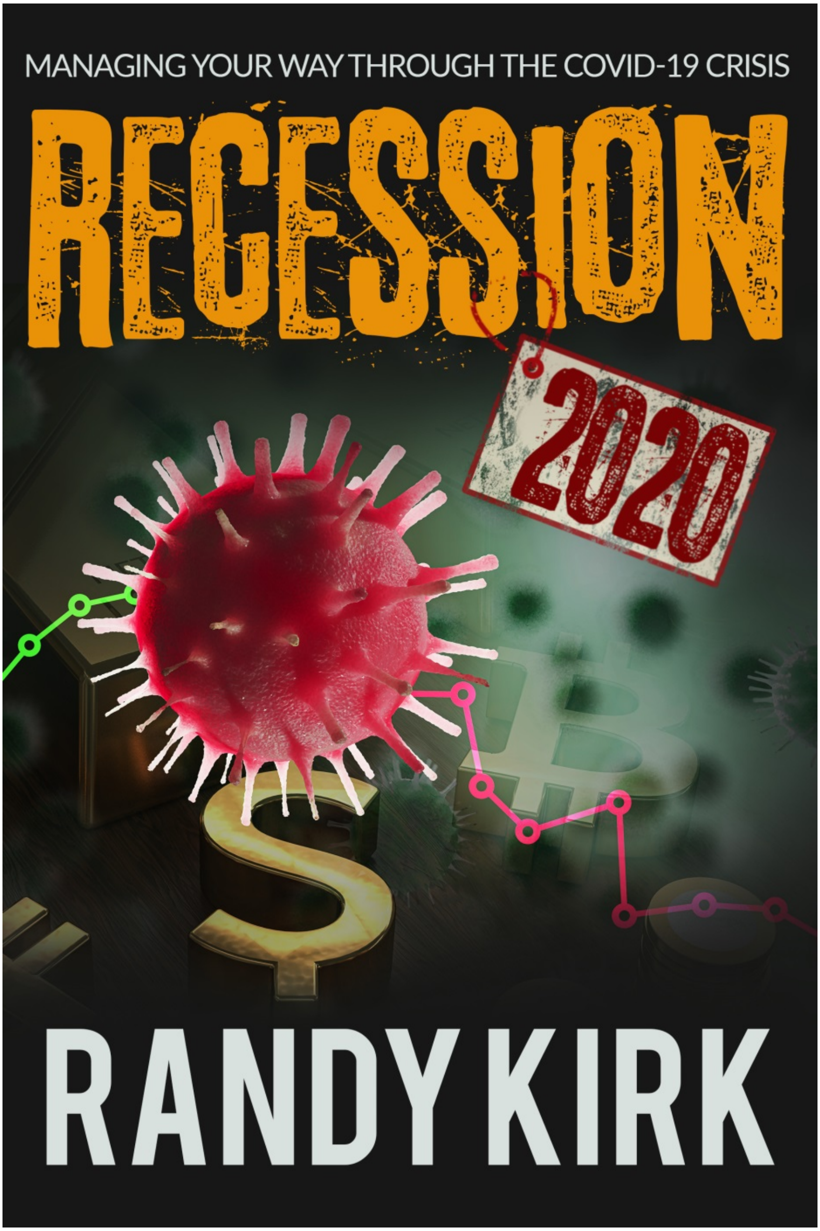
MANAGING YOUR WAY THROUGH THE COVID-19 CRISIS
RECESSION
2020
RANDY KIRK

RECESSION 2020:

Managing Your Way Through the COVID-19 Crisis

RANDY KIRK

This brief book is going to provide you with the specific tools and methods you need to, not only survive the coming recession…but thrive.

WHAT IS A RECESSION?

Almost everyone in business today has a very clear recollection of the impact of the Great Recession of 2007-2009. Smaller recessions, like the one we are likely facing in 2020, are easily forgotten. We have recently gone through the 911 recession, the dot com bust of 2000, the Bush recession of 1991, and the major recession of 1981-2. Each of these occurred for very different reasons, and the COVID-19 recession can't be compared to any of them, though the closest might be the 911 slowdown.

The 911 recession was brought on by a crisis, resulted in huge swings in the Dow, and the recovery was swift. This is likely to be the case with the 2020 economy.

Whatever the cause of any recession, however, the result is very personal for every business owner. Depending on your current financial status, the industry you are in, the flexibility you have regarding reducing operations, and your own personal motivation, the outcome later this year might range from closed-up-shop to substantially increased sales and earnings.

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Chapter 1

CASH

Cash is King. Cash is the lifeblood of business. He who has the most cash wins. The one with cash controls the one who needs cash.

The first thing that should be on your mind as we enter into the slowdown is cash.

How much do you have?

How much will you need?

How much could you use to great advantage?

How much can you get your hands on?

What will it cost you to get additional cash?

How close are you to running out?

What can you do to keep from running out?

How much do you have? You'll first want to review the cash position of the company. How much actual cash is sitting in checking, savings, or other accounts.

Of those amounts, how much of that cash is owed to others who will be looking to collect it. Review these outstanding amounts in order of importance: payroll, critical suppliers, banks, utilities, rent, payroll and other taxes, others. In normal times you merely pay these bills as due, more or less. In the next few months you may find yourself making very careful decisions about who to pay and how much.

