A LOOK AHEAD

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‘RFIx’ brings together 200 + high level delegates from factoring companies, banks, trade bodies, and corporates to examine key strategic and practical challenges facing the international receivables industry in the new working capital scenario.

At the leading edge of conference thinking, in addition to a high-level programme of expert speakers and panel discussions, RFIx offers extensive networking opportunities.

Key themes:
- Derisking and linking the physical and financial supply chain
- New developments in working capital optimisation
- Latest fraud mitigation and risk management strategies
- Gaining new customers and markets
- Updates on trade receivables securitisation

SPECIAL OFFER FOR ALL IFA MEMBERS!
We would like to offer all IFA members a free copy of the World Factoring Yearbook 2015 – the definitive review of the global factoring industry,( $220 RRP) - with every delegate place booked for RFIx Madrid 2015. To receive your free copy, quote RFIXIFA1 when booking.
In speaking with IFA members, the overall impression is that 2014 was a good year for the factoring community and the general consensus is that it will continue through 2015. In general, factoring volume seemed to be up and the IFA added approximately 70 new members in 2014.

To kick off 2015, we are bringing back our International Trade and Factoring Workshop (see page 15) to be held this February in Miami, FL. This is an excellent course, designed for those who are either conducting or thinking about entering the cross border factoring market. We've enlisted six different instructors to assist with this training and we plan to cover all aspects of international trade. As an added bonus, all attendees of this course will receive a 50% discount off of their admission to the annual conference.

I'm really looking forward to the annual conference this year in New Orleans. Not only is it in one of my favorite cities, The Roosevelt is a beautiful hotel and one that I'm sure everyone will appreciate. Originally opened in 1893, it has recently undergone a $170 million dollar renovation to make this one of the most beautiful hotels anywhere.

The conference continues to grow with more speakers and networking time than ever before. We have twenty four different sessions and over 60 speakers, including tracks specifically for beginners, advanced, and international factors. We have scheduled more networking time to ensure you have the ability to meet as many attendees and exhibitors as possible.

The morning keynote speakers will be Lt. General Russel L. Honoré, Charlie Cook, and Dr. Peter Ricchiuti. General Honoré led the command of the Joint Task Force following Hurricane Katrina. The title of his discussion will be The New Normal: Leadership and Preparedness in the 21st Century.

Charlie Cook is the publisher of The Cook Political Report and he is the leading authority on elections and political coverage. He will be discussing The Current Political and Legislative Environment.

Dr. Ricchiuti is an economics professor at Tulane University and will be discussing his prediction for 2015. You can catch a preview of his lecture on page 22.

Other general interest topics that we are featuring this year will be:

Colette Carlson spoke at our Women in Commercial Finance meeting and the consensus from the attendees was that she was one of the best speakers ever. Her topic will be What’s Sex Have to do with it? The truth about Gender Intelligence. Another popular speaker and topic that we have returning will be Greg Hartley talking about how to effectively gather information, avoid deception and spot a liar.

Some of the factoring specific topics will include:

- Fraud Forum – What you don’t know can hurt you
- Outlook for the Energy Industry and Opportunities for Factors
- Working with Difficult transactions – how it starts isn’t always how it ends
- Lessons to be learned from this year’s court decisions
- How to Find, Grow and Build Lasting Relationships That Are Not Price Centered

Continued on page 6
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.

• Updates and Analysis of the Risks Faced by Factors
• Current topics in Transportation Factoring
• Legal updates
• Factoring 101
• Complimentary Products
• Small Factors Roundtable

Our International track will include the following:

• Financing Inventory in Transit
• Legislative Changes in Latin America
• Factoring with the European Community
• Case Studies in Latin America
• Doing Business in Québec
• 10 Must-Have Clauses in your Canadian Factoring Agreement

Networking events include:

Golf, Culinary Culture Walking tour, RMP Capital Welcome Reception, Bibby Social, Tax Guard Dessert Reception, Closing Event at the House of Blues, Swamp Tour, Breakout Small Factors Lunch, Breakout Transportation Factoring Lunch and Idea Exchange.

You can find a detailed conference write-up on page 19 or by visiting the conference website at www.factoringconference.com.

The IFA will also be conducting our biennial survey of the factoring industry soon. This is the only survey of the factoring industry and is extremely beneficial for anyone involved with the factoring industry. Please take the time to fill out the questionnaire. All respondents will receive a free copy of the report ($500 value).

