



The shutdown is over — but not the pain for small businesses

Another battering could come in less than three weeks.

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By Erik Sherman

The government may be open, but come Feb. 15, the doors could close again, given the current state of negotiations. For small businesses, that could be another load of bad news they can't afford.

The shutdown's effects went far beyond unpaid government employees and the creeping effects on industries such as air travel. Many small businesses — the biggest source of jobs in the country — were rocked, whether it came to getting financing, filing necessary paperwork, or even trying to get critical information. Some won't survive another round.

Just ask Michael Paul, co-owner of 11-year-old Cobec Consulting that works with the Federal Aviation Administration, the Navy, and NASA. Even though they put almost all of their 75 employees on furlough, the company had "minimum operating expenses of something close to \$100,000 a month," Paul said, between offices and trying to keep workers in healthcare insurance, if not paychecks.

A credit line kept them alive. But the costs in interest payments will continue. If there were another shutdown, "We're seriously concerned {...} what that would do to our company," Paul told NBC News.

During the shutdown, some smaller firms were "on the verge of going out of business," said Carl Brown, executive director of the Small Business Development Center at Howard University. He mentioned a Washington, D.C.

coffee shop right off a subway line frequented by government workers. That business was at the point of considering closing other than at rush hour. They would have still lost money, but not as much. Employees who would have had longer hours would have had to make much less than normal, with no chance of making up the back pay with the government reopening.

Companies have found their prospects affected even if they don't directly do business with government workers or offices. Investment banking firm Cassel Salpeter & Co. had been trying to broker a sale of a company that sells to defense contractors.

The company said it was "concerned about timing because some of the customers are now delaying purchases," said Chairman James Cassel. The purchase price of a business is typically expressed as some multiple of revenue or profits. "If the client is starting to see some of their customers are slowing things down, they'll look less attractive" to buyers, Cassel said.

Adding to burdens, all loans backed by the Small Business Administration were on hold during the partial government shutdown.

Patriot Bank in Connecticut was still taking applications, but companies had to wait for money they needed to operate or even expand and hire additional people. It also hit the lenders. "Whatever loans we couldn't close, we'll never make up the interest," said Kevin Ferryman, director of SBA lending at the bank.

Companies that wanted to file an IPO or expand their public offerings faced uncertainty and potentially expensive delays. Dyadic, a biotech company that sells technology to pharmaceutical firms, was planning on going public and getting listed on Nasdaq. It filed the necessary form in the fall, answered some questions from the Securities and Exchange Commission — and then came the shutdown.

Even though Dyadic refiled and the SEC is back to work, the results are still "in limbo," Dyadic Chief Executive Officer Mark Emalfarb told NBC News. The practical result has meant less attention from investors for now and missing an important conference where Dyadic could market shares to institutional investors.

The problems all small businesses faced will have a continuing effect for some time. Or, if the White House and Congress can't negotiate the basics, maybe a longer stretch.