

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

I.	INTRODUCTION AND WELCOME TO THE NATIONAL ASSOCIATION OF CREDIT MANAGEMENT	4
II.	NACM’S ORGANIZATIONAL STRUCTURE	4
III.	BECOMING A MEMBER OF NACM	6
IV.	MEMBERSHIP DUES: AFFILIATE AND NATIONAL	6
	A. The NACM Member	6
	1. REGULAR or Primary Membership (NARE)	7
	2. MULTIPLE or Associate Membership (NAMU)	7
	3. HONORARY Membership (NAHO)	7
	4. Business Partner Membership	8
	5. National Membership	8
V.	REPORTING MEMBERS TO NACM-NATIONAL	9
VI.	AFFILIATE/NATIONAL RELATIONSHIP	9
VII.	AFFILIATES AND CORE SERVICES	10
	A. Affiliate Agreement	12
	B. Affiliate Council	12
	1. Affiliate Council Fund	12
	C. The Affiliate Assistance Program	13
	1. How to Request Assistance	13
	2. Assistance Matched to the Need	13
	3. Visiting Team Assistance	14
	4. Assistance Program Follow-Up	15
	D. Codes of Conduct for Core Affiliate Services	15
	1. Affiliate Areas of Responsibility under 500 Section of the Code for Credit Reporting	15
	E. Committees of the Affiliate Council	16
	1. Asset Management Services Committee	16
	2. Credit Information Services Committee	16
	a. Credit Group Administrator	16
	3. Affiliate Resource Cooperative	16
	4. National Trade Credit Report Committee	17
	5. Affiliate Marketing Task Force	17
	F. Affiliate Standards	17

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

G. Resources: Tools, Reports, Minutes Forms and More	18
H. Roster of Affiliate COOs.....	20
I. Affiliate Chief Operating Officer (COO) Meetings	21
J. Affiliate Core Services.....	21
1. Adjustments and Distressed Business Services.....	21
2. Collections	23
3. Industry Credit Groups	24
4. Business Credit Reports.....	25
5. NACM National Trade Credit Report.....	26
K. Affiliate Non-Core Services	26
 XVIII. NACM-NATIONAL'S CORPORATE STRUCTURE	27
A. National Association of Credit Management, Inc. (not-for-profit 501(c)(6)	27
B. NACM Subsidiaries	28
1. The Service Corporation of the National Association of Credit Management, Inc.: A Maryland Corporation (stock, for-profit 1120 corporation)	28
2. National Association of Credit Management Realty Corporation: A Maryland 501(c)(2) Corporation (non-profit title holding corporation).....	28
3. The NACM Scholarship Foundation, Inc.: A Maryland Corporation (non-profit 501(c)(3)	28
 IX. NACM-NATIONAL GOVERNANCE	29
A. National Board of Directors Composition.....	29
B. National Products and Services	30
1. Information	31
C. Affiliate Commission Program	32
 X. AFFILIATE GOVERNANCE	32
A. Affiliate Bylaws.....	32
B. Affiliate Governance Policies.....	32
C. Affiliate Board Composition	33
1. Affiliate Board of Director Elections	33
2. Key Responsibilities of the Affiliate Board of Directors	34
a. Fiduciary Responsibilities of Board Members.....	34
3. Broad Areas of Responsibility for Board Members.....	35
a. Setting Strategic Direction and Policy.....	35
b. Monitoring Finances	35
c. Representing the Organization and Maintaining Public Relations.....	35
d. Communication	35
e. Participation	36

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

f. Organizational Support and Engagement	36
4. Affiliate Conflict of Interest Policy	36
5. Code of Conduct	37
a. Protocol	37
6. Commitment Form	37
D. Best Practices for Affiliate Operations.....	38
1. Incorporation and Keeping Good Standing with the State	38
2. Federal Tax ID Number	39
3. Non-Profit Accounting - Tax Filings (990/1120)	39
4. Internal Audit	39
5. Corporate Insurance	40
a. Directors and Officers (D&O)	40
b. Commercial Package Policy (general liability, fire, medical, employee benefits liability and non-owned/hired auto)	40
c. Worker's Compensation	41
d. Umbrella Liability	41
e. Crime Insurance	41
f. Cyber Liability Insurance	41
g. Fiduciary Liability Insurance.....	41
h. Professional Errors and Omissions (E&O) Liability Insurance	41
i. Employee Bonding.....	41
E. Partner Programs	41
F. Antitrust Training	42
G. COO Education	42
 XI. CONCLUSION	 43
 XII. KEY CONTACTS.....	 43

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

WELCOME TO THE NATIONAL ASSOCIATION OF CREDIT MANAGEMENT (NACM)

You are a professional who has accepted a special responsibility: you have stepped out front to give of your time and talent to lead and strengthen your Affiliate and NACM as a whole. As an Affiliate leader, you are faced with a unique challenge of managing a trade association and a business, balancing the needs of your members and customers while assuring your Affiliate's continued success.

Yours is the special responsibility of furthering the mission of your Affiliate and NACM, helping to meet association objectives and inspiring others to take action and contribute their best, whether they are your staff, volunteer leaders or members. One of your roles as a COO is to work closely with others in your profession to identify common challenges and opportunities, seek and propose solutions, and attain common goals.

You have been hired by your Affiliate's Board of Directors because they have confidence in your abilities and experience to guide your Affiliate. Since you and your Board are the main policy decision-making body of the Association and its legal representative, the members expect you to be not only responsive to their needs but also to be well informed and very prudent as you oversee the business of the organization.

NACM'S ORGANIZATIONAL STRUCTURE

A look into the past may be the easiest way to understand the origins of NACM's organizational structure and why the current structure exists today.

Hard financial times hit the country in the mid-1830s. As the population grew rapidly and as businesses expanded, the sale of land on credit went virtually unchecked as there was no centralized banking system. By the summer of 1837, bank after bank closed their doors and thousands of businesses went bankrupt. The resulting financial panic of 1837 saw the beginnings of the Mercantile Agency, established by Lewis Tappan in 1841.

Lewis Tappan, an owner of a failed business, realized that reliable information, properly gathered and analyzed, was the one basic element that credit lacked. Lewis Tappan understood that a number of the larger eastern wholesalers sent agents on the road to gather what information was available on prospective customers. At best, this expensive system had limited success, mostly because the agents could cover only a small area. By the time agents returned to headquarters, the information they had gathered had become obsolete. Too often, a trader they had recommended would be bankrupt before he could pay for his goods.

Lewis Tappan had a better idea: he would use local people he could trust to report on prospective seekers of credit. Tappan created the Mercantile Agency, using men of his acquaintance to gather information. He later expanded his reporting staff to include reputable lawyers, one of whom was

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Abraham Lincoln in Springfield, Illinois. It was this credit information agency, which eventually became Dun & Bradstreet, that helped transform credit and with it the course of American commerce.

The story of American credit was not solely influenced by Dun & Bradstreet. In June 1896 in Toledo, Ohio, a group of credit executives, representing a hundred or so of their colleagues, organized themselves into a national association for the credit profession—the National Association of Credit Men.

At first, their exchange of credit information was conducted on a local and regional level, but soon the association expanded into the National Association of Credit Management (NACM), which today, with its network of Affiliated Associations, represents 10,000 credit executives worldwide.

These purposes and objectives, listed below, can be found in NACM-National's articles of incorporation:

- To promote honest and fair dealings in credit transactions.
- To assure good laws for sound credit.
- To foster and facilitate the exchange of credit information.
- To encourage efficient service in the collection of accounts.
- To promote and expedite sound credit administration in international trade.
- To encourage training for credit work through colleges, universities, home study courses and other means.
- To foster and encourage research in the field of credit.
- To disseminate useful and instructive articles and ideas with respect to credit management techniques.
- To promote economy and efficiency in the handling of estates of insolvent, embarrassed or bankrupt debtors.
- To provide facilities for investigation and prevention of fraud.
- To perform other such functions as the advancement and protection of business credit may require.

In the 1900s, Affiliates operated on a local level, collecting accounts receivable data, or trade line data, which in turn supported both industry trade group and credit reporting operations. Affiliates also operated collection agencies, serving local businesses. Some Affiliates also managed the orderly liquidation of assets of financially distressed companies through adjustment services.

In practice, the organizational structure of NACM closely mimics a federation of business structure: 13 Affiliated Associations located across the nation and NACM-National comprise the organization. As of September 1, 2009, Affiliates and their related business or service corporations are non-stock corporations or the equivalent in accordance with individual state incorporation laws. The key is that Affiliates work for the benefit of their members and not for stockholders or personal gain. Although Affiliate structure and governance information is included later in this guide, it is important to understand that Affiliates are governed by stakeholders and who are focused on moving the profession forward and supporting their companies through the profession. Affiliates that did not meet the non-stock criterion on September 1, 2009 were exempted (or grandfathered in) from this ongoing requirement.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

NACM Affiliates are connected to NACM-National by an Agreement. There is no ownership among or between the parties and each party operates and controls its own business. Affiliate status is defined through the Affiliation Agreement between NACM and the Affiliate; the Affiliation Agreement is the same for all Affiliates. Every Affiliate is a separate and independent company; each is independent from other Affiliates and from NACM-National and no two Affiliates are structured exactly the same.

BECOMING A MEMBER OF NACM

NACM Affiliates offer memberships. Members do not directly join the NACM-National organization but, rather, become members of NACM-National through their affiliated membership. Affiliate membership dues and NACM membership dues are bundled together and presented to the member as one amount/one membership. Affiliates recruit members and report new members to NACM-National; NACM collects the annual its portion of the membership dues paid by the member from each Affiliate in monthly installments. Each Affiliate remits the members' dues portion for their national membership in monthly installments upon receipt of an invoice from National. Dues shall accrue on the first day of each month for that month." [Affiliation Agreement]

MEMBERSHIP DUES: AFFILIATE AND NATIONAL

Each party (the Affiliate and NACM-National) is responsible for setting the price of their portion of the bundled dues (affiliate and national membership) each member pays. Membership dues are presented to the member as a bundle or at a singular price. In 2006, the NACM Board of Directors, Affiliate Council Regional Representatives and Council Chair agreed that the national portion of NACM Affiliate annual membership dues would automatically increase based on the Consumer Price Index (CPI). NACM uses the March CPI, announced on or about April 15 each year, for the rate by which dues will increase. The CPI is announced to the NACM Board of Directors at its meeting held in conjunction with the Credit Congress. If an increase greater than the CPI is requested by NACM, a discussion will be held.

The NACM Member

According to the NACM-National Bylaws and the NACM Affiliate Agreement, members are companies. Companies join NACM by joining an NACM affiliated association.