Everybody you owe will be much easier to work with on slow payments if you are calling them before they call you!!

Create a plan right now if you believe that your cash will be tight. Best is to create three plans based on three levels of sales and collections. Optimistic, likely, and worst case.

Now consider options for raising cash. Your own personal cash assets are the easiest. How much of your personal wealth are you willing to put at risk? You also might have borrowing options from banks, other lenders, and credit cards. Most of these will also put your personal financial future at risk.

You may be able to increase cash by collecting receivables. Cash commonly dries up in a recession, so the rule is: he who collects first collects the most. Get your top collector on the phone and bring in as much cash as you can. Offer discounts for early payment as necessary.

Reduce inventory. Do you have old, slow moving inventory? Immediately offer deals to convert it to cash. Consider sales to customers, swap-meet sellers, ebay, and close-out specialists. You might even try encouraging the supplier who sold them to you to take them in lieu of cash. You will only want to do this if things are getting really rough.

Become very careful on new inventory purchases. You don't want to disappoint customers by being out of critical items, but you may also need to conserve cash. Talk to suppliers about longer terms. They may be willing if they are concerned about their own reduced sales.

If you have bank lines of credit, you may want to draw them down 100%. Some banks may be reducing lines as they become conservative. Make sure you are 100% within your covenants, otherwise your bank might call your loan, adding to your cash woes.

Next move to zero based budgeting. Take out your income statement (P & L) and go line by line. When times are good, we all have a tendency to spend on what we want rather than on what we need. What can you get by without? This might include staff, but we will address that specifically in another chapter. It sometimes seems like the first thing to cut is marketing and advertising, but that can be extremely counterproductive when sales are already slipping.

Start with the easy ones. It is likely that you can temporarily or permanently cut spending on overhead by 20% or more if you are aggressive.

If you are too aggressive and you cut things you truly need, it is usually not difficult to add them back. Most companies do not error on the side of being too aggressive on cutting luxuries from the budget.

If you realize that you are going to be late paying suppliers, banks, or taxes, put together a payment plan that is conservative, even if it may be hard to swallow for your creditors. Then start calling, and let them know that you have a plan, you are confident of the plan, but you need them to all agree. The benefit to them is they will still get your new business (usually COD or COD plus a percent against the old outstanding amount), and they don't need to call you for collection.

Review other assets that might be liquidated. Do you have equipment, fixtures, raw materials, or any other assets that might be sold? Sell them immediately. They are worth far more today than they will be in weeks or months from now.

Now, go back through your bank account or any other system where you pay for things. Go over each item, line by line. You may be surprised to find $29 here or $99 there that you are paying every month for things you really don't need.

When was the last time you negotiated your phone bill, internet access, insurance, or have looked at potential savings on your energy bills?

Alternatively, you might already be in a great cash position. This doesn't mean that you should forego the kinds of reviews suggested above. In future chapters we will discuss some of the big opportunities a good cash position might provide.

Review: If your cash is potentially going to be an issue during the next few months, now is the time to review your assets and liabilities, then act to maximize your cash flow during slow sales and potentially difficulty with collections. Sell underperforming assets ASAP. Plan your cash and communicate with creditors as necessary. Review and lock down sources of low interest borrowing.

Finally, evaluate all of your decisions with regard to both company and personal long-term planning. This recession is likely to be short with a fast recovery. You want to be poised to take advantage of the recovery.

Chapter 2

SALES

The very definition of a recession assumes that sales decline. And in any economy, some companies are more impacted than others. The Anderson School at UCLA released a paper on March 12 which said this:

“We view the COVID-19 epidemic and likely pandemic to work as both a supply shock and a demand shock on the economy," Shulman wrote in the days before the World Health Organization declared the outbreak to be a pandemic. "As a result, we are assuming a two-quarter hit to real GDP growth in the second and third quarters of this year, with very modest increases of 1.3% and 0.6%, respectively, compared to the 2%-plus growth we previously forecasted."

As a result, those companies that depend on consumer demand may find that consumers are concerned about their future finances and unwilling to spend. On the other hand, companies that sell products anywhere in the distribution chain may be affected by supply chain issues and have shortages of key components or products. See: Coronavirus wreaks havoc on retail supply chains globally, even as China's factories come back online

There is another aspect of this situation that complicates issues. This recession is 100% driven by a contagious disease. Thus, we are faced with all kinds of businesses and government agencies shutting down, not to mention sports, entertainment and major events being postponed or cancelled.

Finally, even those not directly affected, will almost certainly have a sales slowdown due to lost business from those who are directly affected.

What to do about sales in this situation? How do you maintain or increase sales when the entire economy seems to be grinding to a halt, at least for a short time?

You begin by focusing on selling. After you've figured out what to do about the financial situation, you should be able to spend most of your idle time thinking, planning, and executing on a sales strategy to find any existing business that might be able to fill the current gap, and what to do when the economy starts to ramp up. This approach will work for any slowdown, even one that is regional or industry specific.

Following is a real-life story and a conceptual example of the kind of thinking and doing that you might consider.

NY Times story

Canlis is one of Seattle's highest-end restaurants, with a piano player who entertains customers at the bar and a four-course tasting menu that runs $135 a person. But when the outbreak began to spread in Seattle, business started to dry up. Mr. Canlis, one of the owners, realized that his business was "one headline away" from putting 100-plus employees out of a job.

