

Special Edition

Business Survival

It's been stated that we're in "the great recession", or possibly the Great Depression. Every time you pick up the paper, it's filled with "doom and gloom". However, at the same time, I believe it's filled with opportunities. We all know that;

- The trucking industry is in turmoil.
- Freight rates are at an all time low.
- Shippers are extending payment terms, whether we like it or not, but;
- It also provides an opportunity to take those negatives and turn them into a positive.

For example, you may have purchased equipment in which the equipment payments are too high. We all know that;

- The equipment market is in the toilet.
- Lenders don't want equipment back, unless they have no other alternative, but;
- Unfortunately, when trucking companies attempt to renegotiate their debt, they do it from a position of weakness, not strength.

Normally, the first thing a carrier does is ask for a forbearance of 90 days, which the lender gladly provides; but it's a short term relief and not a long term solution. What the carrier needs to do is;

1. Target their largest creditor first.
2. Renegotiate the terms based upon the ability to cash flow, and;
3. If you can provide a good business plan that demonstrates to your creditor that, at some point in time, they will come out "whole", 9 out of 10 times that creditor will work with you.

On the other hand;

- If you've asked for forbearance and have been granted an extension and still can't service your debt;
- All of your credibility has been ruined with that lender.

As you go through this process, rule out no one. Every creditor is an option. Every business wants to be paid for their products and services and everyone wants your future business.

Prior to negotiating any equipment debt, or vendor debt, you need to;

- Research what others are paying for similar goods and services.

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- Research the equipment market to determine Orderly liquidation value or market value, and;
- That should be the basis for determining your credit request.

Be as honest as possible. Never lie or make excuses about your inability to pay, because every business has cash flow problems. Explain your situation openly, but not necessarily that you're in danger of going out of business. **Most lenders will appreciate your honesty and,** in many cases, they will reward you for that honesty.

As part of the negotiating process, ask what you want;

- Better terms.
- Cheaper rates.
- Reduced monthly payments, and;
- **Remember that no request is unreasonable!**

If a lender values your business and believes that the alternative is to repossess the equipment and take a large loss, they will try to work with you. However, you need to be prepared to substantiate your requests. Lately, I have been involved with a substantial support of pre and post petition bankruptcy work, with carriers and law firms

- I've also been involved in several 363 considerations.

The first thing I always ask for is;

1. The equipment debt as of a specific date, and;
2. The orderly liquidation/management value of that equipment, as of a specific date.

We all know that equipment values are in the "proverbial toilet". It's not unusual for a company to be "upside down" by as much as \$10,000 - \$30,000 per tractor, and/or \$5,000 - \$10,000 per trailer. You need to be able to substantiate your information and provide it in the written form, when you want to renegotiate your debt.

As part of the negotiation process, you may want to offer an incentive. This may include a term of exclusivity in reference to purchasing a specific "brand name" for the next several years.

However, at the end of the day, if you have something to work with and your creditors won't work with you, there is always an alternative. It's important to understand that many transportation and logistics companies are challenged today. **However, there are some basic rules to follow;**

- Don't panic.
- Recognize cash flow is an important asset that must be managed.
- Focus on profits, and;
- Not all profits are equal.

In times of adversity, you can never panic. I know that's an easy statement to make, but if you panic, normally your inability to think clearly is seriously impaired and someone may just put you out of your misery. **You need to buck the system, remain calm, pay attention to detail.** Do not try and convince yourself that your situation isn't as bad as it really is; you must think objectively.

In closing, cash flow is the ultimate asset and, over the next several weeks, I will be talking about business survival and how to survive the recession, handle layoffs and raise emergency cash, etc.

(Excerpts taken from the Business Survival Guide)

QUOTE OF THE WEEK: **“Questions are never indiscrete, answers sometimes are”.**