From NACM-National's perspective, members who join an Affiliate are called affiliated members. Affiliated membership is "available to business entities conducting commercial operations in the course of which secured or unsecured commercial credit is extended to others." The NACM-National Bylaws go on to say that "excluded from eligibility for Affiliated membership is any business entity engaged in providing industry credit group, adjustment or commercial debt collection services which had not been accepted for membership prior to June 1, 1965, and any business entity providing credit reporting services which had not been accepted for membership prior to June 1, 1977, provided such membership has not lapsed since such admission."

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

The Affiliate Agreement tells us that, “If an Affiliate member company holds more than one membership in the same affiliated association, this member is identified as a multiple member and the Affiliate will pay one-half of the established dues for each additional membership for the same member company. No separate legal entity such as a corporate subsidiary shall qualify as a multiple member.” Multiple memberships were designed to accommodate branches of a company located within an Affiliate’s area of responsibility because membership looks at location (a company at a location).

About 8,000 company locations belong to NACM-National, represented by member representatives. Affiliates establish their own membership categories; some Affiliates offer student memberships and some offer vendor memberships. The types and classes of members offered by NACM Affiliates are decided by the Affiliate.

When Affiliates report members to National, members fall within the following categories:

REGULAR or Primary Membership (NARE)

Regular or Primary membership shall be made available to *one company at one physical location, represented by an employee who devotes his/her full working time to the management of commercial or business credit and financial management*. The individual will be known as the member representative of the member company and will be provided with the right to vote on the business of the NACM Association as prescribed in the Bylaws for the organization.

MULTIPLE or Associate Membership (NAMU)

Associate membership shall be made available to additional employees of a member company or branch location of a company that holds membership in the *same* Affiliated Association. Multiple member representatives primarily devote their working time to the management of commercial or business credit and financial management. These individuals will be known as the multiple representatives of the member company and will be provided with the right to vote on the business of the NACM Association as prescribed in the Bylaws for the organization. No separate legal entity such as a corporate subsidiary shall qualify as a multiple member.

HONORARY Membership (NAHO)

Honorary membership shall be made available to those who have served the NACM association in a volunteer capacity and have retired from, or are no longer active in, the credit and financial management field/profession *and* are not associated with, or employed by, a company. *Former members, who are unemployed and who are actively seeking a position in the field, may be reported as Honorary Members for a period not to exceed two consecutive years or 24 months*. Honorary membership provides individuals with a way to maintain a relationship with NACM by receiving email announcements and *Business Credit* magazine. Honorary members are not provided with the right to vote on the business of the NACM Association, as prescribed in the Bylaws for the organization.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Business Partner Membership

Business Partner membership is a type of Affiliated member (Regular, Multiple, Honorary), which is a commercial entity having some form of relationship/arrangement to provide benefit/value to NACM member companies and/or their staff. Business Partner members must meet all membership eligibility requirements set forth in the NACM Bylaws. Excluded from eligibility for Affiliated membership is any business entity engaged in providing industry credit group, adjustment or commercial debt collection services which had not been accepted for membership prior to June 1, 1965, and any business entity providing credit reporting services which had not been accepted for membership prior to June 1, 1977, provided such membership has not lapsed since such admission.

Business Partners belong to an Affiliate for many reasons, including but not limited to, promoting their business for business development purposes, providing expertise to fellow members and/or for public relations purposes. Representatives from a company classified as a Business Partner Regular Member, Business Partner Multiple Member or Business Partner Honorary Member do not have direct responsibility for credit or finance related functions in their company. A business partner can be a supplier of credit related products and/or services to member companies, or a supplier of complementary offerings that benefit member companies.

National Membership

The National Membership is designed to reward and assist national companies with reduced NACM membership pricing and single invoice management and reporting.

The National Membership is based on a “per representative” model, featuring a flat, per representative fee of \$225. The membership dues invoice and representative changes will be managed by NACM and NACM will communicate representative changes with the Affiliates.

The National Membership works on an annual fee basis. Once paid, no refunds can be made, although substitutions for representatives may be made throughout the year. The National Membership fee covers only Affiliate and National membership dues; dues for industry credit group membership are additional and must be coordinated and purchased by the member representative and the Affiliate group sponsor. In order for a representative to be eligible to join an Affiliate industry credit group, the representative must be a “named” National Member representative. Registration fees to attend local Affiliate and National seminars, conferences, networking events, classes, etc. are also additional.

Companies eligible to apply for a National Membership must:

1. Currently hold memberships with five or more Affiliates and enroll at least ten member representatives;
2. Operate a decentralized credit operation with separate A/Rs;
3. Agree to contribute full file (defined as at least 80%) of its customer aging for all member entities to the national/shared database—the contribution will belong to all participating Affiliates and not attributed to any single participating Affiliate;

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

4. NACM-National will administer the membership, sending the invoice, collecting the dues and remitting dues to each Affiliate; and,
5. National Members will supply a list of all credit department personnel.

REPORTING MEMBERS TO NACM-NATIONAL

Affiliates must report membership changes (additions, drops/terminations, substitutions, changes) to NACM-National on a monthly basis. Because monthly membership reporting is mandatory, Affiliates must report that there are no changes. Failure to file a timely report of membership in any calendar quarter will render the Affiliate ineligible to receive commissions for that quarter. Should the Affiliate already be ineligible for the NACM commission program for other reasons, then a financial fine equaling 5% of the membership dues last invoiced by NACM may be assessed for each month where a timely report is not received.

AFFILIATE/NATIONAL RELATIONSHIP

Because there is strength in numbers, NACM Affiliates and NACM-National work together to service both businesses and business credit professionals. The Affiliation Agreement states that “each party to [the] Agreement recognizes the value of affiliating with each other” and that “...the relationship between the Affiliate and NACM goes beyond a business relationship or business alliance” because “their businesses are entwined through shared members, shared customers and clients and a shared brand.” The Affiliation Agreement contains most of standards of operations for both parties.

The NACM National Board of Directors establishes the terms and conditions for creating and recognizing Affiliated Association status. Affiliate status is defined through a contractual NACM Affiliated Association Agreement (Agreement) between NACM and the Affiliate. The terms of the Agreement govern over any contrary or inconsistent provisions of the NACM National Bylaws.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

AFFILIATES AND CORE SERVICES

As of January 2022, there are 13 NACM Affiliated Associations nationwide. In addition to offering membership, Affiliates offer many services that support member companies and members.

While Affiliates offer many services, four services have been identified as core to an Affiliate's business success. The **four core services** are:

1. **Adjustments**
2. **Collections**
3. **Credit Reporting**
4. **Industry Credit Groups**

In the Affiliate Agreement, NACM-National has agreed not to engage in any of the four core Affiliate services or endorse a non-NACM Affiliate provider of a core service; this means that NACM does not offer any of these services.

Each Affiliated Association which desires to provide any one or more of the four core services as an NACM Affiliate, using the NACM name and/or logo, is required to comply with the standards, rules, regulations, Codes of Conduct and procedures promulgated from time to time by the Affiliate Service committee for any such service an Affiliated Association provides. No Affiliated Association may perform any one of the core services as an NACM Affiliate using the NACM name and/or logo unless its performance of such service has been approved by the appropriate service committee.

Affiliation Agreement

The Affiliation Agreement has six components:

1. The Agreement
2. Exhibit A: Rules and Procedures of the Affiliate Council
3. Exhibit B: Code of Conduct for Adjustments
4. Exhibit C: Code of Conduct for Collections
5. Exhibit D: Code of Conduct for Credit Reporting including the NACM National Trade Credit Report
6. Exhibit E: Code of Conduct for the Operation of Industry Credit Groups

A copy of the **Affiliate Agreement** can be found at www.nacm.org/affiliate-resource-center/affiliate-agreement.html.

Affiliate Council

As detailed in the Affiliation Agreement, the Affiliate Council's primary purpose is to act on behalf of all Affiliates. The Affiliate Council coordinates the national activities and interests of the Affiliates, fosters a greater degree of cooperation among the Affiliates, considers opportunities that pertain to the

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

operation of the Affiliates, recommends alternatives and provides advice. The Council also directs the activities of the Council Committees and presides over the Code of Conduct for each of the four core services.

The Chief Staff Officers of Affiliates, called Chief Operating Officers or COOs, serve as members of the NACM Affiliate Council. The Affiliate Council members are:

- The Council Chair, nominated by members of the Council, is elected by the COOs for a one-year term
- Three COO Representatives elected by the COOs by plurality vote, each for a three-year term
- The Chair of the Affiliate Services Committee, one-year term
- The Chair of the National Trade Credit Report Committee (NTRC), one-year term
- The NACM President
- The NACM Chair, one-year term

Affiliate Council Fund

To help fund or defray the cost of various activities undertaken on behalf of all Affiliates, the Affiliates established an Affiliate Council Fund. The fund is used to cover or subsidize the cost of professional speaker fees at meetings that benefit the Affiliates or to defray the cost of meeting expenses that benefit the Affiliates. With the approval of a 2/3 majority vote by the Affiliates, the fund may also be used to cover the cost of legal fees for actions other than litigation (such as seeking a legal opinion on a specific topic).

The fund is financed by assessments determined by the Affiliate Council and invoiced to all Affiliates when the Council Fund balance falls below \$5,000. Assessments have ranged from 50 cents to a dollar per regular member of each Affiliate. If an invoiced assessment remains unpaid for longer than 60 days, the Affiliate is not permitted to share in the benefit of the undertaking funded by the Council Fund. Any non-paying Affiliate, participating in a meeting where Council Funds are used to the benefit of the Affiliates, will be invoiced an additional fee. When legal fees are paid from the Council Fund, for actions other than litigation, the non-paying Affiliates will be invoiced accordingly.

The Affiliate Assistance Program

NACM is prepared to support the needs of Affiliates through the Affiliate Assistance Program. The goal of this program is to provide resources and assistance, through an experienced COO network, to observe, offer advice or direction, and recommend actions that may remedy a challenging situation.

The Program is multi-dimensional: its scope can include assisting an Affiliate with a hotel contract or a meeting to identifying and solving complex business issues, such as slow cash flow, declining membership, or starting a new core service.

For example, NACM has assisted Affiliates with print needs (brochures, postcards, business cards), web needs (from problem solving to site design) and as consultants on meetings and expos. The Assistance

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Program has been as comprehensive as assembling a team of experienced COOs to visit an Affiliate to conduct an analysis to determine long-term stability and viability. It has also been used to send in an experienced COO to work side-by-side with a new COO to conduct a general assessment of what services should be tended to strengthen cash flow.

