ALSO INSIDE:

The Three R's: Relationship; Retention; Respect!

The Power of Listening

Lower Rates vs. Better Service: What are You Worth?

Schedule Announced for the 2017 Factoring Conference
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**WHAT’S NEW AT IFA**

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**SMALL TICKET FACTOR: WHAT THE NO-SHOW OLYMPIC GOLFERS TAUGHT ME ABOUT RISK AND OPERATIONS**

*By Don D’Ambrosio*
The 23rd Annual Factoring Conference schedule is now available and promises to be another exciting event filled with new speakers, old friends and plenty of networking and educational opportunities. The 2017 convention will take place April 5-8 at the Omni Hotel in beautiful Fort Worth.

Having lived the majority of my life in Texas, I am so excited that the conference will take place in my home state. I may be a bit biased, but I do believe that everything is bigger and better in Texas, so I am confident that this conference will exceed your expectations in every way. With so many different activities and sessions taking place, you will want to start planning your schedule now at www.factoringconference.com. Detailed information about the conference can also be found on page 30.

The 2017 Factoring Industry Survey Report questionnaire will be going out at the end of the year asking factoring firms to confidentially provide information on their businesses. We rely on your participation to provide an accurate assessment of the factoring industry’s standards, so we encourage each of you to contribute. Each factoring company that returns the completed questionnaire will receive a complimentary copy of the survey with a personalized report comparing their responses to industry peers. This will be the IFA’s 6th survey, providing over 12 years of factoring industry trends and benchmarking data.

If you haven’t ordered your new IFA perpetual membership plaque, it is now available and ready to be shipped. The personalized plaque will contain engraved plates showing each year of your membership. This new plaque will replace the annual membership plaque that has previously been mailed yearly. Order yours today to show that you are an IFA member in Good Standing.

After witnessing the success of the Transportation Meeting in September, it is exciting to see so much anticipation for our October meetings taking place in Las Vegas. After receiving multiple requests seeking information on factoring in the transportation sector, we scheduled the Successful Transportation Factoring Training Course for October 17th & 18th. This course will assist those who are either looking to get into the industry or those needing to strengthen their current transportation knowledge. Back by popular demand is our Small Factor’s Meeting taking place October 20th & 21st. This roundtable forum provides an arena for attendees to discuss the unique challenges that small factors face on a daily basis. Due to an overwhelming interest in the Fintech Training Course on October 27-28, we procured additional space to allow more attendees to participate in this ground-breaking new training course. The fintech revolution is here to stay, so learn how to compete against these companies or risk being left behind in today’s technology-driven world.

The IFA prides itself on providing comprehensive, high quality information to the factoring community. If there are topics that have not been covered or need to be revisited, let us know. We want to know what we can do to help our industry grow and thrive, so contact us today with your ideas.
The International Factoring Association’s (IFA) goal is to assist the factoring community by providing information, training, purchasing power and a resource for factors. The IFA provides a way for commercial factors to get together and discuss a variety of issues and concerns about the industry. Membership is open to all banks and finance companies that perform financing through the purchase of invoices or other types of accounts receivable.

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

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

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

**INDUSTRY NEWS**

**Crestmark Bank Makes Inc.’s 2016 List of Fastest Growing Private Companies in US**

Crestmark Bank, now in its 20th year, made Inc. magazine’s 2016 list of America’s Fastest Growing Private Companies in the US. For its third appearance on the annual list, Crestmark ranked 58th among the fastest-growing companies in Metro-Detroit, 107th in Michigan, 239th in the financial category, and 4,638th nationally.

**International Factoring Association Adds Preferred Vendor Program Member**

Greenberg, Grant & Richards, Inc. (“GGR”) has joined the IFA’s vendor program as a preferred vendor. GGR will join over 23 vendors who are currently offering exclusive discounts or preferred services to IFA members. Companies admitted as preferred vendors undergo a rigorous screening process and must satisfy IFA’s stringent qualifications, which include demonstrated industry knowledge, expertise and commitment. IFA monitors the preferred vendors to ensure that their members receive the highest quality products and services.

**Crestmark Recognized for Fundraising Campaign in Support of Hungry Children in Southeast Michigan**

On September 20, 2016, Crestmark was awarded the 2016 Madeline Kafoury Memorial Trophy from Gleaners Community Food Bank of Southeastern Michigan (Gleaners) for its successful employee-led food drive and fundraising efforts in support of Gleaners’ 2016 Hunger-Free Summer Food Fight Campaign. Crestmark, which collected 89 pounds of food, and donated nearly $5,000, took the top spot among businesses with 90+ employees, and ranked fourth overall. This contribution represents 4,845 days of meals for kids during the summer.

**Commonwealth Capital Launches New Venture Capital Fund Dedicated Exclusively to Startup and Early-Stage Companies**

Commonwealth Capital LLC, a venture capital management company, announced that it has launched the Commonwealth Capital Income Fund-I to provide investment capital exclusively for startups and early-stage companies. The company also launched a new microsite at commonwealthcapital.fund to assist capital seekers. Entrepreneurs can sign up now and be matched with a no-cost, personal Funding Concierge who guides them through a standardized process for fund eligibility.

**Bibby Transportation Finance Marks Ten Years in Business**

Since its launch in 2006, Bibby Transportation Finance has funded 1,500 transportation clients with recourse and non-recourse factoring and equipment financing. The company’s first decade in business saw the acquisition of transportation finance company FreightCheck and a relocation of headquarters to Nashville. Additionally, BTF has grown its employee base tenfold, from three original employees to 30 today.

**Vertex Financial Keeps a Steady Pace in 2016**

Vertex Financial funded over $6 million in new business. A $3 million facility was provided to a large manufacturer in Florida.
helped to expand their operations throughout the US. This facility has allowed them to triple their volume for 2016. In addition, Vertex provided accounts receivable funding to ten construction related companies.

**INDUSTRY TRANSACTIONS**

**Utica Leaseco, LLC Announces Funding of $650,000 Transaction during the week of September 26, 2016**

Utica Leaseco, LLC funded $650,000 for a construction company located in Tennessee during the week of September 26, 2016. Utica was able to provide the needed funding for new construction equipment based solely on the value of the assets.

**Big Shoulders Capital Refinances $1.5 Million Loan for Construction Company in South-East**

Big Shoulders Capital, an asset-based lender, purchased $1.5 million of non-performing loans secured by construction equipment and industrial real estate. BSC closed quickly in order to maximize the value of the company and its assets. BSC is actively seeking similar middle-market opportunities to acquire distressed debt or finance companies going through a transition.

**Alleon Healthcare Capital Provides $500,000 Medical Receivable Financing Facility to Pediatric Home Health Company in Texas**

Alleon Healthcare Capital closed a medical accounts receivable financing facility with a Pediatric Home Health care company in Texas. The transaction was structured with a borrowing base made up of medical accounts receivable that are billed to a state run Medicaid Waiver Program.