So over a three-hour meeting in an apartment overlooking the city, the managers worked out a new plan. This week, the restaurant will start selling bagel sandwiches in the morning, running a drive-through serving burgers and veggie melts for lunch and delivering dinner to the doorsteps of Seattle residents.

"Fine dining is not what Seattle needs right now," the restaurant said in an Instagram post announcing the change.

Silk screen apparel printer

Most apparel printing is done as an advertising specialty or promotional product. Companies commonly slow or stop such purchases during a turn down. In addition, most customers for these kinds of products are using them for events. And in this recession, the events are all on hold or cancelled outright.

Screen printers have a huge customer base. Almost every retailer, wholesaler, manufacturer, service business, non-profit, and government agency is a potential buyer. With so many prospects, the first proactive effort would be to start finding those businesses that are still open, and especially those that are likely to still have plenty of business. In this market that would include essentials, real estate, doctors and hospitals, hotels, ground transportation, and banks.

Next, our printer might look for those companies that might be forward thinking enough to make purchases in advance of the recovery. Some of these might be current or past customers or prospects. Discounts might pry out orders that will keep the presses moving.

Another great prospect would be distributors. Promo product distributors will also be slow for the same reasons as the screen printer. The competition may have chosen to close down during this time, and this might be a great time to grab business not usually available.

Online sales are already huge for t-shirts, caps, and other products. The owner might spend some time in setting up to start selling through Amazon, eBay, and others, or add to their offering if they are already active there.

Here's a list of possible solutions to slow sales that might apply to your business

1. Make calls to your clients and offer deals to place orders for products or services now, rather than later.
2. Make calls to your old customers and prospects to see what you might be able to stimulate.
3. Go back to sales basics. Find new prospects and make cold calls to new prospects like your future depended on it.
4. Call your referral sources, including current customers, to see if you can find warm leads.
5. Look at online opportunities that might broaden your reach now and in the future.
6. Consider new distribution channels.

All of these approaches would work during good times, but most companies are too busy filling orders when the economy is humming along. You may hate prospecting, cold calling, and other such sales efforts, but a recession is not the time to complain. It is the time to take advantage of opportunities you may have been missing.

Chapter 3

EMPLOYEES

As a business owner and a consultant, one thing has become crystal clear. A business is only as good as its people. Over the past several years I have been either participating or running mastermind groups called SoCalMasterMind.com. One of the first actions that many members take after the first meeting is either firing or hiring a key position. That first decision commonly has more impact that almost anything else that happens in the group.

Recessions create huge potential pitfalls and amazing opportunities in the area of employees. Let's start with the biggest pitfall, keeping people on the payroll too long.

Most owners like their employees, feel a sense of responsibility for their welfare and that of their families, and feel dependent on the work done by some or all in their employ. When sales slump and profits disappear, owners commonly are very reluctant to lay off good workers.

Here’s the problem. If you don’t lay them off, you may lose your business, and there will be no job to come back to. Carefully review your three scenarios going forward (optimistic, likely, and worst case.) Now determine which employees will need to be sent home in each situation.

If you have a larger staff, you may want to canvass them to see who would like to be laid off. Some might be able to afford it and consider it a nice vacation or time to spend with family.

You might also ask if the entire department or group would prefer to have one or more people laid off or to have everyone cut back hours.

The key is to lay them off sooner rather than later. You need to conserve cash. You can always call them back if things turn out to be better than expected.

Opportunity #1. This is a perfect time to get rid of the bottom 20% or more. Some companies actually do this once per year as a matter of course. But most companies are simply reluctant to send any one home. Now you can do it without feeling quite so bad. In my experience, poorly performing employees fall into two camps: those that can't or won't…no great loss; those that are not suited for the position…they almost always get a better job.

Opportunity #2. Score a fantastic hire that becomes available because of the slowdown.

I'm not sure this needs much explanation. Keep your ear to the ground through your staff, the reps that call on you, and others in your network for outstanding folks that have left another company or who are considering leaving.

In particular, if you need sales reps, this is commonly a good time to find someone who is well connected with customers you'd like to land.

Train and cross-train

If you are forced to make even temporary cutbacks while staying open for business, you will almost certainly be losing some skill sets. Try to anticipate what you'll need to make-up and have those employees most likely to stay come up to speed on those tasks.

One more thing

Your best employees might be vulnerable to offers, too. This is an important time to make certain that your key people get your vision, feel appreciated, are clear on your expectations, and understand what their future holds. It may also be a time when you'll want to be fairly transparent about the special circumstances regarding the immediate future, so they feel some ownership and more likely to help with solutions. Otherwise, you may find that some become worried and this may lower productivity, just when you need it most.

Chapter 4

COMPETITION

Business is a blood sport. Your competitor may be your friend (or not), but sometimes you'll need to have the killer instinct intact.

This point was made clear to me by a very successful friend who was 25 years my senior. We were playing ping pong and he was favoring a bad hip. This made him vulnerable to my backhand. We otherwise played pretty even, but when I saw that my advantage was swinging the game my way, I stopped going taking the easy point. After he beat me, he said that I really needed to work on my killer instinct if I wanted to win the big deals.

Even in a four to six-month recession, there are going to be winners and losers. Here are a few ways that you can be the winner.