How to Request Assistance

Any Affiliate in need of assistance can do so by contacting the NACM President. The requesting Affiliate should clearly relate the problem and/or issues so that the needed type of assistance can be identified. Once an initial discussion has occurred, the request should be formalized in writing, including as much detail as possible, and sent to the NACM President. It is helpful to provide information about the problem(s) and/or challenge(s) being faced and what corrective actions, if any, have already been attempted and their outcome.

Assistance Matched to the Need

Depending on the level of need or the request made, the NACM President, working cooperatively with the Affiliate Council Chair, will work to provide assistance. Assistance may be in the form of formally establishing a peer network system, with the goal of solving a specific problem.

If a general assessment of an Affiliate's operation is in order, the NACM President, working with the Affiliate Council Chair, will recruit a team of Affiliate COOs with the experience needed to lend assistance, provide guidance or simply serve as a sounding board. The Assistance Team, of up to three COOs, may need to travel to visit with the Affiliate in need of assistance.

A best-effort attempt must be made to complete the Self-Audit questionnaire supplied to the Affiliate requesting assistance. The requesting Affiliate must also pledge cooperation in supplying information as requested, including but not limited to the Association Self-Audit, once the Assistance request is approved. The requesting Affiliate must agree to openly share information, including financial. All sensitive information will be handled confidentially.

If revenue from credit groups, credit reporting or collections is waning, or is beginning to spiral downward, it is sometimes helpful to seek advice from another Affiliate Manager with expertise in these areas. Information, including financial information, participation or placement levels, must be shared for the Assistance Program to be successful. The Affiliate seeking assistance must compile financial information for the Review Team.

Visiting Team Assistance

Sometimes, it is helpful for a team of COOs to visit with an Affiliate to assess the situation or to brainstorm ideas and techniques to help stop the deterioration of revenues. If practical, a member of the NACM staff can join the team to assist in the areas of NACM resources and education.

NACM funds the cost, where practical, for this kind of assistance. The selection of the COO Peer Team will be coordinated by the NACM President and the Chair of the Affiliate Council.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Members of the Assistance Team have agreed to participate in this program, lending a high duty of care: the guiding principle of the Assistance Program is to offer unbiased, untethered assistance. Assistance Team members agree not to use the program as a means to identify acquisition targets and pledge to keep all information confidential.

Depending on the need or the severity of the situation, NACM may partially or fully fund the cost of this assistance.

In cases where an Assistance Team visits a location, the Team must submit a written summary of its findings and recommendations to the COO of the Affiliate requesting assistance and its Board and the NACM President. The written summary includes a summary of the issues and/challenges along with information about any immediate actions taken or plans to implement new action. Recommendations may include follow-up visits.

The Affiliate receiving assistance must send a written acknowledgement, signed by the COO and Affiliate Board Chair, of the report having been reviewed and discussed at a Board meeting along with detail about what recommendations in the report will be followed or implemented.

The NACM President will inform the NACM Board of Directors of the Affiliate assistance request. The President will keep the NACM Board informed about the Assistance Team selection, and the target visitation date.

Assistance Program Follow-Up

The Affiliate receiving assistance must also send a written update following the Assistance Program at six-month intervals for one year so that progress can be examined. To learn more about the Assistance Program, please contact the NACM President.

Codes of Conduct for Core Affiliate Services

The Codes of Conduct can be found at <http://nacm.org/affiliate-resource-center/codes-of-conduct.html>

Each core service is supported by its own Code of Conduct. The four Codes share a similar format. Each paragraph within the Code is numbered and topics are grouped within those numbers:

100 Section

Introduction and Core Service Purpose

200 Section

The 200 Section of each Code focuses on the role, duties and composition of the committee with oversight for the service.

300 Section

The 300 Section of each Code addresses **the approval process for each service** or how an Affiliate would seek approval to be recognized as an approved NACM provider of the core service. The specific

NACM COO ORIENTATION MANUAL

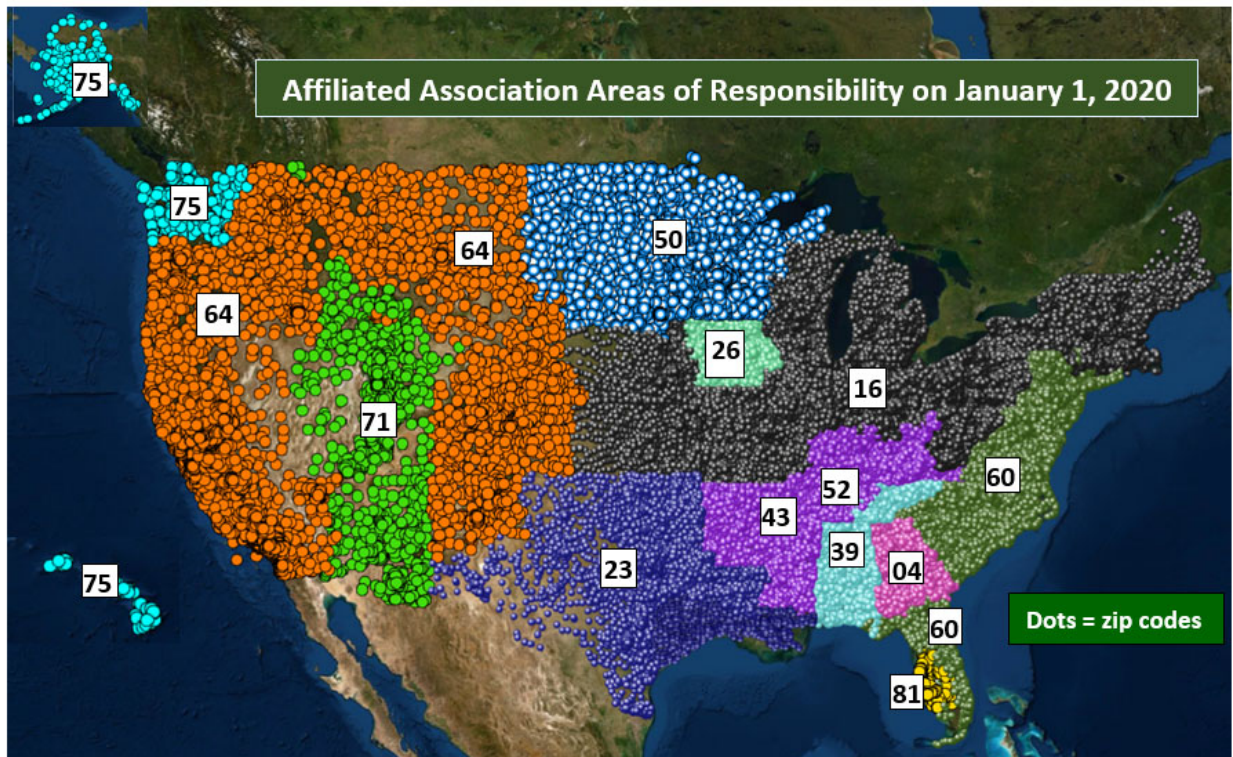
NOVEMBER 2024

requirements an Affiliate must meet are in paragraph 300. Information about **applying for approval**, **appealing a service committee decision** and **revocation of the status** of an approved provider are within the 300 section.

Affiliate Areas of Responsibility under 500 Section of the Credit Reporting Code

It's critically important to read and understand Section 500 of the Credit Reporting Code since this section addresses **areas of responsibility** assigned to each Affiliate and the revocation of an assigned area.

Areas of responsibility play a role in each core service, which is important to understand because Affiliate services are offered within an area of responsibility. In general, the United States is divided into areas and assigned to Affiliates. At one time, divisions were by county line; today, area of responsibility is established by zip code.



	ID* (shown above)	Affiliate Name	Affiliate COO
1	04	NACM Southeast Unit in Atlanta, Georgia	Ron Rodgers
2	16	NACM Connect – Illinois, Nebraska, Kansas, Missouri, Ohio, Indiana, PA, Maine, VT, NH, MA, CT	Phil Lattanzio, CGA, CCE
3	23	NACM Southwest in Dallas	Abby Odneal, CAE
4	26	NACM Heartland in Des Moines	Maggie Bessenbacher, CGA
5	39	NACM Southern Valley in Knoxville (East Tennessee & Alabama)	Angela Harwood Brent, CGA
6	43	NACM South Central Region in Kentucky, Central and Western Tennessee, Arkansas & Mississippi	Tom Tremblay
7	50	NACM North Central in Minnesota, North and South Dakota, Western Wisconsin	Tanya Guy

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

8	52	NACM Nashville	
9	60	NACM South Atlantic in Orlando, Carolinas, Virginia, Maryland, New Jersey & NYC	Anton Goddard
10	64	NACM Commercial Services - Oregon, Eastern Washington, Western Idaho, California and Nevada	Jennifer Walsh, CCE
11	71	NACM Business Credit Services Intermountain & Arizona in Utah, Arizona and Southern Idaho	Lisa Keller, CCE, CGA
12	75	NACM Business Credit Services in Western Washington, Alaska & Hawaii	Jon Flora Laura McMillan
13	81	NACM Tampa	Roberto Hursey, CGA

Affiliates market membership and services only within their assigned area of responsibility. The exception to this way of conducting business is altered slightly when an Affiliate operates or manages regional or national industry credit groups, since it is not uncommon for members outside of an Affiliate's area, but who are members of a regional or national group, to purchase core services (credit reports and collection services) from its group provider.

Each Code also contains service-specific information. For example, the Collection Code Section 600 contains information about handling claims, Section 600 of the Credit Reporting Code contains information about contribution responsibilities, and Section 700 of the Credit Reporting Code addresses credit reporting and the law.

Committees of the Affiliate Council

The Affiliate Services Committee monitors and guides the four core services provided by the Affiliates.

In the areas of Adjustments and Collections

The Affiliate Services Committee promotes economy and efficiency in the handling of the estates of insolvent, embarrassed or bankrupt commercial debtors and of other estates requiring asset management or liquidation, and encourages efficient and proper service in the collection of commercial accounts. The Committee also encourages uniform practices and improved commercial collection techniques, while maintaining high levels of ethical conduct.

In the areas of cooperative resources

The Affiliate Services Committee serves as a resource center for all Affiliates with the mission of furthering the marketing and sales efforts of Affiliates. This mission is accomplished by developing and implementing mutually beneficial processes, products and services that improve the operational efficiency of the Affiliates, increase public awareness of Affiliate products and services, and facilitate dissemination of existing Affiliate products and services.

Credit Information & Industry Groups

The Affiliate Services Committee fosters and facilitates the prompt and factual exchange of business credit information by written and oral reports on commercial accounts; it also oversees and reviews the operation of all groups sponsored by the Affiliates.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Credit Group Administrator

Under the auspices of the Affiliate Services Committee, training was developed for NACM Affiliate staff members who manage and monitor Affiliate industry credit groups to demonstrate that they are knowledgeable of and are certified to conduct group meetings. The training is comprised of a series of modules hosted in NACM's online Credit Learning Center, and staff members who successfully complete the training earn the Credit Group Administrator (CGA) designation.