See you in New Orleans!

Bibby Financial Services Offers Flexible Transportation Factoring Service

Bibby Financial Services announced a new factoring service geared toward Canadian transportation carriers. Now customers can receive advances of up to 95 percent of their invoices with an additional fuel advance. The service is geared toward mid-market carriers borrowing between $500,000 and $1 million.

INDUSTRY TRANSACTIONS

Crestmark’s November Transactions

Crestmark secured a total of $14,166,188 in financial solutions for
Partners Inc. provided seed capital

US Capital Partners provides equity

companies have funded deals referred

contact. A total of 43 factoring

in less than two weeks from initial

and first funding were completed

company's funding needs. The buyout

to offer a custom program to meet the

through creative structuring was able

Factor Finders referred the prospect

pricing for its eight truck operation.

existing factoring relationship, but

MN based trucking business had an

celebrated its 300th funded deal.

Factor Finders, LLC, an accounts

300th Funding

Factor Finders, LLC, an accounts

receivable factoring broker, recently

Sky Land Express, a Minneapolis,

MN based trucking business had an

existing factoring relationship, but

was looking for more aggressive

pricing for its eight truck operation.

Factor Finders referred the prospect
to Phoenix Capital Group (http://

www.phoenixcapitalgroup.com), who

through creative structuring was able
to offer a custom program to meet the
company's funding needs. The buyout
and first funding were completed

in less than two weeks from initial

contact. A total of 43 factoring

companies have funded deals referred

by Factor Finders.

US Capital Partners provides equity

investment to publisher. US Capital

Partners Inc. provided seed capital

for SMB Adviser, headquartered in San

Francisco, CA. US Capital Partners is a

private investment bank that makes
direct debt investments, participates

in debt facilities, and arranges equity

placements for small to lower middle

market companies. SMB Adviser will

use this growth capital to support the
development of its recently launched

publishing platform, www.SMBadviser,

and to further expand its range of

marketing services for small and

medium-sized businesses (SMBs). The

firm has also been developing business

intelligence services for SMBs across a

broad range of industries and sectors,

with a special focus on debt and equity

financing data specifically for this

segment.

Eleven Transportation Companies

Recently Choose Tetra Capital For

Factoring Services

Tetra Capital, a factoring company

specializing in the transportation

industry, provided factoring facilities

for eleven new transportation companies

in November. The factoring facilities

included:

$30,000 to a Pennsylvania based

Dry Van Company

$120,000 to a Florida based

Refrigerated Freight Company

$30,000 to a Utah based

Refrigerated Freight Company

$20,000 to a Washington based

Refrigerated Freight Company

$30,000 to a Utah based

Refrigerated Freight Company

$20,000 to a California based

Refrigerated Freight Company

$30,000 to a Utah based

Refrigerated Freight Company

$20,000 to a California based

Refrigerated Freight Company

$40,000 to an Iowa based Dry Van

Company

$30,000 to a Texas based

Refrigerated Freight Company

$20,000 to a California based

Refrigerated Freight Company

$120,000 to a California based

Refrigerated Freight Company

$30,000 to a Pennsylvania based

Dry Van Company

$1.5 Million to a Gift and Glassware

Manufacturer

$1 Million to an Investigative

Services Company

Bibby Financial Services Funds $8.5

Million Facility for Florida-Based

Apparel Company

Bibby Financial Services funded an

$8.5 million accounts receivable and

inventory finance facility for a Miami-

based apparel company. The 30-year-

old business is a major designer and

manufacturer of licensed sportswear

for big box US retailers and Fortune

500 companies.

Gibraltar Business Capital

Announces Recent Deals

Gibraltar’s recent facilities ranged

from a half-million dollar factoring line

for a niche electrolyte drink maker
to a multimillion-dollar asset based

revolving line of credit with a TV and

entertainment magazine.

Loeb Term Solutions Funds $8 Million

Dollars in Equipment Financing to a

West Coast Aerospace Metalworking

Firm

This deal represents one of two large

additions to Loeb Term Solutions’

portfolio this month with the other

funding totaling just over 12 million

dollars.

First Capital Announces Over

$60 Million Of New Credit Lines

Originated In Q3 2014 Y

First Capital originated 12 deals with

$62 million of new credit lines in Q3

2014 bringing the year’s total to $180

million. Working capital lines of credit

were extended to small and medium-

sized businesses in distribution, food
& beverage, professional services, telecommunication, manufacturing, and oil & gas industries.

