



E-Credit News

Wisconsin Credit Association
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WISCONSIN CREDIT ASSOCIATION 262.827.2880

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WCA Member Updates & News

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Followed by
Industry Group Meetings



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THE PHONES ARE HOT!

The Association has always assisted Members with phone consulting, help in being a sounding board for their ideas, and either offering advice on technical issues OR directing them to someone who can help if we're unable. Over the past couple of months, as more and more of you are confronted with scenarios never before experienced, and certainly never in such great numbers, liens, bankruptcy, preference and reclamation issues are the talk of the town. There isn't a day that passes that our phones aren't HOT HOT HOT with your inquiries, and we are happy to help. WCA is starting to compile these questions and answers on the WCA Website, www.wcacredit.org, under the "Ask Darryl" tab. This section, as it grows, will offer a great compilation of everyday conversational solutions and ideas. Check it out. We were recently asked how to effectively handle this situation:

PREMISE: Our business sells or rents equipment to a customer that hasn't paid for it or paid the monthly rent, then sells the business to someone new. What recourse do we have? Lien? Go Get It?

RESPONSE: I will start with the question about placing a lien on the equipment. If the product or equipment is already in the customer's hands prior to obtaining or requesting a secured position on that product, it's too late. A creditor can request a UCC on the equipment (secured position) after the sale or rental, but there is no advantage to the debtor to provide the seller (creditor) with that after they are already using or have possession of the product.

Can you go get the equipment? Yes, you can! This is reclamation or repossession. However, it's important that when you show up at your customer's location, that you "keep the peace." For example, if the customer allows you to go about your business and reclaim your product and take it back, no problem. If they object,



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Recovery

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GOT AN IDEA?



Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@CreditToday.net with your idea!

THE PHONES ARE HOT! (Cont..)

ask what you are doing, or prevent you from the taking the product, you should leave immediately. Otherwise, you may be subject to breaking and entering or trespassing.

Not all previous owners sell a business and skip town. A business is sold and new business buys it, which requires dissolution of the old business. Depending upon the terms of the sale of the business, the new owner buying the business as a going concern may have no obligation to pay you for any unpaid invoices for sale of a product or rental of products to the new purchaser. Lastly, if a business is sold in a "bulk sale", the new buyer is only purchasing the assets of the business and assuming none of the liabilities. In this situation, there has to be notice (in Wisconsin) prior to the sale.

What can you do in the future? If the sale of product or equipment is significant or a material amount, you can sell the equipment in conjunction with a UCC filing that gives you a secured position on the product. This is useful for leases, rentals and large equipment purchases. There are services available to assist creditors in being a secured creditor.

In the case of the former business owner skipping town, if they owe you money and you file suit against them and pursue these people by using skip tracing etc, there is a chance you could recover your unpaid receivable.

NEW GROUP REPRESENTATIVES **INTERNATIONAL CREDIT EXECUTIVES (ICE)**

Becky Feffer

Continental Plastic Corp

WCA MEMBERSHIP UPDATES

Congratulations to Linda Troeller at Ferguson, A Wolseley Company, her daughter had a baby girl. She weighed in at 9 lb 3 oz and they named her Vivienne Gloria. Congratulations Linda on becoming a grandma.

RESUME REFERRAL SERVICE & "YES" – YOUR EXTENDED STAFF SERVICES

WHO is in your NETWORK? No we are not talking about the 500 people that support your cell phone plan, but the 500 people in your real life networks; work, professional organizations, school, church, and neighborhood. You use them and depend on them whether you need a plumber, a Spanish tutor or a job.

The best way to get value from any organization is to be an active participant. If you don't go to the block picnics, touch football games and alumni events you don't know who has the best rototiller, a company with an internship or who needs a new credit analyst. In other words, you have to be INVOLVED IN YOUR NETWORK to take full advantage.

And a big part of belonging to any network is giving back. Many times, you give back by doing something you love, like flipping hamburgers for the company picnic or coaching little league. You have to admit that when you are involved, you have the lowdown on everything; which house is for sale, who is being promoted, who donated to your college and where you can find scholarship money.

