

# Credit and Financial Development Division



# NEWSLETTER

The Official Publication of the NACM Credit and Financial Development Division

January 2005

## Letter From...

### Dennis Thomassie, CCE CFDD National Chairman



Hopefully we have all survived the holidays and are welcoming in the New Year. And what better time than the New Year to reenergize ourselves and recommit to our professional goals. Through your involvement in CFDD, you take a big step toward developing yourself as a Leader and an Innovator. By participating as a Board Member for your local chapter or as a Committee Chairman you have the opportunity to hone those skills that will benefit you not only in the business place but also in your personal life. These opportunities allow you the chance to plan strategies, hold meetings, lead others to the desired outcome and report on the accomplishments to your chapter. Of course, many of these same factors can be gained as a member of a committee. Participation is the key. Find the level that works best for you at this stage in your career. All of these activities give us the chance to grow and develop skills that make us a more valuable commodity in today's ever-tightening marketplace. Innovation comes from your fresh prospective on how to handle a new challenge. Your chapter can only gain from the involvement of its members and from their different and unique ideas.

I believe very strongly in Mentoring and what it can accomplish for all parties involved. Hopefully your Chapter has a Mentoring program in place and you are either giving back to your profession by being a mentor to someone or taking advantage of the opportunity to be mentored by a fellow credit professional. Your National Organization offers an excellent program on Mentoring to help get you started if needed.

I am grateful that I had the opportunity to attend the Pacific Northwest Credit Conference in Portland, OR and the CFDD Conference East in Louisville, KY. Each conference offered an excellent chance to attend meaningful sessions on very relevant topics being taught by an array of outstanding professionals. Not only was I able to earn CEU's and CCE recertification by attending the sessions, in every case I was able to take back some new piece of information that I could immediately begin to use in my job. Where else do I have the chance to network with so many credit professionals and continue to gain new friends and renew acquaintances? Each host Chapter did an outstanding job of providing the maximum return on our investment in ourselves and for our companies. A wonderful opportunity is available for a host Chapter in putting on one of these conferences. Having been a part of such an undertaking for my own chapter, I know of the many benefits to be gained with everyone working together to produce an exceptional event. Please make sure that your budgets allow you the opportunity to participate in one of these very worthwhile functions.

My theme this year is **CFDD: The Journey Toward Professional Achievement**. Through my attendance at conferences, seminars and workshops—thanks to generously offered scholarships—I have been able to continue on my journey. My involvement with my Chapter as a committee member, chairman and officer helped to develop my leadership qualities and relationship skills. It took my being willing to accept the challenges offered to me by our organization and I challenge each of you to make that same commitment and avail yourself of the same opportunities. Only by taking complete advantage of your membership in CFDD can you aid and accelerate your growth and your learning. That involvement and commitment will enable you to chart the best path for yourself on your journey. Volunteer, attend your local chapter meetings, and participate in your chapter's seminars and workshops. The journey is all the more special when you watch yourself grow and develop with each step on your path toward professional achievement.

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# NACM - CREDIT AND FINANCIAL DEVELOPMENT DIVISION

## BOARD OF DIRECTORS 2004-2005

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### Chapters

Buffalo, NY  
Edison, NJ  
Norfolk, VA  
Richmond, VA  
Rochester, NY

Eugene/Springfield, OR  
Portland, OR  
Salem/Albany, OR

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### Chapters

Dayton, OH  
Evansville, IN  
Louisville, KY

Dallas/Fort Worth, TX  
Kansas City, MO  
Omaha/Lincoln, NE  
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## Board Member

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## Chapters

Detroit, MI  
Grand Rapids, MI  
Minneapolis/Saint Paul, MN  
Toledo, OH

Orlando, FL  
Tampa, FL  
Florence, AL  
Birmingham, AL

Los Angeles, CA  
San Diego, CA

## Board Member

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## Chapters

Charlotte, NC  
Knoxville, TN  
Raleigh/Durham, NC  
New Orleans, LA

Seattle, WA  
Tacoma, WA

Albuquerque, NM  
Denver, CO  
Phoenix, AZ

## Member Viewpoint

I recently attended the CFDD Conference in Louisville, KY as a first-time attendee. I am pleased that I had the opportunity to do so. I want to add to that the importance of scholarships. I received a national scholarship as well as a local scholarship that allowed me to attend this conference with no out-of-pocket expense.

To be able to give back to my company the knowledge and experience that I found at this conference for all they have given me by allowing me to be a member of the NACM/CFDD organization was an added bonus that I strongly feel will make me a better employee as well as a better person.

I left Louisville with more knowledge, great ideas to share with my chapter and an overall positive feeling that I had achieved a new level of production that would be beneficial to myself both personally and on the job.

I am currently serving as President of our local chapter in Evansville, IN. I welcomed the chance to attend the President's breakfast and acquire useful information on how to become better equipped to successfully guide our chapter, beginning with the opportunity to meet the board members. I gathered details of their experiences, ideas on what works in improving membership, getting interesting speakers, and where to find them. I also heard about the mentoring program and how to use it to assist members and tips on how to submit the forms to achieve your certification points. These are just

a few of the ideas that were shared that morning. Networking with other presidents, hearing the questions they have and successes they have reached was also very informative.

