# VITA PLUS CUSTOM HARVESTER MEETING: GETTING PAID FOR YOUR WORK

J. David Krekeler Krekeler Strther, S.C. Madison, Wisconsin

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J. David Krekeler jdkrek@ks-lawfirm.con Ryan Blay rblay@ks-lawfirm.com Krekeler Law 201 West Beltine Highway, Suite 30 Madison, WI 53713

### A LITTLE BIT ABOUT ME....

- Celebrated 35 years as Krekeler Law this year
- I am a debt problem solver
- I assist mediators for the Department of Ag and serve on the Department's Advisory Council
- I like to take complicated matters that other firms won't
- I work with the Wisconsin Farm Center

J. David Krekeler jdkrek@ks-lawfirm.com Ryan Blay <u>rblay@ks-lawfirm.com</u> 2901 West Beltine Highway, Suite 301 Madison, WI 53713

# The Only Thing You Need to Know

J. David Krekeler idkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 901 West Beltine Highway, Suite 30 Madison, WI 53713

Sun Tzu



### 544-496 B.C. CHINESE GENERAL, MILITARY, STRATEGIST, AND PHILOSOPHER

 $\sim$  AUTHOR OF THE ART OF WAR

J. David Krekeler <u>idkrek@ks-lawfirm.com</u> ryan Blay <u>rblay@ks-lawfirm.com</u> 2901 West Beltine Highway, Suite 301 Madison, WI 53713

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"The art of war is of vital importance to the state. It is a matter of life and death, a road either to safety or to ruin. Hence it is a subject of inquiry which can on no account be neglected."

J. David Krekeler <u>idkrek@ks-lawfirm.com</u> Ryan Blay rblay@ks-lawfirm.com Krékeler Law 2901 West Beltine Highway, Suite 301 Madison, WI 53713



The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations beforehand.

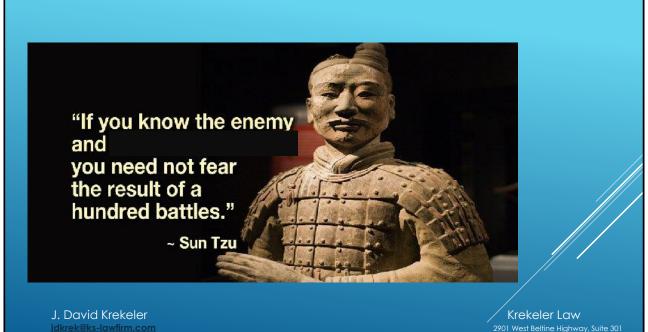
(Sun Tzu)

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# KNOWLEDGE

Addresses

Bank Accounts

Personal Financial Statements

Assets

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Information gathered before entering a contract can assist in collections down the line and provide means of ensuring protection

Ask the correct questions on a credit application

- 1. Who is the applicant an individual, or a business entity?
- 2. Are there prospective guarantors?
- 3. What is the applicant's current financial situation?
- 4. What collateral might be available to secure or satisfy the debt?
- 5. Social Security Number

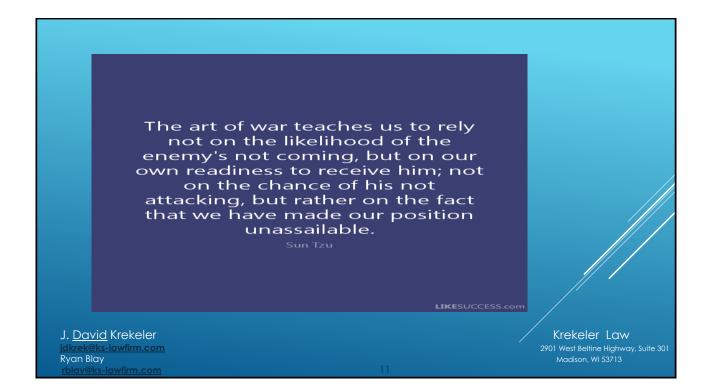
### BEFORE ENTERING A CONTRACT

J. David Krekeler jdkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 30 Madison, WI 53713

- In Wisconsin, CCAP (<u>https://wcca.wicourts.gov/index.xsl</u>) is a blessing. If you know the proper party to search, you can see if there are active legal proceedings against your debtor party or prior judgments.
- Should you request access to a credit report to verify financial information and identify any bankruptcies and judgments?
- Use services like Dun & Bradstreet to investigate risk of new customers

### PUBLIC INFORMATION

J. David Krekeler idkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 30' Madison, WI 53713



# Have a Contract!

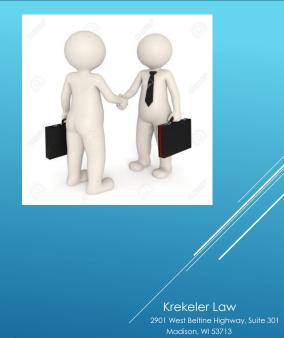
### Types of Contracts







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### Contract Items to Include or Discuss

