PORTFOLIO MANAGEMENT

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I’m going to start this issue with an update on my medical condition following my accident.

As I mentioned in the last issue of Commercial Factor, I was involved in an accident that broke my back and left me as a paraplegic. At the time of the accident, the first responders placed me on a coast guard style backboard. Laying on the backboard and being unable to move left me with a wound on my back. The wound never healed and although we were monitoring it, the wound became infected. I ended up back in the hospital having to have the wound debrided, which left a three-inch diameter, two-inch deep hole in my back. I was sent home with an IV, a wound V.A.C. and instructions to stay in bed and off of my back.

As I write this, I’ve completed my antibiotics and the wound is healing faster than expected. The wound V.A.C. has really been an incredible medical device, helping to heal the wound about four times faster than would have been possible without it. It is expected that the wound will be closed by early November.

Although I’ve been stuck at home, I’ve been able to be extremely productive. One of the main jobs I’ve accomplished is planning the 2013 conference to be held April 24 – 27th at the Fontainebleau in Miami Beach. This conference is coming together amazingly well and I expect it to be the best conference we’ve ever offered. We will have more speakers and sessions in Miami than ever before.

I’m really excited about our keynote speakers. In fact, we actually have three this year:

- Kevin Mitnick – The world's most infamous hacker will be discussing the Art of Deception.
- Daniel Gross – The Global Business Editor for Newsweek will be discussing the Economy.
- Warren McDonald – He will be discussing how to Find Opportunity in Adversity.

New this year will be an additional speaking track on International Factoring. This has been designed specifically for non-US based factors or for those factors wishing to learn more about factoring in various regions of the world.

Take a look at the conference program at www.factoringconference.com.

Not only has the IFA been cruising along during my absence, but we have been thriving. Our Managing Director, Heather Villa, has done an incredible job in advancing the IFA. Training courses have been setting attendance records and our membership continues to grow. This year we’ve held a number of brand new training courses that have all been extremely successful, including multiple sell outs. Some of the courses that we repeat each year have been setting attendance records as well.

I’d like to thank everyone for their support of the IFA following my accident and I look forward to seeing everyone in Miami Beach (I’ve already bought my tickets)!
INDUSTRY DEALS

Onset Begins Funding $3 Million Digital Billboards
Onset Financial began funding $3 million in LED digital billboards for a national advertising firm. The billboards represent cutting-edge technology for oversized electronic displays, and allow the firm to increase their advertising inventory and market reach.

Drake Finance Announced $1 Million Facility to Southern Florida Manufacturer
Drake Finance provided a South Florida manufacturer a $1 million credit facility to export its arcade and amusement games throughout the world. Using Drake Finance’s Export Receivables Financing Program, this U.S.-based exporter will be provided financing against its accounts receivables in order to grow and expand its international sales.

RMP Trade Credit Recent Deals
A $750,000 purchase order facility for iPad docking points of service terminals for client in Florida.
A $750,000 purchase order facility for aircraft engines for client in Seattle, WA.
A $500,000 purchase order facility for tires and motor scooters for client in Toronto, Canada.
A $750,000 purchase order facility for pet accessories (bowls and clothing) for large big box retailer in New Jersey.

Graystone Capital Provided $750K Accounts Receivable Line of Credit to a Commercial Printer in Oregon
Graystone Capital recently provided a $750K Accounts Receivable line of credit to an Oregon based commercial printer. This company provides exquisite printing, fulfillment, kitting and on-site inventory management for their clients including global distribution needs.

Amerisource Announces Recent Deals
Amerisource Funding and funded a $200,000 working capital credit facility for a chemical manufacturer headquartered in North Carolina, with proceeds of the facility used to refinance the company’s bank line of credit and provide additional operating capital.
Amerisource also closed and funded a $100,000 line of credit for a custom stone work company in North Carolina, with proceeds of the facility used for growth capital.

Brookridge Funding Announces the Recent Completion of $6.2 Million of Funding Facilities
The clients were introduced to Brookridge by their factors and asset based lenders and included:
- $5,000,000 for a MN-based distributor of electronic games;
- $750,000 for a NY-based importer of beauty products;
- $250,000 for a MN-based importer of electronic parts;
- $200,000 for a TX-based importer of head wear.

Doral Healthcare Finance Provides $14.5 Million to Three Companies
Doral Healthcare Finance (“DHF”) has provided $14.5 million in asset based working capital facilities to three healthcare companies:
- $10 million to a company that provides specialty closed-door pharmacy services primarily related to hemophiliacs and IVIG therapies in Philadelphia, New York and Chicago.
- $2.5 million provided to a home health company that provides services in the general metropolitan areas of Minneapolis and St. Paul, Minnesota.
- $2.0 million line of credit to a company that provides physical, occupational and speech therapy primarily to residents of nursing homes and assisted living facilities in Ohio.

PERSONNEL NEWS

Bayside Business Solutions Hires IT Manager & Developer
Dustin Smith joined the IT Department, he will be responsible for designing, executing, and monitoring all aspects of the company’s corporate and commercial infrastructure. John Moody joined the Software Development team. He will be responsible for coding and testing within the flagship CADENCE product.

Durham Commercial Capital Hires New Business Development Manager
Durham Commercial Capital welcomed Mark Keehlne, new Business Development Manager with over 12 years of factoring and purchase order-funding experience. Mark will be headquartered out of the New England office and focus on securing business in the East Coast and New England Regions for Durham Commercial Capital.

Buddy Zarbock Joins Commercial Funding as New Vice President
Zarbock joins Commercial Funding as Vice President. Zarbock’s business fortitude started in the private sector, being trained by one of the world’s top corporations, IBM, then as an owner of one of the largest independent Wholesaler in the west. Those who have worked with him know that he has a unique style and has a knack of closing difficult transactions. Zarbock has been in the leasing industry for over 6 years. With his experience and success he will be instrumental in building new partnerships and relationships for Commercial Funding, as well as establishing innovative financing structures for clients.

First Business Trust & Investments Hires Richard Thompson & Eric Waite
First Business Trust & Investments announced that Richard Thompson was hired as Vice President. Richard comes to First Business with over 20 years of experience in the financial services industry. They also announced that Eric Waite has been hired as a Credit Analyst. Eric earned his Bachelor of Business Administration degree from the University of Wisconsin Oshkosh with a major in Finance.

Summit Financial Resources Hires William Bahls and Warren Powell as VPs, Business Development
Summit Financial Resources announced that Bill Bahls and Warren Powell have joined the firm. Bahls is based in Philadelphia and will represent the Mid-Atlantic market as Vice President, Business Development. Powell is based in North Carolina and will represent the Carolinas and Virginia as Vice President, Business Development.

Gay Denner Joins Porter Capital
Gay Denny joined The Porter Capital Corporation as Business Development Officer. Located in St. Louis, MO, Denny will represent Porter Capital throughout the Midwest. Denny has 23 years of experience in the factoring and asset-based lending industry holding positions from...
Crestmark Helps Build Strong Communities with Habitat for Humanity

Eight members from the Midwest/Troy Region Crestmark put a compassionate spin on community relations, Saturday, September 8: The group and several of their loved ones dedicated a day working for Habitat for Humanity. This is the fifth year Crestmark has volunteered for Habitat for Humanity.

The St. Christopher Fund to Accept Applications for the TBS Factoring Service Trade School Scholarship

The St. Christopher Truckers Development & Relief Fund (SCF) began accepting scholarship applications for the TBS Factoring Service Trade School Scholarship on October 1, 2012. The $10,000 scholarship will be awarded to a former professional truck driver who is no longer able to drive professionally due to medical problems. Applications can be downloaded at www.truckersfund.org.

Internet Truckstop Unites with MercuryGate

Internet Truckstop, the largest web-based freight matching service in the transportation industry, will be fully integrated with MercuryGate’s Transportation Management System on October 5, 2012. Internet Truckstop has worked with MercuryGate for years, integrating with Internet Truckstop flagship products such as searching and posting loads.

Genpact Announces Agreement for Bain Capital Partners to Buy $1 Billion of Shares from Existing Sponsors

Genpact Limited announced that affiliates of Bain Capital Partners have agreed to purchase approximately 68 million Genpact common shares from entities affiliated with General Atlantic (GA) and Oak Hill Capital Partners for $14.76 per share, or approximately $1 billion. Closing of the transaction will take place after payment to all shareholders, including GA and Oak Hill Capital, of the special dividend of $2.24 per share. •
When you think about the effort that is put into acquiring a customer relationship, you would think as factors we would maintain that relationship with the same diligence. Many times the relationship starts with the sales person during the approval process and then transitions to the operations people to manage and maintain the relationship long term. The challenge is operational we are trained to look at numbers and processes and may not have the soft skills to maintain a customer relationship.

A number of years ago when we were building our portfolio, I would talk with the account managers and ask them to tell me about their customers. Almost every time I would get standard answers like, “I see a schedule every other day”, “Martha’s paperwork is really clean” or “the accounts turn in 35 days”. What I was really looking for was how well they knew their customer personally.

I FELT THAT IF OUR ACCOUNT MANAGERS COULD MAKE A PERSONAL CONNECTION WITH THEIR DAILY CONTACT, WE WOULD BE ABLE TO ANTICIPATE PROBLEMS, HAVE AN OPEN CHANNEL FOR STRAIGHTFORWARD TRUTHFUL COMMUNICATION, AND HAVE A SECOND SET OF EYES WATCHING OUT FOR OUR INTEREST AT THE CUSTOMER’S LOCATION.

The factoring business is a unique business that is built on a high level of trust with several control points to verify everyone is playing by the rules. When the factor and the customer follow the rules, the factoring business will thrive. When the factor breaks the rules, it invites the customer to expand the box that we are comfortable working within and creates the opportunity for the customer to increase liquidity and expand the risk profile for the factor.