1. Keep your ear to the ground to see if a competitor is showing signs of being wounded. Maybe they aren't paying bills on time. Maybe their inventory looks low. Maybe employees are leaving in droves. If you think the competitor's customer list, phone number, equipment, or propriety products are worth buying, pick up the phone and start a conversation. He/she might be thrilled to get out from under the debt.
2. If the answer is no, and you really would like to do the deal, increase pressure by offering deep discounts in your shop and upping your marketing. (This is the killer instinct part.)
3. Call a local business broker and have him make the approach. Your competitor may not want to seem weak on the phone with you but might be more interested in a third-party offer.

4. If you think the owner is a potentially good employee, see if there would be any interest in a merger or maybe becoming a manager with some ownership.

In other circumstances it may be that the competition is not worth buying. If there is no love lost between you at all you might even call the competitor's vendors and look for chances to take over exclusive product lines or service brand.

Commonly you won't know who is for sale. If you really want to buy companies as a way to expand, call a good business broker. Let them know what you are looking for and let them do the hunting. Sellers often don't even know they are sellers until they get a serious call from a broker.

It is often possible to buy a company for little or nothing in a recession. These won't come through brokers. You'll need to find those through your network.

Chapter 5

EQUIPMENT

If you are interested in buying used equipment or fixtures of any kind, there is likely to be a good market around 6-8 weeks into the slow period and continuing until at least a few months after things rebound. There will be early bankruptcies of companies that were only hanging on by a thread. Then later, fire sales from companies trying to stay afloat. After 5 months there is usually plenty of used business furniture and equipment for sale. Some kinds of equipment may be available for 20¢ on the dollar compared to just a few months earlier.

Be in contact with used equipment dealers, look for auctions, and check with reps in your industry. Make direct calls to companies you know are in trouble and have what you want. You'll save the middleman fees.

New equipment may also be on sale. In this case however, you may want to do some homework on the viability of the company going forward. Equipment warranties from defunct companies are of no real value, and replacement parts may become a huge issue.

Chapter 6

LOANS

Time will tell, but this recession may have a big silver lining for some businesses. Interest rates are already at historic lows, and they appear to be going even lower. All of the opportunities outlined above depend on ready capital. The risks can be abated by borrowing, assuming there is still a good story or plenty of collateral to convince lenders to take a risk with you.

Where can you get these low interest loans? According to a Presidential address on March 13, 2020, the SBA is going to be ready to help businesses through the Covid-19 storm. By the time you read this much more will be known about any special qualifications. If you'll check my Linkedin activity, I'll be sure to post updates about SBA programs. https://www.linkedin.com/in/randywkirk/

Banks will also have additional liquidity through Fed pumping. And the banks are saying that because of legislation enacted after the great recession, they have plentiful assets available.

For many small businesses, finding a bank willing to lend can be a problem. Most banks have lending minimums that are far beyond what you might need or qualify for. There are some small, local or regional banks that still cater to small business. If you think you will qualify for a bank loan, you'll just need to call banks and see what their minimum loan amounts are.

Whether you use a bank or another lending method, loans generally fall into three categories. Signature, where your credit history and income are the major factors. Term, where the lender is looking at your credit history and the company's ability to repay. Asset based, where you are pledging property, invoices, equipment, or inventory as a guarantee of repayment. A fourth type would be SBA or other government programs that guarantee part or all of the repayment.

A bank may offer one or all of the above types of loans. You might also try the local credit unions. The smaller the enterprise, the more likely they are to look at small loans.

If a bank is not the answer, you may want to speak with loan brokers. They generally have many lenders who offer loans of various types and at interest rates that depend on your specific situation. You can find such brokers online, as well. Just google small business loans.

There are many sharks in the lending business, thus the phrase loan shark. Today, many highly respected names in lending use shark like methods to trap you into high interest loans. Buyer beware.

Let's break down the most likely types of loans for most small businesses.

Credit Cards – It is likely that you are very familiar with this category and have potentially used and abused credit cards. If your credit score is above 650, there are plenty of credit cards that will add to your credit availability. Unfortunately, many of those will be charging over 20% interest. It is the rare company that can afford even 15% interest.

With an exhaustive search you may be able to find credit cards at 10% interest or that offer 12 to 21 months of -0- interest.

Uncle Joe – Going to family is a time-honored method for finding business loans. The good news is that Uncle Joe will probably give you a good interest rate and will be far less likely to complain about late payments. The bad news is that family loans gone wrong can create family strife. In addition, family members who loan money sometimes feel that their investment should come with advice and strings.

Your best friend – See above "Uncle Joe," and add loss of friendship to the negatives.

Term Loans – Banks and other lenders will provide term loans that generally include monthly payments that pay off the loan during the set term. Most term loans are from 6 months to 5 years. Term loans commonly have the lowest interest rates and may or may not require collateral or the personal guarantee of the owner of a corporation or LLC. Interest rates on term loans with a bank or credit union might range from prime to 6% over prime.

Accounts Receivable (AR) financing – If you offer terms to your customers, you may have "loaned" your customers tens or even hundreds of thousands of dollars. Banks and other lenders will accept your entire AR as collateral for a loan. Generally, you might receive 80% of the value of "good receivables" (those under 90 days old.) When you collect the amount from your customer, you keep the 20% still due you and repay the 80% to the lender.

