

A PUBLICATION OF THE INTERNATIONAL FACTORING ASSOCIATION

COMMERCIAL

FACTOR

APRIL 2019 | VOL 21 | No. 2



ANNUAL CONFERENCE ISSUE

ALSO INSIDE:

Conversations with Conference Speakers:

- Leadership Trainer AmyK Hutchens
- Cyber Crime Investigator FBI Agent John Caruthers
- Referral Marketing Coach Paula Hope

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FROM THE EXECUTIVE DIRECTOR

BY BERT GOLDBERG



It is said that “Time flies when you’re having fun.” With this year marking our 25th annual event, I can attest to that statement being true.

A lot has happened in the factoring sector in the last twenty-five years since the conference began. It has also been twenty years since the IFA was founded. The reason for the difference is that the conferences were run under Distinctive Solutions for the first five years. Given these milestones, I thought it would be worthwhile to look at some of the accomplishments of the IFA.

- The IFA has grown to nearly 500 corporate members. Criteria for membership has remained strict. Members must be a funding source in either Factoring, ABL, PO Finance or SCF.
- Our Code of Ethics was established in 2000 by our first Advisory Board and has remained through today. This code has established guidelines that dictate how members should work with each other and their clients. This code has been enforced with members being ejected from the IFA for repeated abuse.
- Our online discussion forum is still extremely active. It is the place to go for factors to communicate with each other. With 20 years of history, it is also an excellent knowledge base for factors.
- Over forty different training classes have been run throughout the country on various aspects of the factoring industry.
- This year marks the seventh time we’ve conducted the biennial factoring survey. This report has become the definitive source of information about how factors operate.
- The *Commercial Factor Magazine* was first printed in July 1999 and is the only publication for information about the factoring industry.
- The CAEF Certification Program has helped to raise the level of the factoring industry and has set a baseline of knowledge for factoring account executives. Over 150 people have sat for the exam, with 94 achieving the CAEF designation.
- FactorSearch has placed many clients with IFA members. The matching function is unique and proven to be a fair way to distribute leads among competing IFA members.
- Starting in 2000, The IFA has conducted over 80 webinars. This is an excellent and cost-effective method of imparting knowledge on various topics to members.
- The number of IFA Chapters has continued to grow. Starting with our Canadian chapter, we’ve also created chapters in the Northeast, Midwest and our newest chapter is the Mountain West Chapter of the United States.
- We have over twenty preferred vendors. These are companies that offer something extra to IFA members who utilize their goods and services.
- Our vendor and attorney search functions built into the website has become the place to go to find information about companies that offer services to factors. The attorney search function provides a method to locate attorneys that specialize in given sectors in specific states.
- The Factoring Legal Compendium has become the legal authority for information about how different states handle various issues related to factoring.
- The Amicus Brief program has submitted multiple briefs in support of legal decisions that relate to the factoring industry.
- The IFA provides neutral Takeout Agreements for its members to use during buyouts.
- Our Mentor Program has helped new factors get started by teaching them to conduct factoring in the right way.
- Our Factoring Guide to Account Management has proven to be extremely helpful in preparing individuals to sit for their CAEF exam.
- The IFA Membership Plaque is an excellent way to show visitors to your office that you are a member in good standing with the IFA.
- We’ve helped with the creation of the AFA in 2009. On page 24, you can find a history of the AFA’s many accomplishments.

These accomplishments would not have been possible without the help and dedication of the IFA members and advisory board. Thank you to everyone who has helped the IFA become the leading association for the Factoring & ABL industry.

With all that has been accomplished in the past, I am looking forward to many more years of working with, and for, the factoring industry.



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The International Factoring Association's (IFA) goal is to assist the factoring community by providing information, training, purchasing power and a resource for factors. The IFA provides a way for commercial factors to get together and discuss a variety of issues and concerns about the industry. Membership is open to all banks and finance companies that perform financing through the purchase of invoices or other types of accounts receivable.

The *Commercial Factor* is published bi-monthly by the International Factoring Association. **To subscribe, please email info@factoring.org.**

The *Commercial Factor* magazine invites the submission of articles and news of interest to the factoring industry. **For more information on submitting articles or advertisements, email news@factoring.org, or call 805-773-0011.**

The views expressed in the Commercial Factor are those of the authors and do not necessarily represent the views of, and should not be attributed to, the International Factoring Association.

NEWS

INDUSTRY NEWS

Global Merchant Fund Corp. Acquires Accutrac Capital

"Our acquisition of Accutrac has significantly strengthened our capacity to provide financial support to the transportation sector," stated Steve McDonald, Global Merchant president. "Accutrac's industry-leading customer support model and its outstanding team offer a solid foundation for Global Merchant's expansion in the transportation factoring industry."

Global Merchant has committed to inject substantial capital in support of Accutrac's own acquisition and investment strategy in the transportation factoring sector.

Steve further stated "Accutrac's current leadership and management team will remain in place to guide the company's expansion as a North American leader in the provision of factoring solutions for the transportation, freight and logistics industry sectors. Global Merchant is growing through partnering with strong company management."

Frank Mahlon Baker, Jr. of Texas-Based Baker Capital Solutions Dies

Frank Mahlon Baker, Jr., owner of Dallas, Texas-based Baker Capital Solutions LLC, founded in 2003, passed away on February 20th at the age of 64. Frank was a valued member of the IFA community and regularly attended the annual factoring conference with his family. Frank is survived by his devoted wife of 42 years, Elizabeth "Betty" Baker and their son and daughter, as well as a sister, brother, and granddaughter.

Orange Commercial Credit Reaches 40-Year Milestone

Orange Commercial Credit (OCC) is celebrating its 40th anniversary in the factoring industry. Launched in 1979 with a singular mission to understand client challenges, solve problems and provide capital to contribute to client success, the firm has posted steady growth year after year. They have grown to offer invoice factoring to clients across all segments of the logistics and transportation industry including trucking, marine and rail. They have also expanded their industry specialization into the staffing, oilfield services, manufacturing, consumer electronics, and building maintenance sectors.

"Our exclusive focus has always been factoring," said founder Tony Kinninger. "Our longevity demonstrates that professionalism, knowledge, understanding and responsiveness are what clients appreciate."

OCC has a long client track record—their current oldest client has been with the firm since 1998 and one of their largest clients began working with them in 1999. "Clients stay with us on average five years, while many have been with us more than ten...What's more, 40 percent of OCC's new business comes from existing client referrals" Kinninger said.

NEWS

OCC has developed an advanced technology platform that enables most clients to receive funding daily. The firm has also been successful in spotting payment trends and positioning their factoring offering in the most competitive way possible while remaining true to their customer service mission.

OCC has several new systems and

technologies in development that will further enhance its ability to better serve clients. Their recently updated website is helping new and existing clients easily find and access their services in the new year. In 2019, they will implement DocuSign and offer an online application that will make setup and onboarding easier for new clients. The firm also plans to expand into new industries in the future and is hiring for new positions in Olympia.

INDUSTRY TRANSACTIONS

Bibby Provides \$15MM in Funding to 8 Clients During Winter 2019

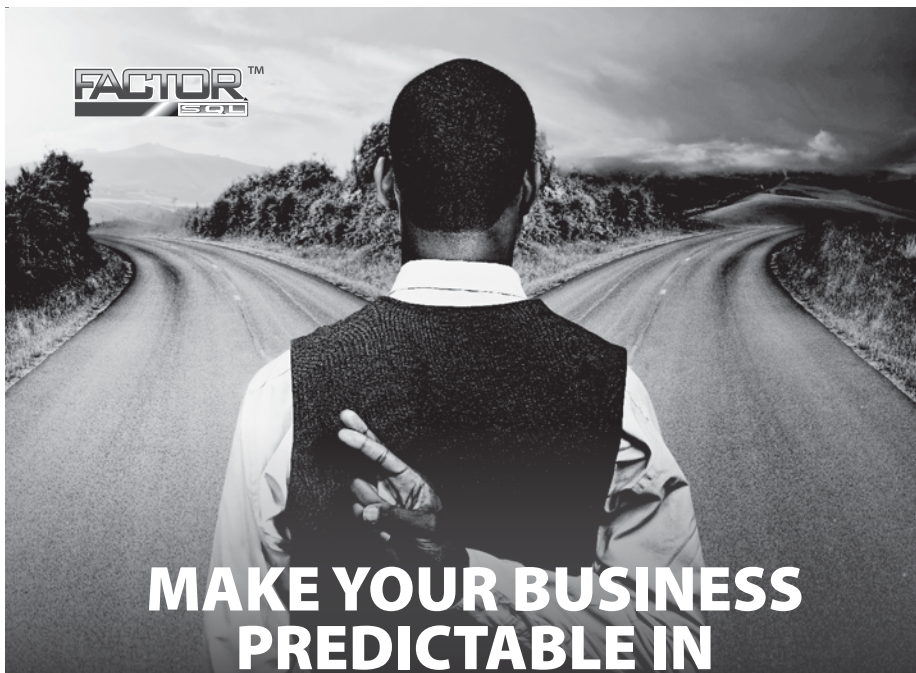
Bibby Financial Services closed \$15 million in funding transactions over the course of winter 2019.