The Three Types of Customers

I believe in our business we have three types of customers: honest, dishonest, and situationally dishonest. For the most part we deal with honest customers that are entrepreneurial and focused on growing or managing their business. These customers may periodically test the boundaries we have

Know Your Customer: How Customer Relationships Can Save the Day

Manage your customer relationships personally and thoroughly to effectively anticipate challenges and problems that may arise. BY TIM VALDEZ
set up for them without ever breaking the rules. Some are high maintenance but have good intentions. The difficulty is managing the other two categories that take a majority of our time and resources.

Dishonest customers intentionally divert payments, knowingly over-bill for products or services, stretch all of our rules and processes, and create overall havoc for operations. These customers create factor or lender fatigue at a rapid pace and can be identified within the first ninety days of our relationship. I believe that a dishonest customer will lay awake at night trying to figure out how to get in our pocket and beat the system without remorse. Our goal as factors should be to flush these customers as quickly as possible.

The situationally dishonest customer is much more challenging to identify and potentially creates the largest level of risk to our portfolios. In order to define this customer, we need to look at what causes an honest customer to become situationally dishonest. This customer will justify dishonest acts by going through an if/then proposition. “If I can’t make payroll, then all of my employees will leave.” “If I pre-bill these invoices, then I will be able to make payroll.” “If I coach my customer (account debtor) on answering the factors verification calls a certain way, then the factor will buy my invoices.”

This thought process becomes a very slippery slope because the distance between an honest customer and a situationally dishonest customer is a long distance, but the distance between situationally dishonest and dishonest is a very short. The customer will again justify their actions so they feel they didn’t really cross the line. “If I pre-bill on Friday, the orders/loads will be complete by Monday and no one gets hurt.” “I didn’t take the money for myself, I wanted to make sure my employees and their family could put food on the table.”

The account manager or executive that is managing the daily contact with the customer can detect early signals from the customers by listening to the tone and demeanor of the customer. Throughout the years I have been fortunate to work with several quality people and account managers. The great account managers understand the intricacies of the customers business by the critical data points as well as maintain a relationship and a high level of communication with the customer. On more than one occasion I have had account managers come to me with concerns about the customer that wasn’t supported by data. In every case, the account manager correctly identified a problem with a customer by listening to their customer contact or the account debtor while doing verification calls.

**Keeping an Honest Customer Honest**

In one such instance, the customer contact began inquiring about the...
process of doing a void and re-bill. The account manager explained the process and followed up with a question to the customer contact asking why she was asking. The customer contact explained that they had been really tight on cash and the owner wanted to get billing out quicker to increase cash flow. The customer contact candidly explained that the workload would increase since she would have to pre-bill before the final numbers were in and then void and re-bill a few days later. The account manager explained that the practice was unacceptable and we could look at other solutions to resolve the cash flow problem.

Fortunately for the customer, we were able to modify the reserve release timing to eliminate the short-term cash flow problem and keep our honest customer honest.

THE ELECTRONIC AGE HAS MADE THE TYPE OF COMMUNICATION DISCUSSED ABOVE MORE DIFFICULT. I AM CONCERNED THAT WE ARE LOSING THE PERSONAL TOUCH AND NECESSARY DIALOGUE NEEDED TO GET THE FLAVOR OF OUR CONVERSATIONS AND MAINTAIN RELATIONSHIPS WITH CUSTOMER.

Today we send email in lieu of picking up the phone or cut and paste a section out of our procedure manual to answer the question posted above. It is difficult to read the tone or demeanor in an email and certain aspects of the account manager’s job should be direct communication with the customer.

When your account manager has a solid personal relationship with their customer contact through conversation, the ability to manage your customer relationship keeps your honest customer from crossing the line and becoming a situationally dishonest customer.

Tim Valdez began his exposure to the factoring industry in 1990 as a client of the Commercial Finance Group (CFG) for his contract screen print and embroidery company. He sold his company in 1995 and began working for CFG. Tim was approached by Transportation Alliance Bank (TAB) in 1999 to start their commercial finance division and over the next few years TAB became an innovative source of working capital for transportation companies. In 2006 Tim left TAB and became the Executive Director for Transfac Capital, a factoring company that provides capital to transportation and commercial businesses. During his time at Transfac, the company grew significantly and developed a quality operation that continues today. Tim returned to TAB from 2010 to 2012 as the Chief Lending Officer, overseeing the factoring, ABL, and equipment finance portfolios. You can reach Tim at 801-842-3977 or tdvaldez20@gmail.com.
The Back Office:
It’s About the Service!

Growing a factoring company presents many customer service opportunities and challenges. It is critical to set a core value of providing quality and consistent customer service throughout the back office. This starts from the top. **BY VINCE NAREZ**

Some people call it the operations, credit department or customer service. It is the heart and soul of any finance business. Many finance companies’ (including small factors) success and reputations mirror the quality of their back office. In today’s competitive environment, we all promise the best customer service. Books have been written about it and trainers make a living from teaching it. Let’s take a little look into customer service in the back office.

When I began my career in factoring in the late 70’s, I opened a branch office for a fast-growing national small business focused factoring company. The office staff consisted of my assistant and I. We worked to source, underwrite, fund and manage a growing factoring portfolio. This is not unlike what many other start-up shops are doing now. Our portfolio was small, yet growing, so together we were able to perform credit analysis of the account debtors, verify newly offered invoices, funding of client advances, collections, payment application,
reserve refunds, accounting, banking, liquidations and terminations. We were cross-trained in all aspects of our factoring office. Prior to factoring, I was a bank customer service person. With this background and once I figured out how to buy an invoice, it was relatively easy for me to satisfy our factoring clients service needs. (Factoring was easier in the 70’s and 80’s than it is now.)

Over time and portfolio growth, our back office evolved into separate functional departments staffed by team members that specialized in a function. In our case, this departmentalization organized it into functions like new client underwriting, client relationship management, collections, verifications, operations, due diligence and documentation, accounting and data management. This is the same for most small factoring companies today. This creates the need for effective communication and cooperation between the departments. Technology helps most here with the communication, but the cooperation is a life in itself. Here’s a tip, when filling an open position, look for candidates with prior customer service experience and training.

One way to fill this need is to adapt customer service standards internally. You can make the case that there are two customer bases in any business; internal (team members/departments) and external (borrowers). That is, each department and team member, are each other’s customer. The collection and verification team’s customer is relationship management, the due diligence and documentation team’s customer is the sales and underwriting team and so on. One of your core values should be to provide consistent quality service, but this value should not be reserved just to your external customers. Adapting this internal customer service standard will undoubtedly carry over into external customer service. Don’t forget to treat your vendors like customers. A vendor wants to feel appreciated for what they do for you. Try treating them like a customer and see what happens the next time you need their help. When I was involved in the day-to-day management of my company, I treated each team member like my customer and applied my customer service skills and standards to my interaction with each of them. I treated them like I wanted to be treated, after all the company’s customer service culture starts with the leader.

One last little blurb about internal customer service: believe it or not, the sales person is your customer! Sales team members seem to need more customer service than other team members. They need to convince the prospective client that your factoring solution is the best for them. This may be why sometimes even the most confident and experienced over promise service to a prospect. Over promising service is frustrating and time consuming, often leading to exclamations of “We can’t do this!” or “We won’t

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A different way to bank requires a different bank.
do that!” But sometimes I got some of my best ideas from sales people. They are listening to the prospect and the marketplace. Listen and learn. They are the providers of new customers, the sustenance of every growing factoring portfolio.

A critical responsibility of the back office is the obvious: to deliver promised services to the customer. It is important to match your capabilities or core competencies to your customer base. If you are a generalist, then your service offerings should have the breadth to meet the general factoring needs of the base. If you are a specialist in servicing an industry niche, then these competencies will naturally, lean towards the niche. This specialization will lead to, not only a greater understanding of the niche, adding services to other than “normal” factoring services. In the transportation niche, in addition to traditional factoring, factors are also including load boards, online credit checking, fuel cards and safety and regulatory compliance assistance. In temp staffing factoring, specialists often provide additional back office support for agencies. These services could include payroll, tax processing and invoicing. Specialization can be a double-edged sword: the additional service offerings can provide for a competitive advantage and increased customer tenure, but they will require more customer service components and management.

Whatever the case, know that this will add to the complexities of service delivery.

When looking at a new customer and considering whether or not to add it to the base, I would use (among other analysis) the head pain quotient. This calculation compared the servicing needs of the client and our ability to adequately manage the associated risk, to the abilities of the back office. If the result was too much anticipated head pain for the back office then I would pass on the customer. I didn’t want to add a customer that would require extraordinary servicing requirements or those with increased risk of not meeting customer service expectations. It is always better to allocate resources to customers that are better matched to the back office capabilities. Nevertheless, a back office runs at an optimal level when there is a healthy tension between meeting daily customer service needs and the head pain caused by more service needy customers. I also kept a pulse on the overall team member sentiment

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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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through observation and direct feedback.

Another back office consideration is the current overall risk in the portfolio. Risk rises and falls through the life of a factoring portfolio. I learned that customer service can suffer when risk is greater than what was normal. Obviously, team member resources will be drawn into account liquidations or other problem solving that detracts from meeting daily customer service needs. There is no escape from this. Management must be aware of the potential for diminished customer service when the back office is in liquidation mode and take steps to reduce its negative impact. This is when having crossing-trained team members available to assist is invaluable. There may also be a need to call in temporary staff to perform duties that may not always require direct customer contact.

Growing a factoring company presents many customer service opportunities and challenges. It is critical to set a core value of providing quality and consistent customer service throughout the back office. This starts from the top. The more services your back office provides, the greater your competitive advantage and the more complex your customer service delivery. You can’t say yes to a deal if you won’t be able to deliver the promised service. Fluctuations in the credit risk of your portfolio could have an adverse affect on customer service delivery, so keep a contingency plan to get through them. It’s about using common courtesy and treating others the way you want them to treat you. Building a team with customer service-oriented members will help to deliver consistent quality and keep the promise.

