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## MEMORANDUM

**TO:** Clients

**FROM:** Brett Axelrod

**DATE:** March 18, 2020

**RE:** **Survival Guide re : COVID-19**

During a potentially severe and prolonged economic crisis such as the current COVID-19 pandemic, a business's prospects of surviving will be improved if it proactively seeks to preserve cash at the onset of the downturn, rather than responding only reactively to address problems after the downturn has resulted in a loss of most of its cash positions.

The adage that "cash is king" is particularly true now because a business's cash and other liquidity quickly diminish for a variety of reasons, including reduced consumer spending, disruptions in supply chains, unavailability of workers and tightening of lending standards.

Every business facing the possibility of serious interruption should carefully consider the preparatory actions that can be taken now before cash and liquidity materially decrease.

**ASSESS** your current cash and liquidity positions thoroughly.

- Reduce costs and insulate your business from disruption
- Revisit cash inflows and outflows; maximize liquidity and preserve cash flows
- Focus on Core business lines and assets
- Draw down on available letters of credit to have your war chest in place

## **TOOLS:**

- Weekly “dashboards”
- Working capital management
- Payables/receivables management
- Discretionary cost reduction
- Stabilization task force
- Customer/supplier communications

**REVIEW** operations with an eye towards reducing costs and eliminating all fat.

**DETERMINE** how to legally implement cost-cutting measures, including those affecting employees, without incurring unnecessary liabilities.

**PREPARE** a revised forward-looking cash flow analysis that conservatively takes into account factors such as:

- loss of customers
- disruption of supply chains
- extended payment periods from your trade creditors
- defaults or extended payments from your customers/account debtors

**IDENTIFY** sources of capital and liquidity that will be available if, despite cost-cutting, the business runs out of cash.

**OUTLINE** an approach for seeking consensual relief from secured creditors – either immediately or sometime in the future. If necessary, begin that discussion early, making sure to have the cash flow analysis ready to show the lender why the request makes sense.

**UNDERSTAND** what it means when your business is deemed to be in the zone of insolvency, and what that means for the rights and duties of the companies’ board of directors, officer and equity holders.

**MAP OUT** a longer-term plan for the good, aiming to be ready to ramp up the business once the economy recovers.

- Assess business plan achievability under various scenarios
- Determine key operations & supply chain gaps
- Develop resilience strategies across the business