**PERSONNEL**

**Michael Gross Joins Capital Business Credit as Executive Vice President and Senior Business Development Officer**

Michael will report directly to Andrew Tananbaum, Executive Chairman of CBC. He joins the company with more than 25 years of accounting, operations and financial management experience working with global apparel companies. He will be responsible for growing CBC's trade finance and factoring for the apparel and retail sectors along with strategic development and advisory for CBC's other practices and industries.

**Karrie Inman Joins CapitalPlus Equity as Director of Client Services**

Karrie will be responsible for customer service and document processing. She has over 9 years experience with customer relations and financial services.

**Bibby Appoints Tom Whatley to Senior Risk Officer; Lori Alsterberg to Regional Marketing Director, Americas**

Tom will assist in the management of the company's North American portfolio and will oversee the compliance and underwriting within the company's six regional offices. Lori will lead marketing strategies with the goal of leveraging the company's worldwide position and growing its US and Canadian footprint.

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**CANADA CHAPTER EVENTS**

**December 16, 2014**

End of the Year Gathering: TBA

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**NORTHEAST CHAPTER EVENTS**

**2015 Events Schedule TBA**
Halloween Is Over, but Deflation and Demand Ghosts Remain

Factors, equipment finance firms, and banks of all sizes have expanded their balance sheets thanks to a tidal wave of liquidity created by five years of expansionary global monetary policy. But record stimulus coordinated in an unprecedented way around the globe has only resulted in middling inflation to date.

BY DEAN LYULKIN

Just as many financial players lay bets that the Federal Reserve under Janet Yellen will raise short-term interest rates in 2015 for the first time since the crisis, the specters of falling demand and falling prices rear their ugly heads. Any signals worth noting are mixed and still uncertain, but data suggests the Fed should not remove the financial sector’s monetary punchbowl just yet.

We first turn to global prices. Headlines about any type of “flation,” be it inflation or deflation, are always negative. Both are bad and scary according to the pundits. Central bankers have spent most of their lives studying how to keep the economy on a skate’s edge of controlled inflation without tipping into the realm of deflation and broadly falling price levels. Chinese consumer inflation slowed to just 1.6% year-over-year in September, its lowest reading since 2009, just as producer prices slid 1.8%. US and UK inflation has slowed in recent months, but prices haven’t contracted. Globalization leaves today’s central bankers with possibly more limited tool belts to control monetary forces that can cross borders as quickly as most goods and services do in the internet age.

Long term government bond yields around the world are pricing in near zero inflation for the foreseeable future, and falling commodity prices helped cement investors’ conviction of late that prices aren’t going up. The nightly news explains falling gas prices as a positive for middle class consumers, but they forget that periods of powerful economic growth yield higher demand and higher prices. New oil discoveries have been used to explain some of the price decline, but other commodities including metals have been falling in tandem.

Although the cost of deflation to lenders is potentially huge, fears should be placed in context. Falling prices cause a transfer of wealth
from borrowers and holders of illiquid assets to savers and those with big piles of cash. Deflation can discourage private investment, because there are reduced expectations on future profits when future prices are lower. But modern central bankers are using quantitative easing quickly and efficiently, having learned both Japan’s errors from the lost decade and the Fed’s Great Depression era mistakes. They can buy and sell a variety of non-traditional fixed income instruments in the open market to impact global money supply. There is no reason not to have every confidence that central banks will fight falling demand and prices tooth and nail.

With deflation fears set aside, we turn our attention to an increasingly competitive financial marketplace signaling potential shifts in lenders’ ability to grow top and bottom line results. Growth now seems tied to compromising the underwriting guidelines that could help avert another global financial crisis. There are signs that supply of financial products is quickly catching up with demand, just as the Federal Reserve winds down quantitative easing stimulus designed to stave off deflation and boost capital demand from businesses and consumers.

Demand for large and mid-ticket infrastructure and equipment loans from large public and private companies notably tightened as yield spreads compressed over the past few years. The number of new customers and projects has not kept pace with the supply of new dollars chasing those customers. This is not difficult to understand when central banks are pumping new liquidity into capital markets on a daily basis. Now the lower end of the market for small ticket equipment and working capital loans under $250,000 is facing a similar fate.

