



## Triage Before Turnaround: Cash & Assets Control

**In this last installment of our four-part series, Paul Denton continues to provide suggestions on how to stabilize the overall situation of a distressed business with hopes to implement a successful turnaround. Namely, how to establish controls over all cash and assets.**

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So far, we've discussed three initial triage actions to prepare for a turnaround:

- ensuring that sufficient cash is available to fund short-term needs and to fund the restructuring process
- ensuring management buy-in and to establish a core team that is committed to the success of the project
- ensuring that assets are safeguarded and preserved to maximize resources available for turnaround

In the final part of our series, we will look to understand the key operating and financial issues, while establishing controls over all cash and assets, necessary to rally short-term support from stakeholders.

## Understand key operating and financial issues

First, you'll want to revisit high level financial diagnostic including the quick hit opportunities identified in the first article, then complete an assessment of liabilities and commitments:

- review status of priority claims along with director and officer liabilities
- review secured creditor positions and current exposure including any loan covenant breaches and risks of realization
- assess status of legal, regulatory and other formal reporting requirements, including any deficiencies, breaches or pending litigation

- consult with the company's legal counsel to assess ongoing reporting obligations, legal, regulatory and other issues or threats
- identify and assess any impediments to restructuring and turnaround options
- evaluate company's legal counsel, ensure appropriate restructuring background in skill set, and assess need for independent counsel

Secondly, you'll need to determine the support required from stakeholders and negotiate agreements to re-establish expectations and ground rules to move forward, such as:

- management and employee retention plans
- secured creditors—temporary over-advance, waivers, forbearance agreements
- creditors—deferrals, COD, extended terms, volume rebates
- landlords—deferrals, abatements, waivers
- shareholders—dilution and equity infusion
- involve legal counsel in drafting agreements
- establish short-term communications plan for key stakeholders
- arrange short-term financing (leveraging free assets, or from postponements, etc.)

Organizations that are in distress are likely juggling many issues at once, however timely intervention can be key in righting the ship, stabilizing it and grasping control in advance of a turnaround situation.

While conducting a triage on your business is abrupt and jarring—it can often get quite messy—a change in mindset from denial to leadership can help turn things around. That being said, it's never too late to be a leader and do the right thing.

Whatever you do, don't wait for the walls to close in—gain control and begin on the road to recovery. As Harry Truman once said, "Imperfect action is better than imperfect inaction."

## Setting the turnaround strategy

We are your partners in this difficult period, working alongside you and your team to stabilize the business and return it to a positive trajectory. [Get started.](#)

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## Our Contributors

*Paul Denton* is a Managing Director with the Restructuring practice of GlassRatner. His practice focuses on providing restructuring and advisory services to corporations, lenders, and under-performing companies. Paul can be reached at [pdenton@glassratner.com](mailto:pdenton@glassratner.com) or at [437.294.4645](tel:437.294.4645)

*Hylton Levy* is a Senior Managing Director at GlassRatner. He co-leads the firm's Restructuring practice. His practice focuses on corporate restructuring, financial advisory services, turnaround management, cross-border restructuring, and business strategy. Hylton can be reached at [hlevy@glassratner.com](mailto:hlevy@glassratner.com) or at [437.294.4624](tel:437.294.4624)

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