

FEDERATION of CREDIT  
and FINANCIAL PROFESSIONALS

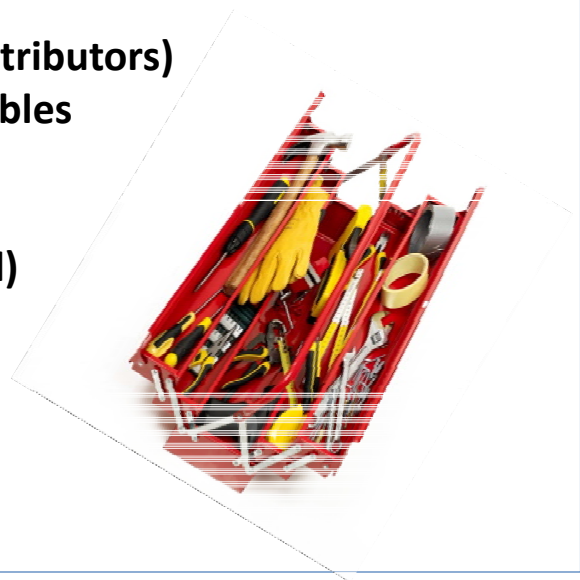
# Securing Marginal Credit Risks

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## What's In The Toolbox

- Pre-Payments / Anticipation Discounts
- Deposits
- Milestone (Progress) Payments
- Just In Time Deliveries
- Sales Through 3rd Parties (i.e.: Distributors)
- Factoring (Discounting) of Receivables
- 3<sup>rd</sup> Party Floor Planning
- Trade Credit Insurance
- Guarantees (Corporate & Personal)
- Letters Of Credit
- Mechanics Liens
- Surety Bonds
- Secured Sales /Liens
- Consignment Sales



## Limiting Risk: Deal Structuring Without Security

- Pre-Payments / Anticipation Discounts
- Deposits
- Milestone (Progress) Payments
- Just In Time Deliveries



## Risk Sharing...With Costs



**Sales Through 3rd Parties  
(i.e.: Distributors /Agents)**

**Factoring (Discounting) of  
Receivables**

**3<sup>rd</sup> Party Floor Planning**

- **With or Without Recourse?**

**Utilizing A Third Party Will Likely Increase Costs...But Can Maintain A Relationship**

## Risk Sharing...With Costs

### Trade Credit Insurance

#### Considerations:

- Export/ Domestic/ Trade/  
Political Risk /Country Risk
- Cancelable vs. Non Cancelable
- Single vs. Multi-Buyer
- Premiums / Deductibles / Co-  
Insurance/ Discretionary Credit  
Limits
- Put Insurance: Benefits &  
Limitations



**Consider Contacting An Insurance Agent When  
Structuring Credit Insurance Policies**

## Securing Against Risk

### Guarantees (Corporate & Personal)

- Concept of Due Consideration
- Continuing or Limited
- Notice Provisions / Waiver of Notice
- Termination Clauses
- Authorized Parties
- Venue



### Letters Of Credit (Export & Domestic)

- Standby's Vs. Documentary
- Confirmed/ Irrevocable
- Effective Dates and Expiry Dates and Where They Expire
- Currency
- Supporting Documentation (Can you actually provide them?)
- Draw Provisions & Where

### **DEFINITION of 'Mechanic's Lien'**

A guarantee of payment to builders, contractors and construction firms that build or repair structures.

Mechanic's liens also extend to suppliers of materials and subcontractors and cover building repairs as well. The [lien](#) ensures that the workmen are paid before anyone else in the event of [liquidation](#).

A mechanic's lien is also known as "artisans' liens" or "materialmen's liens" .

**Source: Investopedia**



## Securing Against Risk

### Surety Bonds

### Secured Sales Transactions

- Priority Concept
- Purchase Money Security Interest (PMSI)
- Subordinated (Junior) Liens
- Permitted Liens : Need To Know if Allowed Under Debtor's Existing Loans
- Notice Provisions / Perfection / Proper Filing / UCC Filings

### Consignment Sales

- Much Like The Above...But Seller Retains Title
- Grant of Security Interest /Need For Executed Consignment Agreement
- Notice Provisions / Perfection / Proper Filing / UCC Filings
- Other Considerations: Compliance With Terms/ Insurance/ Storage / Cost of \$

**BEWARE!**

**Failure To Perfect Liens & Notify Prior Secured Lenders Could  
Jeopardize Your Security! DO IT RIGHT!**



**What You Don't Know CAN HURT YOU!**

**When Using Any "Tool" Always Consult With The Experts:  
Defer to In-House or Outside Legal Firms For Review of:  
Guarantees, Security Filings, Consignment Agreements,  
Loans, Leases, Distributor or Floor Planning Agreements**

**Contact Your Treasury Dept., Your Primary Lenders or  
Subject Matter Experts Such as The ITCF for Questions  
Regarding Letters of Credit & Export Documentation**

**Contact Your Risk Management Dept. or An Insurance  
Broker When Considering the Use of Trade Credit Insurance  
& Insurance Bonds**

**Don't Go It Alone!**

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Questions?

CALL US!  
THANK YOU!

## About Our Speaker:



John G. Eberhardt

John Eberhardt: General Manager, Customer Financial Services, Nikon Americas Inc.

- Former Director of Credit, Assistant Treasurer and VP Supply at Pentair Inc.
- Experience in strategic planning and management of global credit functions servicing the industrial, commercial, municipal, medical and retail markets.
- Recipient of awards for individual contribution to the company's success at both Nikon Inc. and Pentair Inc.
- John has been a member of The Federation of Credit and Financial Professionals since 2010 and has served on its Board for over 4 years.