An AR line is a revolving line. Each day you update the lender on new invoices sent out and amounts collected. Your ability to borrow is determined each day based on how much you've billed and how much you've collected. AR line with banks will generally cost between 2% and 10% over prime.

Factoring – A close cousin to AR financing is factoring. In this case, you sell your invoice to the lender. The lender may qualify the credit of each customer before buying the invoice. When the factor buys the invoice, they will generally send you anywhere from 70% to 98% of the amount of the invoice the same or next day. Your customer receives an invoice with your name on the header, but with a *pay to the factor* designation.

When the factor receives payment, they send you the balance due you, less their fee. The fee for factoring commonly ranges from 1.5% to 5% of the invoice amount. The amount of the fee may increase if your customer pays late.

Equipment financing – If you are buying a piece of equipment (new or used), you can find willing lenders to lend you most or all of the amount needed for the purchase. Most companies lease equipment through these lenders, but you can also borrow the needed cash and buy the equipment. Rates for equipment financing are all over the board, ranging from 6% to over 20%.

Beware of the end of lease provisions. Will you buy the equipment at the end for a specific amount? Will that buyback be only one payment or even a nominal $1? Or will the lender take back the equipment?

Peer to Peer (P2P) lending – Google it. Like so much else in life today, you can go online, fill out a form, and be approved in minutes. Like so many such schemes, the buyer needs to be even more aware of the risks of loan sharks in this environment.

If you have great credit, you are probably going to get a great rate on a P2P platform. But If you have great credit, you can probably do better at a small local bank or credit union. In fact, you can probably get -0- on a credit card.

If you don't have "good" (over 700) credit, you are likely to pay between 12% and 30% on these sites. You will probably do better with a credit union, a loan broker, or an SBA lender.

Merchant Cash Advances – Don't do it. Find Guido and borrow from the mob first. These loans are commonly 30% to over 100%.

Just say NO! An MCA is an advance on future credit card payments to your company. The lender takes a % of each day's merchant transactions to repay the loan. Qualifying is easy because the lenders can afford to have huge losses when they charge these rates.

As a general rule of thumb, you can't afford to pay more than 10% to borrow money. Some service industries can afford a bit more, but product companies rarely have the margins or profit necessary to afford more. ***Paying 15% t 25% for your money is generally going to have you paying more to your lender than you pay yourself.***

Chapter 7

MORTGAGES

I separated this from the others in that it requires you to dip into your personal assets as opposed to company credit and assets. True, some of the above loans may require a personal guarantee and even a lien on personal property. But refinancing your home loan to raise money for your business is a special case.

If the idea of dipping into your home equity is okay with you and your spouse, this is likely to be your best possible solution in this market. Mortgages are currently around 4% or less and you have 30 years to repay. Yes, it is true that paying back a business expense at 4% over 30 years will cost alot more total dollars than paying back a 10% loan in two years. Therefore, borrowing against your home equity should only be for long-term needs. But I would be happy to make the case that saving the business is a long-term need.

Long-term needs are generally: purchasing a new business, buying a piece of equipment, expanding into new product lines or territories, etc. Short-term needs include making this week's payroll, paying your payroll tax, covering the rent, etc. In other words, borrowing long term to cover current business expenses is discouraged. But, let me say this again in another way: If you can borrow $50,000 or $100,000 against your home at a low interest rate (and potentially lowering the interest rate on your existing mortgage), and this money will shore up your business for the long term, that could be money well spent.

Don't hesitate to borrow 90% or even 95% of your home value. Borrowing at these low rates can be useful in many ways. The equity in your home has absolutely no wealth building benefits. It is stuck. However, it is like a Christmas savings club. You may like the idea of building that up for a rainy day.

Therefore, borrowing against your home should be a somber decision, and be based partially on your discipline as a money

manager. Wil these funds be used for purposes that will build more wealth.

If you borrow more than 80%, you will need premium mortgage insurance. In most cases you will want private mortgage insurance, not FHA. FHA is forever unless you refinance. Private insurance can be ended when your loan reaches 80% of the value of the home due to appreciation and principle reduction.

Like a mortgage, but much easier, you can borrow against your pension plan. This a fantastic approach, in that the interest you pay, you pay to yourself.

Chapter 8

MERGERS

Recessions are the absolute worst time to sell a business or anything for that matter. But they represent the best time to buy. Buying doesn't always mean outright purchase. Sometimes it may mean strategic couplings with high value assets or people.

While anytime might be the right time to partner up with another company, recessions tend to put those opportunities into stark relief. Many, many small businesses today are owned by Boomers who may have one eye on an exit strategy anyway. The stress and risks associated with a recession will likely push some of them to action.

I'm going to take the liberty of using a very, very broad definition of merger. We'll talk about any temporary or long-term agreement between two companies that creates a united face to their customers. This could include acquisitions, joint ventures, partnerships, stock deals, etc.

Let's consider a couple of scenarios

Jackie has owned her photography studio for 20 years. She used to do very well with weddings, but the wedding photography business is no longer what it used to be. She has branched out into real estate photography, including video and drones, and she is nibbling at event photography which would use still, video, and sometimes drones.

The recession has hit two of her income streams. The real estate part is doing just fine but isn't enough to keep her income at the level she'd like.

She knows a 30-something videographer, Anna, who she's seen at events, and who seems very charming and friendly. Jackie is pretty sure Anna is struggling, too. She suggests a meeting.

