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The IFA’s conference is again setting attendance records. This year’s conference will show another 15% increase in attendance over 2012.

Not only does conference attendance continue to increase, the IFA has not slowed on our remarkable growth. We have enrolled over 95 receivable finance companies into the IFA, representing factors, asset based lenders, banks and PO finance companies from around the world. Membership now stands at over 415 companies.

This quarter I am extremely excited to announce the inauguration of our Certification program for account executives. With the new Certified Factoring Account Executive (CFAE) designation the entire factoring and commercial finance industry will see many benefits. This creates a benchmark of minimum knowledge for those that work as an account executive in the factoring industry. To achieve this designation, applicants must complete a comprehensive 100 question exam which will test their overall knowledge of the account executive function within a factoring operation.

I want to make it clear that this is certification program. A lot of time and expense has gone into the creation of this program and to do it the right way. We’ve been working on this for over four years, enlisting the help from a variety of experienced factors based around the country. This title may not be bought simply by taking classes or spending money. The holders of the CFAE title may only receive this designation by displaying mastery of the knowledge base recommended for the Account Executive role within our industry. The success of this program should provide many benefits to everyone involved with factoring and receivables based finance.

We are also rolling out our third biennial survey of the factoring industry. This Business Profile and Performance Survey is the only comprehensive report on the state of the entire factoring industry. We’ve found that factor companies use this report regularly to help them evaluate how their operation is performing.

I’d like to end my welcome with another thank you to everyone with your well wishes following my accident. Things have been getting better. The wound on my back is shrinking and hopefully will be closed soon. I purchased a car and had hand controls installed. It is great to have my mobility back. I’m looking forward to getting into Physical Therapy and working to regain more movement in my legs.

On behalf of the IFA, I’d like to thank everyone for their continued support.

Bert Goldberg
Crestmark Hires Yanick & Pavesich
Crestmark announced that it has hired Philip J. Yanick as Senior Vice President, Chief Risk Officer. In his new role, Yanick will be responsible for enhancing Crestmark’s risk management practices and assisting in the continued growth and success of the bank. In addition, Crestmark added Bruce Pavesich as Regional Vice President, Business Development Officer. He reports through Ray Morandell, National Sales Director, and will work as part of Crestmark’s growing East Division. He is located in the greater Baltimore, Maryland area.

Spectrum Commercial Adds Anthony Gizinski as President
Spectrum Commercial Services Company announces the addition of Anthony Gizinski, President, to its seasoned team of professionals. Anthony brings his 18 years of experience in management, banking, and commercial lending to Spectrum. His skill set and track record of success make him an excellent addition to Spectrum’s management team. Prior to Spectrum, Anthony’s entire previous career was spent working at Fidelity Bank where he managed a team of commercial lenders and analysts.

Bridgeport Capital Announces the Addition of Castle and Ondrick
Bridgeport Capital announced the addition of Craig Castle and Eric Ondrick. Craig and Eric join the Bridgeport Capital Team as Vice Presidents for Business Development. Craig will be opening a regional sales office in New York, NY while Eric will be operating the sales office in Boise, ID. Craig and Eric will report to Max Toledo.

Durham Commercial Capital Opens Office in Dallas Texas
Durham Commercial Capital has expanded after opening its new office location in Dallas TX. Patrick Condon was welcomed as Durham Commercial Capital’s new Business Development Officer. Condon has 18 years of commercial lending experience with a focus on accounts receivable financing.

TBS Factoring Affiliate Adds Compliance Services
TBS Factoring Service offers comprehensive compliance services through Truckers Bookkeeping Service, a TBS affiliate that also provides insurance and bookkeeping services. The company has hired Linda Baggett, a Certified Director of Safety with more than a decade of experience in transportation compliance, to head the new department.

TRANSACTIONS

Gateway Trade Funding Announces Purchase Order Transactions
Gateway Trade Funding recently completed the following Purchase Order transactions since the beginning of 2013:

- $2MM to distributor of aftermarket auto parts selling to major OEMs
- $2MM to vertically integrated engineering firm selling LED light housing to large OEMs
- $4MM to Calif. based sporting goods firm selling to major retailers
- $2MM to Calif. based toy importer selling to major retailers

Veritas Financial Partners Closes $6 Million Senior Secured Term Loan
Veritas Financial Partners has provided a $6 million term loan for a South Florida based processor and reseller of scrap metals. Loan proceeds were utilized to fund the acquisition of a metals processing/recycling and vehicle salvage facility and to provide the working capital and capital expenditures needed to optimize the facility for future growth.

$24 Million+ Provided by Crestmark During the Month of February
During the month of February, Crestmark funded a total of $24,330,000 in financial solutions for 12 new clients.

Federal National Closed Three Transactions
Federal National Commercial Credit provided working capital financing lines to three small businesses, totaling $6.1 million. The deals include:

- $5 Million Government Contract Financing Line for a Provider of Military Services and Consulting
- $600K Accounts Receivable Factoring Line for an IT Solutions Provider
- $500K Working Capital Financing Line for a Hauling Services Provider

Allied Affiliated Funding Recently Closed Transactions
Allied Affiliated Funding announces the following recently closed transactions:

- $200K start-up working capital credit facility for a Texas-based franchise staffing business
- $5 Million growth credit facility for a Texas-based vendor management staffing company
- $150K working capital facility for an Arizona-based mobile marketing technology company

Amerisource Funding Announces Recent Closings
Amerisource announced the recent closing and funding of $1,000,000 in new credit facilities, including a $400,000 A/R factoring facility for a provider of alternative energy based in Louisiana. Amerisource also announced the closing of a $2,500,000 asset-based line of credit for a staffing company in Florida and funded four new clients totaling $650,000, including a $250,000 A/R factoring facility for a call center operation in North Carolina.

Commonwealth Capital Funds Staffing Company
Commonwealth Capital announced that it has funded a $30,000 factoring facility to a medical staffing company. The financing will provide the cash flow the Company needs to fund payroll and grow.

Bibby Financial Provides $7.5 Million Factoring Facility
Bibby Financial Services announced that it has funded a Miami-based textile manufacturing company that designs and produces premium quality t-shirts, fleece outerwear and sportswear for wholesalers and retail brands.

First Capital Provides Credit Facilities
First Capital has provided $16.6 Million in credit facilities to Lee Masonry Products, Inc., a distributor and manufacturer of concrete masonry products for residential and commercial construction. The Company also provided a $3,000,000 revolving line of credit to Master Tile Network, Inc.

King Trade Provides $2.5 Million PO Finance Facility for Importer
King Trade Capital announces the recent funding of a $2,500,000 purchase order finance facility for a New York based importer of men’s apparel.

Loeb Term Solutions Provides a Term Loan on Equipment Valued at over $500,000
Loeb Term Solutions provided an equipment term loan to a manufacturer of aluminum powder metallurgy-based composite material. The company was in a period of growth and looking to create more working capital in order to fund new products.

Crestmark Closes Transactions Totaling $5.5+ Million
Crestmark secured a total of $5,600,000 in financial solutions for eight new clients since March 15.

Phoenix Capital Group Announces March Deals
Phoenix Capital Group is pleased to announce that it funded 18 new deals in the month of March with total credit commitments of $4,400,000. 17 of the new deals funded were in the transportation niche and one was in the service industry.

Coral Capital Provides Financing
Coral Capital Solutions provided a $3 million senior secured term loan to a manufacturer of aluminum powder metallurgy-based composite material. The company was in a period of growth and looking to create more working capital in order to fund new products.
Bibby International Trade Finance product portfolio. To more accurately reflect the new offerings, the office has changed its name to Bibby Financial Services (South), Inc. Bibby Financial Services (South), Inc. will now provide domestic recourse and non-recourse factoring as well as non-notification factoring.

**TermSync Launches Accounts Receivable Scorecard for Financial Executives**

TermSync, a cloud-based accounts receivable platform, announced the release of the TermSync Scorecard, an interactive dashboard for financial executives.

**Paragon Financial Announces Women-owned Businesses are the Highest Growing Part of Their Portfolio**

Paragon Financial announces that women-owned businesses are the fastest growing portion of its portfolio. The National Women’s Business Council 2012 Annual Report suggests the next big economic push will be led by Women-Owned Businesses.

**Giving Money To Charity Pays off, Announces Factoring Receivables Company, Universal Funding**

Universal Funding Corporation, an invoice financing company, has announced the award of $30,000.00 donations to four Spokane Washington area charities.

**TBS Factoring Service Launches Free Trucker Business Resource**

Responding to industry reports that 9 of every 10 new trucking authorities never make it to their second anniversary, TBS Factoring Service (TBS) launched a redesigned website featuring the, “Truckers Lab,” a free business resource offering original content and easy-to-read advice on topics ranging from truck maintenance to regulatory compliance.

**United Capital Funding Reports Strong Results for the First Quarter 2013**

United Capital Funding announced strong results for the quarterly period ended March 31, 2013. This achievement represents the total dollars clients received through United’s professional factoring and participation funding relationships.

**TAB Bank Named Finalist in Marketo 2013 Revenue Performance Excellence Awards**

Tab Bank has been named a finalist in the third annual Marketo Revenue Performance Excellence Awards. The “Revvis” recognize and celebrate customers and partners that are using Marketo’s marketing automation solutions to push outside the bounds of existing markets and away from entrenched players. TAB Bank has been named a finalist in the Most Dramatic Business Impact category for Financial Services.
The Tide Has Changed
Under Pressure to Grow? Stay Focused.

Most professionals involved in factoring have navigated their businesses through a number of economic cycles. Well the tide has shifted again. Successfully navigating different cycles takes understanding your marketplace, seizing opportunities and avoiding the traps! **BY JOHN P. LA LOTA**

Most professionals involved in factoring have navigated their businesses through a number of economic cycles. The most recent, which began in 2008, saw traditional lenders undergo a dramatic shift from years of liberal credit policies and aggressive pricing to a sudden cut-back in lending and tightening up on credit standards. As a result, those engaged in factoring were able to benefit from increased opportunities. Often, Factors were able to pick and choose the best deals and were able to obtain appropriate pricing.