Below are summaries of each transaction:

- \$250,000 in funding for a Florida transportation company to hire more drivers and expand its operations
- \$10 million ABL line to a California manufacturing company to pay down debt and further grow its sales
- \$1.25 million factoring facility for a California wholesale/distribution company to expand its sales team needed to grow the business
- \$250,000 in funding for a Texas trucking startup to increase its freight volume and add capacity by way of additional owner-operators
- \$1.85 million in funding to a Toronto agricultural company to cover the upfront costs associated with harvesting and hauling grain
- \$750,000 in funding for a Toronto transportation company to expand operations and grow the business
- \$400,000 to a Toronto transportation company to lease additional trucks to keep up with demand and serve more customers
- \$250,000 in funding for a Quebec transportation company for day to day operations

Crestmark Provides \$15.1MM+ in Commercial Financing to 58 Businesses in the Second Half of February

Crestmark secured a total of \$1.7 million in ABL financial solutions for five new clients; Crestmark Equipment Finance provided \$1.829207 million in two new lease transactions; Crestmark Vendor Finance provided \$5.074866 million in 48 new lease transactions; and the Government Guaranteed Lending Division provided \$6.55 million in financing for three new clients in the second half of February.



MAKE YOUR BUSINESS PREDICTABLE IN UNPREDICTABLE TIMES

Are you standing at a crossroads, and looking at an unpredictable future?

As market volatility peaks, factoring businesses find it extremely challenging to mitigate the ever-rising risks, consistently ensure regulatory compliance and meet customer expectations while growing revenue and improving margins. Choose the right technology solution with proven capabilities that provides you the edge to stay competitive.

3i Infotech's Factor/SQL®, a SOX (Sarbanes Oxley) compliant and pioneering factoring solution, provides the much needed control over all your operations - be it portfolio management, risk analysis, commission tracking and investor activity monitoring to optimize your returns. Factor/SQL® is an ideal partner to comprehensively provide sharper visibility into transactions, enhance customer service, improve decision making and grow your profitability.



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Crestmark's asset-based lending division:

- \$50,000 accounts receivable purchase facility to a trucking company in Kentucky for working capital purposes
- \$150,000 accounts receivable purchase facility to a startup trucking company in Kentucky for working capital purposes
- \$350,000 accounts receivable purchase facility to a startup trucking company in Kentucky for working capital purposes
- \$1 million ledgered line of credit facility to a distributor of outdoor cooking equipment in Georgia to pay off an existing lender and for working capital purposes

- \$150,000 accounts receivable purchase facility to a trucking company in North Carolina for working capital purposes

Crestmark Equipment Finance:

- \$775,281 new lease transaction with a fitness club in the northeastern US for capital equipment
- \$1,053,926 million new lease transaction with a software and IT company in the midwestern US for IT equipment

Crestmark Vendor Finance funded \$5.074866 million in 48 transactions in the second half of February.

The Government Guaranteed Lending Division:

- \$3.4 million USDA Business & Industry (B & I) loan facility to a solar energy developer in Texas to provide permanent debt for a 14.263 MW DC solar farm, which has a utility company as the offtaker

ALL CHAPTERS

April 3

4:00pm-5:30pm

**Chapter Meeting & Reception
IFA Annual Conference**

Manchester Grand Hyatt
San Diego, CA

CANADA CHAPTER EVENTS

May 7

**PO Funding & ABL—
Financial Products**

June 4

Crossborder Issues—Legal

August

TBA

**Summer Gathering— Golf at
Angus Glenn**

Meetings Location:

Mississauga Living Arts Centre
Scotia McLeod Room
4141 Living Arts Drive
Mississauga ON L5B 4B8

For more information, call
Oscar Rombolà at (905) 603-6284
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- \$150,000 SBA 7(a) term loan facility to a financial advisory firm in California for working capital purposes
- \$3 million USDA B & I loan facility to a solar energy developer in Texas to provide permanent debt for a 14.263 MW DC solar farm, which has a utility company as the offtaker

Utica Leaseco Completes Four Capital Lease Transactions Totaling \$6MM+

- \$2.5 million secured by machinery and equipment to a chemical process-

ing company located in California to expand operations

- \$1.75 million secured by machinery and equipment to an electric car manufacturer in southern California for working capital to continue operations
- \$1.625 million secured by distillery equipment to a company in Kentucky to grow operations and build their brand
- \$200,000 for an existing Utica customer, operating within the logging industry, to purchase new equipment and expand their daily operations

Allied Closes \$3MM Financing for Texas-Based Oil & Gas Company

Allied Affiliated Funding recently closed \$3 million in receivables financing for a Texas-based oil and gas company.

The company distributes pipe, valves, fittings and engineered products to the mid-stream energy sector and primarily focuses on energy and petrochemical companies.

With the gas growth in 2018, the company continued to build its customer base and revenue. After primarily being self-financed, the company needed funding.

Allied offered the company an accounts receivable facility with a limited, validity-only guaranty.

The company plans to only factor enough invoices for needed working capital.

The funding will help the company take on new orders.

PERSONNEL

Crestmark Promotes Christopher Soupal to Executive Vice President, President of Government Guaranteed Lending Division

Crestmark president Mick Goik announced the promotion of Christopher Soupal to Crestmark executive vice president and Government Guaranteed Lending Division president.

Christopher joined Crestmark in January 2014 as national sales director, and was responsible for helping to launch the division, formerly named Crestmark's SBA Lending Division, that

same year. In 2015, he was promoted to first vice president; and in 2016, he was named senior vice president. While acting as national sales director, the division grew from its de novo launch to funding over \$300 million in 2018. The division also became a Top 50 SBA lender and a top three USDA lender nationally; and grew from two employees to its current staff of 26.

White Oak Names Evan Zwerman Director of Originations, ABL Division

White Oak Commercial Finance has appointed Evan Zwerman as director of originations for the firm's asset-based lending division. He will be based in New York.

Evan joins from MB Financial Bank, where as vice president and business development officer for MB Business Capital he was responsible for sourcing, originating and structuring middle-market ABL transactions ranging in size from \$5 million to \$50 million.

"Evan's extensive experience in auditing, loan portfolio management and originations in asset-based lending will allow him to make immediate, value-additive contributions to our team," said David Montiel, managing director and head of originations for White Oak Commercial Finance. "We are excited to welcome Evan as we continue the strong progress we made last year in building out our ABL division."

Kevin Pearce Joins North Mill Capital as SVP

Kevin Pearce has become a part of the North Mill team as Senior Vice President. Kevin resides in Chandler, Arizona, and will be responsible for business development.

Kevin brings over 30 years of experience in asset-based lending, commercial finance and specialty lending.

TradeCap Partners Names Jay Burchfield VP Operations and Portfolio Management

Jay Burchfield has joined TradeCap Partners as vice president and will be responsible for managing TradeCap's operations and portfolio. •

NORTHEAST CHAPTER EVENTS

April 3

4:00pm-5:30pm

Chapter Meeting & Reception

IFA Annual Conference
Manchester Grand Hyatt-San Diego, CA

April 9

**9:00am Breakfast,
10:00am Presentation**

Northern NJ Networking Breakfast & Presentation

Topic: New Lending Bill for New Jersey

Presented By: Richard Simon, Esq.-Mandelbaum Salsburg, P.C.
Trattoria Rosa Bianca-Yardley, PA

For more information, call Harvey Gross at (732) 672-8410 or hgross4@verizon.net or visit www.ifanortheast.org

MIDWEST CHAPTER EVENTS

Events TBA

For information on upcoming events, contact:
Robert Meyers
IFA Midwest Chapter President
Republic Business Credit, LLC
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- 4/3** Factoring Essentials Training Class
Manchester Grand Hyatt, San Diego, CA

- 4/3-6** Annual Factoring Conference
Manchester Grand Hyatt, San Diego, CA

- 5/15** Chasing Account Debtors
All Over the Country
Webinar - 1pm - 2pm PDT

- 6/17-18** The Law & Business of
Factoring Training Class
Planet Hollywood,
Las Vegas, NV

- 6/20-21** AE-LO Training Class
Planet Hollywood,
Las Vegas, NV

- 7/25-26** Sales & Marketing
Training Class
Planet Hollywood,
Las Vegas, NV

- 9/4-6** Transportation Factoring Meeting
The Driskill, Austin, TX

- 10/17-18** Transportation AE Training Class
Planet Hollywood, Las Vegas, NV

- 10/21-22** Supply Chain Finance Training Class
Planet Hollywood, Las Vegas, NV

- 10/24-25** Strategic Thoughts Training Class: What's
Next For Your Factoring Company in Today's Market?
Planet Hollywood, Las Vegas, NV



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The IFA offers CLE credits for upcoming programs. For information on approved programs and states, please contact Heather Villa at info@factoring.org or 805-773-0011 ext. 301.



These training courses have been approved for CAEF credits. For information on approved programs and courses, please contact Terri Baker at 805-773-0011, ext 303.



The International Factoring Association is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website, www.learningmarket.org.