As they talk, it becomes clear that Anna knows very little about how to run a business but loves to sell and is very talented at shooting and editing videos. She hasn't used drones yet but is very interested in adding drones to her offering.

Jackie prefers still photography, hates editing, but has a keen business head. She also hates selling. Jackie wonders how much Anna needs per month to cover her basic living expenses. Anna says she has a $1400 rent, $250 car payment, and everything else is around $1000.

After a few days of thoughtful consideration, Jackie sees a way to build her existing business, add an employee/partner who fills in skills she doesn't have or prefers not to use, and do so on the cheap.

Since Jackie has good business skills, she has a solid savings account. She decides that she'll make the following offer to Anna. She will be an employee with $2500 salary and 10% of sales that she brings in. She will receive 20% of the LLC ownership after 3 years. She will then be eligible to buy another 30% over five years at $5000 per year.

The company now has two people selling to existing and future customers, but Jackie knows she can spend less time selling and more time running the business. She expects that 1 + 1 will equal 3, and they will be able to increase sales immediately, even in a recession. She believes that there are plenty of customers who still need their services. Then, when business picks up, they will be well poised to grow the business.

Scenario 2

Rich has owned his bike shop for 10 years and has aggressively grown the shop. He specializes in eBikes and has found a good customer base for $1000 to $2000 electric assist bicycles.

About five miles from his shop is his closest competitor in the eBike business, though there are a few other shops nearby who sell only traditional bikes. He has heard through the grapevine that the other shop was having financial issues even before the COVID-19 crisis, and now is in serious trouble. He decides to drop in unannounced on the owner, Stan.

He pays careful attention to the look and location of the shop, then after entering, he considers the interior layout. He's also curious to see how long he'll be in the shop before someone greets him. Stan comes over after a few minutes and asks Rich, "May I help you?"

Rich drops the pretense and tells Stan who he is. Rich reads people very well, and he instantly sees that Stan is outgoing, intense, professional, and could be groomed.

After a few minutes, Stan fesses up that he started out undercapitalized, has no fall back, and is running out of options. Rich suggests a possible merger. He wonders whether Stan feels that this location could be a winner if it had the needed capital? Stan says that the business is just over break even, but he's only taking $1000 a month. The store is only 2-years old and both agree this is not a bad start.

Rich wonders if Stan can live on $1000 a month for another year. Stan says that's possible. They agree that Rich will take over the company, as is, with all the assets and liabilities. Stan will be out from under any threat of long-term financial loss. They also agree that if Stan's location starts making a profit above the $1000 a month draw, he will receive 20% of that profit up to $4000 a month.

Rich knows that he could probably take advantage of Stan's age and inexperience and give him some future promise of ownership that isn't written down. Instead, he gives him a letter agreement that he will be able to work up to 50% ownership of that location over 5 years with the details to be worked out.

Rich is taking all the risk, so he wants full control for now. He also wants Stan to prove his value through sweat equity during the first year or two.

Chapter 9

BANKRUPTCY

The following is for information purposes only and is not legal advice. Please speak with a legal professional before undertaking any course of action related to bankruptcy.

I was listening to a Jordan Peterson video last night where he said that our bankruptcy law may be one of the greatest stimulants to our culture of innovation. The freedom to fail without a lifetime consequence allows entrepreneurs to take more risks.

The US government and every single state make allowances for companies and individuals to go bankrupt. It is not a moral or ethical failing. It is a financial failure, to be sure. But if you are in an intractable situation, your fellow citizens have voted to give you a way out that doesn't ruin your productivity for years into the future. Having creditors calling you and feeling the pressure of not being able to pay your bills is oppressive and destroys your confidence. Clean it up and move on.

Bankruptcy should always be strategic. The goal is to give the bankrupt a new start. You don't want the new start to have a weight tied to one leg. The bankruptcy law is designed to make sure you are not crippled, but fully capable of success in the future.

The first question to ask yourself, and the most important: "Will this company be a going concern if I'm able to stop the collection calls and stop paying out limited capital towards old debt?"

You must be 100% realistic about this judgment of the business potential. If you have a second chance, you'll need to pay the new bills COD for a time. You'll need to pay the rent and taxes on time. You don't want a band-aid that gets pulled off with some new minor injury.

If you answer that question with a clear no, then you want to figure out how to maximize your new beginning as an employee or starting a zero-overhead new business (commission sales, consultant, handyman, etc.) Consider at least these questions:

- Is there any value in the brand, location, inventory, customer list that can be sold?
- Will suppliers take back product?
- Can I merely liquidate and walk away without a formal bankruptcy?
- If it is a corp or LLC, do I need to bankrupt the entity and/or also do a personal bk?

Those basic question should be put to an attorney who specializes in bankruptcy. Their job is to help you retain as much of your money, property, work tools, etc., as possible. Their other job is to make sure you have no debt going forward. (It is very hard to get rid of tax or student loan debt, but not impossible.)

Faux Bankruptcy

If the company could survive, you might even consider a faux bankruptcy. In this case, you prepare a plan for the creditors and stockholders/partners. You schedule a meeting to approve the plan. The letter includes the very real threat of a formal bankruptcy if the plan is not approved. Nobody will show up for the meeting (or maybe one or two will). The plan, if reasonable, will either be approved by the one person there or approved because no one showed up. You now send out a letter that tells everyone that the plan was approved.