Well the tide has shifted again. Over the past year or so we have seen banks and finance companies jump back into the game. While competition is certainly part of this business, unfortunately many of those re-entering the market seem to have forgotten the mistakes made leading up to the recession. Specifically, we are again seeing many of these same lenders make riskier loans at lower pricing.

Without the infrastructure and experience of monitoring collateral closely, they are offering credit lines to leveraged companies that would normally require factoring or traditional asset based lending. This, coupled with more companies staying put with their current lenders, has reduced the number and quality of potential new business opportunities for Factors. There has clearly been a reversal in credit supply and demand, putting clients in a more advantageous bargaining position. All this translates to lower quality deals at less favorable pricing. Factors are again faced with the challenge of growing their business in a highly competitive marketplace.

We are not only under pressure to put on new business, but also fighting to retain existing clients amid lenders who are offering less restrictive lending options at discount pricing. Will this pressure to grow cause Factors to take shortcuts in order to keep accounts or to put on new deals quickly?

If past history is any indication of future outcome, we know that Factors who stay focused on mitigating risk will succeed. See the sidebar box next to this article for an overview of the steps Factors can follow to mitigate risks when considering riskier credits. There is still a need to develop specific growth strategies to continue to prosper, but because strategic direction can vary greatly dependent on specific market segments and company focus, we zeroed in on outlining a “best practice” guide. It might seem like
Factoring 101, but it can be tempting to forget the fundamentals when operating in the current environment.

**Proceed with Caution**

With the challenge of creating quality deal flow, you will need to work that much harder to source and book new deals. Undoubtedly, you will come across deals that are a stretch at best. The following “Red Flag” scenarios are probably enough for you to walk away from the deal. However, if you are considering moving forward, it demands a disciplined approach.

- A deal has been turned down by many lenders and has been on the street for months: What do you see that the others didn’t?
- There have been major losses for several years, projections call for a big turnaround with substantial profits in the upcoming year: Really?
- A prospect is willing to sign with you but only if you can close within two weeks: Don’t take due diligence short cuts here!
- A company has three affiliated companies with three different lenders: Always a red flag. Reminds me of the shell game. Where is the nut?
- A principal or parent company is not here in the U.S. and all assets are abroad: Good luck finding them when the smoke clears.

**Collateral Management is Key**

The basics of collateral management often boil down to keeping close to your clients and the state of their business through heavy monitoring and rational assessment. Here are a few reminders in that department:

**Staying On Top Of Your Account Debtors**

- Keep current files on your larger account debtors. Obtain financial statements and bank references if possible. The greater the exposure, the more of an obligation they have to share financial information. Remember—and remind them—credit is a privilege, not an entitlement!
- Monitor higher risk accounts or “watch accounts”. Today, for example, creditors are keeping a close eye on Sears and J.C. Penney.
- Consider obtaining credit insurance or requiring your client to purchase it if you are buying the invoices on a recourse basis.
- Monitor credit exposures. An account debtor with a $50,000 exposure last month could be $150,000 today. Are you comfortable with that? Have you set credit limits?
- Have your collection department stay on top of past dues and report exceptions to management.
- Review the status of your invoices and check for any disputes. Take advantage of customer Accounts Payable portals if they are available.
—it’s more efficient than calling and often provides more payment details.

• Conduct verifications if that is part of your normal process.
• Monitor payment trends internally. For example, if payments have shifted from 45 days to 60 days, it could indicate potential cash flow problems, or it could indicate that your client is pre-billing. Find out and follow up.
• Monitor payment trends externally by using credit agency reports.

**Staying On Top Of Client Credit**

• Insist on frequent financial reporting when necessary. You can request internal financial statements, which should be available through accounting software, such as Quick Books. For larger loans, ask for statements prepared by a reputable CPA. Talk to the accountants directly to get a feel for what level of testing and support they are providing. Request and review payable ageing’s or inventory reports if applicable. Review purchase order or contract log reports.
• Conduct routine field exams. This is critical when making larger loans. You can get a better and timelier assessment on the health of your client than you will by relying on an outdated financial statement.
• Make sure taxes are current. Do searches frequently and use monitoring services. This is especially important when financing service companies that do not have the luxury of delaying payments to suppliers when cash is tight.
• Review client deposits to make sure customer payments are not being diverted.

• Have regular portfolio meetings. This can help you identify problems early.
• Communicate regularly with your clients. It shows you have an interest, and it gives you a better understanding of their business. Numbers don’t always tell the whole story.

**Summary**

Successfully navigating different “cycles” takes an understanding of your marketplace, seizing opportunities when they present themselves, and avoiding traps when aggressively seeking new business. We all deal with pressures on a daily basis, but as we look for innovative ways to adapt to the changing marketplace, we should remember what has made factoring successful for so many years: good collateral management. As they used to say in the opening episodes of *Hill Street Blues*, “Let’s be careful out there!”

---

**John La Lota** is currently President of the Factoring and Trade Finance Division at Sterling National Bank. His responsibilities include the management of day-to-day operations that specialize in Non-Recourse and Recourse Factoring and Trade Finance. In April 2009 he oversaw the acquisition of a New York City based factoring business. Prior to joining Sterling in 2000, John held senior level positions at Heller Financial and Congress Talcott. He can be reached at jlalota@snb.com.
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What You Don’t Know Can Hurt You

Generally most people know what they know. Some people know what they don’t know. And then there are a few who don’t know what they don’t know. The same is true for risk, people don’t know what they don’t know until it is too late.

BY STEVEN SCHRULL

Generally most people know what they know. Some people know what they don’t know. And then there are a few who don’t know what they don’t know. The same is true for risk, people don’t know what they don’t know until it is too late. Last year, a 50-year-old multi million-dollar meat processing company was ready for another strong year when a story went viral on the Internet labeling its product “Pink Slime.” Although there were no recalls, injuries or accusations of impropriety, their customers fled for fear of being accused of selling “Pink Slime.” Within sixty days the meat processor filed Chapter 7 and liquidated leaving unsecured creditors with little chance of recovery.
The negative effects of the insolvency dominoed through the industry, with the exception of a key supplier who purchased a trade credit insurance policy at the request of their lender. This near eight-figure loss would have had a negative impact on the supplier’s cash flow and also harmed the relationship with its lender. Instead the claim was paid within 28 days of the insolvency.

All of the known risks, product liability, recall, etc, were identified and addressed. The process worked perfectly, until it didn’t. Nobody considered an anonymous blogger hundreds of miles away, with no association with the manufacturer, could put it out of business in sixty days. Such is the power and speed of the Internet! In this environment there are few businesses too big to fail, few procedures too strong they cannot be broken, given the reaction time necessary after negative news is released.

Recently a large mid-western food distributor was required to purchase a credit insurance policy due to a concentration in the receivable portfolio that left a significant amount of money ineligible. As a single debtor policy was unavailable, the distributor reluctantly added all other buyers that owed him in excess of $1,000,000 even though he believed their quality, and his process, made them “unquestioned risks”. The reason for this confidence was strict adherence to credit policies that would restrict any further shipments if a buyer was one day past due, or one dollar over the credit limit. This process resulted in zero dollars of credit losses in the previous 3 years.

This process continued to produce exceptional results until one day when it didn’t. A customer dropped off a check to pay his balance in full and then took possession of new product. Two days later the distributor received a call from the buyer informing them that they were in default with their bank, all accounts had been frozen and the bank would not honor the previous payment.

In coordination with the insurance carrier, the seller was able to exercise his replevin rights to have some products returned, establish a legally enforceable debt, and receive a seven figure loss settlement. This went from an unquestioned risk, to a potential multi-million dollar loss, to a full recovery, all within 60 days. It also cemented the distributor’s relationship with the lender who came up with the idea that saved him a million dollars.

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**THE TOOLS TO MANAGE THESE RISKS ARE INCREASING AS CREDIT INSURANCE CARRIERS INTRODUCE NEW FINANCE DRIVEN PRODUCTS.**
The common thread that runs through these examples, as well as many others, is that the known risks, such as the troubled retailer, the highly leveraged energy producer, or the exporter to a distressed country, can be anticipated and managed. It is the unknown risk, such as a tsunami hitting a nuclear reactor, or a super storm destroying a state, that cannot be planned for nor mitigated against after the fact.

The tools to manage these risks are increasing as credit insurance carriers introduce new Finance driven products. Products featuring Non-Cancellable Coverage, Pre-Shipment Risks, or Medium Term transactions are now available in the US and internationally. This type of policy structure provides additional security that the coverage will be there when needed most, after the costs have been incurred, but before the sale has taken place.

The supply has expanded for these products due to increased risk tolerance and additional capacity. Now, almost all points on the supply chain have the opportunity to transfer risk to a structured program with non-cancelable coverage. From costs incurred prior to shipment, to post-shipment failure to pay, events such as insolvency, as well as potential preferential claw-backs, the risk is on the insurer not the seller or the lender.

Awareness that a business’s accounts receivable may be its largest asset, while also its only uninsured asset, is taking place.

These products can be lender specific or client specific, covering international or domestic transactions, on a total portfolio or a single buyer basis, for a short or mid term tenure. The flexibility being demonstrated is a result of gaining greater knowledge of supply chain financing and the role credit insurance can play in it. Tailored policies to meet specific needs, with coverage certainty, can be useful to lenders that are looking to take in additional revenue without increasing the risk profile of the deals.

Critical self-examination of risk tolerance is going on at all levels of business. The results of this have led to, among other things, an alliance between a global money center bank and a major insurer to formalize an alliance in order to manage clients’ credit risks. Multinationals are structuring programs to handle global credit issues and the largest factoring companies are laying off the credit risk to insurance companies to strengthen their balance sheets and perhaps to reduce their overall capital costs.