The training is available at no cost to staff members designated by each COO of an Affiliate recognized as an approved provider of industry trade credit services. CGA designation holders must recertify every year.

National Trade Credit Report (NTRC) Committee

The National Trade Credit Report Committee (NTRC) oversees the development of the standards, rules and procedures for NACM's National Trade Credit Report. Additionally, the NTRC develops the marketing collateral and campaigns for the National Trade Credit Report including its presence at regional and national conferences.

The Affiliate Services and NTRC Committee Chairs may serve two, one-year terms. Information about what constitutes each Committee can be found in the service Code of Conduct.

Affiliate Marketing Task Force

From time to time, the Affiliate Council may establish special task forces. A task force is created with a very defined scope and purpose, and an established timeline to complete its work. One such recent task force is the Affiliate Marketing Task Force, charged with developing marketing initiatives that benefit the Affiliates. In 2013, the Marketing Task Force worked with NACM-National to sponsor a series of focus group meetings to learn about the needs and wants of NACM's newer generation of members. The Affiliate Marketing Committee led the work that culminated in creating a new logo for both National and Affiliates in 2017.

Affiliate Standards

With the intent to strengthen and grow the NACM organization, standards written by an Affiliate Standards Task Force, approved by the Affiliate Council and adopted by the NACM National Board of Directors were included in the Affiliation Agreement in 2017. All Affiliates were required to meet these standards by January 1, 2014.

While this is *only* a brief overview of the standards incorporated into the Agreement, they are:

- At the conclusion of an Affiliate's fiscal year end and on an annual basis thereafter, each Affiliate will submit information about its financial health to the NACM President.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- Prior to entering into negotiations, any Affiliate, regardless of ownership or structure, that is party to a merger, consolidation, sale or transfer of substantially all of its assets, or change of ownership to an existing Affiliate in good standing must notify the NACM President of its intentions.
- Any Affiliate must obtain the approval of the NACM Board of Directors prior to outsourcing the management of its operations in whole or major part.
- All Affiliates will have their operations managed by employed staff.
- All Affiliates will offer at least two of the four core services: collections, credit reporting, industry credit groups or adjustments.
- Affiliates are encouraged to use the NACM name, including as a part of D/B/A names, but may do so only in combination with a local or regional geographic reference after seeking and receiving prior approval of the NACM President and NACM Board of Directors.
- By the 10th of each month, all Affiliates are required to report membership activity for the prior month using a format acceptable to NACM. Reporting that no changes have occurred will be considered as a report.
- Affiliates approved to provide credit groups will submit a listing of their credit groups to NACM, providing the Group Name and status as local, regional or national.
- Affiliates approved to provide credit groups will submit group member rosters to the NACM Membership Department so that their NACM membership can be verified twice each year.
- Affiliates will use their best efforts to solicit, secure and retain membership. Affiliates must, on a net basis, retain not less than 85% of its total membership in any historical consecutive 12-month period.

Resources: Tools, Reports, Minutes, Forms and More

The NACM-National website contains a resource area designed especially for Affiliate COOs, Affiliate staff, members of Affiliate Boards and the National Board. Called the **Volunteer & Affiliate Leadership Resource Center**, the area contains a wealth of information, tools and resources for Affiliate COOs and staff.

A user name and password are required to access the resource center at:

<http://nacm.org/volunteer-a-affiliate-leadership-resource-center.html>

Some of the resources available for Affiliate Board Members, Affiliate staff and Affiliate COOs include:

- Antitrust Guide
<http://nacm.org/antitrust-guide.html>
- Continuing Education Unit (CEU) Assignment Request Form
<http://nacm.org/online-ceu-request-form.html>
- Fundamentals of Board Service Guide
<http://nacm.org/board-services.html>

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- NACM (National) Bylaws
<http://nacm.org/bylaws.html>
- NACM Leadership Guide: A Directory of Affiliates, Affiliate Boards, NACM National Board, Committees and Staff
<http://nacm.org/leadership-guide.html>
- NACM Membergram: A Monthly Affiliate Membership Report
<http://nacm.org/membergrams.html>
- National Institute of Credit (NIC) Guidelines for the Credit Administration and Advanced Credit Administration Programs
<http://nacm.org/nic-guide.html>

In addition to the resources listed above, the following resources are available to Affiliate staff:

- Industry Credit Group Look-Up
<http://nacm.org/affiliate-resource-center/industry-credit-group-lookup.html>
- Update Your Industry Credit Group Listings
<http://nacm.org/credit-group-manager.html>
- Industry Credit Group Pledges
<http://nacm.org/affiliate-resource-center/industry-group-pledges.html>
- Logos You Can Use
<http://nacm.org/logos-you-can-use.html>
- Ads You can Use
<http://nacm.org/ads-you-can-use.html>
- Articles You Can Use (for Affiliate Newsletters)
<http://nacm.org/affiliate-resource-center/articles-you-can-use.html>
- The NACM Brand Bible (not yet updated to reflect the new logo)
<http://nacm.org/nacm-brand-bible.html>

Among the resources available to Affiliate Presidents/Chief Operating Officers (COOs) *only*, referred to as the “COOs Only Page,” are:

- Affiliate Agreement with Exhibits (Rules & Codes)
<http://nacm.org/affiliate-resource-center/affiliate-agreement.html>
<http://nacm.org/affiliate-resource-center/codes-of-conduct.html>

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- Affiliate CMI Participation: A real-time list of member participation in the Index
<http://nacm.org/affiliate-resource-center/coos-only.html>
- Affiliate Credit Reporting Area of Responsibility Zip Codes
<http://nacm.org/affiliate-resource-center/coos-only.html>
- Affiliate COO Listing
<http://nacm.org/affiliate-resource-center/affiliate-coo-roster.html>
- Affiliate Credit Congress Registrations: A real-time registration list
<http://nacm.org/affiliate-resource-center/coos-only.html>
- Designation Program Exam Pass Rates (Overall Pass Rates by Test Date)
<http://nacm.org/affiliate-resource-center/coos-only.html>
- Designation List: A real-time list of designation holders by Affiliate
<http://nacm.org/affiliate-resource-center/coos-only.html>

Roster of Affiliate COOs

A roster of NACM COOs, with photos, can be found at <http://nacm.org/affiliate-resource-center/affiliate-coo-roster.html>

The Affiliated Association roster list shows the core services provided, whether the Affiliate office is the primary location or a branch office along with contact information for the Chief Operating Officer. This roster can be found at <http://nacm.org/affiliate-resource-center/affiliated-associations.html>

Here's a sample entry:

PORTLAND, OREGON • **A B C I** {note the core services in bold face type on this line}
000064 {Affiliate Number assigned by NACM National}
NACM Commercial Services - Northwest
Jennifer Walsh, CCE
President & COO
7931 NE Halsey St., Suite 200
Portland, Oregon 97213
P: 971-230-1158
P: 800-622-6985
F: 971-230-1159
Email: jwalsh@nacmcommercialservices.org
Web: www.nacmcommercialservices.org

Services Key {match these keys to the list above}

A = Adjustment Bureau

B = Business Credit Reporting

C = Commercial Collection Agency

I = Industry Credit Groups

AFFILIATE BRANCH OFFICES are listed in italics

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Services Key {match these keys to the list above}

A = Adjustment Bureau

B = Business Credit Reporting

C = Commercial Collection Agency

I = Industry Credit Groups

AFFILIATE BRANCH OFFICES are listed in italics

Affiliate Chief Operating Officer (COO) Meetings

General guidance about attending meetings for Affiliate COOs is provided in the Affiliation Agreement: “The highest ranking Chief Staff Officer of an Affiliate will make his or her best effort urged to attend at least one in-person scheduled meeting of the Chief Operating Officers held during a calendar year because Chief Operating Officer (COO) meetings provide great value to each Affiliate.”

In general, two meetings are held annually specifically for COOs:

1. **January:** COO meeting held immediately before the NACM National Board of Directors meeting
2. **May/June:** Meeting is held in conjunction with the annual Credit Congress convention

Because there may be a continued discussion of agenda items, new topics for discussion, or a vote may be requested on a topic of discussion, it is encouraged that the COO attend both meetings. Regional meetings for Affiliate COOs may also be held in conjunction with regional conferences or by telephone conference call, for instance.

Educational meetings designed for Affiliate staff managers include events such as the annual Sales and Credit Reporting Managers meeting (referred to as the ARC/CISC meeting), which is arranged by the Affiliate Services Committee and held each summer (usually in late July). The ARC/CISC meeting features a segment for Affiliate Sales Managers followed by a meeting designed for Affiliate Credit Reporting Managers. Affiliates are also encouraged to allow staff members, as appropriate, to attend the Annual Collection Managers meetings held annually in September or October.

Affiliate Core Services

Adjustments and Distressed Business Services

Many NACM Affiliates are involved in a national network to provide assistance in the rehabilitation (if possible) or liquidation (if necessary) of businesses in severe financial difficulty. Working in conjunction with the business and its creditors, this service is designed to provide the business with the opportunity to re-establish its financial credibility through time and planning, or to assist in ceasing its existence while minimizing losses to its creditors.

The quick, efficient and cost-effective alternative to bankruptcy, NACM Affiliated Association Adjustment Bureaus provide forums and facilities to rehabilitate, if possible, and liquidate, if necessary, the affairs of financially distressed companies as a viable option to bankruptcy court proceedings. These

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

alternatives are often less cumbersome for all involved and are less expensive, which means more return to creditors and more money left in the business to regain its footing.

While courts can take several months or more to get a reorganization plan started, Affiliate Bureaus can assist in getting a plan approved in as little as 30 days. Most helpful is the knowledge that experienced professionals are ready to step in at the most difficult time. Affiliate staff members can serve as secretary to creditors' committees, provide other needed advisory services and are fully aware of the prevailing laws and regulations relevant to each situation.

Business Estates Services: This service has been provided to the business and credit community since the early 1900s. Affiliate Bureaus provide support in connection with the reorganization of every type and size of business, in both out-of-court arrangements and in Chapter 11 bankruptcy cases.

Meeting of Creditors: When management of the debtor business agrees to convene a meeting of its creditors, Affiliate Bureaus can provide a comprehensive list of creditors. Through the Bureaus, all known creditors are invited to the meeting. The Bureau also urges management to bring to the meeting copies of current, comprehensive financial information to enable those in attendance to understand the financial condition of the business and its prospects for rehabilitation.