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APRIL 2019





AmyK Hutchens is a speaker, author, trainer, and business strategist who has helped thousands of executives around the world harness the power of behavioral science, critical thinking and communication to ignite brilliance in their culture.

Ignite Brilliance in Your Culture One Conversation at a Time

Here are some of her strategies for leaders who want to create a more engaging company culture, attract and retain top talent, and keep the quality of their interactions high while experiencing growth. For more of her wisdom, make sure to attend AmyK's talk at the IFA's 25th annual factoring conference.

QUALITY HAPPENS ONE CONVERSATION AT A TIME.

Communication is crucial for leaders and it is critical to your culture and it all happens one conversation at a time. The quality of your leadership, the quality of your culture, the quality of your sales, the quality of your relationships with your customers and clients is all happening one conversation at a time. The quality of these relationships is a direct reflection of the quality of your conversations.

ASK "HOW MIGHT WE...?"

One magical phrase that I just love is "how might we...?". When you're talking to a prospect, simply asking "how might we ensure that you get the cash-flow you need today in order to grow your business?" engages them to solve the problem with you. When you're talking to your team, asking "how might we move the company forward faster?" gets them to buy in to a co-created future that's better.

ANNUAL CONFERENCE ISSUE

APRIL 2019

SET YOUR PEOPLE UP FOR SUCCESS.

Your number one job as a leader is to set your people up for success. Make sure that they have the tools and the resources that they need to be successful.

HARNESS THE COLLECTIVE INTELLIGENCE IN THE ROOM.

A lot of times, leaders will take responsibility and say "I have to solve this myself." And that's a really heavy burden to carry. If they pass a little bit of that burden onto their people—in a positive way—meaning, "I'm going to share the responsibility. I want your ideas. I want you invested. I want you to know that you've got a meaningful role to play." People actually love that because it's more inclusive. Leaders who make their people feel respected and accepted and worthy of the role that they're in start to breed a really high-performing culture.

DEFINE YOUR CORE VALUES.

One of the mistakes that leaders make is they spend a lot of time getting a mission, a vision and core values, but they don't take it one step further to say "what does that look like and sound like inside our company? What do we see people doing? What do we hear people saying?"

CULTURE DOESN'T STOP AT THE FRONT DOOR.

The second mistake that we make is we think our culture stops at the front door and it doesn't. What does our culture look like outside of our organization? What does it look like when we play in the community? What does it look like when we talk about our company?

MONEY IS JUST ONE MOTIVATOR.

People want to work in a place where they feel they can contribute and they are respected. The number one reason that people quit their jobs is because they don't like their boss, but what we fail to realize underneath that is that I don't like my boss because I don't like the way that I feel about myself when I'm with this person. Why we're really quitting is because we feel disrespected.

Make sure that people understand the values and the culture and that it's aligned with theirs.

START WITH STRENGTHS.

Feedback is enormous and it's usually done incorrectly. One of the best things you can do is start with strengths and what's working and include your employees. What are some of their ideas for playing better? What can they do more of so that they can co-create the behavior change? Adults hate to be told. They love to be asked.

EVERY GENERATION BRINGS SOLUTIONS.

Every single generation brings challenges; every single generation brings solutions. Each generation just does it differently. Leaders who learn how to adapt and include every single generation are the ones who drive their businesses forward faster.

If you have a generation of traditionalists in the workplace and they're starting to feel obsolete, then that's on the leader to go back and say, "you have a ton of wisdom and experience and we need to capitalize on that." If you have millennials in the workplace and

you don't "get how they work," then you need to stop and say "how does this generation think? What is their perspective?"

FLEXIBILITY IN SCHEDULING GIVES YOU A COMPETITIVE ADVANTAGE.

There's a lot more flexibility now and it isn't just millennials who are demanding it. It has forced leaders to focus on outcome. Are the deliverables being met? Are the deliverables being exceeded? If the deliverables are met and exceeded, does it really matter if your employees need to go to a soccer game or a doctor's appointment? No, it doesn't. It doesn't mean that we are any less competitive than we were before. In fact, if anything, we are more competitive.

INVEST IN MILLENNIALS.

If you want to recruit a millennial, you have to show them that you're going to invest in them. A lot of old guard leaders are like "I don't want to invest in them. They're going to be gone in two years." You can't have that attitude. You need to maximize the time they are with you.

TUNE OUT THE NOISE.

There's a plethora of information now that's readily available on the internet that just wasn't there when I started 28 years ago. There are incredible resources and information. There is also a lot of noise so you have to be careful about being caught up in a trendy topic that isn't helpful such as millennial bashing. That's a really trendy thing to do but those that are competing respectably and profitably aren't doing it.

COLLABORATE AND ADMIT WHEN YOU DON'T HAVE THE ANSWER.

Over time, we've gotten away from a rigid hierarchical structure and now we're more collaborative. We're more open-minded to gathering ideas and to gathering alternative perspectives and realizing that we may not have the answer and if we partner or collaborate we will be much better problem solvers.

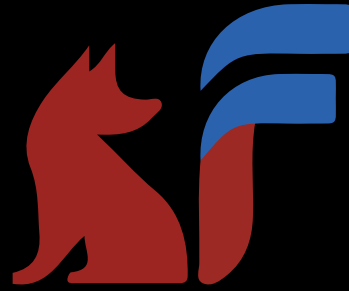
I think that leaders are more comfortable saying that they don't know the answer but they're going to find out or they're going to pull together the right people and they're going to facilitate that.

ASK MORE QUESTIONS.

I wish leaders would ask more questions and ask more of that magical phrase "how might we...?". I think that "how might we...?" are truly some of the most magical words for problem solving because they invoke possibility and "might" means we don't need to have one indoctrinated answer and we don't have to be right. We're exploring possibilities.

DON'T WING TOUGH CONVERSATIONS.

Stop winging the tough conversations. I believe that leaders are in their positions for a reason. They are clearly successful and bright and they are carrying the burden of an enormous responsibility because they are clearly capable. What leaders will sometimes do is they will walk into a tough conversation and since most of the time they go well, they will just wing the next one. But I think that when a leader stops and says "this could be a really tough conversation" and they prepare for that and they turn a tough conversation into a profitable one, they end up meeting and exceeding their goals faster. •



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Structuring and Capitalizing Your Finance Company

The factoring and asset-based lending business is highly entrepreneurial. This industry routinely finances start-ups and business with stories, and the players are constantly innovating in order to compete with each other for deals. In addition, the industry, for the most part, is unregulated (although that's changing fast).

Assuming you have the capital, it's fairly easy to start up your own factoring/ABL company. This is done all the time and is one of the appealing aspects about the industry. This article will focus on some issues and ideas to consider when starting up a factoring/ABL company. The perspective here will be directed towards the person forming the new company, but the principles can be taken and adopted to the point of view of other constituents doing business with the start-up factoring/ABL, whether as a shareholder, member, investor, lender, or participant.

The initial question will be the form of the entity and the state where the business is organized. Usually, the entity will either be a corporation or limited liability company, depending on the owner's(s') tax and financial situation. The same goes for the state of organization. Most folks organize the business in their, or often their counsel's, home state. But, there are considerations for organizing in states other than your residence. Delaware and its business-friendly climate is a common choice, but there are other states which also warrant consideration since they have laws/processes that are particularly useful in the factoring/ABL industry. Sometimes you can organize in one state, but use the law of a different state. Texas has non-uniform provision in

the UCC and a section in its financing code which basically gives statutory support for the designation of a transaction as a "true sale." Utah allows for unlimited interest in business deals. New York has easy confession of judgment rules. Bear in mind that Section 1-301 of the UCC, which addresses choice of law for contracts, requires, in part, a reasonable relation to the state whose law is chosen. Therefore, if you pick a friendly state for your contracts, you will likely need to have some form of presence in your chosen state.

After choosing the state of organization and law for your contracts, the next consideration will be the equity capitalization. Every business requires the owner to invest their own capital. The first issue is, where is the money coming from? Is it solely from the owner? If there is more than one owner, what is the percentage contribution? Does one

person, who may be putting in less money, have a particular expertise that the other does not? The parties will need to determine their governance rights and specifically lay out how the company will be run. One issue that frequently arises is what happens upon the death or disability of a partner. There are many stories of successful factoring/ABL groups who have terminated the business, sold or split up, because of the death of an owner and the lack of a workable succession plan. The buyout of the decedent's interest should be addressed upfront and, if necessary, key person life insurance policies be put in place. Often, equity is raised by those who are not directly working in the business. Thus, there will be issues of securities law that must be addressed, but are beyond the scope of this article. Additionally, factors and ABL companies are often financed by outside institutional investors such as family offices or hedge funds. Special consideration



Steven N. Kurtz, Esq. has represented factors, banks, and asset-based lenders on a continuous basis since 1987, and he is the co-general Counsel to the IFA. A founding partner of Levinson Arshonsky & Kurtz, with offices in California and Oklahoma, he practices in the areas of commercial law, insolvency, workouts, loan documentation and trade finance, in both transactions and litigation matters. He can be reached by phone at 818-382-3434 or by email at skurtz@laklawyers.com.

must be taken here. Outside equity folks need a return on their capital. Attention must be given to how the outside equity investors are handled. A specific buyout should be negotiated in advance. Otherwise, there is a risk that the outside equity investors will cause a sale of the business in order to realize a return on their investment, while the operating owners prefer to keep the business going.

