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We’ve moved!

The IFA recently moved to a new office that is wheelchair accessible. We are really excited about our new location as it is larger and affords us more opportunities for growth. More importantly to me is that this location allows me to get back into the office. Working from home is OK, but working from an office is much better.

The IFA just completed the first ever meeting for Women in Commercial Finance. Moderated by Robyn Barrett, Gail Reints and Laurie Montplaisir, Esq. this meeting was such a resounding success, it is now something that we will start conducting on a regular basis.

We have some excellent meetings coming up this Fall, including the first ever mini-conference for transportation factors. To be held at the Hyatt in Milwaukee on September 11-12, this event will feature two sessions specifically for transportation factors. The Transportation roundtable is designed for those that have been involved in the transportation sector and wish to discuss more advanced topics with their peers. The AE/LO Transportation Training is designed for those that are newer to the transportation niche. Attendees of both sessions will meet together during the social events (receptions, exhibit hall, lunch breaks and group dinner). If you are involved in the transportation sector or wish to be, this event is for you.

Also coming up this Fall is our Advanced Factoring Symposium. This meeting/training course has been designed for experienced factors who wish to discuss more advanced factoring issues. Also in the Fall will be the ever popular Sales and Marketing training course for factors. This course delves into specific information on how to sell and market factoring. Whether you are new to factoring or an experienced sales professional, this is an excellent way to enhance your sales and marketing skills. Information on all of our upcoming training courses can be found on page 23.

Finally, I’d like to give you a quick update on my progress. My wound has finally closed, which has allowed me to begin physical therapy. I’ve been able to attend a couple of sessions where they are working with me to determine if there is enough movement and strength in my legs for me to get vertical and take some steps. We’ll see how that progresses. It’s a great feeling being able to get around on my own.

Thanks again for your support and I look forward to seeing you at an upcoming IFA event.

But Goldberg
PERSONNEL

TJ Gill Joins TAB Bank’s Business Development Team

TJ will be based in Orlando, FL and will be responsible for sourcing new business opportunities by providing asset-based and factoring working capital facilities to commercial entities with annual revenues of $2 million to $150 million.

Entrepreneur Growth Capital Hires Craig Castle

Craig Castle began his financial career as a senior business banker with Fleet Bank, which was acquired by Bank of America. He was also a vice president with well-known banking institutions such as the Royal Bank of Canada and more recently Sterling National bank.

INDUSTRY TRANSACTIONS

Phoenix Capital Group’s June Deals

Phoenix Capital Group funded eight new clients in the transportation industry with total credit facilities of $1.675 million.

Vertex Financial Provides Factoring Lines to Eight New Companies

These companies vary from subcontractors with progressive billing to temporary staffing agencies. The largest of these transactions is a steel erector in New York. Vertex provided a $2 million facility to facilitate their growth.

Loeb Term Solutions Provides Equipment Term Loans

With equipment valued at:
- over $550,000 to a high end catering company specializing in healthy food alternatives
- over $1.4 Million to a manufacturer of wind turbine towers

Alleon Capital Partners Closes a Medical A/R Financing Facility

The medical provider sought funding to expand services for the existing facility and to pay off a maturing loan.

Liquid Capital Recent Transactions

Highlights include:
- $400,000 - North Dakota ready mix concrete and materials distribution
- $500,000 - Ontario medical equipment distributor
- $850,000 - Texas packaging systems designer and distributor
- $1,000,000 - Ontario call center services
- $2,500,000 - Arizona aircraft rebuild

Utica Leaseco Relies on Equipment as Collateral in Recently Completed Sale/Leasebacks

- $1.45 million for a Texas headquartered rock crushing and aggregate processing company
- $4.125 million for an Alabama headquartered steel stud manufacturing and steel processing company
- $2.2 million for a Utah headquartered pipeline installation and fabricating company
- $725,000 for a Michigan headquartered CNC Machining company

Six Deals Closed by Gateway Trade Funding

- $1,000,000 facility for importer of pet related products selling to large retailers
- $1,000,000 facility for importer of artwork and frames selling to retailers in Canada
- $1,000,000 facility for wine manufacturer selling to distributors
- $1,000,000 facility for importer of propane tanks for marine usage to large OEMs

Platinum Partners Credit Opportunities Fund ("PPCO") is an asset-based investment fund providing loans to markets that are underserved by traditional sources of financing. PPCO is active in the trade finance marketplace, providing warehouse lines to established factoring and purchase order finance companies while also working directly with a variety of businesses to provide the capital necessary to finance the purchase or manufacture of their products.

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Carnegie Hall Tower, 152 West 57th Street 54th Floor, New York, NY 10019
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Email: alpha@platnumlp.com
**OTHER INDUSTRY NEWS**

**Invoice Factoring Company Re-Launches Staffing Factoring Program**
Staffing company owners can now benefit from Charter Capital’s staffing invoice factoring program. This factoring program was created to address the growth in staffing and temporary employment companies.

**D&S Factors Celebrated One Millionth Invoice in June**
President and owner, Diana Clover, chose to honor the D&S team members for their great achievement with a celebration that included a scavenger hunt to several locally owned businesses in the area, games, and dinner for the employees.

**Advance Business Capital Expands Services With Fuel Advance Program**
The fuel advance program joins ABC’s range of services, including credit checks, collections, freight insurance, load board access, back office services, and factoring.

**Factoring Business Tipping $1 Billion in Panama**
The factoring business in Panama is growing at a rate of 10% - 20% and reaching up to $1 billion a year. The financing mechanism is controlled by 24 companies, mostly banks, says a report in PanamaAmerica.com.

**Weather Forensics Leader DWS Introduces First-Ever Insurance Claims Factoring Service**
Dynamic Weather Solutions (DWS), a provider in weather forensics for the insurance and construction industries, has created a new service. DWS has secured $100 million in funds to spearhead their entry into the first-ever factoring service involving insurance claims.

**Bayside Business Solutions, Inc. Announces Two Strategic Partnerships**
Bayside Business Solutions, Inc. partnered with Finsoft, LLC to develop an integrated data-reading tool, and with Grizella, LLC to develop a SaferWatch interface for Bayside’s flagship product, CADENCE.

**TBS Factoring Services Launches Saturday Fuel Advances and Partners with Getloaded**
TBS is expanding its fuel advance program to six days a week, including Saturdays. Truckers and trucking companies no longer have to be in a bind over a weekend due to a lack of funds for fuel. TBS will advance up to 50 percent toward the purchase of fuel on any load it factors.
The construction industry is coming back. Public and private projects are being bid in greater numbers, architects and engineers are busier, and contractors in every trade are beginning to hire new employees. But bank credit lines are more difficult to obtain and contractors do not have the resources to advance material and labor costs and wait for their profit at the end of the project. It is a great time to think about factoring construction receivables. But first, you as the Factor must master the unique and strict requirements of construction law. In other words, you need to know as much (if not more) than your contractor client.

What are the advantages to factoring construction receivables?
If done correctly, factoring construction receivables gives the Factor another layer of security to collect the monies that it has advanced. In a typical factoring relationship, the Factor can pursue the Account Debtor for payment, or under certain circumstances, can pursue the Client. This is usually based upon the Uniform Commercial Code and breach of contract theories. However, the Factor may not be able to obtain reimbursement of its attorneys’ fees from an Account Debtor.

In addition to these rights, the Factor of construction receivables has much greater rights against the Account Debtor – secured rights. If the applicable state or federal rules and time requirements are followed, the Factor (on behalf of its Client) will have a construction lien against the property (or lease) where the construction work is located or will have a claim against a bonding.
company for collection. Under the lien or the bond, the Factor also has a right to reimbursement of attorneys’ fees if it prevails.