I thoroughly enjoyed attending the sessions offered at the conference. The bankruptcy speakers provided resources I know I will use in the future. One of the more informative sessions was by Glen Curry—who by the way is a powerful speaker—about Financial Statements: Reading between the Lines. This was a dynamic presentation with information I can apply in relation to myself as well as my company. As well, I enjoyed his session on Customer Visits.

The opportunity to network with credit professionals and ask questions was quite productive as well as fun.

I am looking forward to opportunities of attending conferences in the future and growing with NACM/CFDD.

Thank you,  
Beverly Rolph  
President  
CFDD Chapter  
Evansville, IN

## Letter From...

**Pam Foreman, CCE**  
**Vice Chairman of Education**  
**and Programs/Chairman-Elect**



I thought I could use a little motivation this year, so I bought myself a calendar with quotes from Norman Vincent Peale on the Power of Positive Thinking. I may never get to the first month, for the cover says "Waste no time with futile 'ifs'. Go right to work on the creative 'how'." I'm sure many of you, like me, have said many times "if only". If only I had a different job; if only I had the education; if only I had the contacts; if only, if only, if only.

Having the education and contacts can certainly lead to new career choices, if that is what you want. Education and networking (contacts) can also provide more success in your current position. But the question has now become "How do I get the education, how do I find the contacts?" Not if but how! Since you're reading this newsletter, you're on the right track. CFDD can help you with many of those pesky hows.

Education is the cornerstone of our organization. From quality programs at your monthly meetings, to seminars and conferences, to scholarships, it's all there. Regular attendance at your chapter's meetings is the first step. Many of the chapters have sent me their program schedules for the year, and they are excellent! I've heard members say they elect not to attend when the topic doesn't apply to their jobs. Well, it may not apply now, but maybe you would have gotten that new job "if only" you'd had some knowledge in that very topic. Don't limit your education to the now, think of your future possibilities.

"If only I could afford to go to the conference." We can help with that 'how', too. Scholarships are offered on the local and national levels. Earning one isn't difficult; involvement is the key. Opportunities abound to become involved in CFDD both locally and nationally. Don't wait for your officers to ask you to participate—volunteer. Serve on a committee, run for an office, attend meetings! It all boils down to being an active member. And then apply for those scholarships! (The deadline is March 15. Don't say, "if only I'd gotten my application in on time!")

CFDD not only offers excellent educational programs, but exceptional opportunity to develop your leadership

skills. Sometimes that supervisory or managerial position would have been yours 'if only' you'd had more leadership skills or if you were more comfortable speaking in front of others. Just ask your national officers where they acquired their skills. I used to quake at the thought of just introducing myself, much less making a presentation to several hundred people. Becoming an officer of my CFDD chapter made the difference. And being an officer or committee chairman is an excellent way to develop many of the same skills required of a supervisor or manager.

"If only I had the contacts." ??? CFDD has over 1100 members in 35 cities across the country! Meetings, conferences, e-mail, telephone—your contacts are limited only in your reluctance to use them.

My biggest "if only" is if only I'd discovered CFDD sooner!! But let's not lament on that one. The important thing is that we are now members of this dynamic organization and have all of these tools available. We can stop wasting our time on the futile "ifs". We can all work on the creative "hows".

### **Credit Chillin'** **in the Southwest** **CFDD Conference West**



**February 17-19, 2005**  
**Albuquerque, NM**  
**Rio Grande Inn**



**For Information Contact:**  
**Yvonne Cunningham**  
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# Number of Bankruptcy Cases Filed in Federal Courts Down Less Than One Percent

The total number of bankruptcies filed in federal courts declined slightly in the 12-month period ending June 30, 2004, the first time since 2000 that bankruptcies have declined in the 12-month period ending June 30. The total number of bankruptcy cases filed in this 12-month period totaled 1,635,725, down 0.9 percent from June 30, 2003, when filings were 1,650,279. The data was released last week by the Administrative Office of the U.S. Courts. Bankruptcy filings remain well above the one million mark, a record first set in the 12-month period ending June 30, 1996.

## Business Filings Years Ended March 31, 1999-2004

Year	Total	Business
2004	1,635,725	35,739
2003	1,650,279	37,182
2002	1,505,306	39,201
2001	1,386,606	37,135
2000	1,276,922	36,910
1999	1,391,964	39,934

## Filings by Chapter

Of the total number of bankruptcy filings in the 12-month period ending June 30, 2004, there were 1,167,101 Chapter 7 filings, a 0.1 percent increase over the 1,165,993 Chapter 7 filings for the same period in 2003. The next largest group of filings was Chapter 13 filings at 457,171, a 3.3 percent drop from the 472,811 filings in the 12-month period ending June 30, 2003. Chapter 11 filings, however, rose 4.2 percent, from 10,602 in 2003 to 11,048 in June 2004.