Out-of-Court Arrangements: Affiliate Bureaus help supervise the affairs of businesses in financial difficulty—to rehabilitate, when possible, and to liquidate, when necessary—in an economical, timely and businesslike manner. Bureaus work closely with an elected creditors' committee in administering each case.

Compromise Settlements: A compromise settlement is an arrangement in which creditors agree to accept less than the total amount of their claims in full settlement of the debt. The settlement must be fair—in an amount equal to or, preferably, greater than creditors could expect to receive under a liquidation of the business—and must also be offered without discrimination to all creditors of the same class. The funds for the settlement usually come from a third party. Such an approach can provide early cash to creditors and allow a distressed business to continue to serve its customers and employees. To ensure equitable recovery by all creditors, funds for the settlement are deposited in special trust funds with and distributed by the Business Estates Bureau.

Extension Agreements: Some businesses may not have the ability to generate sufficient cash to settle with creditors, but the business may be able to become rehabilitated and repay creditors over a period of time from funds generated by continuing operations. The key to success in this type of case is an extension of time granted to the company within which to repay creditors. The terms and conditions of extension programs are negotiated between the business and a creditors' committee, with the assistance of the Bureau. Once an agreement is reached, the Affiliate Bureau provides a written report detailing the debtor's proposal to all creditors for their review and consent. During the extension period, regular payments are received by the Bureau and deposited in special trust funds for periodic distribution to all unsecured creditors on a pro-rata basis. The Bureau works with the creditors' committee in monitoring the debtor's operations and keeps creditors informed, by way of written

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

reports, of the status of the debtor's operations and its compliance with the terms and conditions of the extension agreement.

General Assignments for the Benefit of Creditors: Some businesses cannot continue to operate and must, therefore, be closed and their assets liquidated. As a method of concluding the affairs of a business, the general assignment is faster and more economical than bankruptcy for the creditors of the debtor business. Occasionally, the Affiliate Bureau, as assignee, will operate the business for a short period of time in order to complete work in process or to attempt to sell the business as a going concern. The Bureau holds the funds generated from the liquidation in trust, pending verification and satisfaction of secured claims and identification and payment of statutory priorities, after which the remaining funds are distributed to creditors on a pro-rata basis.

Chapter 11 Bankruptcy: Affiliate Bureaus work closely with debtors and creditors involved in Chapter 11 reorganizations. Bureaus serve as secretary to the official Chapter 11 creditors' committee and as the designated disbursing agent under plans of reorganization. Bureaus provide special services to the membership with respect to filing claims with the Bankruptcy Court. Bureaus can also provide written status reports regarding ongoing bankruptcy cases for a modest fee.

Adjustment Bureau Staff: Affiliate Bureaus are staffed by full-time, experienced, bonded personnel. Bureaus provide an inexpensive and efficient method of providing for the rehabilitation or liquidation of insolvent businesses. Full accountability for funds received and disbursed under out-of-court arrangements and Chapter 11 bankruptcies are made periodically to the appropriate parties.

Collections

NACM Affiliated Association Collection Departments collect past-due accounts, large or small, as quickly as possible. Affiliate Collection Departments are firm, but fair, with the customers of its members and others, with the primary objective to collect members' money.

Usually, the first step after the account is placed for collection is to notify the debtor and make an immediate demand for full payment. The intensity of the phone calls increases if payment is not made. If direct personal contact is appropriate, Affiliate Collection Departments have many resources, including the ability to draw on a nationwide network of Affiliates, with offices located throughout the nation.

When necessary, NACM Affiliates will forward an account to one of the bonded attorneys in its tried and proven network. They exhaust all collection possibilities before recommending litigation. All funds collected are placed in separate trust accounts.

NACM Affiliate collection services include:

- Letter Services
- 10-Day Demand Service
- Action and Litigation

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- Litigation Service
- Status Reports

Letter Services: *Pre-Collect Letter Service:* Many Affiliate Collection Departments will send two or three effective, money-producing letters, usually 10 days apart, to a past-due customer. Each letter is progressively stronger and stresses the importance of paying before the account is assigned for collection. If the debtor fails to respond during the pre-collect period, the account automatically receives immediate action service.

10-Day Demand Service: This tool, firmly but tactfully, gives the past-due customer a final notice to pay in full by a specified date. If the debtor fails to respond, the account automatically receives immediate action service.

Action and Litigation: *Immediate Action Service:* When fast results are needed on a problem account, Affiliate Collection Services are a trusted choice. Experienced collection staff use professional techniques to effect collection. If the debtor fails to respond or is uncooperative and further action is required, the account is forwarded to the Litigation Service. If the debtor is outside an Affiliate's service area, the account may be forwarded to an NACM Affiliate or attorney in the debtor's area.

Litigation Service: A professional litigation staff will provide expert attention to all delinquent accounts. If the debtor is in the same geographic area as the creditor, an asset search is conducted to determine the feasibility of litigation. When the services of an Affiliate or an attorney are required for a debtor outside of the creditor's service area, non-contingent suit fees and costs must be advanced by the creditor.

Status Reports: Keeping collection clients informed of activity on the account assigned, with periodic status reports, is another feature of the collection process. In the event the account is in litigation, members are informed of any meaningful activity. Status reports on specific accounts are always available upon request.

Through the national network of Affiliates, NACM provides effective and efficient collection services throughout the United States and the world. Collection efforts by NACM Affiliates are tailored to members' unique needs, to ensure timely recoveries and enhanced cash flow. Collection services offered by NACM Affiliates are cost effective and results oriented.

Industry Credit Groups

Another important source of information is an NACM industry credit group. Businesses risk billions of dollars each year on sales on credit rather than for cash. Credit professionals must be able to gauge the difference between fact and fraud, hope and charity, and faith and foolishness. One of the best sources available to alert the credit professional in helping to form a sound judgment in this delicate and difficult area is an industry credit group.

Credit groups are an effective management tool. They permit credit professionals of different companies servicing the same customer, regardless of industry or trade, to compare information on

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

collection history and provide a forum for the exchange of data as to the most recent payment practices. The purpose of exchanging information is to help group members segregate fiction from fact, so individually competent and realistic credit decisions about a customer can be made.

Managed and operated by NACM Affiliates nationwide, the primary purpose of an industry credit group is to open up lines of communication for the exchange of credit information. Credit executives receive invaluable factual credit information upon which to base independent decisions with respect to the extension of credit. This results in the reduction of outstanding delinquent receivables and write-offs. Not only do members obtain critical input, but the networking opportunities are of immeasurable benefit.

Credit groups provide members in the same field of business an opportunity to participate regularly in informative roundtable discussions of accounts, as well as share concerns about credit management procedures and techniques. Credit groups operate in virtually every industry, from advertising to construction, from food supply to industrial supply, from agriculture to steel. More than 1,000 industry credit groups are sponsored and operated by NACM Affiliates, personnel act as secretaries and meeting monitors. Most of these groups are local or regional in nature; some 200 are national in scope.

Credit groups:

- Provide unparalleled networking opportunities
- Assist in the exchange of credit information on common customers
- Facilitate the receipt of, and analysis of, information to make unilateral credit decisions
- Provide the forum to discuss the latest developments on credit department procedures, equipment and other credit management functions
- Support the discussion of account information and delinquent account reports
- Adhere to federal antitrust guidelines

Business Credit Reports

The collection of information about a potential customer enhances the quality of the credit granting decision. That same information also has strategic implications: it can strengthen a company's understanding of its customer base and lead to expanding that base. The credit department is, in effect, an information warehouse within any company.

Gathering the most predictive information about a customer beforehand in order to assure that a company will get paid will reduce the risk of playing the guessing game. NACM Affiliates provide members with the most up-to-the-minute information about their customers that's available in the business today—saving time and money, and ensuring a completely sound and informed credit decision. NACM Affiliates are industry leaders in providing predictive data and credit reporting tools to companies that use credit information to compete in their marketplace.

NACM understands that business credit reports are the keystones that help credit professionals make sound credit decisions. NACM Affiliates can provide credit professionals with the most complete, objective and accurate reports available.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

NACM National Trade Credit Report

Many Affiliates have been gathering trade credit information from their members for decades. As the scope of trade credit extended by businesses expanded regionally, nationally and globally, it became necessary for Affiliates to share the accounts receivable data they collected from their members that is included in business credit reports.

NACM Tampa set out to design a system, called the Customer Management System (CMS) that could be used to manage its accounting and memberships, including trade group memberships and collections. NACM Tampa developed software for industry trade credit group members to access trade credit information online and to purchase and print NACM credit reports. Over time, NACM Tampa made the CMS software available to other Affiliates, which used it as their customer management system. NACM Tampa then developed a way for Affiliates to share the trade data collected via a shared database.

The NACM National Trade Credit Report is a commercial credit report that draws accounts receivable data, or trade lines, from this shared database. Affiliates continue to own and manage their contributed data.

Affiliates who participate in the NACM National Trade Credit Report are called Participating Affiliates. They enter into an agreement with NACM Tampa to license the CMS system and contribute trade data. Some Affiliates choose not to lease the CMS System, but do opt to contribute data and make the NACM National Trade Credit Report available to its members; these Affiliates are called reciprocal Affiliates.

Affiliate Non-Core Services

Each Affiliate uniquely provides services to its members. You should see which, if any, your Affiliate offers and make sure your house is in order in those areas, especially as they relate to income tax liability and contractual obligations.

Among the other services offered are:

Education

- Courses that qualify towards the CBA and CBF designations (CAP/ACAP Courses)
- Providing credit education to other trade associations

Staffing Services

- Temporary and full-time staff placement, and temporary to permanent
- Resume services
- "Rent a Collector"

Other

- Rent unused office space
- Rent meeting space to other organizations
- Construction Notice to Owner (NTO) service

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- Credit insurance
- Credit reference verification services
- Consulting services
- Management of other associations
- Provide credit-related affinity programs to other trade associations

NACM-NATIONAL'S CORPORATE STRUCTURE

National Association of Credit Management, Inc.

The National Association of Credit Management is incorporated as a 501(c)(6) (not-for-profit/non stock) Maryland Corporation. A 501(c)(6) corporation is considered a business league. NACM engages in activities to promote the common business interests of members and to improve conditions of business.

At the national level, operating within the NACM Corporation as operating departments/divisions are two membership departments or divisions, which operate as small associations: The **Credit and Financial Development Division (CFDD)** and **FCIB: the Finance, Credit and International Business Association**. These groups provide services to their member companies.

- **CFDD** is a division (or operating department) of NACM comprised of members who join local independent CFDD Chapters, sitting side-by-side with local NACM Affiliates nationwide. Generally, individuals of NACM member companies may join CFDD locally and also become national CFDD members.
- **FCIB** is also a division of NACM. FCIB activities include membership and education (conferences, seminars, roundtables, webinars and online courses). The for-profit activities of FCIB (international credit groups and the resale of international credit reports) are a part of the FCIB Service Corporation (FCIB-NACM).

