



Congress of the United States  
House of Representatives

October 26, 2005

Dear Colleague,

I am writing to ask for you to be an original co-sponsor of the "Innocent Supplier Fairness Act," which I will soon introduce. You may not know this, but if you own a business that receives payment for goods and services from a company that then goes bankrupt you must give back all payments you received in the 90 days before the bankruptcy filing. The bankrupt company does not have to return your goods or pay for the services they have used. The bankruptcy code calls these payments "preferences" and the supplier who received them, a "preference creditor." The bankruptcy trustee or the debtor-in-possession will sue you, often in courts outside the state where you or your business is located, to get back money that you have already earned.

This provision falls most heavily on small businesses. Often a small business will deal heavily with a large national or international company. When the large company then enters bankruptcy, the small business is devastated by not only losing an important customer, but then having to give back a quarter year's worth of revenue to the bankruptcy trustee. There are defenses to these actions, but they are very complicated, and hiring an attorney in another state in order to fight the bankruptcy trustee often costs as much, or more, than the value of the payments.

This is unjust and wrong. The businessman who has run his business well is treated worse than the company that was mismanaged into bankruptcy. My bill is strongly supported by the National Federation of Independent Business (NFIB). Please join me to protect small businesses from the unfair operation of the bankruptcy code. Please help enact the "Innocent Supplier Fairness Act" and co-sponsor this legislation today.

If you would like to be a co-sponsor, please contact: Wayne Warf in my office at 5-5315 or wayne.warf@mail.house.gov.

Thank you.

Sincerely,

Mike Sodrel

279 QUARTERMASTER DRIVE  
JEFFERSONVILLE, IN 47130  
PHONE: (812) 288-3999  
FAX: (812) 288-3877

812 SOUTH WALNUT STREET  
BLOOMINGTON, IN 47401  
PHONE: (812) 330-1543  
FAX: (812) 330-1546

215 EAST 5TH STREET  
JASPER, IN 47546  
PHONE: (812) 482-9864

415 SOUTH WALNUT STREET  
SUITE 115  
SEYMOUR, IN 47274  
PHONE: (812) 523-8050  
FAX: (812) 523-1306

829 SOUTH ADAMS STRE  
VERSAILLES, IN 47042  
PHONE: (812) 689-7300  
FAX: (812) 689-7377

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