**Does factoring construction receivables require more due diligence by the Factor?**

This is the greatest burden facing the Factor. The Factor must commit to a greater level of due diligence before accepting the Client, before each funding and even general monitoring of the construction projects. The Factor must understand and ensure compliance with all of the strict deadlines to protect the Client’s (i.e., the Factor’s) lien and bond rights. Because the Account Debtor (i.e., the General Contractor) has many different contract rights to withhold and set-off payment, the Factor must conduct a detailed evaluation of the Client’s expertise. For example, you must know the Client’s sub-subcontractors and suppliers and make sure these parties are paid and provide construction releases. If not, these sub-subcontractors and suppliers have the right to seek payment directly against the Account Debtor, resulting in a set-off against the money owed to the Factor.

In essence, the Factor must have the confidence that the Client has the skills to perform the construction work. But also, the Client must have the sophistication and administrative support to protect its lien and bond rights, obtain releases from all sub-subcontractors and suppliers, comply with federal and state labor laws and give timely notices under its contract with the Account Debtor. The Client’s inability to comply with all of these items may result in a claim against the Account Debtor by a third party and a set-off against the money owed to the Factor.

What are some other examples of additional due diligence that the Factor should be conducting on the Client? Has the Client been the defendant in prior litigations? Specifically, has the Client been sued for not paying its sub-subcontractors and suppliers even though the Client has been paid? Has the Client been sued for defective work or delayed work? This information is a good indicator of your Client’s future ability to perform the construction contract.

On prior projects, has the Client been terminated for cause or had delay liquidated damages imposed upon it? Again, this information is a good indicator of your Client’s future ability to perform the construction contract.

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**THE FACTOR MUST COMMIT TO A GREATER LEVEL OF DUE DILIGENCE BEFORE ACCEPTING THE CLIENT, BEFORE EACH FUNDING AND EVEN GENERAL MONITORING OF THE CONSTRUCTION PROJECTS.**

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indication of whether the general contractor will withhold or set-off payments due to the Client/Factor.

Does the Client have all required licenses? In many states, the Contractor-Client is not entitled to any payment if the license was not active, even if all the work was performed.

**I am familiar with the Uniform Commercial Code. Are there other state or federal laws that the Factor of construction receivables must become familiar with?**

For each private construction project (i.e., not involving a governmental entity), the Factor must become familiar with the construction/mechanic’s lien law and bond law of the state where the project is located. While most states have similar concepts, each state has different notice and recording deadlines and other rights. For state or local public construction projects, the Factor must become familiar with the state and local laws and regulations governing construction of public or publicly-funded projects. Last, if the project is for the federal government, the Client must be familiar with federal law regarding bonds and construction regulations.

**What are some examples of the strict requirements to preserve the Factor’s construction lien or bond rights?**

In most states, there are typical requirements that the Contractor-Client must timely perform to preserve its lien or bond rights. The Factor, to take advantage of the extra “security” for payment, must make sure that the Client has complied.

For example, in Florida, the Client must serve (certified, return receipt mail) a “Notice to Owner/Notice of Intent to Rely Upon Bond” on the general contractor, owner, bonding company and any other entity named in the Notice of Commencement. This Notice must be received any time before the Client’s work begins, but no later than 45 days after the first day of work. If this Notice is not received by all parties within the 45 day deadline, the Client forever loses it lien rights (or bond rights, if applicable), and so does the Factor.

Most states also require that the Client perfect its lien or bond rights by recording a construction lien against the property or giving notice to the bond company and other required parties. The lien must be recorded or the notice received within 90 days from the last day of the Client’s substantive work on the Project. Again, one day late and you have waived the extra security that makes factoring construction receivables so advantageous.

Bruce Loren, Esq., and the Loren Law Firm are based in West Palm Beach, Florida. For over twenty years, Mr. Loren has focused his practice on construction law and factoring law. Mr. Loren has achieved the title of “Certified in Construction Law” by the Florida Bar. He can be reached at bloren@lorenlawfirm.com or 561-615-5701.
drives a prospect’s decision-making process, we first have to discern between a ‘want’ and a ‘need’. Far too many people in business development ignore the difference and look at the two as equal. For those that have this problem, you’ve just made your job twice as hard. In case you didn’t learn growing up, we rarely get what we really want. But if you ask The Rolling Stones, “If you try sometimes, you just might find, you get what you need”. This goes for prospects too. They “want” everything: a 100% Advance Rate, unlimited Credit and a 0% Fee & Interest Rate. Oh, and they want it now, with no lien and no guarantee. Your job is not to give them what they want, because if a factor offered all of the above, they surely wouldn’t need you to sell their program; it would sell itself! Your job is to get the prospect to communicate what they really need, and then show them how your company can fulfill those needs.

Conducting a Needs Assessment

This is where the real selling process starts. Hopefully, before now, you’ve had a chance to introduce yourself and get the prospect to open up about himself in order to first connect on some personal level. At this point, you should not have mentioned anything about your firm or your financing programs. How could you? You don’t yet know what the prospect needs and you want to tailor your presentation to specifically address how your company can meet their requirements. It’s also possible that the prospect’s demands are way outside of your ability to deliver. In this case, it’s time to bail out quickly so you don’t waste any more of your precious time. Therefore, instead of going into the fine details of your company’s factoring program, you can simply give a quick overview of the types of situations that you can best help. After all, you’re in front of an entrepreneur. He may know of another business that could truly use what you offer.

Thomas G. Siska is Senior Vice President of North Mill Capital, LLC. Tom is a 24 year industry veteran who has built several factoring operations. He can be reached at 609-917-6228 or TSiska@NorthMillCapital.com.
A Needs Assessment has at least three layers. The first layer is the global issue. In our case, it’s almost always “I need to improve my cash flow”. Strangely, most salespeople stop the process here and immediately launch into their pitch about how they solve cash flow problems. A more seasoned and disciplined professional, however, will get to the second layer. This layer reveals more details about prospect’s precise needs and can be useful information later if he start to waiver on the decision to commit. The next question is, “What exactly do you need to get paid and for how much?” Obviously, different answers reveal different approaches to the sales pitch. Making payroll on time is a typical response and easily fulfilled by most every Factor. Paying past due payroll taxes is an entirely different answer, leading to more challenges in getting the deal closed. Obtaining more supplies to fulfill growing sales is probably the best answer of all, since this is the easiest possible sales situation. Any double digit sales growth should more than pay for the cost of Factoring.

The important lesson here is that you can’t fulfill a prospect’s needs until you know what they are. And don’t stop at just one answer, for where there are cash flow problems, there is more than one critical obligation that would allow the prospect to sleep better knowing it was taken care of.

The third layer of the assessment reveals the most complete understanding of what is required to get the deal closed in the face of fierce competition or a prospect that can’t commit. This necessitates getting the prospect to prioritize the list of obligations needed to get paid. This part of the process is essential when the proceeds from Factoring fall short of the prospect’s “want to pay” list. It allows you to refocus the prospect on the items that “need to get paid”, and the fact that you can deliver on that!

Conclusion

The Needs Assessment falls under the KISS method of sales. Keep It Simple, Stupid. Nobody pays a lot for financing unless they need to. And you cannot fulfill a need unless you know what it is. A salesperson stopping when a prospect says “I need improved cash flow” is like a doctor stopping at a patient saying “I need to stop hurting”. You have to know exactly what is broken in order to fix it. Sales is a discipline where all a salesperson can do is put themselves in the best position possible to make a sale. You cannot win them all. The business development people that don’t thoroughly understand the prospect’s needs lose more often than they win. The ones that go the extra mile to discover the entire list of problems that make the business owner lose sleep at night, and then delve into the level of seriousness of each, can more accurately show how their program can relieve the most pain possible. Remember, every prospect “wants” an unlimited supply of cash to make every issue imaginable go away. Reality is, there’s only a certain amount of money available from Factoring. So when the prospect hesitates to commit, you can remind him of the most serious pain he faces, and your ability to cure what ails him.

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Finding Your Niche: When it Comes to Factoring, Carefully Choose Your Industries

With a narrower focus, niche factoring allows factors to provide more personalized and tailored service, with a deeper understanding of the factoring industry.