Other NACM-National business units/departments include:

- A full-service **Bookstore**.
- An **Education Services Department** that offers four levels of national certification: the CBA, CBF, CCE and CCRA. The Education Services Department also provides the course content for the Credit Administration Program (CAP) and Advanced Credit Administration Program (ACAP), which are produced locally and exclusively by NACM Affiliates to support the CBA and CBF designation requirements. The NACM Education Services Department also administers the CCRA designation and FCIB's two professional designations, the Certified International Credit Professional (CICP) and the International Certified Credit Executive (ICCE).
- The **NACM Credit Learning Center** offers two CBA-required courses in an online, self-study format, in addition to over 75 other learning modules. Many modules are combined to make up certificate programs.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- The **Meetings and Programs Department** produces the in-house programs (Business Credit Principles, Financial Statement Analysis I, Financial Statement Analysis II and Legal Workshops), the Graduate School of Credit & Financial Management, a series of audio teleconferences and webinars and the Credit Congress & Exposition—the annual convention and expo for commercial credit professionals. The Meetings Department also manages NACM’s online Accounting course.

NACM Subsidiaries

The Service Corporation of the National Association of Credit Management, Inc.: A Maryland Corporation (stock, for-profit corporation)

The Service Corporation comprises *Business Credit* magazine, the NACM website and NACM services offered through Secured Transaction Services, the secure choice for UCC filings, mechanic’s liens and bonds. FCIB’s credit reports are also sold through the NACM Service Corporation. Since the revenue derived from these services is taxable, they are maintained in the NACM Service Corporation, a wholly-owned, *for-profit subsidiary* of NACM.

National Association of Credit Management Realty Corporation: A Maryland 501(c)(2) Corporation (non-profit title holding corporation)

The headquarters building is an asset of the NACM Realty Corporation, a wholly-owned subsidiary of NACM. Space in the building is rented, and that rent is paid to the NACM Realty Corporation by all NACM departments, NACM Service Corporation business units, FCIB and two other tenants not affiliated with NACM. The NACM building features 20,285 square feet of space, with NACM occupying 15,325 square feet and the tenants occupying 2,875 and 2,085 square-foot spaces. Building expenses, insurance, electric, landscaping, snow removal, etc., are paid by the Realty Corporation. A 501(c)(2) is a nonprofit, title-holding organization created for the exclusive purpose of holding title to property, collecting income there from, and turning over the entire amount, less expenses, to its tax-exempt parent corporation.

The NACM Scholarship Foundation, Inc.: A Maryland Corporation (non-profit 501(c)(3))

In January 2004, the NACM Board of Directors approved the incorporation of a 501(c)(3), launching the first NACM national scholarship program. The inaugural event for the Scholarship Foundation was the silent auction, held at the New Orleans Credit Congress. During the silent auctions, items are auctioned off to attendees with all proceeds given to the Scholarship Foundation. Raising funds is a year-round effort so that educational scholarships can be awarded. The first scholarships were awarded in May 2006 at the Nashville Credit Congress, and scholarships continue to be awarded each year. Scholarship applications, submitted by members, are due around January 15 each year. Donations are tax deductible. NACM is the sole member of the NACM Scholarship Foundation.

NACM posts a copy of its annual Audit Report to the NACM website in the “About NACM” section, which can be viewed at http://nacm.org/pdfs/financials/nacm_final_fs.pdf.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

NACM-NATIONAL GOVERNANCE

Important governance documents at the National level are the NACM Bylaws, the Affiliate Agreement & Exhibits and the NACM Governance Policy.

The NACM Governance Policy is divided into five chapters.

The **first chapter** contains:

- NACM's Strategic Plan
- NACM Corporation Bylaws
- NACM Service Corporation Bylaws
- NACM Realty Corporation Bylaws
- NACM Scholarship Foundation Bylaws

The **second chapter** contains NACM's Financial Guidelines including policies for NACM's operating, reserve, scholarship and investment funds.

The **third chapter** contains the NACM Board of Directors' Guidelines detailing the Board's job description and roles and responsibilities, Committee composition and missions, and the Conflict of Interest, Nondisclosure and Confidentiality policies.

The **fourth chapter** describes Affiliate relations and includes the Affiliate Agreement and its exhibits, details the Affiliation Policy, Affiliate Standards and Assistance programs.

The **fifth chapter** describes the Board's relationship with the NACM President.

National Board of Directors Composition

In December 2008, the NACM Board approved a Bylaw Amendment to reduce the size of the National Board. In January 2009, the size of the National Board was 27 members. The NACM Board now comprises up to 23 voting members and the NACM President (nonvoting):

- **Three Officers:** Immediate Past Chair, Chair and Chair-Elect, who also serve as the Executive Committee;
- **One Director** from each Affiliated Association;
- **Four** Members of the Affiliate Council (the Chair and 3 Members);
- **One Director** elected by FCIB (FCIB Board of Advisors Chair);
- **One Director** elected by CFDD; and the
- **NACM President**, in a non-voting capacity.

There are two NACM staff members (without voting rights) present in each meeting as part of NACM's emergency succession plan to ensure continuity of knowledge.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

With fiduciary responsibility growing in importance, it's important that every voting member of the Board be engaged in the deliberation and consideration of all decisions.

National Products and Services

At the heart of NACM-National's services are education and information. NACM-National sponsors four professional designations through its credentialing program and has created programs, delivered both by Affiliates and National to support them.

NACM-National designed (and owns) the **Credit Administration Program (CAP)**, which supports the **Credit Business Association (CBA)** designation. The CAP Program is conducted exclusively by NACM Affiliates. For each of the three courses comprising CAP, NACM-National selected textbooks and created quizzes and tests, sample and general course curriculums and PowerPoint presentations/slide decks for use by the instructors.

NACM-National designed (and owns) the **Advanced Credit Administration Program (ACAP)**, which supports the **Credit Business Fellow (CBF)** designation. Similar to the CAP Program, NACM-National created material to support the two courses that comprise ACAP.

At the request of many Affiliates, NACM-National removed the Intermediate Financial Statement Analysis course from the CBF designation requirements and placed it in a new credential known as the **Certified Credit Risk Analyst (CCRA)** designation. Beginning in 2023, although it is not part of either CAP or ACAP it may be taught by Affiliates. Those who complete the course will need to apply for and take an exam to earn the designation.

NACM-National offers many educational programs from audio teleconferences, webinars and seminars to programs held in-house at the National Headquarters Office. NACM-National has also developed an online **Credit Learning Center**, which houses about 85 different offerings in the form of 60-minute web-based modules. Some modules, when combined with others, comprise courses, while others are combined to support certificate programs.

NACM-National sponsors the only annual, national convention specifically for credit professionals: the Annual **Credit Congress & Exposition**. Credit Congress is held in either May or June each year.

NACM-National also sponsors the **Graduate School of Credit & Financial Management (GSCFM)**. In 1941, the first session of the Summer Institute of Credit Management was held at Babson Institute in Massachusetts. Seventy-three years later and now known as the Graduate School of Credit & Financial Management, this 10-day for two years program continues to be the leading executive education program for credit professionals.

Information

NACM-National publishes **Business Credit** magazine nine times each year. Each regular, multiple, honorary and national member of record receives a copy of *Business Credit* as a benefit of their

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

membership. *Business Credit* serves those responsible for extending business and trade credit and overseeing risk management for their companies. With dedicated staff writers and expert contributors, the magazine keeps members up-to-date on cutting-edge trends and important legislative, bankruptcy, business ethics, trade finance, asset protection, benchmarking and scoring issues—the credit issues that affect the way business credit is conducted.

To ensure coverage of late-breaking or time-sensitive news, NACM-National authors and distributes **eNews** via email to all members. NACM-National also hosts a pod cast, **Extra Credit**, and a **blog** (to which members must subscribe at no cost) to disseminate timely coverage of news and topics.

NACM-National also surveys members to take the pulse of the business economy—this leading indicator is called the **Credit Managers' Index (CMI)**. Generally during the third full business week of each month, the survey asks members to rate whether factors in their monthly business cycle—such as sales, new credit applications, accounts placed for collections, dollar amount beyond terms—are higher than, lower than, or the same as the previous month. The results reflect the entire cycle of commercial business transactions, providing an accurate, predictive benchmarking tool. CMI reports are released to the media the last business day of each month and are posted to the NACM-National website and are covered in *eNews* and *Business Credit*.

Perhaps one of the most valuable member resources made available by NACM-National is the **NACM Resource Library**, a benefit of membership hosted on the NACM-National website. NACM has posted all its original, authored library of books and publications on a Google Mini server. Members can choose to search through NACM's extensive library of proprietary publications by keyword using the Google platform. Members can also access full chapters of NACM books [here](#).

In 2007, NACM-National opened **Secured Transactions Services (STS)** to support credit professionals in the commercial construction arena. NACM's STS provides a variety of services, including notice to owner (NTO), mechanic's liens, stop notices, suits, foreclosures, suits against bonds and UCC filing. Some services are conducted in-house at NACM National Headquarters, while others are outsourced to a nationwide attorney network.

As previously mentioned, NACM owns the **Finance, Credit & International Business Association (FCIB)**. Established in 1919, FCIB was created to serve as NACM's Foreign Credit Interchange Bureau. Although FCIB continues to sell international credit reports today, over the years, FCIB has become an internationally recognized and acclaimed association dedicated to serving the needs of global credit and trade finance professionals. Twice in its history, FCIB was honored with the President's E-Star Award, authorized by the Secretary of Commerce, for its support of trade. The United States Department of Commerce also cited FCIB for its outstanding contributions to Trade Finance Guide: A Quick Reference for U.S. Exporters.

Affiliate Commission Program

NACM-National pays commissions to its Affiliates on most of the products and services it sells to Affiliated Members of Record (regular, multiple, honorary and national). Details about the Affiliate

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Commission Program can be viewed at <http://nacm.org/affiliate-resource-center/policies-that-apply-to-nacm-affiliates.html>.

AFFILIATE GOVERNANCE

Affiliate Bylaws

In her book, *The Standard Code of Parliamentary Procedure*, Alice Sturgis makes an interesting comment: "Good bylaws alone do not make an effective organization; they are an outline of its structure. However, suitable bylaws are necessary to enable an organization to function well." She then adds, several paragraphs later, "Bylaws should be custom made to fit each individual organization. Bylaws provide impartial guidance to organizations; they enable members to determine what rules they can all agree with and abide by, and yet allow the members to make changes when the organization grows and changes. These rules ensure stability, continuity and structure, especially during times of rapid growth or when there are not many "veteran" members to tell the new members what to do."