**Marquette Business Credit Funds $5 Million Credit Facility to FlexManage**

Marquette Business Credit funded a $5 million credit facility to FlexManage, a portfolio company of Eureka Growth Capital. FlexManage is an IT consulting and service provider with branch offices across the United States. The secured facility consists of a revolving line of credit that will allow FlexManage to refinance their existing debt and provide additional capital to meet their business growth expectations.

**Summit Financial Resources Provides Over $11 Million in Financing to Small and Medium-Sized Businesses—in All Regions Nationwide**

These fundings include Accounts Receivable & Inventory financing for the following companies: In the Northwest Region, Summit funded a $250,000 A/R credit line to a street grating company based in Seattle. In the Intermountain Region, Summit funded a $500,000 A/R credit line to a nutritional supplement firm in Salt Lake City. In the Midwest Region, Summit funded a $150,000 A/R credit line to a software services firm, a $450,000 A/R credit line to an oil field services firm in North Dakota,
a $3,500,000 A/R credit line to a trucking & distribution firm located in Illinois, and a $4,000,000 A/R & Inventory credit line to a cable and harness manufacturer in Missouri. In the Northeast Region, Summit funded a $1,500,000 A/R & Inventory credit line to a manufacturer of control systems. In the Southeast Region, Summit funded a $300,000 A/R credit line to a spirits distillery based in Florida.

Loeb Term Solutions Provides a Term Loan on Equipment Valued at Over $1.2 Million to a Northeastern Contract Packager

Loeb Term Solutions provided an equipment term loan to a Pennsylvania-based contract packaging facility specializing in private label and specially crafted fine foods. The client was in need of additional working capital in order to expand their operations and purchase additional machinery.

Sallyport Commercial Finance Partners with 68-Year-old Apparel Company

Sallyport Commercial Finance, LLC provided a $1 million accounts receivable facility to National Corset Supply House, a 68 year old California-based company that supplies wholesale lingerie to domestic and international customers.

Aegis Business Credit Announces Recent Deal

Aegis Business Credit has structured a $2,500,000 accounts receivable credit line for a staffing agency providing high caliber nursing talent with the experience to serve patient needs in a variety of medical facilities.

Crestmark Closes 16 Transactions Totaling More Than $17.9 Million in the First Half of September

Crestmark secured a total of $17,945,000 in financial solutions for 16 new clients in the first half of September.

Capstone Announces Recent Deals

Capstone Business Funding and Capstone Capital Group recently funded five deals totaling $27 million.

PERSONNEL

Crestmark Promotes Sharmen Hall to First Vice President, Program and Database Manager

Crestmark Executive Vice President and Chief Financial Officer Jack Talkington announced the promotion of Sharmen Hall to first vice president, project and vendor manager from vice president, special projects.

The Interface Financial Group (IFG) Announces Appointment of Technology Executive Officers

Ross Biro was appointed to the position of Chief Technology Officer. Vishnu Kumar was appointed to the position of Chief Financial Engineer. Steve DeYoe, who was previous IFG’s CTO, was appointed to the position of VP Advance Technology and Head of IFG Lab.

Universal Funding Corporation Promotes Two, Hires Two

Universal Funding promoted two longtime employees as managers to execute the operations of their respective departments. Crystal Lowell was named Credit Manager after serving 2 years as Senior Account Executive. Andrea Fox was promoted to Senior Account Executive and will oversee client support. The underwriting department recently hired Jessica Barker as Underwriter.

Krystopka Joins TAB Bank’s Business Development Team

TAB Bank announced the addition of DJ Krystopka to their business development team as Vice President and Business Development Officer. DJ will be based in Philadelphia, PA, and will be responsible for sourcing new business opportunities by providing asset-based and factoring working capital facilities to commercial entities in the Northeastern United States with annual revenues of $2 million to $150 million.

Accutrac Capital Expands Business Development Team

Accutrac Capital announced the addition of Emily Amparan, a veteran of business and finance for over 30 years, to the company’s expanding organization.

Far West Capital Announces Maryanne Lenardo as Senior Vice President of its Los Angeles Office

Far West Capital named Maryanne Lenardo as Senior Vice President of its Los Angeles office. Maryanne has more than 20 years of finance experience in the California market.

Magnolia Financial Promotes Marc Smith and Jessica Obrzyant, Chris Wilkins Joins the Team

Marc Smith assumes the role of President, Chris Wilkins joins Magnolia as Vice President of Finance, and Jessica O’Bryant takes on new responsibilities as Operations Manager.

CANADA CHAPTER EVENTS

October 17
Speaker: Sharon Herrstein—Update on E-Marketing and Social Media
November 15-16
2 Day Seminar
December 13
End of the Year Gathering
Meetings Location:
Mississauga Living Arts Centre
Scotia McLeod Room
4141 Living Arts Drive
Mississauga ON L5B 4B8

For more information, contact Oscar Rombolà at (905) 603-6284 or orombola@accutraccapital-itc.com. Visit IFA Canada’s website at www.FactoryAssociationCanada.com.

NORTHEAST CHAPTER EVENTS

October 18
IFAE NE/NYIC Joint Program & Luncheon - Shark Tank Workshop
Arno Ristorante, New York, NY
11:00am-2:00pm

For more information, contact Harvey Gross at (732) 672-8410 or hgross@comcast.net.
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The International Factoring Association is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.learningmarket.org.

The IFA offers CLE credits for the Factoring Conference. Information on approved states is available at info@factoring.org or contact the IFA at 805-773-0011.

This conference has been approved for CAEF credits. For information on approved programs and courses, please contact the IFA.
Absolutely, without new business streams we stagnate, or even go backwards. Even with a buoyant new business stream—if we don’t have a good team to nurture the relationships with clients, help them grow, and have a genuine interest in their business’s success, we have to run fast to stand still.

Portfolio management is more than monitoring and managing the risk. We can be great at not losing money, tight on processes and controls, get clean audits and spot red flags a mile away, but the value in having a great relationship borne out of a genuine interest, caring about the business, and a passion that matches the business owners’, is second to none.

Building a genuine relationship with your clients is the key to client retention. Having a good relationship doesn’t always mean saying yes to their every wish or demand. It is being able to say no, yet still adding value by offering advice, an explanation, and a route through to a “yes”. The best result is when a client accepts a “no”, saying “I understand and thank you”, but doesn’t hesitate to come back to you when he needs something else.

Having a good relationship with a client more than likely will lengthen the time that they remain a client, but not always. There are many reasons why a client might leave you, they might outgrow your facility or, with your help, have become financially viable so that they

The Three R’s: Relationship; Retention; Respect!

Factoring is a highly competitive environment. We all fight hard for deals that become clients, we all analyze the cost of acquisition, and develop sales and marketing strategies, and we are all very aware of how important new business is to grow our portfolios. “Sales” is the most important aspect of our businesses … or is it?

BY EMMA HART
can now obtain traditional bank financing—both are successes and are testimony to a great relationship. Equally, they may fail, or leave due to poor service or price issues, or let’s face it, some you just can’t reason with!

However, there is no excuse for not seeing the wood for the trees. Being super focused on processes, pushing paper and crunching numbers and “telling” the client what they can and can’t do, what they can and can’t assign, and who they can and can’t do business with, may well ensure you don’t lose money. Whilst this is important, you may not see the client distance themselves from you; you may not be involved in the business decisions that they are making unilaterally. You may well be oblivious to them talking to other factors who will be making them feel special and wanted.