BY LARRY HOLSTEIN

While some factors choose to be a jack of all trades, factoring within a niche provides a more narrowly defined opportunity for targeted specialization.

Casting a wide net certainly has its advantages; doing so increases the amount of business you have access to, thereby improving your chances for profitability and growth. But spreading yourself too thin can also backfire. With a narrower focus, niche factoring allows factors to provide more personalized and tailored service, with a deeper understanding of the factoring industry.

I’m a big believer in factoring within a niche. When you factor more generally, you typically will not know your entire market, and that’s how you get burned. You don’t know what to watch out for, and either don’t get paid in full or get paid slowly.

While 90 percent of my company’s business is staffing, we do factor other industries, such as information technology, advertising and manufacturing. However, specializing in the staffing niche, then further specializing in several niches within staffing — such as administrative, industrial and medical — has proven lucrative for the business.

Find Your Niche

To find the right niche for your company, think about the intelligence and experience that you and your key management personnel have. Then evaluate your strengths and weaknesses to determine where your center of expertise lies.

For example, if you have experience as a temporary staffing executive in the administrative niche, you may want to target that niche because
you are familiar with the ins and outs of its unique operation. Likewise, if your client relations manager has behind-the-scenes experience in the legal realm, you may want to consider focusing on that industry.

Another way to determine your niche is to take an overall look at the community or geographic area that you service. Is the area industrial, with many factories? If so, consider focusing on industrial placements. Are there many hospitals and health care facilities? If so, medical placements might serve the community’s need.

You can also evaluate your area’s demographics and determine its labor focuses and needs through the U.S. Bureau of Labor Statistics. Available data show the total labor force in your area, as well as employment in specific industries such as information, financial activities, professional and business services and more.

It is also important to consider your competition when developing a niche. If your geographic area has many industrial companies, for example, that may seem to be an area where you should focus your efforts. But if there are already a number of factoring companies specializing in that area, entering and establishing yourself within the niche may prove difficult.

You can also evaluate your area’s demographics and determine its labor focuses and needs through the U.S. Bureau of Labor Statistics. Available data show the total labor force in your area, as well as employment in specific industries such as information, financial activities, professional and business services and more.

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Estimate the Risks

When selecting a niche, risk should be one of your first considerations because factors generally are subject to greater risk in the marketplace. However, there are certain industries known to be higher risk than others and there is growing risk in every industry in factoring today.
Transportation is one niche known for its high risk. Truck maintenance and damages, delayed schedules and fluctuating rates make the industry a tough sell, although those with the experience and know-how may find it lucrative. Another such industry is agriculture. Weather and climate, food storage and transportation problems make this a risky venture, although again, those with the skills to navigate the industry can achieve great success.

At TemPay, there are certain industries we don’t do business in because they are riskier than others. Although we factor a wide range of temporary staffing agencies, it makes more sense for us to stay out of those areas we don’t know and focus on what we do know.

Factors also face the risk of client fraud, which is harder to identify in a niche with which you are unfamiliar. The risk you have when advancing money is that the client may be unscrupulous and you will not get that money back — a big problem in the industry in general, but more common in niches that factors do not understand.

In a perfect world, the client provides the factor with its accounts receivables invoices, the factor provides the client with an advance and the customers then pay the factor. However, it is not atypical for a client that is having cash flow problems to contact a customer and ask to pay it directly rather than pay the factor. It can takes weeks or months to figure out that a client is diverting funds, especially in a niche in which you are unfamiliar with the cash flow and payment processes.

Understand the Financials

One of the most important elements to investigate when researching a new niche is the standard payment process within the industry you are considering.
When factoring, the payment process is essentially the same, regardless of the niche, when it comes to Uniform Commercial Code filing and notification, verification of invoices and collection practices. However, there are some differences in payment terms, depending on the industry. For example, most staffing niches have a standard net 30-day term, but most medical staffing companies extend the terms to net 45- or net 60-day terms.

Regardless, all credit and background checks of account debtors should be done following the same process in all niches. Looking for creditworthy account debtors is universal and not dependent upon a certain niche in any industry. Ensure that you are advancing money to clients who have creditworthy customers who will have the resources to pay in a timely manner.

While factoring within a single niche may be profitable, don’t cut yourself off from considering opening up to other closely related niches. There may be slight differences between them, but as long as you conduct the proper due diligence before factoring, any niche can be a profitable venture. However, to provide maximum value, consider focusing on a particular industry or area. This will allow you to develop a depth of expertise that will not only serve your customers well, but will help you minimize the risks involved within the related niches you serve.

Larry Holstein is president of TemPay, a company he founded in 1994. Since that time, Holstein has grown TemPay into a nationally recognized funding company. His experience in the industry dates back to 1982. Prior to founding TemPay, Holstein enjoyed a 20-year career as an aerospace engineer working with such companies as Cleveland Pneumatic, Lear Siegler, Gould Ocean Systems and Life Systems. He holds a BSME from Carnegie Mellon University and an MBA from Cleveland State University. Larry can be reached at 216-283-6666 or lholstein@tempay.com.
UPCOMING EVENTS

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2013

9/11-12 AE/LO Training for the Transportation Industry
Hyatt Regency, Milwaukee, WI

9/11-12 Transportation Factoring Meeting
Hyatt Regency, Milwaukee, WI

10/14-15 Sales & Marketing Training Class
Planet Hollywood, Las Vegas, NV

10/17-18 Advanced Factoring Symposium
Planet Hollywood, Las Vegas, NV

1/22-24 Presidents & Senior Executives Meeting
Frenchman’s Reef & Morning Star Marriott Beach Resort, St. Thomas, US Virgin Islands

3/4 Luncheon Meeting w/ NYIC
Arno Ristorante, New York, NY

4/9-12 2014 Annual Factoring Conference
Westin St. Francis, San Francisco, CA

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

The IFA offers CLE credits for upcoming programs. Information on approved programs and states is available at info@factoring.org or contact the IFA at 800-563-1895 or 805-773-0011.
Export Factoring or Letters of Credit: Two Approaches to Solving the Problems of Constrained Cash-flow and Credit Risk in International Trade

Taking a fresh look at the tools available to us, I’d like to compare these two techniques and suggest we consider export factoring as an alternative to letters of credit. **BY JOHN STILLWAGON**

Trade finance is one of the more ancient forms of commercial activity. Broadly speaking, the term encompasses a range of tools that have been developed over time to solve the twin problems of trade: constrained cash-flow and credit risk. As societies broadened their commercial networks, and supply chains lengthened and became more complex, manufacturers, merchants and bankers were forced to confront two questions that remain with us even today.

First: how can I pay my vendor today and collect from my customer tomorrow? To paraphrase Wimpy from the old Popeye cartoons, “Can I pay you Tuesday for a hamburger today?” Second: if I ship goods to my customer, how do I know I will get paid? This always reminds me of a scene from an Indiana Jones movie, “Throw me the idol, I'll throw you the whip” (unfortunately for Indiana, his “customer” gets the idol, drops the whip, and makes for the exit!).
In response to these questions, financiers have developed the modern suite of trade finance facilities with which we are all familiar: purchase-order funding, credit insurance, letters of credit and factoring—to name a few. Each technique can be useful in and of itself, but we at DS-Concept find that taking a fresh look at the actual underlying transaction of goods and then building a facility involving one or more of these tools is a better approach than trying to make the supply-chain fit the techniques. Unfortunately, many people think of these tools as applying only to narrow stereotypical situations:

**PURCHASE-ORDER FINANCING:** “I got a big order!! Now...how do I pay for it?”

**CREDIT INSURANCE:** “I just want to sleep at night.”

**LETTERS OF CREDIT:** “I’m selling (or buying) from another country, and...it’s weirding me out.”

**FACTORING:** “I’m not bankable.” or “I’m growing so fast, banks can’t help.” or “I’ll worry about sales, you do the rest.”