Often, the equity investors want to structure the capital contributions as loans. This is frequently the case for the investors who are friends and family. This is often treated as sub-debt, because the outside lenders, who are not friends and family, will consider these friends and family loans to be more like equity and will want the sub-debt treated as such. This means that the sub-debt lenders will be required to enter into intercreditor agreements with the main business lender, which often subordinates the sub-debt and any liens granted to the sub-debt to the interests of the main business lender. There will often be standstill provisions which prohibit the sub-debt holder from taking steps to enforce claims during any time in which obligations to the lender are outstanding. But, there are many non-friends and family sub-debt deals where the lenders are comfortable with being in a junior position, but will still insist upon payment and collateral rights. When this happens, the intercreditor arrangements between the sub-debt and senior lenders can be interesting, the terms of which will depend on the deal and negotiating power of the various parties. When there is institutional or non-friends and family sub-debt, there will often be equity and conversion pieces, or options or warrants which kick in during specified events, such as a sale, further equity raise, or other triggering event.

Most factors and ABL companies incur debt as a borrower. This is a

necessity in order to be able to do deals beyond the equity invested. These loans can be highly leveraged with the ability to do at least three times your equity in loans, and often more, depending on the strength and history of the company coupled with the appetite of the lender and who's competing for the deal. The two most common lending structures to a factor or ABL company is a rediscount line, or a refactoring line

for a factor. A rediscount line is basically a revolving accounts receivable financing arrangement. A refactoring line is similar to a rediscount line, but is structured as a sale of the accounts, instead of loan against eligible accounts. Sometimes, a refactoring line will work in conjunction with a rediscount line. When this happens, the refactor will not be advancing money against the accounts. Rather, the refactor

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structures the transaction as a true sale of accounts, issues credit guarantees on the eligible accounts, and assumes the economic risk if the eligible account fails to pay due to an insolvency event (a defined term in the agreement). The refactor then purchases the account by paying the amount of the account less certain fees usually to the rediscount lender. When the rediscount lender works with the non-advancing refactor, the factor company who is the borrower typically has more eligibility and flexibility in its financing line.

The key to consider in choosing the rediscount lender, or refactor, is the strength of the rediscount lender/refactor. The potential factoring/ABL company borrower will want to know the rediscount lender/refactor's track record in the business. One wants to look for a rediscount lender/refactor who is experienced, and has successfully done transactions in a down economy. There are too many instances of the rediscount lender/refactor getting nervous and finding reasons to terminate a deal because things have gotten complicated. There are also instances of the rediscount lender/refactor having its own problems, which then caused their factoring/ABL borrowers problems. A prominent player in this space caused this exact problem before it filed for its own chapter 11, harming some very good companies who were guilty of the crime of loyalty. Bottom line, look for a rediscount lender/refactor with substantial experience, who has operated in a down market, and ask for and check on references.

A common way to provide extra financial power to your company is through a participation agreement. The advantages of a participation agreement is that it's temporary,

limited to one or more particular deals, and allows you to spread the risk while still keeping a deal that, otherwise, may be too large or undesirable to handle on your own. There are professional participation groups in the marketplace. There are also factors and ABL companies who are willing to participate with other like-minded companies. The advantage with a professional participant is that this kind of player is typically available on short notice and should be able and ready to easily deploy funds to your deal. The issue with a professional participant business is that this kind of transaction should be looked at by the lead as a loan. The key issue is how the standard of care in the participation agreement is defined. Every participation agreement will require the lead to adhere to a standard of care. The stricter the standard of care, the more the transaction looks like a full recourse loan. The non-professional participation player, who is a fellow factor or ABL company, is usually more lenient in the standard of care, with the standard typically being the same level of care you treat all of your deals (which is actually vague). A professional participant will likely have a strict standard of care. The issue for the non-professional participation partner will be the compatibility of the players. Do the main individuals get along? One would be surprised at the number of these deals arranged over drinks at the IFA Conference or Senior Executive Meeting. Notwithstanding the person who is the participant, the participant will likely want the lead's lender to honor the participant's interest in the participated transactions. The participant should take a security interest in its participation and perfect the lien. This is because the transaction is likely

governed by Article 9 of the UCC as a sale of accounts.

If the person wanting to start up the factoring/ABL company does not have enough capital for the volume of deals to be put on, or does not want to deal with a lender, one can always consider a private label arrangement with a larger factoring/ABL company. A private label transaction generally provides that the private label operator will source the deals, present the deal to its private label factoring/ABL company, and if the deal is approved, then it is documented on the private label operator's agreements, and managed by the larger factoring/ABL company. Some, but not all, private label deals require that the private label operator have some of its capital in the deal and act as the participant in a participation with the private label operator as the lead. A typical private label deal allows the private label company to operate independently, and find deals without being bogged down with the back office details. Some of the most successful players in the factoring/ABL industry are in the private label business—on both sides.

There are several different options for structuring and financing your company. Most, if not all, of these options are dictated by the market and the economy. There has been a lot of activity in the factoring/ABL space. Companies have sold or merged and start-ups have arisen. That is one of the good things about this industry. It truly is an entrepreneurial business able to provide financing services to other entrepreneurs. Hopefully, the information here can provide some guidance in structuring and financing your entity. •

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Protect Your Crown Jewels

Cyber crime is a growing threat to every industry, and factors are no exception. How can you protect yourself and your business? For answers, we talked to John Caruthers, 27-year veteran of the FBI who now heads up a team specializing in cyber attacks. For a more detailed account, attend his talk at the IFA's 25th Annual Factoring Conference.



John Caruthers has 27 years of FBI experience specializing in complex cyber investigations, protection of critical infrastructure, incident response, interrogation expertise, crimes against children, white collar crime, and Mexican drug cartels.

Currently, John leads a team of cyber investigators focused on the FBI's mission to protect the country against cyber attack, both domestic and foreign. Under John's guidance, his team has positively affected diplomatic relations between the US and foreign adversaries. In addition, he is responsible for furthering the FBI's partnership efforts with the private sector across the globe. To enhance his partnering efforts, John is frequently selected to provide keynote presentations, BOD discussions, and threat awareness briefings (both UNCLASSIFIED and CLASSIFIED) to industry.

John has been recognized for his leadership abilities on multiple occasions (FBI Director - Leadership Award(s)) and currently maintains 2 GIAC certifications (GISF and GSLC).

"Cyber is the new organized crime," John explains. Criminals are going online more than ever. "It's safer, it's not face to face, and there's no threat of confrontation because you're committing the crime from six thousand miles away. It's also a lot more lucrative."

CYBER CRIME IS SOCIAL ENGINEERING, NOT JUST HACKING.

Much of what gets called "cyber crime" is socially engineered fraud that happens to use emails and websites. Cyber criminals can exploit the people who work for you and the processes your company follows without any sophisticated hacking.

For example, John warns about business email compromise (BEC), where a spoofed email that looks to be from the CEO is sent to someone in accounts payable with wiring instructions. Staff often follow these instructions without question, afraid to bother executives to verify the payment. John calls this "bad process, bad policy."

"When I speak to audiences about BEC and ask why they didn't make that phone call, they say 'You wouldn't believe how many transfers we do a day and my CFO is not going to field fifteen phone calls a day.' I get that, but still, there needs to be some kind of authentication or a policy change because this is literally billions of dollars in losses."

Spear phishing is another common form of cyber attack that you and your staff need to be alert to. As John explains, "You get an email that you believe to be from somebody that you know and you click on a link and it turns out that it wasn't from somebody you know and that link has installed malware. That's spear phishing in a nutshell. That's how the majority of all cyber crime is initiated."

"A lot of this is social engineering. The FBI investigates BEC as a cyber crime because we have to throw it in some bucket, have some violation to attach it to so we can investigate it. My feeling is that it's not a cyber crime; it's a social engineering fraud. It's a violation of trust. The majority of cyber crime we investigate that people fall victim to is initiated with a spear phish."

Once cyber criminals have access to your network and data, the damage may already be done. At that point, the best you can do is minimize it. That is why education and prevention are so vital.

HAVE A PLAN TO PROTECT YOUR CROWN JEWEL BEFORE THE WORST HAPPENS.

Waiting until after you are the victim of a cyber attack is too late. Once you lose your data or money, it has likely disappeared for good. The global nature of cyber crime also makes justice harder to pursue.

"Eastern Europe is going to be responsible for the majority

of financially motivated cyber crime, like Russia and Ukraine,” John says. “We are not going to be able to put handcuffs on the majority of these cyber criminals. They’re coming from overseas and safe havens—from countries where we’re never going to be able to get our hands on them.”

In his briefings, John explains the tenants of security are “people, process, technology.” You need a plan for what to do when an attack happens, and policies that help prevent attacks.

But above all, your focus should be on what John calls “protecting your crown jewel.”

“Every company needs to know what is their crown jewel. What do you have in your company that if you lost could ruin you? For a biotech company, that’s probably going to be intellectual property. For a healthcare provider, it’s going to be protected health information. For banks, it’s people’s financial data. There are different crown jewels for different industries.”