A relationship involves you being an advocate for the client in the right circumstances, being close to the business allows you to be supportive and to “stick your neck out” and to rein back in as required, whilst maintaining that relationship. Sometimes, difficult decisions need to be made and you are not able to support the client request. Communication is a must! If you have great communication with a client, it matters less that you may be delivering bad news and more that you have the nerve and the skill to talk to them about it.

We are all focused on client retention; none of us want to lose clients whom we have worked hard to bring into the portfolio. The best way to retain a client is by providing excellent customer service. For the client to feel that we are “in this together”, that we are not a “fair weather lender”, that we understand the issues that they face and that our employees and representatives convey the same.

A case in point relates to a large staffing client of ours at a former company. Due to the nature of the work they did, there were times during the year when the customers (mainly government agencies) would slow right down and take upwards of 90 days to pay invoices. We had a good relationship with the business and we supported them through these lean times, whilst working hard to collect on those invoices. We never doubted the owner’s integrity, and were willing to go against the grain to support a stretched debt turn. The client came to us from a bank, when the financial performance no longer supported...
They were a very demanding client, yet trustworthy and honest... The owner pushed us hard on our pricing, as they were inundated with bank offers but wanted to stay with us for the relationship!

A bank facility due to a hiccup with taxes, as I recall. They were a very demanding client, yet trustworthy and honest. After 8 years of being a client, they were hugely profitable, had a solid balance sheet and fit the criteria for a bank facility all day long. The owner pushed us hard on our pricing, as they were inundated with bank offers but wanted to stay with us for the relationship! They signed up year after year, the account ran in credit most of the time, and they paid us in excess of $60k more a year than a bank facility would cost—such was the value they placed on our relationship. They were a client for 10 years.

Another example is of a large family-owned apparel client that had grown rapidly over the 5 years with us, and had diversified into another product range. A lot of money was being spent to launch the new products, which were largely unproven yet had significant interest from the luxury retail sector. We supported the business; they needed seasonal overpayments, an inventory line, a larger inventory line, and then, an even larger inventory line. The spend required to launch the products was eating away at cash flow. That said, a large bank factor had been courting our client for two years; they could provide a larger facility and they “understood” the sector. We felt our facility had been maximized and the inventory was not really performing as we had expected. We mutually agreed to let the client go to the bank. We had a great relationship with this client. We communicated a lot and we believed it was the right time for them to move on so that they could reach their full potential with a much larger facility. We did not charge any termination fees; ultimately, we wanted what was best for our client. Three months later both the bank factor and the client reached out to us and asked if they could come back to us. Timing is everything, and just after they transferred, one of their very large customers returned a devastatingly huge amount of the new product, which went back into inventory. Dilution was up the wall and inventory was climbing. The lender, who was new in the relationship, was not prepared to support the business through this turbulent time. The client returned to us in much worse shape than when it left. We restructured the facility and hung in there. We believed in the family and they believed in our relationship, and over a two year period they turned the business around, not without a few sleepless nights on all of our parts.

It can’t be overstated that it is not your client’s business that pays you back and does the right thing, it is people who pay you back; to build trust and a relationship with the business owners, so that they personally feel your support and belief in them, is invaluable. They will do not only what is right for their business, they will take care of their lender, too.

All of our clients are entrepreneurs; they risk everything to start their business. They put their houses and their personal guarantees on the line, they stand to lose everything if their venture fails. Most of us, not all of us, are more comfortable working for large organizations, where we work hard to make money for the company and mitigate any losses. We don’t run the risk of losing it all on a daily basis, like many of our clients. We have to respect the entrepreneur client, and when they are lambasting your account executive, or being unreasonable, or making demands we can’t possibly meet, we need to consider what decisions they have to face on a daily basis. Some of us are entrepreneurs; we did, or still do, risk everything if our venture fails. We, better than most, can appreciate the client’s perspective, and without a shadow of a doubt, if we respect our clients, and the sacrifices they make, if we endeavor to provide exemplary customer service because we care about our client and their business, we will build great relationships which will ultimately lead to retaining clients for longer.
Intercreditor and Subordination Agreements—Part Two

Part one of this article discussed the structuring of an intercreditor and subordination agreement from a business perspective. This second part will discuss the basic legal structuring principles. We will focus primarily from the perspective of an incoming factor/asset based lender who is now providing the bulk of the financing. Other creditors will have differing interests, but the concepts inherent in putting together an intercreditor and subordination agreement are similar and, hopefully, the points from this article can be extrapolated and useful for creditors with different positions.

Steven N. Kurtz, Esq., has represented factors, banks, and asset based lenders on a continuous basis since 1987, and he is the Co-general Counsel to the IFA. A founding partner of Levinson Arshonsky & Kurtz, with offices in California and Oklahoma, he practices in the areas of commercial law, insolvency, workouts, loan documentation and trade finance, in both transactions and litigation matters. He can be reached by phone at 818-382-3434 or by email at skurtz@laklawyers.com.
Skilled lawyers and experienced lenders have multiple forms for similar transactions, each one being unique for the specific twist or problem for the particular deal. Thus, one absolutely must understand the document you are starting with, and with that knowledge, you can begin the drafting.

years later. If parties are dividing up different forms of collateral, such as one party is senior on inventory and the other is senior on accounts, then special attention must be given to proceeds. Article 9 gives a party automatic perfection on proceeds of collateral, which is basically what is received upon the sale, lease, licensing or other disposition of the collateral. If inventory is purchased on credit, even if it’s extremely short term credit, the proceeds turn into an account and the priority stays with the inventory creditor. Thus, careful attention must be given to each party’s priority collateral to insure that it stays senior, with special attention to what constitutes proceeds.

The parties must also consider what will happen if the deal goes into default. Remember, intercreditor and subordination agreements never get tested unless there is some form of a default. In many smaller deals, the parties simply don’t care to address the problem for several reasons, primarily for business reasons, that it’s simply not worth the time and effort. However, in most deals, you will want to decide what each party’s rights and obligations will be in the event of the common debtor’s default. There are some times when you absolutely will want the other party to standstill – meaning, that the junior creditor cannot exercise any default rights unless and until the senior creditor is paid in full. A complete standstill is needed when you are dealing with an insider, a party who is financing specific equipment, or a creditor who was in a defaulted deal and the incoming creditor is now the white knight whose financing is the catalyst for paying off the original creditor (although, this concept is often subject to negotiation, which usually boils down to how badly the new creditor wants to be in the deal). The close cousin to a standstill is a limited standstill, where one creditor must wait and provide a requisite amount of notice to the other creditor, and then standstill for a certain period before exercising any rights. Another common provision is a waterfall, which essentially means that when a creditor on its senior collateral is paid in full from its senior collateral, the remainder, or waterfall, goes to the junior creditor. Usually, waterfall provisions are reciprocal in nature, where each creditor is obligated to give the waterfall on its senior collateral to the other creditor.