Vince Narez has been in the factoring industry since 1979. He has started, operated, bought and sold factoring companies and is currently a board member and principle in Bay View Funding. He is also a principle in Foundation Specialty Finance Fund, LLC, a capital provider to specialty finance companies, including factors. You can reach Vince at 650-520-8798 or vnarez@bayviewfunding.com

Vince Narez

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portfolio management
Mitigating Risk and Preserving Capital Using Effective Operations

It’s complicated because the preservation of capital deployed must be attuned to market conditions and risk. **BY DARLA AUCHINACHIE**

A commercial finance company or a business unit within a bank has a product it sells which is a consumable. That consumable is cash advanced to clients, and with proper procedures adhered to that consumable will be replenished and redeployed for future profits. It’s complicated because the preservation of capital deployed must be attuned to market conditions and risk. Gateway’s Marc Marin opines in this magazine on a hierarchy of elements that aptly describe Portfolio Management. For this article, we’ll take a look at how effective operations support the complexities involved in two areas of portfolio management.

**Equity and Debt Preservation**

Whether you are buying good paper as Factor’s like to say or relying upon the liquid value of collateral assigned to support a loan, you know that both understanding and then monitoring your collateral is tantamount in executing to your business plan. Simply put the cash that you advance has to come back in order to make a profit and in order for you not to lose on the investment.

**Risk v. Return**

An effective operation works to mitigate risk by managing detailed tasks with measurable results. An effective operation also plays a part in increasing return by efficiently managing all of its processes. And lest we forget an effective operation provides accurate and constant optics into the daily, weekly and monthly complex dynamics of a portfolio.

So what results should be measured when considering whether or not an operation is effective? In many ways there are similar components involved that may be found in all commercial finance operations and there are also differences depending on market presence, size and focus. To be sure there are dozens of procedures that should be measured for accuracy and efficiency.

For purposes of examining just one important component let’s consider the various elements pertaining to an Account Debtor that may be measured. With constant assessment a requirement for managing risk, how does your operation measure up to best practices and standards in the industry?

You should already know that account debtor details are something that should be validated, but how often does your operations team measure their data? You just might have a false sense of security working under the assumption that the information you are evaluating is accurate unless you take the time to set procedures that continually measure the accuracy of your data.

Here are a few things to review if you are considering how your operations can best support your risk profile:

**Account Debtor Name and Contact Information**

- Has this been confirmed with a source other than the client?

**What is the source of confirmation?**

- Internet: do they have a web page and what details within and about that web page have you validated?
- credit source (third party such as DnB)
- license confirmation (transportation)
- credit insurance provider

**Has it been confirmed that the debtor contact is an actual employee of the customer? If so, what level of contact has been established? A/P? Purchasing? Management?**

**Credit Line**

- Has a credit limit been established?
- Using what method?
  - Matrix
  - Default client minimum limit
  - Actual trade analysis
  - Internal history
- Were it set with the understanding that the amount makes sense in relation to the volume and sales terms of your client?
YOU JUST MIGHT HAVE A FALSE SENSE OF SECURITY WORKING UNDER THE ASSUMPTION THAT THE INFORMATION YOU ARE EVALUATING IS ACCURATE UNLESS YOU TAKE THE TIME TO SET PROCEDURES THAT CONTINUALLY MEASURE THE ACCURACY OF YOUR DATA.

What was the date of the last review/approval?
- What is the payment status?
  - Any open balances?
  - Any aged open balances?
    If so, what is expected payment date
- What is their DSO? For the last 90 days, 6 months, annual, lifetime?

Notification Status/Results
- Notification Required
  - Who sent the letter?
  - When was the letter sent?
  - How was the letter sent? Email, Fax, Courier, Mail?
  - Is notification not by letter but by notice on the invoice itself?
- Soft Notification
  - What is the method of notice?
    - Letter or
    - Change of notation on invoices or
    - Update on debtor’s payables system

Measurements
An effective operation has defined events that can be used to measure the accuracy of portfolio data such as:
- Cash application comparing incoming payments to data on hand:
  - Check is issued by Exxon Mobile – Qatar but your system shows the invoices listed under Exxon Mobile – US. This might indicate you don’t have the accurate details about the debtor and thus credit should be reviewed
  - What about the envelope that was used to remit the check, did it come from the debtor or was it mailed from the client?
  - Back to that envelope, was it a window envelope that shows the check was issued properly and to the right address or does the check details differ from the mailing instrument?

Actions
When variances arise then re-confirm all that you know about the account. Hopefully you have supporting documentation in the form of a purchase order or services contract – check the names on these documents. What phone number or email address was used during verification?

What can be used to confirm that the Notification is effective?
- Have you received a payment directly from the Account Debtor made payable as per the terms of the Notice?
- Can you compare the payment instrument to the credit data you have? (name, address & phone number of account debtor?)
- In cases of concentration, have you confirmed that the website for the debtor is actually that of the debtor?

Has anyone reviewed the domain registration? Did you know that more than once a client has created a web page purporting to be the account debtor’s website as a way to fool their factor during a fraud?

My friend and co-instructor of the IFA AE/LO Course, Jay Atkins of First Capital always says the devil is in the details, and that is so true, especially when we consider efficiency and effectiveness with operations.

This article doesn’t have enough space to delve in to all of the details that a factoring operation must stay on top of, so one suggestion I have for you is to take a look at the talent you have employed. If you take the approach that say cash application is for entry level staff to perform, then you may very well be opening yourself up to exposure because an entry level person may not understand how their actions and job performance intersects with credit and risk.

There is an old adage, penny wise and pound foolish. When we look at costs of operations, salaries are the most expensive item and this is where companies sell themselves short. Putting minimum wage or low wage talent in place where a more experienced and likely more costly person might be more efficient and effective can and will lead to losses.

The most successful companies out there have found a way to blend seasoned talent with younger folks and keep them all motivated and educated towards the goals of the company. By adding the investment of incentives to their staff, the commercial finance company actually ends up with higher levels of profitability by better controlling risk.

The most successful managers and business owners recognize that a state of continuing evolution is where they need to be. To stay on track they continue to improve by designing ways to become more efficient and thereby control costs yet not in such a way as to create risk.

Measuring procedures and having systems in place to provide transparency of the processes is how I believe you should operate. Too often I’ve been called in to review operations for a bank or commercial finance company and they employ a “check the boxes” mentality. This is fine if there was a one size fits all aspect to our business, but we all know that isn’t the case.

How does your staff bend when the check doesn’t fit in the box? Or rather, that the boxes lines are dotted and not absolute? If you wish to grow your business how can you scale? It’s done by having the right people in the right positions all working together efficiently and effectively.

Properly memorialize procedures and then measure the results timely. Keep communication open amongst your teams – keep clear goals in focus – continually educate everyone and provide incentives along the way. All of these things will work in your favor and allow your company to grow and prosper.

Darla Auchinachie has been an active member of the working capital finance industry since 1992. She is a top rated speaker with the IFA on all things factoring and currently serves as a VP Team Leader for Bridge Bank, a market leader in providing flexible finance solutions up to $15MW to growing companies. Darla can be reached at dauchinachie@gmail.com.
To help grow your factoring business, why not work with a bank that started out as a factor?

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Portfolio Management in Sales

Getting the most benefit out of every action and every penny of expense is truly the name of the game right now. Community Banks are back to using the “warm body rule” (if the patient is not dead yet, fund it!) because they need to book non-real estate commercial loans and there simply are not a lot of healthy companies who are “under-served” by their current lender. Quite the contrary. If you are a healthy borrower, you are getting the royal treatment and then some. And with the economy continuing to sputter along (get used to it because a full recovery is still years away), there are even fewer companies growing into healthy situations. So bank community bank lending units are not picking loans that fit their criteria so much as they are bending the rules to fit the applicant that is closest to meeting the criteria.

With the banks skimming the top of the asset-based lending pool, ABLs have been forced to shave around the edges of their square-peg prospects to make them fit a now more flexible round-hole credit approval. The result is that Factors are seeing their market attacked by both banks and ABLs, making the competitive landscape that much more difficult. Competing against each other is one thing. Competing against lenders offering more availability, less restrictions and at a cheaper price is quite another.

The Need To Leverage

It is at these times where things are most difficult that everybody must take advantage of every opportunity possible. Leveraging what already exists is the first step in that process. Let’s start out with the salesperson’s most precious asset, its referral base.

Step One - Client Referrals: The highest closing ratio of all referred prospects belongs to those leads referred by existing clients. Why? Because business owners believe they have all the answers. Therefore, the person they trust more than any other is another small business owner. Further, people tend to hang out with people of similar backgrounds and interests. So entrepreneurs usually network with other entrepreneurs. Statistically, most Factors close one-third to one-half of all Client referrals. At this rate, milking your Clients for referrals is a worthy endeavor.

Step Two - Past Applicants: If there’s one thing we learn quickly is this business, it’s that timing is everything. Businesses cash flow ebbs and flows as quickly as the tides themselves. When cash flow is really tight, owners are in a better position to make the tough decisions. But one big customer payment can be enough for the owner to delay committing. All past applicants needed Factoring, albeit the need was fleeting. However, just as quickly as the need went away, it can come back. When things are slow, digging in that pile of previously dead prospects is time well spent. If you cull through 20 old files I can almost guarantee you one revived hot prospect.

Step Three - The Applications of Past & Existing Clients: Every client has a banker, an attorney, an insurance agent and an accountant (even if their CPA only handles their personal returns). These 4 individuals, by definition, work with small business since they already work with your client. They most likely have other small business clients. Nothing sells better than a “success story” and the fact that you are assisting one of their existing clients is just that. For if it weren’t for you, they would probably have one less client themselves right now. At this point you are not “selling” the fact that you “claim” that Factoring can help, you are actually “showing” how Factoring helps their clients and, by extension, their business! And when you combine your existing clients with past clients and then multiply this number by four, you have quite the captive audience to market to.

Step Four - The Applications of Past Prospects: Okay, so you didn’t close the deal. But this company needed help and you were there to provide it. The fact that the prospect didn’t absolutely need you at that time shouldn’t prevent you from letting their support professionals know that you were ready, willing and able if called upon. Your story becomes more compelling if you were referred to the prospect by another professional (a consultant, another banker/lender that turned the prospect down). This lets the listener know that other people believe in you enough to turn to you if the situation calls for cash flow enhancement.