John’s advice is to keep your crown jewel in mind and ask yourself:

- *What security measures do we have in place?*
- *Do we have consent to monitor our employees within our company?*
- *When our employees log on to our network, are they getting a banner that says this computer belongs to the company, not them?*

“You need to identify your crown jewel, and a lot of companies haven’t even gotten to that point. They haven’t formally recognized what it is that they need to protect. If you can identify that, you need to do whatever it takes to protect it,” John emphasizes.

“We focused for so long on protecting our networks, and that is important... but really what you need to protect is the data. If the bad guy or the threat group wants to

get in your network, they’re going to get in. If you can, at least have your data encrypted both at rest and on the fly so your data is protected to where it’s not going to kill you if it gets stolen.”

EDUCATE YOUR GENERAL COUNSEL.

Your cyber security plan needs to include your legal team being up to date on cyber threats and how they can work with law enforcement when you are attacked.

When responding to incidents, John’s team often runs into road-blocks. “We get a lot of companies when we go out for incident response where general counsel just isn’t aware of the severity of the cyber threat so a lot of our asks get denied.” These delays can give cyber crooks the time they need to make a clean getaway.

To help get lawyers on the same page, John has set up an Executive Briefing Series to educate law firms on cyber counterintelligence and how to work with the FBI to solve crimes. This program is available in San Diego where John is based, though he hopes to spread it regionally.

“For a lot of people, all they know about the FBI is what they read on Twitter, which is not always the best. Anything I can do to establish some level of comfort with the public and the industry to convey the message that we truly are here for them and the American people, then that’s a win.”

At the minimum, John recommends your general counsel familiarize themselves with the FBI’s Internet Crime Complaint Center at www.ic3.gov. If you catch a BEC quickly enough—usually within a day or two—and immediately report it through the IC3 website, they may be able to automatically initiate a financial kill chain to recover your funds.

TAKE CYBER SECURITY SERIOUSLY.

Start by ensuring basic counter-measures are in place, like running anti-virus software on your network, logging and monitoring employee activity on work computers, encrypting valuable data, and enabling two-factor authentication.

These basic steps can go a long way. In John’s word, “If something bad does happen, can the incident response team come in and monitor the situation? Are you logging web access? There’s all kinds of logging that can be turned on that sometimes, by default, isn’t.”

John also cautions that privacy should not be our only concern, but also data integrity.

“We’re really focused on privacy, as we should be, but we’re almost hyper-focused on it. If you think of your blood type being on record, does it really matter if you know my blood type? Probably not. But if you could change my blood type record, that would be a pretty serious issue. That’s the difference between data integrity and privacy.”

EDUCATE YOUR STAFF.

No amount of technological precautions will save you if your employees can be tricked into believing a fake email came from the CEO, clicking the wrong links, or opening attachments that inject malware. Teach your staff to practice good cyber hygiene that will keep them safe at work and at home.

This culture shift needs to begin with leadership so employees have role models. As John says, “A lot of that starts at the top, and we brief boards of directors all the time.” John admits getting the “old guard” to buy into cyber security culture can be a “slow thaw”, but more are seeing its value as the realities of cyber crime become better known.

Continued on page 30



The Power of Strategic Networking and Trusted Relationships to Create Referrals

“I think it’s all about engaging audiences when you’re training. Engagement is such a huge element for success in organizations, being able to engage. That’s what drama is all about.”



Paula Hope is a certified referral marketing coach, adult education specialist, and author of *Stop The Saboteurs: Conquer Negative*

Thoughts that Hurt Your Revenue and Your Brand and the soon to be released *Your Personal Marketing Playbook*. She’s also a longtime member of the IFA and a speaker at the 25th annual factoring conference. Before she began educating conference attendees, she learned to engage audiences while studying for a master’s in medieval drama. Paula applies the lessons of her drama school days to her work coaching companies to harness the power of strategic networking and referral marketing.

Drama, like marketing, is also about storytelling. Once you get the attention of your audience, you need a compelling story to keep them hooked. Paula teaches companies about the importance of tapping into their networks and leveraging their relationships to grow their business. The first step is to tell a good story. Whether that’s a candid conversation over a cup of coffee with another factoring professional or an educational article sent to a peer in a networking group, those are both powerful opportunities to engage with potential referral sources. When you tell a personal story or use content marketing to educate others about your business, you’re offering potential referral sources something they can share with their network. The more tools

you can give to your referral sources, the more equipped they will be to help grow your business. There are a variety of useful tools: blogs, magazine articles, e-newsletters, email blasts, educational events, case studies; then there’s good old-fashioned conversation.

Paula explains how to use this casual approach: “When you’re talking about your ideal client, you want to be telling a story.” For example, “My ideal client is really worried right now because they’ve got payroll on Friday and they don’t know how they’re going to make it happen. They don’t want their wife to know that things are really tight. They don’t want their friends to know. They don’t know where to turn. Who do you know who is in this situation?”



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Please give them my card and let them know that I might be able to help them.”

This simple referral marketing strategy is a classic because “Everyone has relationships. Everyone has that asset. Think of it as asset that you can use to respectfully and authentically grow business. You’re not going out and selling to anybody. You’re working with strategic members of your network to grow business together.”

Paula advises her clients to join (at least) three strategically chosen networking groups. “Your network is your net worth.” Her network led her to her work with factoring companies and her involvement with the IFA. Opportunities to connect with other professionals are vital. “If you learn how to create a network that is really responsive, your best referral sources could be other members of the network.”

Referrals are one of oldest and most effective methods to grow a business and yet few companies dedicate the required time, attention, and resources to train their employees in strategic networking and referral marketing strategies. While business owners’ often underestimate the impact of referral marketing, Paula believes in the power of referrals to change the world. Years ago, the Bank of Canada introduced the company Paula was working for at the time to Staples Europe and overnight her title changed from VP, Canada to VP, Global. One referral saved a plant from closing and prevented 50 people in Ireland from losing their jobs. That moment made Paula a true believer. “I’m absolutely fascinated with the fact that by transfer of trust you can change a whole business. When someone transfers a piece of their reputation to you or

to your company, so many incredible things can happen just because somebody has given a referral.”

Trust is the key to lasting relationships and trusted relationships are the number one source of referrals. Your next trusted relationship and referral source could be waiting for you to start a conversation at the annual IFA conference. Paula believes networking events and educational opportunities like the annual IFA conference are “very important because other factors, in my experience, are really important referral sources and they could be doing a lot of qualifying—and they probably are doing more qualifying than most of the other referral sources. How good is that? Right at the conference, you’re creating relationships that can be creating referrals for you. “So, be nice to people at the conference!”, she jokes.

Creating and maintaining quality relationships is a valuable skill in life and in business. Knowing how to build a plan around your relationships to leverage them for mutual growth is priceless. Paula works with individuals to develop short and long-term personal marketing plans. Referral marketing plans may range from 90 days to one year and may consist of between 10 to 22 components.

“The plan is by individual, because everyone has different relationships and different opportunities for leveraging their relationships, but they have more opportunities for leveraging their relationships if they’re trained in referral marketing or relationship marketing. If they’re trained and they have a plan, they can expect a surprising increase in business. Everybody has social capital, but they don’t know how to leverage it for business.”

To maximize the potential of relationships to generate referrals, companies must first recognize how they are under-utilizing referrals and then train their teams in referral marketing, provide the necessary tools and encourage networking activities. Relationships can be built online as well as in person but don’t assume that an online contact will automatically turn into a referral source. You have to put in the time to build trust. Educating your clients and business associates is also important because potential referral sources who understand your business will be better able to help grow your business. Paula urges factors to expect more from knowledgeable referral sources. “Referral sources can really help them with pitfalls and to set them up well for the first meeting.”

Helping others be at their best is a mission Paula takes seriously and she believes factoring has a similar purpose: “with factoring, it’s all about tapping the full potential of a business owner. I just love that it’s a tool that is available.” Let people in your network know that such a valuable tool exists and how to use it and referrals will find their way to you.

Paula’s parting words are: “Relationships have always been the most powerful method for growing business, so we need to tap into that. Relationships are your biggest asset and learning how to really leverage your relationships is an opportunity that most people don’t take advantage of.”

Attendees of the IFA’s 25th annual factoring conference have a rare opportunity to hear from one of the top referral marketing experts in the world and participate in a mini-planning session and learn about the profile of the ideal salesperson for factoring. •



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American Factoring Association: 10-Year Anniversary

BY ALLEN E. FREDERIC, JR., CO-FOUNDER OF REPUBLIC BUSINESS CREDIT AND CURRENT PRESIDENT OF THE AFA

History of the AFA

The American Factoring Association was founded in 2009 to promote the factoring industry. It was established as the education and advocacy arm of the International Factoring Association to help navigate the legislative and regulatory environment. Since the IFA is not a 501C4, the AFA was founded to represent the membership of the IFA. Prior to 2009, the IFA never had an advocacy group but given the wide discussion of "regulating 'shadow banking,'" particularly calls to regulate specialty finance companies, the AFA came into existence.

