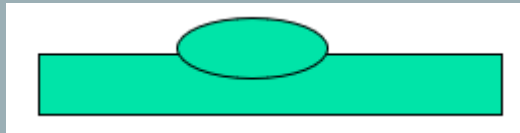
“Now, we have decided to send a ____ in to check your situation weekly, the monitor will be ____, oh yes, and you are paying...”

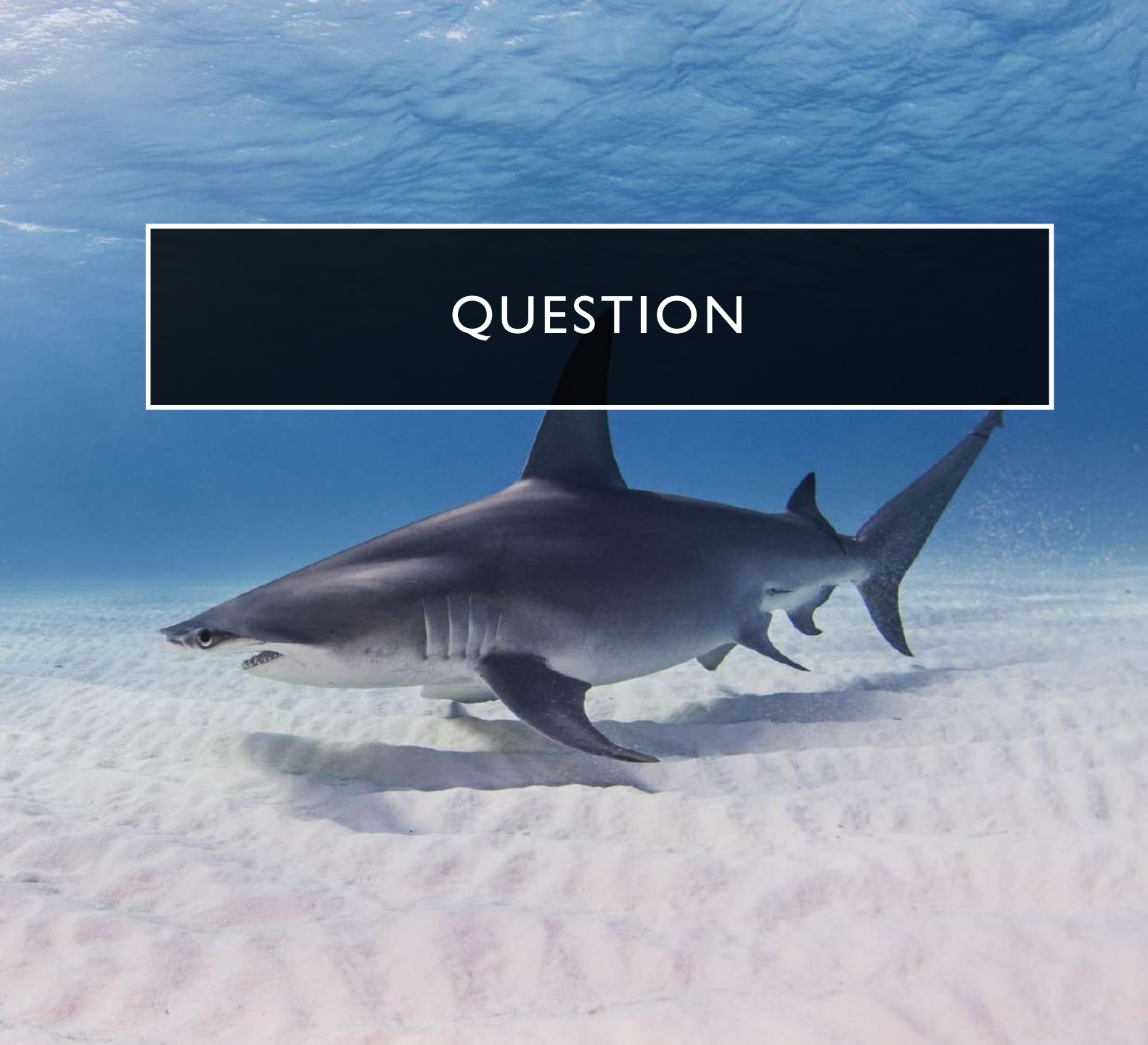
Our loans were likely now with the _____ loans dept of the bank

NEGOTIATIONS

Ask for a principal _____

Ask for a temporary loan _____ if there is no _____



A large shark, likely a Great White, is swimming horizontally over a sandy ocean floor. The water is clear and blue, and the sand is light-colored with some ripples. The shark's shadow is cast onto the sand below it.

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 you problems

A BANKER TOOK
THIS COURSE – HIS
COMMENTS

EDC HELP

- Loan guarantees
- BDC co-lending
- Advance payment insurance
- Foreign exchange facility guarantee
- Performance security guarantee
- Credit insurance already discussed

EDC

- Has always defined exporting quite loosely
- In the past with me, your product will be used on _____ in Canada, sure that is exporting

ANOTHER EXAMPLE

- Question: “Company services oil well equipment, oil is exported, can EDC helps this Canadian company?”
- EDC answer: “based on what you said yes the company is an _____ exporter and yes we can help”



This government niche lender has a role in the markets

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 _____

NOTE

- I have over 110 tips on negotiating good bank deals up front including **personal guarantees**, in my course **Sharpen Your Business Loan Negotiating Skills**, a 2 hour video course
- I also have half an hour of different tips on negotiating with banks, with about a 5 minute overlap with this course, in my 7 hour course **Practical Tips for Controllers & CFOs** , which covers many other topics

PEOPLE COSTS

PEOPLE COSTS

- A huge cost for most of us, so it must be reduced in a crisis
- 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?

- The recent hire
- They annoy you
- They will get another job easily...
- You personally hired them
- They tell everybody they have enough \$ to retire
- Laid off the last three times

A woman with curly hair, wearing a grey business suit, is talking on a white mobile phone and holding a tablet. She is standing in front of a light-colored brick wall.

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

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 it. We have ____ of costs, mostly payroll, so something has to be done about reducing payroll...”
- Better ____ people unemployed than ____





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 !

(I also once took a
cut to

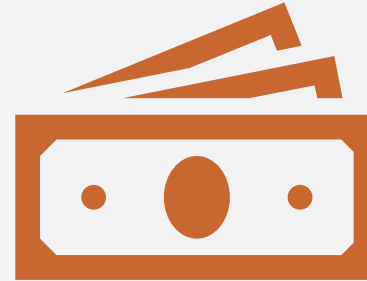
ONE KIND CEO'S
PLANNED
STATEMENT AT
BEGINNING OF
2008-09
ECONOMIC CRISIS
TO EMPLOYEES

- “I have seen companies destroy their value by terminating people, spend too much doing it, demoralize and over-work the remaining people so I am promising a no layoff commitment to you all during this crisis, to give you security”
- I(we) managed to persuade the CEO _____

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 → _____

NOTE

- The appetite for wanting to work through things with the employer depends a lot on:
- How happy the employees were to work for you before
- Their alternative employment prospects, considering location, for the skills they have

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



Increase working _____ to
drive more revenue (some
businesses), without increasing
pay



Stop or delay RRSP matching is
_____ by the employer

OTHER LESS
PAINFUL IDEAS

A brown dog is lying down on a wet, reflective floor, looking down with a sad expression. To its right is a stack of three burgers. A semi-transparent text box is overlaid on the dog's face.

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)

INDIVIDUAL NUMBERS NEEDED

- Current _____ cost
- _____ you need them
- what they would get on _____
- 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

TEMP LAYOFF, QUICK SUMMARY, GET LEGAL ADVICE

- Most have variations/complications but generally:

Province	Length max	Notes
Manitoba	8 weeks in 16 weeks	
Quebec	6 months	
Ontario	13 weeks in 20 weeks	35 in 52 weeks if keep benefits
Alberta	120 days	Changed in March 2020
BC	13 weeks in 20 weeks	Must be in contract, or <u>ind</u> practice
Saskatchewan	6 days	
Newfoundland	13 weeks in 20 weeks	
New Brunswick	6 days	
Nova Scotia	6 days	
PEI	6 days	
Federally regulated	Less than 3 months	
Yukon	13 weeks in 20 weeks	
NWT	45 days in 60 days	
Nunavut	45 days in 60 days	

WATCH OUT

If you never, ever intend to bring them back,
temp layoff is not the way to go



I have heard of a _____ where a company
was sued successfully for doing this to avoid
termination compensation, and had to pay it



This is not the same as you don't mind if they
_____...

IDEA

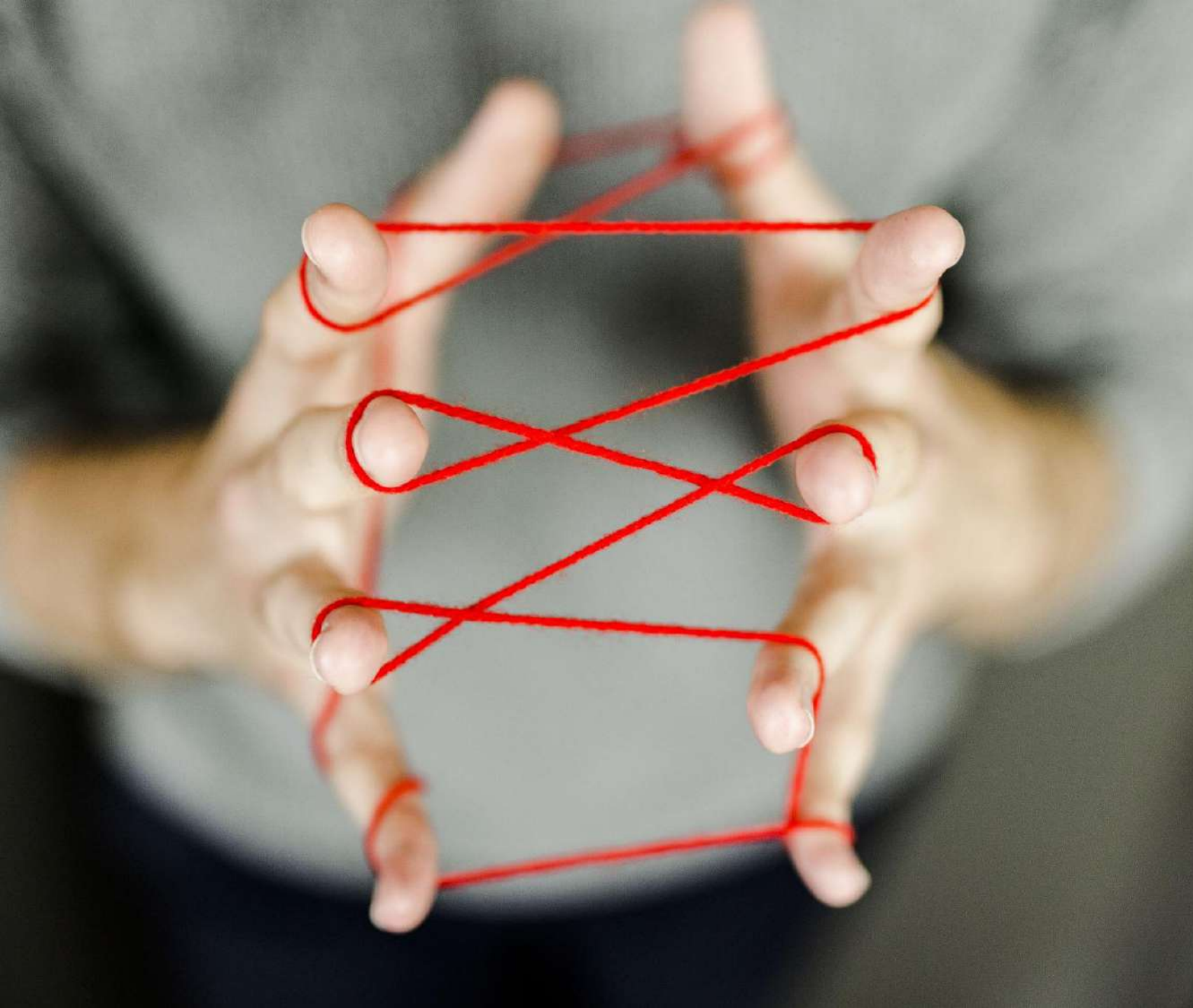
Max hours before lay-off, so EI is richer....

TERMINATING PEOPLE

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



“I DON’T KNOW HOW WE ARE GOING TO _____”



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 PROGRAM - FEDERAL

- Cut hours across the board in a “work unit” doing similar work, but EI can still partially top them up
- Must be approved 10 days before you start by the federal government they can be slow
- must be involved
- Can be difficult to

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 \$695/week, \$36,140 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 _____

A large white 3D percentage sign is positioned in the center of the frame against a vibrant red background. A dark, horizontally-oriented oval with a thin white border is superimposed over the upper part of the sign, containing the word "ANNOUNCEMENT" in white, uppercase, sans-serif font. The sign and oval are reflected on a light-colored surface at the bottom of the image.

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:

CUT PEOPLE'S PAY FOR A TIME



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%)

A BONUS EXAMPLE

- You will be in line to get a
-
- Pool = Pre-tax income 2026 fiscal year - \$1.5 million (to a max of \$800,000)
 - Pool will be split between employees with the company at June 30, 2026, based on pay cuts during 2025



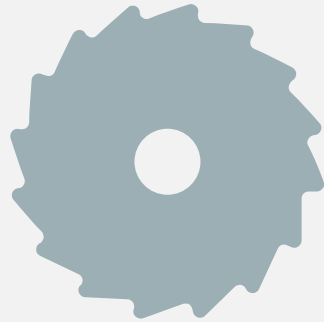
RESULT

- Pool = \$2.74 million pre-tax income 2026 fiscal year - \$1.5 million (to a max of \$800,000)
- Therefore, pool is \$800,000
- 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, 2025, and Q4 sales are at least _____
- Both bonuses _____
- No need to pay if business _____

A REAL CASE I HEARD OF



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



Result: _____...

REMIND THEM

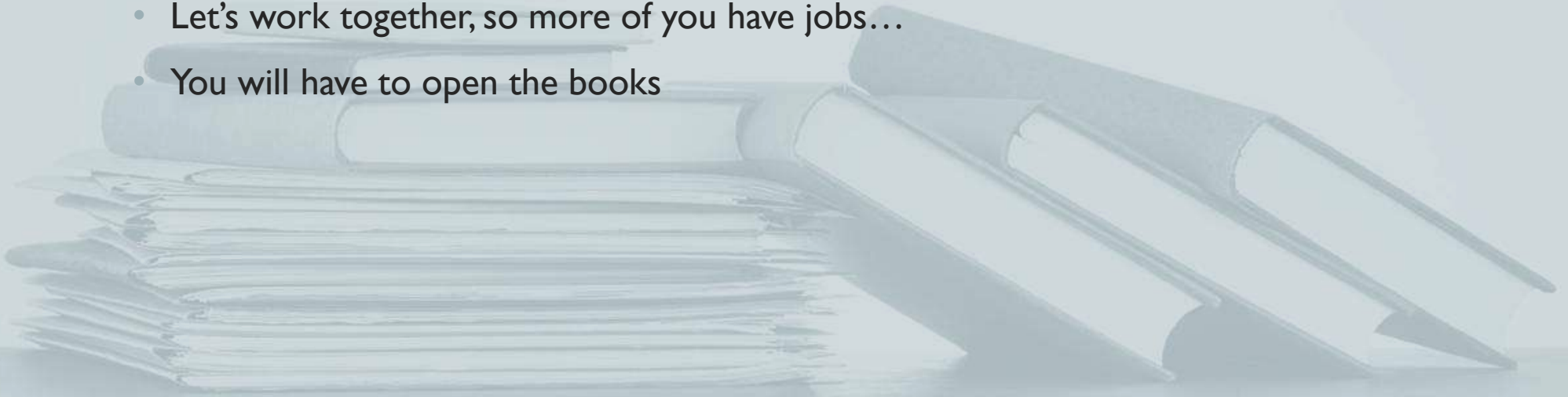
- If their salary is cut, soften the blow for them, with your tax knowledge
- 50% pay cut example
- Wait, your take home pay is not _____ (graduated income tax rates)
- Eg \$60K income, monthly take home goes from \$_____ to \$_____, only a ____% drop

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 cut in half (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 _____
- Let's work together, so more of you have jobs...
- You will have to open the books



WATCH OUT

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

TERMINATING PEOPLE

- How not to do it – one of my employers, I was not directly involved
- Firm needed to lay off several admin personnel on Friday
- On Monday, the list _____



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



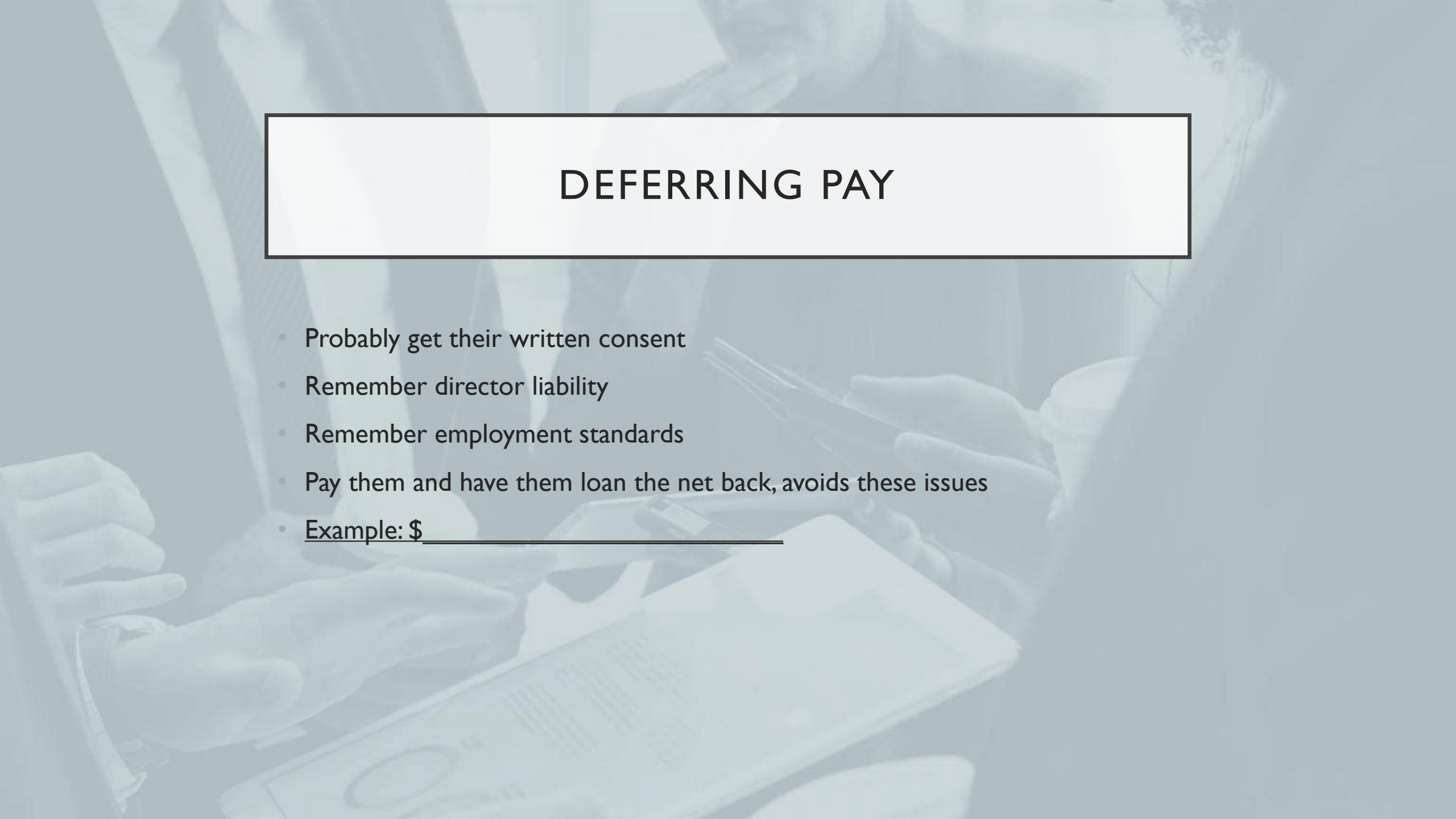
Tricky area: negative tax
implications if shares are
sold for less in the future

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 _____

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 the net back, avoids these issues
- Example: \$

A GUY WHO WAS
WILLING TO DEFER
HIS PAY TO HELP

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



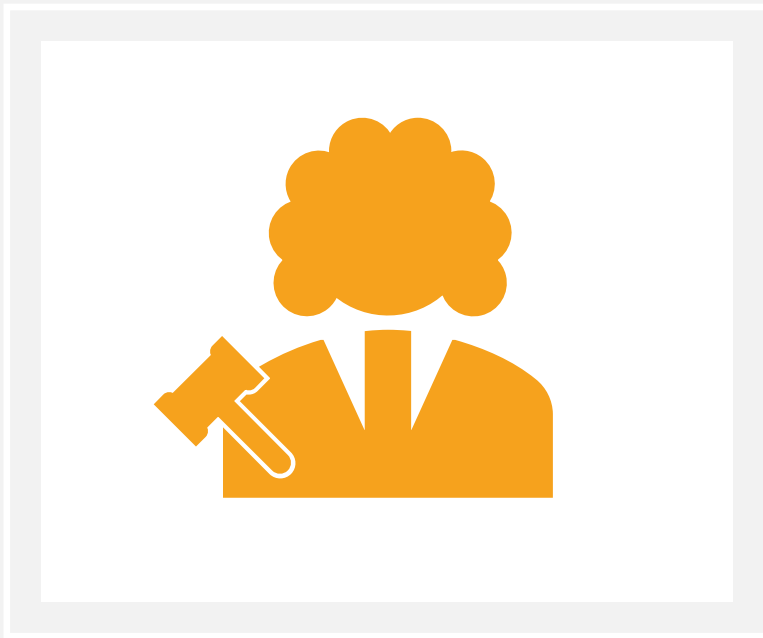
- Make it all easier by offering a _____ seminar
- Obviously, must be taught by a financially responsible accountant (you)
- Teach them how to track expenses and have a budget if they don't
- Re-finance debt with lower rates
- Tell them to reach out to you if in crisis, answer personal tax questions,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



IN THE DOWNSIZING SITUATION

- As opposed to the temporary problem, it is basically all permanent layoffs, a simpler, but not easy process, with less options and variables as dealing with a temporary crisis

NOTE



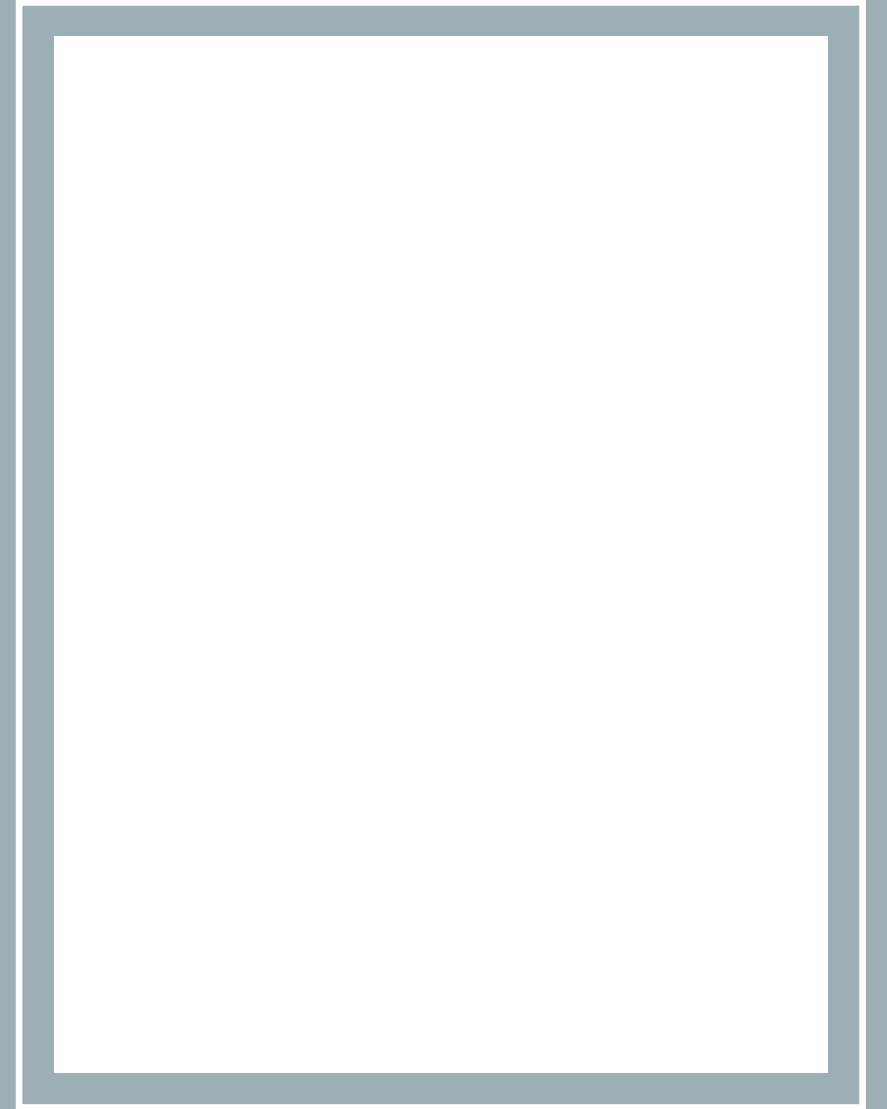
- Implement all this carefully with very good, HR, employment law and tax advice and some heart



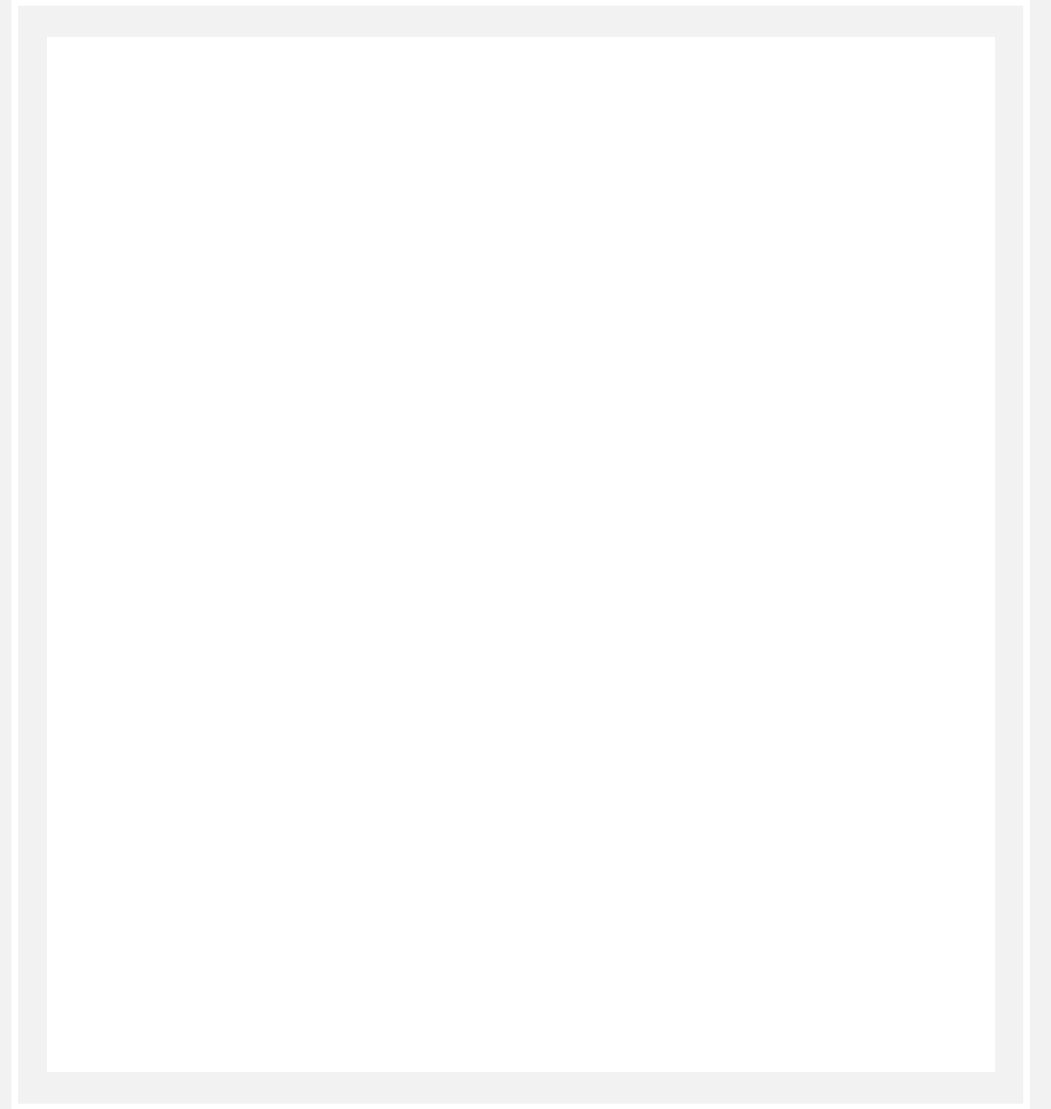
EMERGENCY FINANCING SOURCES

EMERGENCY FINANCING SOURCES

Buy _____ in the name of the company!