- 1. Methods of Payment (acre vs hour)
- 2. Payment Schedule (bonus or incentive for payments
- 3. Who the debtor is (individual/entity)
- 4. Guarantor
- 5. Identification of collateral/granting of security interest
- 6. Responsibility for providing supplies, labor, and equipment
- 7. Anticipated schedule of work
- 8. How delays will be handled
- 9. Interest charges
- 10. Attorney's fees and costs of collection

J. David Krekeler jdkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 1901 West Beltine Highway, Suite 30 Madison, WI 53713

Section 422.210 "Agricultural credit transactions" states that "With respect to a credit transaction that is primarily for an agricultural purpose, a creditor may not charge, collect or receive any finance charge or fee unless the charge or fee is clearly disclosed in writing to the customer and that is agreed to by the creditor and the customer."

# INTEREST

J. David Krekeler jdkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 30 Madison, WI 53713

- Step 1: Create or grant the security interest
- Step 2: Ensure the security interest attaches to the underlying asset
- > Step 3: Perfect the lien to make it effective against third parties

## GETTING A LIEN (Do Not Try This At Home!)

J. David Krekeler jdkrek@ks-lawfirm.com Ryan Blay <u>rblay@ks-lawfirm.com</u> 2901 West Beltine Highway, Suite 301 Madison, WI 53713

- Wisconsin statute 409.1035 allows for a lien to be granted that supersedes any previously granted liens on crops.
- > New obligation incurred with respect to production of crops
- Filing should identify statute or term "Production-money security interest", the crops, and specific liens to be superseded in priority.

### PRODUCTION-MONEY SECURITY INTEREST

J. David Krekeler <u>idkrek@ks-lawfirm.com</u> Ryan Blay rblav@ks-lawfirm.com

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Krekeler Law 901 West Beltine Highway, Suite 301 Madison, WI 53713

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- Another party promises to pay in event debtor is unable. Joint and several liability between debtor and gurantor(s).
- Critical for a creditor if debtor is a limited liability company (LLC), a limited partnership, or a corporation attempting to limit the liability of the debtor
- Creditor should ensure the guarantor has sufficient income or assets to pay in the event of a default. A shell company or uncollectable individual is not useful as a guarantor.

### PERSONAL GUARANTY

J. David Krekeler idkrek@ks-lawfirm.com Ryan Blay <u>rblay@ks-lawfirm.com</u>





- Wages
- Bank Accounts
- > Amounts owed
- Know your State's Exemption Limits
  - In Wisconsin, Debtors are allowed to exempt \$5,000 per person in depository accounts

# GARNISHMENTS

J. David Krekeler idkrek@ks-lawfirm.com Ryan Blay rblay@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 30 Madison, WI 53713

- If the debtor files for bankruptcy relief, the bankruptcy should <u>never</u> be ignored. Speak with an attorney whose practice involves bankruptcy law and creditor's rights.
- Available remedies will depend on the chapter of bankruptcy (7, 11, 12, or 13) and your status as a secured or unsecured creditor.

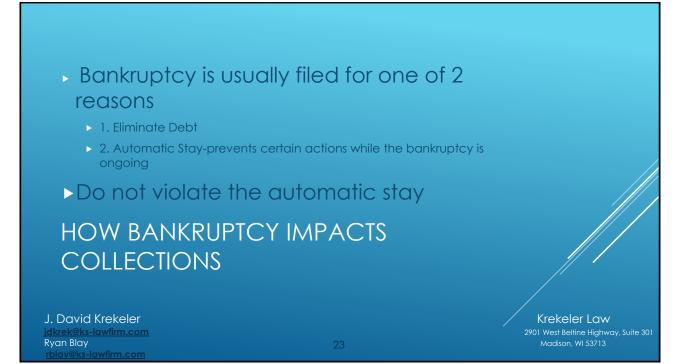
# WHAT HAPPENS IF THE DEBTOR FILES FOR BANKRUPTCY?

J. David Krekeler <u>idkrek@ks-lawfirm.com</u> Ryan Blay rblay@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 301 Madison, WI 53713

- Chapter 7 liquidation, but in the overwhelming majority of cases, there are no assets available for creditors
- Chapter 11 A reorganization available for individuals and business entities. Usually more expensive than other reorganizations. The debtor typically stays in possession of his/her/its assets, but creditors likely to get at least some payment
- > Chapter 12 Family Farm; usually very little to unsecured creditors
- Chapter 13 For Individuals; 3-5 year payment plan. Usually some divided to unsecured creditors

### BANKRUPTCY BASICS

J. David Krekeler <u>idkrek@ks-lawfirm.com</u> Ryan Blay rblav@ks-lawfirm.com Krekeler Law 2901 West Beltine Highway, Suite 301 Madison, WI 53713





J. David Krekeler <u>idkrek@ks-lawfirm.com</u> Ryan Blay rblay@ks-lawfirm.com

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