And there is, of course, some truth to these categorizations. But in the spirit of taking a fresh look at the tools available to us, I’d like to compare two of these techniques and suggest we consider export factoring as an alternative to letters of credit. Both factoring and L/Cs are used to solve the “twin problems” of constrained cash flow, and customer credit risk—but what do they each really offer and why use one or the other? Why should factoring only be used for certain “types of companies” or certain industries? Why should international sales automatically imply the use of L/Cs?

### Letters of Credit vs. Factoring

As a quick reminder, letters of credit are financial instruments whereby a bank steps in to guarantee payment to the seller of goods, on behalf of the buyer of goods, so long as the conditions of the letter (what, when, where, and how the goods are shipped) are fulfilled by the seller of the goods. So why are L/Cs used, really? In my experience, for the vast majority of L/C transactions, if you leave aside the financial jargon, there are two reasons L/Cs are used: the seller doesn’t really trust the buyer to make payment or the seller needs the L/C to use as collateral for production finance.

I’m sure I don’t need to do a factoring 101, so I will just ask a question—why do people use factoring, really? Answer: some combination of credit protection, collections help, and liquidity. Rather than rely on stereotypes, then, let’s look at the benefits and drawbacks of using L/Cs or factoring, and compare:

### For the seller:

**BENEFITS OF L/C:** payment is guaranteed by bank; can be used as collateral to finance production; costs can be negotiated to be for buyer’s account.

**DRAWBACKS OF L/C:** paperwork and timelines can be onerous; customers would rather have terms.

**BENEFITS OF FACTORING:** payment...
is guaranteed by factor (or insurance); offering open account sales terms makes you very competitive; discounting of invoices increases cash-flow.

**DRAWBACKS OF FACTORING:** without a PO finance component, no benefit to production financing; only a certain percentage of the invoice is paid at shipment, rather than the typical 100% with a sight L/C; the cost of factoring can be prohibitive if gross margins are very tight.

**For the buyer:**

**BENEFITS OF L/C:** other than being better than having to make a pre-payment, there are few benefits.

**DRAWBACKS OF L/C:** ties up credit availability and/or cash; onerous documentation process; costs (fees and interest).

**BENEFITS OF FACTORING:** open account sales terms are an enormous benefit, minimal paperwork.

**DRAWBACKS OF FACTORING:** there are few drawbacks to being a factored debtor, although some companies may not want to deal with a “third-party” (the factor).

Based on the comparison outlined above, my conclusion is that buyers would almost always rather be a factored debtor rather than have to open an L/C to their vendor. In fact, we are witnessing this first hand—fewer buyers are willing to purchase on L/C when they are made aware that export factoring is available.

From the seller’s point of view, L/Cs will be preferred when production financing is needed after receiving a purchase order, or when it is crucial to receive 100% of the sale price upon shipment (not the 80% which is typical with factoring). In most other cases, assuming gross margins are adequate, sellers should consider factoring as an alternative to selling on L/Cs as credit risk is mitigated (our company, for instance, offers true non-recourse facilities, backed by credit insurance), cash-flow remains liquid, and with many competitors requiring prepayment of L/Cs from your customers, you gain a significant competitive advantage by offering open account terms.

**DS-Concept offers both L/C financing and factoring, so I am not promoting one type of financing or the other. But I would encourage importers and exporters to take a fresh look at the financial tools available to them, rather than keeping each in its own stereotypical silo. •**

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John Stillwaggon is Vice President of Sales at DS-Concept, a global firm offering international trade finance to the small and mid-market. Prior to joining DS-Concept, he held business development roles at both a major credit insurance carrier as well as a boutique brokerage. John holds a BA from Siena College, an MA from Boston University, and is completing dual certificate programs in international trade, logistics, and finance and credit analysis at New York University.
People are signing up to take the exam and achieve the CFAE designation. What are you waiting for? It’s easy to apply to take the exam and chances are you will be able to schedule the exam in a town near you!

Please take a look at the IFA’s website to learn all there is to know about Certification. I also want to point out that there is a mentor program explained on our website as well. Several people asked recently for the IFA to start a mentor program, and we’d love to, except we already have. Consider signing up as a mentor or as a mentee.

Women in Commercial Finance

I just made it back from the IFA’s first meeting for Women in Commercial Finance, held mid-July at Planet Hollywood in Las Vegas. What an incredible event! I wasn’t quite sure what to expect as we had never put this kind of focus into a meeting before. As it turned out, I don’t believe it could have gone any better. An outstanding success that has us thinking we need to do more in the same vein.

Robyn Barrett, founder of FSW Funding based in Phoenix and Gail Reints, founder of Sky Business Credit in the Chicago area were the moderators of the meeting. They navigated the group through an agenda filled with quality subjects, by presenting ideas and facilitating discussion.

Adding a legal perspective, Laurie Martin Montplaisir from Chicago firm Chuyler, Roche & Crisham, P.C., joined the moderators in leading the discussions.

The meeting began with an exercise designed for the attendees to get to know some random facts about each other. Through this challenge we learned that among the group was an attendee who had been hit by lightning seven times! I observed that this ice breaker helped to establish a feeling of community among the women, which carried through the rest of the two day meeting.

The attendees ranged from business owners and senior executives to business development executives to operation managers and portfolio managers and account executives. The level of intelligence in the room was evident as discussions from smaller groups were shared with the group at large. Tina Capobianco, from the Ontario office of JD Factors, remarked “This was an excellent program and quite a success for the first year. The format was great and very useful.”

Topics discussed were varied and included items like “Developing Your Leadership Style” and “Balancing Professional and Personal Life” and “Keys to Successful Communication”. Jan Bellah from Advance Business Capital said “Well organized, informative & open communication. Great dynamic!” She was right; meaningful dialogue focused on professional challenges and solutions by and between such talented women was a valuable experience.

Guest Speaker, Judy Hoberman, a serial entrepreneur, sales training coach, author, and Fox Business Consultant, addressed the women the first afternoon after lunch. She was an energetic speaker and talked about her colorful experiences from decades of sales. Judy presented market research on the different buying habits of men and women and also provided a wealth of common sense networking tips. Leigh Guglielmo from Republic Business Credit thought that “Judy was very interesting and she was a good fit for this event.”

Recent Account Executive Seminar

In June, Jay Atkins and I held the IFA’s 11th Account Executive/Loan Officer Training seminar. Prior to the class, I checked our records and learned that this event’s attendees brought the number of people who have taken the course to over 500 people. Wow, over 500 people! The attendees this year were mostly quite young, the new generation of twenty-somethings that are the future of our industry. There were also some more seasoned veterans who attended this class because they like the validation they get knowing that they are on the right track, plus they get the benefit of learning about recent trends.

When I first started in Commercial Finance, I have to admit I knew very little about the products and was blissfully naïve about risk. Back then there wasn’t an IFA that held training courses, and there wasn’t a manual available to purchase, so I had to learn the hard way. In hindsight, I am thankful that I learned the business from the ground up, and to be honest, I continue to learn as new situations arise. If I am lucky, I will continue to learn something new and grow every day. But, back to the AE/LO class – over 500 people have come to learn about why their role is so important, and moreover, they have learned the tools that will help them manage risk.

According to the feedback we receive from attendees, this particular seminar is so popular because of the huge amount of content that we go through and the real life stories that Jay and I share that help folks to get a deeper understanding of collateral management. We also have attorney, Mike Ullman, contribute by discussing points of law, and ideas that make everyone think. Did I mention over 500 people have taken this course?

I believe that we have reached a benchmark for the industry by having

Continued on page 28
The American Factoring Association ("AFA") was back on Capitol Hill in June advocating for the factoring industry. Our Jones Walker team accompanied Diana Clover, Kwesi Rogers, Phil Cohen and Larry Gibney on their visits in Washington. With Palmer Hamilton and Arnie Havens from Jones Walker leading the way, our AFA team was able to meet with several Senators, Representatives and their staff.