OR GET _____ LOANS





EMERGENCY FINANCING SOURCES

I heard of a small business owner who got 28_____for emergency financing!...

OBVIOUSLY

- Beg _____ for help, that is all levels
- Helps if you are big and strategic of course, think _____
- Governments are constrained by huge debt expansion in recent years

EMERGENCY FINANCING SOURCES

- Only borrow if it makes sense, if there is hope, for bridging, for a specific purpose



- Today trouble

Key payment

EMERGENCY FINANCING SOURCES

- You will generally pay ____ for emergency financing sources....
- There are boutique high risk ____ for this
- They will obviously be behind the bank _____

THE ACTUAL OFFER

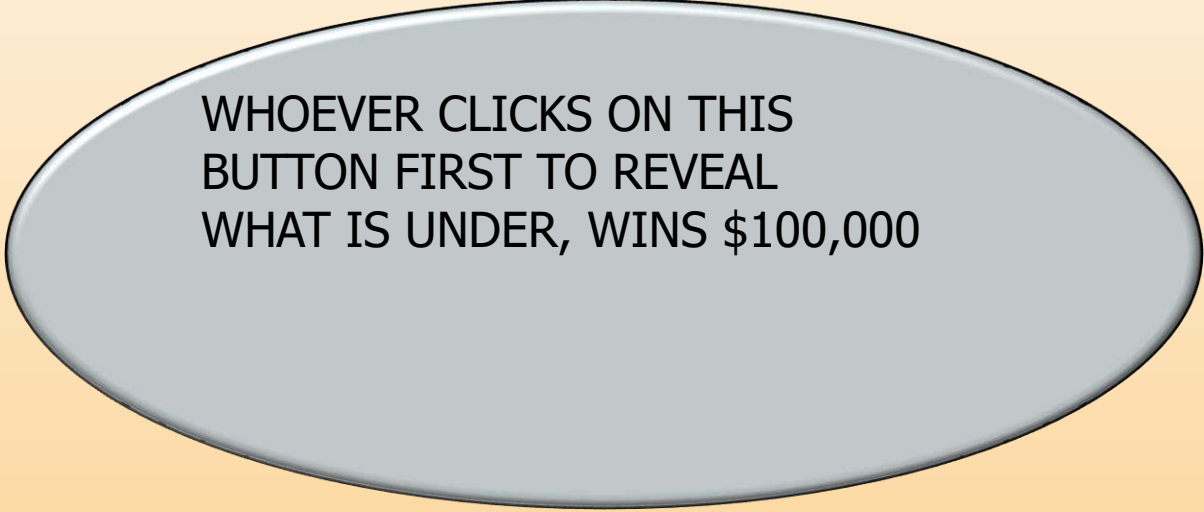
- ___ nominal rate, with commitment and other fees,
_____ effective rate, partly due to 90 day time frame
- We did not take it
- Note: _____ is a criminal offence in Canada, at ____
(Section 347, Criminal Code)

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 _____!



WHOEVER CLICKS ON THIS
BUTTON FIRST TO REVEAL
WHAT IS UNDER, WINS \$100,000



EMERGENCY FINANCING SOURCES

- Talk to your existing _____

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

EMERGENCY FINANCING SOURCES

- Liquidate any excess assets
- Ask employees for _____
- Look for a strategic _____

RELEASE HIDDEN EQUITY



Sell anything that is not _____



This includes _____



If you still need it, _____



Example: company sells its six trucks for \$210,000,



Darcy Gonci (Private): 4:57 PM: sale - leasebacks

LIQUIDATE BUSINESS UNITS

- Use proceeds for operations, or to pay down debt



SMILE

- A professional ice sculptor filed for bankruptcy...
- They will have to _____ his assets

EMERGENCY FINANCING SOURCES

- Ask employees for _____
- Look for a strategic _____



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

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 shares ____ EI!
- Loans so there is no LTD _____
- Accountant got CEO treatment _____once solved a 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)



SPECIAL CLASS OF PREFERRED SHARES

- Bear dividends, cumulative at a reasonable rate, say 5%
- Are redeemable by the company in the next three years
- Convert to common at a favourable rate in say three years
- (Another possibility - increasing redemption prices or dividend rates 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 _____

SALES & MARKETING
MUST GET OUTSIDE
THE BOX

- Unusual _____
- Special _____ and combinations of goods and services
- Mail-in _____ (hopefully low take up rate...)



A first secured lender is pressing us



An existing shareholder _____



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 _____ for the company)

OUTSIDE THE
BOX

pay
formula employees
for new employees
(how about this for
all government
employees!)



New roles for
groups, eg HR not
busy, you now
have to do

PEOPLE IDEAS

A close-up photograph of a hand holding a set of keys. The keys are dark and have a silver-colored ring. The background is a blurred interior of a home, showing a lamp, a plant, and some furniture. A dark rectangular box with a white border is overlaid on the image, containing the word 'MORE' in white capital letters.

MORE

If you have not already, cut
_____ costs by working at
home



The crisis could propel some thinking that might really improve your business



There have been some great temporary ones, eg from distilling alcoholic beverages to _____



But maybe permanently re-invent the business for the better

DON'T BE AFRAID TO
TURN THINGS
AROUND, RE-INVENT
THE BUSINESS



DON'T BE
AFRAID TO
TURN THINGS
AROUND, RE-
INVENT THE
BUSINESS

- Example: you manufacture and sell some equipment, then you _____



MY BUSINESS - SUREWX

Was selling this equipment



And changed to...

During COVID-19

OBVIOUSLY, I
HAD TO RE-
INVENT MY
SPEAKING
BUSINESS

RESTAURANT RE- INVENTION DURING COVID-19



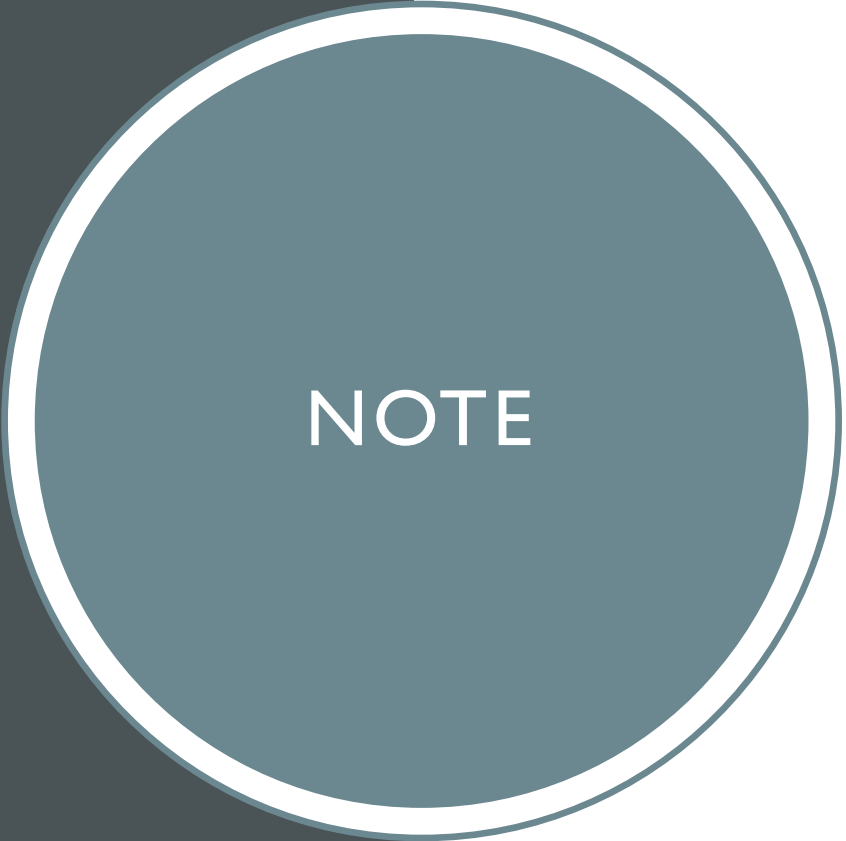
Simple: _____



More creative: can't open, long-term purchase contracts, _____



High-end steak-house, _____



NOTE

- I try to re-invent things, example !



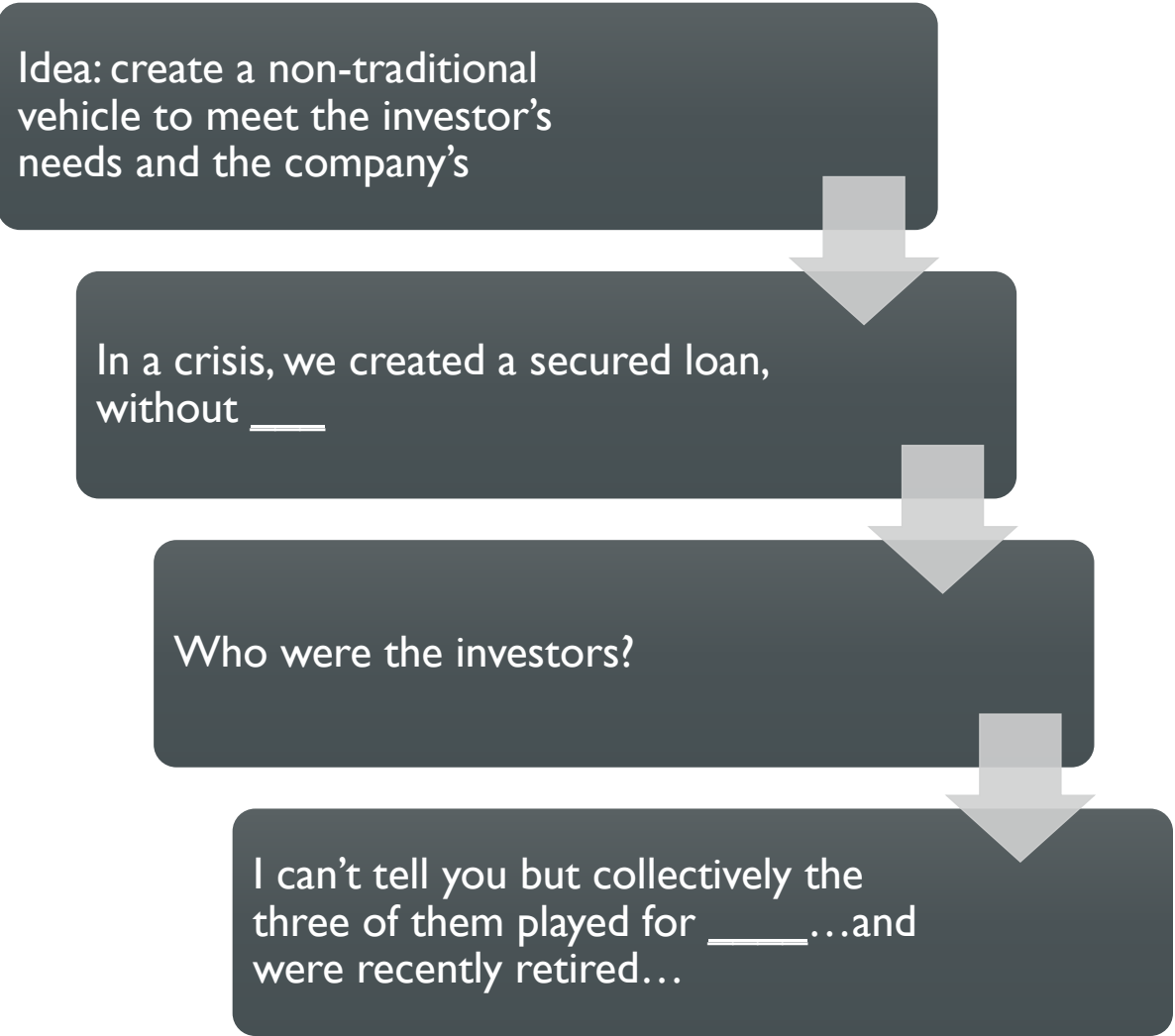
Another of my employers was strictly in electronic engineering design services, then decided to _____



Sell _____, and have them back on contract to do work for you (trucks, cleaning)

DON'T BE AFRAID TO
TURN THINGS
AROUND, RE-INVENT
THE BUSINESS

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 ____

Who were the investors?

I can't tell you but collectively the three of them played for ____...and were recently retired...

OUTSIDE THE
BOX FINANCING

MISCELLANEOUS SMALL TIPS



Return inventory to supplier,
regardless of re-stocking charge
– effectively a _____ cost



Slash inventory levels – _____
sales



See if you can get back any
_____ on anything, perhaps with
a penalty

A LOT OF
MISCELLANEOUS
TIPS



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

CUT ALL THE SMALL
THINGS YOU WERE
THINKING OF CUTTING,
BUT DELAYED

ALL COSTS UNDER
THE MICROSCOPE IN
A PUBLIC COMPANY





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)

A hand holding a pencil is writing on a tax form. The background is blurred, showing stacks of money. A black box with white text is overlaid on the image.

TAX IDEAS

Government owes you \$? Beg

MORE IDEAS

_____ freeze (or
CEO must
approve only well-
justified _____)



Cancel
_____ courses...!

A background image showing a business meeting. In the foreground, a person's hand is pointing at a tablet displaying a document with charts and text. Another person is holding a smartphone. In the background, a man in a suit and a woman in a blazer are engaged in conversation. The scene is set in a modern office with large windows.

MISCELLANEOUS TIPS

Cancel/defer _____ expenditures, even if there are penalties or lost deposits

_____are gone, cell phones, parking

You become a _____(part-time) to help drive revenues

Trim the _____ plan (drop _____ 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
SUGGESTION _____)





PAYROLL TIPS

- Move payroll _____(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 _____



INTERESTING IDEA

- We will let you buy more _____ through current salary
- Buy \$3K _____ to use later
- Employer saves \$3K in pay now, but will have to pay it out later, a deferral is provided
- Could provide a multiplier, buy \$3.5K of _____ for \$3K to incent it

MORE IDEAS?

- I have about 30 minutes of general cost-saving tips in my 7 hour course **Practical Tips for Controllers & CFOs**, which covers many other topics, it is my biggest seller

LET'S TALK ABOUT OUR STRESS

STRESS-LINKED?

Business

Lufthansa Says CFO Svensson Resigns for Health Reasons

By [Christoph Rauwald](#)

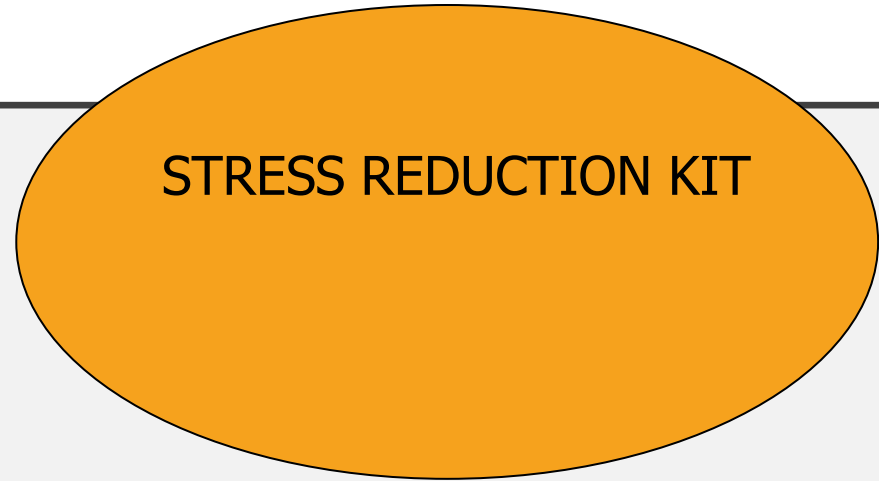
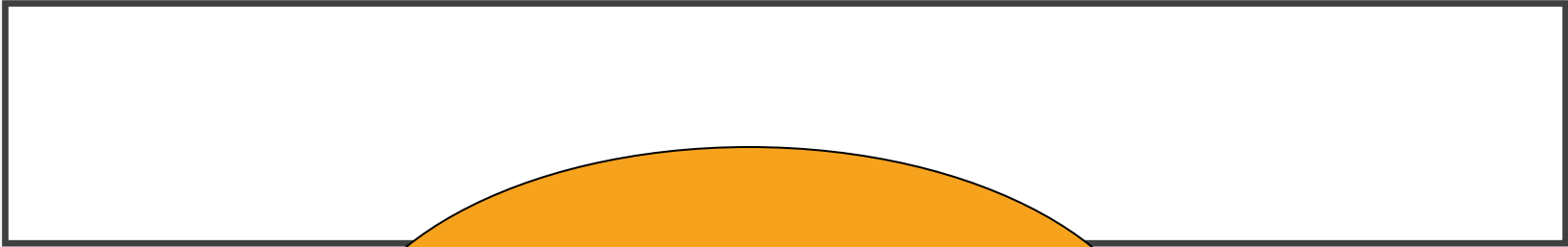
[LISTEN TO ARTICLE](#)

Lufthansa AG said its Chief Financial Officer Ulrik Svensson has resigned for health reasons.

 LIVE ON BLOOMBERG

[Watch Live TV >](#)

Bloom
Television



STRESS REDUCTION KIT

- 1. PLACE KIT ON HARD SURFACE**
- 2. BANG HEAD ON CIRCLE**
- 3. REPEAT STEPS AS NECESSARY OR UNTIL UNCONSCIOUS**
- 4. IF UNCONSCIOUS, CEASE STRESS REDUCTION ACTIVITY**

A top-down view of a wooden desk. In the top left, a silver calculator sits on a spiral-bound notebook. To its right is a white mug filled with dark coffee. Below the calculator are a pair of black-rimmed glasses. In the center, several sheets of paper with financial charts and tables are spread out. A black pen lies on one of the papers. A semi-transparent dark rectangle with the word 'STRESS' in white is overlaid on the papers.

STRESS

These stresses diminish some other stresses

Personal financial stress is less, if you are careful with your finances, which has other advantages

DO YOU HAVE ANY GOOD STRESS
MANAGEMENT TIPS?



STRESS MANAGEMENT FOR YOU

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

CONCLUSIONS

YOU MAY HAVE A
QUESTION FOR ME



- Are all the companies you work for in _____?
- _____

SUCCESSSES AND FAILURES - PERSONAL

- I have written off \$_____, obtained for salary during crises from two different former employers
- But I get large _____ from crisis shares I received for salary or bought, also sold some of these shares for large profit to a public company – partial buy out



CONCLUSIONS

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



WANT AD

Wanted

An accountant who has been through a cash crisis, and doesn't want to go through another one

Responsibilities:

- Perform monthly, quarterly and annual account reconciliations
- General ledger reconciliations
- Inventory management
- Assistance with the preparation of financial statements
- Complete financial analysis
- Coordination and completion of annual audits
- Reviewing and maintaining internal controls and related documents

Compensation:

\$190,000.00 to \$210,000.00

CONCLUSIONS

- Best wishes in your cash crisis, if you are in one
- An opportunity to learn a lot
- I would love to meet you one day and hear this course helped you get through...



OTHER COURSES

- I have many other courses, on diverse topics, and the feedback is that they are very practical help CPAs at work, and are engaging and funny, check them out



OTHER COURSES

- A lot of this course was about negotiating
- Consider also my 4 hour course **Practical Financial Negotiation Tips**, no overlap with this course
- I have many other courses, on diverse topics, and the feedback is that they are very practical help CPAs at work, and are engaging and funny, check them out

CLOSING COMMENTS

- Was the course boring?
- Please complete seminar evaluations/review where applicable
- The completed slides start at the next page in the course material
- You can do LinkedIn with me
- Thanks for listening, you can write the Quiz now

PRACTICAL
PD

PRACTICAL TIPS TO GET THROUGH CASH DIFFICULTIES

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA

President

Practical PD, Courses For Accountants

spriddle@bell.net

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PRACTICAL
PD

INTRODUCTION

- We are glad you are taking this course
- 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 want you to see me
- The bad and the good ...

Inside organizations
Advising organizations

INTRODUCTION

- There are lots of blanks _____ to make the delivery more interesting...
- I have included some past webinar chats in italics for “participation”
- Don’t take everything I say too seriously

WATCH THIS ANY WAY YOU WANT



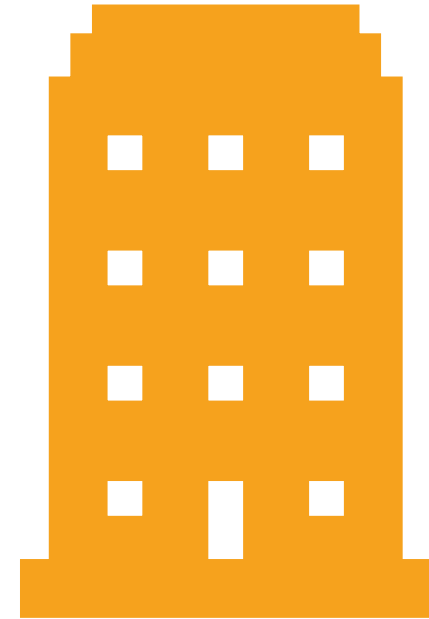


COURSE BACKGROUND

- I have created many practical courses for accountants which over 34,000 have taken and I saw a need for this one
- The **tips apply** to any cash difficulties situation, at any time or for any reason (**tariffs**, commodity price, product life cycle, competition, bad management, regulation changes, technology impact, and more...)

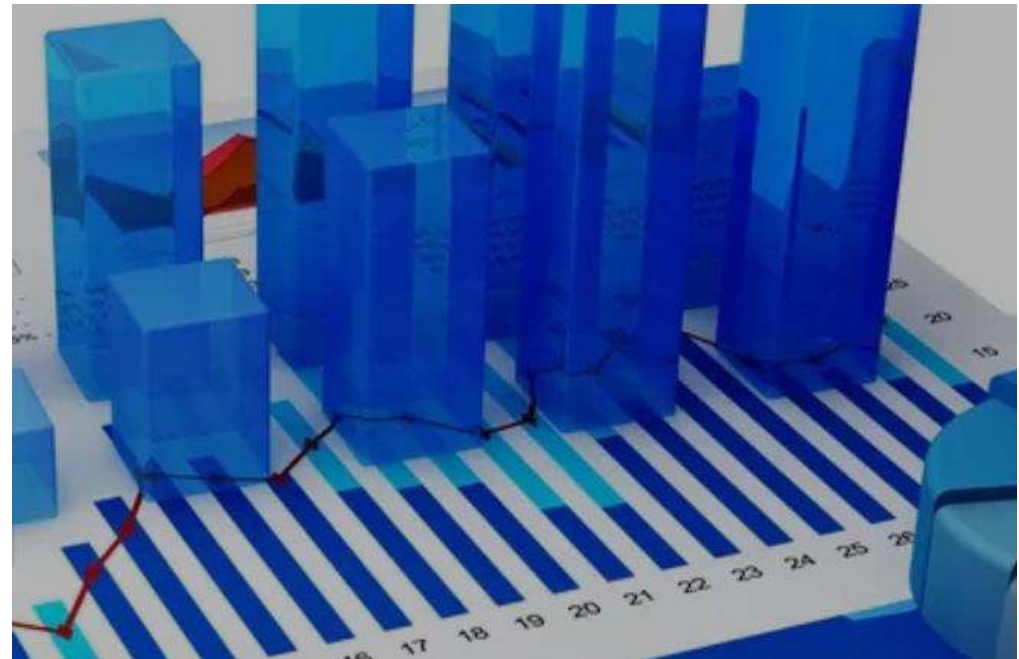
MY BACKGROUND

- KPMG 5 years, then a large corporation for 5 years
- Medium-size corporations since then
- Corporate CFO 28 of the last 29 years
- Have always taught on the side: university, CPA/CA/CMA/CGA licensing, PD, college & more



CURRENTLY

- VP Finance & CFO
- Fidus Analytics Inc, a fintech company



ALSO

- Secretary, Director & co-owner
- SureWx group - aviation weather systems, SAAS business
- Was the CFO for nearly 12 years
- You have benefited, unless you never fly in the winter



I HAVE BEEN AUTHORIZING 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
- Most of you have actually written these cases



WHERE AM I?

I am at home in
Ottawa, 9 km from





COURSE OBJECTIVES

- To give you a wide range of tips to deal with getting through a cash crisis
- To remind you about ethics, in the context of tight cash

WARNINGS!

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



Can stress cause hair loss?

Answer From [Daniel K. Hall-Flavin, M.D.](#)

Yes, stress and hair loss can be related.





LET'S GET
TO KNOW
EACH
OTHER....

- I do a few surveys in the webinar, I will share some results relevant to you



HAVE YOU
EVER BEEN
IN A SEVERE
CASH
CRISIS?

- Only about 20% of accountants have been through a severe cash crisis



HAVE YOU
EVER HAD
YOUR PAY
CUT?