## Filings by Quarter

The number of bankruptcy cases filed during the third quarter of the Judiciary's 2004 fiscal year (April 1, 2004 - June 30, 2004) totaled 421,110, down 4.3 percent from the 440,257 cases filed in third quarter 2003. The number of bankruptcies filed during the second quarter of fiscal year 2004 (January 1, 2004 - March 31, 2004) was 407,572. Filings for the Judiciary's first quarter of 2004 (October 1, 2003 - December 31, 2003) totaled 393,348.

## Bankruptcy Filings by Bankruptcy Chapter Years Ended March 31, 1999-2004

Year	7	11	13
2004	1,167,101	11,048	457,171
2003	1,165,993	10,602	474,811
2002	1,053,230	11,401	440,231
2001	972,659	10,272	403,418
2000	885,447	9,947	380,770
1999	993,414	8,684	389,004

Chapter 7 is designed to allow individuals to keep certain exempt property while the remaining property is sold to repay creditors. Chapter 11 provides for a business to continue operations while formulating a plan to repay its creditors. Under Chapter 13 bankruptcy, creditors may be repaid in installments, in full or in part, over a 3- to 5-year period.

*Source: Administrative Office of the U.S. Courts  
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## ON THE WAY UP

### Chapter/Member

**Dallas/Ft. Worth**  
Sharon Campbell, CCE

**Grand Rapids**  
Nancy J. Scheneman

**Portland**  
Vivian Barwell, CBF  
Nancy Reed, CCE  
Cindy Warren

**San Diego**  
Sabrina Perez

**Tacoma**  
Barbara Trammell  
Margie Huston, CBA

**Tampa**  
Michelle Smith

### Company

Commercial Metals

Great Lake Fasteners

Land O'Lakes Farmland Feed  
Lampros Steel  
New Edge Communications

Sony On-Line

Bayview Bldg. Materials of Olympia  
Vancouver Door

CEMEX, Inc.

### Position/Promotion

Assistant Treasurer

Credit Manager (new position)

Well-Deserved Retirement!  
Credit Manager  
Credit/Collections

CAP Instructor

Affiliate Board of Directors  
Affiliate Board of Directors

Credit Manager

## Letter From...

**Jeffrey L. O'Banion, CCE**  
**Vice Chairman Member Services**  
**(Membership & Publicity)**



Over these last several months, I have attempted to keep in close contact with the Area Directors requesting that they urge their individual Chapters to submit news articles and any and all information regarding their Members for inclusion in the CFDD National Newsletter. The Newsletter is one of the best ways of sharing ideas across the country and I urge all of you to contribute to your Chapter information, happenings, member achievements, and even take a stab at writing a first-person article. I have spoken with many Chapter Presidents, Vice Presidents, Membership and Publicity Chairs over the last few months as well. Let's keep up the contact whether it be via e-mail, telephone or correspondence! I am always seeking to learn and/or share advice and ideas on Membership and Publicity.

Sending the CFDD National Newsletter via e-mail continues to be the most efficient method of delivery to the Membership. It's imperative that the Executive Director has the latest and correct e-mail addresses for all of our Members. Please be sure to ask your other Members if they received this copy of the Newsletter, and if they did not, please forward them a copy and have them get in touch with their Chapter Membership Chairman to insure that all information on file is correct and accurate.

Chairman Thomassie appointed me to head up a committee on New Chapter Development. I have received many excellent comments and suggestions from the other members of this Committee as to what course CFDD should take in developing this area of National responsibility. Whether National takes the lead role in new Chapter formation, acts in supportive concert with areas that show an interest in organizing (or reinstating) a local Chapter, or a positive and proper combination of both, I hope to have a recommended methodology for "making it happen" in a formal Report to the Board of Directors in the next few months.

I would like to continue, and implement the idea that was put forth by Vice Chairman Foreman last year regarding "Sister Chapters". Many Chapters (if not all) have similar problems and issues, and by having this avenue of shared experience and expertise, I would expect that many could be overcome in a positive and productive way. I would look to the Area Directors to provide input as to matching of Chapters and fostering the communications necessary to

make this unique approach work. I welcome any and all ideas that any of our Members may have towards helping this idea come to fruition.

We all are aware of the impact that the sales of non-dues items have on our CFDD National budget. We continue to set up displays of these items at the Regional and National Conferences and have been quite successful. The items that CFDD offers are of the highest quality and project pride in CFDD Membership. I encourage you all to continue to support and promote this critical revenue generator. Because "seeing is believing" a travel kit is being assembled by the Executive Director that can be sent to individual Chapters for display at their monthly meetings or educational programs. Experience has taught us that if we see it we will buy it! Many of these items are perfect for speaker gifts or awards. As Co-Chairman of the Pacific Northwest Credit Conference this year, I was instrumental in purchasing calculators from CFDD that were customized with both the CFDD and NACM-BCS (Oregon) inscriptions. These were placed in the Delegates bags and resulted in a positive and cooperative benefit to both organizations.