As in past meetings, the goal of the AFA is to explain to policy makers in Washington the pivotal role factoring plays in our economy. Specifically, how factoring helps small and growing businesses create new jobs. The meetings provide a venue for our industry to voice our ideas and concerns.

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 that could accidentally impact us. The AFA continues to educate our representatives in Washington on the need for factoring to remain unregulated. However, we must continue to make our case at every opportunity. The AFA will 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.

We understand not everyone can go to Washington, but everyone can contribute money. Thanks to those of you who have already pledged money for 2013. We can guarantee your money will be well spent. If you have not made your pledge to the AFA for 2013, now is the time to act. The well-being of our industry is at stake. 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.

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**2013 MEMBERS & DONATIONS**

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

**Platinum ($5,000 - $10,000)**
- Accord Financial, Inc.
- Advance Business Capital
- Far West Capital
- Great Plains Transportation Services
- Interstate Capital Corporation
- Millennium Funding
- MP Star Financial, Inc.
- RMP Capital Corp.
- Sunbelt Finance
- Vertex Financial, Ltd.

**Gold ($2,500 - $5,000)**
- AGR Financial
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- Amerifactors Financial Group, LLC
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- Coral Capital Solutions
- DB Squared, Inc.
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**Silver ($1,000 - $2,500)**
- Advance
- Amerisource Funding, Inc.
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- Entrepreneur Growth Capital, LLC
- Epstein, Becker & Green, P.C.
- Evergreen Working Capital, LLC
- Factor King, LLC
- FactorPlus
- 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.
- Northwest Capital, LLC
- Paragon Financial Group, Inc.
- PRN Funding, LLC
- Prosperity Funding, Inc.
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**Bronze ($500 - $1,000)**
- Advantage Business Capital
- American Funding Solutions LLC
- Brookridge Funding
- BTB Capital Corp.
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- Commonwealth Capital
- Concept Financial Group
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- G Squared Financial, LLC
- Gateway Trade Finance, LLC
- Jencks & Jencks, P.C.
- Lyon Capital Corporation
- Pivotal Funding Group, Inc.
- QC Capital Solutions
- RMJ Capital, Inc.
- SevenOaks Capital Associates, LLC
- The Interface Financial Group

**Other (Under $500)**
- Commercial Finance Consultants
- Downtown Capital Partners, LLC
- Keystone Capital Funding
- Pipeline Financial Services, LLC

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As of July 20, 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.

www.rpost.com/ifa

IFA Members receive a $10 discount per 100 pack. Also, the first order from each company will be doubled.

CONSULTING

12five Consulting
12five Consulting provides technology and social media consulting to the commercial finance industry. Born out of its sister company, 12five Capital, 12five Consulting understands the technological needs of the commercial finance industry, as it was their application of these tools that lead to their expertise. 12five specializes in software optimization, cloud computing implementation and social media representation.

Phone: 630-270-3072 • www.12five.com
Email: ryan@12five.com

IFA Member Benefit: One free hour of initial phone consultation

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

Phone: 972-722-3700 • www.factorhelp.com
Email: dwilson@factorhelp.com

IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

Smyth Networks
Smyth provides world class credit and accounts receivable services that the world’s largest companies use to manage risk, optimize cash flow and maximize profits. Their services include credit information, analytics and credit insurance, accounts receivable, collection, deduction management, and profit recovery. Their SmythNetworks™ 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.

Phone: 201-714-4514 • www.smyth.com

IFA Member Benefits: Smyth Networks

CREDIT

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 A/R data exchange.

Phone: 855-ANSONIA • 855-267-6642 x.103
www.ansoniacreditdata.com

IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia’s unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of your entire portfolio.

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.

Phone: 973-603-6444 • Website: www.dnb.com

IFA Member Benefit: 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, DNB Modules)

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

Phone: 973-283-4856 • www.experian.com
Email: Jacqueline.Faitoute@Experian.com

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

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.

Phone: 901-385-5331 • www.epaymentamerica.com
Email: chunt@epaymentamerica.com

IFA Member Benefits: 2.15% Processing Rate! $20 off monthly fee! $70 off PCI Compliance Certification!

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. When disaster hits, Agility will be on the scene, providing you with any, or all, of the critical elements you need to keep your business in business: power, space, technology, connectivity. Membership also includes access to a dedicated Continuity Planner and secure access to your Agility planning portal to assist in building and maintaining your business continuity plan.

Phone: 704-341-8700 • www.agilityrecovery.com
Email: salesupport@agilityrecovery.com

IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

FUNDING

RMP Capital Corp.
RMP Capital Corp. is a best-in-class provider of Rediscourting 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 it’s 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.rpmcapital.com

IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.

MARKETING

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

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

IFA Member Benefits: IFA Members will receive five free hours of marketing services with the purchase of any marketing service. (Offer to new clients only)
**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.gatewyetradefinance.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 $5,000 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.rpmtradecredit.com

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

**RECRUITMENT AGENCY**

**Commercial Finance Consultants**

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

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

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

**SOFTWARE**

**Bayside Business Solutions, Inc.**

Bayside Business Solutions is an innovative supplier of commercial portfolio management software that lets lenders manage factoring, invoice discounting, asset based lending, and more on a single platform—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, it can be accessed from any internet-connected computer, or mobile device. As a cloud application, it is easy 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: jef@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: 303-955-3282 • www.tax-guard.com

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

**TELECOMMUNICATIONS**

**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

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.

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**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 atwww.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 atwww.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.

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**IFA CALENDAR OF EVENTS**

**SEPTEMBER 11-12**

Transportation Meeting
Hyatt Regency, Milwaukee, WI

**SEPTEMBER 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

**JANUARY 22-24**

2014 Presidents & Senior Executives Meeting
Frenchman’s Reef & Morning Star
Marriott Beach Resort
St. Thomas, US Virgin Islands

**MARCH 4**

Luncheon Meeting with NYIC
Arno Ristorante, New York, NY

**APRIL 9-12**

2014 Factoring Conference
Westin St. Francis, San Francisco, CA

**FOR DETAILS ABOUT IFA EVENTS, PLEASE VISIT WWW.FACTORING.ORG**

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**IFA AND AFA MOVE TO NEW HEADQUARTERS, IFA NAMES FOUR NEW MEMBERS TO ITS BOARD OF ADVISORS**

The International Factoring Association and American Factoring Association moved their headquarters to offices that are wheelchair accessible for Executive Director Bert Goldberg. Previously located in Pismo Beach, their new address is 6627 Bay Laurel Place, Suite C, Avila Beach, CA 93424. Their new mailing address is PO Box 39, Avila Beach, CA 93424-0039.

**The additions to the Advisory Board include:**

Tina Capobianco, Vice President of JD Factors; Steve Hausman, President and CEO of Advance Business Capital, LLC; Julie Regenold, President of TradeGate Finance, Inc.; Stuart Rosenthal, Executive Vice President of Prestige Capital Corporation

**Advisory Board Members returning for the second year of their term include:**

Diana Clover, President of D&S Factors; Richard Hall, General Manager of Factor LOGROS de Ecuador S.A.; Marc Marin, Managing Director of Gateway Commercial Finance, LLC; Andy Osborn, Senior Vice President of Summit Financial Resources

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Understanding RA9

Q&A with Dan Lias, UCC Business Consultant for CT Lien Solutions

On July 1, 2013, a new package of amendments to Article 9 of the Uniform Commercial Code (UCC) became effective in 44 states and the District of Columbia (legislation is pending in two states and did not pass in four others). Dan Lias, UCC Business Consultant for CT Lien Solutions, will shed some light on filing details and what companies need to know about the amendments. Learn what sections have been changed or revised and how the amendments will impact the industry.

Which states have adopted RA9? Forty-four states and the District of Columbia have adopted RA9. The legislation did not pass in four states: Alabama, Arizona, Oklahoma, and Vermont. Legislation is pending in California and New York.

Will the new UCC form be a standard national form or will it have variations among the states? The new form is a standard national form. All states should now be using it. It’s possible that over the next few years states will once again start having their own versions for various reasons (for example South Dakota is requiring the SSN). But as far as formatting goes today, use the new form.