- About 30% of accountants have
- We will talk about this in the course



COURSE ROADMAP

Introduction

The overall approach

Ethics in the crisis

Cash flow forecasting

Cash in

Dealing with suppliers

Banks & other lenders



COURSE ROADMAP

Employees

Other financing options

Outside the box ideas

Miscellaneous tips

Personal advice

Conclusions

LET'S SET EXPECTATIONS

- I don't have the "solution" for your cash difficulties
- There may be no overall/single solution, but lots of big and small steps to take

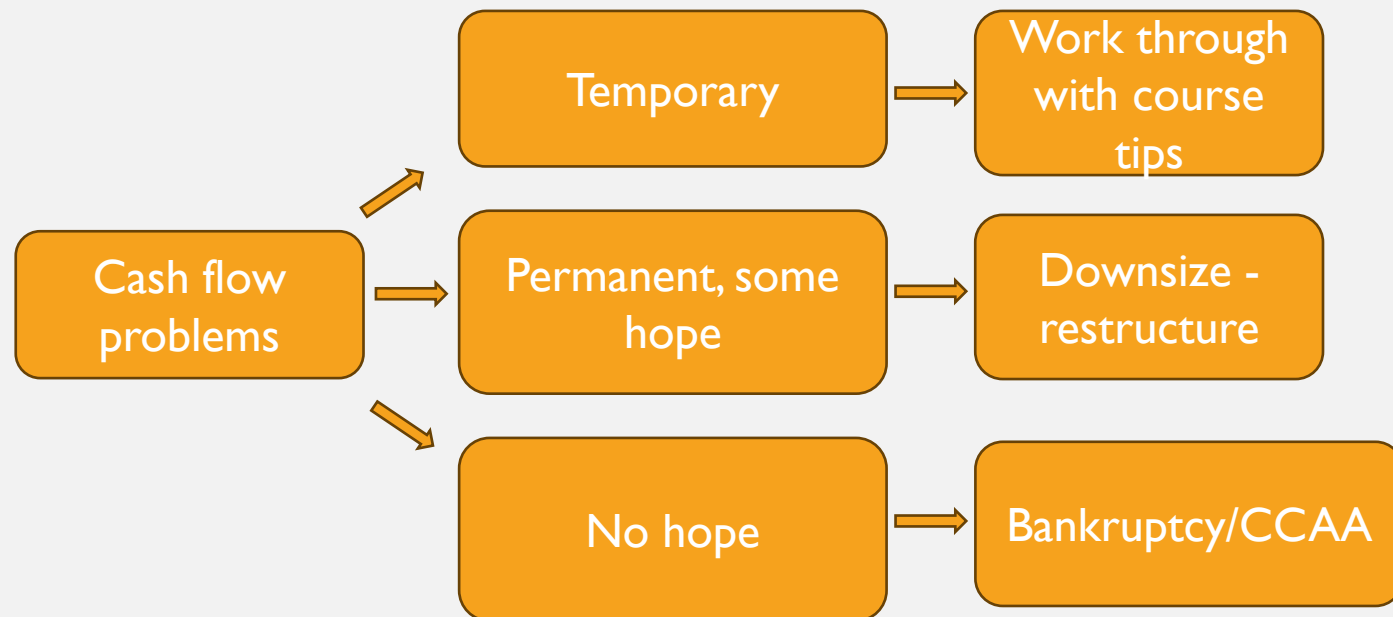


BIG PICTURE

- If you are having cash problems, and you diagnose that these are temporary and not too long, you survive using tips from this course and hopefully get through and may have to trim the business some, permanently
- If you are having cash problems, and you diagnose that they will be long-lasting or permanent, but survivable with downsizing/restructuring, you do the latter
- If you are having cash problems, and you diagnose that the problems are not survivable in the current situation, you....
- See the decision-tree, next slides to portray this



A DECISION-TREE



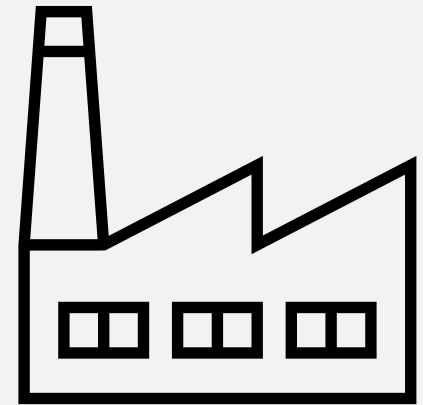
OF COURSE

The diagnosis of which situation your organization is in, can be very difficult



DOWNSIZING/RESTRUCTURING

- Specific downsizing/restructuring steps for your business or organization are very particular to your situation, so they can't really be erered in this course
- Obviously, they involve reduction in capacity, plant and office closure, permanent layoff of people, pruning unprofitable product lines, overhead reduction and more





THE THIRD SITUATION

- If your organization just cannot meet your liabilities, even with major restructuring, downsizing, debt deferrals, negotiations and reductions, and many are taking you to court, or large secured creditors are pressing:
- Bankruptcy, CCAA, may need to be considered and you need to talk to a Licensed Insolvency Trustee (LIT)

ANOTHER WAY OF SAYING THIS

- Is this a temporary or permanent problem – is the business riding a dead horse, or is it just starving or sick? If the latter, you are a financial/business doctor with training from this course and you



WHAT DO MANY ORG'S DO WITH THE DEAD HORSE?



Say things like "This is the way we have always ridden this horse"



Hire consultants to advise the dead horse



Ask for donations of more dead horses (charities)



Arrange to visit other companies to see how they ride dead horses



If all else fails, appoint a committee to study the dead horse!

THE DEAD HORSE PROBLEM – EXTRA FUNNIES!

- Buy a stronger whip
- Hire contractors to ride the dead horse
- Harness several dead horses together for increased speed
- Purchase a product to make dead horses run faster
- Raffle the dead horse off
- If all else fails, promote the dead horse to a senior management position



THE ONLY REAL OPTION



THE ONLY REAL OPTION

Bankruptcy,
CCAA

IN THIS CONTEXT

- Do you know your organization/business break-even revenue level?
- Not so simple for some



Do you want to be around
during
bankruptcy/receivership?



Should you then abandon
ship and find another job, if
you can?



PERSONAL
COMMENTS

PERSONAL



I have avoided a later receivership by quitting once, and I am glad I did



I am glad I stuck with some other companies,
back to prosperity, more on that later



And you have other, better options



And they want you to stay



It might be time to ask for retention bonus and turnaround success bonuses....(I never have)

IF YOU THINK
YOU SHOULD
ABANDON SHIP

JOKE - STORY

- The CEO of MCI was given a 24 million dollar bonus for leading the company out of bankruptcy...
- Someday he hopes to make as much as the guy who led them into bankruptcy (as Worldcom)

WorldCom Files for Record Bankruptcy

By JAMES S. GRANELLI and ELIZABETH DOUGLASS

TIMES STAFF WRITERS

WorldCom Inc., the nation's second-largest long-distance company, crumpled into bankruptcy late Sunday, brought down by massive debt, a shortage of cash and an accounting scandal that rocked investor confidence.

The Clinton, Miss.-based telecommunications giant listed \$104 billion in assets in its filing for reorganization under federal bankruptcy laws, making it the largest such case in history. It dwarfs December's Chapter 11 filing by Houston energy trader

BANKRUPTCY NOTE

- By the way, your owner(s) may be able to buy the business back this way, after bankruptcy....

LET'S SET EXPECTATIONS

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





With three different companies,
I have sought the advice of an
LIT, during cash crises



Licensed Insolvency Trustee
(LIT) (formerly called Trustees in
Bankruptcy)



A veteran LIT has attended a
version of this course...and
praised the content

PERSONAL
EXPERIENCE



YOU ALL
COME
FROM
DIFFERENT
PLACES...

- Foreign subs, public companies, owner-managed businesses....
- Different sizes, billions, millions, thousands
- Different industries
- Projects, goods, services, large receipts, many small receipts...
- Different financing agreements & suppliers
- Different degrees of financial stress
- Some can issue shares, some can't
- So keep this mind, not all will apply to all...

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
large in donations for most
charities...



Government funded NPOs
often get squeezed by
governments, short of cash

I TOOK A
ONE HOUR
BIG FOUR
FIRM
COURSE ON
THIS TOPIC

- All theory and MBA buzz words
- The content was centred around:
Strategize/Mobilize/Energize
- Great tips like: “check if there is a bank account that you might forgotten about...”

NOTE

How things work, will be impacted if you had a plan for possible lean times before they hit

I strongly advise this for all organizations in another course

Conservatism in business sometimes pays off....



COMMENTS

12:23:00 From Faranak to Everyone: If some of the nonsense cost would be cut before crises it would be great. I find it Marketing always spends without a budget and they are first to get eliminated.

12:23:06 From Awani to Everyone: Good idea, we should have thought of that before

WHERE DOES THE CONTENT COME FROM?



My experience! (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 issues, COVID (I wish I had taken this course when I was young!)



In different contexts: Gov't owned, public, private: family-owned, foreign-owned, VC funded



As well as a consultant, paid or not, advising businesses/organizations in financial crisis

BANKRUPT?

- I have never gone bankrupt (personal or corporate)

16. The conduct of a chartered professional accountant who makes an assignment of property or against whom a receiving order is made under the Bankruptcy and Insolvency Act (R.S.C. 1985, c. B-3) is deemed to be derogatory to the dignity of the profession. The same applies when an entity of which the chartered professional accountant is the sole director or the principal shareholder makes an assignment of property or when a receiving order is made against it under the Bankruptcy and Insolvency Act.

CPA
Quebec

• ASIDE, SUPPOSE YOU
GO BANKRUPT



A SHORT ASIDE ON
SOMETHING THAT MIGHT
DRIVE CASH PROBLEMS

US TARIFFS

- This topic is dynamic and changing, and different for every business, so this discussion will be very general
- No tips for dealing with tariffs were promised in this course, just tips on dealing with cash problems, but a few notes are here
- In a recent webinar on an unrelated topic, 38% of CPAs believed US tariffs would significantly impact their employer, and 38% said slightly impacted



I CAN'T
RESIST SOME
ECONOMIC
POINTS ON
TARIFFS

- My Dad and one brother are economists
- Canada-US tariffs have a long history, this is not the first time either way
- Economics tells us everything is optimized when all parties buy from the cheapest/best source
- Tariffs protect weak industries from international competition
- Tariffs also heavily penalize the US buyers for a time, although they add government revenue

I CAN'T
RESIST SOME
ECONOMIC
POINTS ON
TARIFFS

- It may take years for a protected industry to grow, eg building factories to fabricate autos in the US, which were previously built in Canada, so a very slow payoff
- Tariffs could possibly trigger some kind of recession in Canada
- I am concerned about a downgrade in Canadian government credit ratings, will further cause problems for the country

US TARIFFS IMPACT

- Tariffs in your sector may not be definitive and could change, which is part of the problem, huge uncertainty
- Do you trim the business, because of the threat, or do you hold on until things are clearer?
- A difficult management judgement

NEW US TARIFFS CAN:

- Reduce or eliminate your sales to US customers
- Cost you more on inputs if there are countervailing tariffs by Canada
- Hurt you indirectly, by hurting your Canadian customers, who will buy less from you
- Which may result in **cash flow difficulties**

UNCLEAR

- The difficulties may be temporary or permanent, or may be just about 4 years, but again this may not be clear
- If they are permanent, you adjust or downsize permanently
- This is very organization specific, it is not temporary measures, can't really be taught in a course

TARIFFS

- Customers, suppliers employees, etc, will likely know or guess if your crisis is due to tariffs

**YOU NEED TO FIND WAYS TO
DEAL WITH TARIFFS**



SMUGGLING

- Is **NOT** the answer

YOU NEED TO FIND WAYS TO DEAL WITH TARIFFS

- This is beyond the scope of this course
- But I will mention a few ideas
- Find more Canadian and other foreign customers
- Relocate production to the US
- Find out how much of tariffs you eat versus your customer for optimal results, easier if lower (10% versus 25%)
- Ship early to customers before tariffs come into effect

YOU NEED TO FIND WAYS TO DEAL WITH TARIFFS

- Move inventory to the US, before the tariffs hit
- Move sales around
- Example a co sells Canadian production to the US, and sells US production to non-US foreigners
- Change to Canada sells to non-US foreigners and US sells to US customers
- I know of a company that did this

FORCE MAJEURE, RISK AND OPPORTUNITY

- Many contracts have “force majeure” clauses
- Definition: *“a provision in a contract that excuses a party from not performing its contractual obligations that becomes impossible or impracticable, due to an event or effect that the parties could not have anticipated or controlled.”*
- Source: www.definitions.uslegal.com

FORCE MAJEURE, RISK AND OPPORTUNITY

- Risk: your customers/suppliers use the tariffs and the force majeure clause to exit contracts or not perform, depending on the wording
- Opportunity: you might be able to use the clause to help your business re some contracts
- Example: Getting out of leases/contracts
- Talk to your lawyer

It is too early to say what the courts will rule re tariffs and Force Majeure if they are not mentioned in the clause

OPPORTUNITY

- Cash flow problems in your industry and related industries due to tariffs, may represent a buy opportunity for you and indeed others

REMEMBER

- Government programs that help those heavily impacted by US tariffs
- You will need to carefully assess these and apply for them, if useful, honestly, we will be talking about ethics soon

EDC Trade Impact Program

We're deploying \$5 billion in capacity to support Canadian exporters

Contact us

THE OVERALL APPROACH

YOU NEED THE RIGHT ATTITUDE



In my first cashflow crisis, the CEO's aggressiveness shocked me, but I soon realized it was needed



You may need to be forceful to save the organization



But also compassionate, you need to have a heart

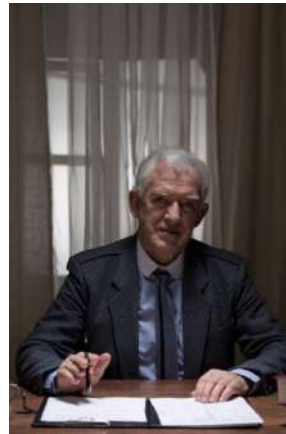




NOTE

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

Think like an owner of the business!



Always a good thing

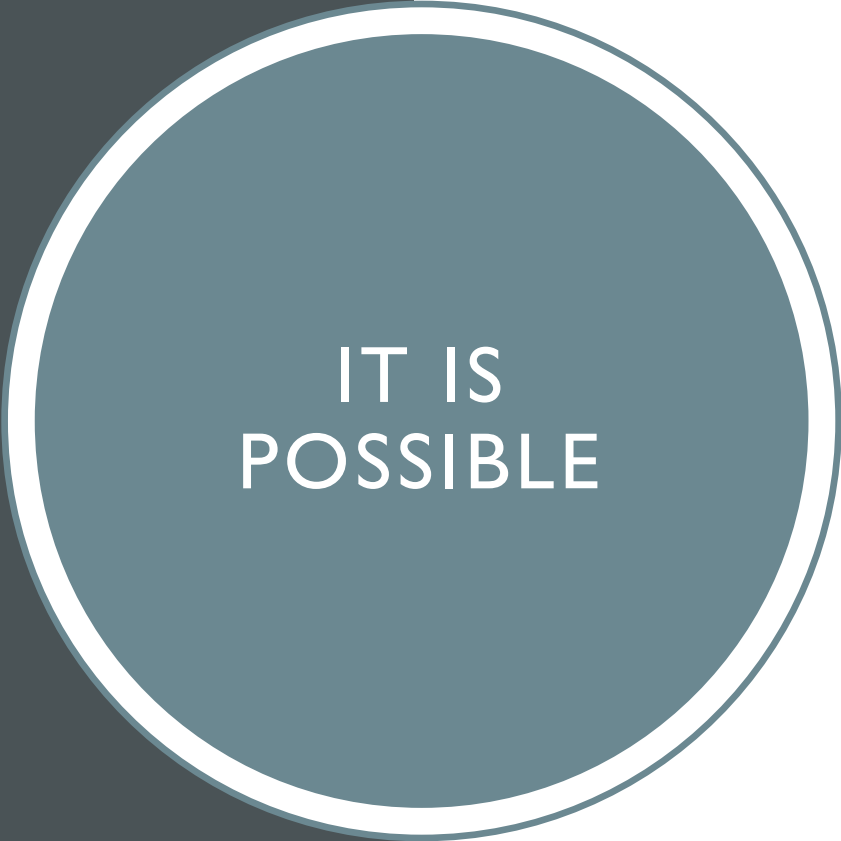
Easier if you personally know the owner!

Some employees get away from this mindset, especially in large or public organizations

REMEMBER TO

NPO/CHARITY ATTITUDE

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



IT IS
POSSIBLE

- They don't believe there is a crisis
- Someone once said to me: “**I was fired because I told them there was a crisis**”
- You need to set out all the current facts and future-oriented information, internal and external, that shows that there is a crisis, if they don't believe you
- Time for senior management to review the **SWOT** of the organization (Strengths, Weaknesses, Opportunities, Threats)

SOMETIMES THERE ARE

- CEOs/owners who want to spend their way out of a crisis – not usually a good idea!



YOU MAY NEED TO BE IN CRISIS MANAGEMENT STYLE

- Focused almost entirely on the immediate and the urgent
- You may want 30, 60 and 90 plans...
- (You can't have this approach in the long run)



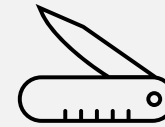
LEADERSHIP

- Finance becomes even more important, gets more respect & power!
- (Makes your job more secure hopefully)
- In larger organizations, a key finance/operations crisis team will be essential
- You need to be creative, get outside the box for solutions, more on this later



CUTS

- You will likely have to trim, cut, chop, saw....
- There is always more fat than you realized before the crisis
- Do you cut gingerly and then have to say, oops, we didn't cut enough, here are more cuts?
- Do you cut too aggressively, and ruin the business/organization??? (short vs long-term)
- Do you cut aggressively and wisely, and then can reverse some cuts?
- Do you trim early, even before the difficult times?



These trimming slides have been deliberately made very austere...

YOU NEED THE RIGHT ADVISORS



HARD-NOSED HR
PERSON/PEOPLE



NOT RECRUITERS, BUT DE-
CRUITERS!



(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 good negotiating advice
- Make sure they don't over-charge you!
- So we need a lawyer joke



A LAWYER JOKE

ADVICE IN THIS AREA

- They often charge too much and not enough accountants manage them properly
- More lawyer jokes, but more importantly 2.25 hours of advice are found in my course **How To Manage Lawyers & Legal Fees**

ETHICS IN A CRISIS



**WE NEED TO TALK ABOUT
ETHICS UP FRONT**

KEY POINTS

If your personal ethics before you became a CPA were very different from CPA ethics, it will be hard to follow CPA ethics (my ethics got reformed at 21... another story)

All CPAs know the rules, but do they have the moral courage to follow them in a crisis

Moral courage is more than just worrying about getting caught

It is about seeking to always do the right thing regardless

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 – **typically about 50%**

YOU STILL NEED ETHICS!

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



TEMPTATION EXAMPLES

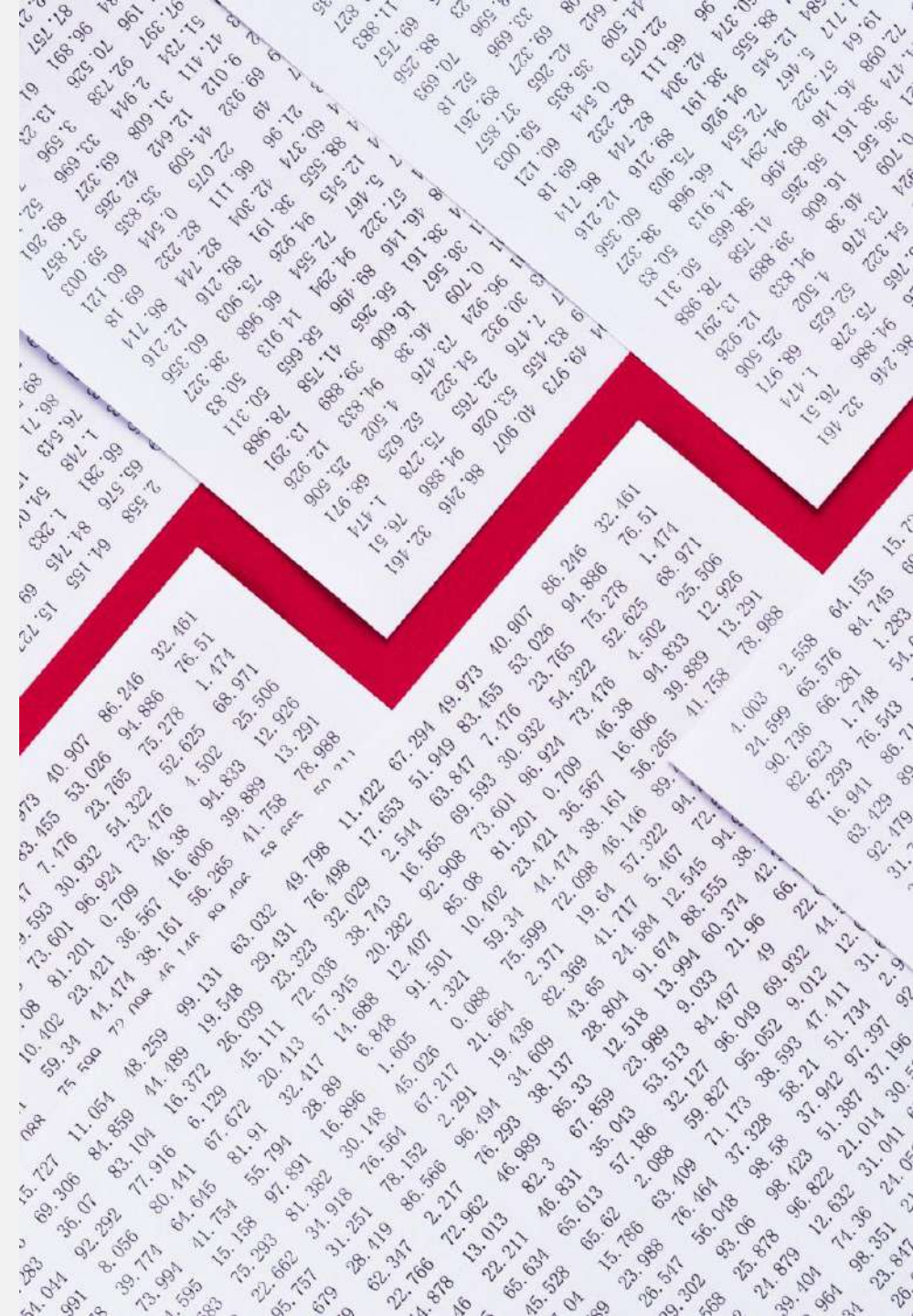
- Information for banks
- Applications to government programs
- Compliance with employment law
- Truth to suppliers
- Amounts held in trust
- Financial reporting
- And more...

RULES OF PROFESSIONAL CONDUCT QUEBEC

26. The CPA must not prepare, produce or sign declarations, letters, certifications, opinions, reports, presentations, financial statements, opinions or any other statement or document, out of convenience or when he knows or should know:

- 1° either that they contain false or misleading information;
- 2° either that they omit or conceal information the omission or concealment of which is likely to induce in error;
- 3° either that they contain information not in compliance with laws, rules of the art or standards applicable.

In the same way, he must not associate himself with such statements or documents.



WHAT ABOUT QUEBEC ORAL?

- Per an email, from a CPA Quebec ethics advisor
- « *the word « oral » is not written in our Code of ethics, this is implicit* »

EXAMPLES

- The old federal program Canada Employment Wage Subsidy (75% of wages..) required that your sales had dropped over certain comparative periods
- It was tempting to mis-state rev's so you qualify
- A US program I saw to help businesses said you must sign that you are a US Citizen and owner of the company, do you just sign to get the \$ if you are not?



I HELP OPEN A CPAS EYES WITH A VIDEO ETHICS COURSE

- “Well have to say that you have opened my eyes in what I thought was ethical (servicing client and **pushing “envelope” with governments**) may not necessarily be”



AN ACTUAL
SITUATION
AN ETHICS
ADVISOR
TOLD ME
ABOUT

- CPA tells creditors at a creditor meeting that “you will all get paid”
- They don’t all get paid and one complains to the CPA body
- Violation: “false and misleading oral statements”





EXAMPLE

- A CPA contacted me after taking this course
- They said they had been pressured to give a supplier's VP Finances a gift card to get extended payment terms
- What do you think of this?
- *13:05:42 From Cathy to Everyone: I am sure the VPF liked it*
- *13:05:42 From Randy to Everyone: Smart*



ANSWER

- This CPA didn't feel good about what they did
- I would say that since the benefit was only to one employee to bias their attitude toward a supplier, away from what is best for their employer, it is sort of bribery, although \$20 versus \$2000 makes a difference
- The VPF' boss would not be happy to hear about this later
- On the other side, if the employee disclosed this to their boss, and ensured they treated this supplier the same, it is probably no problem, but the giver would not know this

A top-down view of a wooden table laden with various food items. In the top left, a pizza with toppings like onions, broccoli, and pickles. Next to it are two burgers with sesame seed buns and lettuce. A pile of golden fries sits in the top center. To the right, another pizza with arugula and tomatoes. In the bottom left, a sandwich with lettuce and tomatoes. In the bottom center, a bowl of ice cream or soft-serve dessert. To the right of that, two donuts, one chocolate-glazed and one pink-glazed with white sprinkles. A knife and fork are also visible on the table.

RELATED

If someone takes you out for lunch in a business context, to curry favour, and your boss knows and you don't bias negatively, that is OK

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 lender
....signatures 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?

A prize for the best answer!

ACTUAL A WRITTEN
QUESTION TO ME ON A
LEGACY ETHICS
COMMITTEE LONG AGO

- “I am a controller. We borrow based on receivables”
- “Invoices are issued prior to actual shipment to obtain funding from the asset-based lender
....signatures 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”

RESPONSES FROM THE PAST

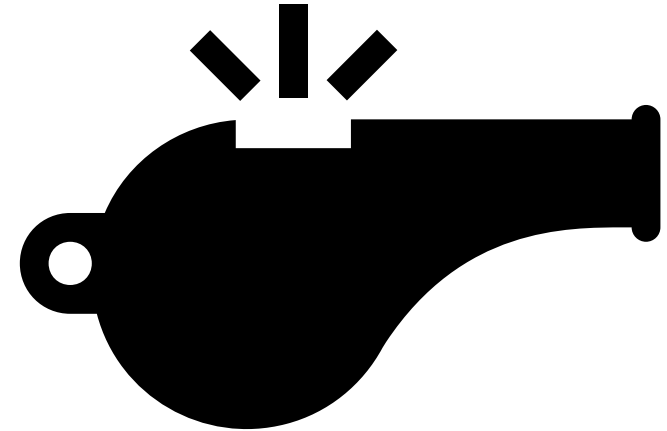
Gord (to All - Entire Audience): 3:30 PM: not worth staying with that company. run, don't walk away!

Tracey (to All - Entire Audience): 12:30 PM: explain the risks to the owners or executive and make sure they understand what could happen to themselves if caught

Paula (to All - Entire Audience): 12:32 PM: This is a ticking time bomb. I would advise the controller to leave any companies that condones forgeries.

SOME CPAS WOULD JUST SAY

- Call the whistleblower line!
- (most organizations, especially smaller ones, don't have such a line...)



ANALYSIS

- Obviously being done because of financial difficulty
- Not acceptable, this is fraud, lots of false/misleading information being put out
- CPA is involved in the fraud, even if not doing it directly (invoices from their accounting system)
- CPA is in likely trouble at least because of “association” part of rule 205/26 Quebec
- I said “you can’t stay ethical there - you actually need to get disciplined ...” – I don’t know what happened...



Stop the fraud today, and then it is ethical to work there



What negotiations/steps could be taken so the finances work without a fraud?

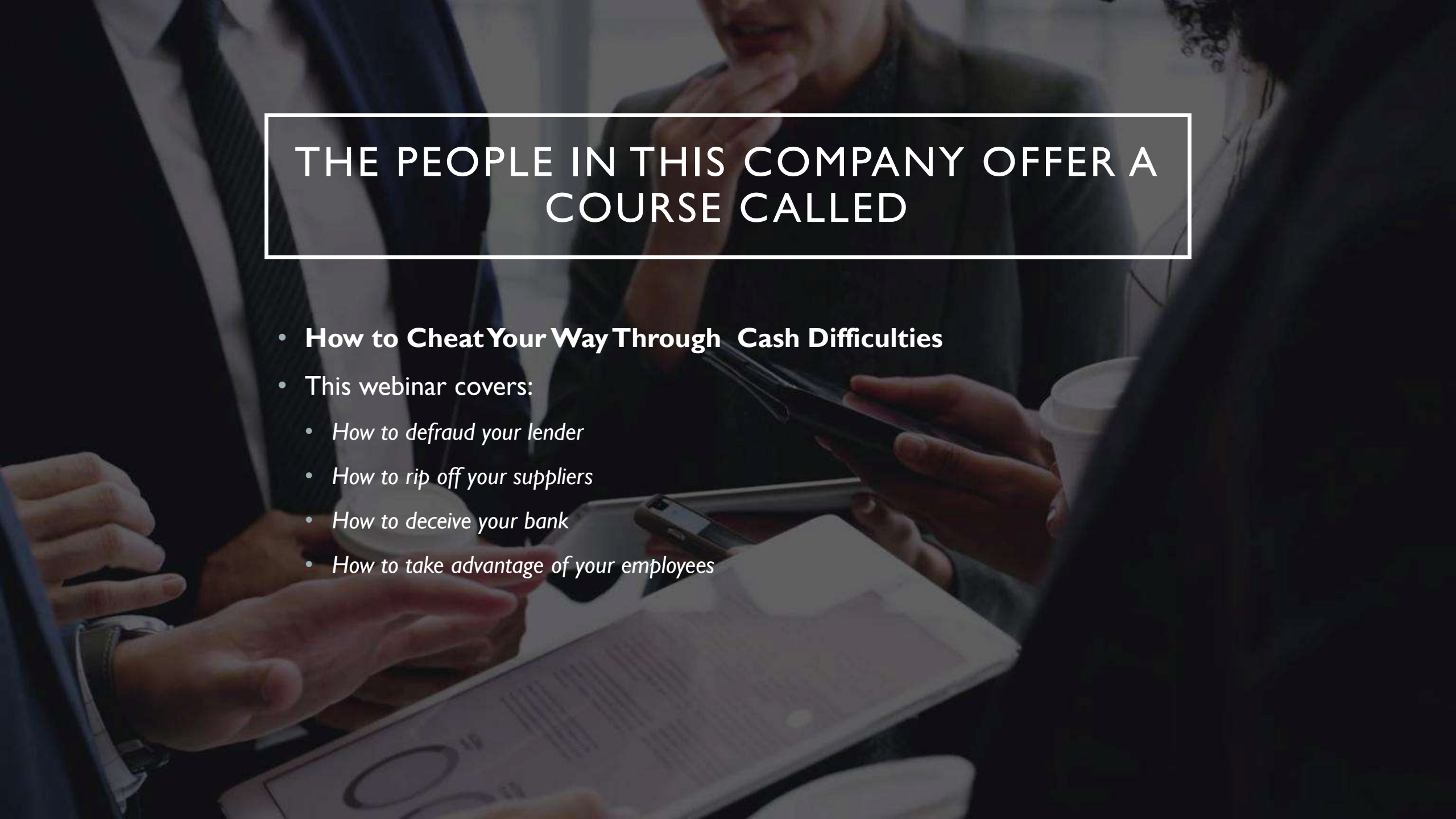


What should be done about telling the lender?revenue recognition may also be wrong



And the other big questions....what else is going on there?...and who is involved?

