

“An investment in knowledge always pays the best interest.”
- Benjamin Franklin

A Message from the President



Dear Long Island Chapter Members,

Despite this newsletter historically focusing on RMA activities, I'm compelled to acknowledge the current military action in the Middle East. We know that many of you have family members, friends or colleagues serving in our Armed Forces or living and working abroad. We pray for a speedy resolution to the conflict and the safety of your loved ones. Moving to less weighty topics now.

Liz Bentley wants to know: Are you still playing big? Following our February 6th event, HSBC's Jose Rasco wants to know: Where did you choose to invest? Thank you again for supporting our signature events with another record attendance.

We've listened to your feedback about our venue. We'll be making a few small tweaks, such as dual sign-in tables. Please keep your suggestions coming; we're optimistic that we've found a permanent setting.

Watch this space. We have so many great events coming up. April 24th will be our Panel Discussion. The Emerging Leaders will again be hosting the Cinco del Vino event and the Spring Nine and Dine (dates and times to be announced). And I always look forward to wrapping up our event calendar with a networking event at Rare650 (June 3rd) where I hope to see you with a glass of wine.

Our Emerging Leaders group is still accepting new members. Please consider nominating someone from your organization to get involved. Lastly, our Scholarship application deadline is fast approaching too. See you soon.

Sincerely,

Michael Heller

Save the Date

Annual Credit Roundtable
Date: Friday, April 24th, 8am – 10am
Venue: The Mansion at Oyster Bay
1 South Woods Road, Woodbury, NY

[Register](#)

Save the Date

RMA Networking
Date: Wednesday June 3rd
Venue: Rare650,
650 Jericho Tpke, Syosset NY

Watch this space for updates.

Save the Date

Cinco del Vino
Date: Wednesday, June 17
Venue: Del Vino Vineyards
29 Norwood Road, Northport, NY

Watch this space for updates.

Save the Date

Nine and Dine
Date: Wednesday, August 5th
Venue:
Stonebridge Golf Links & Country Club
2000 Raynors Way, Smithtown, NY

Watch this space for updates.

Annual Sponsorships Available

Contact: Neil Seiden at neil.seiden@assetenhancement.com or 516-767-0100

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Website: <https://community.rmahq.org/longisland/home>

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RMA Scholarships

James T. McCarthy Scholarship - \$2,500

Dr. Pearl Kamer Scholarship - \$2,500

Patrick M. Demery Bankers' Lifetime Achievement Award - \$1,500

Application deadline: May 1, 2026

Eligibility:

Bankers and students interested in pursuing their education and career in the area of banking, commercial lending or credit risk management. You must be enrolled at an accredited college, pursuing a pertinent degree program.

Application package must include the following:

- College transcript (or schedule for incoming freshman) and evidence of current enrollment at an accredited college
- Essay from applicant stating:
 - Why you have chosen or are interested in a career in banking
 - Your career goals and how this scholarship will help you meet your goals
- Employment history and current job description, if applicable
- Extracurricular activities, community service
- List of leadership positions, honors and awards
- ONE Letter of recommendation from your current employer or professor

Note: Incomplete application packages will be disqualified.

Applications will be reviewed by the
Scholarship Committee of the
Long Island Chapter of Risk Management Association.

Forward questions or your completed application package to:

Bonnie Dougherty, Chief Lending Officer
Esquire Bank

Bonnie.Dougherty@esqbank.com

Join. Engage. Lead

Cyber Protection. The Right Policy Plus the Right Controls



Rich Faiella, Marsh LLC

As an insurance professional, I've learned that no matter what kind of party I'm at—birthday, barbecue, even a kid's soccer game—someone eventually corners me with, “So... do I need cyber insurance?” (It's become so predictable I'm tempted to start bringing a sign that says: Yes, and also don't click that link.)

The reason the topic comes up so often is that a cyber claim can turn into a cash-flow event almost overnight: operations stall, invoices don't go out, payments don't come in, and the business starts writing unplanned checks for forensics, legal support, notification costs, and system restoration. Even when insurance responds, the timing of deductibles, waiting periods, and documentation can mean real near-term strain on liquidity.

That sudden squeeze can ripple into credit—tightening borrowing availability, raising lender concerns, and putting pressure on covenants—at exactly the moment the company needs flexibility most. In other words, a cyber incident isn't just an IT problem; it can quickly become a working-capital and credit story.

A well-structured cyber insurance policy can be the difference between a manageable disruption and a material financial event. The most effective programs are built around three loss drivers: ransomware/extortion, privacy breach, and business interruption/contingent business interruption (BI/CBI).



1) Ransomware and extortion

Ransomware is when criminals lock your files or systems and demand money. Sometimes they also steal data and threaten to publish it. A good policy should help pay for the immediate response. This can include expert support to investigate what happened, help restore systems, and guidance on how to handle an extortion demand. It should also cover extra costs you may face while getting back up and running. The details matter, such as how quickly you must report the event and which vendors you can use.