Reorganization Bankruptcy

If you have a company that can survive and thrive assuming the debt goes away, you may want to do a chapter 11. If you have aggregate secured and unsecured debts of $2,725,625 or less, you may choose subchapter V, designed for small businesses.

In a reorganization bankruptcy, the goal is to repay some or all of the debt out of future profits and retain the equity positions of some or all of the partners/shareholders.

Most chapter 11's assume an immediate cessation of collections against old debt for months or even years. The creditors are rarely involved in small business chapter 11's. But when drawing up the plan, the judge will require you to be equitable to all parties. The judge will also want the plan to make sense.

For instance, you might ask for all debts under $250 to be discharged. Further you might ask that all debts above $250 be reduced by 40%. Then you might ask that debt repayments without interest begin in 18 months at the rate of 2% of the total outstanding amount per month.

If you make a plan, the debtors agree to the plan, and you faithfully execute the plan, the court will eventually discharge the petition.

Liquidation Bankruptcy

For small businesses, even those with $1,000,000 or more in sales, and whether or not incorporated, it is often possible to liquidate without formal bankruptcy. This will not be true if you have a large creditor who believes that you are liquidating and taking the resulting funds for personal use. Keep careful track of all sales of assets and any payments to yourself or others. You are legitimately allowed to take a reasonable fee for overseeing the liquidation.

If you wish to have the court's stamp of approval on your liquidation, and thus a legal bar against phone calls, most future lawsuits, and other harassment, then you'll want to file a formal chapter 7.

Personal Bankruptcy

If your company is a sole proprietorship then your business bankruptcy will be tied in with your personal bankruptcy. If you have a corporation or LLC, and you proceed to bankruptcy for that entity, you will want to consider whether a separate personal bankruptcy is in order. In fact, even if you don't bankrupt the corporation, you may have reasons for the personal bankruptcy.

For instance, you might have loaned the corporation money that you in turn borrowed against personal credit cards. Now with the company struggling, you are unable to pay yourself, and your own bills are piling up.

Chapter 10

OPPORTUNITIES

Reassess EVERYTHING – Even if this is the shortest, deepest recession in history (and it may be, as it is panic induced), now would be a perfect time to review your overall business situation. Are you in the right business? Do you have the right customers in the right distribution channels? How do you feel about your staff? Are your products, services, customer service, processes, and procedures all top drawer?

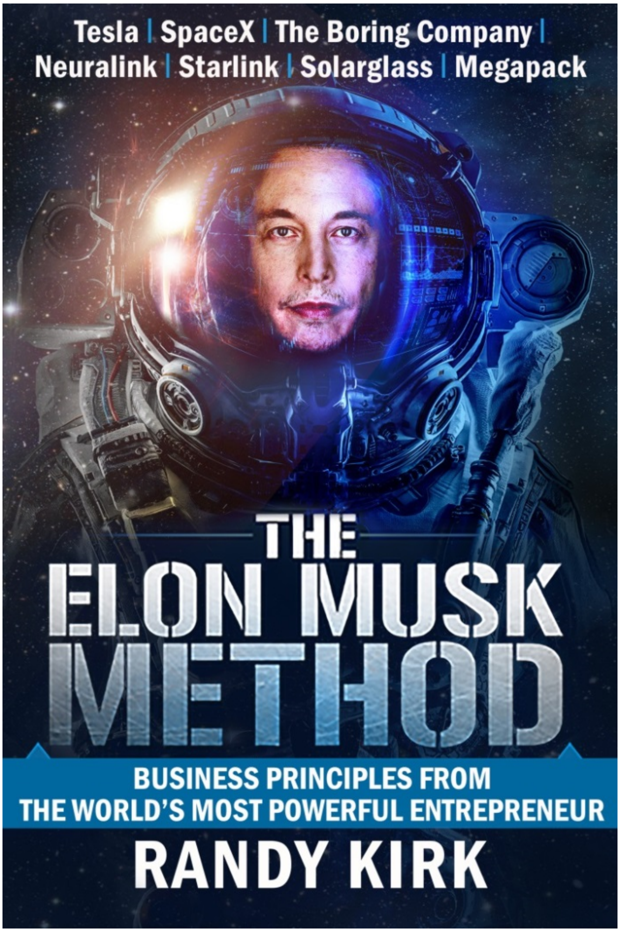
Bargains - If you have plenty of cash, this could be a time to buy assets of all kinds. Inventory, raw materials, fixtures, equipment, vehicles will be discounted.

Relax – Maybe you have been overworked. If you can easily weather this downturn, it might be a great time to just take it easy.

Clean, purge, plan – If business is merely slow, take this chance to clean everything. Get rid of old files, equipment, junk. Even clean out desk drawers. Take some time to write out detailed plans. Now get everybody else to do the same in their work area.

Remote work – Maybe you've never tried remote work for yourself or your staff. Here's a chance to see if it might work for some positions.

Train – Find training opportunities for staff members to up their game. Free and inexpensive resources are easily found on the Internet.



http://ow.ly/V12G30nNqUN

What does Elon Musk know that you don't?

Elon Musk built Zip2 from a start-up to $22 million paycheck in three years.

Then Musk built X from a start-up to $160 million paycheck in four years.