The parties may want to consider what happens in the event of a bankruptcy, especially a chapter 11. Bankruptcy provisions are typically unique to each deal and the debtor, but there are some common provisions and issues. The most common issue is debtor-in-possession financing. One creditor may be entering into a deal where it will anticipate that it will provide chapter 11 financing. That issue must be addressed in the beginning, where consents are given, which are typically expressed so
that the junior creditor will consent to the senior creditor entering into a chapter 11 financing facility with the common debtor, and getting the junior creditor’s consent to the structure, and other deal specifics. Typically, debtor-in-possession financing facilities often give the DIP lender/factor special rights, which will take priority over other creditors and constituents in the chapter 11 process. These kinds of consents will be required in the intercreditor and subordination agreement if the creditor lender anticipates a chapter 11 filing. The junior creditor will have a host of issues to consider, in consenting to a chapter 11 deal, such as further priming of its lien, erosion of its collateral base and being put further down the totem pole. Additional bankruptcy issues include, but are not limited to, voting rights in a chapter 11 plan and complete subordination until one creditor is paid in full on its senior collateral. These types of provisions are usually enforced by a bankruptcy judge.

The parties should also consider perfection of the other party’s lien. Often parties don’t get it right and this is not limited to small deals. In fact, as discussed in a prior article, the senior bank lender in the General Motors bankruptcy let its blanket lien get released, which secured the lender’s multibillion dollar financing. This error was never discovered by bank counsel or debtor’s counsel; rather, it was uncovered by the creditor’s committee after the chapter 11 was filed. This snafu resulted in substantial litigation and embarrassment to the lender and its counsel. Another example of the bad and unintended consequences of lack of perfection is when the senior creditor in an intercreditor and subordination agreement is not perfected. For example, secured party No. 1 is perfected and enters into a subordination agreement with secured party No. 2, with the intent to make No. 2 senior. But, for some reason, secured party No. 2 fails to perfect. Secured party No. 1 does not follow up on secured party No. 2 and just assumes that No. 2 got it right. Six months after the intercreditor and subordination agreement between 1 and 2 closes, the common debtor decides it needs more money and goes to bad guy MCA lender, who is happy to do a deal. Article 9 allows for subordination of priorities and courts interpreting these agreements will give the parties exactly what they bargained for. That means, secured party No. 1 is junior to No. 2, but No. 2 never perfected. The debtor is now in bankruptcy. It is entirely possible that the priorities could be No. 3 (Bad Guy MCA Lender) first, No. 2 unperfected creditor second, and No. 1, originally first and still perfected, being last. Therefore, perfection should be a condition of subordination.

Careful attention must be given to what is often called the boilerplate of the agreement, which includes choice of law, venue, jurisdiction, attorney’s fees and things of the like. Usually the party providing the bulk of the new financing will want to make sure that the law, jurisdiction, and venue are in that party’s backyard. When the parties are of equal bargaining power, sometimes a neutral, but somewhat lender-friendly place is chosen, especially for choice of law, with New York being a common place of compromise. In smaller deals, often jurisdiction, law, and venue are not addressed, which means that if the deal winds up in a state or federal court, it will usually be where the first person files, with the court then deciding choice of law. If the deal winds up in bankruptcy and the agreement has no boilerplate, then the bankruptcy judge will typically do what she wants. Intercreditor and subordination agreements are often given the short shrift, put on the back burner, and not addressed until right before the deal is ready to close, and at that point, the parties want to close and get on with business. Poorly thought out intercreditor and subordination agreements result in exactly what the parties put on paper, irrespective of the unintended results. Since intercreditor and subordination agreements are usually never tested unless the deal goes bad, that should be the first thing on the minds of the drafters and the business people involved in the deal. What will happen if the deal goes south? What do I want to happen if the deal goes into default? What does the agreement say if the deal goes bad? The best lenders and factors are the ones who have their exit strategy mapped out before closing. Intercreditor and subordination agreements should be entered into with the same thought process.
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The Power of Listening

“The word ‘listen’ contains the same letters as the word ‘silent.’” — Alfred Brendel

BY FARRAH VARGAS

When is the last time you asked your client questions that were about more than daily activities? Do you know what would make your client happier in regards to their relationship with you? What challenges are they facing and why? Where are they trying to take the company? If not, perhaps we should be asking more questions and doing a lot more listening.

In the current day and age of everything being rushed and people constantly multitasking, there is a huge void of connectivity. Sure, this isn’t the first time you have heard that, but what are we doing about it? A primary building block of connecting with others is asking questions and listening to what they have to say—not hearing, but listening.

How do you feel when someone asks you a question and you can tell that they are actively listening and engaged? That’s how our factoring clients should feel. If we want to retain each and every client relationship in our portfolios, it all starts with engaging our clients. To listen, we must first ask the right questions and dig deeper. Ask beyond the first question—the true value and meat of the conversation lies in the supplemental questions. Think about the encounters you have had. Our natural response is to give “surfacy answers” on the first question because you assume the person is being polite; they don’t really want to know. It is only when the person inquires further that you learn they are truly interested. Next time you ask your client a question, try using an expounding question or statement and surprise yourself with how many more details you discover that you otherwise would not have learned. You can try:

• Tell me more about that...
• I find that interesting; can you give me an additional example or two so that I can understand more clearly?
• What else?

Having this important dialogue full of supplemental questions brings another important aspect of the client relationship to surface—phone
calls. Phone calls are a crucial part of building the relationship, establishing connectivity, finding out what they are saying, and equally as important, what they are not saying. Getting a “feel” for the state of things is somewhat like having a sixth sense; it requires direct interaction. You must have the opportunity to ask questions and interpret their demeanor, as well as what their voice sounds like in regards to pitch, rhythm, and impromptu choice of words. Their responses will then guide you as to what types of additional questions may still be needed. Give your sixth sense a chance to get busy and get to work. These phone calls should not only be to our daily funding contacts, but to the owner/relationship seeker as well. Remember, this person is the one who was responsible for selecting you as their factor, and they will be the same one to decide to leave you as their factor. So, what can we do? Ask more and even better questions. Listen. Find out where they are having growing pains—what is working for them? What isn’t working for them? It doesn’t need to be related to factoring, or “your world”; any pain they are having, be a part of the solution. Ever been that customer asking for help at the big box retailer and the employee replies, “Oh, sorry, that’s not my department. I can only help you with items on aisle five.”? Be a resource. Go find the answer. Solve their pain. This is a treasure trove of a place to add value.

When we are listening, it is important that we turn off that inner voice we all know too well that likes to talk while other people are talking. It serves as nothing more than a distraction and often results in us having no idea what somebody just said. Human beings are incredibly perceptive, so if you think that they don’t feel you checked out, focusing on what you are about to say, or that they don’t feel you mentally holding a point hostage that you want to express, merely itching for them to be quiet so that you can talk, you are sorely mistaken. Now, they not only feel unheard, they feel rushed, and you just signaled to them that what you say and think matters more than what they say and think. That is definitely not how we want our clients to feel. Do your best to quiet your inner voice and make an active effort to focus on what they are truly saying.