Our firm monitors small business marketing response rates from millions of small businesses in a wide array of industries and with wide-ranging borrowing histories inclusive of factoring, equipment leasing with banks and independents ranging from those with top tier to sub-prime credit appetites, SBA loans, and traditional large bank lines of credit. The demand side of the equation is surely beginning to feel overwhelmed. This does not necessarily signal anything tawdry about an economy growing at 2-3%. Rather, the appetite of financial firms for assets is simply outpacing these borrowers’ appetites.

It becomes increasingly attractive to push the gas pedal in the face

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.

Platinum Credit Management LP
250 West 55th Street, 14th Floor | New York, New York 10019
Tel: (212) 582-2222 | Fax: (212) 582-2424
Email: alpha@platinumlp.com
The smallest businesses with satisfactory owners’ credit scores can add enormous leverage, with no review of their financials, by shopping around to a few brokers and direct lenders in short order.

of stiff competition. That means removing structural barriers to risky transactions with smaller security deposits, easier seasonal structures and more limited collateral where logic dictated these enhancements in the past. Lower credit standards are almost surely to follow, pushing rates down for lower tier customers with higher “application only” limits. The smallest businesses with satisfactory owners’ credit scores can add enormous leverage, with no review of their financials, by shopping around to a few brokers and direct lenders in short order.

Financial industry players agree that demand is not at the same level as the peak of 2007-2008. But marketing and advertising budgets attacking a relatively finite group of small businesses, counted in the single digit millions, are far in excess of that peak. Credit card issuers and business lenders are not likely to share their response metrics with anyone, let alone publications read by their competitors. And there is little interest in paying attention to noise like fluctuations under 20% month to month. Suffice it to say that response erosion has been steadily in effect throughout 2014 and while concerning in Q1-Q2, it reached a frightening 40-50% by Q3.

The largest players are best
equipped to survive this cycle like others before it. They can pick and choose how their deals are originated. If their direct sales force gets in trouble, they shift to niche third party originators. If direct mail fails, they can shift to telemarketing and online ads. But it’s clear that the Federal Reserve must avert raising rates in the near term, meaning that the risk of falling prices along with economic contraction far outweigh the central bank’s need to ratchet up short-term interest rates to avert unruly inflation. These factors bear watching even as the US economy seems on surer footing than many global economies and the stock market is near all time highs.

In a dangerous confluence of events, Janet Yellen’s Fed could confront the strengthening economy with too much monetary tightening, thereby inverting a yield curve that still looks healthy by historical standards with yield spreads in excess of 2%. The media is unsure whether to focus on inflation or deflation as the right omen of nasty economic trends. From our point of view, battling inflation doesn’t make a lot of sense at a time when the economy is on unsure enough footing that financial product yield spreads are compressing and the power of each marketing dollar seems to be in freefall. •

Since joining Commercial Finance & Leasing Bank of Cardiff in 2007, Dean Lyulkin has been instrumental in broadening the firm’s small business product portfolio. The firm has grown from offering clients equipment financing and credit cards to now include non-traditional lending products like working capital loans and factoring. Dean’s day to day responsibilities range from capital markets activities and data analytics to human capital and operations. Prior to joining Bank of Cardiff, he was a shareholder and Group Vice President at Fisher Investments, a privately-held $40 billion asset management firm. Dean held several leadership positions in trading, capital markets research, and direct marketing. He holds a BA degree in Economics from UC San Diego. Dean can be reached by phone at 858-866-9253 or by email at dean@cardiffcorp.com. You can learn more about Bank of Cardiff at http://www.bankofcardiff.com.
Technology: Solution, Problem or Both?

Chris looks down at his new watch, anxiously awaiting the alert that his wire has hit. This new watch cost him a pretty penny, and to him, it is worth every bit. Operating on his own time, Chris is able to submit his request to his lender with his phone’s camera and sign it with his fingerprint.