This reevaluation has trickled down to businesses of all sizes. Large companies are using Excess of Loss policies to eliminate the infrequent, but highly severe losses. This protects them against earning’s surprises. Meanwhile, Mid-size businesses are gearing up for growth both domestically and globally,
and are looking at policies that will support that growth. Small businesses are seeking to grow, but recognize they can grow safely and get a cost effective alternative to building a credit department while utilizing credit insurance programs.

Awareness that a business’s accounts receivable may be its largest asset, while also its only uninsured asset, is taking place. If the product is insured at all phases of the supply chain why is it unprotected at the point of its highest value? Is the risk of a ship sinking greater than the chance of a customer not paying? Does a strong credit process prevent losses or only deter them? Are no losses a good thing or a missed opportunity?

As credit is no longer used solely for loss prevention, but rather as a sales and marketing tool, businesses are measuring missed revenues by not expanding. The ability to increase revenue while limiting additional risk is attractive to businesses and lenders of all sizes. Increased profits from sales either to existing customers, or by entering new markets, can provide a significant rate of return on the cost of the insurance premium.

Predicting the future is extremely difficult. Identifying everything that can possibly go wrong is impossible. An unidentified blogger sitting at his kitchen table or extreme natural disasters are unpredictable events that have taken down successful companies. Managing these risks, while generating additional profits, is having strategic minded companies seek advice on credit enhancement structures and hedging strategies. Businesses that operate under the “it has been successful in the past so it will continue to be successful in the future” model will continue to be successful. Until the great unknown hits. Then, that will be a very bad day! •

Steven Schrull is Executive Vice President at ARI Global, Inc. He can be reached at steven@ariglobal.com.
Digital Documents, Digital Signatures and Their Use in the Factoring Industry—What We Can and Should Do to Take Advantage of These Tools

The commercial finance industry and especially many factoring companies, have been slow to adopt digital documents and signatures. This article discusses the benefits of the electronic world of documents and the inevitability of its development in our industry.

BY PATRICK H. STIEHM

When it comes to consumer finance we are all used to using what are in fact digital documents and signatures, to make online purchases and payments. It is an expanding area of consumer populated with so called click through procedures which are really digital documents and digital signatures.

The commercial finance industry and especially many factoring companies, unlike consumer finance companies have been slow to adopt these same or similar tools.

A number of years ago I made a presentation to a group of people in the factoring industry concerning the legal aspects of the commercial use of electronic documents and electronic signatures, to create and documenting contracts. At the time, the statutory predicates necessary to create and enforce such documents were in place, at both the national level (See 15 USC Chapter 96 – Electronic Signature In Global and Nations Commerce Act) and at the state level (See The Uniform Electronic Transactions Act, which has been enacted in 47 States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands). In spite of the existence of these statutory underpinnings, my presentation was received with a great deal of skepticism. Indeed I felt like a lawyer in ancient times who was attempting to convince his Assyrian clients that contracts on...
clay tablets were just as legally valid as earlier contracts that had been chiseled in stone; or a little later in time perhaps an Egyptian lawyer who was trying to convince his clients that contracts on papyrus were as good as contracts on clay tablets. Still later, I can imagine a medieval lawyer trying to convince his clients that contracts on animal hides.

Those of us in the commercial finance industry are all reluctant to change from what we believe to be tried and true to a new and innovative way of doing things. We are reluctant to leave our comfort zone. This reluctance is only enhanced where money, goods, services and the profits and success of our businesses are concerned. It is also true that we lawyers in their capacity, as legal advisors to the finance industry, are slow to adapt to changes. In addition, it must be admitted that simply because the statutory underpinnings are available to enforce electronic documents, it can be a chore convincing a court or other business people and their attorneys to accept electronic documents and signatures for purposes of creating a contract or where an order of the court may be necessary to approve an action taken pursuant to an electronic agreement executed with electronic signatures.

Seven years ago there was clearly an attitude that somehow electronic documents and electronic signatures were not as legally valuable as paper documents with wet (hand written) signatures. As the ads for Siemens say “…that was then, this is now.” Surely things have changed and there is now a greater acceptance of electronic documents and signatures. Unfortunately, I submit that is not the case.

I do think we are slowly moving to an era when most, if not all documents including contracts will be electronic. Paperless offices and electronic record keeping is being encouraged at several levels and for a variety of reasons. (See Sparks, David, Paperless: A MacSparky Field Guide, Self Published 2012, and Walker, Richard, Achieving The Paperless Office, Efficient Technology Inc 2009 which are just two examples of this encouragement.)

A concert example of this change can be found in the federal court system of the United States. Most federal courts have, for the most part, converted completely or nearly completely to electronic documents and signatures in their operations. Indeed there are federal courts where you simply cannot file documents in hard copy, without jumping thru certain hoops designed to discourage the use of paper. Absent jumping thru those hoops, one must file documents electronically.

This is not just an American development. It is happening worldwide. There are a large number of countries besides the United States that are encouraging the legal development of this practice, including but certainly not limited to: Canada (See the Uniform Law Conference of Canada the Uniform Electronic Commerce Act), The United Kingdom (See the...
Electronic Signature Act) and Israel (See The Electronic Signature Act and related) to name just three examples. The United Nations has added its voice in encouraging this development. (See the United Nations Commission on International Trade Law (UNCITRAL) which adopted the UNCITRAL Model Law On Electronic Commerce). In addition to these examples there are many other nations encouraging the use of electric documents and signatures. (To fully appreciate world wide scope of legal developments embracing electronic documents and signatures see Digital signatures and law for a list of countries that have legislation on the use of electronic signatures.)

So when dealing with electronic documents and electronic signatures, business people always come back to the question the same basic question, i.e., “Is that legal?” What that question really means is:

If the writing in question would be “legal” as a paper document, with a “wet” signature, would the fact that it is an electronic document and is “signed” with an electronic signature be a defense to its enforcement? Put more simply, if it’s good on paper with a wet signature it is good as an electronic document with an electronic signature?

The answer to that question in most cases is going to be, “Yes!”

Yet many business people, their lawyers and the courts continue to be “uncomfortable” with electronic documents and signatures. There is only one solution to this resistance to electronic documents and signatures. That solution is for those of us, who are more technologically oriented to start using electronic documents routinely and as a matter of habit. Business people do this by developing the habit of using electronic documents and signatures in all transactions in which they are involved, unless there is a good reason not to. Lawyers do this by encouraging their clients to use electric documents and signatures in all appropriate transactions in which they are involved. In many if not most situations it makes sense, is easier to do and expedites the transaction. If we persist, even in matters where we may initially be the only ones relying on electronic documents and signing electronically, I submit others will see the benefits and come around, to a point where they are comfortable with electronic documents and electronic signatures. This is an inevitable development and we need to encourage it.

Patrick H. Stiehm is a member of the Virginia, Maryland and Minnesota state bars. He is in solo practice, under the name Stiehm Law Office. His major areas of concentration are commercial finance and representing the left behind parent in international child kidnapping cases in both state and federal court, in Virginia and throughout the United States. He can be reached at 703-722-6036 and stiehm.law@juno.com.
Secured debt comes in many forms. Receivable financing is but one piece of a company’s capital structure. However, it is becoming more and more necessary to provide cash beyond what your factoring advance formula allows in order to make a deal work. Therefore, rather than hoping that the prospect or their advisor can locate additional sources of financing, good Factoring salespeople have niche lenders in their hip pocket ready to bring to the table in order to provide that extra bit of capital that gets the deal closed. Being a receivable financing solution is nice. However, being a total business financing solution is better. It’s better for you, better for your prospects and it’s especially better for your referral sources who are counting on you to help. They expect results and are most time completely indifferent as to which company provides what type of financing. All that they care about is that at the end of the day, the referral got assistance and it was because of you.

Therefore, you had better be prepared to at least bring the following types of financing to the table, or watch your competition do it instead.

**Purchase Order Financing**

Since many small Factors are willing to fund start-up businesses, Purchase Order Financing (POF) is probably the next most valuable tool for those new companies. Like Factors, POFs are more concerned about the other parties to the transaction than they are about the client. POF can also allow small companies to fulfill orders many times greater than their existing capital structure allows, even with factoring. The factoring community has recognized the need and many are now willing to provide some sort of PO Financing assistance. Some even have formal divisions that provide this unique niche financial product.

The early Purchase Order Financing pioneers kept it simple. The entire PO had to represent finished goods that would be drop shipped directly from the manufacturer (usually from overseas) to the buyer, with the client never touching the goods. The process would many times involve the customer or buyer changing the name of the vendor from the client to the PO finance company to ensure that title to the merchandise and ultimate payment, once title was transferred to the buyer, would be made to the POF. As competition increased in POF, the requirement to change the vendor name was dropped. Then the goods were allowed to go directly to the client so he could break up the shipment for multiple customers. Next, the POFs began permitting their clients to repackage the finished goods. Then, light assembly became permissible. Now, purchase order financing can be used to purchase one or more major components needed in fairly involved manufacturing processes. Further, most POFs require that the client and its customer be pre-approved by a Factor to ensure the quickest payoff of their risk.

It is therefore imperative that you find the PO Financing company that targets the same types of customers that you do (size, years in business, etc.). The next step is to make sure that the inter-creditor agreement between your company and the POF is acceptable to both parties. It is recommended that this be taken care of before a transaction is ever referred so time isn’t wasted later. It may even take a couple of different POFs to adequately cover the range of customer needs you encounter. And since PO Financing is most often more expensive than Factoring, there is no worry that the client will opt to use POF instead of Factoring.