WE COULD ALSO
DISCUSS...

A dark, semi-transparent background image showing a group of business professionals in an office setting. In the foreground, a person's hand is visible holding a smartphone, and another person's hand is pointing at a tablet displaying a chart. In the background, a woman in a business suit is looking at her phone. The overall tone is professional and serious.

THE PEOPLE IN THIS COMPANY OFFER A COURSE CALLED

- **How to Cheat Your Way Through Cash Difficulties**
- This webinar covers:
 - *How to defraud your lender*
 - *How to rip off your suppliers*
 - *How to deceive your bank*
 - *How to take advantage of your employees*

LESSON 2

I RECENTLY NOTED SOME UNETHICAL BEHAVIOUR DURING ONE OF MY WEBINARS BY A CPA!

- The webinar can only be watched by the members who paid (California), but somebody wrote in the chat:
- *“I'm gathering my virtual learning kids around to watch this. Better than any other entertainment”*



PRACTICAL TIPS TO GET THROUGH A CASH CRISIS

www.practicalpd.com

Stephen Priddle, CPA, CA, CMA
President
Practical PD Courses For Accountants

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**PRACTICAL
PD**

OTHER SITUATIONS

1

Colleague was lying to the LIT, CPA I knew reported it, criminal issue

2

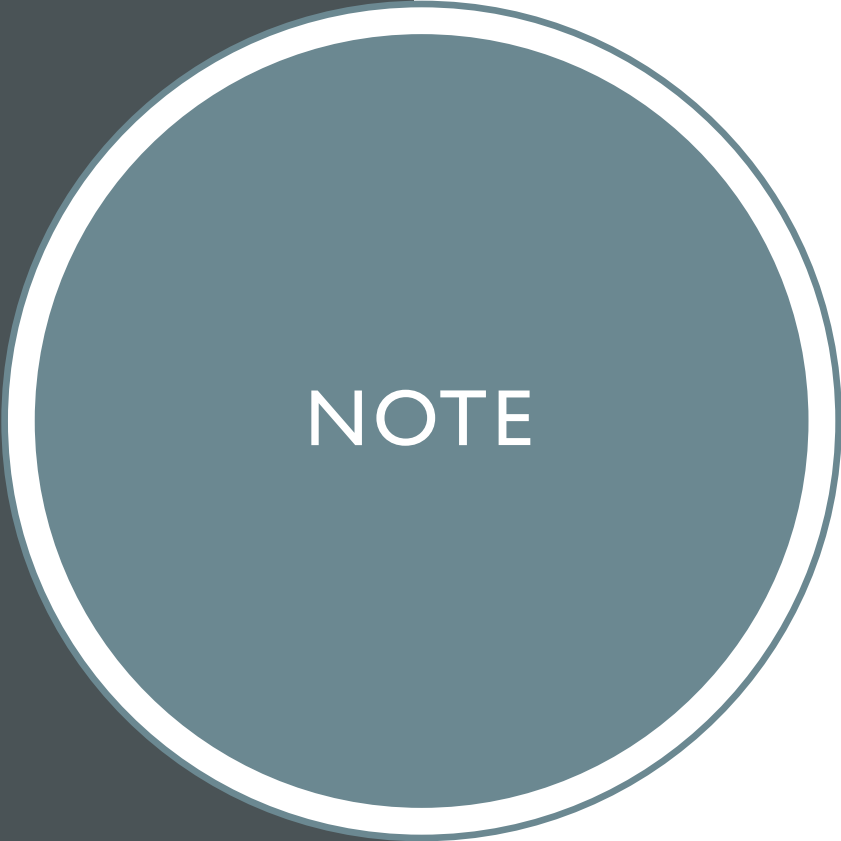
Business owner Dad pushing CPA daughter to falsify bank reports, daughter (and Mum) disagree with Dad...

3

CPA fired for refusing to bill inflated NRE charges

4

Accountant went home at 5 PM, inventory valuation changed at 11 PM for bank reporting

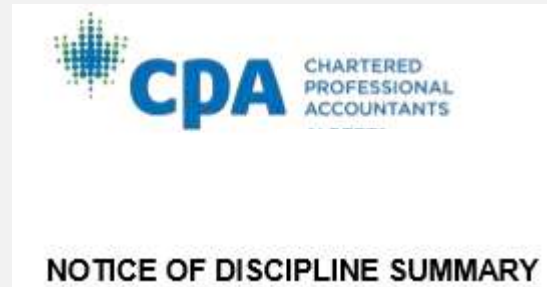


NOTE

- These raise other issues which I am not going to try to address:
 - Legal action for getting fired
 - What to tell the bank in the morning and how to deal with that colleague

YOUR OWNER/BOSS/EXEC

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

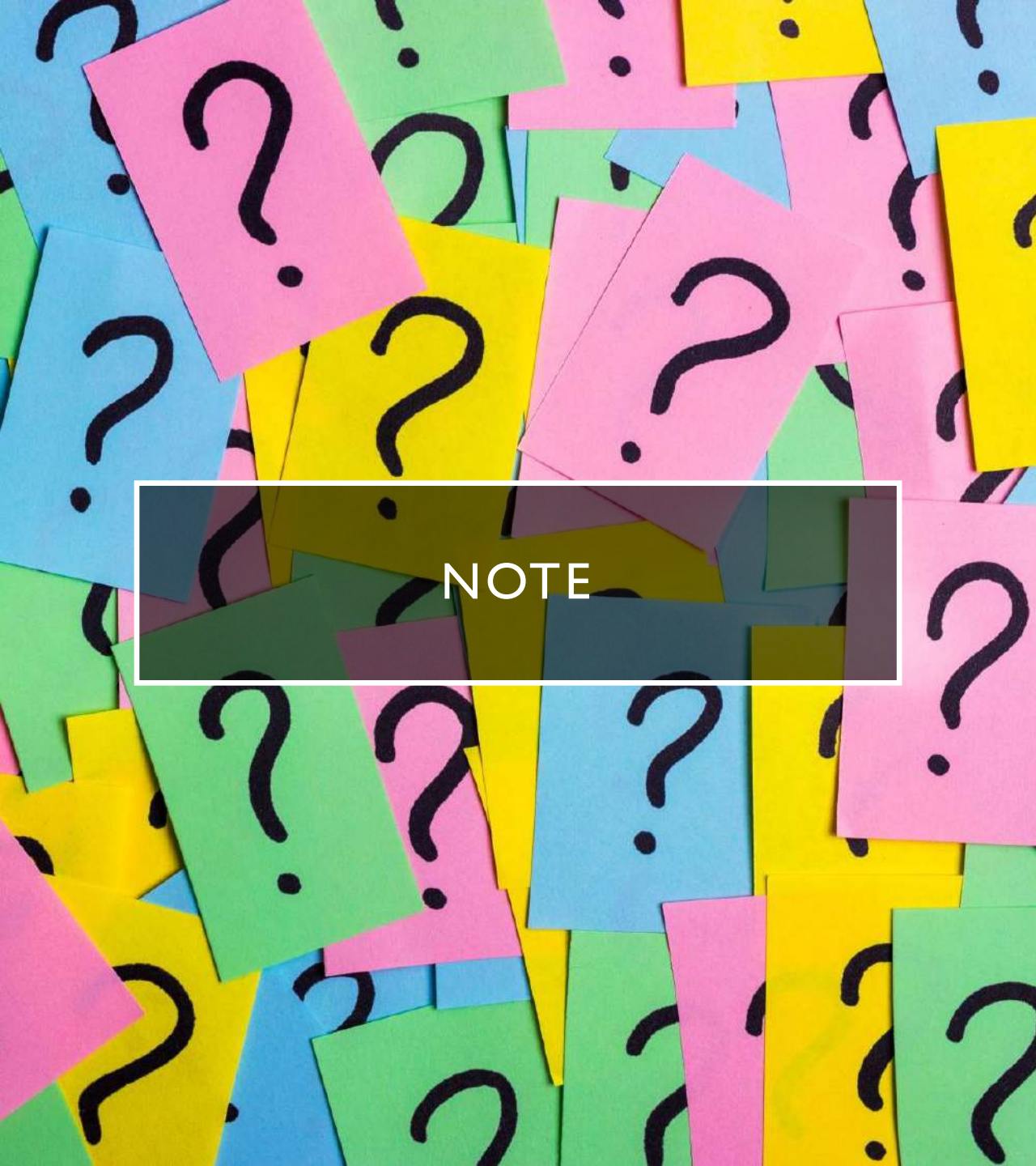


TALK WITH BOSS/OWNER?

- “By the way, I am not going to do these types of things:
 - Falsifying any documents, even to save the company
 - Telling any lies to creditors or employees or government
- “Just give me a severance package now, if you need someone to do these things”

PERSONAL

- I once chose to be out of a job for a while, with 5 dependents, rather than compromise on ethics, where the unethical behaviour would have helped the company succeed in a crisis...
- I have personally surveyed about 8,000 CPAs and about 15% have quit a job, or dropped a client for ethical reasons (this cost them cash!)

The background of the slide is a collage of numerous colorful sticky notes in shades of pink, yellow, blue, and green. Each sticky note has a large, bold black question mark printed on it. The notes are scattered and overlapping, creating a dense, textured appearance.

NOTE

- CPA Quebec won't recognize courses that are partly ethics and other topics, so this ethics time unfortunately does not qualify for Quebec CPAs

REMINDER: DON'T FAIL TO REMIT ON TIME

- Source deductions
- GST/HST/PST/QST
- Registered pension plan remittances
- This is not your employer's money, it is being held in trust for third parties!



Financial Services
Commission of Ontario

DIRECTOR LIABILITY

- Keep your directors continuously informed about their personal liabilities under law
- I have seen directors get burned by this, it may not be covered by D&O insurance
- I have seen directors resign over this, it depends on their risk tolerance and their shareholdings
- I am a corporate director x4, and don't want to get sued

DIRECTOR LIABILITY SCHEDULE EXAMPLE

Trouble Company Limited	
Director liability	
On November 4, 2025	
GST/HST/QST	\$ 66,894
Source deductions	284,034
Employee expenses	42,433
Accrued salary	199,433
Banked hours	69,425
Vacation pay	297,528
Registered Pension Plan	<u>44,550</u>
	<u>\$ 1,004,297</u>

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)

REALITY

- Two corporate heads of finance have shared recently with me, that they are behind on source deductions in a crisis
- It did appear that the both the directors and CRA were aware of this, in each case
- This makes it a little less of a concern to me...



ANY ETHICS
QUESTIONS,
COMMENTS,
SHARING OF
REAL LIFE
SITUATIONS?

Hazel (to Presenter Only): 3:39 PM: I had instances with a CEO who I felt was unethical and becoming smarter when he knew I would stop him....he stopped telling me information / deliberately leaving me out of meetings etc....eventually he got fired as he was trying again to avoid me by asking my staff to do something and insisting that they talk to him only - I reported him immediately to the Chairman. He is no longer with us

BIG
PICTURE –
YOUR
BUSINESS
IN CRISIS

BIG PICTURE – YOUR BUSINESS IN CRISIS

- Assess root causes
- Often it is very obvious, although some players may be in denial as said earlier
- Commodity price, management, strategy, business model, competition, cost structure, tariffs.....
- Other times, it needs some skilful analysis and investigation

RUN THE NUMBERS INTERNALLY FOR EVERY SCENARIO

- If sales recovery after the crisis is 90%/80%/60% of before, what do the numbers look like?
- Is the business viable with the current debt and interest payments or do they need to be reduced?

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

COMMENT

- *Brown (to All - Entire Audience): 3:45 PM: trying to convince other team members on which version to use haha. You always get a good view of their perspective if they're always wanting to use the optimistic report vs most likely or pessimistic*

CASH FLOW FORECASTING

WE ALL KNOW CASH IS KING

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





CASH FLOW FORECASTING

- Can be an accumulation of unit cash flows
- I have prepared them in the billions, and with smaller businesses where \$500 was important

Short-term:

- Actual receipts and disbursements

Longer-term and rough

- net income add back amortization, changes in working capital, investing, financing flows

FORECASTING

- Always tough to do, and very business specific
- A simple idea, ask your customers for their forecast of purchases from you...it sometimes works...

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? Basically no! You and your team and Excel and an understanding of your business and opening A/P and A/R and outstanding POs
- History 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 them 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 payrolls the biggest single cost hit
- It could be also done around cheque runs, or both
- I find this works much better...
- Obviously evergreen and rolling

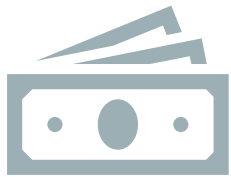


COMMENTS

- *09:39:44 Bobbi: We run our payables opposite weeks of payroll - not necessarily cash flow but considering how much cash is left after payroll is paid.*

DO MULTIPLE CASE SCENARIOS

- Optimistic, pessimistic, most likely
- How much a contingency or cushion do you put in?
- Which one becomes your planning tool?
- Stress-test it
- Get another set of eyes on it (knowledgeable colleague not involved in preparation?)



Your people definitely have
to reconcile the bank
accounts daily in a crisis



It is a good practice anyway



BANK RECONCILIATIONS

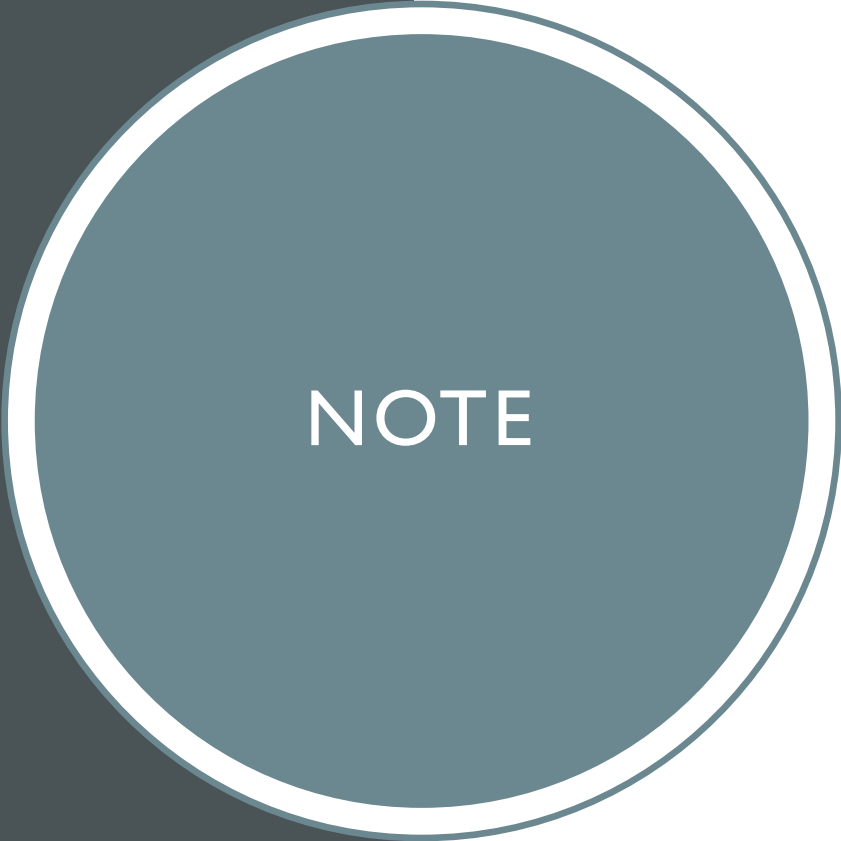
BRINKS/EVERGREEN CASHFLOW

- You control disbursements, they are “hard”
- What to do with soft receipts in a cash flow forecast? (you can't afford to be wrong)



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 “control” this customer payment later

WE CAN FORECAST
THIS IN SEVERAL
DIFFERENT WAYS

OPTIMISTIC – COMING IN 1H MAY, WE ARE OK

[illegible]

HOPEFULLY COMING IN 2H MAY, 1H PROBLEM

	Allaborn Company				
	Critical Cashflow forecast				
	<u>1H May</u>	<u>2H May</u>	<u>1H June</u>	<u>2H June</u>	<u>1H July</u>
Receipts					
Known customer receipts	647,859	718,422	314,202		
Revised trend small customers	48,000	48,000	48,000	48,000	48,000
Giant customer		459,428			
	<u>695,859</u>	<u>1,225,850</u>	<u>362,202</u>	<u>48,000</u>	<u>48,000</u>
Disbursements					
Tier 1 payables	557,522	344,258	345,225	345,225	345,225
Tier 2 payable - nice to pay	344,525	345,222	94,555	94,555	94,555
Government amounts	42,422	34,822	36,000	36,000	36,000
Payroll	<u>458,444</u>	<u>449,422</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>
	<u>1,402,913</u>	<u>1,173,724</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>
Net	- 707,054	52,126	- 533,578	- 847,780	- 847,780
Opening balance	155,333	- 551,721	- 499,595	- 1,033,173	- 1,880,953
Closing balance	- 551,721	- 499,595	- 1,033,173	- 1,880,953	- 2,728,733
Line of credit available	500,000	500,000	500,000	500,000	500,000

PESSIMISTIC – ASSUME NOT COMING AT ALL – HUGE PROBLEM

	Allaborn Company				
	Critical Cashflow forecast				
	<u>1H May</u>	<u>2H May</u>	<u>1H June</u>	<u>2H June</u>	<u>1H July</u>
Receipts					
Known customer receipts	647,859	718,422	314,202		
Revised trend small customers	48,000	48,000	48,000	48,000	48,000
Giant customer					
	<u>695,859</u>	<u>766,422</u>	<u>362,202</u>	<u>48,000</u>	<u>48,000</u>
Disbursements					
Tier 1 payables	557,522	344,258	345,225	345,225	345,225
Tier 2 payable - nice to pay	344,525	345,222	94,555	94,555	94,555
Government amounts	42,422	34,822	36,000	36,000	36,000
Payroll	<u>458,444</u>	<u>449,422</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>
	<u>1,402,913</u>	<u>1,173,724</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>
Net	- 707,054	- 407,302	- 533,578	- 847,780	- 847,780
Opening balance	155,333	- 551,721	- 959,023	- 1,492,601	- 2,340,381
Closing balance	- 551,721	- 959,023	- 1,492,601	- 2,340,381	- 3,188,161
Line of credit available	500,000	500,000	500,000	500,000	500,000

ASSUME 50%, 2H MAY

	Allaborn Company					
	Critical Cashflow forecast					
	<u>1H May</u>	<u>2H May</u>	<u>1H June</u>	<u>2H June</u>	<u>1H July</u>	<u>2H July</u>
Receipts						
Known customer receipts	647,859	718,422	314,202			
Revised trend small customers	48,000	48,000	48,000	48,000	48,000	48,000
Giant customer		229,714				
	<u>695,859</u>	<u>996,136</u>	<u>362,202</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>
Disbursements						
Tier 1 payables	557,522	344,258	345,225	345,225	345,225	345,225
Tier 2 payable - nice to pay	344,525	345,222	94,555	94,555	94,555	94,555
Government amounts	42,422	34,822	36,000	36,000	36,000	36,000
Payroll	<u>458,444</u>	<u>449,422</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>	<u>420,000</u>
	<u>1,402,913</u>	<u>1,173,724</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>
Net	- 707,054	- 177,588	- 533,578	- 847,780	- 847,780	- 847,780
Opening balance	155,333	- 551,721	- 729,309	- 1,262,887	- 2,110,667	- 2,958,447
Closing balance	- 551,721	- 729,309	- 1,262,887	- 2,110,667	- 2,958,447	- 3,806,227
Line of credit available	500,000	500,000	500,000	500,000	500,000	500,000

PRAGMATIC, ASSUME NOT COMING AND
HOLD ALL BUT MOST KEY PAYABLES, IF
COMES, PAY THEM

	Allaborn Company					
	Critical Cashflow forecast					
	1H May	2H May	1H June	2H June	1H July	2H July
Receipts						
Known customer receipts	647,859	718,422	314,202			
Revised trend small customers	48,000	48,000	48,000	48,000	48,000	48,000
Giant customer						
	<u>695,859</u>	<u>766,422</u>	<u>362,202</u>	<u>48,000</u>	<u>48,000</u>	<u>48,000</u>
Disbursements						
Tier 1 payables	557,522	280,000	345,225	345,225	345,225	345,225
Tier 2 payable - nice to pay	291,000		94,555	94,555	94,555	94,555
Government amounts	42,422	34,822	36,000	36,000	36,000	36,000
Payroll	458,444	449,422	420,000	420,000	420,000	420,000
	<u>1,349,388</u>	<u>764,244</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>	<u>895,780</u>
Net	- 653,529	2,178	- 533,578	- 847,780	- 847,780	- 847,780
Opening balance	155,333	- 498,196	- 496,018	- 1,029,596	- 1,877,376	- 2,725,156
Closing balance	- 498,196	- 496,018	- 1,029,596	- 1,877,376	- 2,725,156	- 3,572,936
Line of credit available	500,000	500,000	500,000	500,000	500,000	500,000



SUPPOSE

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

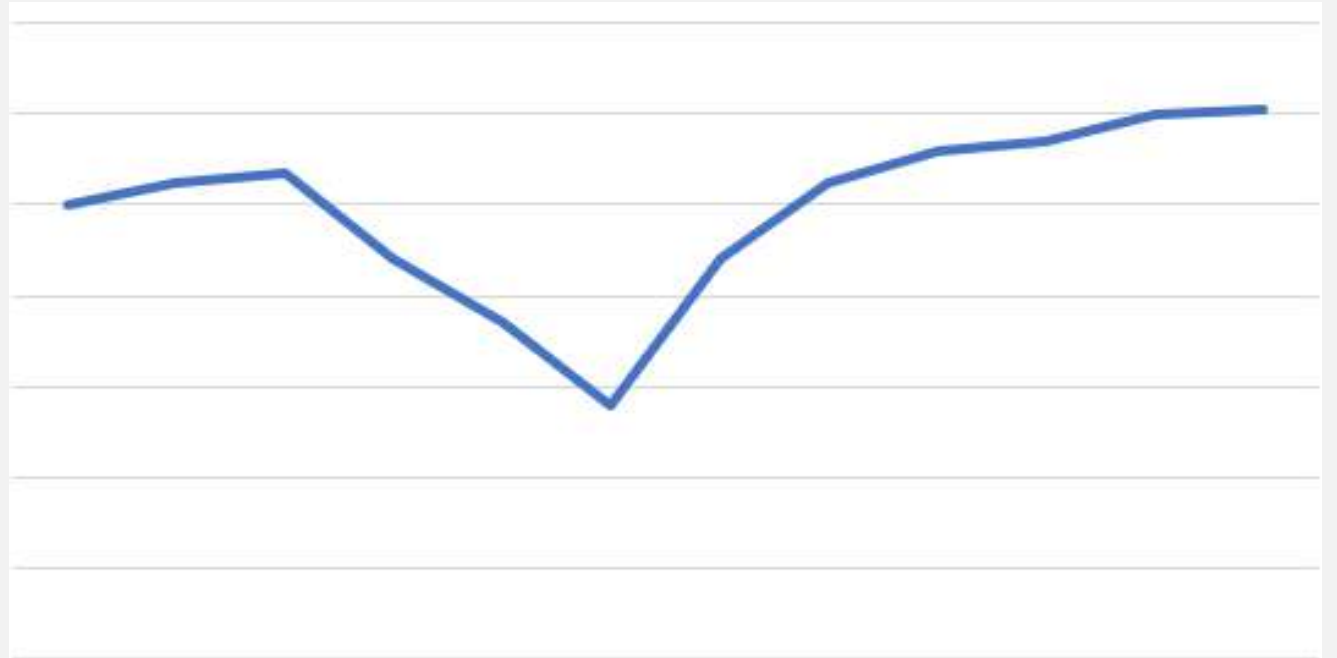


ASIDE: PRE-EMPTIVE MEASURES

- Seeing a crisis from afar via cashflow forecasting

WHAT TO MONITOR

- I do at least a rolling 12 month cash flow
- I monitor the troughs, and the risk periods and single large risk items
- Your horizon might be different
- In one company, we did a 15 year cash flow forecast



NOTE

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

NOTE

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

Justin T. Corporation	
Cash Flow Accuracy	
2025	
Net cash accuracy - 3 months out	92.10%
Net cash accuracy - 6 months out	120.20%
Cash receipts - month, 3 months out	87.20%
Cash receipts - month, 6 months out	104.20%
COGS - 3 months out	111.40%
COGS - 6 months out	67.30%
G&A costs - 3 months out	106.70%
G&A costs - 6 months out	88.50%

PRIZE

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



CASH IN

CRISIS – CASH IN

Your best source of cash is your customers
(existing and new)

Know how you fit into their world/value
chain

What creative ideas will get more/new cash
from them?

Don't assume contracts can't be
renegotiated creatively

Usually more
"controllable"
than banks



DON'T ASSUME
CONTRACTS CAN'T
BE RENEGOTIATED
CREATIVELY

“We will change the contract, so if you give us
deposit toward next project/season/order,
your price is dropped 15%”



“If we can increase the price for the summer
10%, we will drop it for Q4, 20%”



Can you pay us up front instead of monthly?

AN AGGRESSIVE APPROACH

Your customers who are in a crisis too

Pre-empt their request for a reduction in what they owe you

Tell them: we will cut prices X%, but keep buying/paying in this crisis (if you are late paying, the deal is off..)



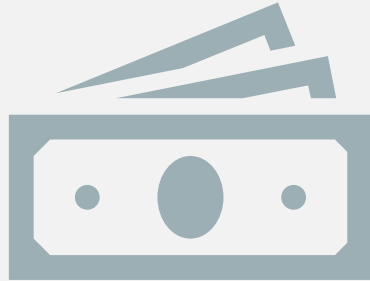
OBVIOUSLY

Collecting A/R faster is a great source of cash

On projects, bill earlier and more timely

Use all standard good billing/collection practices to achieve this

BE CAREFUL



Your cash is so tight that you call a customer who is 2 days late, i.e. on day 32, with a net 30 invoice



This might signal the customer you are having financial trouble with repercussions...

IT HAS BEEN SCIENTIFICALLY PROVEN THAT

- Bills moves faster than cheques to you in the mail
- I know bills and cheques aren't mailed anymore, but you get the idea....





CUSTOMER CASH - COLLECTIONS

- Can you factor A/R to get cash quicker?

A blurred background image showing a hand holding a pen over a document, with a calculator visible in the lower left corner. A dark oval with a white border is centered on the left side of the image.