The system allows his clients to confirm invoices through a link online and finally (or more so, hopefully), Chris gets the confirmation that the money is in his account—all without a single pen stroke. It’s worked flawlessly day after day until now. Now he is just waiting. Waiting for a single beep and vibration that indicates that his funding has gone through, his payroll will go out, and he and his employees will have a great weekend ahead of them.
Time seems to slow to a crawl as Chris continues to wait, and his thoughts get away from him as he wonders what could be wrong. Did his request not go through? No – it says it was submitted here under status. Maybe it was his signature; sometimes the fingerprint doesn’t work properly after he burnt it while working last week. Was someone out from his client’s office that he wasn’t aware of? What could possibly be taking so long? It’s always worked before and he hasn’t done anything different today. Finally, Chris decides to call his lender; it’s been awhile though, and he has to dig through some emails to find his new contact, and more importantly, a phone number. He thinks, I should add this person to my contacts after I make this call. Chris hits the number, clicks the fancy pop-up on his cell phone to confirm the call and the phone begins to ring.

Now, let’s take a step to the side and focus on the lender’s view of the same events. Six months ago, the board met to approve the new use of an automated workflow through their software vendors. With some improvements to integrate the technology within their operations, they were excited about the efficiency and cost saving measures the new system would bring. Faster response time for clients and less overhead for the lender; of course they were thrilled. So much so they even pushed their IT department to ensure the system was ahead of schedule and ready to release one month early. Operations will love it, clients will love it, and all will be right in the world.

On the day Chris submitted his request, the lender did in fact receive his information and his signature via that nifty fingerprint scanner on his smartphone, and Chris’s client had even confirmed those invoices online the moment they were sent to them. The lender looked over the confirmation, ensured the images received matched the amount requested and completed the release. The operations team marked it as complete and moved on to the next one. The account executive even chuckled to a longtime colleague: “Hey, remember when we did all this by email and phone? Or even better, fax?” But their conversation was interrupted by a phone ring.
Technology is amazing, but it causes a bit of alarm when it doesn’t work as quickly as expected; we should keep this in mind as more processes are moved to automatic workflows.

Chris starts to panic as he frantically hits zero on every voice prompt, trying to reach someone. What was causing the problem? Would he get his money? Should he start calling his employees about the possibility of payroll bouncing? A seemingly infinite supply of worrisome questions came to mind, questions he would ask himself before he found his lender. Finally, someone answered the call with a faint laugh. Chris thought to himself, are they laughing about what’s going on? At that moment, Chris felt a tingle on his wrist, followed by a ding. Looks like he will be getting his money after all. Chris informs the representative on the other end of the line. Both have a good laugh about how technology seems to make us a bit more impatient than we might be without it.

The time it took from submission to money in the bank was enough for all the above events to transpire, which makes it about 10 minutes. Technology is amazing, but it causes a bit of alarm when it doesn’t work as quickly as expected; we should keep this in mind as more processes are moved to automatic workflows. Technology is getting increasingly powerful, cheaper and more accessible to the masses. This has been encouraging businesses to continue their push in meeting the demand from their clients/consumers.

Bloomberg estimates there will be over 2 billion smartphones by 2015. Followed by the 2014 AT&T Techpoll indicating 94% of small business owners use smartphones to conduct business. Both reports suggest that these numbers (which only account for mobile devices) will continue to grow. What’s the likelihood that one of your clients is in that 94%? What’s the likelihood that it’s on your roadmap to meet the demand?

If we take a look at the process Chris went through, some would say it’s too much, too little or maybe, just right. The technology is there for this scenario, just as the technology is there for many supplements of your operations. It’s a matter of choosing the right options when you decide to go in a certain direction. In Chris’ case, it was having the client upload a schedule, images of invoices, and backup via a mobile device, and then, sending an automatic message to the client’s debtor, letting them know that confirmation for those invoices was needed. How much time would it save your operations if all of that was automated? Or maybe it’s the change in pace for your communication with clients that is appealing – giving them real time updates when schedules are received and processed, and when deposits are made to their accounts. Would that proactive communication be helpful in your business?

In our world of ever increasing smart(er) phones, smartwatches, more powerful tablets, and even all-seeing glasses, we have the ability to truly define a new method of...
work, providing more and more time for building relationships. Pushing more operation tasks to automated systems frees up the time for your team to do what IT unfortunately can’t; have meaningful conversations with your client.

What about the negative side of having so much information readily available? How could too much information ever be bad? It’s bad when it doesn’t work as expected. There might be a glitch in the matrix and it might fail. Or maybe it is just delayed 10 minutes and a client doesn’t get the immediate response they are used to. What impact does this have, both on the business side of things, as well as on the emotional side? This is when you have to remember that technology is a tool to supplement the relationships you have built, not something to come in and replace them. You can never know the impact of the technology you are using without effective communication between your clients and your team.