**Inventory Financing**

This is a close relative to PO Financing, but allows the customer practically unlimited flexibility as it pertains to the type and purpose of the inventory. This kind of financing was practically non-existent ten years ago for the average non-traditional factoring client. Today, several firms are willing to face the perils of lending against this most dangerous collateral. In order to make the reward worth the risk, the minimum required borrowing amount is usually higher than POF ($250K vs $100K). So this type of financing is not available for the smallest clients (under $1 Million of annual sales). However,
with bigger being better, these inventory lenders can help you land those large deals.

**Equipment Financing/Leasing**

The equipment leasing market is mature to the point where just about any piece of equipment of any size that has value can be financed, sometimes with little regard to the credit worthiness of the client. These “hard money” (meaning the client doesn’t have the consistent cash flow to make the payments on time without allowing some other obligation to be paid late, usually their unsecured vendors) equipment financing providers usually specialize in a certain type of asset, size of loan, credit quality of client or some combination thereof. Because the leasing market has been carved up into so many niches, it will take some work to locate the right firm (or multiple firms) that can help your typical client. However, when a bank is demanding a full payoff of both its line of credit (which you already know you can do) and its term debt, having the right equipment financing available can be the difference between making a commission and missing your quota.

**Hard Money**

**Commercial Real Estate Loans**

Again, when your factoring proceeds are not enough to make a deal happen, it is critical to have other money providers who focus on the assets that you don’t. The most common needs have already been discussed and those are the most important ones to focus on. However, some of our prospects do own the buildings in which they operate. And these same prospects tend to be of the bigger, more “commission generating” sort. If you sell factoring services for more than a couple of years, you’re sure to see this need arise.

The firms that will provide loans on commercial real estate (CRE) where the owner can’t prove consistent cash flow to pay the mortgage are few indeed. But if you can find one that will loan in your territory (CRE lenders tend to specialize geographically), then this could give you a huge advantage over your competitors.

**Mezzanine and 2nd Lien Lenders**

Now we're getting to the more esoteric business financing providers. These options usually only exist for the largest of clients (those with sales exceeding $10 Million annually) although you can sometimes find a local company that might look at smaller companies. These lenders either do not have a lien on any asset (the Mezz) or do not have a first lien on any asset. They are looking at either the client’s positive cash flow or “enterprise value” for repayment. Enterprise value is the premium a buyer would pay to acquire the client. Usually this “value” pertains to a company’s brand (like Levi’s or Docker’s in the case of clothing) or intellectual property (like a patent). Typical Factoring prospects have neither. But for those looking for very large transactions (greater than $1 Million in funds employed), these lenders may come in handy one day.

**Conclusion**

We can’t be all things to all people, or so it is said. But with the help of other lending specialists, we can more often be the solution our referral sources were always hoping we would be.

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Visit us at booth #101, at the 19th Annual Factoring Conference, Fontainebleau, Miami Beach, April 24-27, 2013

Website: www.dissol.com
Email: factor.info@3i-infotech.com

ASIA PACIFIC • SOUTH ASIA • MIDDLE EAST, AFRICA • WESTERN EUROPE • NORTH AMERICA
Within easy reach on my desk is always the latest copy of the IFA Business Profile & Performance Survey. I refer to it often for a variety of reasons; mostly it is to get a feel for what the industry is experiencing with respect to everything from Client Details to Operating Metrics to Business Development and HR and IT sections too. The survey which is conducted by an independent research firm compiles responses received from independent factoring companies and banks that participate in the survey.

The IFA engages an independent firm (Industry Insights) every other year to conduct this survey because the results are so valuable to our industry and by using an independent firm respondents are assured of the confidentiality of their feedback. We understand that most of our members are entrepreneurial in nature and that these companies have built their organizations using their own unique brand of moxie and may not wish to broadcast all their secrets to competitors. It is for this reason that the IFA goes to considerable expense to employ an independent firm to prepare the data in aggregate form.

When the survey is conducted each respondent receives a free copy of the survey and they also receive a report issued by Industry Insights that represents how the respondent’s company compared to the responses from other contributors. Imagine comparing your firm to all respondents in areas such as Number of Years in Operation or Total Gross Revenue Earned during 2012 and even Average Monthly Deal Size based on Purchases.

We at the IFA appreciate all of the contributors that help us to bring these important statistics to the marketplace. In 2011 over 1,700 companies received a request to complete the survey, in 2013 it was sent to 1,900 companies. Factoring companies (or factoring divisions of corporations and/or banks) both in the United States and internationally are included in this survey.

By the time you are reading this the IFA will likely have released the results of the survey and hopefully you contributed and will have received the report. If you would like to purchase a copy you may do so by visiting the store at the IFA’s website (www.factoring.org). The IFA presents this survey every other year, so please plan on participating in 2015.

The IFA’s Certified Factoring Account Executive program is launched

It’s official! After years of work, the participation by and between esteemed members of the receivables based finance industry has finally culminated in the launch of the IFA’s Certified FAE designation. As of this writing we have already had candidates sit for the exam and more are scheduled over the next few weeks. Anyone who has been employed as an Account Executive or Loan Officer for at least two years at a factoring company or other receivables lender may apply to become certified. Membership in the IFA is not a requirement for a candidate to apply to take the exam.

By the time this article is published members of our committee of Subject Matter Experts (SME’s) will have convened and the passing score for the exam will be determined. Thanks go out to four new SME’s who have joined this IFA initiative. They are as follows: Robyn Barrett, FSW Funding; Kris Varley, Bibby Financial Services (US); Sally Stark, Sierra Capital and Marc Marin, Gateway Commercial Finance.

Anyone who takes the exam after March 30, 2012 will be advised whether or not they achieved scoring high enough to qualify them as a Certified Factoring Account Executive at the end of taking the test. Those who participated in the initial wave of exams had to wait for several weeks to learn whether or not they passed.

We appreciate those candidates who signed up and scheduled to take the exam in the initial wave as their efforts helped us to finalize the program. I know I would be a little anxious during that wait to learn whether or not I passed, so these candidates really should be applauded for their efforts.

When we meet in Miami for the Annual Factoring Conference there is likely to be several attendees who have successfully aced the one hundred item comprehensive exam on all things related to Account Management in the factoring industry. Certified Factoring Account Executives will have demonstrable proof of their commitment to the receivables based finance industry.

I received several calls from folks expressing interest in this designation, more specifically folks requesting study materials so that they may review prior to taking the exam. This exam is based upon the theory that if you actively practiced account management for a minimum of two years then you should possess the knowledge base to pass the exam. We hope to have study materials available in the future, and of course attending a seminar is a great step to becoming a successful Account Executive, yet it is not a substitute for actual experience in the workforce.

The IFA invites anyone who is interested in a world class level of professional achievement and who wants to promote the professionalism within our community of responsible funding companies to apply to take this exam. Just send an email to info@factoring.org for more info.

Darla Auchenachie is a strong advocate for the factoring community and has joined the IFA as its Director of Development.

Darla is dedicated to assisting factoring companies, A/R lenders and banks in all aspects of their business and can be reached at Darla@factoring.org.
February 2013 saw the American Factoring Association (“AFA”) on Capitol Hill once again.

With the new Congress just seated, it is important for the AFA to make sure our voice is heard in Washington. New faces and committee appointments can lead to new laws and regulations. Thanks to the hard work of our Washington team of Palmer Hamilton and Arnie Havens from Jones Walker, AFA representatives were able to meet with several key members of Congress and their staff.

As in the past meetings, most of the time was spent explaining the role factoring plays in helping businesses create new jobs. Specifically the role factoring plays in benefits businesses derive from factoring.

As the past meetings, most of the time was spent explaining the role factoring plays in our economy, and the benefits businesses derive from factoring. Specifically the role factoring plays in helping businesses create new jobs. It is important for the AFA not only to spend time with legislators, but their staff. The meetings not only provide a forum for our ideas to be heard, but give us a chance to learn what legislators are contemplating for the future. Given where Washington has gone over the last several years, as Jones Walker says, “an early warning system is very much needed in our industry.”

While there are no specific plans at this time to regulate our industry, we must remain vigilant to ensure new laws and regulations do not contain ambiguous language which could accidently impact us. The AFA has been able to educate Washington on the need for factoring to remain unregulated. However, we must continue to make our case in Washington at every opportunity. We cannot allow our industry to be defined by regulators. The AFA must continue to be the voice of education and advocacy for the factoring industry in Washington.

The AFA continues to send representatives to Washington at every opportunity. The costs of trips are borne by individual AFA members who graciously donate their time and money to attend these meetings. To those of you who have donated time and money to the AFA, we thank you for your foresight and continued support. If you have not given, please take this opportunity to visit our web page (americanfactoring.org) to have your voice heard.

Founded in 2009, to provide a unified voice for the factoring industry, the AFA is dedicated to promoting and protecting the interests of the factoring community. The AFA board is made up of volunteers who devote time and their own funds to travel to Washington, D.C. on behalf of the factoring industry.

2013 MEMBERS & DONATIONS

As of April 1, 2013

Diamond Member ($10,000+)
- Apex Capital LP
- Bibby Financial Services, Inc.
- Crestmark Bank
- D & S Factors
- First Capital Corp.
- Gulf Coast Business Credit
- International Factoring Association
- J D Factors
- National Bankers Trust
- Pacific Financial Association, Inc.
- TBS Factoring Service, LLC

Platinum ($5,000 - $10,000)
- Accord Financial, Inc.
- Advance Business Capital
- Allied Affiliated Funding
- Baxter Bailey & Associates
- Far West Capital
- Freight Capital/Capital Partners
- Interstate Capital Corporation
- MP Star Financial, Inc.
- Millennium Funding
- RMP Capital Corp.
- SevenOaks Capital Associates, LLC
- Vertex Financial, Ltd.

Gold ($2,500 - $5,000)
- AGR Financial
- Amerifactors Financial Group, LLC
- Associated Receivables Funding, Inc.
- Bay View Funding
- Coral Capital Solutions
- DB Squared, Inc.

