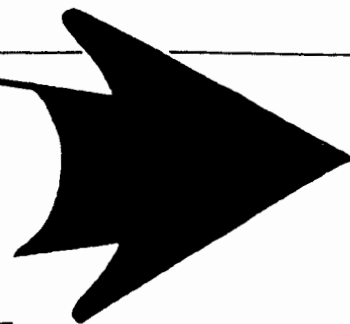


THE ARROW



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The Importance Of Knowing Just Who Your Debtor Is!

Although most creditors understand the importance of the distinction between corporate and individual liability, many become confused when dealing with such entities as an individual or corporate debtor doing business under an assumed name or as part of a limited partnership. The following is intended as a helpful review of the various types of legal entities which may become obligated to creditors. Perhaps it will help a few of our readers elude some common pitfalls to be avoided.

THE SOLE PROPRIETORSHIP

Frequently an individual will do business under an assumed name, for example, "Johnny Appleseed d/b/a John's Orchards." In such a situation the individual is of course liable for loans to him and for credit extended to him in his business capacity. The trade name, "John's Orchards," is for informational purposes only. You should have the debtor sign any documents in his individual capacity, and if you include the "d/b/a," have it included only for those informational purposes, never by itself.

In addition, you should not file your only financing statement (UCC-1) in the chattel lien records under the assumed name. You should file it under the name of the actual debtor, although it is good to also file under the assumed name for informational purposes to help those checking the

records. Never rely simply on an assumed name filing. Of course, you need not obtain a guaranty agreement from your debtor, Johnny Appleseed, in such a case since his doing business under an assumed name does not shield him from personal liability.

PARTNERSHIPS

The best way to refer to a partnership in legal documents is exemplified as follows: "John Appleseed and Mary Appleseed d/b/a Appleseed Orchards, a General Partnership."

Any general partner may bind all his partners so that the obligation is joint and several among the partners, and both the partnership property and the individual partners' assets can be pursued for any partnership debt. Partnership property may not be reached, however, for the debt of a partner obligated in his individual rather than his partnership capacity.

We recommend the following form in dealing with partnership obligations:

APPLESEED ORCHARDS, A GENERAL
PARTNERSHIP
BY: _____

Mary Appleseed, Partner

In that legal entity known as a limited partnership, the liability of each limited partner is limited by agreement, and you have to know the terms of agreement to know each limited partner's obligation to you as a creditor of the limited partnership.

CORPORATIONS

Typical names under which corporations do business are those such as "Appleseed Corporation," or "Appleseed Orchards, Inc." When you have a corporation as your debtor, liability is limited to the extent that you can recover from the corporate assets only, absent co-makers or guarantors of the corporate indebtedness. The primary purpose of incorporating is, of course, to shield the individuals in the corporation from personal liability as to all or some of the indebtedness which may arise from the business.

The proper manner for a corporation's authorized agent to sign a corporate obligation is as follows:

APPLESEED ORCHARDS, INC.

BY: _____

Johnny Appleseed, President

Things can become especially worrisome to a creditor when the corporation does business under an assumed trade name, for example, "Appleseed Orchards, Inc. d/b/a Appleseed Lawn Service." In such instances, the creditor must remember that since it is dealing with a corporation, the legal entity it wants to bind as its obligor is the corporation and that the use of an assumed name never creates a separate legal entity.

All of the above may seem very basic to most creditors, but creditors' lawyers often encounter situations where the creditor/client cannot even inform its barristers whether the debtor on its invoices, "Appleseed Orchards,"