Focus is an elusive thing in our culture. People like to claim that they are great at multitasking, but study after study has proven that peak performance and efficiency is achieved when your brain focuses...
on one thing at a time. This means that when our clients are speaking, we turn away from our computers and talk to them as though they were present face to face. We are not scanning through emails, clicking through funding schedules, etc. When you try to do two things at once, your brain lacks the capacity to perform both tasks successfully, which is why multitasking is draining and focusing is energizing. When you are focused on the conversation, you are able to provide a substantial response, and a good measure of listening lies in how we respond. Through our response, our client is able to gauge how much we truly absorbed what they shared and if we grasped why it is important to them. If our client is investing the time to divulge issues that are near and dear to them, we should give them the respect of a well-contemplated response.

We all say we want to keep our clients, but are we really putting out our best effort in keeping those clients? Make no mistake, active listening is work and requires a lot of practice and intentional effort in breaking bad habits. However, the relationship that sprouts and grows will be worth every bit of it—for both parties. Happiness and fulfillment are natural byproducts of genuine relationships, and it all starts with listening. People want to feel heard. Understood. Connected. As Maya Angelou once said, "...people will forget what you said, people will forget what you did, but people will never forget how you made them feel." Let’s make our clients feel as important as they truly are—let’s listen! •

Farrah Vargas
serves as Senior Vice President of Allied Affiliated Funding and has been a part of the Allied team for nine years. She oversees Allied’s key bank referral relationships while developing new business and leading Allied’s marketing efforts. Previously, Farrah managed Allied’s underwriting department, serving as Senior Underwriter, while also playing an integral role in the legal department. Her underwriting background has proven to be especially useful in her current position by enabling her to quickly evaluate and creatively structure transactions at an early stage in the sales cycle. Farrah graduated in the top five percent of Texas A&M University’s business school with a degree in Finance. She is a member of Vistage as well as the Finance Forum and enjoys serving her community through the Junior League of Collin County. Farrah can be reached by phone at 972-448-3503 or by email at farrah.vargas@FundingByAllied.com.

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The Commercial Factor | September/October 2016
Lower Rates vs. Better Service: What are You Worth?

Many articles have been written recently on the subject of Client Service and Operational Efficiency as it applies to the factoring industry in particular. Improving your operations through technology, training, and implementing the 10 Commandments of Client Service are all excellent ideas worth putting in place in your company. However, there is always the daily challenge presented by the marketplace—should we lower our fees to retain a good client or should we offer the best possible service to retain their business? I believe in providing an outstanding Client Experience that will result in highly satisfied clients that become not only loyal business but our brand advocates—as Ken Blanchard, a legendary Management Guru, called them, “Raving Fans.”

BY VERONICA BEACH

WHAT ARE YOUR COMPANY’S GOALS AND OBJECTIVES?
The human brain is wired by nature to achieve goals and solve problems. If you set a goal to provide service excellence and everyone works together to achieve that objective, reaching the goal is certain. It is important to know whether you set goals for direction or motivation. Goals need to be achievable, measurable and timely. Setting servicing goals is just as important to create an outstanding client experience. Working with your clients to solve problems offers more than a factoring service—it creates a service experience.

WHAT MAKES YOU SPECIAL?
How unique is your company? Do you offer any specialized products or knowledge? I have over 25 years of industry experience as a successful Freight Broker, managing large client portfolios and factoring operations in transportation and other industries. It is interesting to see factoring companies measure their client service only in terms of speed. How fast are we answering the phone, processing funding requests, and approving credit requests? How
many clients are we retaining and for how long? I have a hard time understanding why they stop and limit their measurement to those areas. Is your client so happy with your service that he or she will be your brand advocate? Will they speak well of your company? Are they your raving fans? Are your service levels robust enough for your company to have a service guarantee? It is the client’s experience that matters.

YOU WANT TO CREATE POSITIVE CLIENT EXPERIENCES!

Creating an out-of-the-box experience can help you gain market share, while measuring a client’s experience is critical beyond the job of servicing. Anticipation is key, so reaching out to them before the client calls changes their experience for the better. To achieve this, a successful factor will know their client’s business, their employees, and most important, their needs. Social media has made this job a lot easier by creating an interactive environment. When a client has to stop and reach out to your client service team to address an item, then something has gone wrong with their experience. Service anticipation is key to keeping your company on track and separating yourself from the competition.

WHO DO YOU WANT TO BE?

As a matter of practice, we do not sell based on pricing. Anyone can sell low rates, but we believe that what we have to offer sells itself—a strong value proposition that helps our clients and helps their business grow—that is what our sales team is required to sell. How we are different, what we offer, how we can help, what we know is what matters. Some people like to bad mouth competitors but there’s no need to do anything like that when you have a strong product offering. Prospects will see the difference on their own once they see all the wonderful things your company offers and how they help them. Stay disciplined, sell what your company offers, and deliver on your promises. Dropping rates to win an account says it all! It implies your service is cheap and that the experience will cost the client in the long term.

*Stay disciplined, sell what your company offers, and deliver on your promises. Dropping rates to win an account says it all! It implies your service is cheap and that the experience will cost the client in the long term.*

WHAT IS IN YOUR FACTORING AGREEMENT?

It is important that your client understands the factoring agreement and what is in the terms and conditions. Disclose your fees upfront and you will have long-term, satisfied clients that will remain loyal to your company. Truth in advertising is important. If your selling pitch includes items like “no contract”, “no early termination”, and “no minimums”, honor it. If you are advertising non-recourse, be sure it is truly non-recourse. Having convoluted ways of explaining non-recourse makes you—and other factors—look bad. If you choose to have a complex explanation, take your time to explain to your client when and how non-recourse kicks in (if it ever does). Deceptive selling can not only cost you an account; it implies your service is cheap and makes you—and other factors—look bad. Selling the account in the way your operations team can service it makes for years of repeat business and more referrals.

Finding a Way to Say Yes—Think Outside the Box!

It’s very rewarding when you turn an account from “No go.” to “Oh yes, we did it!” How do you do this? Think about how you and your employees view their role in your company, the team, and the clients. Are your employees on board? One of my pet peeves is when a client calls...
their factor and the representative who answered the phone separates themselves from the company and places blame on another employee or department. I call it the infamous “they” as in “they did not update this” or “they did not do this or that”. In reality, the client doesn’t care who did it, all the client wants to know is why your company did it, how it can be fixed, and when it will be resolved. Thinking outside the box and doing things that your competition won’t do is also critical to finding a way to say yes more often. Doing this will delight your clients and create a more permanent client experience that will pay good dividends in the long run.

PEOPLE, PEOPLE, PEOPLE!

Hiring the right people and having employees that understand the businesses that they are factoring gives you an edge. Taking the time to search for the right employees, keeping and training valuable employees, and giving them the tools and support to do more is highly important. Encourage your employees to find a solution to client problems. Why? Having an empowered employee on the phone addresses the issue right away and it completely changes the client experience. This prevents errors, follow up calls, and reduces the risk of the client getting frustrated and shopping around. Remember, it is all about the client experience.