Our NETWORKS makes us strong and seemingly self-sufficient and we are only as strong as our networks.

The WCA is a network as well. We are a source of information; we receive requests every day on topics like bankruptcy, liens, judgments, preferences, etc. We are a place to receive training, to learn about the industries, legislation, or International trade. In addition, it is the professional organization that you turn to when you need an employee or to find a job.

Your opportunity to be part of the network is there when you need to hire candidates or provide jobs for others. We also receive and appreciate many referrals of candidates. When you have a job opening, come to WCA first. In addition, when you hear about a job opening from a neighbor, a peer or your uncle, refer those people to post their job with WCA as well.

The more you contribute to your network, the stronger it is when you need services. We count on you to contribute positions and candidates to make this an effective low cost service for all members. .

We have excellent candidates available now for full-time permanent & temporary positions throughout the state. This is where to find experienced people that are effective immediately!

Please call WCA at 262-827-2880 Ext 232.

NEED HELP COLLECTING YOUR PAST DUE ACCOUNTS?

Based on what members are telling us, "even our good customers are running slow". Of course, the decision WHEN to place an account for collection depends on many situations. We hope the decision WHERE to place the account for collection is easier. Wisconsin Credit Association offers collection and recovery services that GET RESULTS. Our purpose is to provide our WCA member companies with a quality, professional and trustworthy recovery service, to assist companies of all sizes, industries and geographical locations. Our industry expertise, state-of-the-art systems, and telecommunications, allows us to extend our service and effectiveness on a nationwide basis.

Call Wisconsin Credit Association for further information at (262) 827-2880, or e-mail us at collection@wcacredit.org.

LOOKING TO REDUCE YOUR CREDIT REPORTING COSTS?

Look to WCA's credit reporting subscriptions, giving you access to multiple sources such as Experian, Equifax, D&B, Coface and Equifax for international reports, and even consumer reports in one package. We have done the work for you. We have contracted for the lowest prices and pass those savings onto you.

You no longer have to rely on just one source...because that was all you had available in your contract. *There are alternatives* for you to use; some at lesser cost, some with better information in certain situations, and some new sources to add to your portfolio. WCA packages all those sources into one, low-price subscription, without expiration and without monthly, or annual fees and from one source you can trust...your Association. Call **Lisa** at 262-827-2880 Ext 224 for more information or questions

PLEASE CONTACT *CHRYS* AT WCA, 262.827.2880 X221 TO REPORT MEMBER NEWS

1. WISER, FASTER, MORE NIMBLE

Creditors burned in the Archway & Mother's Cookie Company bankruptcy have made allegations of accounting fraud that was "neither particularly sophisticated nor ingenious". The creditors charge that the 72-year-old company created phony sales and inflated inventory before laying off its 700 employees and closing its doors in October.

Lawsuits like this one (and there are likely to be more) prompt the question: What were these creditor analysts doing if this fraud was so clumsy and obvious? Where was the due diligence? Companies that will survive the current crisis and thrive in the eventual recovery will be those with a keen eye for spotting developing distressed situations.

"It's not rocket science," notes Tony Warfield, director of credit services for D&H Distributors. "You do the standard things. You pay attention to the long-term debt; to when those debts are going to be called and to whether a particular customer is going to have trouble renewing those lines. "

He says that the leveraged buyout, which is what got Archway in trouble, has become a "filthy term. A couple years ago, they were okay to do because the market would support them, but now companies that got into them are really struggling. Those are the guys we try to avoid."

D&H sizes up risk using a blended score card based on the company's own experience. "We trend on our own performance," he says. "We look at expiration dates on debt. We look at trade reports from all the sources: trade groups, D&B, Experian, and Equifax. If there's a sign of trouble, it is pushed through our system automatically out to an analyst. We try to get as close to ground zero as humanly possible, although frankly sometimes that's not realistic."

He doesn't expect to come out of this recession unscathed. "If we do it would mean we're being far too conservative and we're restricting sales. That's something we cannot afford to do. We have to still try to identify opportunities and take them. We're not just taking our ball and going home, but there's a balance that has to be struck."