As your business continues to grow its infrastructure to handle increasing demand, remind yourself of Chris’s story. Know that when you make improvements for your operations team with the good intention of making processes easier for your clients, you should be aware of the expectations linked to your new high-speed technology. Be prepared for when it works, when it doesn’t, and when it’s running okay – just on a 10 minute delay.

Matt Smulski is a Certified Factoring Account Executive and Vice President at Far West Capital in Austin, TX and has been in the finance world for over 10 years. In his role as VP, Matt initiates all IT-driven business projects and ensures that 100% client satisfaction is provided. Prior to joining Far West Capital in 2007, he worked at State Bank in the Working Capital Division. Matt can be reached by phone at 512-527-1120 or email at matt@farwestcapital.com.
The International Factoring Association is pleased to bring back this intensive two day training course which promises to provide the latest, most valuable information to help support your clients’ international business. This workshop will provide a complete guide to developing an in-depth understanding of the key areas of global trade and factoring from some of the brightest and most respected leaders in the industry.

**what you will learn:**

- How import/export transactions are structured - from delivery to payment terms, to the risks and how to manage/credit insure them and a broad array of financing options.
- How to provide and underwrite Purchase Order Financing, Letters of Credit, International Factoring, Reverse Factoring and other key techniques that will strengthen your competitive advantage.

**topics:**

- Introduction to International Trade
- Delivery Terms
- Terms of Payment - Advantages and Disadvantages
- Risks
- Managing Import/Export Risks
- Financing In-Transit Work-in-Progress and Finished Inventory
- International Factoring
- Reverse Factoring
- The Legal Aspects of International Factoring
- Case Histories/Examples

**attendees will walk away with**

- A deeper understanding of best practices in international trade & factoring.
- Insight into the challenges, risks & legal aspects when engaging in cross border business.
- A comprehensive overview of underwriting deals & understanding clients’ & prospects’ businesses.
- Ideas to better equip business developers when evaluating prospective international business opportunities.

**JW Marriott Miami, FL**

February 19-20, 2015

**REGISTER TODAY!**

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**OR CALL**

805.773.0011

A special room rate of $289 has been negotiated for this event. Group room rate expires January 27, 2015.

TO MAKE RESERVATIONS CALL THE JW MARRIOTT: 1-800-228-8290

Request the International Factoring Association rate

**speakers:**

- Tony Brown, Principal, The Trade Advisory
- Bryan Ballowe, Principal, King Trade Capital
- Parker Freedman, President, ARI Global
- Neal Harm, President, BB&T International Division
- Sharyn H. Koenig, Managing Director, Eastern Region of Export-Import Bank of the U.S.
- Mike Ullman, Esq., Principal, Ullman & Ullman, PA.

**Register for this course and Receive 50% Off your 2015 Annual Factoring Conference registration**
Unconventional Wisdom: Are online business lending models the factoring of the future?

Small business lending is the most rapidly growing segment of commercial lending, as measured by year-over-year percentage growth over the past three calendar years, and 2014 will continue this trend.

Regulated depository institutions are primarily participating in the trend through the SBA 7(a) and 504 programs and through their factoring and small ticket leasing subsidiaries. Prior to the 2008-2009 recession, many banks had robust commercial credit card or small revolving loan programs that were underwritten based on automated credit scoring models. Unfortunately, during the economic contraction, the defaults generated by these types of models far exceeded the predicted losses, and often, were greater than the gross yields (12-24% per annum) that had been previously generated in positive or neutral economic environments. Since the recession, some regulated financial institutions - except for SBA lending and small ticket leasing - have had to withdraw from this growth market, leaving a large, high yield and underserved market, which is an anomaly in the current historically low yield macroeconomic environment.

Over the past fifteen years, innovations have occurred in small business lending that may prove to be as impactful as the mid-20th century adoption of the Uniform Commercial Code was for asset based lending. These innovations generally can be attributed to data gathering and analysis technology and continuously improving predictive credit scoring models. More recently, both commercial and consumer lenders that rely on these strategies have been classified as “FinTech” or the financial technology industry. FinTech has now evolved to become a viable alternative and competitor to factoring.