FACTORIZING AS A SERVICE

Does your team understand that the client is paying for a service and not just a factoring fee? The key to keeping your clients happy and engaged is knowledge, so at our company we focus on what we do well, and that is factoring receivables for a few key industries. We believe what we have is very different. What we offer and how we offer it is very different from other competitors. How can you do that? By building a team that understands...
your client’s industries, how account debtors work, required documents for payment, and how to deliver bad news with a positive message.

It is critical to have employees who strive to find ways to say yes. Employees who collaborate and engage with your clients and account debtors. Reward your clients and employees in any way possible.

Create a long-term vision for your client relationships. How does the client relationship evolve from their perspective, not just yours? What is your company doing that creates brand advocates with your employees and clients? What are you doing to engage your clients, vendors, partners, and employees? Are you focusing on your relationship with them? Are you listening to their concerns? Are you finding ways to say yes? How flexible and resourceful are you? Become a strategic partner in their business success, not just a factoring company. Show them how important they are, how they matter to you, and how they can become an insider instead of just a client or number. In return, your clients will do the same and bring you repeat business, remain loyal, and sell for you the brand you have created. You should always continue to look for ways to create value and deliver the best possible client experience; never stop. Give—and then give them a little more!

Veronica Beach is Executive Vice President of Operations and Co-Founder of Quickpay Funding, LLC. Veronica is responsible for portfolio management, client service, client relationships, collateral and risk control, employee relations, administration, and is a key Member of the company’s credit committee and Board of Management. She has held high-level positions in various industries, most recently as Director of Client Experience, New Client Boarding, and Portfolio Management at eCapital (formerly known as Freight Capital) in Carlsbad, CA and Advanced Transportation Services out of Visalia, CA where she held the position of Senior Freight Broker and Branch Manager for Southern California. Veronica’s extensive experience in Transportation, Produce, Oilfield, Factoring, Sales, and Customer Service contribute greatly to the success of Quickpay Funding. She can be reached by phone at 1-844-261-FUND, Ext. 501 or by email at vbeach@quickpayfunding.com.

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Excellent Client Service Drives Client Retention and Prevents Portfolio Losses

Likely you’ve heard a quote by Richard Branson in regard to employees: “Train people well enough so they can leave, treat them well enough so they don’t want to.” This quote resonates with me, as it is all about people, and a business does not function without people; both its employees and client relationships. Turn this statement around and you have “The Best Practice” for client retention and loss prevention in a factoring portfolio.

BY MICHAEL BAGLEY
“Treat your clients well enough so they won’t leave, but train them well enough so that they can.”

Client-centered operations create growth and build rapport. Operations is often deemed a clerical function and has a tendency to become mundane, however, it is imperative that each staff member handling the client and client-related materials balance the operational task with client relationship building. No matter your position or primary role, always remember that everyone is in a sales role. By understanding how your role impacts how clients perceive the company, you will effectively assist the overall growth of the company through client referrals. Many clients refer industry partners to their financial partners when trust is garnered and service is excellent. This is partially achieved by staying in front of your client. Always know the owner, founder, and especially the guarantor of the company supported. You must make a regular habit of contacting the decision makers for business updates and service related matters. Often, client managers will be introduced to the finance related staff members for daily operations of the account. Building a proper relationship with these individuals is also a key in affecting the growth of your firm. Depending on the inter-workings within your client’s company, a key staff member may be the one providing the owner with service related comments. However, as the title of this article implies, we must also guard against losses. Too much regular contact with a staff level person and not the guarantor can lead to unexpected losses through internal fraud. We must guard against being too “chummy” with any member of the client’s company.

The owners and guarantors of a company appreciate when they can trust their operations to run smoothly. By understanding the timing of expenses such as payroll and other vendor costs, an account manager has the ability to support a smooth process for the client. For example, keeping a calendar of all your staffing related clients’ payroll cycles with popup reminders will enable you to proactively respond to financing request in an orderly fashion. Other companies have similar needs such as fuel for a transportation carrier on Friday night. Some have simple processes and pay their accounts payables out every week on Thursday. By knowing these cycles, it also gives you the opportunity to release reserves in a manner that it posts within their account in time for management’s accounts payable review. These types of basic care initiatives will show your client that you are their partner and will be responsive to their needs.

Think like an entrepreneur and consider the fact that your financial firm is likely a small business too. Place yourself in your client’s shoes and be proactive to respond when their funding request arrives. Understanding that some are merely on a routine schedule is helpful for devising your day but other requests arrive with no pattern or urgent need attached. Consider the later as an urgent need. By thinking as the owner, you will come to realize that every request likely has a specific need behind it and timing could be precise. When your efforts are coupled in the manner which I am presenting, the client will come to consider you as more than a financial partner and likely as a potential consultant.

Know the industries you serve! I can’t reiterate this enough. Although no one can be a master of all trades, everyone should put forth solid efforts to understand the general industries which are managed within the portfolio. This certainly takes effort to achieve and often it is done outside of normal hours. However, accounts managers have the charge of protecting the firm’s assets by handling specific collateral. I find learning about an industry through problems or losses may be beneficial in the long run but it is certainly painful. Proactive reading of industry news and trade articles will give an account manager a particular edge over the competition. Further, you will learn an enormous amount of data regarding their profession by interacting with the owners as

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Always know the owner, founder, and especially the guarantor of the company supported. You must make a regular habit of contacting the decision makers for business updates and service related matters.

**Michael Bagley** is Vice President and head of the General Factoring Group at Triumph Business Capital, a leading factor to small and mid-sized businesses. Michael started his career in banking in 1990 with SunTrust Bank in Atlanta, Georgia. More recently, he spent over ten years with Action Capital Corporation, a diverse commercial accounts receivable lender specializing in government receivables. As VP of Operations for Triumph Business Capital, Michael supports all the general-commercial and government client services teams. Michael is passionate about client relationships and seeks to serve the business community by helping clients grow and succeed. He can be reached by phone at 469-312-7062 or by email at mbagley@triumphbcap.com.
BACKGROUND

Nine short years ago, in 2007, real estate prices began to decline and delinquencies in the subprime mortgage marketplace increased dramatically. These events led to a loss of confidence in the financial markets, which precipitated what is often referred to as the Great Recession, the most serious recession since the Great Depression of the 1930’s.

The events leading up to the Great Recession were also of historic proportion. Bear Stearns collapsed, and the government placed Fannie Mae and Freddie Mac in conservatorship before injecting $200 billion in capital into them. This was followed by the collapse of Lehman Brothers, the government bailout of AIG and Merrill Lynch’s fire sale to Bank of America. Treasury then asked Congress for the authority to invest up to $700 billion in the country’s financial sector to restore stability to the financial markets. After Congress declined to approve the Treasury’s request, Washington Mutual failed and was subsequently sold to JP Morgan while the federal government requested Wells Fargo bail out Wachovia. As a result of these developments, Congress approved the Troubled Asset Relief Program (TARP) which was signed by President George W. Bush.

US FINANCIAL REGULATORY REFORM

The enactment of Dodd-Frank Wall Street Reform and Consumer Protection Act is considered by most as the greatest change to the United States financial regulation since the Great Depression.