Conclusion

A well-built Referral Network is much like a spider’s web, where each point branches out to multiple other points so that ultimately, everything ties together. The more complete and tight the web, the more integrity it holds. If you consistently reach out and touch the business professionals that are associated with your clients and applicants, you’ll find over time that some of these people will have relationships amongst themselves; such as a few accountants working for the same firm, or a commercial loan officer who has several of his/her clients insured through the same agent, etc. If you can recognize these inter-relationships, you can begin to combine your marketing efforts by organizing a lunch appointment with

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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.
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The Healthy Portfolio Hierarchy

Portfolio Management in factoring is about the day by day evaluation of portfolio strengths, weaknesses, opportunities and threats in the choice of risk versus return.

BY MARC J. MARIN

Investopedia defines Portfolio Management as the art and science of making decisions about investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions and balancing risk against performance.

Let me translate that into factoring vernacular... Portfolio Management in factoring is about the day by day (or minute by minute for some of us) evaluation of portfolio strengths, weaknesses, opportunities and threats in the choice of risk versus return.

Let’s take a minute to identify what I believe to be the hierarchy of factoring portfolio management.

1. Equity and Debt Preservation
   Buying quality paper and collecting it is the key to staying in our business. Mitigation of risk via effective and ongoing evaluation and monitoring of the collateral should be the company’s top priority. The primary responsibility is to ensure our investment is safe and secure.

2. Risk vs Return
   We all have a unique appetite for what we feel is a comfortable mix of risk versus return. The goal should be to ensure stable returns and measured risk throughout your portfolio, which boils down to consistency in underwriting and risk tolerance.

3. Capital Growth
   Effective portfolio management virtually guarantees capital growth by the reinvestment of retained earnings.

4. Diversification
   Diversification of your portfolio (industry concentrations, client considerations, etc., etc.) should be purposefully designed and administered to minimize or eliminate the risk or loss of Equity and debt.

5. Liquidity
   Effective portfolio management should allow you to take maximum advantage of good opportunities. Ensuring sufficient availability from your lender starts with effective underwriting.

6. Marketability
   Effective portfolio management ensures marketability when ownership desires a sale or other liquidity event. A good portfolio should have a reasonable list of potential and qualified buyers at a fair price.

Now that we’ve covered (what I humbly believe) to be foundation of effective portfolio management, we can begin to ask some questions about the management of your portfolio as it relates to the Portfolio Hierarchy.

Equity & Debt Preservation

We all know (and some of us have experienced) the consequences of high concentration and how catastrophic it can be to a portfolio or the viability of a factoring company.

Conventional wisdom tells us not to have all of our eggs in one basket. However, for the start-up or entrepreneurial factor that is looking to gain traction this is simply a reality that generally cannot be avoided.

What should be avoided is doing deals that fall outside of your underwriting parameters simply for the sake of doing...
a deal. You are far better off preserving your equity and debt than blowing it on a transaction that never should have been done in the first place. A banker friend of mine once told me that you only regret the deals you do. What a true maxim if I’ve ever heard one.

It’s easier said than done but here are a few reasonable guidelines to consider for equity and debt preservation:

• Base your maximum client concentration on a percentage of your equity. At the end of the day, this is what you risk losing (at a minimum).

• Base your maximum debtor concentration against your clients total A/R outstanding. If a debt goes sideways, there may be a reasonable possibility to collect out of the remaining receivables (especially if there are non-factored proceeds available).

• Reliance on anything besides the debt you’re buying is self-delusion. Personal guarantees, credit insurance or “boot” collateral should be no substitute for buying quality paper.

**Reasonable Risk versus Return**

Notice I used the term reasonable. Some in the finance community like to think of factors as cowboys. I think for the vast majority of us that could not be farther from the truth.

Factors buy quality and performing paper with minimal risk. Our goals are aligned with our clients and we simply want the paper to pay in its normal course of business, thereby reducing our risk.

Factoring is not terribly complicated, nor should the transactions be. Those transactions that present “out of the box” abnormalities (a.k.a. risk) should be avoided when possible.

Exposing yourself to extraordinary risk cannot be justified by extraordinary reward. The two principals are simply diametrically opposed.

Instead, focus new business development and portfolio management techniques around reasonable returns for reasonable risk. You’ll experience less stress and live longer.

Some good rules to consider:

• If other factors have denied the deal, you would be wise to do the same. Some of us think we’re smarter than the next guy… and often proven wrong.

• Avoid pushy prospects and do the deal on your own terms and timeline. I’m reminded of the story about the guy with the money and the guy with the experience. Generally the guy with the experience gets the money and the guy with the money gets an experience.

• A good friend of mine likes to use the term “Deal Post-Mortem” where she can describe how the client/factor died. At the end of it, the report generally indicated warning signs/symptoms that went unchecked or worse yet… ignored.

Some simple advice to consider:

Stick to your formal credit policies and underwriting procedures. You’ve created them for a good reason…now apply them!

“You can’t always get what you want... but sometimes you get what you need!” Well-spoken Mick and an excellent motto to live by in the factoring world. Better transactions, pose less risk and generally offer reasonable returns.

**Capital Growth**

Hopefully, your hard work is paying off and you’re adding to the bottom line at the end of every month. Retained earnings mean more than simply a smile from Uncie Sam at the end of the year.

• You’ll experience a minor reduction in your interest expenses as your retained earnings reduce your overall borrowing costs.

• Increased borrowing capacity if your line of credit is tied to tangible net worth.

**Diversification**

Diversification of your portfolio is easier said than done but is should be a long term objective to overall portfolio health.

Portfolio Diversification can come in many forms as previously eluded too but the one that generally causes the most problems for factors is client or debtor concentration.

When we first started, we were all in and playing for keeps (so-to-speak) but as we’ve grown (and matured), we’re beginning to shift our underwriting and operations paradigm towards preservation and long-term corporate sustainability.

This new paradigm is certainly going to be at odds with new business development initiatives, but if we look at our long-term goals, they will ultimately align for our best interests.

Some thoughts to consider:

• Participate. There are plenty of factors that are willing to participate on quality transactions.

• Broker the deal. A little piece of the pie is better than no pie at all.

**Liquidity**

Depending on your funding source, you are likely to have covenants in which you can operate within. If you’re funding on 100% equity then you’re free to do what you like on your own terms.

However, if you have a bank or fund to answer too, it’s likely you’re dancing to their tune, which generally is designed to be mutually beneficial.

Ensure you’re booking transactions where you will not lose borrowing availability, thereby keeping your “powder-dry” for the next good opportunity.

We’ve experienced liquidity/availability issues during our history and have found the following to be helpful.

• Outside checks and balances can be beneficial. Take time to fully understand your lenders covenants and ensure your business development activities align with those covenants so you can avoid availability issues.

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what’s new at ifa

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.

Website: 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 led to their expertise. 12five specializes in software optimization, cloud computing implementation and social media representation.

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

Phone: (972) 722-3700 • Website: 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.

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 the lowest, with a substantial discount offered for participation in their A/R data exchange.

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IFA Member Benefits: 20% off the Alert System.

CREDIT CARD PROCESSING

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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.

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Disaster Recovery Services

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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 there 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 myAgility planning portal to assist in building and maintaining your business continuity plan.

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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 Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $1,000,000. 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 its 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.

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

IFA CALENDAR OF EVENTS

OCTOBER 18-19  
Advanced Factoring Symposium  
Caesars Palace  
Las Vegas, NV

OCTOBER 22-23  
AE-LO for the Transportation Industry  
Caesars Palace  
Las Vegas, NV

OCTOBER 25-26  
Small Factors Meeting  
Caesars Palace  
Las Vegas, NV

2013

JANUARY 24-25  
Presidents & Senior Executives Meeting  
Ritz-Carlton  
San Juan, Puerto Rico

MARCH 5  
Luncheon Meeting with NYIC  
New York, NY

APRIL 24-27  
2013 Factoring Conference  
Fontainebleau  
Miami Beach, FL

For details about IFA events, please visit www.factoring.org.
The AFA has followed the actions of the Consumer Financial Protection Bureau (CFPB) since it began operations July 21, 2011. Now that the CFPB is a little over a year old, we can see how it may impact our industry. While many people question the manner in which the current CFPB leadership was put into place, and lawsuits have been filed challenging the CFPB, it appears to be part of our lives.

The CFPB continues to reinforce the idea that non-bank financial services are the agency’s most pressing issue. One of the goals of the CFPB is to expand regulation to nonbank companies. The examination of nonbank companies will be a crucial piece of the CFPB’s work.

For the first time, many nonbank financial companies will be subject to federal oversight. While companies in the mortgage, payday lending, and private student lending markets are already under CFPB review, other financial services may become regulated also. These include consumer installment loans, money transmitting, credit reporting and debt collection.

As we brace for possible meddling, we cannot wait for the CFPB to discover the factoring industry. We must continue to be in front of elected officials, regulators and their staff, including the CFPB. We cannot allow the discussion regarding possible regulation to occur without our voice being heard.

Rep. Jason Chaffetz (R-Utah) said in order to justify its existence, CFPB officials “wake up every morning and regulate things.” Rather than address problems, Congress instead “created another bureaucracy that has untold consequences”. Rep. Jeb Hensarling (R-Texas) referred to the CFPB and Dodd-Frank as a “legislative drive-by shooting”.

The AFA has been able to educate Washington on the need for factoring to remain unregulated. However, we must continue to make our case in Washington at every opportunity. We cannot allow our industry to be defined by regulators. We must define our industry. The AFA continues to send representatives to Washington at every opportunity. The costs of trips are borne by AFA members who graciously donate their time and money to attend these meetings.