What is required on my UCC1? Name of debtor, secured party and description of collateral covered is now required. Companies almost always put additional information and also have attachments (like the financing statement), but they are not required.

Is a/k/a permissible for multiple names on one form? Yes. Don’t put a/k/a or f/k/a or d/b/a anywhere in the name field, but it is permissible to use multiple names and separate debtor name fields.

Can a W-9 form attest as an organization’s name? No, it has to be the public organic record (i.e. the most recent charter document/articles of incorporation/organization) as per the statutory change.

Why is a Certificate of Good Standing no longer good enough? A certificate of good standing is considered information coming from a compiled data source and, thus, not organic. There is a concern that the SOS office will input the information into the system incorrectly, so when you pull up a Certificate of Good Standing, it will have this “wrong” information. Whereas, if you rely on the organic charter document, you have no risk of having the wrong name.

What happens if an organization changes names, such as going from an LLC to partnership? If the lender is unaware of the change of the name, is the lender still secured? If a name changes to the extent that it’s seriously misleading (meaning, it can’t be found in a search), then there is a four-month period to change it. Otherwise, perfection against it will be lost if acquired after the four-month period.

Are there repercussions for not using the exact legal name of the secured party? This question causes great concern to many people because the exact legal name of the secured party is often unclear or unknown (i.e. many times, different divisions within the same Secured Party are involved). Because of this, filers frequently cannot use the exact legal name of the secured party. However, that’s not something that’s considered seriously misleading. So if the name of the secured party is wrong, generally that will be okay. There are no repercussions, except in Arizona, which considers that to be filing a fraudulent filing (because the state considers that to be potentially misleading the public).

What name should I use on a trust? One thing that’s important to keep in mind is that Article 9 only ever uses the term “correct name” – it never uses the term “legal name”. So because Article 9 has its own set of rules, it’s important to remind people that just because there’s case law determining the legal name of someone in a certain state, that doesn’t necessarily mean that it’s the correct name for Article 9 purposes. Don’t use the term “exact full name” or anything like that, and instead stress the use of the term “correct name”.

For filing purposes, if the trust is registered, use the name as it appears on the organic documents. If the trust is not registered, you should use the name of the trust or the settler if the trust has no name. However, due to the complexity of trust law, we see a number of parties filing under the trust/trustee/beneficiary, since they may still be uncertain how the courts interpret this area.

If an individual has just moved to a new state and did not change his/her driver’s license, do companies need to file in the state on their ID as well as their new state of residence? There’s no need to do that. The only requirement under Article 9 is to file in the principal residence of the individual. So if an individual has moved to a new location, which will serve as their principal residence, then that is the place to file. If they still have a driver’s license from the old residence or the former jurisdiction, there’s no need to file anything there just because they still have a driver’s license from there. Only one filing is needed at the debtor’s location. The only issue is the driver’s license can’t be used to determine the individual debtor name.
When secured parties merge or are acquired, is a company required to file a UCC-3 to change the secured party?

It depends on whether that is going to be considered an assignment or a change. In a technical sense, amendments do not have to be made to secured party names because they are not going to be considered seriously misleading if they are incorrect. There is only an issue if the debtor name is seriously misleading, and the secured party can run into risks if the secured party name changes. If, then, a bankruptcy trustee or someone who is foreclosing on property sends a notice or a PMSI notification to the secured party and the name is wrong, then the correct secured party doesn’t get it. But again, that’s kind of a risk of the secured party.

If you pre-file UCC at the beginning of a transaction, will you need to file a second UCC once the closing happens?

No. Just rely upon the pre-filing; it does not need to be terminated. The only time a pre-filing would need to be terminated is if the deal doesn’t close. Then it needs to be removed from the record.

Should you file UCC-3 referencing a subordination of security interest?

No. The UCC-3 used to have a field for subordinations. In 2001, drafters decided that filing public notice referencing a subordination provides no value because it doesn’t affect any other parties. It only affects the interest of the parties that are involved in the subordination. So if there are 10 secured parties and number 10 obtains a subordination from number 1, it doesn’t affect the rights of 2 through 9. So why provide notice? There’s no reason to ever put a subordination on record, and it was actually taken out so that people wouldn’t do it.

Do other countries have a similar filing method?

Every country does filing a bit differently, but Canada, our largest trading partner, has a system similar to the U.S. pre-RA 9. There are similar recording systems in a handful of countries like the United Kingdom, but most countries have many variations of filing methods. Therefore, these realities mean that we work closely with our partners in those countries, as filing internationally is not something we would recommend anyone do themselves.

When secured parties merge or are acquired, is a company required to file a UCC-3 to change the secured party? It depends on whether that is going to be considered an assignment or a change. In a technical sense, amendments do not have to be made to secured party names because they are not going to be considered seriously misleading if they are incorrect. There is only an issue if the debtor name is seriously misleading, and the secured party can run into risks if the secured party name changes. If, then, a bankruptcy trustee or someone who is foreclosing on property sends a notice or a PMSI notification to the secured party and the name is wrong, then the correct secured party doesn’t get it. But again, that’s kind of a risk of the secured party.

If you pre-file UCC at the beginning of a transaction, will you need to file a second UCC once the closing happens?

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The American Cancer Society Relay For Life is a life-changing event that gives everyone in communities across the globe a chance to celebrate the lives of people who have battled cancer, remember loved ones lost, and fight back against the disease. At Relay for Life events, communities across the globe come together to honor cancer survivors, remember loved ones lost and fight back against a disease that has already taken too much. Relay teams camp out overnight and take turns walking or running around a track or path at a local high school, park or fairground. Relay events are up to 24 hours in length and, because cancer never sleeps, each team is asked to have at least one participant on the track at all times.

5 years ago, Diana Clover, owner of D&S Factors, was approached by a committee member of her local Relay For Life, to start and sponsor a team. Diana passed the information to Karma Warner, D&S Factors current customer service manager. Karma who is currently the Team Development chair for this same Relay For Life committee, started a team with fellow co-workers and their families. In the following 5 years, numerous employees from D&S Factors have served or currently serve on the committee. Over half the employees and their families now participate on the team, including a few employees who are Cancer survivors.

On June 7th 2013, with over 180 survivors participating, teams took to the track. With the largest attendance, teams stayed overnight and participated in various games and activities with the common goal of raising money for the cause. Over $104,000.00 was raised this year for Relay for Life, all of this raised in this small community, that serves a large rural area. The funds raised help to fund programs such as Road To Recovery, a program that sees to it that Cancer patients from our area have transportation to and from their treatments. The funds raised also go to Cancer treatment and Cancer research and other programs that help individuals fighting Cancer, proving that anything is possible and that the funds raised truly make a difference in the fight against Cancer.

Being a volunteer for Relay for Life has been fulfilling, and it is rewarding to help such a great cause that has made a difference in many peoples lives. Seeing all of the survivors show up at the Relay and walk the track has a huge impact on a person. We all have had a mother, father, sister, brother, friend or co-worker affected by this disease, and that affects us all. Working with Relay for Life, we know that if our loved ones are diagnosed with cancer, or relapse, they will have resources to fight the battle, due to the money our community has helped raise.

Thank you,
Brandi Presher
Relay for Life Ontario, OR Event Chair
D&S Factors, LLC- Account Executive

For more information about Relay for Life and to find an event close to you, you can go online to www.relayforlife.org or you can call 1-800-227-2345.
Advance Funds Network Provides Flexible Factoring Options for Small Businesses

To understand the niche market of small business financing (under $1 million), you must first gain an appreciation for flexible factoring. **BY DOUGLAS HADDAD**

Flexible factoring starts with defining the basic concept. Credit card factoring is similar to a merchant cash advance. In fact, the two terms are often used interchangeably. Both of these financial options are a form of credit card receivable funding. The ultimate goal of this type of factoring is to offer business owners a solid and simple way to regain control of their financial direction.

