

INVESTOR'S BUSINESS DAILY

May 20, 2009

TAKE ACTION

Find That Available Cash

3 If your company faced a cash shortage in the past, you'd pick up the phone and call your bank to borrow money. That's old news. In this economy, it's hard to get a new loan or even extend a line of credit.

What's a business to do?

Michelle Campbell, a former bankruptcy attorney and turnaround consultant with AlixPartners LLP in Los Angeles, tells clients to look for hidden sources of cash.

"Cash is king," she told IBD. "Looking at hidden assets is a very useful tactic to get through hard times. We're advising clients to take a look at anything written off in the past."

Campbell and Doug Himmel, managing director at Melville Capital, a brokerage that buys life insurance policies, share tips.

■ **Check workers' comp.** Premiums are based on the number of employees and the level of risk at your workplace.

If you've had layoffs and employ only 250 of your original 300 workers, you're likely due a refund from the insurer.

"The people who have the most knowledge about this may have been laid off," Campbell said. "Companies need to get on the phone and negotiate."

■ **Audit accounts payable.** Companies make purchases on credit. Sometimes the department that pays the bills makes mistakes.

Staffers there may miss chances to ask for early payment rebates or even make duplicate payments to vendors.

"We've seen (double payments) to the tune of millions of dollars," Campbell said. "Any accounts payable manager, if he sets aside time . . . would probably generate a host of cash opportunities."

On the downside of this economic environment, it can be hard to get vendors to pay you back right away. Be realistic. You may not get 100% back, but you'll get some.

You have legal rights, and your vendor will want to protect its relationship with you.

■ **Examine taxes.** Most such payments are based on estimates. With companies downsizing and property values falling, estimates made two or three years ago may be different today.

"If there's a discrepancy, which is likely, contact the taxing authorities and get them to reassess your property and land values," Campbell said.

■ **Sell distressed assets.** Accounting rules make businesses write off uncollectible accounts receivable — debt your customers owe you when they buy on credit. A company might have \$80 million in accounts receivable, but is actually owed \$100 million. Accountants took the remainder off the books.

Don't give up. Reputable firms will pay cash for the receivables your accountants consider uncollectible; says Campbell. What they'll pay varies widely, but even 10 cents on the dollar is better than nothing.

■ **Sell that life insurance.** Many companies take out such plans on key employees. Suppose a person is laid off. Don't surrender or cancel the policy.

If the person is over 65 and the death benefit over \$250,000, selling might be the best option.

"Anyone who runs a business wouldn't sell an asset without finding out its fair market value," Himmel told IBD. "But because life insurance is considered an expense, many businesses just . . . want to get rid of it." **Gloria Lau**