

## Cash is King. How Can I Get Some?

**COVID 19: Answers to Business Challenges** March 26, 2020

Troubled times. Unanticipated business closures. Working from home – who knew it would start so fast and last so long. How long it will last? Will my business survive? What's next?

These and related questions are foremost in the minds of many. Answers are not easy to find. When it comes to considering a path forward, hopefully to avoid insolvency, one significant task is to assess your liquidity position.

A major concern for every business, even in good times, is liquidity. In tougher times, like these, the availability of your company's liquid assets to stay current on debt obligations is crucial. This is the time to be vigilant about your business cycles. The expression often heard in bankruptcy courts: "Cash is King!" is a truism in all business sectors now.

So where and how can you find cash? Here are several reminders.

- If your company has a line of credit that has not maxed out, this may be a good time to draw down the line. Yes, interest charges will have to be paid, but, long-term, paying interest may be the best and least expensive alternative – certainly better than running out of cash.
- Another source of cash to consider is your business interruption insurance. Check your policy and call your agent to see whether the mandatory business shut down imposed by the government constitutes a claim under your policy.
- Small business loans may be available from federal agencies for short-term help. For instance, the Small Business Administration has a program for low interest disaster loans to help businesses recover from declared disasters. Many states and counties are within declared disaster areas due to Coronavirus COVID-19. A published list is available at <https://disasterloan.sba.gov/ela/Declarations/Index>.
- Many states have developed programs to provide loans to small businesses impacted by the Coronaviurs. For example, in Pennsylvania, "[t]he Commonwealth Financing Authority (CFA) authorized the transfer of \$40 million to the Small Business First Fund for CWCA. PIDA authorized making \$60 million available to provide loans of \$100,000 or less to for-profit businesses with 100 or fewer full-time employees. Funds are expected to become available this week." "Governor Wolf Announces Financial Assistance Available to Small Businesses,"
- Talk to your lenders, landlords and major creditors to negotiate a forbearance or some other temporary relief until your business is back in full force.
- The \$2 trillion stimulus legislation passed the Senate on March 25, 2020. Among other provisions, it includes direct cash payments to taxpayers, expanded unemployment benefits (an additional 13 weeks and four-month enhancement of benefits, extending benefits to freelancers and gig workers and adding \$600 per week to the usual payment) and big loans for American industries (\$350 billion in federally guaranteed loans to small businesses and \$500 billion government lending program for distressed companies plus \$100 billion to hospitals confronting the pandemic). Details as to how to access these funds are not yet available, so keep watch as your business may qualify.
- Keep up with the state and federal bills that propose to put money into your hands. Some of the bills will require detailed applications while others propose sending money (sometimes loans, sometimes gifts) without much fuss.
- Look over all of your bills and prioritize which have to be paid and which could be pushed back a bit. Deferring payment is risky, of course, as the bills have to be paid eventually and the inability to do so can lead to a going-out-of-business sale, bankruptcy, receiverships, and other forms of financial relief that are not the most favored.
- Don't ignore your business partners, family and friends as a source of cash. Often, they will want to assist and see you stay in business rather than lose almost everything you've worked for.
- Consult your financial advisors, estate planners and tax accountants to update your financial, estate and tax plans.
- When measures you take are not enough, the consider hard choices. Should you go out of business altogether?

Should you file bankruptcy? Although these options are not first choices, sometimes they are unavoidable. Before your business fails altogether, consult a lawyer skilled in insolvency to get advice.

Just a note: Tucker Arensberg, P.C. is open for business and available to address your business needs. Our lawyers are working from home to comply with the Governor's directives. Check the website for a listing of our attorneys and to stay current with our News and Insights around the coronavirus. You can access all the recent articles at <https://www.tuckerlaw.com/category/covid-19-answers-to-business-challenges>

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