Dodd-Frank Legislation

The Dodd Frank Act was passed by Congress and signed into law in 2010. It was designed, in part, to put greater curbs on commercial banks in light of the financial crisis of 2008. While factors were not specifically targeted, many in our industry were worried about the unintended consequences of this far-reaching legislation.

Dodd Frank is 848 pages long, considerably longer than the Federal Reserve Act of 1913 which was only 32 pages or the Glass-Steagall Act which was 37 pages. One obscure provision of Dodd-Frank is Section 1071 which provides that the

Consumer Financial Protection Bureau (CFPB) is directed to instruct all lenders to small businesses to submit detailed information on the race and gender of those seeking credit from the lender. Many in the factoring industry are concerned that the CFPB might incorrectly deem factors to be lenders covered by Section 1071. If it were to do so, factoring would suddenly be hit with a major increase in record-keeping duties.

Under the current Administration, the CFPB has been less aggressive; however, administrations change, and the CFPB will live on. Hence, the AFA must continue to monitor the actions of the CFPB as it adopts regulations to enforce Section 1071. In late March, our Washington lobbyist, along with the delegation from the AFA Board, has a meeting with the CFPB in the AFA's ongoing effort to convince the CFPB that factoring should not be deemed subject to the recordkeeping requirements for "lenders."

Operation Choke Point

Under the Obama administration, Eric Holder, attorney general directed federal bank regulators to look at the extension of both credit and depository services to certain industries. This led to bank regulators' discouraging banks from doing business with a variety of industries and companies. Understandably, AFA members were concerned that they would have difficulties with their banks. Two IFA members had their checking accounts closed by their respective banks and eventually went out of business. On several occasions, the AFA met with Congressman Blaine Luetkemeyer (R-MO), the then-chairman of the Financial Institutions Subcommittee, who subsequently convened

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a hearing on the matter and thereafter got the FDIC to issue partial retractions and clarification regarding Operation Choke Point.

AFA Lobbying Effort

As part of the AFA lobbying effort, members of the AFA, along with our lobbyist from Jones Walker, visit three times a year with Washington, D.C., lawmakers, agency and executive branch officials. We have called on members of the Senate Banking Committee, House Financial Services Committee and representatives from the FDIC, OCC, Consumer

Financial Protection Bureau and Department of the Treasury. Our efforts are aimed at informing lawmakers as to what factors do and how important factoring is in the financing small business. In the past, individual members have contributed both directly and through PACs to various champions on Capitol Hill and our members have been well received.

Treasury Report

In 2015, the U.S. Treasury contacted the IFA and the AFA and asked for information about factors.

We were able to see their report, make corrections, clarifications and additions which were accepted prior to the report's going to members of Congress. While the report on factoring was for the most part complimentary, the report did target online lending. It cited surveys whereby only 15% of online borrowers seemed satisfied with their experience. In summary, the Treasury report stated the marketplace needed to control online lenders. Once again, factors

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Commercial Finance Group

Commission Express National, Inc.
Diana Luoma—Owner, Sekady Capital
Durham Commercial Capital
Evergreen Working Capital
Far West Capital
FirstLine Funding Group
Lenders Funding, LLC
Match Factors, Inc.
Prime Capital Group, Inc.
Prosperity Funding, Inc.
Rioux Capital
Riviera Finance, LLC
SevenOaks Capital Associates, LLC
SouthStar Capital, LLC
Transport Factoring, Inc.

Silver (\$1,000–\$2,500)

AGR Financial, LLC
Alleon Capital Partners LLC
Amerisource Funding, Inc.
AmeriTrust Capital Corp.
Brookridge Funding
Business Finance Corporation
Capital Solutions Bancorp, LLC
Cash Flow Resources, LLC
Commercial Business Funding Corp
Commercial Finance Consultants
Commonwealth Capital, LLC
Contractors Capital Solutions
Coral Capital Solutions LLC
CV Credit Inc.
David Jencks—Jencks & Jencks, PC
Factor King, LLC
Gateway Commercial Finance
J.O.B.E. Services, Inc.

K.W. Receivables
Levinson, Arshonsky & Kurtz, LLP
QC Capital Solutions
Mazon Associates, Inc.
Michael Ullman—Ullman & Ullman, P.A.
Nationwide Capital Funding, Inc.
New Century Financial
Orange Commercial Credit
Paragon Financial Group
Primary Funding Corporation
Spectrum Commercial Services Company
The Hamilton Group
Viva Capital Funding LLC
Xynergy Healthcare Capital LLC

Bronze (\$500–\$1,000)

Advantage Business Capital
Business to Business Capital Corp.
Camel Financial, Inc.
Concept Financial Group
Entrepreneur Growth Capital
Exchange Capital Corporation
Finance One, Inc.
Firmco Business Funding
Grace Capital Resources, LLC
Greenback Capital
Integrated Logistics & Associates
MarcFunding, LLC

Other (Under \$500)

David B. Tatge, PLLC
FactoringClub
Hawaii Receivables Management, LLC
Plus Funding Group
Stonebridge Financial Services, Inc.
TradeGate Finance, Inc.

WHAT'S NEW AT IFA

APRIL 2019



Our Preferred Vendors have undergone a screening and evaluation process. When you contact the Preferred Vendors, you will need to indicate that you are an IFA member to receive your benefit.

If you offer a good or service to the Factoring Industry and are interested in applying for Preferred Vendor Status, please contact the IFA at 805-773-0011.

ASSOCIATIONS

The following trade associations offer member pricing for events attended by IFA members:

Beijing Commercial Factoring Association (BCFA)

Colombian Association of Factoring (CAF)

Commercial Factoring Expertise Committee of China (CFEC)
www.cfec.org.cn

Ecuadorian Factoring Association (ASOFACTOR)
www.asofactoring.org

FCI
www.fci.nl

Romanian Factoring Association (RFA)
www.asociatiadefactoring.ro

BROKER

NEW! Rainstar Capital Group

Rainstar Capital Group is a multi-strategy private equity firm based in Grand Rapids, Michigan that makes direct investments and provides advisory debt capital. Rainstar partners with factoring firms who have clients seeking debt capital products separate from the factoring solution for growth needs. Through its multiple lending platforms with over 250 registered lenders, Rainstar provides factoring firm's clients debt financing product lines for commercial real estate, corporate finance, small business and equipment needs. Product lines include: Unsecured Lines of Credit, Revenue Based Lines of Credit, Revenue Based Advance, Merchant Cash Advance, Business Lines of Credit, Inventory Financing, Purchase Order Financing, Equipment Leasing, Accounts Receivables Factoring, CMBS loans, Agency loans, Bridge Financing, Hard Money and Commercial Contractor Credit Lines. Rainstar's lending platform finances clients from \$10k to \$300M and covers all credit profiles across the listed product lines.

Kurt Nederveld: Kurt@rainstarcapitalgroup.com (616) 953-6036 • www.rainstarcapitalgroup.com
IFA Member Benefit: Rainstar Capital Group will pay your IFA membership dues. Members will pay IFA directly and Rainstar will reimburse member within 30 days of payment. Member will be eligible for membership fee reimbursement if they either:

- Fund a client that was presented by Rainstar during the preceding 12 month period.
- Refer a company to Rainstar that is funded through a Rainstar funding source during the preceding 12 month period.

CERTIFIED EMAIL

RMail

Go Paperless. Switch to RMail to Send your Important Notices. RMail services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrefutably starting the accounts receivable aging clock.

www.rpost.com/ifa
IFA Member Benefit: IFA Members save \$300! Subscribe to 1000 units RMail plan for only \$390! (Normally \$690)

CONSULTING

FactorHelp

FactorHelp has come to be regarded as the factoring industry's premier resource provider. Their manuals, in use on every continent of the world, are setting the industry standard, and their reputation as the one-call solution for factoring problems is growing. By consistently introducing innovative, viable products, vigilantly cultivating an extensive alliance of Strategic Partners and providing the professional expertise demanded of an industry leader, FactorHelp strives to maintain its goal of providing the unparalleled service the factoring industry expects from a solutions partner.

Phone: 972-722-3700 • www.factorhelp.com
IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

CREDIT

Ansonia Credit Data

With more than 250 Factors and over \$800 billion in data, Ansonia provides Factors and ABL lenders an innovative way of managing debtor and ANNUAL CONFERENCE ISSUE risk. Our business credit reports feature current and historical days-to-pay information collected directly from the accounts receivable departments of small and large factors, and other companies across all segments.

Phone: 855-ANSONIA • 855-267-6642 x.103
www.ansoniacreditdata.com
IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia's unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of your entire portfolio.

Credit2B

Trusted by all of the majors because of the sheer volume of Factor trade and 98% third-party data coverage of active businesses in North

America, Credit2B is a cloud-based platform that empowers accurate and timely decisions by connecting the experiences of trade credit grantors around their common business customers. We combine this highly valuable trade network information of approximately \$700B in recent receivables with live bureau and public filing information to provide comprehensive financial risk profiles, all in real time. Our dashboard also provides Factor specific scoring, Factor client risk pools, monitoring, peer benchmarks and comprehensive trade data pack solutions for integration into your enterprise software.