To those of you who have donated time and money to the AFA, we thank you for your foresight and continued support. If you have not given, please take this opportunity to visit our web page (americanfactoring.org) to have your voice heard. •

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

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2012 MEMBERS & DONATIONS
As of October 1, 2012

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D & S Factors
First Capital Corp.
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International Factoring Association
J D Factors
National Bankers Trust
Pacific Financial Association, Inc.
Pay4Freight.com
TBS Factoring Service, LLC

Platinum ($5,000 - $10,000)
Allied Affiliated Funding
Baxter Bailey & Associates
Far West Capital
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Gateway Commercial Finance
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Interstate Capital Corporation
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Goodman Factors
Lenders Funding
Prime Financial Group
PRN Funding, LLC
Republic Business Credit, LLC
United Capital Funding Corp.

Silver ($1,000 - $2,500)
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Allegiant Business Finance
Ansonia Credit Data
ATF Finance
Bardue NW Financial
Capital Solutions
Caribbean Factoring Services
Commercial Business Finance
Commercial Finance Group
Concept Financial Group
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J.O.B.E. Services, Inc.
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Maple Trade Finance, Inc.
Paragon Financial Group, Inc.
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Amerisource Funding, Inc.
Brookridge Funding
BTB Capital Corp.
Capitol Services, Inc.
Cash Flow Financial LLC
Chesapeake Bank
Dash Point Financial Services, Inc.
Entrepreneur Growth Capital
FirstLine Funding Group
G Squared Financial, LLC
J & D Financial Corporation
Mazon Associates, Inc.
PFI Financial LLC
Power Funding, Ltd.
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Saint John Capital Corporation
Stonebridge Financial Services, Inc.
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Other (Under $500)
Commercial Finance Consultants
Cross Key Capital LLC
Downtown Capital Partners
Fuller Business Funding
RMJ Capital
A FIRST LOOK AT THE 2013 FACTORING CONFERENCE

The 19th Annual Factoring Conference will take place at the Fontainebleau Hotel in Miami Beach, Florida; April 24-27, 2013

Next year’s conference is sure to please as Miami’s historic Fontainebleau sets the stage. This breathtaking oceanside hotel recently underwent over $1 Billion in renovation and expansion which merged the glamour of the past with the luxury of the present. Next year attendees have over 50 speakers to choose from! As always, the conference prides itself on being the biggest and most attended factoring event in the world.

Special Guests

An unforgettable personality to grace the stage is international ex-hacker Kevin Mitnick, with over 25 years of exploring computer security. In developing his largely self-taught skills, Mitnick gained access to computer systems at some of the largest corporations. He will speak on The Art of Deception and Are You in Danger of Being Conned?


We’ll also hear from Warren McDonald, a mountain climber who lost both limbs at mid-thigh in a climbing accident. His handicap has not put a damper on his spirit or desire for adventure, he is the first double above-knee amputee to climb Mt. Kilimanjaro. Now also an author and filmmaker, he will discuss the Challenge of Change and Finding Opportunity in Adversity.

Speakers

IFA veteran, Bob Zadek, Esq. (Buchalter Nemer) will present the always-informative Report from the Courts, Lessons to be Learned from this Year’s Court Decisions. Bob is one of the premier attorneys and an expert in the field of factoring.

David Jencks, Esq. (Jencks & Jencks) another veteran, will lead Current Topics in Transportation Factoring. This session is a must for members that are transportation factoring specialists and factors with transportation portfolios.

Since we all wish we could see into the future, Predictions from the Future from Industry Experts will be presented by Marc Marin (Gateway Commercial Finance) and a group of experts from different industries. You will be able to hear from leaders of each sector on how that industry is performing and what to expect in the future.

In Point/Counterpoint we’ve selected three different topics of interest and often disputed within the factoring community. A spokesman representing each side of the topic will present and debate their side of the issue. One of the face-offs will be Mike Ullman, Esq. vs. Bob Zadek, Esq. We will also have Jeff Rose vs. Chuck McDowell discussing the issue of an outgoing factor charging a broker commission to an incoming factor.

The Legal Panel promises to be informative with John Beckstead, Esq. (Holland & Hart LLP), Steve Kurtz, Esq. (Levinson, Arshonsky & Kurtz), Mike Ullman, Esq. (Ullman & Ullman PA), and moderated by Gen Merritt-Parikh (Allied Affiliated Funding). You don’t want to miss this panel for all of your legal related questions and concerns.

New Business Origination is at the top of every business owner’s mind. Prospecting, referral sources, qualifying, selling, and more will be discussed. Leading this discussion are five experts: Janette Bankston (Vertex Financial), Justin Gordon (TAB Bank), Tyler Grady (LSQ Funding Group), Max Toledo (Bridgeport Capital Services), and Andrew Osborn (Summit Financial Resources).

There are many problems that can arise with a fraudulent or bankrupt client. Resolving Problem Situations will go over many of these scenarios and methods to deal with any issue. Featuring Dan Karas (Triumph Commercial Finance), Jason Medley, Esq. (O’Donnell, Ferebee, Medley & Keiser), Debra Wilson (Vertex Financial, Ltd.), and Alan Atchley (Amegy Bank Business Credit), who have over 100 years combined experience in the industry.

For those that are newer to factoring, we have two sessions designed to take you through the basics. Another IFA favorite, Darla Auchinachie (Bridge Bank) will again lead the session on Factoring 101. Darla holds the honor of maintaining a top-rated speaker status for the IFA. Bob Zadek, Esq. will present Legal 101 for all of your legal concerns.

For small factors, we have the Small Factors Roundtable. This discussion is designed to give this important segment of our industry a forum to discuss their challenges and learn from their peers. Melissa Donald* (LDI Growth Partners), Darrell Fleck (RMJ Capital) and David Jencks, Esq. (Jencks & Jencks) will participate.

To give Canadian factors a platform and to give those wishing to learn more about factoring in Canada an opportunity, the Canadian Roundtable Discussion features moderators including: Mike Miller (Maple Trade Finance), Fred Moss (Accord Financial), Oscar Rombolí (ITC Invoice to Cash), Gerry Wawzonek (Capital Now), and Jeffrey Alpert, Esq. (Torkin Manes LLP).

There are many new international tracks for attendees this year to learn about factoring beyond our borders. There are 5 distinct sessions: China, Cross Border Factoring, Factoring in Europe (with Bogdan Rosu, director of the Romanian Factoring Association) and two sessions on Factoring in Latin America.

China has the fastest growing economy in the world. In Chinese Factoring learn from our expert panelists on how factoring operates in China, if it is possible for you to participate in the factoring industry and the best method to do so. Panelists are Vivian Guo (JRF International Factoring, Inc.; Tianjin, China) and Mark Sunshine (Veritas Financial Partners).
Export Factoring, or Cross Border Factoring, deals with an import and export factor. One factor deals with the financing and credit management in the suppliers’ country and a second factor, the import factor, handles credit cover and collection in the buyer’s territory. Erik Timmermans (International Factors Group Scrl) will moderate the session with a team of panelists.

The first of two Latin America sessions will deal with due diligence and collections. What are the important aspects to look for when analyzing new factoring lines? The second panel will address the legal aspects of factoring in Latin America. Richard Hall (Factor Logros de Ecuador S.A., Ecuador) will lead both sessions. Speakers will include factoring experts from various countries in Latin America.

In Factors Working Together our panel of experts will discuss: splitting up domestic debt, PO finance combined with receivables, refactoring, non-recourse factors working with recourse, and much more!

**Activities**

- The **golf tournament** will take place at the Miami Beach Golf Club, designed by world-renowned architect Arthur Hills.
- The **Welcome Reception** (sponsored by RMP Capital), Bibby Social, and Tax Guard Dessert Reception all take place at the Fontainebleau on the Ocean Lawn or Fleur de Lis ballroom, both beautiful backdrops for these quintessential conference events.
- This year’s **Closing Event** will be held at award-winning LIV nightclub at the Fontainebleau.
- A **5K Charity Walk** is a great way to network with other conference attendees and take in the sights of the boardwalk, while giving to a great cause.
- The **Lincoln Road Mall Guest Tour** takes in Miami Beach’s best open air shopping and dining hotspot.
- The **Everglades Airboat Tour** offers plenty of opportunity for spotting natural wildlife such as alligators, soft-shelled turtles and numerous birds.
- The **Idea Exchange** is back by popular demand. This event brings together small groups who have a common interest in a particular issue.
- **Best Practices for Portfolio Management** is perfect for anyone who wants to learn more about managing a successful factoring relationship. This seminar is focused on sharing best practices employed by seasoned factoring companies.

We couldn’t have squeezed anything more into 4 days! Please take a look for yourself at the conference website to view speaker bios, the schedule and more at www.factoringconference.com.

Finally, The Fontainebleau deserves its own mention as well. From fine dining options, a Reuters Top 10 rated LIV nightclub, boat rentals, an infinity, free form pool and so much more, the Fontainebleau brings 24/7 glamour, delight, romance and play to Miami Beach.

For more information visit www.fontainebleau.com. Hotel reservations can be made by contacting the Fontainebleau at 1-800-548-8886 and request the “factoring conference” group rate. Group rate expires March 22 and is subject to availability.
Why did Crossroads decide to venture into a niche market?

Crossroads decided to venture into the niche market of Inventory financing as the company founder & CEO, Lee Haskin, saw a void in the marketplace in which companies looking to borrow against their Inventory had very few, if any, options available. More specifically, Crossroads decided to create a niche market in this space to create a value-added resource for lenders that needed an Inventory component in their transactions. With a factoring background, Lee saw that if he created a company that would service the needs of a factor or receivable lender, he could open an untapped market and create a product that could create value, rather than compete, with existing players in the marketplace.

Soon after creating the stand-alone Inventory concept on a stand-alone basis, Crossroads entered into a second niche market- Purchase Order Financing. We decided to enter into this market as many of our factoring and receivable financing partners requested financing for their clients who had non-cancellable orders from credit worthy concerns. It became a logical next step in the evolution of Crossroads to provide this as a complementary product, and even later, a product that could be used in conjunction with the stand alone Inventory line of credit.

What are the primary things to consider when working in niche markets?