Affiliate Governance Policies

Many Affiliates operate under a set of Governance Policies, which lay out an agreed basis of corporate and Board standards for actions and behaviors.

This can be a formal document, handbook or a just a compiled set of policies and procedures that have been set by the Board of Directors over time. They provide ongoing guidance to the organization within a shared set of decision and action guidelines, often delineating the extent and limits of the Chief Executive's powers, as well as those of the Board. Most often, they include items such as:

- organization overriding strategic goals and objectives
- investment policies
- role and authority of the Chief Executive Officer
- role and authority of the Board and of individual Board members
- confidentiality and/or conflict of interest policies and documents
- director or member breach/discipline policies and procedures
- check signing authority
- travel authorization and reimbursement guidelines

You should determine if your Affiliate has such a document or set of documents, and familiarize yourself with them.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Affiliate Board Composition

Each NACM Affiliate is independent and, as such, has some latitude in determining its own self-governance. While a few Affiliates privatized in the 1980s, as of September 1, 2009, NACM-National requires that all Affiliates (and any related business or service corporation) be, and remain, a non-stock corporation. The private Affiliates were “grandfathered” with a few restrictions. The vast majority of affiliates are organized as member organizations under an IRS tax-exempt or non-profit status that requires a Board of Directors to have ultimate responsibility for the enterprise. Put another way, if the affiliate gets sued or involved in some business challenge, it is the Board, not the COO, that is considered the legal corporation and thus the “responsible adult.” The COO is hired to manage the organization and will typically be a member of the Board. But it is the full Board that is ultimately the entity responsible for the health and well-being of the Affiliate.

It is, therefore, critically important to have a Board of Directors that has a breadth and depth of experience, knowledge and good judgment in order to ensure that the Affiliate can adapt to constant change in today’s business world.

Service on the Board can and should be a rewarding and educational experience. At one time, serving on an Affiliate Board was largely ceremonial and social. The world of the non-profit board has changed, however, and today the governing body has important work to do and some very serious responsibilities.

Typically, the organization will have a Nominating Committee to identify and cultivate new directors most or all of whom will be members of the Affiliate. Usually staffed by the COO, it is the job of the Committee to recruit qualified people for the Board and to ensure that new directors understand their role as Board members.

Affiliate Board of Director Elections

As member organizations, most NACM Affiliates will conduct annual elections to their Board of Directors as prescribed in their respective organizational bylaws. While processes will differ by Affiliate, generally speaking, members will be presented with a ballot of candidates that has been prepared by the Nominating Committee. Timing of the election will vary by Affiliate, determined largely by fiscal year.

Many Affiliates conduct their elections through the use of mail-in paper ballots following a prescribed process for tabulation and certification. In recent years, the use of electronic voting has been adopted as a way to engage more members as well as save money on the entire process.

Once the election is completed and certified, Affiliates are asked to submit their new slate of officers and Board of Directors to NACM-National for informational purposes only.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Key Responsibilities of the Affiliate Board of Directors

- **Meet the needs of those they serve.** The primary purpose of a Board is to guide the organization in such a way that it continues to serve the members of the Association. The guiding question to ask before reaching any decision, holding any discussion or deliberating any issue is “How will this help improve the service we provide to our members?”
- **Make policy to govern the association.** The most important part of being a Board member is to make policy that ensures the Association is run effectively, legally and ethically. These policies, in turn, will serve as a guide for you as COO, whose responsibility is to implement them.
- **Ensure that the Association is financially sound and that money is spent wisely.** As the Board sets policy and plans for the future, it must be vigilant about ensuring there is adequate funding to cover implementation and ongoing costs. Monitoring finances does not mean that Directors need to approve all expenses, but rather as outlined in the Association’s policies. The Board’s obligation is to ensure that money is being spent effectively to deliver the highest level of programs, products and services.

Fiduciary Responsibilities of Board Members

The fiduciary responsibilities (legal duties) of Association Directors are threefold:

1. **The Duty of Care.** The duty of care requires the Director to do what would be expected of any prudent person in the same position. It requires the Director to read relevant documents, prepare carefully for board meetings, pay attention to what is going on and ask questions to clarify actions that are being taken. The duty of care permits the delegation of certain responsibilities to experts, staff, committees and task forces, but requires the Director to stay informed of their activities and take appropriate action when indicated.
2. **The Duty of Loyalty.** The duty of loyalty requires the Director to give undivided allegiance to the organization of which he or she is a Director, without regard to personal interest, business interest or the interest of any other business or organization. Furthermore, it is a breach of the duty of loyalty for a Director to use inside information gained in the performance of his or her responsibilities for personal benefit, or to benefit his business or any other organization.
3. **The Duty of Obedience.** The duty of obedience requires the Director to act within the scope of legal authority, including the organization’s articles of incorporation, bylaws and mission. An association will generally hold its Directors harmless from lawsuits as long as they operate within the legal bounds of their fiduciary responsibilities, e.g., the duty of care, the duty of loyalty and the duty of obedience. Directors are subject to lawsuits if they fail to observe their fiduciary responsibilities.

Broad Areas of Responsibility for Board Members

Setting Strategic Direction and Policy

- Develop values, vision and mission statements
- Set realistic goals and objectives
- Determine benchmarks for measurable outcomes

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- Manage the plan
 - ♦ Set accountability
 - ♦ Detail action steps to reach objectives
 - ♦ Establish timetables to measure progress
- Review and revise the plan regularly
- Set yearly calendar agenda around the strategic plan
- Ensure the plan reflects members' needs through surveys or other research
- Involve the staff in development

Monitoring Finances

- Review and approve the budget for the organization
- Monitor financial condition by reviewing
 - ♦ Monthly financial statements
 - ♦ Financial projections
 - ♦ Audited financial statements

Representing the Organization and Maintaining Public Relations

- Understand the value, vision and mission—and commit to them
- Be able to easily and succinctly communicate the Association's value and mission
- Work to maintain and extend the Association's public image—all Board members are ambassadors
- Publicly support Board actions and demonstrate loyalty to the operations of the Association

Communication

- Stay informed about the events and serve as a goodwill ambassador, creating excitement about all aspects of the Affiliate and NACM organization (local and national) and its important role in the business community
- Read, review and understand the materials available to you, including monthly financials, meeting minutes, newsletters and relevant industry articles

Participation

- Attend Board of Directors meetings
- Work with the Affiliate President
- Assist with member recruitment and member participation in Affiliate events
- Actively participate and serve on committees to which you are appointed
- Support the Affiliate and NACM-National through participation and engagement
- Contribute your data to the NACM National Trade Credit Report database

Organizational Support and Engagement

There is no better way to support the NACM organization than through the purchase of Affiliate/NACM products and services. Encourage members to contribute full A/R data to the National Trade Credit

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Report database, support industry credit groups through participation and membership, purchase credit reports through the Affiliate, participate in activities such as the Credit Managers' Index (CMI) and other surveys. Encourage your staff to advance their careers through education and participation in the professional designation program.

Affiliate Conflict of Interest Policy

The members of the Board of Directors of the Affiliate, in their capacity as directors, must act at all times in the best interests of the Affiliate. The purpose of the Conflict of Interest Policy is to help inform the Board about what constitutes a conflict of interest, assist the Board in identifying and disclosing actual and potential conflicts, and help ensure the avoidance of conflicts of interest where necessary.

The policy applies to the individuals that comprise the Board; every member of the Affiliate Board is a Director of the Board.

Affiliate Directors have a fiduciary duty to conduct themselves without conflict to the interests of the Affiliate. Affiliate Directors must subordinate personal, individual business, third party and other interests to the welfare and best interests of the Affiliate.

A conflict of interest is a transaction or relationship, which presents or may present a conflict between a Director's obligations to their Affiliate and the Director's personal, business or other interests.

The Affiliate has the right to expect that actions and decisions of its Directors will be made objectively and in the best interests of the Association. Directors must be free from undue influence of personal or outside business interests that may appear to, or actually, interfere with their working in the Association's best interests. Directors must make their best effort to avoid placing themselves in any situation where they have a direct or indirect interest or connection with outside business activities that could reasonably be expected to influence their independent judgment regarding Affiliate matters.

Likewise, they must not compete with an Affiliate or NACM-National business, such as taking for themselves a business opportunity that rightfully belongs to the Association, and they must not use Association property or information for personal gain; the Affiliate prohibits such conflicts of interest on the part of its Directors.

Individuals or employees of companies who have, or plan to establish, a financial relationship with the Affiliate through a consulting, business alliance, business partnership, licensee agreement or joint venture are ineligible to apply for service, or serve, as an officer on the Board of Directors.

Affiliate Directors must at all times abstain from discussions of matters and voting on matters in which they have, or expect to have in the future, a personal or business interest outside of the interest of the Affiliate.

Full disclosure to the Board of all actual and potential conflicts is required at all times, including when votes are taken. The disinterested members of the Board shall make a determination as to whether a conflict exists and what subsequent action is appropriate, if any.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Code of Conduct

A set of conventional principles and expectations, considered binding on the Affiliate leadership (committee, task force, Board or the like), is as follows:

- Obey the applicable bylaws and policies governing our Association
- Be honest, fair and trustworthy in all Affiliate activities and relationships
- Avoid all conflicts of interest
- Foster an atmosphere in which cooperation and open communication prevail
- Strive to create an effective and respected Association
- Through leadership at all levels, sustain a culture where ethical conduct is recognized, valued and exemplified by all members
- Maintain a professional and positive appearance and demeanor during all Affiliate activity
- Ensure an environment free of discrimination and harassment for employees and members
- Present a united position to all outside parties
- Preserve *confidentiality* of all appropriately identified information

Protocol

All Affiliate Leadership (committee, task force, Board or the like) should maintain a professional and courteous demeanor at all times when participating in any meeting, event, communication or activity where they are perceived to be representing the Affiliate. One must maintain the highest level of professional conduct with others, and at all times when others may observe one's behaviors. This includes meetings, functions and communications with each other and others, as well as our actions in any public venue.

Commitment Form

As a best practice, Board members should be asked to acknowledge that they have been provided with a copy of the **Conflict of Interest Policy** and **Code of Conduct**, and that by signing the **Commitment Form**, they agree that during their service to the Board of Directors, they will abide by the policies in effect and will exercise their fiduciary responsibility to the Association, exemplifying the highest standards of professional conduct.

To help avoid any conflicts of interest, they will disclose ownership and/or other proprietary interests, responsibilities, circumstances, involvement with other organizations with or outside of the Affiliate, or other reasons why they might have an actual, apparent or potential conflict of interest with their duty to the Affiliate, as outlined in the Conflict of Interest Policy.