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) was authorized by Dodd-Frank, thereby creating an independent government agency responsible for consumer protection in the financial services sector. Its jurisdiction includes, but is not limited to banks, credit unions, securities firms, pay day lenders, mortgage servicing operations, foreclosure relief services, debt collectors, and other financial services companies operating in the United States.

The fact that CFPB is independent is a very important fact to note. The agency has no accountability to the Administration or Congress. CFPB’s budget is set by the agency itself, and the CFPB is not required to account for its spending to the Administration or Congress or the Federal Reserve. When it wants additional funding, it simply notifies the Federal Reserve to transfer funds to it.

History has shown us that power without accountability is the perfect recipe for fraud and the abuse of power. In April of this year CFPB published a report on Online Payday Loan Payments. With the appointment of the new Assistant Director for the CFPB’s Office of Small Business Lending Markets it is expected that the CFPB could extend its jurisdiction in the Merchant Cash Advance industry and beyond.
During meetings between representatives of the AFA and the CFPB, there was a noticeable inability and/or unwillingness on the behalf of CFPB to make a distinction between factoring and the aforementioned products. So long as CFPB refuses to distinguish the two industries, it is likely that unintended targets will be adversely affected by regulations designed to protect consumers from payday lenders and/or merchant cash advance providers.

**HOW DO WE PROTECT OUR INDUSTRY?**

As a business owner and or a participant in the United States Factoring industry, you can further your cause, and that of the industry, by becoming more involved with the American Factoring Association (AFA). The AFA was established in 2009 with the sole purpose of educating the public policymakers on the importance of maintaining a healthy and vibrant factoring industry. Members of the AFA have been actively meeting with our Congressional representatives, senior officials in the Department of Treasury, the CFPB, the FTC and the Federal Reserve for the purpose of informing policymakers and building relationships we can call upon. The AFA's grassroots efforts require our two most precious resources: time and money. I would encourage you to give generously of both your time and money so that we may avoid

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

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

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Schedule Announced for the 2017 Factoring Conference

The 23rd Annual Factoring Conference will take place at the Omni Hotel in Fort Worth, Texas, on April 5-8, 2017. Don’t miss the largest gathering of commercial finance professionals in the world! Whether your goal is to keep in touch with legal issues, learn about new business opportunities, network with others in the commercial finance industry or brush up on the basics, there’s something for everyone.

BY HEATHER VILLA

Conveniently located in the heart of Fort Worth’s exciting downtown, the Omni Fort Worth Hotel is walking distance from the city’s cultural center, restaurants and nightlife. As breathtaking as any West Texas sunset, the Omni offers a taste of Texas hospitality with its casual yet sophisticated style, showcasing a personality that’s as gracious and dynamic as Fort Worth itself.

The conference officially kicks off on Wednesday evening with our Bibby Welcome Reception. Open to conference registrants and paid guests only, this networking event starts the Factoring Conference off with a bang as attendees learn, grow, and socialize with their peers in the industry. If you are a new member of the IFA, you will also be invited to attend the New Members Reception beforehand where you can meet other new members and learn about the association and conference.

The educational spotlight this year will focus on disruptions within the commercial finance industry and how to position your company for the future. Speaking sessions begin on Thursday morning with Dr. Beck Weathers (Survivor of the 1996 Mount Everest Tragedy). Inspiration for the Major Motion Picture Everest, Dr. Beck Weathers will take you back to the fateful day on Everest, reflecting on his harrowing tale of survival, the lessons he learned, and his supreme appreciation for getting a second chance at life, encouraging others to cherish every moment.

Our second keynote for Thursday morning will be Dan Burrus (Author, Business Strategist and Technology Futurist). He is considered one of the world’s leading
technology forecasters and business strategists, and is the founder and CEO of Burrus Research, a research and consulting firm that monitors global advancements in technology-driven trends to help clients better understand how technological, social, and business forces are converging to create enormous, untapped opportunities. Learn how to accelerate growth by using hard trends to anticipate disruptions, problems and opportunities within our industry. He will teach you his technology-enabled innovation approach to create and sustain the competitive advantage you need to succeed.

Breakout sessions for Thursday include the following:

- The Fintech Disruption (Panel)
- Monitoring Social Media for Fraud (Cynthia Hetherington, Hetherington Group)
- Factoring 101 (Brian Center, Far West Capital)
- Roundtable for Women in Commercial Finance
- Factoring in Latin America (Panel)
- Portfolio Warning Signs (Panel)
- Legal 101 (Jim Cretella, Esq., Otterbourg, PC)
- Roundtable for Senior Executives
- Roundtable for Young Professionals
- How to Factor Chinese Invoices (Panel)

Thursday evening stop by the reception hosted by Crestmark Bank, Lenders Funding, LLC and Saint John Capital Corp. Later that evening Tax Guard will cap off the night with their infamous Dessert Reception from 9-11pm.

Friday morning will begin with a Conference Update and IFA Legal Counsel Update, followed by our economist keynote speaker, William Strauss (Senior Economist and Economic Advisor, Federal Reserve Bank of Chicago). Bob Zadek, Esq. will be presenting his Report from the Courts session—lessons to be learned from this year’s court decisions. Alongside this session will be a Canadian Legal Update and a brand new topic this year, Blockchain Technology. Blockchain is the ledger that records bitcoin transactions. This technology has the potential to drastically change the way monetary transactions are conducted and recorded. Is it the currency of the future?

Other breakout sessions for Friday include:

- Cultivating a Culture of Success (Dr. Gustavo Grodnitzky, Consultant)
- Current Topics in Transportation Factoring (David Jencks, Esq., Jencks & Jencks, PC)
- Solving Client Issues (Panel)
- Roundtable for Operational Issues
- PO Funding (Panel)
- Legal Panel/Fintech Issues (Panel)
- Roundtable for Small Factors
- Fraud (Panel)
- Dealing with Bankruptcies in Canada (Panel)

After two prolific days of education, unwind at the Closing Event, to be held at Billy Bob’s—The World’s Largest Honky Tonk. In 1980, at the height of the Urban Cowboy craze, the idea for Billy Bob’s Texas was born. Billy Bob’s features 30 individual bar stations, live music with country music’s biggest stars, live Pro Bull Riding (yes, real bulls!) and a Texas-sized dance floor. What better way to end our time “deep in the heart of Texas” than with a cocktail reception, dinner and entertainment in the historic Fort Worth Stockyards!

Additional networking events throughout the week include our annual Golf Tournament, a BBQ Food Tour, Art Museums & Lunch Guest Tour, JFK History Tour and our popular Saturday morning Idea Exchange.

Back by popular demand, Mac Fulfur (President, Amazing Face Reading) will provide an in-depth and interactive workshop aimed at teaching you how to connect with and understand others. This two-day Face Reading Certification Workshop, to be held April 4-5 before the conference begins, will assist you in interviews, client interactions or in your personal life as well.

Also before the conference starts, we will be offering our Factoring Essentials Training Course with George Thorson (Executive Vice President, Triumph Business Capital) and Gen Merritt-Parikh (President, Allied Affiliated Funding). If you are a new Factor, an individual new to Factoring, or just wish to enhance your knowledge, this course will provide you with the background you need to become a successful Factor.