Niche markets can be treacherous, especially when you are creating the niche you are working in. There is trial and error that needs to occur in the beginning stages, and some of the biggest obstacles can only be discovered while experiencing them. One example of this was an Inventory loan that was made for a surgical glove company. Crossroads offered the surgical glove company an Inventory revolver in conjunction with a factoring facility provided by another lender. We advanced against the gloves, but didn’t break down the different size gloves into different “buckets,” an appraisal term for categories. After a few months, the company went through a rough period and ended up going into liquidation. When we went to liquidate the Inventory, we realized that extra-small gloves and extra large gloves did not sell the same as large or medium gloves. This was one of the first lessons we learned at Crossroads in our early days: “Not all Inventory is created equal.”

Another important thing to consider when entering or creating a niche is to understand the market around you. It is important to consider what your customers, the receivable financing and factoring communities in our case, need and how you can offer value to them. You also need to be concerned with educating the market about your products; explain, in our case, this new concept and value-added resource to our lending partners. In the case of Purchase Order financing, a niche market with a few players, it is also important to understand your competition. We have always had a friendly relationship with our competitors, even working on transactions together, and I believe these relationships create more opportunities than they take away.

What are the major challenges?

Challenges for a niche market player involve competition, product evolution, and pitfalls associated with “learning by doing.” First, you want to establish yourself in the marketplace, educate yourself on what your target market needs, and try satisfying the needs without taking risks that would be too great if something were to go wrong. There is a delicate balance between innovation and risk taking; in order to succeed both elements need to balance out. Your competition can sometimes be your greatest source of advice and perspective; establishing a competitive balance and a friendly competitive environment can be key.

“Learning by doing” involved the balance of risk and innovation. Examples such as the glove example we discussed are numerous in how we only learned how to fill a niche through lessons learned. A more conservative approach initially is recommended as, especially as a startup in a new niche, you can’t afford to take a crippling hit to the bottom line- no matter what niche you are in.

NICHES MARKETS

A Q&A with Crossroads Financial’s Darren Palestine

THERE IS A DELICATE BALANCE BETWEEN INNOVATION AND RISK TAKING; IN ORDER TO SUCCEED BOTH ELEMENTS NEED TO BALANCE OUT. YOUR COMPETITION CAN SOMETIMES BE YOUR GREATEST SOURCE OF ADVICE AND PERSPECTIVE; ESTABLISHING A COMPETITIVE BALANCE AND A FRIENDLY COMPETITIVE ENVIRONMENT CAN BE KEY.
What is one piece of advice for other factoring companies looking to branch out into niche markets?

Be careful! We have spent years trying to perfect our processes and procedures, and every new deal brings new experiences and lessons learned. After being so involved with Inventory transactions through my years at Crossroads, I can’t believe some of the advances that lenders will make against Inventory. While some of the concepts behind Inventory and Purchase Order financing seem simple, there are many challenges that need to be understood and overcome to be successful. Although I believe you must be careful when branching into niche markets, I believe in order to be successful in today’s marketplace, a company needs to innovate and create new opportunities. This can be accomplished in a more conventional way by partnering with a company like us, or in a radical way, but actually creating that product as one of your offerings. In today’s marketplace, I stand behind the belief “do what you do best” and outsource what you can to offset risk.

What has been your biggest success to date in niche markets?

We have had and currently have great “success” stories with companies that are recognizable in today’s marketplace. Without revealing too much, there have been a few companies that grew tremendously with our assistance. One company in particular was selling to a big-box retailer exclusively, with revenues of less than $1MM per year. Once interest in the product peaked, the retailer began giving large Purchase Orders to our client. Due to the size of these purchase orders, the company needed assistance as they quickly reached their credit limits from their suppliers. To facilitate this need, we partnered with a factor and financed their Purchase Orders, with the factor “taking us out” once the goods were invoiced. The company’s revenues quickly accelerated and eventually their vendor extended much larger terms, thus ending their requirements for Purchase Order financing. As their products became more popular, the retailer asked that they maintain Just-In-Time Inventory for replenishment orders. With very little working capital to meet this requirement, Crossroads “saved” the day again and provided them a line of credit against their existing Inventory. This company now has revenues of over $60MM per year, and is one of the many success stories at Crossroads.
We recently calculated that, since 2004, we have provided well over $500 million dollars in receivables funding transactions for our factoring and receivable financing partners. We expect this number to exponentially grow as we continue to expand our reach to new relationships and partners. I think that this number is probably our biggest success to date.

**What do you enjoy about working in the factoring industry?**

The factoring industry as a whole provides us with most of the transactions we see on a daily basis. We have established great relationships in the industry and continue to build these relationships, and create new ones every day. I particularly enjoy the excitement and differences that every single transaction has—no two deals are the same and each one takes a certain amount of creativity to put on. Additionally, the factoring industry as a whole has tremendous opportunity due to the reluctance of the banks to lend money in today’s environment.

With the increased competition in the industry, I believe we will see more opportunities to partner with more factors as they will strive to increase their product offerings and offer more value to their customers. •

Darren Palestine is the Director of Sales for Crossroads Financial. Most of Crossroads Financial’s business opportunities originate from the factoring and receivable financing community and Darren has formed close relationships with over 200 of these lenders throughout his years at Crossroads. As Director of Marketing, Darren’s role is to create Crossroads Financials’ marketing programs, focusing on reaching the company’s network of lending partners, potential referral sources, and business prospects. These activities include creating marketing and promotional material, and keep Crossroads Financials’ network informed of deal closings and other Crossroads related news. Darren graduated from the University of Florida with a Bachelor of Arts in Marketing in 2006 and, in 2008, returned to the University of Florida and graduated with a Master’s in Business, specifically with a focus on International Business. Darren can be reached at 561-988-7098 or dpalestine@crossroadsfc.com

**IFA:** Why did you choose factoring vs. other types of financing?

**Linnette:** Factoring has great advantages, I am able to increase cash flow and pay my employees on time and also my business is able to pay bills on time. My business is able to grow faster because I do not have to wait for my clients to pay me. (It usually takes 30 to 60 days.)

**IFA:** How did you choose Bibby?

**Linnette:** Another factoring company that was unable to assist me in a timely manner referred me. I needed immediate assistance. Bibby Financial was able to process my application on time in order for me to meet payroll.

**IFA:** What criteria did you use to determine which factor you’d work with?

**Linnette:** I would say a factoring company who has great customer service and excellent relationships with their clients.

**IFA:** What’s important in a factoring relationship?

**Linnette:** Customer service and an excellent relationship are important.

**IFA:** How did the factor assist you?

**Linnette:** I am able to make payroll, increase cash flow, increase staff and grow my business

**IFA:** Was the relationship a good one?

**Linnette:** This is the best customer service I have had since starting my business. On a scale of 1 to 10 I would rate Bibby Financial 10+

**IFA:** By increasing your cash flow, did you accomplish your goals (growth, survive, etc.)?

**Linnette:** By increasing cash flow I was able to hire more staff, pay my bills on time, which helped me to grow my business.

**IFA:** Would you recommend factoring to other companies in your situation?

**Linnette:** I would recommend factoring with Bibby Financial to all companies!

For more information on Bibby or Diamond Healthcare Group visit www.bibbyusa.com or www.diamondhealthcaregroup.com

Linnette Clark is President/CEO of Diamond Health Care Group as well as a veteran with 17 years in the Military. With over 10 years of experience in healthcare, human resources and business she has led her company to successful staffing endeavors and a successful factoring relationship with Bibby.

Diamond Health Care Group Inc., is a nationwide professional medical staffing agency with its corporate office located in North Carolina. Diamond staffs hospitals, corporations and other healthcare facilities with qualified healthcare professionals for long term and short term assignments.
Tribute to the IFA and Its Founder

Currently the IFA is the largest trade organization for factoring and receivable finance companies in the world. Here’s a big thank you to Bert Goldberg, Heather Villa and others at the IFA that work to make it such a valuable and strong organization.

BY ALLEN FREDERIC

As everyone probably knows, the IFA’s Executive Director Bert Goldberg suffered a serious accident while kite surfing and is now at home in rehabilitation. That however doesn’t stop him from being on all phone calls and in the heat of decision making on all IFA matters including speakers for the convention, panels, future programs, etc. What better time than now to pay tribute to Bert and the International Factoring Association which supports us all.

Early Years

After getting his BA degree in Accounting Information Systems from California State University Northridge, Bert worked as a computer programmer developing medical billing systems. He then went to work as a Program Analyst for United Technologies where he supported the space shuttle team. Thereafter he earned his MBA from Cal Poly in San Luis Obispo, CA while working at Distinctive Solutions Corporation, a software company focused on the financial services industry. Starting as a computer programmer, Bert received numerous promotions becoming the president of the company. Under Bert’s leadership the company experienced rapid growth from 20 clients to over 300 in 10 years. While there, he started a user conference for clients using the Distinctive software. The first user conference was in 1995 at the Embassy Suites in San Luis Obispo. This conference had approximately 52 attendees. The user conferences quickly morphed into what is today the annual conference of the International Factoring Association.

In 1999, Bert formally separated the association by splitting it into a separate company broadening its mission from that of just an annual conference to a wide array of offerings to support those in the factoring industry. This new organization was formally named the International Factoring Association.

At a time when other industry organizations were not meeting the needs of small and medium sized factors, nor offering sufficient value and programs for factors, the IFA prospered and grew while other industry organizations contracted or remained relatively stagnant. The IFA was the only organization that appealed primarily to the factoring industry.

Present Day

Currently the IFA is the largest trade organization for factoring and receivable finance companies in the world. Last year at the annual convention the IFA had over 650 attendees. Offerings have grown from the annual convention to a mid-year Presidents and Senior Executives Meeting, Transportation Meeting, Small Factors Workshop, special training classes, and in addition the IFA has teleconferences and webinars on important topical issues. Notable speakers from past conferences include: Frank Abagnale, an expert on fraud and identity theft whose life was inspired to become the movie “Catch
courses in Las Vegas at a very reasonable cost for factors. Since then the offerings have broadened to include courses covering government finance, transportation, international receivables, advanced factoring issues, fraud and fraud detection, the law and business of factoring and much more. The majority of the classes offered are sold out and not only do the classes provide a tremendous learning opportunity with 2 – 3 days of classroom lecture and work, but they also provide for a networking opportunity with one’s peers. It’s always good when you have questions to be able to pick up the phone and discuss it with a number of your colleagues that may have had similar experiences.

