

PORTFOLIO MONITORSM — HARD-WORKING CREDIT ASSISTANT

Around 6:30am every Tuesday, **Duane Schwartz**, CCE meets with his credit assistant at **The Tile Shop** to review every critical customer change that happened over the last 7 days. Despite the inhumane hour, his assistant never complains and always has the analysis he needs.



Duane's credit assistant is Experian Portfolio MonitorSM, a 24/7 service that constantly watches the most critical accounts within The Tile Shop's 25,000+ customer base and sends Duane an alert whenever something important happens ... all for less than \$3 per day. "It pays for itself with just one account every month," he says.

For example, on a recent Tuesday, Duane received 13 alerts including one recently filed legal notice, one derogatory message, and 11 customer payment changes. In about 15 minutes, he reviewed each alert, dug a little deeper on a couple, and was ready to tackle the rest of his workday.

A Lean, Keen Credit Machine

The Tile Shop operates 41 stores in 16 states, primarily in the Midwest and East. Duane implemented Portfolio Monitor about three years ago, and really appreciates the time he's saved through increased efficiency. "We're running lean right now," he says. "I have no experienced credit or collections staff at the moment; it's just me."

The boost in efficiency has really paid off in light of the continuing slump in the construction industry. "We're seeing an increase in DSO and DBT, and in bad debt," says Duane. "Also, bankruptcies are up ... we're receiving more NSF (non-sufficient funds) checks ... and we're seeing more customers not paying their invoice in full each month."



Duane Schwarz showers praise on his cost-effective and efficient credit assistant — Experian Portfolio Monitoring.

Yet, even though he's a one-person credit shop right now, Duane has been able to stay on top of constantly changing conditions. For example, he makes sure to put all alerts into the company's JD Edwards enterprise system. "If a store calls me and wants to raise a customer's credit limit, and I've received a warning, it's right there," he says.

He expanded this point in one of his frequent posts to the online Forius Member Center. "Companies are cutting staff in order to keep expenses down," he wrote. "The rest of us have to make sure the work gets done ... or we have to find ways to do it more efficiently. Portfolio Monitor allows us to focus on accounts that are having problems paying others, or having tax liens and judgments placed against them." This early warning system identifies potential payment problems before they occur

and "can help reduce some of our exposure, especially when they request a credit increase."

Duane says Portfolio Monitor delivers not only increased efficiency but also higher accuracy – something both he and his CFO really appreciate. "Humans are smarter than computers ... but computers can be more accurate and more objective; they have no biases," he says.

Easy Set-Up & Reporting

Setting up Portfolio Monitor "was pretty easy," Duane says. "Forius did most of the work. I filled out a worksheet explaining what we wanted to monitor, and I worked with someone from our IT department to make sure we were pulling the right data fields. It took us part of a morning to get things set up — including data reporting."

Speaking of data, Duane reports his accounts receivable as part of The Tile Shop's regular month-end process, and he encourages other credit managers to do the same thing. "I hear people complain about not having enough information on a credit report they've pulled," he says. "I always look at them and ask, 'Are you submitting your data?' Think about how great it would be if everybody reported their A/R!"

No More SWAG

What did Duane do before Portfolio Monitor? "I used SWAG – strategic wild-a**ed guessing," he laughs. So what would he do if he were forced to give up Portfolio Monitor? "Yell, scream and holler," he says. "I would NOT be a happy camper! I'd have to give up another task, which would slow down order approvals."



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THE BUZZ

What are credit professionals talking about? "The Buzz" is a regular feature highlighting noteworthy and stimulating discussions posted in the Forius online communities. The following excerpts are from a recent conversation within the Member Center online community forum.

"We have an increasing number of customers who deduct tax but fail to provide the proper tax certificates for these transactions. Most of these deductions are small, so we assume the tax burden if the customer fails to provide the tax certificate."

"The past couple of years, we have had some fairly large jobs where the tax amounts are just too large for us to ignore. I am wondering how others go about compelling their customers to provide the necessary certificates or pay back the tax amount?"

Diana Tapelt, Minvalco, Inc.

"Recently I wrote a letter to all of our tax-exempt customers (350) and told them that the law stated we must have an ST3 form on file. I attached the form to the letter ... [and] said if they did not [return it], they would have to pay the tax. I also mailed it to customers who think they are tax-exempt and are not. I sometimes fax the invoice to them and say please fax me back the ST3 tax exempt form or pay the tax. I even stoop to calling and saying, 'The state auditor is here and is waiting for a copy of your ST3! That will get you the form or the taxes in a hurry!'"

Cindy Ward
Floyd Total Security

"If you do not charge tax in a state that you are required to ... you run the risk of a penalty based on the projection of your audit — not the amount of the tax you may have missed. Therefore, even a small tax amount could expose your company to a much larger fine / penalty for not being in compliance."

Susan Rausch
Mackay Envelope

"We never issue a tax credit until we receive the customer's tax exemption certificate. Until we receive that, the amount due becomes a collection issue, and we treat it like any other past due balance."