Silver ($1,000 - $2,500)
- Advance
- Amerisource Funding, Inc.
- Ansonia Credit Data
- Bardue NW Financial Capital Solutions
- Concept Financial Group
- Epstein, Becker & Green, P.C.
- Entrepreneur Growth Capital, LLC
- Evergreen Working Capital, LLC
- FactorPlus
- Factor King, LLC
- Firstline Funding Group
- FSW Funding
- J.O.B.E. Services, Inc.
- K.W. Receivables
- Levinson Arshonsky & Kurtz, LLP
- Maple Trade Finance, Inc.
- Match Factors, Inc.
- Nationwide Capital Funding, Inc.
- Northeast Capital, LLC
- Paragon Financial Group, Inc.
- Phoenix Capital Group, LLC
- PRN Funding, LLC
- Prosperity Funding, Inc.
- Saint John Capital Corporation
- Sky Business Credit, LLC

Bronze ($500 - $1,000)
- 12five Capital
- Advantage Business Capital
- Brookridge Funding
- BTB Capital Corp.
- CapFlow Funding Group
- Capitols Services, Inc.
- Cash Flow Financial LLC
- Chesapeake Bank
- Dash Point Financial Services, Inc.
- Firmco Business Funding, Inc.
- FirstLine Funding Group
- G Squared Financial, LLC
- Gateway Trade Finance, LLC
- J & D Financial Corporation
- Jencks & Jencks, P.C.
- Leland Capital Advisors, LLC
- Lyon Capital Corporation
- Pivotal Funding Group, Inc.
- Power Funding, Ltd.
- QC Capital Solutions
- Stonebridge Financial Services, Inc.
- The Interface Financial Group

Other (Under $500)
- Commercial Finance Consultants
- Cross Key Capital LLC
- Downtown Capital Partners, LLC
- Fuller Business Funding
- Keystone Capital Funding

Federal National Payables, Inc
Goodman Factors
Lenders Funding
Pay4Freight.com
Republic Business Credit, LLC
United Capital Funding Corp.

Spectrum Commercial Services Company
Tax Guard, Inc.
TemPay, Inc.

As of April 1, 2013
what’s new at ifa

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.

CERTIFIED EMAIL

RPost
RPost’s Registered Email 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.

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.

Dun and Bradstreet (D&B)
D&B is your source for the best business insight in the world. D&B’s global database contains the deepest, broadest, most rigorously quality-assured business insight available, covering more than 210 million businesses worldwide. With this insight, D&B has been enabling companies to Decide with Confidence™ for more than 170 years.

IFA Member Benefits: New & Returning customers: receive DISCOUNTS off D&B solutions. Discount is for IFA members that are not current D&B customers or have been gone for a period of one year. Existing customers: receive discounts on other D&B solutions not under contract. (ie: Hoovers, Supply, DNBI Modules)

Experian
Experian is the industry leader when it comes to credit information on small to medium sized companies.

IFA Member Benefits: IFA Members receive Experian business credit information at a special reduced rate

Smyth Networks
Smyth provides world class credit and accounts receivable services that the world’s largest companies use to manage risk, and optimize cash flow and maximize profits. Their services include credit information, analytics and credit insurance, accounts receivable, collection, deduction management, and profit recovery. Their Smyth Networks™ platform offers businesses a new paradigm in industry trade credit data interchange in a virtual environment with reports that score tens of millions on industry-specific trade data on millions of companies based on a secure and scalable data cloud computing backbone.

IFA Member Benefits: IFA Members receive free trade reports in exchange for AR data. Also receive free bankruptcy notifications & preferred rates for collections - 15% contingency fee.

Transcredit
CREDIT SCORING is one of the most important financial tools that you can use to make sound yet prompt business decisions. At TransCredit we know just how crucial this data is to keep freight in motion across the USA. In 2011 more than 93 million loads were rated by our Credit Score & Days-To-Pay™.

Fax: 800-215-8448 • www.transcredit.com
Email:winston@transcredit.com
IFA Member Benefit: Receive a discount of 50% or more. Score your portfolio through Bayside's Cedence Factoring Software or directly with Transcredit.

Ansonia Credit Data
With over 150 factors and growing, Ansonia Credit Data is the leading provider of affordable business credit reports. They understand the unique needs of ABL/Factoring companies. With no set-up or annual fees, Ansonia’s reports feature real-time access to a global database on companies of every size, industry and market segment. Whether you’re looking at a company in the USA, Canada, Mexico or beyond, Ansonia credit reports are priced at a low $8 with a substantial discount offered for participation in our AR data exchange.

Phone: 855.ANSONIA (855)267-6642 x.103
www.ansoniacrediddata.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.

DISASTER RECOVERY SERVICES

Agility Recovery
For the past 22 years, Agility Recovery has been a premier provider of onsite recovery solutions across the United States and Canada. With disaster recovery, Agility will be there on the scene, providing you with everything you need to keep your business running. We have been providing business continuity solutions for over 20 years. Whether you need a managed service or not, Agility Recovery has the solution for you.

Phone: 704-341-8700 • www.agilityrecovery.com
Email: sales@agilityrecovery.com
IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

CREDIT CARD PROCESSING

ePaymentAmerica
ePaymentAmerica is the nation’s leading provider of merchant 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.

Fax: 901-385-5333 • www.epaymentamerica.com
Email: churn@epaymentamerica.com
IFA Member Benefits: 2.15% Processing Rate! $20 off monthly fee! $70 off PCI Compliance Certification!

FUNDING

RMP Capital Corp.
RMP Capital Corp. is a best-in-class provider of Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $3,000,000. Understanding the needs of the Independent Factoring Company is the driving force behind a funding program which has helped clients build their operations and grow their portfolio. With over 10-years of industry experience, RMP Capital Corp. prides itself on taking the time to understand client’s needs, which helps its clients realize their potential and achieve their goals. From providing capital to providing support, RMP Capital Corp has the solution for you.

Phone: 611-738-0047 • www.rmpcapital.com
Email: sales@rmpcapital.com
IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.

MARKETING

50 Words Marketing, LLC
50 Words is a marketing outsourcing firm for companies that either do not have a marketing department at all, 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
Email: sales@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)
IFA Members receive an additional two free months of free training online. FactorFox’s various versions of software to access your data; further, you receive three hours of free training. As a web-native program, FactorFox is used by clients, brokers, lenders, and others who enter asset based lending, and more on a single platform—Commercial portfolio management software that Bayside Business Solutions is an innovative supplier and add-on modules. For IFA members who are IFA members will receive 10% off license fees and add-on modules. For IFA members who are IFA members receive an additional two free months for a total of three free months to try the complete program.

**PurchAse order FInancing**

*Gateway Trade Finance, LLC*

Gateway provides purchase order funding for importers, distributors, wholesalers and exporters nationwide. They will work with a client’s current or perspective factor, ABL lender, bank and private lender. Gateway can fund 100% of the cost of pre-sold finished goods in transactions from $25,000 to $4,000,000. They will do the small transactions and one off transactions that are not currently funded by their competitors. “Financing Growth for Entrepreneurs.”

Phone: 703-548-2882

www.gatewaytradefinance.com

IFA Member Benefit: Gateway will pay a 12.5% referral fee on completed transactions on all deals brought to them by IFA members.

**RMP Trade Credit, LLC**

RMP Trade Credit is the leading source of small ticket Purchase Order Financing. They do deals from $7,000 to $2,000,000 per month. They consider larger deals with participation. RMP Trade Credit closes deals faster than any other competitor. Their staff has over 100 years of manufacturing, importing and exporting experience to help their clients with their needs.

Phone: 877-340-2388 ext 400

www.rmptradecredit.com

IFA Member Benefit: RMP Trade Credit will offer a 15% commission on all PO deals referred by an IFA member.

**RecrUItmemT 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: daver@searchcf.com

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

**softwaRe**

*Bayside Business Solutions, Inc.*

Bayside Business Solutions is an innovative supplier of commercial portfolio management software that lets lenders manage factoring, invoicing discounting, asset based lending, and more on a single platform—a CADENCE (formerly FactorSoft). Control more. Monitor More. Lend More. With CADENCE.

Phone: 205-972-8900 • www.baysidebiz.com

IFA members will receive 10% off license fees and add-on modules. For IFA members who are currently Bayside customers: Free one day refresher course, per year, at Bayside’s training facility in Birmingham, AL.

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

Email:jeff@factorfox.com

In addition to the one-month free trial for everyone, IFA Members receive an additional two free months for a total of three free months to try the complete program.

**tax coMplianCe**

*Tax Guard*

Tax Guard is the only tax compliance company in the U.S. that works with lenders to expose credit risks in real-time before it becomes public information. Unlike a traditional public record search for federal tax liens, Tax Guard utilizes a proprietary, patent-pending process, providing due diligence and tax monitoring reports to lenders across the United States.

Phone: 303-951-3282 • www.tax-guard.com

IFA Members will receive a 20% discount on the same day due diligence order.

**teleCoMMunicAton**

*Vocalocity*

Vocalocity is a cloud-based voice solutions provider with services and support especially tuned to help businesses grow. Vocalocity ensures higher quality conversations through proprietary technology that differentiates its service from traditional Voice-Over IP (VOIP) providers. With cloud-based connectivity, businesses can work from anywhere while enjoying features that deliver large enterprise visibility and functionality. Vocalocity’s cloud-based PBX enhances customer satisfaction, and delivers exceptional business intelligence and flexibility. Vocalocity PBX uses the customer’s current broadband connection to transport calls over the Internet to deliver superior voice quality and reliability.

Phone: 888-244-8399 • www.vocalocity.com

IFA Members receive 25% discount off Each Monthly Unlimited Extension, and either: 10% off On-Demand Call Recording or 10% off Company Call Recording. Or, buy Voicemail Transcription, Get On-Demand Call Recording free.