As a distributor to retailers, his perception is that the recent crisis has been culling out those customers who could only survive in a robust economy. It's a culling process only the healthiest retailers will survive.

"This is a diet for all of us," he says. "For the companies that survive, it's going to be really good. It's reminding us we need be wiser, faster and more nimble."

2. TELLING YOUR STORY AT A BANKRUPTCY HEARING

Your customer has filed for bankruptcy, and you smell a rat. You suspect they've squirreled away assets, and you think you know where. How do you get this information to the trustee?

Don't walk into the hearing and expect the trustee to be all ears, warns FBI Special Agent John Diwik, who has been investigating bankruptcy fraud for 15 years. "A busy trustee may have scheduled 10 cases an hour," he points out. "If you intend to interrogate the debtor at length, you should have notified the trustee in advance so that enough time can be set aside to cover all the issues you want to pursue."

He suggests calling or writing the trustee and explaining that you would like to do an extensive question and answer, so "maybe you could give us another day, another time, another place so we can come in and do the interview."

Since trustee compensation is based on assets allocated, he's going to be amenable, Diwik says. "If you think you know where the debtor has hidden some assets, that's an opportunity for him to increase his compensation. He'll be motivated to help you out. However, if you fail to alert him to the time you will need, you both lose. Moreover, remember, this is all sworn testimony. If it goes to litigation, or even becomes a criminal case, this can be used against the debtor."

3. THE BEST THING THAT EVER HAPPENED TO US

Are your credit and collections systems and procedures flawless? Probably not, but with the crush of daily work you cannot stop everything to try to improve them. That might happen, however, in the event of some major organizational change, like a merger or acquisition. It's what happened here.

Annual credit reviews of Andrew Corp.'s 2,000 largest accounts with active credit lines used to be done during the final two months of the company's fiscal year—August and September. Senior Credit Analyst Michele Pancotto, CCE, CICP, acknowledges that this wasn't the best way of handling the reviews, but she explains that she and her busy staff just couldn't seem to free up the time until they absolutely had to.

Now the reviews are conducted at the rate of about 150 a month year round. "We feel much more efficient and less harassed about having to do something all at once," she says. "But more important, this helps us get rid of or pull down accounts to no limits when we see they haven't bought anything for an extended period."

"It's better to take the credit limits out rather than have a surprise somewhere along the way. We don't want to get into those situations where orders come in and we're working with a two-year-old limit that's no longer justified by the customer's deteriorated financial condition. We need to be proactive in times like this."

Why the annual credit review schedule was changed is as interesting and instructive as the change itself. Andrew Corp. was acquired by CommScope, and, like other decision makers throughout the company, Pancotto was anxious to make a really good impression on the new management.

"It's a healthy aspect of an acquisition," she says. "A lot of people balk, but I think it's the best thing that ever happened to us. You can go along suffering inefficiencies, or you can get jolted out of them. I see great improvements already."

Soon after the acquisition, CommScope management conducted a customer financial workshop for personnel from business units from all over the world. And it wasn't just those from far and wide she benefited from meeting. "I met people I've worked with for the past five years but never met before, and they were in my own building," she says. "That was invaluable, especially at this point, for developing some kind of personal rapport. Just letting us get to know each other was wonderful."

Among the specific issues taken up at the workshop were customer deductions and how they could be resolved better. All the people who were involved with these issues sat around a table and hashed things out.

"Tax issues are one of the biggest causes of deductions for us," she explains. "We discussed how, in setting up new accounts, we have to be much more aware of having the tax information we need. Customers are continually taking deductions because of the failure to get the tax exemption straight. You could have had hundreds of billings that have to be resolved one at a time. We realized that if we did it when we first set up accounts we could prevent all of those deductions, and we knew we couldn't just figure that someone else would take care of it."

Systems for resolving sales tax and other deduction spawning issues were established at subsequent meetings involving credit, customer service, invoicing and other personnel. "The new overall department name is customer financial services," says Pancotto. "It helps us realize we're not just looking at customers from the credit perspective. We're all much more aware of the importance of integrating our responsibilities."