Phone: 212-714-4500
Website: www.credit2b.com
IFA Member Benefits: Join the largest virtual factor community. Receive 10% price discounts for being an IFA member. Complimentary invitations to our hosted events in NYC.

FactorsNetwork

FactorsNetwork provides an online platform where Factors share trade experiences with each other. Members are able to pull unlimited Credit Reports as well as monitor and analyze their portfolio. Transportation Factors benefit from our CarrierMonitoring and ChameleonCatcher programs and their clients profit from our LoadBoard. We even offer a Sales Tool to help you find new clients.

Phone: 435-659-4612
www.factorsnetwork.com
IFA Member Benefits: 50% cost savings for the monthly membership fee. It is normally \$1,000 per month, but IFA members will pay \$500 per month.

CREDIT CARD PROCESSING

ePaymentAmerica

ePaymentAmerica is the nation's leading provider of processing services for the factoring, A/R financing, and P/O financing industries. They offer IFA members exclusive VISA, MasterCard, American Express and discover pricing, a discount on their virtual gateway, and a discount on PCI Compliance Certifications.

Phone: 901-385-5327
www.epaymentamerica.com
Email: factoring_program@epaymentamerica.com
IFA Member Benefits: Interchange Plus Pricing* Bundled Monthly Service Fee of \$30.00 (includes IRS regulatory compliance, account maintenance, PCI compliance, virtual gateway & online management tool.) *Based on volume/ transaction count.

FUNDING

Liquid Capital Corp.

Liquid Capital has been in the Factoring industry since 1999 and entered into a partnership with

Next Edge Capital in 2015. This relationship has allowed them to pursue an aggressive growth strategy focused on the following key initiatives:

- The acquisition of A/R portfolios from Factors looking to exit the industry

Member benefit: Trailer fees for the life of the acquired accounts

- Soliciting Factors to join the Liquid Capital network to gain access to additional capital, a robust range of working capital and trade finance products, extensive marketing and back office support

Member benefit: Liquid will pay your IFA membership or Annual Conference registration fee for the following year.

- ABL referrals from existing Factors who would not normally fund this type of transaction

Member Benefit: The referring Factor will earn an origination fee and have the opportunity to participate in the funding.

Robert Thompson So
Phone: 866-272-3704
www.Liquidcapitalcorp.com
Email: rts@liquidcapitalcorp.com

MARKETING

50 Words LLC

50 Words is a marketing outsource firm for companies that either do not have a marketing department or that need to add more manpower to their existing marketing team. They serve as your dedicated marketing department.

Phone: 610-631-5702
www.50wordsmarketing.com

IFA Member Benefits: IFA Members will receive five free hours of marketing services with the purchase of any marketing service. (Offer to new clients only)

RECRUITMENT AGENCY

Commercial Finance Consultants

Established in 2002, CFC is the premier provider of human talent to the factoring industry. CFC's goal is to provide their clients with the best available human capital and the most current industry information to assist in accomplishing their growth potential.

Phone: 469-402-4000 • www.searchcf.com
Email: dar@searchcf.com

IFA members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

NEW! Artis Trade Systems

Artis Trade Systems offers ArtisPay, the revolutionary Supply Chain Finance (SCF) app that allows banks and lenders to provide buyers and suppliers with a flexible, customizable, easy-to-use enterprise-grade software. ArtisPay is a fully cloud-based software-as-a-service (SaaS). Partnering with Artis Trade endows lenders with a high-tech innovative partner with deep industry experience that will help market and grow their SCF program.

Phone: 480-250-8186 • www.artistrade.net
IFA members will receive a 67% discount on the registration fee, to \$500 from \$1,500, a savings of \$1,000.

FactorFox

FactorFox Cirrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internet-connected computer, tablet, or smart phone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox's various versions make it suitable for nearly any size factor.

Phone: 866-432-2409 • www.factorfox.com
In addition to the one-month free trial for everyone, IFA Members receive an additional month to try the complete program.

Finvoice

Finvoice offers traditional factoring companies and asset-based lenders a simple-to-use and comprehensive software solution to help them become a modern and efficient online lender. Finvoice came out of a passion to help small businesses who generate 67% of jobs and 50% of the World's GDP.

Andrew Bertolina
Phone: 310-951-0596 • www.finvoice.com
IFA Member Benefits: Complimentary landing page review/optimization for digital conversion. 15% discount on pricing for the first year.

HubTran

HubTran is the leading provider of back office automation technology for factoring companies. HubTran's SaaS platform streamlines invoice processing, document management, and exception handling. Customers increase productivity 4X, reduce errors and increase capacity. HubTran's innovative technology leverages Optical Character Recognition and Artificial Intelligence to simplify back office work without requiring massive investments of time in training and integration.

Tinamarie Sulpizio
Phone: 928-855-0170 • www.hubtran.com
IFA Member Benefit: 1 week trial and waived setup/integration fees

ProfitStars®

ProfitStars® is an industry-leading provider of portfolio management systems for commercial finance, and offers a common framework for factoring, asset-based lending, inventory finance, and lines of credit. Our dynamic Commercial Lending Center Suite™ incorporates all-digital loan origination, decisioning and portfolio management workflows that save time, improve accuracy and improve the overall borrowing experience.

Phone: 205-972-8900, option 3
www.profitstars.com
IFA members will receive 10% off new ProfitStars lending solutions product purchase. For IFA members who are currently ProfitStars customers: Free one day FactorSoft refresher course, per year, at ProfitStars' training facility in Birmingham, AL.

TAX COMPLIANCE

Tax Guard

Tax Guard fills a critical gap in a commercial lender's credit risk management toolset with efficient, real-time and actionable insight into the true, non-public IRS tax compliance status

of their prospects and clients. Our due diligence reports, tax compliance monitoring and resolution solutions support commercial lenders throughout every stage of the funding life-cycle.

Phone: 646-502-4478 • www.tax-guard.com
Email: Rich Porterfield;
rporterfield@tax-guard.com
IFA Member Benefits: IFA Members will receive ten free IRS Tax Return Transcripts within the first 30 days of service. One time offer also extended to current IFA members.

UCC SEARCH

First Corporate Solutions

First Corporate Solutions is a full service public records provider specializing in the research, retrieval and filing of public records nationwide and internationally. Their services include industry standards such as UCC, lien and litigation searching, UCC and corporate filing services, nationwide registered agent coverage and real property title searching, as well as unique solutions such as state and county account monitoring designed specifically for Factors.

Phone: 800-406-1577 • www.ficoso.com
Email: info@ficoso.com
IFA Member Benefits: IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA CALENDAR OF EVENTS 2019

April 3

Factoring Essentials Training Course

Manchester Grand Hyatt
San Diego, CA

April 3-6

2019 Annual Factoring Conference

Manchester Grand Hyatt
San Diego, CA

June 17-18

The Law & Business of Factoring Training Class

Planet Hollywood, Las Vegas, NV

June 20-21

Account Executive/Loan Officer Training Class

Planet Hollywood, Las Vegas, NV

September 4-6

Transportation Factoring Meeting

The Driskill, Austin, TX

October 24-25

Strategic Thoughts: What's next for your factoring company in today's market.

Planet Hollywood, Las Vegas, NV



Come in From the Cold

Twenty-five years ago, my wife and I bought a house with a tranquil turtle pond. Over time, we added to that pond. We collected a vast variety of turtles of different sizes, types, and species. We loved sitting at the water's edge sipping our wine, watching the turtles swim carefree. Little did we—or the turtles—know, of the dangers that were lurking.

The tranquility was shattered late at night when invaders, namely raccoons, would enter the yard and wreak havoc. We would wake in the morning to find one or two turtles had been caught and chewed by these varmints and they would disappear by morning. Most of the turtles survived the attacks and would still be alive, but many were injured.

Taking them to the vet, we found there was nothing we could do to save these poor suffering friends. The vet suggested the humane thing to do would be to place the little guys in our freezer, where they would slowly fall asleep pain-free and eventually expire.

So, why would I tell this sad little story in a business column? Well, business, and our experience with the turtles have similarities. There are attacks on business every day which we recognize and fight

against. It's that stealth rouge raccoon who strolls into our market with an attack one might not see coming that slowly erodes one's business. It's the outside attacks one can fight off. The ones not seen coming until it's too late are the ones to worry about; that slow freeze that puts you to sleep until it's too late and you're gone.

It's that slow freeze that's eroding the accounts receivables financing industry. It first started with the Fortune 500 when Citibank, Wells

Fargo, Chase, US Bank, and other national and regional banks created programs that allowed major industrial corporations the ability to offer early pay to their vendors. Slowly, invoices from the world's largest companies just weren't around anymore. One by one, vendors chose to take a small discount to get paid early rather than offering them to a bank or commercial finance company for liquidity. Raising capital from an asset-based loan could be labor intensive and intrusive. Small



Stephen Troy is an accomplished business executive, lecturer, author and founder & CEO of AeroFund Financial, Inc. He recently expanded AeroFund to include a new FinTech division, AeroPay Express. AeroPay is an innovative 21st century supply chain, early pay service. Stephen is the author of two bestselling books, *Business Biographies, Shaken Not Stirred...With a Twist*, about famous business leaders and *Would a Maharajah Sleep Here?*, chronicling five-star luxury travel around the world. Stephen is a regular guest speaker at Santa Clara University's Leavey School of Business and sits on the university's advisory board for the Center for Entrepreneurship and Innovation. He can be reached by phone at 408-224-7080 or by email at STroy@aerofund.com.

banks and commercial finance companies have slowly seen the quality of accounts receivables offered up by customers drop. It's been a "slow freeze" and it has so far been painless. However, adoption starts out slow, then picks up steam.