**transportAtn**

*ExecuCar*

This is a premier luxury sedan service that offers private transportation with experienced professional drivers. Whether you are heading to the airport, a business meeting or social event, ExecuCar will get you there safely in style and comfort.

IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with ExecuCar at www.execucar.com. Use the following Discount Code: CLLMC

SuperShuttle

SuperShuttle is the nation’s leading shared-ride airport shuttle service, providing door-to-door ground transportation to more than 8 million passengers per year. Their friendly drivers, comfortable vans and reasonable rates take the hassle out of getting to and from 33 airports in over 50 US cities and surrounding communities.

IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with SuperShuttle at www.supershuttle.com. Use the following Discount Code: CLLMC

**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.fcioso.com

Email: daves@fcioso.com

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**

APRIL 24

Portfolio Management Training Class

Fontainebleau

Miami Beach, FL

APRIL 24 - 27

2013 Factoring Conference

Fontainebleau

Miami Beach, FL

JUNE 17 - 18

AE-LO Training

Planet Hollywood

Las Vegas, NV

JUNE 20 - 21

Law and Business of Factoring

Planet Hollywood

Las Vegas, NV

JULY 15 - 16

Meeting for Women in Commercial Finance

Planet Hollywood, Las Vegas, NV

SEPT 11 - 12

Transportation Meeting

Hyatt Regency

Milwaukee, WI

SEPT 11 - 12

AE/LO for Transportation Factors

Hyatt Regency

Milwaukee, WI

OCTOBER 14 - 15

Sales & Marketing Training Class

Planet Hollywood

Las Vegas, NV

OCTOBER 17 - 18

Advanced Factoring Symposium

Planet Hollywood

Las Vegas, NV

For details about IFA events, please visit www.factoring.org
The IFA "Members Making A Difference" column focuses on the many IFA members making a difference in their communities and in the world. In this issue's column, AeroFund's Stephen Troy discusses how reading about the U.S. Marines' struggle to get toy donations bolted him immediately into action. Since 1991, AeroFund has worked with Toys R Us to organize many successful toy donation events for several charities.

Stephen Troy
President, AeroFund Financial

When you start a new company one of the last things on your list of to-dos is to think about what kind of corporate citizen you want to be. How much of your revenue will you give to charity and community services? Will you have an employee volunteer plan? These are not on anyone's top ten lists or even the top 100 of things to do when you are starting a small business on a shoestring budget and limited capital. As you might expect all eyes are on the bottom line and trying to become profitable as quickly as possible. You aren’t putting a line item in the budget for how much of your precious capital you are going to give away.

I started AeroFund Financial just that way back in 1987. Limited capital and watching the bottom line. Through my business career I have always made small donations when asked, but never actually thought about how to give some of my profits responsibly to non profits. Responsible organized giving I saw as being the domain of large foundations and endowments such as the Bill Gates Foundation, Ford Foundation, or the Carnegie foundations. As an individual with limited funds, in the past I donated haphazardly to fund a need when asked to be nice, nothing thoughtful or serious.

By 1991 AeroFund was well on its way to becoming a very successful finance company with offices in 3 geographic regions. My wife and I were very pleased that solid profits were rolling in. Still not much thought was given to giving our money away in an organized fashion or any fashion at that point. It wasn’t until I read in the newspaper that the United States Marines were having difficulty receiving toy donations for Toys for Tots. It was that morning in December that I became engaged in organized charitable giving. I couldn’t bear to think that some child might miss out on Christmas if I didn’t take action.

At that moment I had an epiphany. If I was going to give away money that belonged to the corporation the employees should have a say and we should do it with the same enthusiasm we have in our business. I thought why not include the AeroFund staff in the processes and make it a team building event. With that germ of an idea, we set into motion one of our favorite and successful events in our company’s history.

December 1991 my wife and I organized an outing for the employees to give back to the community and have a little fun along the way. Better yet the employees were about to spend someone else’s money. It doesn’t get better than that. On a cold winter morning the AeroFund staff was ready to descend on our local Toys R Us for a giant shopping spree for the recipients of Toys for Tots. Our entire staff of 12 armed with a budget of $500 each, marched past two fully dressed marines and disappeared into the aisles. For 2 hours each employee studied every box and toy to see if it was the perfect gift they would like to see on Christmas morning. Baskets filled and were dropped at the register at a blistering rate while the smiling marines looked on. First, one basket, then 2 then 5 and up to 15… Soon the last employee pushing basket 34 arrived for the final check out. The smiles of the AeroFund employees were contagious. Even a few Toys R Us customers joined in and dropped their donation into the waiting barrels. Guys, you are going to need a bigger truck.

Back at the office the employees were still talking about the shopping spree and it went on for months. As
successful the event was, my wife Leanne and I still felt something was missing. Where were those toys going? Would they arrive safely and unbroken? For months we thought about these questions and how we could make this an even more successful annual event. It was then that we hit upon including the community. Why not shop for toys for local kids in need? Why not make it personal?

With those questions in mind we started to contact local children’s charities and offered to shop for toys for the children they serviced. We wanted to bring all the stakeholders closer to the outcome. What we asked the various charities to do was supply us with the name, age and sex of the child in need. We also asked for the child’s mental age, if they were disabled, and maybe a suggestion of something that particular child may have asked for from Santa.

Our first charity, Hope Rehabilitation, came back with over 90 names. A good start, but my Cracker Jack staff could knock those toys out in less than 15 minutes.

By the time Christmas rolled around in 1992 we had joined with 6 charities. On the appointed day staff members from each organization joined the AeroFund staff at the local Toys R Us to cheer them on. We even got Toys R Us corporate involved by talking them into providing us with an employee discount and we enlisted the local Macy’s to donate wrapping paper for each and every toy we purchased.

Before our now 20 strong employees disappeared into the aisles, each charity representative gave a short talk to our staff explaining the wonderful work they were doing in the community. As soon as the last non-profit representative finished speaking, the dedicated people of AeroFund pushed into the aisles with smiles on their faces, tears in their eyes and a sense of mission.

Toys R Us was much more prepared in 1992 for our take-no-prisoners approach to shopping. Growing to 20 employees and a much bigger budget the Toys R Us staff had to develop their own plan for an efficient checkout. No one wanted to make a mistake and misplace a toy destined for a child at one charity only to have one left over at another. 1992 was a great
success, but still we knew we it could be bigger, better and more organized. It’s not easy checking out 45 shopping carts loaded with toys with each toy going to one of six different recipients.

Great businesses have to constantly be thinking of how to do things better. Can you simplify? Can you get more organize? Can you scale? Cut costs? You have to Plan, Plan, Plan... If not, someone else just might do it better. This method we use in business is the approach we should be doing in life. AeroFund started to apply this approach in our policy of organized giving.

By the third year AeroFund was hitting on all cylinders and we had our AeroFund Toy event running like a top. The U.S. had entered a recession in 1993 and the need for toys was greater than ever. Over 1500 cards came flooding in from local charities all asking if we could make a Childs Christmas morning bright. We were up for the challenge. Organization would be key, to such a large undertaking. We would only have a few hours to spend thousands of dollars and we wanted to assure we wouldn’t break or misdirect a child’s present. The AeroFund staff had organized a clever double sticker color code system to keep track of the toys. VP of Sales Janet Goddard worked with Toys R Us to open the store early and block off four dedicated registers for an efficient check out. Even the charities where better prepared. Instead of coming with staff cars they now brought the company vans.

Our third year we were greeted by Geoffrey the Giraffe as our 24 AeroFund employees, along with a few family members all donning Santa hats passed through the sliding doors of Toys R US. Once again we pushed through the aisles, studied our color coded cards, and started thinking about the best possible gift for the child’s name we held in their hand. AeroFund has repeated this day in December for close to 20 years bringing smiles and laughter and over 15,000 toys to children Christmas morning. As for AeroFund, we get more out of these shopping sprees than the children and the charities. Our employees beam with pride and have a sense of belonging. They know they are working for a company that cares for them and the very community they themselves live. A strong community provides a strong workforce, which in turn provides AeroFund Financial with many happy employees. Put all together you have the ingredients for a better America and a strong happy place to work. A company I am very proud to be a part of.
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Heather Love, Rich Porterfield, Midge Koehler, Summer Bishop, Amanda Rasizzi, Lydia Mihalek and Jennifer Lozier
Setoff is a right commonly exercised by creditors to realize on obligations owing by recalcitrant borrowers. While the principles of setoff are fairly simple, improper exercise of a setoff can create serious consequential damages substantially beyond the amount of the setoff.

Basics of the Right of Setoff

Setoff rights arise under the common law and are a well established and accepted doctrine. Setoff is a matter of state law and may differ from state to state but is generally the same in each state. No contract or agreement is required to create a right of setoff. Setoff requires mutuality of parties and mutuality of obligation. Mutuality of parties requires that both parties owe a debt to each other. A debt owing to a third party cannot be subject to the right of setoff. In other words, there must be a debt owing from A to B and a debt owing from B to A. If A owes a debt to B, B owes a debt to C, and C owes a debt to A, there is no mutuality of obligation and A cannot exercise the right of setoff against C. Mutuality of obligation means setoff cannot be exercised for special or restricted obligations. For example, if the debt owing by one party is based on a trust relationship or involves designated or escrowed funds, there is no mutuality of obligation.

No special procedure or notice is required to exercise a right of setoff. A party can simply refuse to pay a debt on the grounds of setoff. A right of setoff is deemed exercised when the accounting entries are made effecting the setoff.

Preemption of the Right of Setoff

If A intends to exercise a right of setoff against B but has not yet effected the setoff by making the accounting entries, when a garnishment, tax lien levy, or similar action is served on A, the garnishment or other action must be honored and the right of setoff is lost. It is therefore wise to be prompt in exercising the setoff. Good business practice also dictates that notice be given promptly to the other party.