FOR ME ONCE

- Our net 60 invoice to a UK customer was only invoiced 12 days ago, I needed the cash, I called a factor company to buy it from us
- They wouldn't do one invoice factoring, they wanted to factor all our invoices
- Customers would pay them directly
- They wanted a lot of documents and 18% interest

CRISIS – CASH IN

- Otherwise use special discount & negotiation

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, knock 2% off and wire the money, here is our bank account information”



SPECIAL DISCOUNT & NEGOTIATION

The future of
discounting/factoring

It might be this model:

www.C2FO.com

Your customer must be set up
with them

Go on their site, and click if you
accept the discount applicabl to
your invoice to get paid (8%for
me), and you get paid
immediately

WWW.C2FO.COM

Market	Division	Vendor Id	Invoices	Days Paid Early	Discount	Discount %	Net Received	New Pay Date
		:	\$548,057.00	19	\$2,314.02	0.42%	\$545,742.98	2022-09-12
TOTALS			\$548,057.00		\$2,314.02		\$545,742.98	

A background image showing a business meeting. In the foreground, a person's hand is pointing at a tablet displaying a document with charts and text. Another person is holding a smartphone. In the background, a man in a suit and a woman in a blazer are engaged in conversation. The woman is gesturing with her hand near her face.

RECEIVABLES

Do you have credit insurance for non-payment? (doesn't cover customer disputes)

0.53% annual premium sample, outside Canada only for me with EDC, there are other insurers



COLLECTIONS HUMOUR

OTHER COLLECTIONS ADVICE

- Use *67 to block call display or collection clerk's personal cell phone if they don't answer calls
- File a lien against them (get legal advice)
- Outsource your collection calls
- For laggards, take credit card payment, even if not the norm in your industry



QUESTIONS

- *13:10:51 From Fara to Everyone: What would you do if your customer knows you are in crisis and you may file for bankruptcy? Then they take advantage of that and wouldn't pay you?*
- They legally owe the company whether you are bankrupt or not. The LIT will be pursuing this asset, they legally have to.
- *Yenie (to All - Entire Audience): 12:49 PM: if you have concentration risk, you need to do more on credit protection (LCs, Deposits etc) because your biggest clients can stress you when they don't pay.*

NPO/CHARITY SPECIFIC TIPS

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



SUPPOSE YOU FACE THIS AND YOU NEED
MONEY FOR OPERATIONS?

	General Fund \$	Building Fund \$
Assets		
Cash & investments	\$39,067	\$6,324,986

NPO/CHARITY TIPS

- Ask donors for a restricted fund change (if donors are dead, public trustee approval could possibly be sought)
- Hold a key stakeholder meeting and explain the situation, if appropriate
- (Board, exec's, donors, members, suppliers, lenders...)

COMMENT

Judy (Private): 2:18 PM: A charity I volunteer with has been asking for changes in restricted funds

LET'S TALK ABOUT PURCHASING &
SUPPLIERS

EXPENDITURE MANAGEMENT

You must adopt a zero-based budgeting approach



There must be central approval of all disbursements



Donald Trump (to All - Entire Audience): 3:34 PM: A very big concern is how much influence finance/accounting has over the rest of operations

A white calculator is positioned diagonally across the frame, resting on a document with faint text. A black pen with a gold-colored clip is lying horizontally behind the calculator. The background is a soft-focus image of the document and the calculator's keypad.

ZERO-BASED BUDGETING

0

The original budget for the year is gone!

Everybody's budget is zero for new expenditures, i.e. nothing is pre-approved

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 key crisis finance decision-maker
- Tighter control/shut down of corporate credit cards
- Cancel auto debits if you can, so you can pay when you want

DID YOU NOTICE
SOMETHING A
COUPLE OF SLIDES
BACK?

- I changed a past Chat comment to one from Donald Trump for a joke....



You have no obligation to disclose all your employer's financial problems to your suppliers



In fact, you have CPA confidentiality so be careful what you say, and employer confidentiality as well



Having said this people know what industries are hurting in some contexts like tariffs

SUPPLIERS ARE
PRESSING IN THE
CRISIS

You are quite behind on your trade accounts payables



```
graph TD; A[You are quite behind on your trade accounts payables] --> B[One raw material supplier says they are taking you to court]; B --> C[Another calls every day asking for $]; C --> D["In total you have $645K of trade A/P overdue, only $200K in the bank after payroll to pay A/P"]; D --> E[What are you going to do?];
```

One raw material 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 \$200K in the bank after payroll to pay A/P

What are you going to do?

SITUATION

				Accounts Payable		
	Current	1-30	31-60	61-90	> 90	TOTAL
9226-2674 Canada Inc		-	-	13,000		13,000
Trim Landscaping		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 Twins Truck 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>



WHO DO YOU PAY FIRST?

- How do you rank suppliers for payment, type your idea into Chat

SOME ANSWER

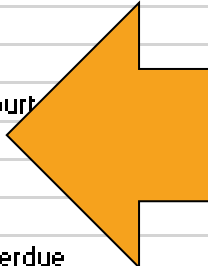
*13:17:48 From Navin to Stephen Priddle (Direct Message):
rank based on age, when due first*

*13:17:57 From Sarah Wells to Everyone: We always pay
the big ones in priority*

*13:18:03 From Jake to Everyone: I ignore them unless they
press, then they get money*

- 13:18:18 From Debbie to Everyone: We spread out the
available, a bit for all, in proportion*

	Accounts Payable						
	Current	1-30	31-60	61-90	> 90	TOTAL	Notes
9226-2674 Canada Inc		-	-	13,000		13,000	is taking us to court
Advantekss Inc.		12,127	-	-	-	12,127	calls every day
Amadi Canada					12,500	12,500	pay oldest first
Health Limited	22,100				-	22,100	1.5% 10, net 30
400500 Canada Inc.		8,000				8,000	18% interest if overdue
LMK Corporation		12,323				12,323	they are at reception
Jones Vones Bark LLP				8,054		8,054	our lawyer
Wing Family Supply Inc			19,5				s
GD Inc.		8,054	18,7				
Zone Corp			17,9				
Sweden Import AB			1,0				
Percy Real Estate Inc.		85,000					
Gallivan (USA) Inc.							
Farley Consultants Inc.			11,3				month
Rachel Demski							
City of West Village	9,102						
Sedin Twins Truck Centre		856					
Cruel Construction Corp			84,8				plete
Lake Community College							
Dept of Environment USA			6,0				
John Horgan Corp				4,562		4,562	connected to a critical supplier
Coley Insurance Broker			2,348		-	2,348	D&O insurance
Trump Inc.		10,000				10,000	foreign
Cummins Inc.				86		86	calls three times
Pacific Blends Limited	3,127	3,127	3,127	-	-	9,380	local
Bill Morneau Inc		-	26,054	-	-	26,054	doing business
Trudeau Inc		4,542				4,542	poor relationship
O'Toole Inc			22,044			22,044	your friend works there
Hasbun Smith LLP	10,500					10,500	auditors
Whi Canada Corp		5,000				5,000	got us through last crisis
Clarke Inc.		84,503				84,503	product drives revenue
Provincial Hydro		14,554				14,554	will shut us down
	<u>44,829</u>	<u>248,085</u>	<u>212,972</u>	<u>171,381</u>	<u>12,500</u>	<u>689,767</u>	



WRONG ANSWER



WRONG
ANSWER!

MORE INFORMATION

	Accounts Payable						
	Current	1-30	31-60	61-90	> 90	TOTAL	Notes
9226-2674 Canada Inc		-	-	13,000		13,000	is taking us to court
Advantekss Inc.		12,127	-	-	-	12,127	calls every day
Amadi Canada					12,500	12,500	pay oldest first
Health Limited	22,100				-	22,100	1.5% 10, net 30
400500 Canada Inc.		8,000				8,000	18% interest if overdue
LMK Corporation		12,323				12,323	they are at reception
Jones Vones Bark LLP				8,054		8,054	our lawyer
Wing Family Supply Inc			19,500			19,500	very small family business
GD Inc.		8,054	18,767	84,522		110,343	
Zone Corp			17,956			17,956	
Sweden Import AB			1,005	1,005	-	2,010	
Percy Real Estate Inc.		85,000				85,000	main landlord
Gallivan (USA) Inc.				57,253		57,253	sister company
Farley Consultants Inc.			11,300			11,300	did one time project last month
Rachel Demski				2,400		2,400	employee expenses
City of West Village	9,102					9,102	property taxes
Sedin Twins Truck Centre		856				856	truck repair
Cruel Construction Corp			84,822			84,822	new facility build half complete
Lake Community College				500		500	March courses
Dept of Environment USA			6,050			6,050	Environmental project
John Horgan Corp				4,562		4,562	connected to a critical supplier
Coley Insurance Broker			2,348		-	2,348	D&O insurance
Trump Inc.		10,000				10,000	foreign
Cummins Inc.				86		86	calls three times a day
Pacific Blends Limited	3,127	3,127	3,127	-	-	9,380	local
Bill Morneau Inc		-	26,054	-	-	26,054	doing business with for 20 yrs
Trudeau Inc		4,542				4,542	poor relationship, need long-term
O'Toole Inc			22,044			22,044	your friend works there
Hasbun Smith LLP	10,500					10,500	auditors
Whi Canada Corp		5,000				5,000	got us through last crisis
Clarke Inc.		84,503				84,503	product drives revenue
Provincial Hydro		14,554				14,554	will shut us down

Pay everyone something
say \$200K/\$645K=31%

WRONG
ANSWER!

MORE INFORMATION

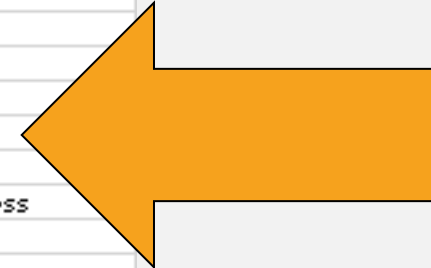
PAY NOBODY

	Accounts Payable						
	Current	1-30	31-60	61-90	> 90	TOTAL	Notes
9226-2674 Canada Inc		-	-	13,000		13,000	is taking us to court
Advantekss Inc.		12,127	-	-	-	12,127	calls every day
Amadi Canada					12,500	12,500	pay oldest first
Health Limited	22,100				-	22,100	1.5% 10, net 30
400500 Canada Inc.		8,000				8,000	18% interest if overdue
LMK Corporation		12,323				12,323	they are at reception
Jones Vones Bark LLP				8,054		8,054	our lawyer
Wing Family Supply Inc			19,500			19,500	very small family business
GD Inc.		8,054	18,767	84,522		111,343	has \$2B in total A/R
Zone Corp			17,956			17,956	owner's cousin
Sweden Import AB			1,005	1,005	-	2,010	credit reference
Percy Real Estate Inc.		85,000				85,000	main landlord
Gallivan (USA) Inc.				57,253		57,253	sister company
Farley Consultants Inc.			11,300			11,300	did one time project last month
Rachel Demski				2,400		2,400	employee expenses
City of West Village	9,102					9,102	property taxes
Sedin TwinsTruck Centre		856				856	truck repair
Cruel Construction Corp			84,822			84,822	new facility build half complete
Lake Community College				500		500	March courses
Dept of Environment USA			6,050			6,050	Environmental project
John Horgan Corp				4,562		4,562	connected to a critical supplier
Coley Insurance Broker			2,348		-	2,348	D&O insurance
Trump Inc.		10,000				10,000	foreign
Cummins Inc.				86		86	calls three times a day
Pacific Blends Limited	3,127	3,127	3,127	-	-	9,380	local
Bill Morneau Inc		-	26,054	-	-	26,054	doing business with for 20 yrs
Trudeau Inc		4,542				4,542	poor relationship, need long-term
O'Toole Inc			22,044			22,044	your friend works there
Hasbun Smith LLP	10,500					10,500	auditors
Whi Canada Corp		5,000				5,000	got us through last crisis
Clarke Inc.		84,503				84,503	product drives revenue
Provincial Hydro		14,554				14,554	will shut us down

WRONG
ANSWER!

MORE INFORMATION

	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
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.					111,343	111,343
Zone Corp					17,956	17,956
Sweden Import AB					-	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 Twins Truck 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
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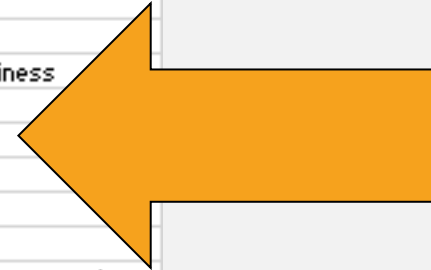
WRONG
ANSWER!

THIS PERSON DISAGREED...

12:01:35 From to Stephen Priddle(Privately) : **A friend once had their car torched...that vendor did get paid first**

MORE INFORMATION

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Health Limited	22,100				-	22,100	1.5% 10, net 30
400500 Canada Inc.		8,000				8,000	18% interest if overdue
LMK Corporation		12,323				12,323	they are at reception
Jones Vones Bark LLP				8,054		8,054	our lawyer
Wing Family Supply Inc			19,500			19,500	very small family business
GD Inc.		8,054	18,767	84,522		111,343	has \$2B in total A/R
Zone Corp			17,956			17,956	owner's cousin
Sweden Import AB			1,005	1,005	-	2,010	credit reference
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Clarke Inc.		84,503				84,503	product drives revenue
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WRONG
ANSWER!



CREDITOR PREFERENCE

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

AN ALTERNATE STRATEGY

AN ALTERNATE STRATEGY – SEND ALL YOUR SUPPLIERS THIS

Our system has rejected your invoice due to one of the following reasons. Please **fix your invoice and re-send**. The company will pay 90 days after the date of the re-submitted invoice:

- _ You put 400, not Suite 400 in the company address
- _ there was a mis-spelling in the company address
- _ our company phone was not included
- _ Your company contact was not included in the invoice
- _ The name of your company contact was mis-spelled
- _ abbreviations were used – our system does not understand them
- _ the product or service was mis-spelled
- _ Other unknown reasons you must fix

Yours sincerely

Accounts Payable

Bill Payment Slowing Unit



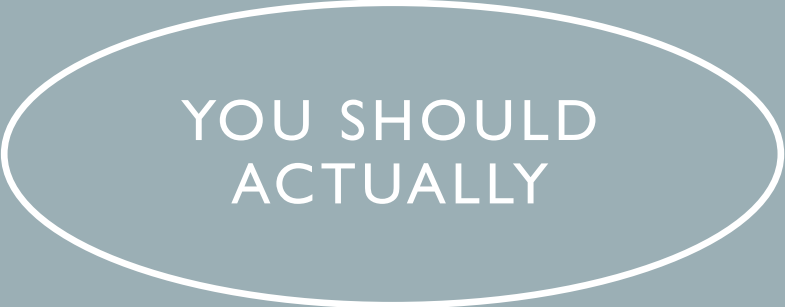
ALL THE WRONG ANSWERS

- You prioritize for payment, your mission critical, strategic suppliers, who can shut you down, who drive the next dollar of revenue and so on

MORE INFORMATION

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Provincial Hydro		14,554				14,554	will shut us down

Correct
answers



YOU SHOULD
ACTUALLY

- Understand these critical and strategic suppliers and manage them well
- Meet with them early in the crisis, and discuss extended payment and other topics as you seek to manage them

QUESTION

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

NEGOTIATING
WITH
UNSECURED
CREDITORS
TAKING
LEGAL
ACTION

- Do you have an alternate source of supply for what you purchased?
- Delay them and get legal advice

NEGOTIATING WITH UNSECURED CREDITORS TAKING LEGAL ACTION

- “The business would yield an estimated \$12M cash and assets on liquidation, we owe \$13M to secured creditors ahead of you, you will get nothing in liquidation, so work with us, don’t try to push under”
- Would you be willing to take partial payment or barter, goods or services?
- Would you take some shares?





NOTE

If things are really tight at your company,
pay for this course with shares!

Terms: 1.5% off if
pay in 10 days,
other wise net 30

You are paying 1.5%
for 20 days

Annualized interest
rate of return
27.3%

But this is an
available source of
financing for you to
make payroll if you
can't borrow
otherwise, just like
overdue interest

DISCOUNTS

NOTE

- In real life, overdue interest is usually waived, I have surveyed accountants, and most don't end up paying it, even though it shows up on statements



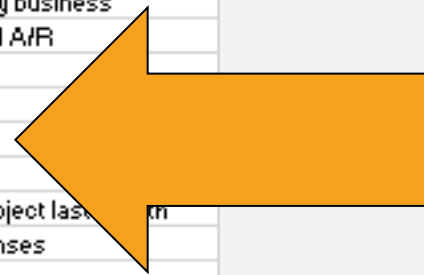
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Clarke Inc.		84,503				84,503
Provincial Hydro		14,554				14,554
	44,000	240,005	210,070	131,001	10,500	635,576

In the webinar,
I pre-plant names of
Participant employers

MORE INFORMATION

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Clarke Inc.		84,503				84,503
Provincial Hydro		14,554				14,554



WRONG
ANSWER!

LANDLORDS

- Are landlords a critical supplier?
- Most would say “of course”
- I would say, “maybe not”
- “Look we have fallen on hard times, but the economy is bad, I know you could lock the doors or seize our equipment, but no one will take this space if you kick us out and we need it to generate revenue to pay you, let’s work out a partial payment/delayed payment plan”
- Also, ask to draw down deposits



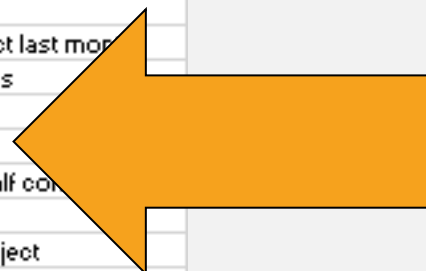
ARE EMPLOYEE EXPENSES CRITICAL?

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

LESSON 3

MORE INFORMATION

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TRUCK REPAIR – POTENTIAL LIEN

Legal hypothec



RSNL1990 CHAPTER M-3
MECHANICS' LIEN ACT

Amended:

1991 c49; 1997 c22; 1999 c22 s17; 2004 cL-3.1 s47; 2013 c16 s25; 2019 c1

CHAPTER M-3
**AN ACT RESPECTING THE LIENS OF
MECHANICS AND OTHERS**

*1st Session, 59th General Assembly
Nova Scotia
53 Elizabeth II, 2004*

Government Bill

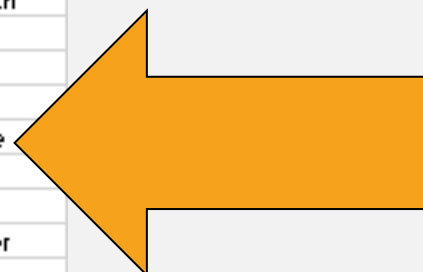
**Mechanics' Lien Act
(amended)**

CHAPTER 14 OF THE ACTS OF 2004

REPAIRERS LIEN ACT
[RSBC 1996] CHAPTER 404

MORE INFORMATION

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BUILDER'S LIEN

RSNL1990 CHAPTER M-3

MECHANICS' LIEN ACT

Amended:

1991 c49; 1997 c22; 1999 c22 s17; 2004 cL-3.1 s47; 2013 c16 s25; 2019 c1

CHAPTER M-3

AN ACT RESPECTING THE LIENS OF
MECHANICS AND OTHERS



Builders' Lien Act

CHAPTER 277

OF THE

REVISED STATUTES, 1989

amended 2002, c. 19, s. 36, 2004, c. 14; 2005, c. 8, ss. 3-5

BUILDERS LIEN ACT

[SBC 1997] CHAPTER 45

Legal hypothec

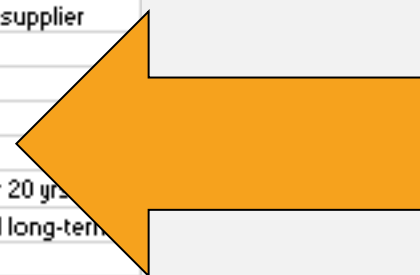
NOTE

It's all about leverage

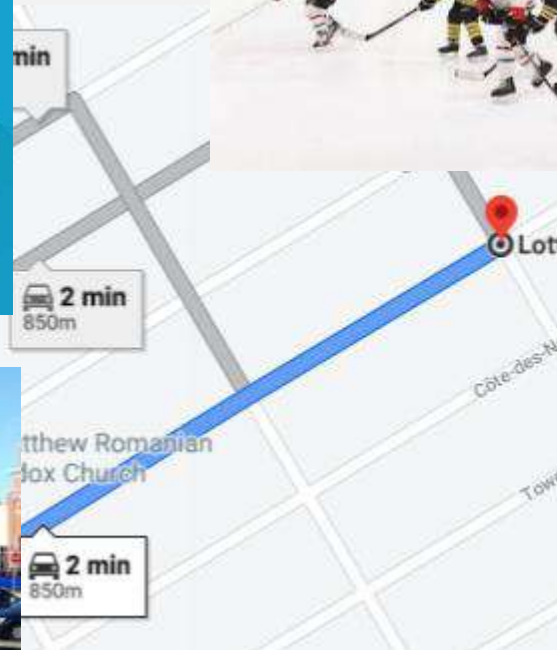


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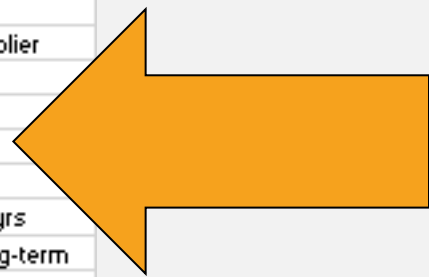
LOCAL SUPPLIER – SMALL TOWN



MORE INFORMATION

	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 Twins Truck 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

Pay them now!



	Accounts Payable							
	Current	1-30	31- 60	61- 90	> 90	TOTAL	Notes	Conclusion
9226-2674 Canada Inc		-	-	13,000		13,000	is taking us to court	Delay if not critical
Advantekss Inc.		12,127	-	-	-	12,127	calls every day	Delay if not critical
Amadi Canada					12,500	12,500	pay oldest first	Delay if not critical
Health Limited	22,100				-	22,100	15% 10, net 30	Available financing, delay
400500 Canada Inc.		8,000				8,000	18% interest if overdue	Available financing, delay
LMK Corporation		12,323				12,323	they are at reception	Delay if not critical
Jones Vones Bark LLP				8,054		8,054	our lawyer	Delay if don't need current work
Wing Family Supply Inc			19,500			19,500	very small family business	Special consideration
GD Inc.		8,054	18,767	84,522		111,343	has \$2B in total A/R	Delay if not critical
Zone Corp			17,956			17,956	owner's cousin	Delay if not critical
Sweden Import AB			1,005	1,005	-	2,010	credit reference	Special consideration
Percy Real Estate Inc.		85,000				85,000	main landlord	Negotiate
Gallivan (USA) Inc.				57,253		57,253	sister company	Delay if not critical
Farley Consultants Inc.			11,300			11,300	did one time project last month	Delay if not critical
Rachel Demski				2,400		2,400	employee expenses	Pay!
City of West Village	9,102					9,102	property taxes	Delay as long as allowed
Sedin TwinsTruck Centre		856				856	truck repair	Careful if need truck, lien
Cruel Construction Corp			84,822			84,822	new facility build half complete	Delay if no project rush
Lake Community College				500		500	March courses	Delay
Dept of Environment USA			6,050			6,050	Environmental project	Delay
John Horgan Corp				4,562		4,562	connected to a critical supplier	Special consideration
Coley Insurance Broker			2,348		-	2,348	D&O insurance	Special consideration
Trump Inc.		10,000				10,000	foreign	Easy delay
Cummins Inc.				86		86	calls three times a day	Pay out small harassers?
Pacific Blends Limited	3,127	3,127	3,127	-	-	9,380	local	Special consideration
Bill Morneau Inc		-	26,054	-	-	26,054	doing business with for 20 yrs	Special consideration
Trudeau Inc		4,542				4,542	poor relationship, need long-term	Special consideration
O'Toole Inc			22,044			22,044	your friend works there	Delay if not critical
Hasbun Smith LLP	10,500					10,500	auditors	Delay if not critical
Whi Canada Corp		5,000				5,000	got us through last crisis	Special consideration
Clarke Inc.		84,503				84,503	product drives revenue	Pay!
Provincial Hydro		14,554				14,554	will shut us down	Pay!
	<u>44,829</u>	<u>248,085</u>	<u>212,972</u>	<u>171,381</u>	<u>12,500</u>	<u>689,767</u>		

REMEMBER

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

RECENT COMMENTS ON ALL THIS

- 02:33:41 From Louise :We've been very transparent with our key vendors. This has been very helpful.
- *"I think that the most under-rated tip that most accountants are afraid to implement is to order your accounts payable in strategic order or "mission critical" rather than who screams the loudest or which payable is oldest "*

A hand holding a pencil is positioned over a document. The document features a table with multiple columns and rows of data, including numerical values and symbols. The background is a soft-focus image of a person's face, suggesting a professional or academic setting.

YES, IT IS

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

MORE WAYS TO ANALYZE PAYABLES

- Can you call them and ask for a X% cut, and you will pay right away (easier with small businesses, so easy to get approved, there will be delays in bureaucratic organizations)?



SOME LINES...

“We are hurting right now

We know you are probably
hurting (if you think they are)

We need to work together for
mutual benefit, we want to
work with you in the long run
(if true), so let's work
something out, we need to
share the pain, our customers
are squeezing us”



SUPPLIERS

Also where applicable:

“we saw your
(business/industry) has been
given relief from ____, by
____ share some of this relief
with us....”

POST-DATED CHEQUES

- Often will get suppliers to leave you alone
- Yes, they know you can bounce them, or put stop payments on them
- (If your bank cashes a cheque in error, insist they reverse it)
- *Fea (to All - Entire Audience): 4:28 PM: Post-dated only works in Canada - don't send to US*

A sample of a post-dated cheque. The cheque is light blue with black and blue text. It is dated "Dec. 11, 2017" and is payable to "Smith Properties, Inc." for the amount of "\$ 100,000.23". The amount is also written in words as "One hundred thousand and 23/100 Dollars". The cheque is signed "Jane Doe" and is for the purpose of a "Gallery Purchase". The bank is "TOP NOTCH BANK" with address "9876 Dollar Blvd, Cash Town, MS 78945". The MICR line at the bottom shows the transit routing number "1234567895466", the account number "1122112211766", and the cheque number "8103".

JANE DOE
12345 Merry Lane
Anytown, NY 12345

8103

Dec. 11, 2017
Date

Pay to the Order of Smith Properties, Inc. \$ 100,000.23

One hundred thousand and 23/100 Dollars

TNB TOP NOTCH BANK
9876 Dollar Blvd.
Cash Town, MS 78945

For Gallery Purchase Jane Doe

1234567895466 1122112211766 8103

TRANSIT ROUTING NUMBER ACCOUNT NUMBER

CHARITIES NOTE



Suppose a supplier is not a critical but a major donor to the charity → special consideration for them!



Suppliers may be nicer to you than a business in financial trouble, “we are trying to find a cure for – type of cancer, can we have 40 more days to pay”

TRICKY AREA

- Be careful when signing credit forms with suppliers
- Sometimes in the small print, 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: a \$15K successful legal action against a President on this, who was not the owner

Credit Application Form

SCIENTIFIC

Dear Customer,

Thank you for your order/quotation request. Please complete the form below to enable us open a credit account for you.

We would like to take this opportunity to thank you for your interest in our products.

Company Details

Company Name		Contact Name	
Address		Tel. No.	
		Fax. No.	
		Email Address	
Reg. Office (if different from above)		VAT No.	
		Registration No.	
		Date of Incorporation	
		Required Credit Limit	

Bank Details

Bank Name		Bank Address	
Sort Code			
Account No.			

Trade References

Name/ Address Tel. No.		Name/ Address Tel. No.	
Nature of Business		Nature of Business	

Declaration

In making this application for credit facilities with Campbell Scientific Ltd, I/we acknowledge that I/we have read and understood the

--

In making this application for a credit account with Scientific Ltd., I acknowledge that I have read and understood the company's terms and conditions for trade (see overleaf) and agree to abide by them. If the corporation defaults on the debts incurred, I agree that I will be personally responsible.