They should agree to take steps, such as excusing themselves without comment from both voting and entire deliberation of certain issues or even withdrawing their Directorship on the Board of Directors, if it is determined by the Board that such steps are necessary to protect the integrity of the Board of Directors and to avoid the breach of fiduciary duty to the Affiliate. Finally, during such time as they continue to serve on the Board of Directors, they must agree to notify the Board Chair promptly if and

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

when any additional actual, apparent or potential conflicts of interest with their duty to the Affiliate arise subsequent to the execution of this form.

Incorporation and Keeping in Good Standing with the State

Incorporating a business is accomplished by preparing certain documents, including a document referred to as the "Articles of Incorporation," and filing these with the Secretary of State. Most states require recertification of incorporation, so it is important to check for your state's filing requirements. Most states have online look-up capabilities to verify the good standing of your Affiliate.

Here are a few reasons that companies choose to incorporate:

- **Shielded from liability.** One of the most important reasons to incorporate a business is to protect the owners, who are the members, from business liabilities. If you are operating an unincorporated business, creditors may be able to reach personal assets. Assets such as a personal residence and/or personal bank accounts can be used to pay business debts or satisfy a lawsuit against a business. An incorporated business and its owners or members are separate entities.
- **Establish perpetual existence and transfer of ownership.** Perpetual existence is an advantageous aspect of an incorporated business. Perpetual existence means that the life and continuation of the business will not be affected by the withdrawal or death of one of the owners, stakeholders or members. An unincorporated business's existence, as well as its operation, is generally disrupted by the withdrawal or death of one of the owners.
- **Tax advantages.** Incorporated businesses enjoy tax deductions for a wide variety of operating costs, which will substantially reduce a company's overall tax liability. These deductions may include the cost of materials/production, employee wages, the cost of insurance, the cost of retirement plans, as well as business travel and entertainment expenses.
- **Enhance the company's image.** Incorporation adds credibility to a business.
- **Improve ability to manage.** The decision-making authority of an incorporated business is centralized, which usually means that the stakeholders or members have vested the authority in a Board of Directors. The Board of Directors can delegate this authority to the company's officers.

Federal Tax ID number

An Employer Identification Number (EIN), also known as a Federal Tax Identification Number, is used to identify a business entity. Generally, businesses need an EIN and can apply for one through the Internal Revenue Service in a variety of ways, including online.

Non-Profit Accounting, Tax Filings (990/1120)

Over the last decade, non-profit accounting has become one of the more complicated parts of the accounting world. As it is difficult to remain on top of continuing change brought about by new laws, policies from the Federal Accounting Standards Board (FASB) and local and state regulations, NACM recommends that Affiliates have a Certified Public Accountant regularly involved in the organization's financial management. Just as an annual audit can help avoid problems, the involvement of a CPA in

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

day-to-day activities can help ensure that the Affiliate's financial condition and management is in keeping with best business practices.

While there are a few exceptions, NACM Affiliates are generally organized under one or more tax statutes as defined by the Internal Revenue Service: 501(c)(6) (non-profit trade association); 501(c)(3) (non-profit charitable organization); or a C-Corporation. The first two require the filing of an annual Form 990 and the C-Corporation requires Form 1120. These tax filings are usually filed after the audit is completed and it is advisable to have them prepared by the auditor.

These completed tax forms are considered to be public documents available to any and all who wish to examine them. Copies should be accessible in the event someone requests them.

Internal Audit

All NACM Affiliates are encouraged to conduct an annual independent audit of their financial condition. Beyond the fact that the IRS requires such an audit, NACM seeks to ensure that all Affiliates are in good standing with best business practices and Generally Accepted Accounting Principles (GAAP).

Each year, NACM asks Affiliates for either a copy of the Affiliate's most recent independent audit or a statement from the Affiliate's COO affirming that an audit was completed with a brief summary of the results. Failure to submit this information on a timely basis can jeopardize an Affiliate's membership in the national organization.

It is also incumbent on the Affiliate COO to have the audit presented to the Board by the independent auditor who conducted the review. This allows for complete transparency and ensures that the governing body is fully aware of the Affiliate's financial condition.

Beyond these basic requirements, the audit process and resulting document should be viewed as a helpful management tool for the COO, governing board, and Affiliate staff. Affiliate organizations can be complicated enterprises and an independent review can be helpful in identifying and addressing issues before they become major problems. The audit can also provide confirmation that the practices of the Affiliate are in keeping with best business practices.

Corporate Insurance

Most Affiliates have insurance coverage(s). Important insurance issues to review and become familiar with include:

- What policies and coverages do you have?
- Where are they kept?
- What is your renewal schedule?
- Do you pay in lump sum or installments?
- Do you see proof that they are paid to current and have not been allowed to lapse?
- Are your coverages adequate and in compliance with any applicable state law?
- Is your general liability claims occurred or claims made coverage?

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

- What are the limits?

Perform a quick risk assessment of what you have and what you need using the list below. *Read your policies!* Ask for assistance from your agent or staff, if necessary, and address any gaps with your Board or Executive Committee.

While by no means exhaustive, here is an overview of typical, basic types of business insurance policies that should be in place or considered:

Directors and Officers (D&O) Insurance

Directors and Officers insurance provides coverage for damages, settlements and costs of defense resulting from wrongful acts, errors, omissions, misstatements, misleading statements and breaches of duty by elected or appointed directors, trustees, officers, employees, committee members or volunteers of the Affiliate.

Commercial Package Policy

Commercial Package Policy insurance provides coverage for the building, business personal property, loss of income, glass breakage, money and securities, valuable papers/records, property of others, EDP equipment, personal property at other locations and personal property in transit. This also includes **general liability coverage, fire damage, medical payments, employee benefits liability and non-owned and hired auto liability.**

Worker's Compensation

Worker's Compensation provides statutory benefit coverage including bodily injury by accident/disease for employees per the laws of your state and includes Employers Liability protection.

Umbrella Liability

Umbrella Liability insurance provides excess liability coverage over the underlying general liability, automobile liability, Employee Benefits Liability and employer's liability.

Crime Insurance

Crime Insurance covers employee dishonesty, forgery and alteration and includes coverage for an Affiliate sponsored ERISA Retirement Plan.

Cyber Liability Insurance

Cyber Liability Insurance may or may not be necessary for your Affiliate, but it is something that should be discussed with your insurance broker. There is usually some basic coverage for cyber crime under your Commercial Package Policy and/or Crime Insurance, but depending on the types of activities an Affiliate conducts, additional coverage specific to cyber liability and related cyber crimes may be prudent.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Fiduciary Liability Insurance

Fiduciary Liability Insurance provides coverage for the Fiduciaries of the employee retirement plan for wrongful acts of directors, trustees, officers, employees, committee members or volunteers of the Entity or Plan.

Professional Errors and Omissions Liability Insurance

Professional Errors and Omissions Liability Insurance protects Affiliates against loss from a claim of alleged negligent acts, errors or omissions in the performance of professional services.

Employee Bonding

Especially for Affiliates engaged in collections, most states require a specified level of bonding.

Partner Programs

Partner programs are providers of products and services that are closely aligned with the Affiliate purpose.

Offering a symbiotic endorsement relationship with your Affiliate, a “Partner” offers a product or service to members and pays you a passive income royalty (association-speak for commission; royalties are generally considered tax exempt in associations and commissions are not) or share revenue on those sales.

You should determine what, if any, Partner Programs your Affiliate offers, along with what, if any, agreements and restrictions apply.

Many partners require exclusivity, meaning that you will not also offer the products or services of a competitor. Virtually all have some kind of contractual agreement (which you should find and review) detailing:

- The obligations of both parties, including advertising, sponsorships, event participation, etc.
- The qualifications for and schedule of royalty payments
- Material to be used, including logos, brochures, etc.
- Representations of each other (or prohibitions thereof) and manner of referral or introduction
- Term and terms of the relationship
- Other

As with non-core program revenue, some Partner Programs may result in Unrelated Business Income (UBI), which is taxable income, so a quick evaluation of that status is advised.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

Antitrust Training

Understanding and adhering to antitrust laws is a key component for all Affiliates, especially as it pertains to industry credit groups and the proper use of credit reports. Working closely with NACM-National, the Affiliates have developed the Certified Group Administrator (CGA) certification program that provides in-depth antitrust training. It is highly recommended that you and your staff consider the CGA credentialing program. It is available to Affiliates at no cost.

NACM-National has a number of resources available to you and your staff to assist in understanding the complexities of antitrust, including the [Antitrust Guide](#) publication and an antitrust webinar recording.

It is also important that each Affiliate offering industry credit group services routinely educate the group members on antitrust. There are a number of ways to accomplish this, including through recorded sessions that can be used at a group meeting or through a number of qualified attorneys. The attorney who teaches and writes on the topic for NACM-National is Wanda Borges, Esq. of Borges & Associates LLC. She is always willing to assist Affiliates by answering questions.

COO Education

As an Affiliate COO, it is important for you to continually update your education, especially as it pertains to the latest in commercial credit, but also as an association executive.

Attending Credit Congress and, at a minimum, monitoring the CAP and ACAP courses—if offered by your Affiliate—are excellent ways to maintain your credit education.

Affiliate COOs meet at least two times a year, traditionally in January and during Credit Congress. Although these meetings focus on concerns and challenges of managing an Affiliate, education is provided on specific topics at the request of the COOs. It is strongly encouraged that all COOs attend these meetings.

Finally, the American Society of Association Executives (ASAE) is a national association for association executives (www.asaecenter.org). Much like NACM-National and the Affiliates, ASAE also has state and/or regional chapters. Education offered by ASAE or your local/regional chapter can be very helpful in gaining or maintaining education concerning the management of non-profit organizations.

CONCLUSION

NACM, as a whole, has a long and proud history. As a new COO, you may find yourself overwhelmed at times or just not sure where to go for information or assistance. This Orientation Manual is meant as a guide, giving you a frame of reference and resources to assist you. Additionally, you have an entire network of people you can call on for assistance—and we urge you to do so. Below is a list of contacts that you should feel free to reach out to at any time. As stated throughout this manual, there is strength in numbers, and we're glad you are here to add your unique strengths to the NACM family.

NACM COO ORIENTATION MANUAL

NOVEMBER 2024

KEY CONTACTS

Affiliate Council: <http://nacm.org/affiliate-resource-center/affiliate-council-roster.html>

Affiliate COO Roster: <http://nacm.org/affiliate-resource-center/affiliate-coo-roster.html>

NACM National Staff Directory: <http://nacm.org/leadership-guide/nacm-staff-directory.html>