**Supplying Everyone with a Confident Financial Future**

For the majority of businesses that we work with at Advance Funds Network (AFN), regaining control feels like a far-off goal. Business owners in every company, no matter the size, desire to stand confidently at the helm of their venture and set the course for sustainability. It has become increasingly difficult for small to medium-sized businesses to survive in this economy long enough to reach that goal. The current financial environment does not leave much room for traditional financiers to take a well-deserved gamble on the “little guy”. Banks and traditional lenders are risk-adverse by nature. They weigh their investment based on the potential for success versus the unfortunate statistical likelihood of failure. SMB’s usually end up on the latter end of that scale.

While banks may see a company with an uncertain future as doomed to fail, we at AFN, know that without sufficient funding, lenders have left failure as the only option on the table. Credit card factoring opens up a goal-oriented avenue that ultimately leads to the sustainability equally enjoyed by larger cash-flush companies.

**Additional Working Capital with the Accepted Uncertainty**

Two of the most frequently used options on the table are the aforementioned merchant cash advance/ credit card factoring and Traditional Factoring. In a nutshell, one method relies on the present, the other on the future.

A merchant cash advance differs from traditional factoring because it relies on future debit and credit card sales. Factoring, on the other hand, is typically based on sales that a company has made, but not yet collected. An advance gives you the benefit of the doubt, whereas factoring gives you the benefit without any doubt. Credit Card factoring is appealing to many small businesses because they get the same benefits of traditional factoring without the sales constraints, since the money they are borrowing against is yet to be earned.

There are two ways Businesses can access the funds:

- They can choose to access the funds in an upfront lump sum.
- They can choose to stagger the withdrawal so that they receive the funds in multiple installments.

We encourage business owners to develop both a financial plan and an updated business plan before using factoring. Resources to take these steps are also provided through the Small Business Association (SBA) and other local community programs. That way, they keep the primary goal of financial health and profitable sustainability in mind.

That money has numerous applications in a small business environment. Businesses have used the funding to:

- Advertise
- Pay taxes
- Open a new location

These unrestricted funds have given many of our clients an infusion of working capital when they needed it most.

**Cut from a Different Cloth**

Small business financing may be a billion dollar business now, with companies providing in excess of $60 million a month in funding in 2013, but it wasn’t like that when AFN first opened its doors.

In the early 2000’s, our company was one of a few in a very small class of SMB factors. Our competitors saw us as outsiders looking wistfully in at the factoring world. To them, we were at the bottom of the financing barrel and our novice-level niche was pretty small back then. The deals we were making may not have turned many heads, but we knew we were on to something special.

Our “something special” turned out to be the ground floor of financial recovery for small and medium-sized businesses. From that humble beginning, we have made a tremendous impact in the small business community.

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Douglas Haddad is the Managing Partner of Advance Funds Network LLC, which specializes in small business lines of credit, loans and merchant advances. He received his BBA in Finance from Hofstra University and continued his education at NYU and Columbia University. He can be reached at 718-645-6200 or at www.afnllc.com.
businesses nationwide. What makes our company different? We’ve succeeded, but never deviated, from our original goal: to help businesses who are short on capital access the necessary resources to continue to develop their businesses.

Our model is simple. It consists of five core ideas:

- We will take all businesses that do not fit the typical factoring model and find a place for them where other companies cannot. Whether that means setting up a financial structure that is paid off automatically or creating a payment plan that is collateral-free, our clients won’t get kicked to the curb or leave empty handed. In fact, we pay out referral fees to brokers and other factors who help locate businesses in need.

- We will grow these businesses to a sustainable point and then refer them back to larger factors. We’ve been asked many times why we do business this way. All roads circle back to flexibility. The reason we are able to stay flexible with the funding we offer is because using this strategy keeps us from becoming too specialized. Once a company reaches a certain stage in its development, it’s usually beneficial to pursue a specialized factor for their respective industry. It is better to pass the developed company onto a specialized Factor so that they can truly leverage that industry’s cash flow with a factor that understands them best.

- We do not require assets, invoices, or personal guarantees. Our focus is on leveraging cash flow, not assets. We allow our funding to bridge the liquidity gap.

- We show how our program works so that businesses that come to us for funding have a very clear idea of how the process works, including their timetable for approval. So much of small business financing is uncertain; we believe the credit card factoring and small loan (under $1,000,000) process shouldn’t be.

- Client service is paramount to creating repeat customers. We are in a service business. Our model works because we work exclusively with small and medium-sized businesses. We know who our customers are and what it takes to keep them.

Credit card factoring has been a growing industry ever since the first interaction in the financing world. It has become the signature and revolutionary way for main street businesses to access capital on a quick and as-needed basis. As this area of funding grows, one thing has been made undeniably clear: credit card factoring creates opportunity for SMB’s.

AFN will continue to offer premier factoring services so that when opportunity knocks, small businesses nationwide can throw their doors open and answer.

(“We want to give thanks to Advance Funds Network for having faith in our small family-owned and operated automotive business. Now we are able to expand and purchase needed equipment.” – Automotive and Transmission Service, Pflugerville, Texas)

What’s New at the IFA

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over 500 people attend this class. Think about it, once upon a time-and this was not so long ago—there were commercial finance companies that operated according to their own experiences and knowledge base because there wasn’t anywhere to learn about the industry. Many of these operations didn’t have any real bench strength—and didn’t know that their specific practices did not include strong risk mitigation techniques. It takes time to build your knowledge base, and it doesn’t happen in a year or two; it happens a little bit every day, with every deal you do.

So, back to the IFA’s AE/LO seminar. Over the years, the seminar has morphed into what it is today. The curriculum is deep, we talk about the principles that are the basis for account management, and provide best practices in use in the industry. Those who attend our class are given the opportunity to not only learn from the instructors, but also through interactive discussions. We discuss past disasters and how they were won or lost, prompting attendees to ask questions relating to a current issue they might be experiencing.

At the last class, an attendee asked us “How do you two know all this stuff?” Well, it’s hard to be in this business for over twenty years without experiencing enough situations that you learn how to block and tackle and how to win a little. I’m really happy to be a part of this annual event, and proud that it was the original event in the IFA’s educational program line up.
Did You Forget to Do Something on July 1?

Did you remember to make important changes in your due diligence, search and UCC Financing Statement procedures? July 1, 2013 was the effective date for a body of amendments to UCC Article 9 – Secured Transactions. While the changes were intended to clarify limited issues and not make significant changes, the changes will nonetheless have a direct impact on the factoring business. Here’s a review to make sure you covered your bases.

Status of the Amendments

As of July 1, 2013, the amendments have been adopted in all but six states. Of those six, the amendments are pending in one legislature and are pending reintroduction in 2014 in the remaining 5. The amendments have not yet been adopted in Alabama, Arizona, California, New York, Oklahoma and Vermont. It is noteworthy that two of these states are among the most populous and will therefore affect many transactions. Missouri and Puerto Rico adopted non-uniform effective dates – August 28, 2013 and January 17, 2013, respectively.

Once again this lack of uniformity will make it more difficult for lenders and require continued monitoring.

Changes Impacting Factors

Here is a recap of the amendments that have the largest impact on lenders. Factors with specialized products should review the amendments in full.

1. Debtor Name on Financing Statement

The rule under the existing version of Article 9 for the name of an individual on a Financing Statement is simply that the “individual name” be used. No guidance is given on what this means, but failure to get it right could result in a misleading filing and non-perfection. Examples of problems abound. A woman named Liza Jane Matthews might be known as Liz Matthews, Jane Matthews, Lizzie Matthews (or Lizzy Matthews), L. Jane Matthews or Liza J. Matthews. What if she gets married and changes her surname? What if she becomes Liza Jane Matthews-Smith? What if she uses her maiden name professionally but her married name for everything else? What about Hispanic names, Americanized spellings of foreign names, or names using letters not in the English alphabet? The possibilities go on and on, with no guidance. But, depending on the search logic of a state system, having a single letter wrong could result in a misleading filing.