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2) Privacy breach

A privacy breach is when sensitive information is exposed. That could be customer data, employee data, or payment information. Costs can include legal support, required notifications, call center support, credit monitoring, and public relations help. A strong policy should also help with third-party claims and certain regulatory matters. It's important that the policy responds not only to hacking, but also to mistakes and vendor-related incidents.

3) Business interruption and contingent BI

Many cyber losses are really “downtime” losses. If systems are down, sales and operations suffer. Business interruption coverage can help replace lost income and pay extra expenses during recovery. Contingent BI can help when a key provider (like a cloud platform, MSP, or payment processor) goes down and your business is impacted.

Limits and deductibles/retentions

Make sure the limits are high enough and the deductible/retention is realistic for your cash flow. Analytics and benchmarking can help compare your program to peers and model likely loss scenarios.

Security Controls

Cyber insurers generally look for a baseline set of cybersecurity controls (often around a dozen) to feel comfortable with the risk, but a few tend to matter most.

First is multifactor authentication for remote access and privileged/admin accounts, which helps prevent stolen passwords from turning into a full network takeover.

Second is endpoint detection and monitoring, which helps spot suspicious activity early and contain it before it spreads.

Third is secure, regularly tested backups, which can be the difference between a short disruption and a prolonged shutdown if systems are encrypted or damaged. When these basics are in place, carriers are typically more willing to offer coverage on better terms, and—if a claim happens—these controls often drive faster recovery, clearer documentation of what occurred, and better overall claim outcomes.

Summary

A well-written cyber policy and strong internal controls work best as a package: the policy helps protect the balance sheet when an incident happens, and the controls reduce the odds (and severity) of that incident in the first place. On the policy side, clarity around business interruption, contingent outages, ransomware terms, and the “fine print” (waiting periods, sublimits, definitions, and exclusions) helps prevent coverage surprises and supports faster financial recovery. On the controls side, getting the fundamentals right—like MFA, meaningful monitoring, and tested backups—helps shorten downtime and limit knock-on effects to cash flow, customer confidence, and credit relationships. Pair that with proactive communications (clear internal updates, customer/vendor messaging, and early lender notification when appropriate) and basic credit safeguards (temporary spend controls, tighter payment verification, and documentation for BI/extra expense), and you materially reduce downstream credit and reputational harm.

Plan for the worst now, so you can respond with your best later.

Leveraged Esop Transactions: Key Considerations For Lenders



Kenneth A. Hoffmann, Certilman Balin

A long-time banking customer approaches a lender seeking financing to establish an employee stock ownership plan (“esop”) and complete the related stock purchase. Some lenders might hesitate because esop transactions often replace shareholder equity with debt. However, understanding the basic structure of leveraged esops can clarify the associated risks and protections.

An esop is a qualified defined contribution retirement plan established by an employer that primarily invests in the employer’s stock. The esop maintains individual accounts for employee participants. Each account is credited with shares and their associated gains or losses, and the value of the account determines the participant’s retirement benefit upon termination of employment.

In a leveraged esop, the esop trust borrows funds—indirectly through the employer/company—to purchase company stock from existing shareholders. The acquired shares are pledged as collateral for the loan. As the loan is repaid, shares are gradually released from the pledge and allocated to employees’ esop accounts, typically in proportion to compensation within applicable limits.

Typical structure of a leveraged esop transaction

1. The company adopts an esop plan and establishes an esop trust.
2. A lender provides a loan to the company, secured by assets of the company.
3. The company re-lends the loan proceeds to the esop trust.
4. The esop trust purchases shares from selling shareholders using the loan proceeds and seller financing (seller notes).
5. Loan agreements typically restrict certain distributions, management fees, and other payments (collectively, “restricted payments”).
6. At closing, the company may also grant additional incentives such as stock warrants, stock appreciation rights, or phantom stock plans (collectively, “equity incentives”).

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Post-closing operations

Following the transaction, the esop trust owns a portion of the company's equity. Each year, the company contributes funds to the esop trust from operating revenue to repay principal and interest on the esop loan ("esop contributions"). As the loan is repaid, shares are released from collateral and allocated to employee accounts.

When employees become eligible for distributions—typically after leaving the company—they receive either cash or company stock. If no public market exists for the stock, the company or the esop must repurchase those shares. Company contributions to the esop are generally tax-deductible for federal income tax purposes.

The esop trustee votes shares held in the trust, except in major corporate transactions—such as mergers, recapitalizations, or asset sales—where participants vote their allocated shares.

Lender protections

To address lender concerns about replacing equity with debt, seller financing is typically subordinated to the bank's loan through a subordination agreement. Key provisions generally include:

1. Payment subordination: seller notes and other subordinated obligations are junior to the bank's debt and cannot be paid until the senior loan is satisfied.
2. No competing security: subordinated obligations remain unsecured and any unauthorized liens are subordinate to the bank's collateral.
3. Restricted payments: limitations apply to distributions (other than esop contributions), management fees, and similar payments, including those related to equity incentives.

These protections help ensure that the bank's loan remains senior and that company cash flow is prioritized toward repayment of the esop financing.