Now with a full head of steam, the march to full AP automation and vendor early pay is ready to transform another industry and mow down anyone and anything in its way. Now with 20 years of experience in AP automation, companies and major banks are starting to make their move into the mid-market. This move is helped by Accounts Payable automation companies that have brought all payables online and labor free. AP automation software and portals, AI (artificial intelligence), and national banks armed with low cost of funds and billions in capital, are a triple threat to the status quo. Recently, the Fortune 1000, has started to team with new upstarts like Taulia, Avid Exchange, and Prime Revenue to bring "early pay" to the mid-market, taking even more AR available to finance off the market

Now if you are in business, at some point you will have to decide if you are going to try and outlast the cold, or find a better, more hospitable climate. That is the innovator's dilemma. Do I move from what's warm and comfortable, or do I upturn the organization to survive the coming future? History is full of the non-believers who didn't recognize the threat and those that survived have changed their business model to fight another day.

For example, AT&T, once a simple local and long-distance phone company, is now is an integrated cellular, entertainment and content company. Billy Durant, the owner of a successful horse-drawn carriage business, realized after seeing his first car, that in order to survive he needed to cannibalize his carriage sales to build cars. Thus, he created General Motors.

Change is exactly what AeroFund Financial did in the fall of 2016 when it established AeroPay Express (www.aeropayexpress.com). AeroFund, located in Silicon Valley, had a front row seat to watch the innovations, change, and disruption happening in every industry. AeroFund watched as an army of young entrepreneurs, armed with hundreds of millions in VC funding were disrupting the accounts receivable industry through AP automation, infused with early pay options for buyers and sellers. Not wanting to be frozen out of a market it helped create, AeroFund launched AeroPay Express offering its own "early pay" to buyers with revenues ranging from \$25 million to one billion dollars. In its three short years, AeroFund/AeroPay Express has emerged as a market leader in the "early pay" industry.

Entering a new market has its challenges. Innovators creating new industries find the old adage, "Pioneer, Disappear" all too true. It is nearly impossible to create a new market alone; just ask Friendster. "What's Friendster?" Friendster was a social network that was put out of business by MySpace until they were crushed by Facebook. Likewise, Google wasn't the first search engine. Remember Alta Vista, Yahoo, Inkom, Wen Crawler and Mamma? No one else does either. Entering a new emerging market is not for the faint of heart. Early pay is one of those markets.

The market for early pay is not only new, it's extremely large; much larger than one bank or company could handle alone or should enter alone. It is fraught with danger. Having no historic model to access risk, you could be lending to borrowers that have no ability or intention of paying you back on time or at all. You could simply be using early pay to become a cheap PO lender or worse an MCA.

If you think you can use a standard factoring model to gauge repayment from a debtor, I have one million dollars in losses to prove you wrong. One issue many don't consider is early pay requires a lender to take 100% concentration in one loan with one debtor, not a smart move for a lender, who is used to spreading risk. There is also the fact that there is no second source or repayment or security to go after if things go south.

Then there is the matter of branding. Large, lucrative markets require large capital expenditures to advertise and create a brand to attract the best quality borrowers. How do you get your name out there and attract solid customers? MasterCard and Visa, who in the 1960s, created a worldwide brand were able to do that with the help of bank partners. Hundreds, even thousands of banks joined to advertising the same co-brand taking an unknown product from idea to a worldwide juggernaut.

Branded partnerships such as MasterCard provided financial institutions the ability to share risk, costs and information. The ability to share in marketing, backroom processing efficiencies, and most importantly, the ability to spread risk, makes partnering invaluable when entering a new market or offering a new product. Bringing together banks, along with independent financial institutions, to share its brand, platform, business and risk could mean the difference between success, survival and disaster. Joint venture partnerships historically have proven effective in, educating new markets, creating efficiencies and spreading risk at a cost each participant can afford.

Early Pay is coming to a vendor near you. Your organization's next move will determine if you will be part of the next big thing in finance or whether you will be left out in the cold. •

CROWN JEWELS

Continued from page 19

HIRE A CYBER SECURITY EXPERT.

An outside consultant can be hired to probe your network for vulnerabilities and find out which employees are vulnerable to social engineering. John explains how this works:

"Frequently, companies now have third party vendors come in and implement anti-spear phishing programs where they test employees and send them spear phishing emails to see who's clicking. Typically, what happens is if you click once, there's a follow up email that says 'Hey, this is the security department. This is not a real email. Please be more diligent.' If they click again, then they get signed up for voluntary training. If they keep clicking, they're likely to lose their job. It's a progressive motivation to practice a little better cyber hygiene."

CYBER CRIME IS ABOUT TRUST.

Cyber security is about understanding the trust we put into the digital systems that affect our lives and how we honor those whose data we are entrusted to protect.

As John points out, "All of us, all of society, are forced give our data to third party companies, whether it's Equifax, a bank, or a car dealership. To live, we have to give our data and that puts us in a position of having to trust companies to protect the data, but they're just not doing it. If you look at the headlines, every day there's another breach. Now we're in this position of vulnerability, but it's trust. Everything in the criminal world comes back to a violation of trust, and cyber is especially susceptible to that. I think we, as a people, are just too trusting, myself included." •

AFA UPDATE

Continued from page 25

were not the target, but the AFA was concerned about unintended consequences. What about factors who advertised online or who might have the client fill out an application online? The lack of a clear definition of online lenders raised questions about possible unintended consequences.

Congress

Today we have a Republican-controlled Senate and a House controlled by the Democrats. There is considerable talk about further regulation of non-bank lenders. Last year, Senator Sherrod Brown (D-OH), the ranking democrat on the Senate Banking Committee, and Marco Rubio (R-FL) co-authored a bill which would outlaw confessions of judgment. This bill may be reintroduced in the current session of Congress.

California Bill SB 1235

California SB 1235 was passed by the California Senate and signed into law by Governor Jerry Brown. The California Department of Business Oversight (DBO) is currently working on proposed regulations to implement SB 1235. This legislation would require disclosures on loans to small business. The AFA and its lobbyists have talked to Senator Steve Glazer, the author of the bill, as well as the DBO. We have also worked with our lobbyist and have submitted written comments to the DBO regarding the bill. In our comments, we have distinguished factoring as the purchase of receivables and not a loan, have discussed the ambiguity of the disclosure form and made numerous recommendations relative to the form, definitions, and content of the disclosure form.

New Jersey Bill

A similar disclosure bill has been introduced in New Jersey, Senate Bill 2262. The AFA has worked with

the Commercial Finance Association as well as the New York Institute of Credit on both the California and New Jersey bills by submitting comments back and forth in an effort to reduce the disclosure burden on factors. In a previous article written for the Commercial Factor, I cited a study by Federal Reserve Bank of St. Louis which reported that banks with under a hundred million of assets spend 8.7% of non-interest expense on compliance. This percentage is less for larger banks but is nevertheless a financial burden. Accordingly, we are concerned that the unintended consequence of various state disclosure bills and other regulations will impose a severe financial burden on the factoring industry. This could be very significant, especially in light of the fact that the majority of factors are themselves small businesses.

Support of the AFA

Your monetary support of the AFA is critical.

In June of 2018, our research indicated that only 20.3% of IFA members contributed to the AFA. Hence, with almost 500 members, we only had 83 contributors to the AFA. The AFA is your insurance policy against burdensome regulation that will add greatly to your operating costs and/or threaten your industry. Quite honestly, a small portion of IFA members are paying the bill for everyone. We are seeking 100% support from IFA members. At our annual convention in April, we will formally ask all IFA members in attendance to become members and contributors to the AFA. This is a very small price to pay for an insurance policy which can protect your company and your livelihood. •



Great opportunities demand smart lending and customized solutions.

Capital One® Financial Institutions Group provides businesses in the secured business credit space the capital and expertise to thrive.

Capital One's commercial lender finance specialists use their knowledge of secured business credit, combined with data analytics and industry trends to give your business an advantage. Backed by the capabilities of a top 10 U.S. bank*, we lend capital to help companies stay ahead of the competition.

Our financing solutions include:

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- Small business finance
- Insurance premium finance
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capital.one/financialinstitutions

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Secured Business Credit
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Note: Rank excludes banks with high non-loan asset concentrations: Goldman Sachs, Morgan Stanley, BONY, State Street, Charles Schwab. Ranks as of 3/31/2018. Based upon total gross loans and total aggregated domestic deposits for bank holding company. Sources: SNL, FDIC, company reports. Subject to credit approval. Additional terms and conditions apply. Products and services offered by Capital One, N.A., Member FDIC. © 2019 Capital One.

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Finance with collateral, not credit.