I thoroughly enjoy receiving the newsletters from the many different CFDD Chapters from around the country. I would encourage, as has been done in the past, the dissemination of the newsletters to as many of the other Chapters as possible. Most are delivered by e-mail so including a few more addresses can have a profoundly positive impact on the sharing of ideas, programs and challenges throughout the entire CFDD organization. I have utilized and shared several ideas that I have gleaned from other Chapter newsletters in our Portland publication—and the response has been very good! By sharing such information with each other, we will, hopefully, see some positive results. But remember to give credit!

I also encourage all CFDD Members to utilize the CFDD Leadership Disc. It is jam-packed with information for all your Chapter Officers and Committee Chairmen. It is an excellent and detailed source covering all aspects of Chapter organization and operation. A lot of work has gone in to fine-tuning and updating the Leadership Disc—Utilize it to the max!

I want to thank you all for allowing me the privilege of serving in the capacity of Vice Chairman of this organization. It is indeed an honor both personally and professionally. And, hey, it is a lot of fun, too! I wish you all the best for a most healthy and prosperous 2005.

# PROFESSIONAL DESIGNATIONS: An Asset to Employees and Employers

In today's business environment, companies must go beyond the products and services they provide. Quality and value are necessary for businesses to compete and prosper. How can companies achieve a competitive advantage? Having employees who are professionally certified has increasingly become a symbol of quality that can provide companies that competitive advantage.

More and more industries are establishing certification and accreditation programs to distinguish professionals. Hundreds of professional fields have a certification process. Some common certifications with which most people are familiar are Certified Public Accountants (CPA), Professional Engineers (PE) and Certified Financial Planners (CFP).

Certification programs consist of rigorous study and testing, usually requiring substantial experience in the respective field. Programs usually also include recertification testing to ensure that a professional stays current and continues to meet high performance standards.

During economic downturns, companies search for ways to reduce costs. Support of accreditation and certification programs become an easy target. Even though employees who strongly believe in increasing their level of professionalism can certainly opt to pay for these programs themselves, businesses do benefit from funding employees' efforts to obtain certification. The costs to companies are usually small, but could be a hardship for a promising employee. The payback to business is enormous.

It affirms to employees that their expertise is valued and recognized. It sends the message that the company will do everything to enhance that expertise.

It motivates employees to rise to the top of their profession—certification is the benchmark of professionalism. When employees know that their efforts are supported by their employers, they are more likely to be passionate about their careers and perform at their highest level. Professional certification by a reputable organization assures everyone doing business in a particular field that the professionals with whom they are dealing have achieved a certain level of proficiency. Generically, certification attests that a person has achieved and demonstrated a certain standard of excellence in a particular field. Certification initials on a business card tell clients, customers and the public that the professional is serious about what they do for a profession.

It helps to guarantee that you have the best of breed working for you. The preparation process helps professionals broaden their knowledge and expertise. Certification is not easy. It requires many hours of study and efforts to pass the examination. Preparation may include several study sessions led by accredited

professionals. The exams can be grueling, some taking from four to eight hours to complete. Some programs include a study of ethical issues and individuals must pledge to maintain ethical standards. The commitment to go through this process is a huge undertaking and it indicates that an individual is dedicated to his or her profession.

It reflects on your company. In this era of increased competition, clients and prospective customers alike are seeking credentials that substantiate knowledge and experience. Your competitors know that these designations give your company the 'competitive advantage'. It shows that your company is dedicated to excellence and high-quality work.

Successful completion and increased knowledge instills employee confidence, enabling them to make better decisions.

Prospective employees are impressed. Every company is looking for employees with the most expertise. Having accredited professionals on staff tells prospective employees that the company places a high value on professionalism. This can be a powerful recruiting tool and can help to attract other professionals that you want on your team.

In summary, if you want to be competitive, you can't afford not to have certified professionals on your staff. However, it takes more than just funding the pursuit of designations. You must make it a priority in your company and encourage employees to pursue them, as well as support them while they go through the process. Upon successful completion, when an employee has earned their designation, recognize them within the company and outside the company. With accredited professional staff, your company is recognized as a company who has made a point of distinguishing itself from the competition; a competitive advantage that can ensure continued growth and success!

*Nancy Watson-Pistole, CCE  
Credit Manager  
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Phone: 816.843.1442  
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## *CFDD National Scholarship Deadline*

Must be received by March 15, 2005.  
Mail original and three copies to:

Millie DeMariano  
P.O. Box 41660  
Dayton, OH 45441





# Awards & Achievements

<u>Chapter/Member</u>	<u>Company</u>	<u>Award/Achievement</u>
<b>Buffalo</b> Paula May, CCE	IRR Supply Centers, Inc.	25-Year CFDD Membership Award
<b>Dallas/Ft. Worth</b> Tricia Nesvacil Laura Click	Bralco Southwest Internet Experts	CBF Designation CBF Designation
<b>Dayton</b> Jill Detrick, CBA	Ken/API Supply	CBA Designation
<b>Denver</b> Suzanne Jorrisen, CBA Nelda Pennington, CBA	Sunrise Medical Sunrise Medical	CBA Designation CBA Designation
<b>Omaha/Lincoln</b> Simona Oprea, CBA Alessia Zalambani, CBA	Conagra Food Ingredients Conagra Food Ingredients	CBA Designation CBA Designation
<b>Portland</b> Marilyn Rea, CBA Diane Snyder, CBA Sandra Farmer Megan Conser Carla Grimm, CBA Ron Hill, CPA	Pacific Architectural Wood Prod. Rogers Instruments, LLC Forest City Trading Celistica Corp. Holman Building Services Xerox Corp.	CBA Designation CBA Designation 25-Year CFDD Membership Award 2004 Distinguished Member Award 2004 Distinguished Member Award 2004 Outstanding New Member Award
<b>Raleigh/Durham</b> Tom Riggleman, CCE	News and Observer	AMCEA Credit Executive of the Year
<b>San Diego</b> Angela Fitzpatrick Lee J. Noble, CBA David Woodill, CBA Lorraine Seeley, CBA Lee J. Noble, CBA David Woodill, CBA Sabrina Perez Elizabeth J. Barker Lorraine Seeley Lora J. Flowers Ana Cordozo Myra Rayfield Aaron Sigala Karen Zimmerman	Sysco Foods Intuit Clark Security Products LMA North America Intuit Clark Security Products Sony On-Line Clark Security Products LMA North America Heating & Cooling Supply Vycera Communications Ferguson Enterprises Vycera Communications Ferguson Enterprises	ACAP Certificate ACAP Certificate ACAP Certificate CBA Designation CBA Designation CBA Designation CAP Certificate CAP Certificate CAP Certificate CAP Certificate CAP Certificate CAP Certificate CAP Certificate CAP Certificate
<b>Seattle</b> Mary McConnell, CCE	Cutter & Buck, Inc.	CCE Designation
<b>Tacoma</b> Carole Hughes, CBA Stacey Smythe, CBF	Nova Fisheries Progressive International	CBA Designation CBF Designation
<b>Wichita</b> Donna Hypse, CCE	Mid-Continent Safety	Article published in <i>Business Credit</i>

# Bankruptcy Preference Claim—

## A Practical Example

BY RICH HEAVENER, CCE, CEW

**S**o you had a long-time customer, who began to have problems. You tried to work with him and continue to ship as long as he made payments to reduce or not increase your exposure. After a bankruptcy filing, you have written off your balance as a bad debt and taken your lumps. You have filed your claim with the court and await any pittance you could receive as a recovery.

Now, after one year and 10 months you receive a nice letter from the attorney for the Trustee demanding that you repay preferential payments that you received within the 90 days leading up to the debtor's filing. You are given 20 days to respond or you can expect to have legal action taken against your company. After your initial period of brushing up on your profanity, you now must decide what to do.

Let's take a practical look at such a situation. To be a valid claim, various elements must be met, but most likely your letter will state that they all have been met. They are:

- Transfer (payment) was to your (creditor's) benefit
- For an account for an antecedent debt (owed before the filing)
- Made while the debtor was insolvent (assumed insolvent if the court allowed the filing)
- Made on or within 90 days before the filing of the petition or between 90 days and one year if creditor was an insider
- Enables the creditor to receive more than such creditor would receive in a liquidation if the payment was not received

Rather than just write a check or immediately turn this over to your attorney, consider the following actions:

- When you receive the notice, confirm that your records of checks received (cleared the customer's bank) match the claim
- Review your records for confirmation of the elements listed above
- Review your records for each of the following defenses: New Value, Ordinary Course of Business & Contemporaneous Exchange

Let's make the following assumptions as an example:

The elements are met and you did receive checks totaling \$100,000 within the 90-day period. Start by counting back 90 days beginning with the day before the filing. Print your history of payments for this period and back at least one year, or complete a worksheet by keying in the information.

### Preference Defense #1: Subsequent New Value (easiest to prove)

You made shipments for which no payments were received, during the 90-day period. The shipments normally need to be made after receipt of each subsequent check and not total shipments versus total payments. Your records show the following:

Payments received			\$100,000
Check 1	\$25,000		
New Value Shipped not yet paid	\$20,000	-\$5,000	
Check 2		\$25,000	
New Value Shipped not yet paid	\$30,000	0	
Check 3		\$25,000	
New Value Shipped not yet paid	\$10,000	-\$15,000	
Check 4		\$25,000	
New Value Shipped not yet paid	\$0	-\$25,000	
Defended Amount/Not Defended	\$55,000	/	\$45,000
Remaining to Defend			\$45,000

### Preference Defense #2: Ordinary Course of Business

This defense is more difficult to prove. Average time to pay last 12 months from this customer is nine days slow, net 30-day terms or 39 days from invoice date.

Per worksheet or records, each invoice was paid 6-12 days slow (36-42 days)		-\$35,000	
Remaining not defended			\$10,000

### Preference Defense #3: Contemporaneous Exchange

You need very good records to prove this defense: confirming letter, phone notes, etc. Usually, cash in advance or cash on delivery.