Name		Position	
Signed		Date	

THIS REMINDS ME

- In some countries years ago, people who couldn't pay their debts were put in a “debtor's prison”
- I distinctly remember visiting this “debtor's prison” as a 10 year old in York, England, not too far from where my Dad grew up



This building was originally the County Gaol and Debtors' Prison. It was built as the County Gaol in 1701-05, possibly by William Wakefield. It was then altered and extended between 1824 and 1835.

VisitYork



SUPPLIERS YOU CAN'T
PAY ARE CALLING



HAVE A RECORDING



HAVE A RECORDING

Thank you for calling, your call is important to us. Call volume has been higher than normal. Please leave your message after the tone, we will respond to all enquiries within 5 business days...!

OR

Thank you for calling, your call is important to us. Call volume has been higher than normal. Your estimated wait time 462 minutes....! (and play the most irritating music possible - in a one minute loop)





OR TELL THEM YOU USE
THE HAT METHOD...

SUPPLIERS YOU CAN'T PAY ARE CALLING

Answer the phone or emails (senior person)

Don't lie or fail to meet your new commitments (Rule 205 ethics)

(Helps your reputation) - also don't bounce cheques



REPUTATION AND ETHICS

Don't promise what you can't deliver

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 "we will pay you next Thursday"

Then you are covered, if the President changes their mind

This has paid off for me..



DELAYING PAYMENTS

From the course **How to Cheat Your
Way Through Cash Difficulties**





DELAYING PAYMENTS

They recommend you spill coffee on the cheque, so the supplier can't cash it



PUT THE CHEQUE IN THE ENVELOPE, BUT

- Only send them half a cheque!
- That is a partial payment!



DELAYING PAYMENTS A WEEK

- Put void on the cheque
- Stale-date the cheque (May 17, 2024)
- Send them a cheque with holes in the bank coding!
- Fold it in the envelope, so they will rip it when they open it
- (never done, never would, not teaching this to you, don't do this, not ethical)

DELAYING CASH A WEEK FROM THE CROOKED TIPS COURSE...

Send out the cheques unsigned...

Send the cheques to the wrong supplier
(ABC co, gets ACME co)

Mail from a far away place (employee on
vacation in China)

Email fake wire transmission advice

(never done, never would, don't even think
about doing these, just humour)



COMMENT

- *Shafin (to All - Entire Audience): 1:36 PM: or forget to put a stamp on the envelop!*

MORE SERIOUSLY

I normally pay my suppliers
early or on time

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 get fully paid out except for agreed upon reductions, although there may be delays
- Only a few suppliers in my entire career didn't get fully paid out – but it was after my time, due to owner decisions, not a bankruptcy, **and it still bothers me...**

BANKS IN A CRISIS

DEALING WITH BANKS AND OTHER LENDERS IN A CRISIS

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

DEALING WITH BANKS AND OTHER LENDERS IN A CRISIS

- Most banks are great when your business is good, 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 do need it...”
- (In defence of banks, they are not high risk lenders and are heavily regulated)



BANKER JOKE

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

The banker said “no”

The accountant asked, “do you want to be in the computer business”

The banker said “no”

The accountant said, “you will be on Friday”



YOUR BANK/LENDER MAY BE
SQUEEZING YOU RIGHT NOW...



BANKS – BIG PICTURE



Their economists look at regions and sectors as a whole and make broad decisions, and this may impact you



They are sometimes nervous about sectors, for various reasons, which could include tariff impacts



Then they make decisions about clients in the sector as well as from individual client situations (results/covenants, etc)



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 bubble, that is the ability of the bank to lend you more than the stated amount, 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 10% bubble, 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), less statutory prior claims under the Bankruptcy and Insolvency Act (BIA)
- 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>April 30</u>		<u>Margin</u>
Marginable A/R	854,204	75%	640,653
Marginable inventory	500,142	50%	250,071
	<u>1,354,346</u>		<u>890,724</u>

- At the end of May, it is:

	<u>May 31</u>		<u>Margin</u>
Marginable A/R	1,020,333	75%	765,250
Marginable inventory	754,222	50%	377,111
	<u>1,774,555</u>		<u>1,142,361</u>

- You submit it at 7 AM June 1!

MARGINING RECEIVABLES & INVENTORY

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	<u>April 30</u>		<u>Margin</u>
Marginable A/R	854,204	75%	640,653
Marginable inventory	<u>500,142</u>	50%	<u>250,071</u>
	1,354,346		890,724

- At the end of May, it is.

	<u>May 31</u>		<u>Margin</u>
Marginable A/R	504,222	75%	378,167
Marginable inventory	<u>454,722</u>	50%	<u>227,361</u>
	958,944		605,528

- You submit as late as possible, June 30

January						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

March						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10						

June						
Su	M	Tu	W	Th	F	Sa

July						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

December						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

MARGINING RECEIVABLES & INVENTORY

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

	May 14		Margin
Marginable A/R	1,144,556	75%	858,417
Marginable inventory	433,344	50%	216,672
	1,577,900		1,075,089

- Then you call the bank and ask permission for margining immediately, not waiting until May 31

MARGINING RECEIVABLES & INVENTORY

- Also, try to get a seasonal increase in margin calculations, I have heard of 66 2/3% on inventory, instead of the typical 50%
- Do your statutory prior claims calculations to the letter

DEALING WITH BANKS AND LENDERS - OFFENSIVE

Can you add some credit facilities or loans now, to help you get through times if it gets worse?

*Dale (to All - Entire Audience): 12:49 PM:
When things were "good" I had set up many credit facilities with our banking partners. As these are undrawn when things went sour, I have access to funds that are already set up. I have a close relationship with the bank and treat them closer as a partner.*

Know exactly what you want and put together your well thought out submission package – key question, **do you have enough collateral & cash flow?**

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Know exactly what you want and put together your well thought out submission package – key question, **do you have enough collateral & cash flow?**



DID YOU CATCH THE NAME OF THE BANK THAT
CALLED?

THEY WANT TO CALL YOUR LOAN



DO THEY HAVE THE
STRICT LEGAL RIGHT
UNDER THE AGREEMENT
(LIKELY YES)



HOW MANY DAYS
BEFORE YOU HAVE TO PAY
IT?



ASK FOR AN EXTENSION



GET FULL OR PARTIAL
REFINANCING FROM
ANOTHER INSTITUTION
OR SOURCE



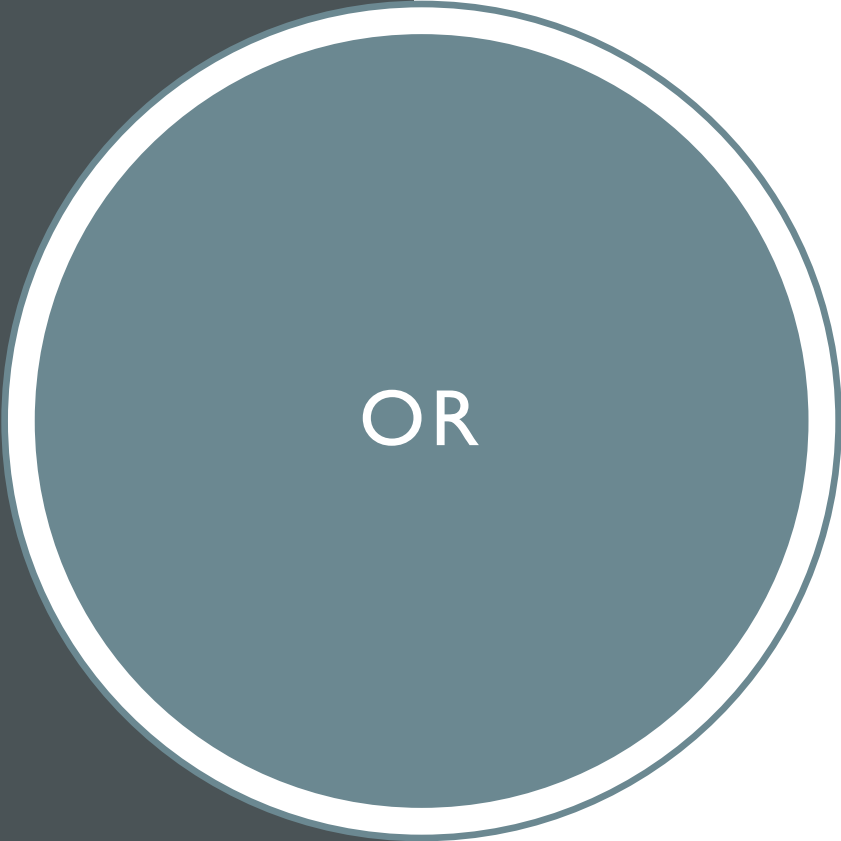
WILL THEY ACCEPT
PARTIAL PAYMENT AND
THEN A PLAN?



COMMENT

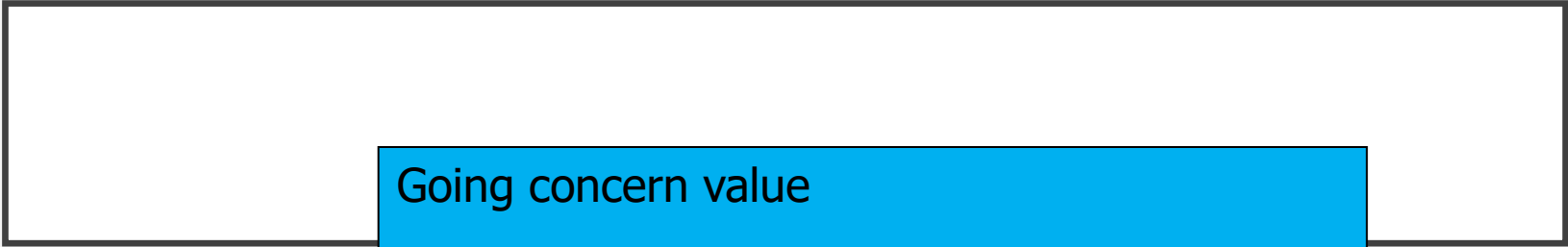
*Josie (to All - Entire Audience): 12:52 PM: I have found
Lenders do NOT usually want to call loans but do when
they lose confidence/trust in management*

*Nadif Lalani (to All - Entire Audience): 12:57 PM: Was able
to move credit limit from unused corp cards to LOC for
working capital*



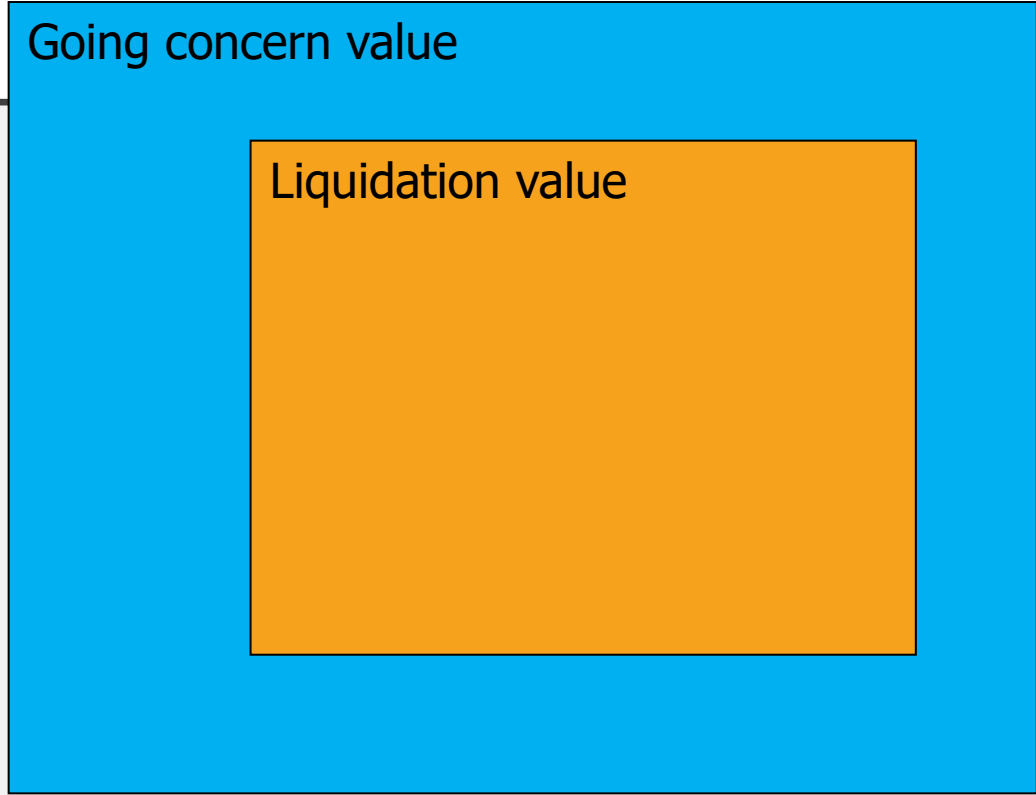
OR

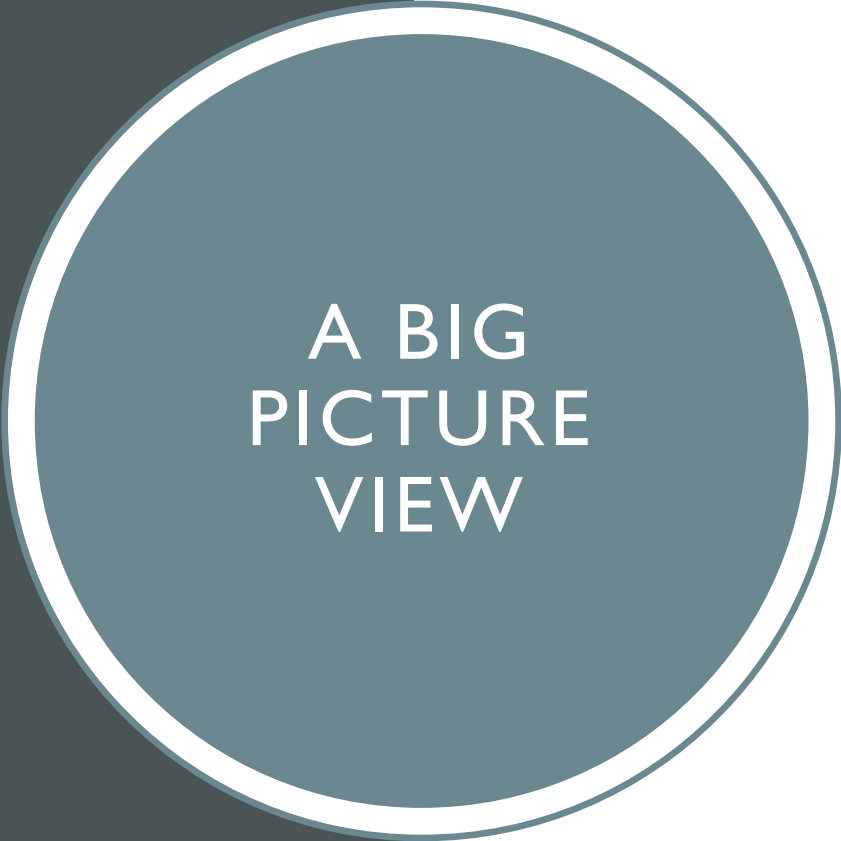
- Business can generate \$2M a year in cash before loan interest and
- Business would liquidate for \$7M
- Therefore going concern value, based on any reasonable risk multiplier, is greater than liquidation value of assets



Going concern value

Liquidation value





A BIG PICTURE VIEW

- Is your going concern value greater than your liquidation value? (big problem if not)
- Would your liquidation value cover the first secured creditors? second secured creditors? other creditors?
- Would the values of assets specifically secured satisfy the obligations of those lenders?

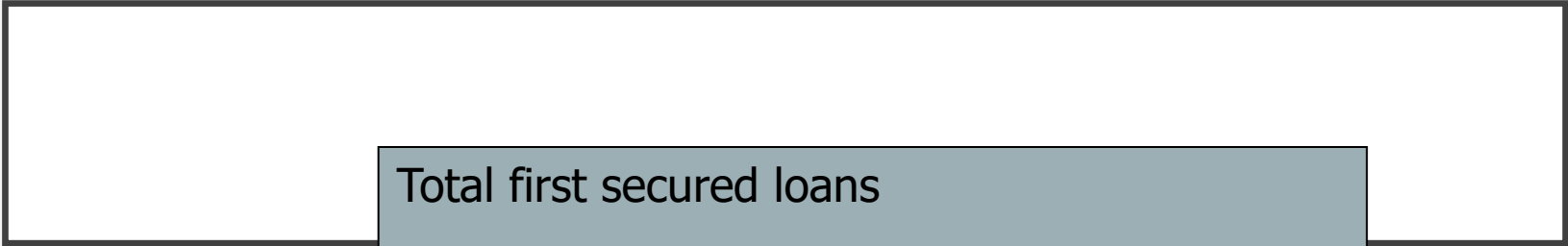
NEGOTIATING WITH SECURED CREDITORS

- (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 \$75M now on liquidation, we owe \$100M to you, you will have a poor realization in liquidation, I think you need to work with us to get repaid over time, now is not the time to put us into receivership”
- “If you bear with us, we think you will realize more”



Total first secured loans

Liquidation value



PERSONAL GUARANTEES

- A huge issue in small business



I ONCE SAW
TWO FAMILIES
WHO JUST
LOST TWO
HOMES FROM
PERSONAL
GUARANTEES

I ONCE SAW TWO FAMILIES WHO JUST
LOST TWO HOMES FROM PERSONAL
GUARANTEES

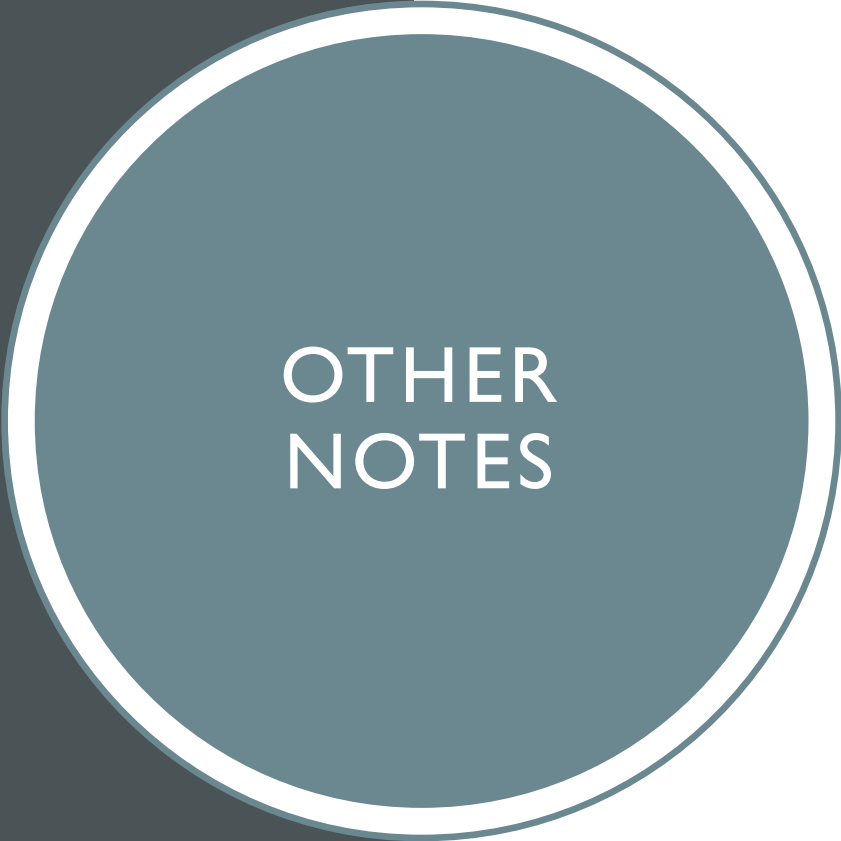


PERSONAL GUARANTEES

- A huge issue in small business
- (I have 12 ideas to avoid/reduce/eliminate them in new financing agreements in another course)
- You may be helping protect your owner's personal residence!

COMMENT

Julie (to All - Entire Audience): 4:07 PM: our business account manager has changed roughly 5 times in the past 3 years - impossible to develop a relationship haha.



OTHER NOTES

- Try to draw down on the bank relationships you have, not just the account manager, hopefully some of their senior colleagues you have got to know
- Consider threatening to complain in the media/to politicians, “my bank is being mean to our business, jobs for Canadians are at stake!”
- Seek legal and insolvency advice

DEALING WITH
BANKS IN A CRISIS
- DEFENSIVE

“The borrower is servant to the lender”
(Proverb)

They usually have got you with all kinds of clauses

Should you hide your problems or be transparent? I suggest the latter

Go to the bank with your well thought out
“survival plan”

It has solutions, not just problems

PROBLEMS & SOLUTIONS EXAMPLE

Problem	Solution - Us	Solution - Bank	Notes
Need \$150K more operating facility by June 1	Since partly for export to Europe, we are requesting EDC help	Can we margin inventory at more than 50%	Inventory has 45% average margin
Need deferral on May 31 30 term loan payment \$74K	We can pay June 10	Grant deferral	
Current ratio covenant may be offside at next 2 month ends	Shareholder cash injection might be able eliminate first one	Is waiver possible for 2 nd , only offside a little	
Need to margin new German A/R	Getting credit insurance		90% margin with credit insurance



PAST CHATS

Fiyaz (to All - Entire Audience): 12:50 PM: I am a banker, if business are upfront with me and proactive we can usually come up with solutions

Lori (to All - Entire Audience): 4:06 PM: We've got a loan for each of our entities. We have a great relationship with our bank and were able to defer over 25 loans!

DON'T
FORGET
FINANCIAL
REPORTING
IMPACTS OF
YOUR CRISIS

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

They usually have
the right to call all
your loans due to
covenant violations

COVENANT VIOLATIONS

GET AHEAD ON COVENANT VIOLATIONS

- You see one coming
- Check if you have a “breach cure” clause
- Example: In the case of violation of a covenant, under Section 4.3 of this agreement, the borrower has 20 days to cure the violation, before the Lender can take the actions set out in Section 5.6.

BUSINESS TIP

- In future, always ask for breach cure clauses... in financing or any agreements with “breaches” that have bad consequences

5.3 Termination for Breach. If either party materially breaches any of the terms of this Agreement, and fails to cure such a breach within ten (10) business days after receiving written notification of such breach from the non-breaching party, the non-breaching party may immediately terminate this Agreement and may, in addition to all other remedies available at law and in equity, protect its interests by any means available to it.

GET AHEAD ON COVENANT VIOLATIONS

- Give the bank the heads up (you might be required to)
- Explain that it won't last long
- Explain the plan to get out of the problem
- Ask for a “covenant violation waiver” where they promise not to do anything for a period of time

COMMENT

Darcy Gonci (Private): 3:53 PM: Here is where a working capx forecast + cash flow forecast can help gettign ahead of a chsallenging conversation with the bank earlier than later

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, risk fee”

“Now, we have decided to send some independent accountants in to check your situation weekly, the monitor will be PWC, oh yes, and you are paying...”

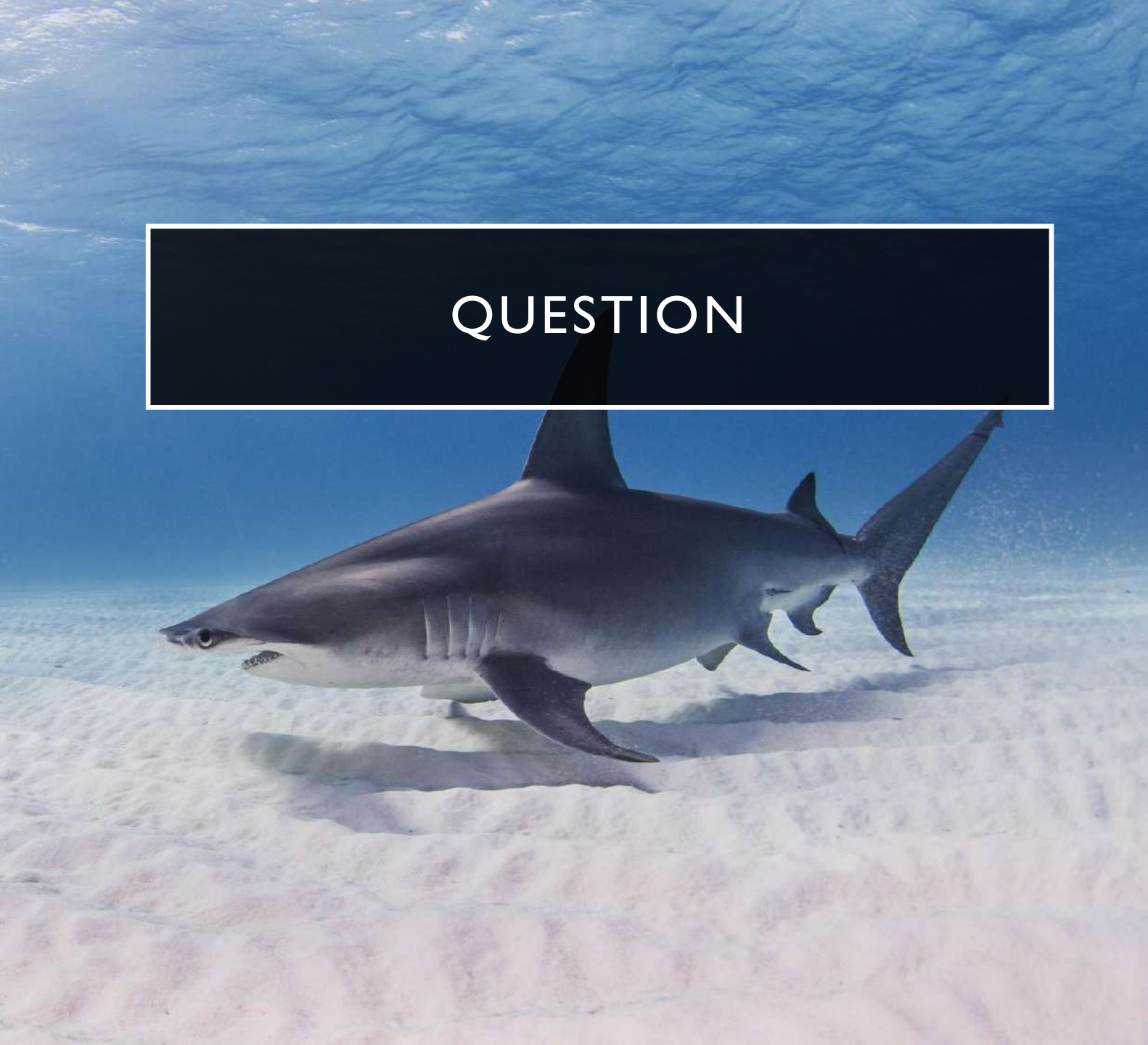
Our loans were likely now with the “special or crisis” loans dept of the bank

NEGOTIATIONS

Ask for a principal holiday

Ask for a temporary loan bulge if there is no bubble



A large shark, likely a Great White, is swimming horizontally over a sandy ocean floor. The shark is grey on top and white on the bottom, with its mouth slightly open showing teeth. The water is clear blue, and the sand is light-colored with some ripples. A black rectangular box with a white border is positioned in the upper left quadrant of the image.

QUESTION

Why do sharks leave bankers
and lawyers alone?

QUESTION

- Professional courtesy

WATCH OUTS

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



OTHER WATCH OUTS

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

EncoreFX

EncoreFX, a Victoria, British Columbia-based foreign exchange firm, filed for bankruptcy on March 30. After suspending its trading activities, the company advised clients that the restructuring had become necessary as a number of customers to whom the company granted credit defaulted on their obligations to the company because of the rapid changes in the FX market

A BANKER TOOK THIS COURSE – HIS COMMENTS

“Keep your friends
close, your enemies
even closer...”
Attributed to Sun
Tzu

- “Keeping close relationships with your bankers during the bad and good times is very important”
- “Being forthcoming when it comes to anticipating future banking needs is very helpful for myself and my team”

EDC HELP

- Loan guarantees
- BDC co-lending
- Advance payment insurance
- Foreign exchange facility guarantee
- Performance security guarantee
- Credit insurance already discussed

EDC

- Has always defined exporting quite loosely
- In the past with me, your product will be used on foreign airplanes in Canada, sure that is exporting

ANOTHER EXAMPLE

- Question: “Company services oil well equipment, oil is exported, can EDC helps this Canadian company?”
- EDC answer: “based on what you said yes the company is an indirect exporter and yes we can help”



This government niche lender has a role in the markets

Better a government lender than a commercial lender
if you have troubles or covenant violations

May have less than the usual credit scrutiny than a
Chartered Bank, that you would not be able to pass

BDC still often wants personal guarantees

NOTE

- I have over 110 tips on negotiating good bank deals up front including **personal guarantees**), in my course **Sharpen Your Business Loan Negotiating Tips**, a 2 hour video course
- I also have half an hour of different tips on negotiating with banks, with about a 5 minute overlap with this course, in my course **Practical Tips for Controllers & CFOs**, which covers many other topics

ANY MORE TIPS FROM YOU?