**Networking**

Of course one of the major benefits of the IFA is the tremendous networking opportunities. There are three major networking events: the annual IFA

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**American Factoring Association**

With personal contributions from both Bert Goldberg and the International Factoring Association, the American Factoring Association (AFA) was founded in 2009. The AFA was founded as a special 501 (c) 6 non-profit to represent the factoring industry with regards to advocacy issues. The AFA is now self-sufficient and has represented factors on a variety of issues on Capitol Hill including the recent transportation bill where the lobbying effort resulted in lowering the proposed bond for transportation brokers.

**Publication**

The IFA produces an industry publication called *The Commercial Factor* on a bi-monthly basis. This includes articles by not only IFA members but also distinguished attorneys and economists on the most current legal and factoring issues affecting our industry. It is without question the most authoritative factoring publication available. It reports timely on sales, credit, human resource issues, tracks deals closed, and follows leaders in the industry in new and exciting positions.

**Training**

Early on Bert saw the need for education and enlisted his advisory board at the time with the task of developing a curriculum for two new classes. These were the Account Executive/Loan Officer training, an introductory course, and Credit and Underwriting. Bert personally worked on the curriculum and syllabus, chose instructors and started offering these educational
Conference in the Spring, the annual President’s and Senior Executives Meeting in the Winter, and the Transportation Meeting in the Fall. At all of these events there are interesting and informative speakers, panels by industry experts, vendors representing the latest in products and technologies for the industry, as well as numerous receptions, cocktail parties, networking events, and a closing dinner all designed so that one can have ample opportunity to talk with industry peers and others.

Over the years I’ve learned many things from the classes, meetings, panels, and speakers that have helped me increase revenue, control expenses and apply technology that has resulted in cost savings and higher efficiency. I’ve also made invaluable contacts, which have led to continuing friendships and in several cases acquisition opportunities that helped grow my business. As the MasterCard commercial says, "MEMBERSHIP IN THE IFA IS PRICELESS."

In the course of my career that spans the last 39 years in the financial sector, I’ve been a member and have been supportive of many industry organizations. These include, the American Bankers Association, Louisiana Bankers Association, Community Bankers Association, Robert Morris Associates, Turnaround Management Association, Association for Corporate Growth, Commercial Finance Association, International Factoring Association, American Factoring Association, and others. I’ve served as Director, President, Executive Committee Member, Chairman, and in many other capacities. I’ve always felt that each organization in which I have been involved has given me more value than I put in. However, if I had to pick only one organization that stood head and shoulders above the others for me and for the factoring industry it would be the International Factoring Association. I believe that we get more bang for our buck and more value from the IFA than all of the other industry organizations combined.

Summary

So here it is, a tribute to Bert Goldberg, Executive Director and Founder of the International Factoring Association and to the association itself and its staff.

Continued on page 33

Allen E. Frederic Jr. is CEO, Managing Member and co-founder of Republic Credit LLC, a commercial finance and factoring operation headquartered in New Orleans, Louisiana with offices in Houston and Chicago. Previously, Frederic was CEO and founder of Gulf Coast Business Credit, the factoring division of New Orleans based Gulf Coast Bank & Trust Company where he served as CEO for 11 years. He can be reached at (866)722-4987 or afrederic@republicbc.com. Allen can be reached at 866-722-4987 or afrederic@republicbc.com.
IFA Tribute

Continued from page 32

for all they have done and continue
to do for the factoring industry. Bert,
congratulations and thanks for all your
hard work and for all you’ve done to
make this organization great. For all
you have done to help our individual
companies and makes us all stronger,
wise, and better prepared to deal with
the changing environment, we thank
you. For always being there to talk to us,
support us, offer encouragement, make
us laugh, and challenge us, we thank
you. For being a friend to the industry
and to all of us, we thank you. •

Healthy Portfolio

Continued from page 21

• Communicate. The more you commu-
nicate with your lender/funding source
the stronger your relationship is likely
to be. Most lenders/funding sources
are willing to look at each transaction
to find a way to make it work. Nothing
worse than booking a transaction then
losing availability!

Marketability

Your portfolio may eventually be (if it’s
not already) your most valuable asset.
Like any good asset it should be well
cared for and properly organized.
A suitor may be simply interested
in acquiring your portfolio or your
platform. Regardless of their intention
it’s critical that your legal documents,
written policies and procedures, filing
systems, accounting controls and
operational redundancies are accurate
and up-to-date. Your knowledge of
your portfolio and systems makes it
marketable.

In Closing

No two factoring companies are alike;
no two portfolios are alike; and no two
companies share the same appetite for
risk. But we all share a desire to make
good decisions for our portfolio and
understanding your portfolio hierarchy
is a great foundation in your decision
making process. •

Sales & Marketing

Continued from page 18

several people who already work with each other. You are not only making your
time more efficient, but you are also solidifying your position within the group by
being associated with each individual through a different financing transaction.
They will view you as someone who they want to continue working with because
you are obviously someone who is active in the marketplace. But it all starts with
establishing a routine to mine the information you already have from each and
every application that comes in. And the best part is that when you’re busy closing
deals, this activity will take a back seat. So when things slow down again, you’ll
have plenty of follow up calls to make to people who you already are tied to, even if
they don’t know it yet. •
By John A. Beckstead, Esq.

Co-Borrowers or Guarantors—Does It Matter?

Financing Affiliated Companies

Factors are often asked to finance affiliated companies in a single financing package. Typically, the affiliation between the companies consists only of common ownership of the companies by the same person. Sometimes there is a parent-subsidiary relationship or sometimes the companies are sister subsidiaries of the same parent. From a credit standpoint, it is attractive to create a single financing package. A larger pool of collateral is available for the obligation and the aggregate lending limit will be higher than for any individual company. However, there are serious legal risks in this strategy. Proper legal structure of the financing will minimize these risks.

Legal Concepts Involving Multiple Borrowers

Most lenders believe there are two categories of relationships in lending to multiple borrowers: Co-borrowers and guarantors. In fact, the legal concepts are more complicated. The body of law governing these relationships is known as suretyship. “Surety” is a general term that applies to several different relationships. Guarantors and accommodation parties are two types of sureties. A guarantor may be a guarantor of collection (meaning the guarantor is liable only after the assets of the borrower have been exhausted and the lender was not able to collect) or a guarantor of payment (meaning the guarantor is obligated upon default by the borrower).

Article 3 of the Uniform Commercial Code created the term “accommodation party.” An accommodation party signs the instrument, typically as a co-borrower, but is not a direct beneficiary of the value given under the instrument. In other words, the accommodation party does not receive the financing proceeds. The accommodation party is jointly and severally liable with the primary obligor, unless the instrument unambiguously states the accommodation party is only guaranteeing collection, not payment.

The legal principles concerning an accommodation party apply only to a negotiable instrument, such as a promissory note. Most factoring agreements do not involve a promissory note. However, the law or suretyship recognizes similar concepts that would still apply.

A surety has a number of defenses to payment, including release of the primary obligor, grant of an extension of time to the primary obligor, modifications of the primary obligation, impairment of collateral (such as failure to perfect or failure to properly dispose of the collateral), and impairment of the surety’s right of recourse against the primary obligor. Any impairment is presumed to equal the amount of the obligation unless the lenders prove otherwise.

Both suretyship law and the Uniform Commercial Code allow a surety to waive these defenses in advance.

A Guarantor is Preferable to an Accommodation Party

For several reasons, a guarantor is preferable to an accommodation party. The law concerning guarantors is well developed and clear. Guarantor law has developed over the years in a context of lenders and borrowers. Suretyship law has primarily developed in a context of insurance and bonding transactions where the public policies and other considerations are different than in a lending context. The defenses available to an accommodation party are codified in § 3-605 of the Uniform Commercial Code. This Section was substantially revised in 2002. While this Section is based on suretyship law, there is little case law interpreting this Section.

Well drafted guarantees contain waivers of a guarantor’s defenses. Promissory notes and factoring agreements rarely contain waivers of the defenses of a surety or accommodation party. Unless special provisions are added to the factoring agreement, the surety will likely not have waived the standard suretyship defenses – and those defenses arise frequently.

The best tactic is to use a guarantor relationship rather than co-borrowers. If a co-borrower relationship is used, it is important to add waivers of the suretyship defenses.

Fraudulent Transfer Issues

Fraudulent transfers are voidable under state law and under the Bankruptcy Code. In simple terms, a fraudulent transfer occurs when the obligor does not receive reasonably equivalent value for the transfer and the obligor was insolvent or rendered insolvent by the transfer, left with unreasonably small capital to conduct its business, or incurred debts beyond its ability to pay the debts. Granting a security interest in collateral can constitute a fraudulent transfer. Payments made on a obligation in collateral can constitute a fraudulent transfer. A creditor’s exercise of remedies, such as execution or garnishment, can constitute a fraudulent transfer. If a surety does not receive a direct and significant benefit from the financing – i.e., the money loaned – the claims against the co-borrower or guarantor are vulnerable to a fraudulent transfer challenge.

How to avoid fraudulent transfer issues:

1. Lend where the assets are. The primary obligor – and the company that receives the money – should be the company with the strongest assets to repay the financing.

2. If you resort to a co-borrower arrangement, recognize that your remedies may be limited to the extent that each co-borrower actually receives the proceeds of the financing.
3. If the guarantor is the owner or parent of the borrower, this relationship alone will almost always constitute reasonable equivalent value. If the parties are sister companies with common ownership or a subsidiary guaranteeing the obligation of a parent, this will almost always be found to lack reasonably equivalent value, unless other factors are present.