How can you best operate in an acquisition environment? Pancotto allows that it can be tricky. The sense of having someone looking over your shoulder all the time can be a little nerve racking, and somehow you have to share information without stepping on toes. The best rule, she says, is to just do your best job. "Don't hide things, and be open to people and to new ideas."

4. JUST ASK

You suspect a struggling customer is headed for bankruptcy, but how do you find out? "If it's a publicly traded company or a company that has publicly traded debt, just ask the CFO," advises G. Fred Marlatt, CICP, chairman of Turnmire Logistics, Inc. and former corporate credit manager of Potash Corp. "The CFO of any public company must be truthful, or he can be held legally liable under Sarbanes Oxley. After all, that's what the law is for."

He recalls a situation at Potash where a major customer, the U.S. subsidiary of a French company, was struggling. "During a meeting in our office with the president of the U.S. subsidiary and the Potash vice president of sales, we had a conference call with the corporate CFO in Paris 'I have to ask them if they're insolvent,' I said. Our sales VP said, 'You can't ask him that.' I said, 'Sure I can.' I asked. It wasn't a big deal. He replied, 'Yes, we've talked to people.' We cut off their credit, and our losses were minimal when they did go under. Too many people are afraid to ask these very legitimate questions."

Marlatt also maintains that too many trade creditors are intimidated by legalities, particularly as they relate to bankruptcy—and particularly to preferences. "If a company is neither balance-sheet nor technically insolvent in the prior 90 days, there's no preference. It has to be insolvent, and the question is when did it become insolvent?"

When another large customer went bankrupt, the trustee filed a \$1-million preference claim against Potash. Marlatt insisted that, at the time the payments claimed as preferences were made, the company had positive net worth on its balance sheet and adequate cash flow. "They didn't go bankrupt until the day a big interest payment came due, and they couldn't pay it," he says.

Potash attorneys recommended paying \$150,000 to make the problem go away, but he refused. "You can't do that unless I sign off, and I'm not signing off," he told them. "They came back finally and said, 'Okay, well settle for \$10,000.' I said, 'Fine, you send us \$10,000.' A week later, they dropped the case. You have to keep in mind that trustees' fees are based on what they collect," he says. "They use a shotgun approach, and it works because too many people roll over."

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Month-End Credit Reporting Could Use a Makeover

Time for the Tough to Get Going

Time For the Tough to Get Going - Part 2

Annual Credit Card Benchmarking Survey-Credit Cards Increasingly Integral to B2B Collections as Online Acceptance Grows

Credit Card Survey- Respondents Offer Up Advice on Web-based Credit Card Interfaces

2008 Credit Card Survey- Advice and Lessons-learned For Those Thinking of Setting Up a Credit Card Account

UPCOMING INDUSTRY CREDIT GROUP MEETINGS

APRIL 7

Fine Paper/Graphic Arts Industry Credit Group
Milwaukee WI

APRIL 8

Plumbing & Heating Industry Credit Group
Waukesha WI

APRIL 9

Food Suppliers Industry Credit Group
Madison WI
Metals & Industrial Suppliers Credit Group
Brookfield WI

APRIL 14

IL Wholesale Floral Suppliers Credit Group
Oakbrook IL

APRIL 15

Minnesota Electrical Product Suppliers
Brooklyn Park MN
Food Service Supply Hospitality Industry Credit Group
Milwaukee, WI

APRIL 16

Construction Industries Credit Group
Appleton WI

APRIL 17

SE Electrical Suppliers Credit Group
Milwaukee, WI

APRIL 21

Building & Construction Materials Credit Group
Milwaukee, WI

APRIL 24

IL Fine Paper Industry Credit Group
Oak Brook IL

APRIL 28

Western Electrical Suppliers Credit Group
List Only
WI/IL HVAC Industry Credit Group
Rockford IL

EDUCATION EVENTS

APRIL 13

ILLINOIS LIEN LAW GIVE YOURSELF A COLLECTION ADVANTAGE

This session will provide step-by-step guidance in the preparation of the forms necessary to use and benefit from construction lien and project bond claims. *Every supplier and construction contractor doing business in Illinois should be familiar with the law.*

[Click here](#) for an updated event list including future events and closings