Bankruptcy Considerations

Under Section 553 of the Bankruptcy Code, a setoff may be subject to a preferential transfer claim. There are special rules for preferential transfers involving a setoff which are different from the rules applicable to other transfers. Generally, setoff exercised within 90 days of the filing of a bankruptcy petition may be subject to challenge if other conditions are met. If a setoff is exercised within 90 days of the filing of a bankruptcy petition, the circumstances should be reviewed with counsel to determine if the setoff will be subject to challenge.

Information provided in this article is general information only and not legal advice. Readers are encouraged to consult an attorney for specific legal advice.

Conclusion

The right of setoff is a valuable tool for creditors but must be exercised properly. The consequences of an improper exercise can be severe. If a bankruptcy is filed, additional issues must be considered.

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On July 1, 2013, a new package of amendments to Article 9 of the Uniform Commercial Code is expected to become effective. While these amendments are not as significant as the ones that took place in 2001, several sections are new and they are designed to address various practical issues that have arisen over the past decade.

BY TIMOTHY HALL

On July 1, 2013, a new package of amendments to Article 9 of the Uniform Commercial Code (UCC) is expected to become effective in all 50 states and the District of Columbia. The good news is that these amendments (frequently referred to as the “2010 Amendments”) are not as significant as the ones that took place in 2001, and most of the changes will not require current practices to be significantly altered. Many of the amendments are merely clarifying the intent of the existing text. However, several sections are new, and they are designed to address various practical issues that have arisen over the past decade. The most significant changes taking place will affect the filing of financing statements, particularly the treatment of individual debtor names, so it will be important for you to review your policies and procedures before July 1, 2013.

In order to perfect a security interest by filing, the secured party must file a legally sufficient financing statement in the appropriate filing office. Arguably, the most important element of a legally sufficient financing statement is the debtor name. It is the responsibility of the party filing the financing statement to indicate the correct debtor name, and it is the responsibility of a party searching the UCC records to conduct the search using the correct debtor name.

While identifying a debtor’s correct name would seem to be a simple task, experience has shown otherwise. This is particularly true when it comes to individual debtor names (as opposed to registered organizations, where the name indicated on the charter documents is deemed to be the correct name). Current Article 9 provides merely that a financing statement must provide “the name of the debtor” (Section 9-502). However, no further guidance is given to determine what constitutes the correct name of an individual debtor.

For example, envision a scenario where a lender is filing a financing statement against a debtor named “Elizabeth Brown”. She was known as “Elizabeth Smith” before her marriage three months earlier. At times, she has also gone by variations of her name, including the names Liz and Beth. In general, the party filing the financing statement has a degree of freedom in choosing the name for the purposes of identifying the debtor. However, the current system places an enormous burden on parties who are required to search the UCC index, particularly when considering that the filing offices across the country use inconsistent and unpredictable UCC debtor name searching systems. In the Elizabeth Brown scenario, a searcher may need to conduct separate (and costly) searches against Elizabeth Brown, E. Brown, Liz Brown, L. Brown, Beth Brown, B.
Brown, Elizabeth Smith, E. Smith, etc. to ensure proper due diligence.

With this in mind, and with strong encouragement from the lending community, the drafters of the 2010 Amendments developed two alternatives that address this problem. Alternative A is often referred to as the “only if” option, while Alternative B is frequently referred to as the “safe harbor” option. Because there are two alternatives, when filing a financing statement, or conducting a UCC search, the secured party must be aware of which alternative is in effect in a particular jurisdiction, and adjust its practices accordingly. A UCC service partner can help make this process easier to manage. As for July 1, the filing office or third-party partner will be able to tell you which alternative each state has adopted.

Alternative A

If a state has adopted Alternative A, the financing statement will have to contain the debtor’s name exactly as it appears on his or her driver’s license. That is, the individual debtor name is legally sufficient “only if” it matches the name provided on the driver’s license. Obtaining this information is generally a simple task, as most lenders typically ask for the driver’s license at the time the debtor first seeks to obtain financing. However, there are situations where complications may arise, as discussed below.

What if the debtor does not have a driver’s license? Each state, at the time the legislation is adopted, will reference the acceptable form of identification. For example, if a particular state uses the term “motor vehicle operator’s license” rather than “driver’s license”, it will be reflected in the legislation. Most states will also accept an equivalent identification card for those who do not hold a driver’s license, and this card will be an acceptable source for determining the debtor’s name. If the debtor has not been issued a driver’s license or equivalent government-issued I.D., the financing statement should either provide the debtor’s individual name in accordance with current Article 9 standards, or the debtor’s surname and first personal name.

What if the driver’s license has a misspelled version of the debtor’s name? Since the name indicated on the driver’s license will be considered the only “legally-sufficient” debtor name, the filer must use the name indicated, even if it is misspelled or otherwise incorrect. However, as a practical matter, the party filing the financing statement would be well-advised to provide any additional debtor names (including the correct spelling) on the financing statement prior to filing.

Another question is whether the fields on the new UCC forms will correspond to the fields on the driver’s license. New UCC forms have been developed and will be accepted by filing offices on July 1, 2013. The forms, with a revision date of April 20, 2011, have been amended to conform to the changes to Article 9. As a result, the individual debtor name fields will require the first personal name, individual’s surname, and any additional names/initials. If the debtor’s name is too long to fit within the field provided on the UCC-1 form, additional space is provided on the addendum form to accommodate the entire debtor name.
What if the state where the debtor resides is different from the state that issued his or her driver’s license? The amendments specify that the driver’s license must be issued by the state in which the financing statement is filed. Article 9 requires the financing statement to be filed in the state of the debtor’s principal residence. Accordingly, if for example, the debtor currently resides in New York, but holds only a Florida driver’s license, the name on the Florida driver’s license is irrelevant for the purpose of determining the correct debtor name.

What if the driver’s license expires or the information changes? For a variety of reasons, a name that is correct at the time the financing statement is filed will change before the financing statement lapses. In general a simple UCC-3 amendment can be used to effectuate the change. However, Article 9 currently requires action “if a debtor so changes its name” that the existing debtor name become seriously misleading. The focus, therefore, is on whether there was an intentional act by the debtor to change his or her name. The 2010 amendments, on the other hand, will require the secured party to file any necessary amendments when “the name that a filed financing statement provides for the debtor becomes insufficient”, thereby removing the element of intent, and focusing instead upon any action resulting in a name change. This becomes particularly important in the event a driver’s license expires, as the secured party may be required to take action if it is determined that the debtor’s correct name has changed as a result.

**Alternative B**

If a state has adopted Alternative B, also known as the “safe harbor” option, the filer will have three options. Under Alternative B, a legally-sufficient debtor name can be any of the following: 1) the name indicated on an unexpired driver’s license issued by the forum state, 2) the individual debtor name (which, consistent with current Article 9 can be almost anything reasonable), or 3) the debtor’s first personal name and surname.

While Alternative B simplifies the process for filers, and provides them with a seemingly wider variety of options.
sufficient debtor names, it does nothing to solve the existing issues a party faces when conducting UCC searches. As a matter of fact, it may increase the complexity and cost of conducting searches. A diligent searcher will not only have to conduct a search against the name provided in the driver’s license, but will also have to search any possible variations of the name in accordance with existing practices.

The Increased Complexity of Searches

It will be up to each state to choose between the two alternatives. Starting July 1, it will be imperative for both filers and searchers to identify which alternative is in effect in each state, and adjust their practices accordingly. This includes having a good understanding of each state’s UCC index and search logic, as well as the administrative rules applied to the debtor name fields by the filing offices at the time a financing statement is indexed or searched. In addition, parties engaging in secured transactions will need to understand the nuances of each state’s driver’s license standards, and complete their UCC filings in a manner consistent with those standards and the requirements of Article 9. A service partner can help you manage through the complex issues related to the new amendments to Article 9 and offer critical advice and insights to help you manage through the revised filing of financing statements, particularly the treatment of individual debtor names.

Timothy Hall, Director of Government Relations, Wolters Kluwer Corporate Legal Services, is a frequent speaker on the Uniform Commercial Code and Article 9 legislation. He regularly shares his knowledge on the CT Lien Solutions blog, which includes the state-by-state breakdown of the new Article 9 amendments. Mr. Hall has been with Wolters Kluwer for 16 years. Mr. Hall is a graduate of the Ohio State University and the Northern University College of Law. He can be reached at Timothy.hall@wolterskluwer.com.
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From Niche Factor To Double-Wide: Lessons Learned From Platform Expansion

In today’s market, everyone is looking for ways to grow. And with growth, there are many lessons to be learned along the way. This article discusses the effort, the challenge and the lessons learned on the pathway of growth.

BY STEVE HAUSMAN AND DAN KARAS

In today’s market, everyone is looking for ways to grow. Many companies have been treading water for years now. Some were either unable or unsure of how to take their business to the next level, while others have made the decision to dive in head first. Many of those who have taken the plunge have come up short, but several have overcome the challenges and obstacles in their way and found the path of success. With that in mind, there are many lessons to be learned along the path of product line extension and expansion.

As a niche transportation factor, the business we led grew largely through investing deeper in the industry we served – direct marketing, channel partnerships, integrating technologies, refining infrastructure, etc. However, diversification of product lines and industry specialization offered the opportunity to both expand and balance risk. The effort, related challenges and lessons learned broke down relatively neatly in three specific categories.

Identifying Shareable Capacities

Apparently, the second guy who invented the wheel is not well regarded. In an attempt to avoid that fate, four specific areas where the existing infrastructure could be utilized and expanded effectively were identified.

• People. We’re fortunate to work in the great state of Texas, with so many people of high character and commitment. Moreover, our organization had grown to a level of critical mass with threshold capacities of backup, cross-training and corporate intellect. Not only did we want to utilize these assets, but translate the demands of business expansion into career opportunities for the people who got us there. Never forget to support those team members that demonstrated commitment and capability.

