



Is It Time To Close Your Business

Here are five warning signs that you may need to consider changing or even closing down your business.

1. Your debt-to-asset ratio is on the rise

Businesses often borrow money to purchase equipment, buildings and other assets. Fine. But if debt as a percentage of assets is increasing, you could be on the road to being over-leveraged. Some business consultants consider it a sign of trouble if the debt-to-asset ratio is floating above 50%. What's prudent will vary from business to business, of course. But a rising debt ratio is seldom a good sign.

Similarly, a rising level of debt-to-shareholder-equity indicates your business's overall leverage is increasing. But the greater your leverage or debt ratios, the more debt you have to service, the greater the drain on your profitability, and the less equity you have in your venture.

2. You're losing money and the losses are increasing

Some aspects of the tax code make it possible for businesses to reduce their profit or show a loss even though the business is healthy.

We usually don't mind when a solid venture shows a tax loss. But if your business is losing money in real terms, and your tax is only magnifying that loss, you've likely got a problem. Businesses do often lose money in the first few years of operation as they ramp up and try to take advantage of economies of scale.

However, if the losses are increasing, not dwindling, there comes a point where you have to look at your business model and decide whether it's realistic to assume you're going to be able to "grow out" of your losses. And don't send me e-mails pointing out all those money-losing Internet ventures with multi-million pound stock valuations - I'm an old-fashioned guy who believes that any company (especially any small, closely held company) that doesn't make a profit eventually becomes worthless.

3. Your inventory turnover is slowing down

If your business is selling a product or products, having those items on the shelves longer than usual is indicative of a business slowdown. Not a good sign.

4. You're unable to raise more money for the business

We've all heard stories about how a venture was doing all right until a loan application or line of credit renewal was turned down. But looking at it from another angle, a recalcitrant banker actually may be helpful in letting you know that the business is not as good as you think it is. Lenders sometimes keep borrowers out of trouble - or at least, from getting in deeper trouble. A loan rejection can be a reality check for someone who thinks his or her current problems are only temporary.

I've seen this most often in the case of prospective real estate ventures, when a businessperson has found what he thinks is a good piece of investment property but the bank won't approve a loan. Maybe the bank's analysis indicates the property is not profitable at the purchase price. Maybe the bank feels the numbers don't leave enough margin of error to protect it against a

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decline in a currently inflated real estate or rental market. But if the result is that the entrepreneur doesn't get into a real estate venture that's riskier than he thinks, both borrower and lender have benefited.

The recent relatively harsh environment for Internet companies seeking investment money is another version of outside forces telling entrepreneurs a venture isn't viable. Just last week I read about a dot-com company closing down because it couldn't get investors for its "next round" of financing. Again, looked at one way, the drying up of the investment money pool is a self-fulfilling prophecy. But looked at another, it's an example of outside observers making the judgment that a business isn't viable in the long term.

5. You're not having any fun. Having fun is a serious issue.

I believe most successful business people enjoy what they're doing. If you get up in the morning and you can't stand the thought of going in to run your business, if the dream of self-employment has become your own personal little nightmare, it's time to take a hard look at shutting down. Chances are you'll benefit at least in terms of your mental health - and it's hard to put a monetary value on that.

by

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<http://www.bcentral.co.uk/finance/health/CloseBusiness.asp>

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PFA Notice:

The Metropolitan Council's PFA program only accept W/MBE business listed with

the State Department of Administration and the DBE Unified Certification Program.

For more information call Roderic Southall at 651-602-1184

Contractors/Consultants	Total Contract Amount	Total Paid to date	DBE Paid to Date	(1) DBE % Actual to Date	(2) DBE % Total Contract Value	Target DBE % Goal
Minnesota Transit Constructors (MnTC)	318,967,487	285,495,177	39,328,197	13.78%	12.33%	15%
Other Contractors	6,162,385	5,903,366	751,654	12.73%	12.20%	
O'Brien Kreitzberg (OBK) (3)	16,900,000	16,127,555	2,820,186	17.49%	16.69%	15%
Marsh	545,000	395,000	132,401	33.52%	24.29%	5%
Other Consultants	26,004,058	23,385,621	1,468,214	6.28%	5.65%	
SUB-TOTAL:	368,578,930	331,306,719	44,500,652	13.43%	12.07%	
Other Commitments *	91,585,963	82,091,940	N/A	N/A	N/A	N/A
TOTAL:	460,164,893	413,398,659	N/A	N/A	N/A	N/A

* ROW, Cooperative Agreements, Other Direct Costs, etc. (1) Calculates DBE percentage based upon DBE dollars expended vs. contract dollars paid to-date (actuals). (2) Calculates DBE percentage based upon DBE dollars expended vs. total contract value. (3) Values as of December 2003 - Preliminary Revised Contract Sum