None evident in this example	0
Remaining payments not defended	\$10,000
Negotiations with Attorney for the Trustee Remaining not defended	\$10,000

Send defenses to attorney/Trustee (have your attorney review any possible additional defenses, and may want your Attorney to send the letter). Trustee will argue or agree and request payment. Offer settlement of \$6,000. Negotiate and

settle at \$8,000. Your cost now is not \$100,000, but \$8,000 plus your attorney's fees.

You now write-off another \$8,000 to bad debts, and expense your attorney's fees. Also, amend your claim to add the additional \$8,000 to your previous unpaid receivable amount to share in pro rata distribution to unsecured creditors, if any.

This example is meant to give a practical way of thinking about defenses. Obviously, I am not an attorney and would never advise you to give up any rights, defenses or advice you may seek through your attorney. However, with the increase in bankruptcies and the increase in estates seeking preferences, whether a Chapter 7 or not, we all need to be aware of our rights and defenses.

## NACM has launched a new series of surveys

The survey questions will be mailed monthly to qualified professionals. In appreciation for responding to the surveys, those individuals that participate in 11 consecutive surveys in 2005-2006 will receive a free one-year passport to NACM's unsurpassed Resource Library.

If you would like to take part in these surveys, please go to <http://www.nacm.org/survey/index.php> to sign up or participate.

The February survey has just been posted!  
Your participation is both encouraged and appreciated.

# Member Viewpoint

## 2004 CFDD Conference East—What An Experience!

Eight of our Charlotte chapter members took advantage of the opportunity to attend the 2004, CFDD Conference East, "Investing In Your Career," in Louisville, KY. Conferences are a great place to network with fellow credit professionals, earn CEUs, and explore a new city. But, the best thing these conferences offer is the chance to gain more knowledge through all the educational sessions. This year's sessions were well-rounded. They ranged from: bankruptcy, economic outlook, case studies, criminal law, improving the bottom line, physical mindset of the debtor, negotiation, attitude in credit and collections, mechanics liens and bonds, customer visits, audit control, financial statements and finally: life is a journey not a destination.

Susan Cravens, "Electronic Bankruptcy Filing," discussed the bankruptcy process and how to locate information on the web using each state's bankruptcy website found through [www.uscourts.gov/cmecf/cmecf\\_court.html](http://www.uscourts.gov/cmecf/cmecf_court.html). She also showed us how to get information from the Public Access to Court Electronic Records (PACER). PACER offers an inexpensive, fast and comprehensive case information service to any individual with a PC and a modem or Internet access.

David B. Russell, CFM, "2005 Economic Outlook," showed us a lot of figures that proves it doesn't matter who's running the country because the economy always goes through ups and downs. Overall the stock market always yields a net gain around 10 percent. So, stay in the game for the long run and you will come out ahead.

Joseph Golden, "Bankruptcy 101: What the Trustee Expects of a Creditor," presented an overview of the government. He let us know that the U.S. Trustees fall under the executive branch of government and they monitor and oversee the Chapter 7 Trustees. He also explained the obligations of trustees in the bankruptcy process.

Professor Bryon Himmelheber, "Physical Mindset of a Debtor," challenged us to look at credit by using our "Ego-Defense Mechanisms." When approving credit, start with a smile and never say "No." Lay out options to our customers. Don't take anything personal and know your facts and keep focused. No matter what credit decisions we make, we are challenged to do our best.

During his session, "Negotiation... The New Art of War," Tony Belak split us into groups to negotiate the purchase of a "Speckled Pomegranate". Kim Peake, Connie Jarvis and I were in one group. We concluded that we needed to work together as a team to ensure each comes out a winner. Another important thing we learned was to listen to what the other person is saying and try to come to a compromise that benefits all parties.

Phyllis Truitt, CCE, "Audit Control," taught us the value of internal controls. She discussed specific examples of internal and external controls like the use of checks and balances and securing your computer system. She provided us with many tips and things to watch for in our companies. But, she reminded us that the management team must set the example for others to follow.

Todd Oetken, "Life Is a Journey, Not a Destination," challenged us to ask the question, "At the end of the day, what's really important?" Don't worry about our destinations, but enjoy the journey! None of us are promised tomorrow! We make choices each day. We choose where we work and we have a choice to make the job the best it can be.

We make choices to have a positive attitude, be friendly, surround ourselves with positive people, and take risks!

Glen Curry's session pointed out that not only are we to "tweak" the numbers, but we also need to read between the lines when conducting a financial analysis. He also supplied us with information for customer visits so that we'll be well equipped and have questions to direct to our customers in order to make an educated credit decision.

We also had a great time exploring Louisville. We got to take a tour of Churchill Downs racetrack. "Behave Yourself" was the most memorable horse's name to win a derby. Do you think someone was trying to talk to us? We also got to walk through the Kentucky Derby Museum and watch a horseracing movie on a huge oval screen that encircled the entire room. Really cool! On Friday night, we visited the Louisville Slugger Museum. We tried to keep the group under control, but there was a lot of bat bashing going on there.

Charlotte has the privilege of hosting the 2006 Conference. Teamwork is the key to making our conference a success and I challenge each of you to come to the plate so the Charlotte Chapter will score our final home run!