There is something for everyone at the 23rd Annual Factoring Conference at the Omni Fort Worth. Explore the true American West in a city of cowboys and culture while meeting up with old friends and creating new ones at the must-attend event of the year! See you in Fort Worth!

For more information and to register, go to www.factoringconference.com.

Heather Villa is the Managing Director of the International Factoring Association. She is responsible for managing and directing the IFA’s external communications as well as managing the business affairs of the Association. She assists with event planning, speaker selection and contract negotiations for all training seminars and conferences, including the annual Factoring Conference. Heather can be reached at 805-773-0011 ext 301 or heather@factoring.org.
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What The No-Show Olympic Golfers Taught Me About Risk and Operations

The 2016 Summer Olympics in Rio recently concluded, and no matter which sport you follow, much can be told from the competition. Whether it was the incredible individual performances of Michael Phelps, Usain Bolt, and Simone Biles, or the Brazilian home team getting the gold in men’s soccer, it was a fun few weeks of spectating, to say the least.

However, before the opening ceremonies, there was probably more pre-Olympic controversy surrounding the Rio de Janeiro venue than we’ve witnessed in a very long time. The first and most obvious risk was the public health threat known as the Zika virus. The virus, typically transmitted through mosquitoes, can cause a variety of flu-like symptoms that range in severity and can last from a few days to more than a week; most notable, Zika causes microcephaly in babies born to infected pregnant women, causing devastating, sometimes fatal brain damage, and it can result in miscarriage or stillbirth. If that wasn’t enough cause for concern, a myriad of other issues were layered on top of the Rio venue including polluted water containing sewage, bacteria, and a bunch of other “stuff” I would rather not go into detail about for obvious reasons. Brazil’s economy is facing its deepest depression since the 1930’s and is currently impeaching its president amid suspicion of breaking budgetary rules. Many other political figures have been linked to corruption charges involving Petrobras, the country’s state run oil giant. Security for tourists to the games, including the athletes, had been a major cause for concern as well. Tourists arriving in Rio were greeted by signs from protesting policemen with the slogan, “Welcome to Hell”. This was not the introduction the International Olympic Committee envisioned when they chose this venue for the 2016 summer games.

As a result of these factors, many visitors, as well as athletes, had decided to skip the games; most notably, several of the top names in the world of golf including Rory McIlroy, Jason Day, Jordan Spieth and Dustin Johnson cited their concerns over the Zika virus and concluded that it was safer to remain at home rather than participate in the games. This created a stir of controversy among the media and public questioning their motives for not attending. Some golfers, including Adam Scott and Louis Oosthuizen, were actually even more direct by simply stating the Olympics created conflict in their schedules. In contrast, every qualifying female golfer on the LPGA tour had committed to playing in the games, stating it was a fantastic opportunity to promote their sport to a wider audience while taking pride in competing for their country.

DON D’AMBROSIO is the president of Oxygen Funding, Inc., an invoice factoring company located in Lake Forest, California. Don has over 25 years experience working in the commercial and residential finance industries. He previously served as Controller of a commercial insurance agency and as Chief Financial Officer of a publicly traded mortgage company. He can be reached at 949-305-9300 or don.dambrosio@oxygenfunding.com.
and have had issues with publicly traded account debtors. So how does one mitigate factoring risk? Experience has taught us that no two deals are ever alike even if they are in the same industry. First, know your niche. Whether it’s transportation, staffing or some specialized niche, stick with it and perfect it. For example, when a medical receivable prospect comes across our desk, it’s typically referred to one of our colleagues because we lack both the skill and knowledge to get comfortable with it. The same approach is true with us in construction and a few other select industries.

Although you may feel your company has a certain amount of expertise in a particular industry, it surely does not equate to a lower risk factor. I will even take it a step further in saying that many bad deals are the result of the factor becoming too comfortable with the deal. Many times, after funding a new client and receiving a stream of payments to their lockbox, the factor may let down his guard with verifications, credit monitoring or properly executing notice of assignments. This lack of commitment to adhering to a standard set of operating procedures can sometimes prove to be disastrous.

The good news is that with today’s technology, many online monitoring systems can be put in place to keep a watchful eye on both the client and their customers.

The point in all of this is that no matter what path you choose there will be risks to overcome. It will be your job to understand it, mitigate it, or choose not to take on the risk at all. Most of us “business geeks” can only dream of winning an Olympic medal but there is some solace in knowing your company is competing properly. •

So why are the female golfers and the other athletes competing outdoors taking the risk to participate in the games while a handful of the top male golfers decide to stay home? Unfortunately, I cannot answer that question nor do I think it’s fair to put words into someone’s mouth. However, I can relate to it from a business perspective.

When starting a business, especially in finance, we knew the road would be paved with landmines and our first priority was to generate new business while protecting our investors’ capital. Much like the golfers who chose to participate in the games, they knew there was the obvious risk of catching the Zika virus, but they managed it. Proper precautions, such as the effective use of insect repellents and specialized clothing, were taken. The Olympians knew that the odds of catching the virus were greatly decreased but not guaranteed. Much like the Olympians, lenders must evaluate the risks. Whenever we board new clients we are well aware of the perils associated with funding their invoices. We’ve funded start-ups with no problems
CLIENT SERVICE
Continued from page 25

mentioned earlier. When your client determines you have a pulse on their company and are willing to fully understand their industry, a relationship will be solidified and no competitor will be able to pull them away. In essence, you want to be the first one they call when a need arises or trouble occurs.

Stay abreast of your competition. Be a frenemy of those firms which potentially service like clients and industries. Study them well so that you garner an understanding of their pricing strategies and products. This is extremely helpful in guarding against the not so often call from a client who has been solicited for your business. The best defense in these cases is to fully know your firm’s features and benefits. It is similar to detecting counterfeit money. A teller will observe and review counterfeits for first-hand knowledge, however, they spend more time knowing what real money looks and feels like. The point is, do not relinquish all of the sales knowledge for your firm to the actual sales team. In the long run, they will appreciate knowing that their new client is the hands of an expert!

You may have noticed that most of these recommendations are more client service focused than loss prevention focused. However, when a good client knows that you will serve them, support their needs, respond in times of trouble, and understand their industry, their tenure will increase and the firm will grow. On the other hand, when a problematic client knows that you are going to ask questions, call them often, request updates, seek to know their industry, and be proactive in times of trouble, they will be less likely to harm your firm. Growth and loss prevention are expanded by experts who know both their firm and the client’s overall business!

AFA UPDATE
Continued from page 27

becoming the permanent victims of unintended consequences.

The goal of the AFA is to increase membership and financial support from every IFA member. We urge every IFA member to contribute to the AFA as we are in the midst of our annual membership fund drive. Currently, we have Bronze Members who have contributed as little as $500, up to Diamond Members who have contributed in excess of $10,000. This is a very inexpensive insurance policy to help protect our industry from needless regulation which will be both costly and prohibitive. Please consider supporting the American Factoring Association.

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