



News & Views

Ideas & Bits of Wisdom from Your Accounts Receivable Strategies & Solutions Partner

INDUSTRY NOTE

A LETTER OF CREDIT a/k/a AN L/C CAN MAKE A SALE

This is a reprint from the law firm of Blakeley & Blakeley, LLP, Irvine, California, by their Senior Partner, Scott Blakeley, Esq.

Credit professionals are in the business of "making the sale", which may mean looking to a credit enhancement, such as an L/C, to reduce or eliminate credit risk. An L/C may provide the credit professional with the opportunity to make the sale, and also maximize the recovery in the event of a customer's liquidation or bankruptcy, thereby maximizing the sale and minimizing the risk.

An L/C is a promise by an issuer, the bank, to pay the vendor, as beneficiary, when the customer has defaulted on the sale. The customer uses its assets as collateral for the L/C, so that the credit of the bank is substituted for the credit of the customer in favor of the vendor. The customer pays the issuing bank a fee to issue the L/C. If the vendor submits proper documents upon default, the bank will pay the L/C and the customer reimburses the bank. An L/C may be either revocable or irrevocable. An irrevocable L/C can be modified only with consent of the vendor. A revocable L/C can be modified by the bank without the consent of the vendor. The vendor can obtain a standby L/C, which assures payment after the customer's default. The vendor should insist on an irrevocable L/C with the customer's sale.

L/Cs are independent from the underlying contract between the customer and the vendor. The bank honoring the L/C is concerned only to see that the documents conform with the requirements in the L/C. If the documents conform, the bank will pay, and obtain reimbursement from the customer. The bank need not look past the documents to examine the underlying sale of goods. Thus, a vendor is given protections that the issuing bank must honor its demand for payment (which complies with the terms of the L/C), regardless of whether the goods conform to the underlying sale contract.

EDITOR'S NOTE: Should your debtor file bankruptcy, the L/C is not a debt owed by your debtor to you, therefore it cannot be considered a preferential payment by the bankrupt's estate nor be subject to the debtor's automatic stay of all proceedings following the date of bankruptcy. Think of the Letter of Credit as a corporate guarantor, only this guarantor has deep pockets.

"TIME IS MONEY" Benjamin Franklin once famously said, "Time is money," creating one of the most enduring adages in the American business world. The cliché, of course, refers to the opportunity cost of lost time and to the ideas that costs are incurred as time passes and that revenue cannot be generated through idleness.

PROMOTION

The aging for 2011 has now ended, and if you are still carrying over sixty from due date, without a valid reason, listen up. Collectability is proportionately related to age of the debt. I know, you heard this before, but it is worth repeating especially during the uncertain times they are predicting for 2012. Delinquent accounts over 60 days old have an 81.3% collectability factor, 90 days - 69.6%, over 6 months - 52.1%. So if you are looking for the maximum recovery, look at your receivables this week and place early. Remember, DAL only charges an 18% collection fee when the oldest invoice is within 91 days of placement with us. If you're in doubt, call us, credit counseling is free. Ask for Dom or call your DAL Account Manager.

Dominick A. Longhi, Editor & President

TEST YOUR SUPER BOWL KNOWLEDGE

Which over-the-counter medical product sees a 20 percent spike in sales after game day?

- Tylenol
- Cough Drops
- Antacid
- Aspirin

Who was named the MVP for Super Bowl XX?

- Richard Dent
- Joe Montana
- Phil Simms
- Marcus Allen

Visit www.dalcollects.com for the answers.

DID YOU KNOW...

In 2011 Companies paid a record \$3 million for a 30 second commercial spot during the Super Bowl.

MANAGEMENT COMMUNICATION TIP

Since e-mail is so efficient, it is often the first choice for communication. But when you're dealing with a difficult situation, one-on-one communication is always the best choice. When that is not possible, the telephone should be the second choice, with e-mail being your third choice.

• THE ESSENTIALS OF COMMUNICATION

DAL SUPER BOWL XLVI CHALLENGE

Test your knowledge of the Super Bowl and you could win \$100 toward a Super Bowl Office Party or donate the \$100 to your favorite charity. Flip this newsletter over to take the DAL Super Bowl Challenge or visit www.dalcollects.com. **Entry must be received by February 3. Good Luck.**

DAL's Super Bowl XLVI Challenge

Win \$100 Toward a Post Super Bowl Party or Donate \$100 to your favorite charity!

Go to www.dalcollects.com for the electronic version.

Your Company Name: _____ City: _____ State: _____

Contact Name: _____

Email: _____ Phone #: _____

Directions: Completely fill in the circle for your answers and fax to 610.623.1080 on or before Midnight, Friday, 2/3/12.

Rules: 1. Only one entry per location. 2. If multiple entries from a location are submitted, the first entry received will be the official entry for that location. 3. Entries must be received by DAL, Inc. on or before Midnight, Friday, February 3, 2012. 4. Winner will be determined by DAL, Inc. based on the entry that has the most correct answers as determined by DAL, Inc. 5. In the case of multiple winners, the Tiebreaker Question will be used. Winner will then be determined by the entry picking the winning team and/or guessing the closest to the combined Total Points for Super Bowl XLVI. 6. The winning entry will receive \$100 from DAL, Inc. or DAL, Inc will donate \$100 to their favorite charity. 7. DAL, Inc. and its employees will not be held responsible for any errors or omissions. **Play at your own risk and GOOD LUCK!!**

01. Who was named MVP for Super Bowl XV?

- Jim Plunkett
- Terry Bradshaw
- Joe Montana
- Fred Biletnikoff

02. Out of the 32 NFL teams, how many teams have made it to the Super Bowl?

- 25
- 26
- 27
- 28

03. What was the first wildcard team to win a Super Bowl?

- Denver Broncos
- Baltimore Ravens
- Oakland Raiders
- Pittsburgh Steelers

04. How much money did a player on the winning team make in Super Bowl I?

- \$8,000
- \$10,000
- \$15,000
- \$20,000

05. What will be the first score of the game at Super Bowl XLVI?

- Field goal
- Safety
- Touchdown
- Other

06. Which team won the first ever Super Bowl?

- Kansas City Chiefs
- Oakland Raider
- Green Bay Packers
- New York Jets

07. What will be Super Bowl XLVI's first penalty?

- Offsides
- False Start
- Pass Interference
- Other

08. Who was the first left-handed quarterback to win a Super Bowl?

- Steve Young
- Ken Stabler
- Boomer Esaison
- Frankie Albert

09. What Super Bowl registered the coldest game time field temperature?

- Super Bowl VI
- Super Bowl VIII
- Super Bowl IX
- Super Bowl XI

10. What will be Super Bowl XLVI's coin toss outcome?

- Heads
- Tails
- Other

11. True or False: No network footage exists of Super Bowl I?

- True
- False

12. Second only to that on Thanksgiving, on average, how many calories does a Super Bowl viewer consume on game day?

- 3,000
- 4,000
- 5,000
- 6,000

Tiebreaker Question: Who will win Super Bowl XLVI and what will be the combined Total Points for Super Bowl XLVI?

Super Bowl XLVI Winner: _____ Combined Total Points for Super Bowl XLVI: _____