Since then, he has created SpaceX and Tesla giving Musk an estimated net worth of $20 billion.

Would you like to achieve even a fraction of his success? Now you can.

Serial entrepreneur and best-selling author, Randy Kirk, exposes 16 secret principles that guide Elon Musk in his entrepreneurial decisions, including:

How to become a visionary that profits;

How to uncover the principles of running a successful business;

How Elon Musk uses networking to scale his businesses;

How you should be using your passion and persistence;

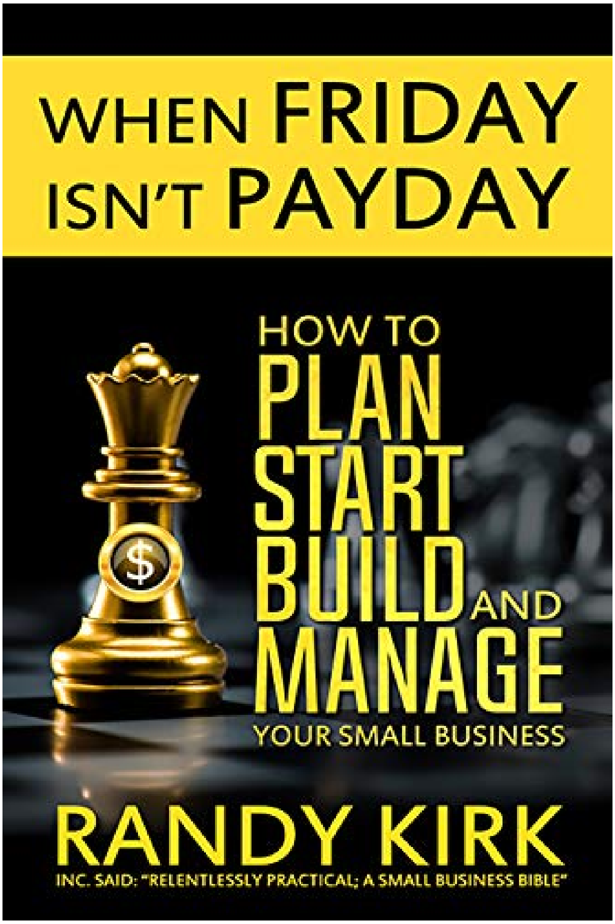
How to maximize the potential of any business regardless of its size;

The counterintuitive thinking about quality and cost;

Why The Elon Musk Method works to generate successful enterprises of any kind.

Follow SpaceX's founding member's Jim Cantrell's advice and read this book now because "Randy captures the essence of what drives Elon and this gives us valuable insight into what has become one of the most influential people of our time."

Filled with dozens of Elon Musk quotes, you'll have a rare opportunity to gain proven principles and methods that are unlike anything you'll read elsewhere.



bit.ly/WFIP_3

3rd Edition – 25th anniversary revised version – Includes special online members' only content

Inc. reviewed 200 business books in search of the small business Bible. Included in the final three they selected was *When Friday Isn't Payday*. Here's what Inc. said:

"My favorite section of When Friday Isn't Payday is called 'Dealing with Crisis.' There, Kirk takes a couple of classic small company crises-such as not meeting payroll-and calmly lists possible solutions. This is Kirk at his best, an experienced small business owner figuratively at your side, keeping panic at bay with practical solutions. What separates this book from the pack is relentless practicality."

Here's What You'll Learn:

- Keys small business success
- How to increase sales and profits
- Steps to starting a small business
- The principles of selling success in any business
- Setting goals for yourself and your business
- How to hire, fire, and manage people
- How to market your business
- How to buy a business
- How to get money for your business
- How to plan everything.

The book has 400 pages of practical steps to more sales, more profits, and more peace of mind - NOW includes 100+ pages of bonus material

- What Was Napoleon Hill Thinking?
- The Elon Musk Method

- Finding Pearls of Profits in Your Financial Statements
- 2018 Guide to Social Media Marketing
- Website Design and SEO basics
- Rank #1 on GoogleMyBusiness
- Doing Hard Things – The Secret to Success
- LLC? “C”? or an “S”?

The online section will be constantly changing as the business world changes:

- Online marketing in 2019
- Finance your business using crowdfunding
- New business book recommendations
- Changes on Google, Amazon, eBay, more.

What others are saying

Kelli Holmes - CEO of TEAM Referral Network

“A must read for the self-starter entrepreneur! I absolutely love this book! Kirk gives straightforward, actionable advice on how to succeed in small business today. If you're looking for a roadmap to be successful in business, this book is it!”

Susan Meadow is the publisher of Meadow Publications, Inc.

“Right on target with nuts-and-bolts explanations. . . a well-researched, easy to understand guide. . . [I] wish Kirk had written this book fifteen years ago!”

Who Should Read *When Friday Isn’t Payday*

1. Start-ups
2. Those buying a business or franchise
3. Owners wanting to learn the basics of:
    - Goal Setting
    - Forecasting
    - Budgeting
    - Finance
    - Sales
    - Accounting
    - Hiring, firing, managing and motivating
    - Marketing
    - Online advertising
    - Social Media
    - Selling a business
    - Crowdfunding
    - Crisis management
    - Website development
    - Networking
4. Owners making major decisions about expansion, raising cash, incorporating, new location, adding a partner.
5. Business school students and professors