*Marlene Groh, CBA and Cassandra (Sandy) Boyd, CBA are both Members of the CFDD-Charlotte Chapter.*

### Excellence Through Education CFDD Conference East



**October 20-22, 2005**  
**Florence, KY**  
**Hilton Hotel - Greater Cincinnati Airport**

**For Information Contact:**  
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# Asset-Based Lending

HOW YOU CAN HELP YOUR CUSTOMERS  
IMPROVE THEIR CASH FLOW

By Dave Tubbs

If you're a credit manager, you don't need to read the newspaper to get the latest dreary news about the economy. Chances are, you see it up close and personal every day.

As we enter the third year of this prolonged economic slowdown, it's apparent that few industries have been spared the pain. Non-performing loans, one leading indicator of financially strapped businesses, were up nearly 17 percent late last year to almost \$70 billion, the highest level since 1992 following the savings and loan crisis. And delinquencies continue to rise, with bankruptcies expected to reach an all-time high this year.

Statistics like these reinforce the very real risks of doing business on open account terms, especially during difficult economic times. After all, when customers go out of business, unsecured creditors are the last to get paid. While it's the least expensive form of financing for your customers, offering open account terms is one of the biggest risks any company takes—making the credit manager's job that much more critical today.

## Squeezed by the Credit Crunch

As the credit manager, you're in a unique position to spot and analyze cash flow problems at companies with whom you do business. Perhaps the problems stem from a slowdown in your customers' receivables. Or maybe your customers are dealing with the effects of the "credit crunch" being felt by many businesses as banks tighten credit standards on both new and existing customers.

The good news is that there is a financing alternative designed especially to help companies squeezed by the credit crunch. By referring your customers to a company that specializes in asset-based lending, you can help them improve their cash flow and, hence, their ability to make timely payments to your company.

## How Asset-Based Lending Works

There are two primary types of asset-based lending: factoring and accounts receivable financing. With factoring, companies "sell" their outstanding receivables to the finance company at a discount—usually between 2-5 percent. Typically, a company receives about 80 percent of the receivables at the time the invoice is generated and the balance (less the discount) after it has been collected by the factor. This helps drastically reduce the cash conversion cycle, thus speeding up collections and improving cash flow dramatically.

During the past decade, more and more companies have discovered the tremendous cash flow benefits of factoring. Factoring volume rose by two-thirds during the '90s—from \$48 billion in 1990 to \$80 billion in 2000, according to the Commercial Finance Association.

Underneath the broad umbrella of factoring are two sub-categories: recourse and non-recourse factoring. With recourse factoring, the company assumes the risk for non-payment of factored invoices. If an invoice isn't paid within a set time (such as 90 days), the company must buy the unpaid invoice back from the factor. With non-recourse factoring, the factor generally absorbs the cost of unpaid invoices. Non-recourse factoring costs 1-2 percentage points more than recourse factoring, but it may be worth it for companies in volatile industries.

## Detailed Credit Analysis

With both types, the factoring company will do a detailed analysis of the creditworthiness of the companies behind the receivables, which may include obtaining credit reports on them. Your customer will fax or e-mail copies of invoices to the factor, which verifies that the product has been shipped as stated. In most cases, customers mail checks directly to the factor, which sends the balance of the invoice to the company, less its fee.

Factoring rates depend primarily on the quality and volume of a company's receivables. A company selling to a few national, well-known retailers, for example, will enjoy a lower rate than one selling to hundreds of smaller, less-recognized retailers.

With accounts receivable financing, companies borrow against the value of their receivables, rather than selling their receivables to the factor. The factor establishes a line of credit against which it will advance funds based on a calculation of outstanding receivables. Borrowers need to be able to report pertinent information about receivables to the factor on a daily or weekly basis. Rates are generally comprised of two components: an interest rate and a collateral management fee.

## Increase Customer Sales

By referring your slow- and non-paying customers to an asset-based lender, you may be able to improve your company's collections and cash flow dramatically, and perhaps even increase, rather than having to eliminate, sales to some customers. So take care when choosing an asset-based lender to partner with.

In particular, carefully examine any potential lender's financial stability: How long have they been in business, and how well capitalized are they? Look also at their level of technology; for example, do they offer online reporting and web accessibility? Rates and fees are an important consideration, of course, as is how the company will communicate and work together with your customers.

The bottom line: In the right circumstances, asset-based lending can be a real win-win — for your business and for your customers.

*Dave Tubbs is a regional manager of The Commercial Finance Group (www.cfgroup.net). Reach him at 800.783.1403 or dtubbs@cfgroup.net*

# PROGRAM PICKS

## Chapter/Topic

## Speaker/Presenter

### Buffalo

US Patriot Act & How It Affects You!  
Your Customer Just Filed—Let the Fun Begin!  
Wealth Accumulation

Bank Security Officer  
Corp – VP Finance  
Financial Planner

### Charlotte

EFT  
Bankruptcy Checklist and Preference Defenses with Examples  
CTQ-Critical to Quality: Getting It Right the First Time  
Getting Real with Credit: What Works; What May Not

Check Guarantee Rep.  
Credit Manager  
Credit Manager  
Credit Manager

### Dallas/Ft. Worth

Usury Liability in Texas  
Ethics  
Antitrust  
Claims and Deductions: Best Practices

Attorney  
CCE  
Attorney  
Round Table

### Dayton

Characteristics of Leadership  
Identity Theft  
What Does CFDD Do for Your Company and You?