- *Hal (to All - Entire Audience): 12:57 PM: Was able to move credit limit from unused corp cards to LOC for working capital*
- *My comment: The borrower carved some amount from their total credit with the bank, to cover corporate cards, but some must have been unused, so it was moved to support a larger line of credit. You may be able to do this with any unused credit, even foreign exchange*

PEOPLE COSTS

PEOPLE COSTS

- A huge cost for most of us, so it must be reduced in a crisis
- More sensitive from a human perspective, 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?

- The recent hire
- They annoy you
- They will get another job easily...
- You personally hired them
- They tell everybody they have enough \$ to retire
- Laid off the last three times

A woman with curly hair, wearing a grey business suit, is talking on a white smartphone and holding a tablet. She is standing in front of a light-colored brick wall.

THOSE DIFFICULT HUMAN DECISIONS...

All other things being equal/who goes/stays?

- Single Mom – several dependents

ALSO DIFFICULT IF...



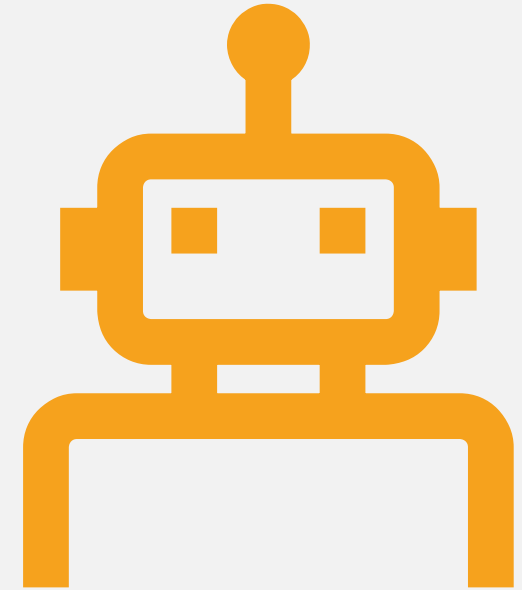
If your employer is in a small town...



The manager is laying off a neighbour, spouse's colleague, etc.

THE BIG QUESTION THAT YOU MIGHT WANT TO AIR

- “Do we want to shut the doors soon, and all be out of work, or try to get through this together?”
- “We have say \$22M of margin, we can’t increase it. We have \$24M of costs, mostly payroll, so something has to be done about reducing payroll...”
- Better 26 people unemployed than 271





LEADERSHIP

- Do the employees trust senior management/owner
- Before difficulties, did you have a good or an adversarial relationship with your employees?
- If you have consistently treated your employees well, everything is easier....
- *Elwyn (to All - Entire Audience): 1:46 PM: Communicate ... Communicate ... Communicate. Be Transparent. Show Empathy. Acknowledge Fears. Give the Why behind the What.*

PAST COMMENT

- *13:05:42 From Carl to Everyone: When there is this type of crisis, us, people of Finances, we see numbers. But, it is very important to get transparent though the whole organization, if you want to keep your employees. Lack of information on where we go and how we go through the difficulties puts more negativities on the rest of the people. They think always the company will close and can leave sooner, and/or the productivity will suffer.*

LEADERSHIP

Make sure everybody knows that the senior executives/owners are volunteering for the biggest cuts

You volunteer for a major cut of course, perhaps to zero!

(I also once took a cut to minimum wage!)

PAST CHATS

Shannon(to All - Entire Audience): 4:35 PM:Who has the skill set to help you through the crisis? Keep them!

10:33:31 From Clayton :An NPO I'm associated with has had the senior management team take a temporary pay cut to help improve employee trust of senior management and to take a collaborative approach. This led to other employees volunteering to also take pay cuts and reduced hours.

LESSON 4

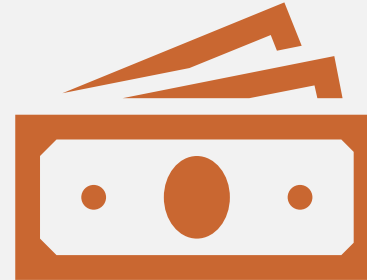
ONE KIND CEO'S
PLANNED
STATEMENT AT
BEGINNING OF
2008-09
ECONOMIC CRISIS
TO EMPLOYEES

- “I have seen companies destroy their value by terminating people, spend too much doing it, demoralize and over-work the remaining people so I am promising a no layoff commitment to you all during this crisis, to give you security”
- I(we) managed to persuade the CEO to not deliver this message

SOMETIMES IT IS



Not enough money to pay people, not much work to do → temp lay-offs, terminations



Not enough money to pay people, still lots of work to do → must work out deals

NOTE

- The appetite for wanting to work through things with the employer depends a lot on:
- How happy the employees were to work for you before
- Their alternative employment prospects, considering location, for the skills they have

DO THE EASY CUTS FIRST

- Owners and family, if any, get cut/defer pay
- Low performers are gone
- Contractors – end the agreement
- Term employees – don't renew
- Hourly employees with no minimum hours, reduce hours

**NOTHING WILL
KILL A GREAT
EMPLOYEE FASTER
THAN WATCHING
YOU TOLERATE
A BAD ONE.**

- PERRY BELCHER

www.TheMindsetJourney.com

ALSO

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

ANOTHER GOOD OPTION

Leaves of absences (voluntary)

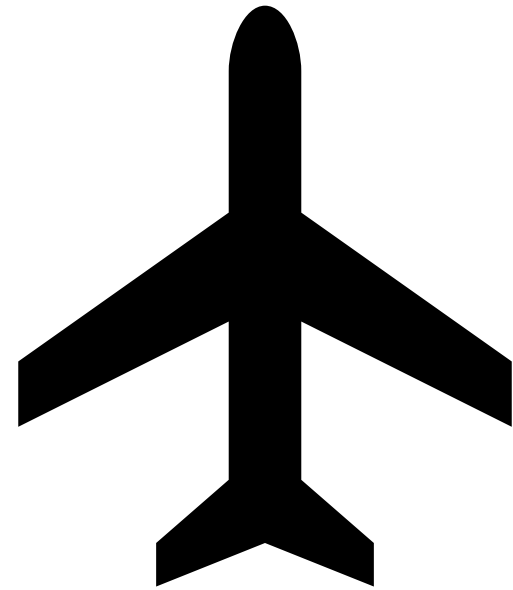
Normally, no employment law implications

Go back to school

Spend time with your family

Travel

(You don't want your key people to opt for this...)



PAST CHATS

*Shannon(to All - Entire Audience): 4:35 PM: Who has the skill set to help you through the crisis?
Keep them!*

10:28:39 From Kelly: Conflict skills and empathy/coaching skills are critical if you want to bring staff back after a downturn.

ACCEPT ANY WHO VOLUNTEER

“I will bank some hours”

I will sacrifice myself for -----

“I offer to cut my hours”

“I will take some shares”

Document that they volunteered, were not forced

Increase working
working hours to
drive more revenue
(some businesses),
without increasing pay

Stop or delay RRSP
matching is voluntary
by the employer

OTHER LESS
PAINFUL IDEAS

A brown dog is lying down on a wet, reflective floor, looking towards a stack of three burgers. The dog's expression is sad or dejected. The burgers are stacked on the floor, and the background is a plain, light-colored wall.

BUT NOW YOU HAVE TO DO MORE PAINFUL CUTS

INFORMATION

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

INDIVIDUAL NUMBERS NEEDED

- Current loaded cost
- Hours you need them
- What they would get on El
- Ability to be incented through shares & other ways
- Net cash cost to the company after you implement your plan

			Estimated						
<u>Name</u>	<u>Current monthly</u>	<u>Monthly hrs needed</u>	<u>Termination cost</u>	<u>El</u>	<u>Top up</u>	<u>Part-time cost</u>	<u>Shares</u>	<u>Net cash to company</u>	<u>Notes</u>
Tucker									
Ossoni									
Zing									

INDIVIDUAL NUMBERS NEEDED

A white calculator is positioned on a document with a pen resting on it. A black rectangular box with a white border is overlaid on the calculator, containing the text 'TEMP LAYOFF' in white capital letters.

TEMP LAYOFF

Saves payroll, no immediate termination costs, and bring them back when you can

Works better in some provinces than others

TEMP LAYOFF, QUICK SUMMARY, GET LEGAL ADVICE

- Most have variations/complications but generally:

Province	Length max	Notes
Manitoba	8 weeks in 16 weeks	
Quebec	6 months	
Ontario	13 weeks in 20 weeks	35 in 52 weeks if keep benefits
Alberta	120 days	Changed in March 2020
BC	13 weeks in 20 weeks	Must be in contract, or <u>ind</u> practice
Saskatchewan	6 days	
Newfoundland	13 weeks in 20 weeks	
New Brunswick	6 days	
Nova Scotia	6 days	
PEI	6 days	
Federally regulated	Less than 3 months	
Yukon	13 weeks in 20 weeks	
NWT	45 days in 60 days	
Nunavut	45 days in 60 days	

WATCH OUT

If you never, ever intend to bring them back,
temp layoff is not the way to go



I have heard of a court case where a company
was sued successfully for doing this to avoid
termination compensation, and had to pay it



This is not the same as you don't mind if they
take another job...

IDEA

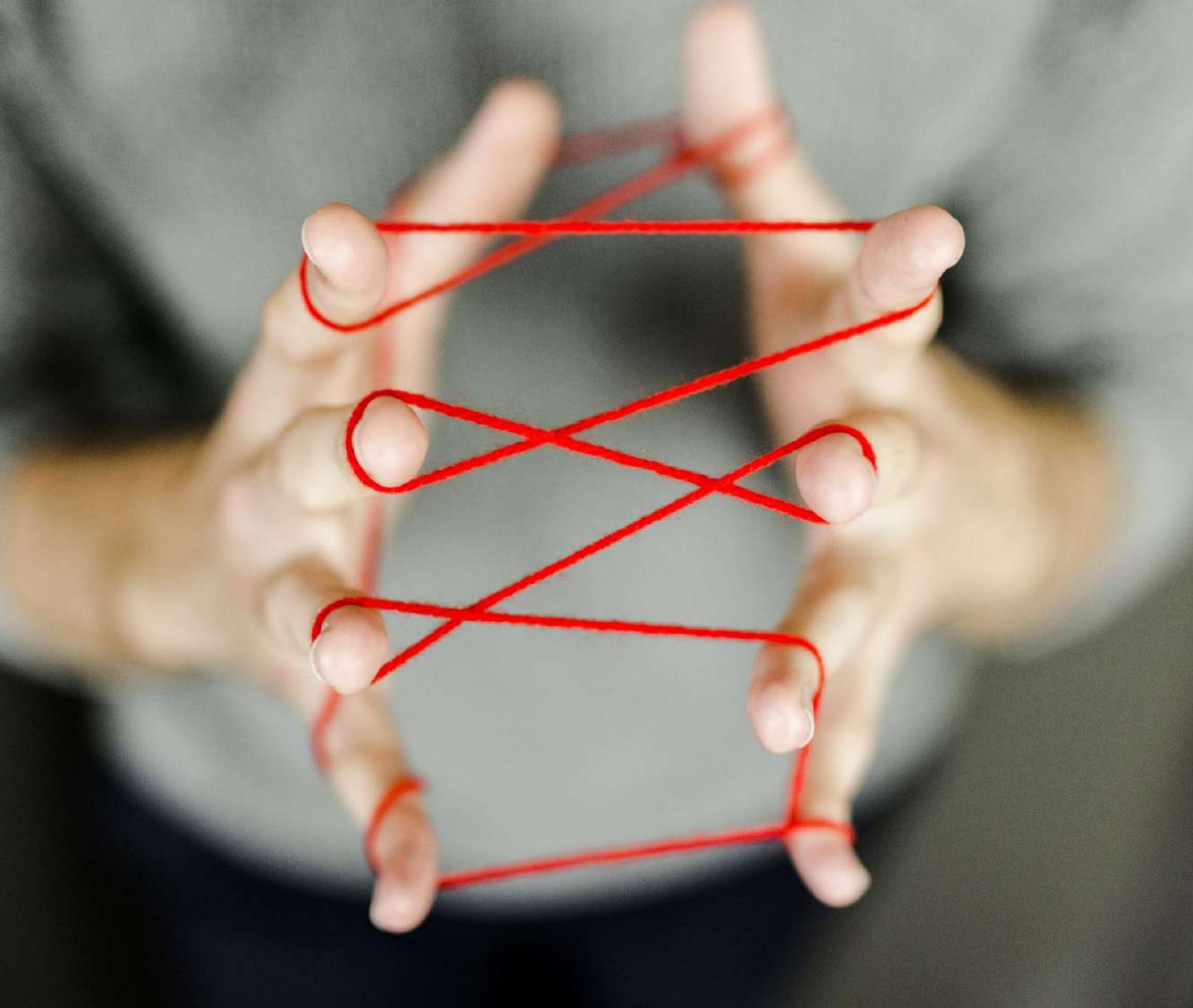
Max hours before lay-off, so EI is richer....

TERMINATING PEOPLE

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



“I DON’T KNOW HOW WE ARE GOING TO MANAGE WITHOUT YOU, BUT WE ARE GOING TO TRY”



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 partially top them up
- Must be approved 10 days before you start by the federal government they can be slow
- Union must be involved
- Can be difficult to manage

Hal (Private): 1:42 PM: We have had success with job sharing rather than full layoffs

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 get 3/5 of the regular EI

SUPPLEMENTAL
UNEMPLOYMENT
BENEFIT PLAN
(SUBP)

- Not so well known
- Allows you to top up the pay of people who make more than insurance earnings limit, without grinding EI, up to 95% of normal weekly earnings
- “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)

- Laid off, EI is \$695/week, \$36,140 annualized, but company tops up with \$25,610, there is no EI reduction
- Best used to keep higher paid people happier on EI (used for mat/pat leave and other situations...)
- Paperwork to do and approval needed
- There has to be a trust and a trustee



PAST COMMENT

- *Daniel (to All - Entire Audience): 1:54 PM: We successfully applied for SUBP and fortunately, before the application was processed, the business quickly turned around and the program wasn't required.*

A large white 3D percentage sign is positioned in the center of the frame against a vibrant red background. A white oval with a thin black border is superimposed over the top of the percentage sign, containing the word "ANNOUNCEMENT" in white, uppercase, sans-serif font. The percentage sign is reflected on a white surface at the bottom of the image.

ANNOUNCEMENT

Your salary has been cut 50%
during these tough times

CUT PEOPLE'S PAY FOR A TIME

Wait, this is constructive dismissal

You are probably correct: an employer unilaterally changing a material term of an employment contract negatively, they could demand their severance package

This is true, but...

CUT PEOPLE'S PAY FOR A TIME



I have never had a legal action
for pay cuts



They want the company to
succeed



They agree in writing and are
incented by shares, stock
options, or conditional
bonuses, or reduced hours



I have seen all kinds of cuts for
different durations of time
(10%, 20%, 50%, 80%, 100%)

A BONUS EXAMPLE

- You will be in line to get a bonus after next fiscal year for taking the pay cut
- Pool = Pre-tax income 2026 fiscal year - \$1.5 million (to a max of \$800,000)
- Pool will be split between employees with the company at June 30, 2026, based on pay cuts during 2025



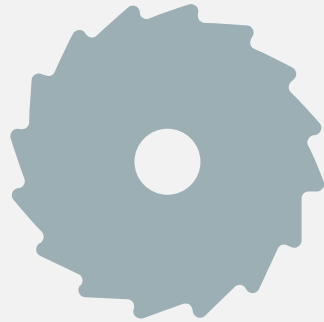
RESULT

- Pool = \$2.74 million pre-tax income 2026 fiscal year - \$1.5 million (to a max of \$800,000)
- Therefore, pool is \$800,000
- 113 employee took pay cuts
- Employee took 2.36% of the total foregone salary
- Bonus is \$18,880

ANOTHER IDEA

- \$20K bonus to employee who got pay cuts, and is with company on December 31, 2025, and Q4 sales are at least 90% of Q4 2024 sales before the problem
- Both bonuses incent employees to stay with the company and work hard
- No need to pay if business is doing bad

A REAL CASE I HEARD OF



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



Result: Unanimous vote to share the pain, keep all colleagues employed...

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 cut in half (graduated income tax rates)
- Eg \$60K income, monthly take home goes from \$3,806 to \$2,076, only a **45.5%** 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

Union concedes cutbacks to protect basic pay

A man in a dark suit and red tie is speaking at a wooden podium. He has a slight, knowing smile and is gesturing with his hands. A black rectangular box with a white border is superimposed over the center of the image, containing the text 'WATCH OUT' in white, bold, sans-serif capital letters.

WATCH OUT

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

TERMINATING PEOPLE

- How not to do it – one of my employers, I was not directly involved
- Firm needed to lay off several admin personnel on Friday
- On Monday, the list of those to be laid were left on the photocopier
- One of those on the list, found the list and told their colleagues!



SHARES

- A good alternative in some situations, saves cash, 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 tax implications for CCPC employees if structured carefully using options (Section 7 ITA, you need advice)



SHARE COMPLICATIONS FOR EMPLOYEES AND THE COMPANY



Valuation 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 points per game scorer in NHL history

TAKING SHARES



- I knew this guy whose employer owed him significant of 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 points per game scorer in NHL history
- He now owns the Pittsburgh Penguins, one of the great professional sports franchises, with three recent Stanley Cup wins
- **Have you ever heard of Mario Lemieux?**

TAKING SHARES

I knew this guy who was an unpaid creditor of a company

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 points per game scorer in NHL history

He now owns the Pittsburgh Penguins, one of the great professional sports franchises, with three recent Stanley Cup wins

Have you ever heard of Mario Lemieux?



THE STORY (ALL USD)

- “Years of deferred salaries, adding up to \$32.5 million, had made him the Penguins' largest creditor in bankruptcy. He converted \$20 million of his deferred salary into **shares**, with another \$5 million in cash (77 cents on the dollar cash and shares), enough to give him the controlling interest

2021

Hockey Hall of Famer **Mario Lemieux** just made more than \$350 million in **the sale of his former team, the Pittsburgh Penguins,** and it's all because of a payment issue that took place during his playing career and into his initial retirement.

COMMENTS

11:02:01 From Silvio to Everyone: Interesting, Mario took a risk, but he probably had no choice

11:02:01 From Jeff to Everyone: Go Penguins, go

11:03:01 From Sydney Crosby to Everyone: I work for Mario, he is a good guy

AN IDEA IF YOU KNOW HOCKEY HISTORY

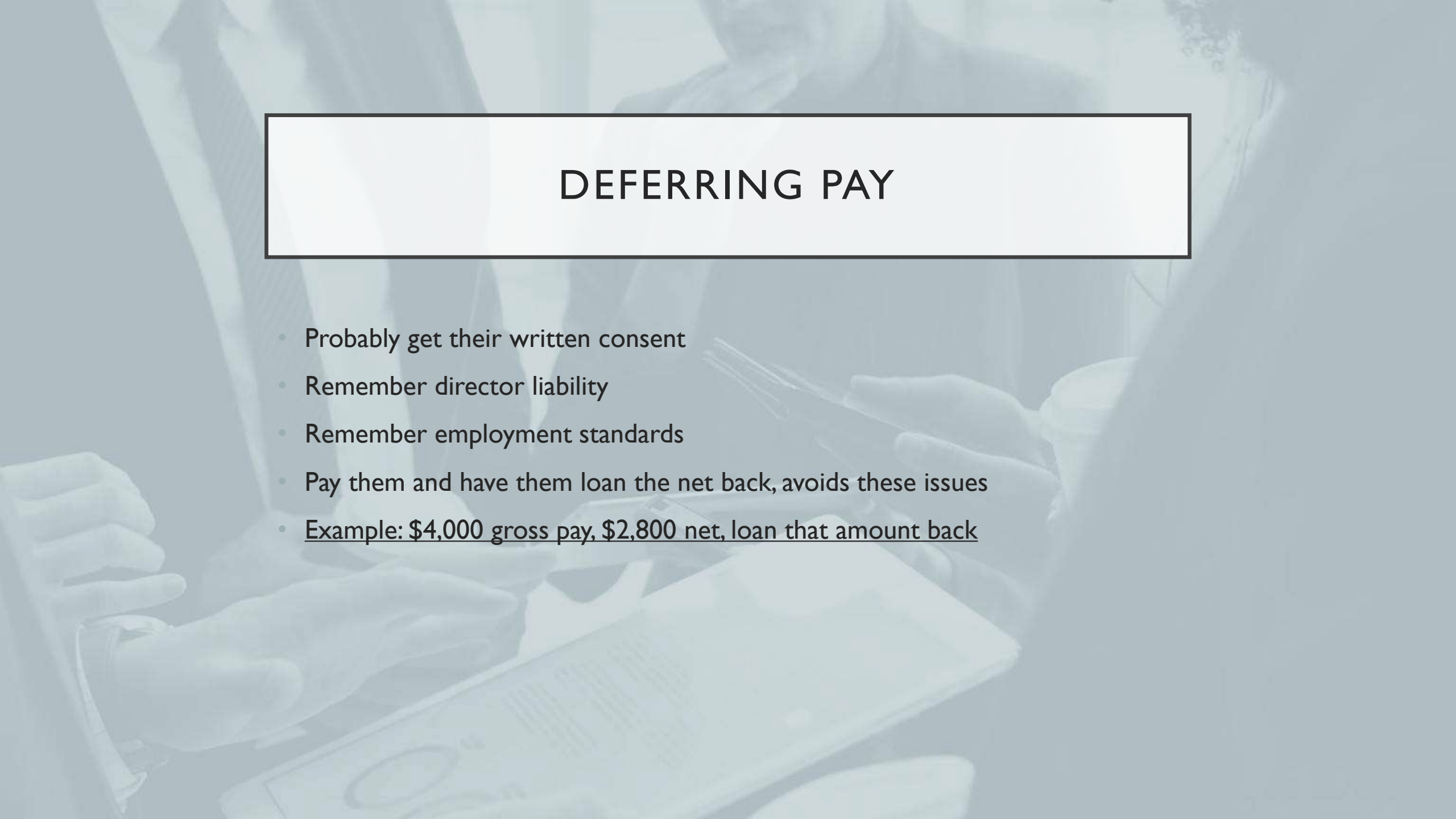
- The Edmonton Oilers should have offered Wayne Gretzky say 30% of the shares of the hockey team, instead of trading him in 1988 to US team, Los Angeles Kings



WATCH OUTS

- Keep funding the benefit plan, even if employees are on layoff
- Suppose someone gets cancer...
- Suppose someone is disabled...



A faded background image showing several business professionals in a meeting. Some are looking at a tablet, while others are looking towards the camera. The image is semi-transparent, allowing the text to be clearly visible.

DEFERRING PAY

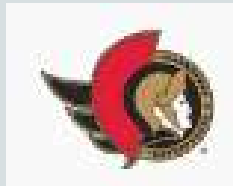
- Probably get their written consent
- Remember director liability
- Remember employment standards
- Pay them and have them loan the net back, avoids these issues
- Example: \$4,000 gross pay, \$2,800 net, loan that amount back

A GUY WHO WAS WILLING TO DEFER HIS PAY TO HELP



6. 2003-04 NHL season: Alfredsson agrees to defer salary to allow for the acquisition of Peter Bondra

The 2003-04 Ottawa Senators were a good team, but fans were sick of seeing their good team do nothing at the trade deadline to boost their chances in the off-



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 \$90K/\$90K
- Therefore give them an advance on Q1 salary at the end of December
- Income tax saving in \$7K range (my province Ontario)
- May need to protect the company if they quit in early in Q1

FOR YOUR PEOPLE WHO ARE LIVING ON LESS



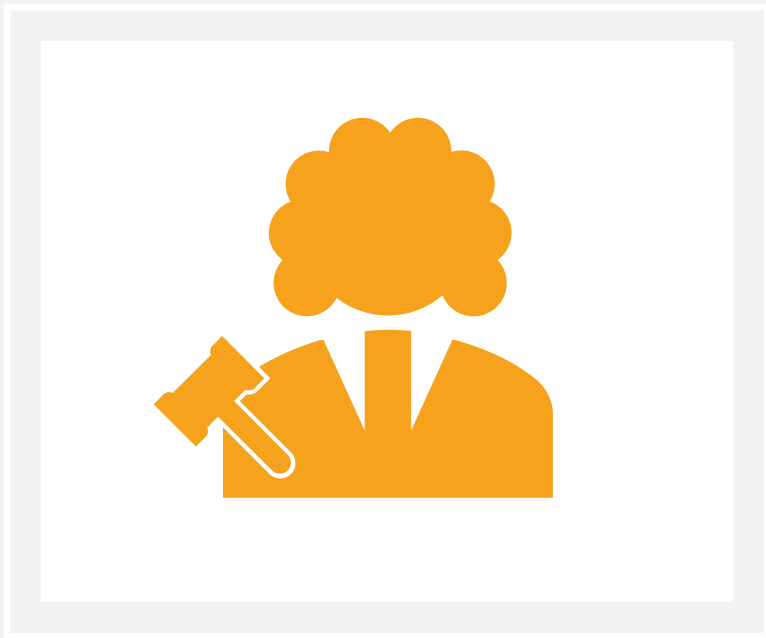
- Make it all easier by offering a family financial seminar
- Obviously, must be taught by a financially responsible accountant (you)
- Teach them how to track expenses and have a budget if they don't
- Re-finance debt with lower rates
- Tell them to reach out to you if in crisis, answer personal tax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



IN THE DOWNSIZING SITUATION

- As opposed to the temporary problem, it is basically all permanent layoffs, a simpler, but not easy process, with less options and variables as dealing with a temporary crisis

NOTE



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



EMERGENCY FINANCING SOURCES

EMERGENCY FINANCING SOURCES

Buy lottery tickets in the name of the company!



OR GET PAY DAY
LOANS





EMERGENCY FINANCING SOURCES

I heard of a small business owner who got 28 credit cards for emergency financing!...

OBVIOUSLY

- Beg governments for help, that is all levels
- Helps if you are big and strategic of course, think auto bailout 2009 or like....
- Governments are constrained by huge debt expansion in recent years

BOMBARDIER
the evolution of mobility

COMMENT

- *Lalani (Private): 12:17 PM: I am on board of an NPO and we would have had to close our doors if we didnt get a last minute lifeline from Prov Gov*

EMERGENCY FINANCING SOURCES

- Only borrow if it makes sense, if there is hope, for bridging, for a specific purpose



- Today trouble

Key payment

EMERGENCY FINANCING SOURCES

- You will generally pay a lot for emergency financing sources....
- There are boutique high risk lenders for this
- They will obviously be behind the bank (or other primarily lender with primary security), unless you negotiate something special and you will probably have to inform your bank

A REAL LOAN OFFER, HIGH RISK COMPANY AND SITUATION



CAPITAL PARTNERS

September 29, 

PRIVATE & CONFIDENTIAL



RE: Memorandum of Terms for Secured Bridge Loan to 

THE ACTUAL OFFER

- 24% nominal rate, with commitment and other fees, 54.25% effective rate, partly due to 90 day time frame
- We did not take it
- Note: usury is a criminal offence in Canada, at 60% (Section 347, Criminal Code)

Payday Loan Application Form

PAY DAY LOAN RATES

Shopping List...