How IEEPA Tariff Claims can be Converted to Cash on an Expedited Basis



Neil Seiden,
Asset Enhancement Solutions, LLC

While the Supreme Court invalidated the Administration's ability to impose tariffs under IEEPA (International Emergency Economic Powers Act), it was deliberately silent with respect to refunds. As the Administration's stance is likely to be adversarial, many trade experts believe it could take two to five years for businesses to receive IEEPA tariff refunds via conventional channels.

For the past few months, AES has been working with Hedge Funds that have purchased IEEPA claims at a discount from businesses that required liquidity and were not willing to wait for the outcome of the Supreme Court Decision. During this period AES facilitated the sale of \$20 million of IEEPA tariff claims.

Prior to the Supreme Court Ruling, Hedge Funds were purchasing IEEPA tariff claims at an average of only 22% of the total claim due to the high risks involved. After the SCOTUS Ruling on February 20, 2026, and rulings by the U.S. Court of International Trade in early March, some of the uncertainty has been mitigated and they are currently purchasing claims at 45% to 72% of the total claim based on the claim amount and credit quality of the importer. The higher the claim amount and the better the credit quality, the higher the percentage. There is also the option of borrowing funds on a recourse basis, using the IEEPA Tariff Refund Claim as collateral for a loan for claim amounts in excess of \$20 million.

Instead of waiting 2 to 5 years to receive an IEEPA tariff refund, the Hedge Funds AES works with can either purchase or lend against claims within approximately 4 to 6 weeks depending on the quality of documentation assembled by the business.

For a detailed discussion of how these options work see below.

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How the Process of Selling an IEEPA Tariff Claim Works

Concept is:

- As an example, Company X has paid (\$10 Million) in tariffs since April 7, 2025.
- Company X wants to de-risk prior to determination and finalization of the IEEPA tariff Refund Process.
- Company X sells (50%, 100%, or some other percentage) of its tariff ‘claim’ to Buyer A in the form of a participation.
- The Trade is nonrecourse to Company X as to the outcome of the Refund Process; but recourse to Company X only if the amount / validity of the claim is proven to be false, or too high.

Process for Selling IEEPA Tariff Claims:

- As an example, Company X has paid (\$10 Million) in tariffs since April 7, 2025.
- Company X agrees to “sell” its tariff claim to Buyer for 45% of the claim amount, i.e. \$4.5 million.
- Buyer sends Seller a Confirm, and then ultimately a Participation Agreement which will govern the transaction.
- IMPORTANT – Company X retains its status as the “Plaintiff” / “Claimant” since these tariff claims are not transferable.
- Buyer might ask Company X to commence litigation for the return of the IEEPA tariffs paid. The rationale for this is that it is possible that only those parties who have commenced actual litigation are entitled to refunds. Thus, Company X will need to commence litigation in order to receive their refund.
- Buyer will continue to monitor the situation and inform Company X of developments.
- If and when the refund is received on the claim, Company X will receive the refund and forward to the Buyer.

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Using an IEEPA Tariff Claim as Collateral for a Loan

- In lieu of selling an IEEPA Tariff Claim at a discount, it is possible to use this claim as collateral for a term loan. This term loan would be on a “recourse: basis to the borrower. As the minimum loan amount for a Fund to consider is \$10 million, the claim must be at least \$20 million or higher to collateralize a loan of this amount.
- The potential loan amount could be up to approximately 50% plus of the total IEEPA claim amount.
- The interest rate would be in the low to mid-teens and be “PIK” (Payment in Kind) whereby the interest is added to the loan balance on a monthly basis in lieu of cash payments.

Key Points Regarding the Sale:

- Company X (as seller of the Claim) must be a financially healthy enough counterparty for Buyer A to enter into what could be a 2-to-3-year process of obtaining the refund.
- Legal fees are split going forward based on risk percentage. If Company X sells 100% today, Buyer A will pay 100% of legal costs today. If Company sells 50% today, Company and Buyer will share the legal costs equally.
- Buyers are currently paying 45% to 72% to companies seeking to sell their IEEPA tariff claims. However, this is an evolving market and these percentages can either increase or decrease depending on the markets’ reaction to the Trump Administration’s expected obstructionism and the unresolved Court of International Trade’s procedural issues.
- Prior to the Supreme Court decision, buyers were purchasing tariff claims at an average of 22% due to the high risks involved.
- We will be monitoring on a daily basis the rates at which Buyers are purchasing IEEPA claims and we will update our website accordingly. Feel free to email us to ascertain what the rate is on any particular day.
- There would likely be an administrative process instituted such that companies that have paid these IEEPA tariffs will need to file special claims and wait to get refunded by the government. The process of receiving the refund payment from the government could take up to 2 to 5 years.
- Asset Enhancement Solutions, LLC also assisted many businesses expedite funding of their ERC (Employee Retention Tax Credit) within 6 to 8 weeks instead of waiting 12 to 36 months to receive funds from the IRS. AES facilitated the sale of \$50 million of ERC claims over the past few years with individual claims ranging from \$1 million to \$7 million.

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