"When we call to collect and they tell us they are exempt, we immediately email or fax them an exemption form so they can complete it and return it to us while the issue is fresh in their minds."

"If we simply told the customer to send us their exemption certificate, that task probably gets put on a large pile of other simple administrative tasks that may or may not get done."

"We have never had disputed amounts that are tax. One call, email or fax, and we have what we need to issue the tax credit."

Gayla Helmke, CBA
Walman Optical Company

"We require the customer to pay even the small tax short pays or provide the tax certificate because there may be repeat sales and the small dollars add up. We send out a letter with the blank state tax form and a copy of the invoice. If no response, we call or send a second letter. If still no response, we will deactivate the account with a reason note for any future orders. Depending on the amount, we may at that point assume the tax liability or we may send them to collections."

Brenda Williams
Cummins NPower

"Our CFO is adamant that we collect the tax amount (or a valid tax certificate). Therefore, we make quite a few attempts to obtain the correct tax forms or collect the tax. If we have no luck, we will eventually write off the tax, but make it a condition for their next order to either repay or provide the necessary documentation."

Nancy Irmiter
Warwick Publishing

JUNE IS ELECTION MONTH ...

... for the Forius Board of Directors, that is.

Ballots will be mailed in early June to the primary contact at each Forius member company.

The new directors will be installed at the July 2008 Forius Board meeting.

FORIUS NAMES AND FACES

Congratulations

JoAnn Malz, CCE, CICP, Director of Customer Financial Services for Pentair, Inc., was named the 2007 Credit Executive of the Year at the Big Thinkers Breakfast in March. This honor is awarded each year to the credit professional who has shown exemplary support and commitment to his/her peers, profession, and industry.



JoAnn Malz, CCE, CICP accepts the 2007 Credit Executive of the Year award from last year's recipient, Betty Melby, CCE.

JoAnn has more than 20 years of credit experience, earning her CCE in 1998 and her CICP in 2005. She has been an active Forius member for many years and has participated in seminars as both an attendee and a speaker. In July 2007, she was elected to the Forius Board of Directors. Congratulations JoAnn!

Newly Credentialed



Morcilio



Heikes

Congratulations to three Forius members who earned new credentials following the March 2008 exams. **Amie Morcilio** passed her CBA exam, while **Gale Heikes** and **Gregg Walters** (not pictured) passed their CBF exams. These designations attest to their knowledge, credit contributions and drive for success. Please join us in recognizing their accomplishments.

Honored Again



McNulty

Last fall, we recognized **Debbie McNulty**, CCE, Credit Manager for Bay State Milling, for earning dual honors at the 2007 Dartmouth Graduate School of Credit and Financial Management. Debbie received the "Best Student" Award and was a member of the team that earned the "Best Presentation" Award.

Debbie was recognized for these dual achievements at this year's NACM Credit Congress ... where she also was installed as a newly elected member of the NACM National Board of Directors.

Congratulations again, Debbie!

Submit your business or individual news for the Focus Names and Faces section via e-mail to focus@forius.com. We welcome accompanying photos.

WELCOME!

Forius welcomes its newest clients

Julie Wahman
Augusta Sportswear

Regan McGrath
Ferguson Enterprises

Michael Gray
Blaine Brothers Inc.

Steve Martinson
H. B. Fuller Company

MaryAlice Nelson, CCE
Hilmar Cheese Company

Janice Kiraly
LSG Sky Chefs

Alysha Houston
Nautilus Fitness Products

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For more information, go to www.forius.com or send an email to info@forius.com

Industry Groups

| | June | July |
|--|-------|------|
| Building Materials Suppliers | 11 | 9 |
| Construction & Equipment Suppliers | 25 | 23 |
| Floorcovering | 24 | 22 |
| Plumbing, Heating, A/C & Refrigeration | 17 | 15 |
| Truck Service & Equipment | 19 | 17 |
| Wholesale Lumber | 18 | 16 |
| National Food Processors | 16-18 | - |
| National Agri-Business | 18-19 | - |

Development Opportunities

| | June | July |
|--|------|------|
| Basics of Credit Online Class 5 weeks; register at www.foriuscommunities.com | 2 | |
| Forius CAP and ACAP Exam Paperwork Due | 9 | |
| Forius* CAP: Business Credit Principles 5 consecutive days - Summer Offering | 23 | |
| Forius seminar: Mechanics Liens Register at www.forius.com/liens | | 15 |

Interested in a Forius industry group? Contact us at (612) 341-9600 or send an email to info@forius.com.

*Register for all Forius development events at www.forius.com.

Business Credit Resource Group

Meeting June 13

For more information on the Business Credit Resource Group, send an email to foriuscommunities@forius.com, or contact Cindy Vekas, CCE, Director of Knowledge Networks, at (612) 341-9623.

Forius Summer Hours

Our offices will close at noon on Fridays during June, July and August.