• Technology. As a Cadence shop, our core system had the functional range and capacity to handle a variety of client applications. But additionally, the various peripheral applications
developed over the previous years appeared readily adaptable. Consequently, investing in top-notch technology will make expansion simpler.

- **Treasury Services.** We believe that banking, cash application and funding protocols all benefit significantly from scale. Generally speaking, size and experience trump redundancy. Leverage the skillset of internal and external constituencies.

- **Client-Oriented Culture.** Our client base lives in a world of daily panic. An organization attuned to this transactional sense of urgency is both an asset and liability, but something where the ability to meet those needs would be valued-added to our clients.

- **Distinction and Differentiation.** So what were the key differences that need to be respected and not overlooked? There were four key areas where we focused our attention.

- **Marketing.** Like most niche players, the marketing efforts were industry focused. Traditional referral networks, including banks, accountants, appraisers, turn-around consultants, etc., gravitate toward generalists as opposed to BDO’s who could address only a fraction of their needs. Therefore, direct channel marketing proved to be the most successful silo where branding was of prime importance.

- **Credit.** In the niche world, underwriting parameters are largely pre-defined, account debtors are already familiar and speed is essential. Now “credit is credit,” but the orientation and process were sufficiently distinct to desire separation of people and function. While not a universally-held truth, this separation proved most effective in managing the client debtor credit needs.

- **Account Servicing.** Though job skills are homogenous in the talent pool of individuals that manage client relationships, there is a natural conflict between productivity and flexibility. With over 700 clients, the dominant focus is productivity; however, to manage the needs of clients which are simply outside the box, a dedicated portfolio team was created to balance risk and reward.

- **Portfolio Oversight.** There is no quicker way to weaken an organization playing in our space than to skimp on the quality of the individual with oversight responsibility to manage the fast-paced, rapidly-changing environment. For that role, an outside perspective and vast experience were tapped to ensure that risk of all types, client, debtor, systemic, were effectively managed.

- **Perspective and Patience.** With the commitment of the leadership, Board, owners and regulators, bolting-on people with experience and ideas to broaden product capability and the footprint became the priority in the summer of 2012. Walking into a fully-functioning, successful business with an established culture and nothing more than an idea requires, as a former colleague used to say, a “wee bit of perspective and patience.” That summer included a few of the following activities, from which we all learned valuable lessons.

- **Listening.** When experience meets experience for the first time, it’s best...
to begin with a blank sheet of paper, sharp eyesight and focused hearing. Having the structure of a strategic plan is critical to a mission’s success, but tactical implementation invariably falls short without listening to: (i) the history; (ii) successes and failures; (iii) what’s been tried; (iv) what’s been avoided; (v) why actions have been taken or avoided; and (vi) what lessons have been learned. Certainly, Type A personalities abound and are important components of success, but with self-restraint, a great deal can be accomplished by listening and understanding the lessons already learned.

- **Being Unafraid.** It’s effective to be unafraid that you are unlikely the smartest person in the room. Helpful, practical, useful and, sometimes, great ideas come from all spheres if we’re open to receiving them. Inviting all constituencies to the table to share their ideas that, when used, are attributed to the individual who generated the idea, both builds a better product and a more cohesive team.

- **Pouring the Foundation.** Gantt charts, pitch books and policy, oh my! We all have “do you remember where you were when?” moments. Like being graciously housed in a four-person cubicle sandwiched between the spirited inside sales team and the collection team. High energy all day, every day is contagious. One of the many benefits was that there was never a lack of inspiration to, in necessarily exhausting detail, pour the foundation for the new efforts. Without translating a strategic vision into a detailed map of the road to be traveled through the terrain of human resources, policies, procedures, systems, technology, etc., launch might have happened but failure wouldn’t have been far behind. In short, there is no such thing as putting too much effort into getting the foundation right, then building a successful business on top.

- **Learning to Live with Delays.** When the best laid plans go awry, meet the situation with calm professionalism. Other than being on time for my first day of employment, precious few other milestones were complete on the originally targeted day. Some items were off by days and some by months; however, understanding the interconnections between the facets of our plan allowed us to shift individual components without disrupting the overall structural integrity of the plan. For example, a delay in preparation of final loan policy caused a delay in its approval by the Board which necessitated a hiring delay. After all, is there a sales and marketing professional that longs to join an organization when the cupboard is bare and there’s nothing to sell?

- **Launching.** After the preparation and the excitement over finally being able to open the doors for business, the first and most frequently asked questions were: “Who are you and why should I care?” We all have elevator speeches that deliver the answer to these questions in 60 seconds; however, as a new entrant on the playing field, the depth of the questions might have stopped just

*Continued on page 39*
Talking to a Robotic Vacuum

For Valentine’s Day this year I bought my wife a robotic vacuum. It is a nifty little machine, about 21 inches long, 5 inches high, and weighs 15 pounds. I didn’t realize it at the time, but it’s turned out to be one of the best gifts I’ve ever given her in 36 years of marriage.

It was highly recommended by my friend Trudy, who has one and couldn’t praise it enough. She gushed over how she and her husband love how well it cleans their floors, especially of animal fur. Since she lives on an alpaca farm with 2 dogs, and we have a dog and two cats, both our households have plenty of fur to pick up constantly. She had my attention.

Before buying it, I did my due diligence. (See? There are bonuses to being a factor.) I read dozens of reviews of various models, especially the one Trudy recommended: the Neato XV-21. Most users on Amazon gushed just like she did, so I went for it and ordered it as a surprise for my wife, usually a pretty risky move for something costing almost $400.

Anyway, the vacuum arrived and she opened it on Valentine’s Day. To my great relief, she liked it even before trying it (unlike way too many past surprise gifts). The instructions were pretty simple and in a short time the vacuum was doing its thing, happily tootling back and forth around the living room sucking up fur and dirt like crazy. We were both immediately impressed.

The vacuum was remarkably efficient as it moved somewhat slowly across the floor. It reminded me of a cleaning lady my family had when I was a kid, named Hazel (not the Hazel from the cartoon or old TV show). The Hazel from my childhood was an enormous woman of probably 400 pounds who came to clean our house a couple times a month. She moved quite slowly but did a very thorough job.

When it was lunch time she’d park at our kitchen table and eat everything in the refrigerator I was going to have for lunch for the next few days. She ate slowly, savoring every bite, and I remember her spending more time in the kitchen than any other room. But I give her credit: when she went home after a day’s work, the house was sparkling clean. She did a good job; it just took her a while.

Anyway, our new vacuum made me think of Hazel so I named it after her. Like the original, the robotic Hazel moves just as slowly and is just as efficient. And in a fairly short time, the dirt trap inside her where all the fur and dirt end up gets quite full. When that happens, she lets you know with a message on her little screen: “My dirt bin is full.” Amazing. The thing talks to you. But she says a lot more than she’s full (which I don’t remember the original Hazel ever saying). If you pick her up in the middle of cleaning, her message screen says, “Please put me down.” If she has a sock or small cat toy in her roller, she says, “My roller is stuck.” If she gets wedged in a corner or on a piece of furniture and can’t move, she cries for help with a plaintive bleating sound you can hear from another room. When you go in and put her back on course, she happily continues where she left off, humming up and down the floor. When her battery runs low, she finds her way back to her charger and plugs in on her own. Remarkable.

Now the funniest thing about this newest addition to our household is my wife’s interaction with Hazel. She talks to her as if she’s is alive and understands every word she says. “Hazel, you’ve already cleaned that spot; come over here and clean this area.” “Hazel, you’re spending too long in the kitchen. Go to the den and clean there.”

Hazel, of course, continues about her business as she sees fit, merrily ignoring my wife as completely as the cats do. When she’s done in the kitchen, she’ll come into the den when she’s good and ready.

I find myself chuckling when I hear my wife in another room talking to a robotic vacuum. Sometimes I’m inclined to tell her, “You know, Hazel is a machine. She can’t hear you and doesn’t understand a word you’re saying.” But the entertainment value of hearing her chatter to a machine is enough to keep quiet, and I let her prattle on. Even the dog realizes this is enough to keep quiet, and I let her prattle on. Even the dog realizes talking to Hazel is a little unusual.

I’ve reflected on this new contraption in our home and thought on occasion that Hazel’s actions, and especially my wife’s talking to her, can be a bit like running my factoring business. Sometimes, like Hazel, I tend to do the same thing over and over even

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when it’s not really doing much good, and miss another spot of my business that needs attention. Maybe I’m stuck doing underwriting like I always have, or verifications, or follow up with slow payers. If I’m doing the same thing over and over and it’s not effective, I need to do that task a bit differently.

Other times I may want to tell a client how he could make better use of factoring, or suggest a way to improve his operation. But that client may be in “robot” mode and not pay any more attention to me than Hazel does to my wife. At that point, like Hazel, the client may need to be figuratively picked up and moved. He may complain like Hazel does, but if the move is what’s needed, you may both carry on with business more efficiently.

What about your factoring business? Do you need to make a few changes to your procedures or how you interact with your clients? Are you, like my wife, talking to a robotic vacuum?

We don’t want our Hazels to spend too much time in the kitchen when the den needs vacuuming. Especially if it means our lunch will be gone. •

short of a shale formation. The history, predecessors, breadth of capability, capital, management team, Board members, etc. were, and still are, of great importance to prospective clients that seek the answer to a key question: “Do you have staying power?” Transitioning service providers is disruptive, so convincing new clients that we will be here to support their business is critical.

Though trampled on in the frequency of its usage, “it takes a village” applied daily. Melding the overall vision of our parent’s leaders, investors and Board members with the experience, capability and drive of the over-25 years of experience certainly had its challenges. However, there is nothing more rewarding, personally or professionally, than to usher in an era where, as John F. Kennedy so aptly said, “a rising tide lifts all boats.” •
lien monitoring. tailored to suit factors.