The 2013 amendments attempt to bring some clarity and direction to this problem but don’t help much. But don’t be quick to criticize the authors of the amendments – this may be a problem that can’t be solved. The amendments offer two options from which states can elect – “Only If” and “Safe Harbor”. A very large majority of states adopted the “Only If” option but a few opted for the “Safe Harbor” option.

The “Only If” rule provides that if the debtor has an unexpired driver’s license issued by the state where the Financing Statement is filed, the secured party must use the name as it appears on the license. Although this sounds simple, it can become confusing. For example, a driver’s license issued by Ohio to an Illinois resident is not applicable for a filing in Illinois. If the debtor does not have a driver’s license, then the secured party must use the debtor’s surname and first personal name or the debtor’s name as provided in existing Article 9.

Neither of these alternatives provide much help.

The “Safe Harbor” option provides that any of the following names are sufficient: (i) individual names under existing Article 9, (ii) surname and first personal name, or (iii) name on an unexpired driver’s license.

The amendments should have provided clarity and added certainty and simplicity to lien searches. While the amendments do succeed in nudging the process in that direction, these changes still leave numerous problems. States are free to choose between two options, so there is no “uniformity”.

There is no uniform format for how names appear on driver’s licenses. Some states will issue a driver’s license to a non-resident and of course many people move to another state without changing their license. Driver’s licenses expire and can be renewed under a different name, newly married women may get a new driver’s license with their married name, and people may move to a new state and get a new license with a different variation of their name. Under the “Safe Harbor” there is no uniformity because the secured party does not have to use the driver’s license name. Searches still require a lender to determine on a state by state basis whether the “Only If” or “Safe Harbor” provision has been adopted and then search under three different possibilities under the “Safe Harbor” provision. In some cases, these paths lead back to the status quo under existing Article 9.

The amendments to Article 9 also change the rules for registered organizations, which are companies whose existence is created by filing with the government or by legislative action. Under existing Article 9, the Financing Statement must use the name of the debtor on the “public record”. “Public record” was not

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Predictable Schmaltz

Over the past year or so, my wife and I have become viewers of the Hallmark Channel on cable TV. Hallmark calls itself “The Heart of Television”, and on weekends, airs numerous made-for-TV movies that tug at viewers’ heartstrings.

During the week, they show re-runs of old feel-good favorites like Little House on the Prairie, The Waltons, marathons such as the Janette Oke American West pioneer series, and other family-oriented shows. Hallmark’s programming is nothing but good, clean entertainment for all ages, intended to make you feel warm and happy when a show concludes—and they deliver. If we’ve had a bad day or need our spirits lifted a little, after one or two Hallmark Channel shows, we usually think the world is a pretty good place after all.

The movies’ frequent themes are sweet but sappy romances, animals that teach humans a valuable life lesson, small towns that rally to help the main character, stories that honor military service members, executives leaving high pressure jobs for a simpler life, and a main character returning home, where old values are re-learned and taken to heart. The shows follow a very consistent formula, even though you can predict exactly what will happen: they are the most predictable endings on television. Rather, what’s interesting is how the plot draws you into the tale and emotionally involves you with its characters. Even though you can predict exactly what will happen (and you’re always right), the sweetness of the story and the way the conflict plays on your feelings compel you to watch the whole show. You want to see what leads the character to make the right decision, which in turn makes everything turn out right in the end.

The music and scripts all have a similar sound and feel to them as well. When I’m in another room and hear the music and a bit of dialog from the show my wife’s watching, I quickly know which channel she’s on. When I enter the room I’ll usually greet her with, “Ah, predictable schmaltz! What’s this one about?” She’ll smile a bit sheepishly, agree it is indeed very schmaltzy, tell me the story line, and I’ll sit down and join her. Soon I’m hooked, just like she is. The sappiness is unmistakable and the outcome completely foreseeable, yet we watch anyway. Why?

Because when the story is over and the ending is happy, we feel good. We feel smart that we’ve solved the protagonist’s problem long before he or she did, and it led to a happy conclusion. We have often shed a tear (or several) and we leave the experience with a sense of satisfaction that things turned out not only as we predicted, but for the best. The person had a problem and solved it as we knew they would.

What does the Hallmark Channel and its predictable schmaltz have to do with factoring? When I’ve had a rough day or had to make some difficult decisions, it’s therapeutic to see a show where someone else’s problems are more easily solved, and the resolution—my solution—results in a happy ending. We don’t always have that in factoring.

But even more, the key to the Hallmark Channel shows is their predictability. There is comfort in knowing what will happen, and this is exactly what we strive for with our clients. We go through underwriting to select clients who will be good accounts, not major headaches. We are looking for, and do our best to select, companies we believe will become predictably valuable, people who will be predictably good to work with, predictably honest and trustworthy,

Jeff Callender is President of Dash Point Financial (DashPointFinancial.com) which buys receivables of very small businesses. He has written many books and ebooks about factoring which can be obtained from DashPointPublishing.com, the IFA website’s Store, Amazon.com, and numerous online booksellers. He is also President of FactorFox Software (FactorFox.com), a cloud-based program used by factors of all sizes to track their receivables. You can reach him at 866-432-2408 and Jeff@DashPointFinancial.com or Jeff@FactorFox.com.
and predictably...predictable. That’s not only the key to making money as a factor, it is also the key to having a pleasant work environment and doing enjoyable tasks every day. It’s all about predictability. A good client is a predictable client. And a good portfolio full of predictable clients is what leads to success as a factor.

When a client is untrustworthy and dishonest in some unexpected way, such unwelcome actions throw both our company’s stability and our personal sense of balance out of kilter. We not only can’t tolerate such deceitfulness, we also can’t accept such unreliability, and drop those clients immediately. We must have people who are honest, steady and predictable.

That’s why the Hallmark Channel’s programs find their way into our family den. We like how they make us feel during the shows, and when they end. They are, without question, predictable schmaltz, but you know what?

Predictable isn’t a bad thing, especially for small factors.

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**Legal Factor**

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defined and could mean, for example, the Articles of Incorporation, Certificate of Incorporation, Certificate of Good Standing, or the name in the Federal Employer Identification Number application. The amendments create the new term “public organic record”, which is a record available for public inspection and initially filed with or issued by the State or the United States, or any record which amends the initial record, or consists of legislation which forms the organization. The amendments also expand the definition of registered organizations to include common law trusts, such as a Massachusetts Business Trust.

2. Perfection Rules

Timing changes have been made in the rules applicable when a debtor changes his or her location or there is a change in ownership of collateral. Under existing law, if a debtor changes his or her location to another state, the secured party has a grace period of four months to file a new Financing Statement in the new state to continuously maintain perfection. However, this continuous perfection does not apply to property acquired after the change in location and before a new filing is made in the new state. The amendments change this exception for property acquired after the move so that property acquired during the four month grace period, but prior to filing a new Financing Statement, will be continuously perfected upon filing of the new Financing Statement.

Existing law also provides that when property is transferred to a new debtor who becomes bound by the existing security agreement (this typically happens in a merger or acquisition) the grace period is one year rather than four months. The amendments reduce this period to four months.

3. Financing Statement Forms

The form of the Financing Statement has been modified to remove the field for social security numbers, organization type, jurisdiction and organization number, and re-label some fields. It also reorganizes some of the boxes and re-labels some fields to minimize mistakes. When using the new form, be aware that it may not be accepted or sufficient in states that have not adopted the amendments, and existing law in that state may require information that is now omitted, such as a social security number.

The Correction Statement is now called an Information Statement and a secured party is now permitted to file this statement.

4. Other Significant Changes

Provisions for control of electronic chattel paper have been changed. The Definition of “authenticate” has been made uniform with the definition of “sign” in Articles 1 and 7. Electronic notation of liens on certificates of title has been changed. The effectiveness of non-assignment language on certain sales has also been changed.

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