A photograph of the exterior of a Cash Money store during winter. The store has a large yellow sign with the name 'CASH MONEY' in bold, black and red letters. Below the sign is a glass entrance with several windows. The ground is covered in snow, and a car is partially visible on the right. A semi-transparent white box with the text 'PAY DAY LOAN RATES' is overlaid on the center of the image.

CASH MONEY®

PAY DAY LOAN RATES

Payday loans used to be 59.99% but they got exempted so now they charge...

for

\$20

Loan amounts are subject to net pay and other qualification requirements and this offer is available for new customers only that are British Columbia residents. The maximum charges permitted in British Columbia for a Payday Loan is 15% of the principal. Under this offer, on a \$300 loan for 14 days, the cost of borrowing is \$20, with a total payback amount of \$320 and an APR of 173.81%. Regular fees apply on subsequent loans and the cost of borrowing at Cash Money in British Columbia is \$15 per \$100 borrowed. 081018_BC_RQ110523 • BC Licence #56824

ON FIRST LOAN ONLY

Loan amounts are subject to net pay and other qualification requirements and this offer is available for new customers only that are British Columbia residents. The maximum charges permitted in British Columbia for a Payday Loan is 15% of the principal. Under this offer, on a \$300 loan for 14 days, the cost of borrowing is \$20, with a total payback amount of \$320 and an APR of 173.81%. Regular fees apply on subsequent loans and the cost of borrowing at Cash Money in British Columbia is \$15 per \$100 borrowed. 081018_BC_RQ110523 • BC Licence #56824

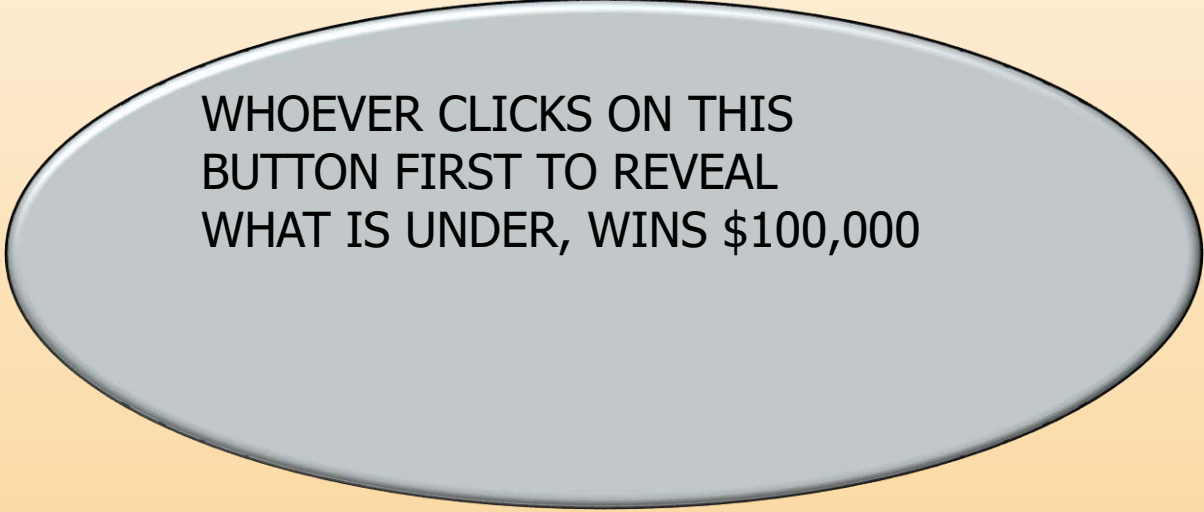
QUESTION

- How can a special bridge lender get first security, when there is an existing lender with a first security ranking?
- Answer: temporary subordination agreed to by first secured lenders for a specific purpose and a limited time
- I have done this

CHARITIES

- Find a special funder
- No interest hopefully if a loan!





WHOEVER CLICKS ON THIS
BUTTON FIRST TO REVEAL
WHAT IS UNDER, WINS \$100,000

EXISTING
SHAREHOLDERS
MIGHT

- Inject new equity
- Guarantee loans (be careful)
- Loan more money
- Exercise warrants/options



EMERGENCY FINANCING SOURCES

- Talk to your existing shareholders, and potential new ones

ALSO NEW
EQUITY
INVESTORS

Float a special share offering for new investors

I have sold shares to employees for cash in a crisis (I bought some)

I have sold shares to a contractor for cash in a crisis

Explain valuation is down, due to the crisis, to incent them

Ensure you comply with all applicable securities regulations

LIQUIDATE ANY EXCESS ASSETS



EMERGENCY FINANCING SOURCES

- Talk to your existing shareholders, and potential new ones
- Liquidate any excess assets (lease back)
- Ask employees for loans
- Look for a strategic investor

RELEASE HIDDEN EQUITY



Sell anything that is not being used now



This includes intellectual property



If you still need it, lease/license it back



Example: company sells its six trucks for \$210,000,
leases them back for \$2,500/month



*Darcy Gonci (Private): 4:57 PM: sale - leasebacks overlooked.
Bit of work to get done but for an asset heavy business an
overlooked option*

LIQUIDATE BUSINESS UNITS

BUSINESS | News

Bombardier is out of commercial aviation with plan to sell C Series stake

Montreal

Bombardier sells train-making division to French multinational Alstom

'Most importantly, we have protected 3,300 jobs,' CEO says as only business-jet unit remains

- Use proceeds for operations, or to pay down debt

SMILE

- A professional ice sculptor filed for bankruptcy...
- They will have to liquidate his assets



EMERGENCY FINANCING SOURCES

Priddle (the "**Lender**") and promises to pay to or to the order of the Lender at Ottawa or such other place as the Lender may direct in writing, the principal sum of Thirty Thousand Dollars (\$30,000.00) (the "**Principal Amount**") in lawful currency of Canada on the terms set out below:

1. **Interest.** The Principal Amount shall bear interest at the rate of 25.00% per annum calculated monthly, both before and after maturity, default and judgment, with interest on overdue interest at the same rate, with a minimum interest amount of at least Four Hundred Dollars (\$400.00). The Principal Amount plus interest accrued thereon may be hereafter referred to in this Note as the "**Indebtedness**".
2. **Payment.** The Borrower shall repay the Principal Amount and interest accrued and outstanding thereon with three business days of receiving after the Borrower receives its



STRATEGIC INVESTOR

- Perhaps an industry player, a key supplier, competitor even
- You don't have a strong negotiating position
- They may say we will pick up the pieces after you go bankrupt...



LIT liked
this tip
bet



CHARITY/NPO

Merge with another
charity/NPO doing similar
things



EMERGENCY FINANCING WATCH OUT

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

COMMENT

- *Charron (Private): 2:25 PM: Good use of humour and great insights on alterate financing and banking arrangements.*

GETTING OUTSIDE THE BOX

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

- Hibernate/mothball the business for a period
- Volunteer employees might be able to get shares and EI!
- Loans so there is no LTD premium tainting for tax
- Accountant got CEO treatment for crack cocaine habit once solved a crisis for a company I know
- A different class of shares for work





HIBERNATE/MOTHBALL, A DIFFERENT EXAMPLE

- US Battleship *USS Missouri*
- Active 1944-55
- Mothballed 1955-1984, 1978, I visited it
- Active 1984-1992

A DIFFERENT CLASS OF SHARES

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



SPECIAL CLASS OF PREFERRED SHARES

- Bear dividends, cumulative at a reasonable rate, say 5%
- Are redeemable by the company in the next three years
- Convert to common at a favourable rate in say three years
- (Another possibility - increasing redemption prices or dividend rates to motivate the company to redeem earlier)



PREFERRED SHARES FROM AN EMPLOYEE PERSPECTIVE

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



PREFERRED SHARES FOR THE COMPANY

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



TAX NOTE

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

SALES & MARKETING
MUST GET OUTSIDE
THE BOX

- Unusual payment terms
- Special throw-ins and combinations of goods and services
- Mail-in rebates (hopefully low take up rate...)



A first secured lender is pressing us



An existing shareholder purchased the secured, first priority loan from the lender!



Took away a lender that was pressing and replaced it with a “friendly” lender



Shareholder now in first place security with a number of advantages (better than lending the company to repay the loan)



(No new cash for the company)

OUTSIDE THE
BOX

Recession-linked pay
formula employees
for new employees
(how about this for
all government
employees!)



New roles for
groups, eg HR not
busy, you now have
to do payroll

PEOPLE IDEAS

A close-up photograph of a hand holding a set of keys. The keys are dark and have a silver-colored ring. The background is a blurred interior of a house, showing a wooden floor, a lamp, and some furniture. A dark rectangular box with a white border is overlaid on the image, containing the word 'MORE' in white capital letters.

MORE

If you have not already, cut real estate costs by working at home



The crisis could propel some thinking that might really improve your business



There have been some great temporary ones, eg from distilling alcoholic beverages to making hand sanitizer during COVID-19



But maybe permanently re-invent the business for the better

DON'T BE AFRAID TO
TURN THINGS
AROUND, RE-INVENT
THE BUSINESS



DON'T BE
AFRAID TO
TURN THINGS
AROUND, RE-
INVENT THE
BUSINESS

- Example: you manufacture and sell some equipment, then you open a unit to service the equipment, and another one to deploy the equipment for customer



MY BUSINESS - SUREWX

Was selling this equipment



And changed to...

During COVID-19

OBVIOUSLY, I
HAD TO RE-
INVENT MY
SPEAKING
BUSINESS

OBVIOUSLY, I HAD TO RE-INVENT ^{MV} SPEAKING BUSINESS *vimeo*



RESTAURANT RE- INVENTION DURING COVID-19



Simple: go 100% takeout



More creative: can't open, long-term purchase contracts, sell groceries



High-end steak-house, refuses to go takeout, but then they offered:

INITIALLY REFUSING TO RE-INVENT

An advertisement for 'The Keg Celebration Kit'. The background image shows a gourmet meal setup: a wheel of cheese on a wooden board, a large piece of raw meat (likely steak) on a wooden cutting board, and two wrapped candies (one labeled 'THE KEG') on a white surface. The text 'THE KEG' is in a small white box, and 'CELEBRATION KIT' is in large, bold, light blue letters. At the bottom, a black bar contains white text describing the kit.

THE KEG

CELEBRATION KIT

A make-at-home meal kit with everything you need for a celebratory Keg Classic Dinner, for two or four (or six, or eight!) - at home.

NOTE

- I try to re-invent things, example baklava!





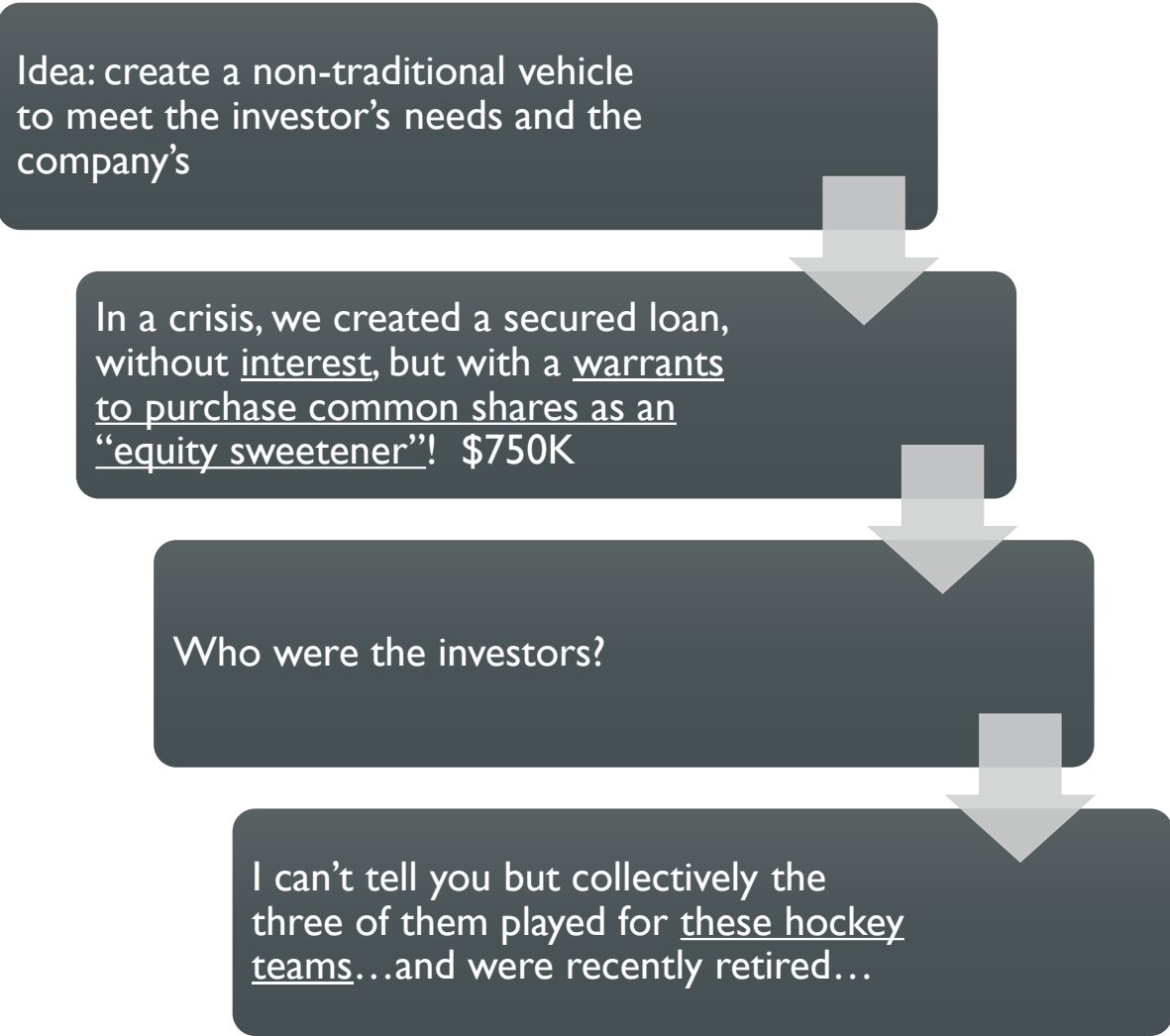
Another of my employers was strictly in electronic engineering design services, then decided to sell products



Sell assets/parts of business to employees, and have them back on contract to do work for you (trucks, cleaning)

DON'T BE AFRAID TO
TURN THINGS
AROUND, RE-INVENT
THE BUSINESS

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 interest, but with a warrants to purchase common shares as an "equity sweetener"! \$750K

Who were the investors?

I can't tell you but collectively the three of them played for these hockey teams...and were recently retired...

OUTSIDE THE BOX FINANCING



HOW TO THINK MORE CREATIVELY?

- I have 3 hours of teaching on how to think more outside the box, with dozens of different examples in my course **Outside The Box Creative Thinking Skills**

MISCELLANEOUS SMALL TIPS



Return inventory to supplier,
regardless of re-stocking charge
– effectively a financing cost



Slash inventory levels – fire sales



See if you can get back any
deposits on anything, perhaps
with a penalty

A LOT OF
MISCELLANEOUS
TIPS



Telephone lines – go VoiceOverIP (VOIP)



Stop paying for any software or support you are not using – you would be surprised, there may be quite a bit



Turn cloud/hosting software off during non working hours, if there are time-based charges

CUT ALL THE SMALL
THINGS YOU WERE
THINKING OF CUTTING,
BUT DELAYED

ALL COSTS UNDER THE MICROSCOPE IN A PUBLIC COMPANY

- Free coffee/hot choc/juice - gone
- Reception - gone
- The weight room expansion - gone (\$40K saving)
- We sublet some rooms and cubicles





TAX IDEAS

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



TAX IDEAS

- Change your year end, to get large Scientific Research & Experimental Development (SR&ED) refundable tax credit claim in early
- Rush SR&ED submission - once I did financial statements and tax returns and SR&ED technical reports filed 13 working days after year end, due to the crisis need for the cash (I started well before year end)

A hand holding a pencil points towards a tax form. A black rectangular box with a white border is superimposed over the form, containing the text 'TAX IDEAS'.

TAX IDEAS

Government owes you \$? Beg them to speed it up, or offset against source deductions

MORE IDEAS

Travel freeze (or
CEO must
approve only well-
justified travel)



Cancel training
and PD
courses...!

A background image showing a business meeting. In the foreground, a person's hand is pointing at a tablet displaying a document with charts and text. Another person is holding a smartphone. In the background, a man in a suit and a woman in a blazer are engaged in conversation. The woman is gesturing with her hand near her face.

MISCELLANEOUS TIPS

Cancel/defer capital expenditures, even if there are penalties or lost deposits

Perks are gone, cell phones, parking

You become a sales person (part-time) to help drive revenues

Trim the benefit plan (drop vision care, reduce dental limits etc) if possible contractually

MISCELLANEOUS TIPS



STOP/DELAY ADVERTISING AND PROMO



DO YOU REALLY NEED THAT
INSURANCE, SELF-INSURE FOR A WHILE
(CHECK CONTRACTUAL
REQUIREMENTS)



INCENT SUGGESTIONS FROM
EMPLOYEES, WITH REWARDS (THE
SUGGESTION BOX)

British Airways saves £600,000 in fuel costs from just one suggestion





POLLING QUESTION

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



PAYROLL TIPS

- Move payroll to semi-monthly instead of bi-weekly (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 monthly expense cycles for both you and the company
- Your payroll service is sitting on your money, before making CRA remittances
- Tell them to calculate the remittances and you will make them to improve cash flow



INTERESTING IDEA

- We will let you buy more vacation through current salary
- Buy \$3K vacation to use later
- Employer saves \$3K in pay now, but will have to pay it out later, a deferral is provided
- Could provide a multiplier, buy \$3.5K of vacation for \$3K to incent it

MORE IDEAS?

- I have about 30 minutes of general cost-saving tips in my 4 hour course **Practical Tips for Controllers & CFOs**, which covers many other topics, it is my biggest seller

LET'S TALK ABOUT OUR STRESS

STRESS-LINKED?

Business

Lufthansa Says CFO Svensson Resigns for Health Reasons

By [Christoph Rauwald](#)

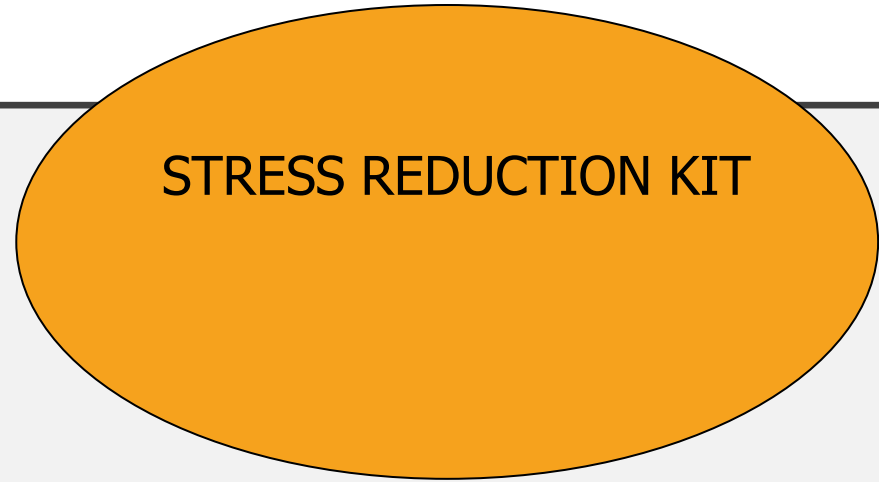
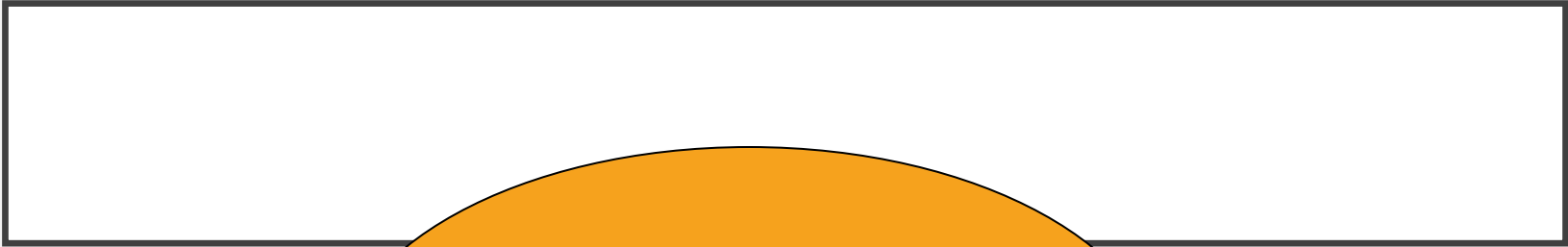
[LISTEN TO ARTICLE](#)

Lufthansa AG said its Chief Financial Officer Ulrik Svensson has resigned for health reasons.

 LIVE ON BLOOMBERG

[Watch Live TV >](#)

Bloom
Television



STRESS REDUCTION KIT

- 1. PLACE KIT ON HARD SURFACE**
- 2. BANG HEAD ON CIRCLE**
- 3. REPEAT STEPS AS NECESSARY OR UNTIL UNCONSCIOUS**
- 4. IF UNCONSCIOUS, CEASE STRESS REDUCTION ACTIVITY**

A top-down view of a wooden desk. In the top left, a silver calculator sits on a spiral-bound notebook. To its right is a white mug filled with dark coffee. Below the calculator are a pair of black-rimmed glasses. In the center, several sheets of paper with financial charts and tables are spread out. A black pen lies on one of the papers. A semi-transparent dark rectangle with the word 'STRESS' in white is overlaid on the papers.

STRESS

These stresses diminish some other stresses

Personal financial stress is less, if you are careful with your finances, which has other advantages

DO YOU HAVE ANY GOOD STRESS MANAGEMENT TIPS?

- *13:05:39 From Cathy to Everyone: Camping in a quiet place*
- *13:05:44 From Addie to Everyone: Loud music*
- *13:05:49 From Erwin to Everyone: Eating good food*
- *Sina (to All - Entire Audience): 2:16 PM: sorry... here is the ER docs advice...Look after your health, sleep, take time to do something you love every day (music, art, running), be kind to yourself everyday, have one hour per day where you do something selfish for yourself*



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 legal or illegal addictive substances!
- Bigger picture, you are alive, you have a job, you will get by, your loved ones are safe...



SPEND TIME WITH THE CARE-FREE!

- For me, grandchildren who live nearby

CONCLUSIONS

YOU MAY HAVE A QUESTION FOR ME



- Are all the companies you work for in perpetual cash crisis?
- No! Only about 3 years of my career in total out of nearly 40 years have been spent in a cash flow crisis....I just had a lot of stories on them in this course

SUCCESSSES AND FAILURES - PERSONAL

- I have written off \$100K and \$10K worth of shares, obtained for salary during crises from two different former employers
- But I get large dividends from crisis shares I received for salary or bought, also sold some of these shares for large profit to a public company – partial buy out



CONCLUSIONS

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



WANT AD

Wanted

An accountant who has been through a cash crisis, and doesn't want to go through another one

Responsibilities:

- Perform monthly, quarterly and annual account reconciliations
- General ledger reconciliations
- Inventory management
- Assistance with the preparation of financial statements
- Complete financial analysis
- Coordination and completion of annual audits
- Reviewing and maintaining internal controls and related documents

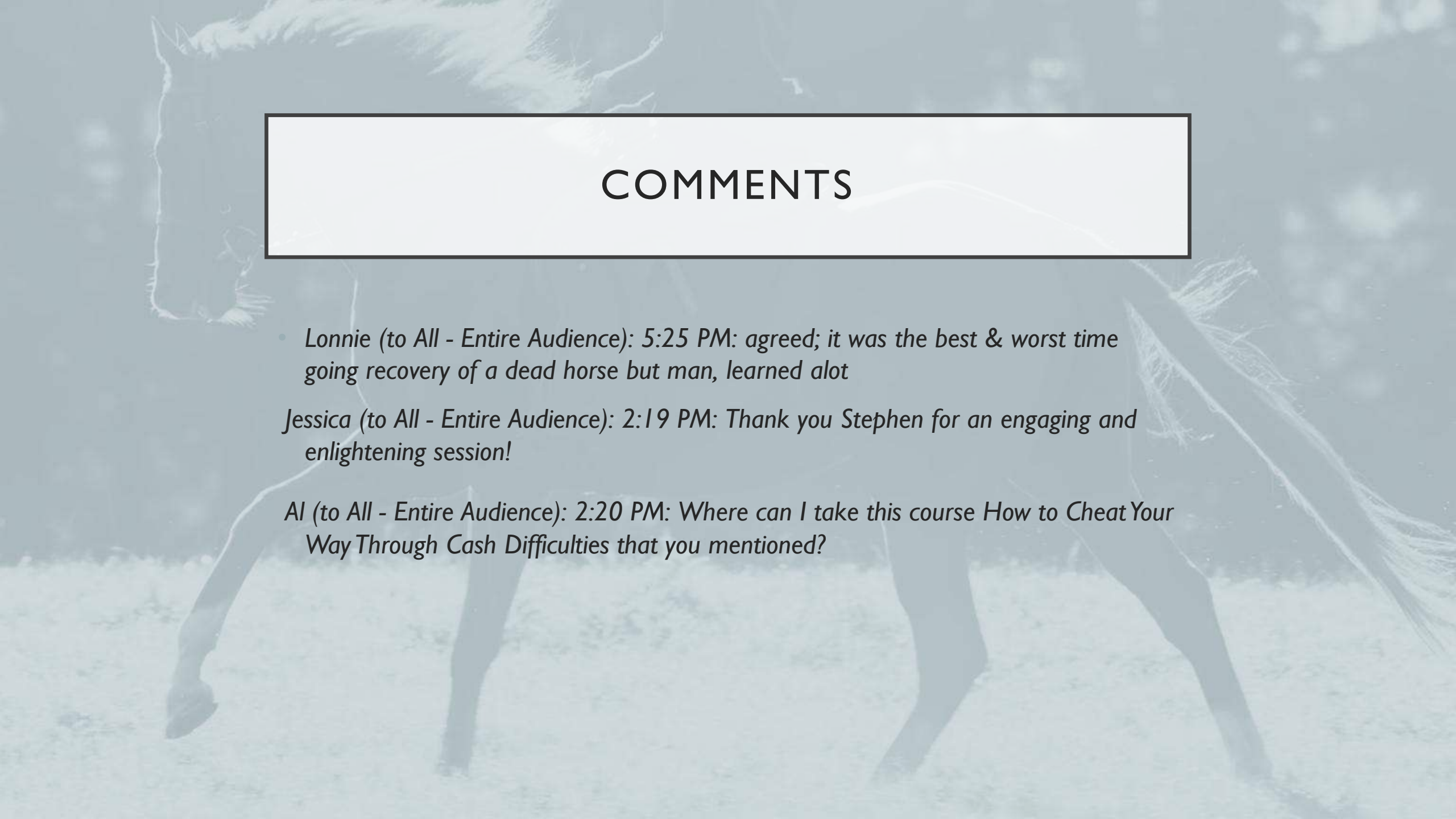
Compensation:

\$190,000.00 to \$210,000.00

- You can apply for this job one day with your experience, and help avoid crises!

CONCLUSIONS

- Best wishes in your cash crisis, if you are in one
- An opportunity to learn a lot
- I would love to meet you one day and hear this course helped you get through...



COMMENTS

- *Lonnie (to All - Entire Audience): 5:25 PM: agreed; it was the best & worst time going recovery of a dead horse but man, learned alot*
- Jessica (to All - Entire Audience): 2:19 PM: Thank you Stephen for an engaging and enlightening session!*
- Al (to All - Entire Audience): 2:20 PM: Where can I take this course How to Cheat Your Way Through Cash Difficulties that you mentioned?*



OTHER COURSES

- A lot of this course was about negotiating
- Consider also my 4 hour course **Practical Financial Negotiation Tips**, no overlap with this course
- I have many other courses, on diverse topics, and the feedback is that they are very practical help CPAs at work, and are engaging and funny, check them out

CLOSING COMMENTS

- Was the course boring?
- Please complete course evaluations/review where applicable
- Remember the completed slides are in the 2nd half of the course material
- You can do LinkedIn with me
- Thanks for listening