Executive  
Police Sgt.  
CFDD Executive Director

### Denver

Identity Theft/White Collar Crime  
Construction Contracts  
Violence in the Workplace

District Attorney's Office  
Credit Manager  
Consultant

### Grand Rapids

Check 21  
Road Maps—NACM

President of NACM-WM  
Director of Credit

### Kansas City

Creditors Rights & Bankruptcies  
Excel 2003 Assistance  
Check Clearing and Return Items  
Protection & Detection of Internal Fraud  
Certified Expert Witness – What Is It?  
Battle of the Forms, Invoices, Credit Apps, Etc.  
Legislative Update – What's New on Capitol Hill

NACM Attorney  
Corporate Trainer/Instructor  
VP Bank Operations  
Certified Public Accountant  
Credit Manager  
Lawyer  
Corporate Credit Manager

### Knoxville

Minimizing the Potential Impact of Bankruptcy Preferences  
Asset Allocation  
Using Financial Statements in Credit Analysis  
Automated Clearing House

General Counsel  
Credit Union Representative  
Director of Finance  
VP Bank Operations

### New Jersey

"SOX IN THE CITY" (Sarbanes-Oxley)  
Check 21  
Deductions Training for New Credit Personnel

Credit Manager  
Bank Representative  
Credit Manager

### Omaha/Lincoln

Sales & Credit: Working Together to Enhance Profitability  
Unclaimed Property & Other Legal Issues Effecting the Credit Dept.  
Check 21

Credit Manager  
Attorney  
Bank Project Manager

### Phoenix

Getting Paid and Keeping the Customer  
Credit As a Sales Tool—Walk a Mile with Sales  
Selling Marginal Accounts  
Smorgasbord of Credit & Collection Issues and Policies

Collection Manager  
Sales Manager  
Financial Services Supervisor  
Panel of Credit Managers

## Chapter/Topic

## Speaker/Presenter

### Portland

Why Mentoring Is Good for You and Others  
 Maximizing Recovery in Bankruptcy  
 Maintain Balance in Your Life—Good for You and Your Employer  
 Personnel Interviewing and Resume Review Recruiter/Placement

Director of Credit  
 Affiliate President  
 Credit Manager  
 Officer

### Raleigh/Durham

Making the Most of Life and Career  
 The Service Members Civil Relief Act  
 Credit Scoring Models  
 Benefits of Excel Program Proforma  
 Bankruptcy

Company Executive  
 Attorney  
 Consultant  
 VP Credit  
 Attorney

### Richmond

Does Your Company Need Credit Insurance? A/R  
 Fraud: Prevention, Recognizing and Reporting  
 When Should Your Company Use a Third Party to Collect  
 Sometimes Words Speak Louder Than Actions  
 The Check Clearing for the 21st Century Act (Check 21)

Insurance Broker  
 NACM Asset Protection Group  
 Collection Agency Rep.  
 Toastmasters Representative  
 VP Federal Reserve Fifth District

### Salem/Albany

Work Related Challenges & Personality Types  
 Time Management  
 Consumer and Credit Business Fraud

CFDD Member  
 Business Consultant  
 Assistant Attorney General

### San Diego

Check 21  
 Mechanic's Lien Laws  
 Credit 101  
 Credit Card Fraud  
 Credit Applications/Credit Basics

Bank Representative  
 Attorney  
 Credit Manager  
 Fraud Investigator  
 Attorney

### Seattle

We Have a Judgment – Now What?  
 Current Collection Statistics & Trends  
 Understanding FCC Faxing Regulations

Attorney/Professor  
 Affiliate Representative  
 Attorney/Professor

### Tacoma

How to Monitor Your Computer Health  
 Sexual Harassment  
 Credit Secrets Revealed—A Roundtable Discussion  
 Self Preservation  
 Imaging and Content Technology Management  
 Fundamentals of Credit and Speaking Without Fear

Physical Therapist  
 Attorney  
 Credit Managers  
 Credit Manager  
 Technology Professional  
 Retired VP/Credit Manager

### Tampa

Deductions and Unauthorized Discounts  
 Bad Checks  
 Customer Service Telephone Courtesy  
 Collecting on Private and Public Bonds  
 Mediation

Credit Manager  
 County State's Attorney  
 Credit Manager  
 Attorney  
 Attorney

### Wichita

Stress in the Workplace  
 Handling Angry and Upset Customers  
 Check 21

Consultant/Community College  
 Credit Union Advisor  
 Bank Representative

*Note: Program Picks have been listed with Chapter headings. Please feel free to contact the individual CFDD Chapters that presented any program topics that may interest you for further information or details. Contact information may also be requested from your CFDD Area Director, if necessary, or any CFDD National Officer.*