4. If other factors are present which create reasonably equivalent value in a transaction where it is not evident, add recitals spelling out in detail what that value is. Have the borrower acknowledge, represent and agree to those facts. Be specific, don’t just recite general conclusions. Caveat: Reciting facts that are not true will not carry the day.

5. Limit a surety’s liability to an amount that is slightly less than its net worth (called a “net worth limitation”), thereby avoiding the insolvency element of a fraudulent transfer. A similar device, known as a “savings clause”, limits the amount not to exceed the amount allowed under fraudulent transfer law.

6. Compensate the surety. Pay a fee for the guarantee. The payment needs to be more than a nominal amount and should be in line with what those in the indemnity industry, such as insurance and bonding companies, would charge to take on a similar risk. Be sure the compensation is actually paid. It is best to have the factor disburse the payment.

Conclusion

Suretyship is a complicated, tricky area. Try to stick with a single borrower and guarantee(s) from the owner(s) of the business. If you venture beyond that, talk to counsel before proceeding. If the financing goes bad, those preventative legal fees will be money well spent.

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

John A. Beckstead, Esq. is a partner in the Salt Lake City office of the regional law firm Holland & Hart LLP. He can be reached at jabeckstead@hollandhart.com or 801-799-5823.
I’m a better factor because I give back to my community.

LDI Growth Partners is a small factoring company where the employees are able to work remotely. Donald’s duties cross all levels as working for a small business typically means you do a little bit of everything. She concentrates much of her efforts on sales, customer relationship building, and risk management.

Donald says her work with Community Violence Solutions (CVS) helps her be a better factor and businessperson.

Community Violence Solutions works in Contra Costa and Marin Counties in California to end sexual assault and family violence through prevention, crisis services and treatment. Donald has been on the Board of Directors since 2009. CVS’s support services are vast. The Rape Crisis Center responds to nearly 2000 requests for help each year. Staff and trained volunteers are on call to provide support both by phone and in-person, 24-hours-a-day, 7-days a week. Child and adult victims receive immediate help through 24-hour Crisis Line counseling and in person support, including accompaniment to hospitals, police interviews, and legal proceedings. The Sexual Assault Response Team provides a pool of specially trained on-call sexual assault nurse examiners to respond to the special needs of sexual assault victims. They perform the emergency medical exam needed to ensure the quality of the evidence collection process, thereby increasing the number of successful prosecutions of sexual assault crimes. SART examiners also serve as expert witnesses in court. Other services include a Children’s Interview Center, Safe 4 Us Supervised Visitation & Exchange and Anti-Human Trafficking Projects.

Donald became involved with CVS through a friend who was serving on the Board. From there she was introduced to the Executive Director and jumped right in. She explains, “I feel strongly about women’s rights, I always have. Working with an organization like this you realize ‘it could have been me.’ These men and women who are abused are our neighbors, friends, co-workers, etc. It’s inspiring to see this type of advocacy work and be a voice for these victims. So many in this situation don’t know they have a place to turn, CVS is that place.”

When asked how CVS is making a difference Donald responds, “let me count the ways.” They recently saw their first prosecution against an individual organizing human trafficking. The advocacy efforts spread far and wide that this is a safe place for people to go. Also, aligning their efforts with local law enforcement and California Emergency Management Agency (CALEMA) make the group even stronger.

Donald is humbled and motivated by the work the volunteers do. Currently she is spending many extra hours each week working as part of the Transition Committee to find a new Executive Director. So most late nights, she needs to catch up on her e-mail for LDI. She points out that many of the volunteers at CVS will work the crisis line or accompany law enforcement on ride-alongs until all hours to try to get services to victims and youth at risk and still wake up that same morning to work their 9-5. “It is inspiring, horrifying and humbling all at the same time,” she says.

Many want to volunteer for a charity but don’t see how to fit it into their schedules, Donald was quick to point out that, “if you’re passionate about it, if it truly matters to you, you find time for it.” She also adds that aiding this organization made her realize how lucky she is, in her personal and professional life. “It makes me grateful.” •

Community Violence Solutions is a non-profit agency that relies on financial donations and that depends on the efforts of community volunteers. To learn more visit www.cvsolutions.org
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I admit it. I’m a dog person.

I’ve had three dogs in my lifetime. None have been designer breeds; two have been mutts and I have utterly loved all three. Each has lived a long life and in the intervening years without a dog, life just seemed to be missing something important. Factoring has taught me what that was.

My parents adopted my first dog when I was 3 years old. They thought it would be good for me to have a companion when my older sister went to Kindergarten, so one day we piled into the old station wagon and headed to the pound to find me a buddy. We came home with a cute little tan terrier mix, and thought the name Ritzy was perfect. After all, the pound back then wasn’t exactly The Ritz.

Ritzy was a great dog but he and I got off to a bad start. As soon as we got home I did what most excited, dog-unsavvy 3 year olds do: pulled his ears, yanked his tail, and pounded on his head, “patting” him. Not surprisingly, he let me know he didn’t appreciate such attention – and bit me. My would-be companion was immediately sentenced to solitary confinement in the back yard for two years, and I had almost no contact with him. So much for canine companionship.

As I grew older and learned the kind of attention dogs like, we became friends. He was with us 15 years and we all loved him. He was patient (after his banishment), gentle, loyal, and just a wonderful little guy. When you called him, he would trot over, ears alert, tail swishing happily, ever glad to be near you. Penny also lived for 15 years. Sadly, she developed doggie dementia in her last year and spent the day staring blankly at an outside house wall for hours at a time, obviously not “there.” We finally had to put her down, which was just as hard as saying goodbye to Ritzy.

We adopted our present dog, Maggie, a black and white mini Australian shepherd, from the local shelter in Tacoma when she was 3 months old. Her nickname quickly became “Waggie Maggie,” a perfect description of her personality and rear end action. We’ve had her for 17 years, and every day she’s been just as cheerful and sweet as the day we brought her home. She’s now very old, arthritic, and wobbly-legged, but we love her dearly and dread the day when she’ll be gone.

I started factoring shortly before we adopted Maggie, and during her lifetime I’ve noticed some gradual changes in the factoring world. Like any factor, I’ve had occasional clients who have been less than honest. Maybe I’m just getting old and crotchety, but in the past few years the percentage of such clients seems to be increasing, and the quality of factoring prospects declining.

I’m finding a higher proportion of prospects with so much baggage that we can’t accept them. Numerous and sizeable state and federal tax liens, incredible numbers of judgments, multiple collection agencies writing them off as bad debts – these have become almost commonplace. Not that we didn’t find these before; it just seems more prevalent now.

Often these prospects don’t see why their past should disqualify them. When I decline a prospect with a reason Can’t All Clients Be like My Dog?

In addition to writing this regular column for The Commercial Factor, 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 as well as the IFA website’s Store. All his books are being updated and will be re-released this summer. He also is the President of FactorFox Software, Inc., a cloud-based program used by factors of all sizes to track their receivables. You can reach him at 866 432 2408 or via email at Jeff@DashPointFinancial.com or Jeff@FactorFox.com.
horrible history, some defensively say, “I thought my credit didn’t matter.” They’ve bought the pitch that factors only look at their debtors’ credit, and feel entitled to my money. They don’t get the fact their rotten history poses a big risk even if they have stellar debtors. Their past warns me they could submit phony invoices, slip in double billings, redirect checks, and not make good on invoices past recourse. If things go south with me as their record shows it has with others, I will either lose money or spend a lot of time and hassle trying to get it back.

I just released a new book, Factoring Case Studies, 2nd Edition. This book contains 30 true stories of client experiences, contributed by eight small factors. While 12 describe good clients, the other 18 are tales of difficult (or terrible) experiences. Eleven of the eighteen bad stories tell of clients who deliberately divert payments and/or intentionally deposit checks for factored invoices. What’s notable about these case studies is not that people defraud their factors; that’s nothing new. What’s striking is the attitude of many of these bad clients. They’re blasé about doing something dishonest. They have no shame. Their attitude is one of entitlement, of “me first” no matter what. Right and wrong don’t occur to them.

Few of these people are professional crooks out to rip off their factor. They appear as normal people running a normal business. None of them would rob a bank, pick someone’s pocket, or burgle a house. But when working with a factor, it doesn’t dawn on many that what they are doing is wrong. If it does, that doesn’t stop them.

This morning I took Maggie for our daily walk, and as she tottered along – slowly, painfully, but enthusiastically – I looked at her and was struck by the contrast between her life and those of dishonest clients. Here she is, old, hobbled, but still happy, radiating her simple joy as she limps along. She is appreciative. She never lies to me. She may be naughty occasionally and do things she knows she shouldn’t, but when scolded, her head and tail drop in shame. She always fesses up and never denies doing something wrong. The bad clients in the case studies either deny wrongdoing, feign ignorance, or most often, just disappear.

As we walked along, I asked her aloud, “Maggie, why can’t clients be like you?” She’s so deaf she didn’t hear a word, but the question echoed in my mind. Appreciative. Why can’t they have the patience and disposition of Ritzy? Why can’t they stick around for years and never turn on you, like Penny? To be fair, of course there are plenty of good clients out there. And they are like dogs – they appreciate what you do and their loyalty is wonderful. They’re honest: if they get a check they send it to you without a thought. But not all clients are like this.

Why can’t all clients be like dogs? The answer, of course, is simple: clients are not dogs, they’re people. Clients are people, dogs are dogs. We can’t expect dog behavior from all people any more than we can expect people behavior from dogs. While dogs may be tempted to sneak a piece of pizza or gobble the cat’s food, they’re not the least bit interested in bank accounts. So I’ll just keep factoring with the knowledge that any client can deceive me at any time, take as many precautions as I can to minimize my risk, and know all this just goes with the territory. And when I catch a client trying to pull a fast one (or too late, that they’ve gotten away with it), I’ll just wish all my clients were like my dog. Honest. Nothing to hide. Appreciative. Loyal. If they all were, my life as a factor would sure be easier. •
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