In the late 1990’s, the first business model to embrace FinTech was the Merchant Cash Advance (MCA) model defined by the following characteristics:

1. Unsecured credit which was legally not a loan, but a purchase or advance on assets without a required amortization schedule and fixed maturity.
Since credit card receipts are no longer a requirement, the universe of prospective borrowers greatly expanded to most small businesses with working capital needs.

Daily payments made via ACH vs. credit card processing

Use of proceeds not confined to purchasing equipment, as it would be with the small ticket leasing product

Less reliance on traditional ISO’s to generate new business. The industry leaders have developed online portals to market and process applications.

Some of the larger online retailers and payment facilitators, such as Square One, PayPal, and eBay have all announced FinTech credit products, similar to direct loans

MCA suffered higher than predicted losses during the recession, however, significantly less than the small commercial bank lending programs. In fact, credit losses were ultimately not a significant disadvantage for the MCA model. More importantly, the three major disadvantages were:

1. The product was not a loan or a lease and difficult to explain to prospective clients.
2. The product was limited to retail businesses that generated credit card receipts.
3. The product was traditionally marketed by high fees independent sales organizations (ISO’s), a holdover from an era when ISO’s sold retail credit card payment systems.

The next iteration of the FinTech model partially addressed the limits of MCA. This model provides a small business loan, based on the same assumptions as merchant cash advances, with the following differences:

1. Loans must conform to commercial usury statutes within each state, where offered, and lenders must be licensed in those states.
2. Daily payments made via ACH vs. credit card processing
3. Daily repayments of a percentage of total credit card receipts via a contracted third party credit card processor
4. Information gathered on prospective and existing clients primarily from public and private online databases and client banking information
5. Predictive, highly sophisticated credit scoring models based on a significantly greater number of weighted variables than prior bank models or small ticket leasing credit scoring models
6. Real time information reporting on actual collections compared to predictive model projections

The Commercial Factor | November/December 2014

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for their vendors, establishing a captive finance program of sorts. If successful, the high origination costs for direct loans could be eliminated and substantially enhance the profitability of FinTech. For unaffiliated lenders, there are many small business apps that can be integrated with a cash flow FinTech solution.

Recent alternative small business lending models provide unsecured working capital loans to small businesses but tie the loans to unpaid invoices due to the client. As reported in the American Banker, the online lenders are attempting to carve out a niche in small business financing by specializing in "micro loans". But unlike other competitors, this model targets business-to-business firms in need of funds to monetize unpaid invoices. To apply for a loan, small business owners connect their accounting software (including Quickbooks, Xero or Freshbooks) to the online lenders' websites. The borrower then selects unpaid invoices they would like to monetize. The lender, using deep data analytics, determines the level of risk of each invoice within the context of the borrower's financial condition. Borrowers repay the loans over 12 weekly installments and pay fees comparable to interest rates on unsecured credit cards.

As these online business models continue to evolve to the most robust solution, they may ultimately offer desperately needed working capital for a significant number of small businesses, both in the US and in international markets. There is no equivalent to the Uniform Commercial Code in many European Union member nations. In fact, liens on current assets only attach to specific accounts receivable and inventory, not "replacement" assets which eliminates secured asset based lending in many jurisdictions. Depending on the availability of data for small businesses in those markets, online small business lending may be a viable model.

However, to assess the long-term attractiveness to investors of online lending models, the long term profitability of asset based lending and factoring will be compared to that of online lending. It’s too early in the development of online lending to make a reasonable comparison; however, the two types of lending can be compared across several attributes (see chart below).

Many online lenders are attempting to build highly scalable enterprises and are sacrificing current profits to do so. If the models can originate billions of dollars of working capital financing with highly predictive, consistent and moderate losses, they could become the dominant small business lending model of the future. •

<table>
<thead>
<tr>
<th>FACTORING</th>
<th>ONLINE LENDING</th>
</tr>
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<tbody>
<tr>
<td><strong>1 Barriers to Entry</strong></td>
<td>Low</td>
</tr>
<tr>
<td><strong>2 Origination Expense</strong></td>
<td>Moderate</td>
</tr>
<tr>
<td><strong>3 Net Margin</strong></td>
<td>High</td>
</tr>
<tr>
<td><strong>4 Operating Expenses</strong></td>
<td>High due to verifications and collection expense</td>
</tr>
<tr>
<td><strong>5 Losses</strong></td>
<td>Can be high due to fraud/highly variable</td>
</tr>
<tr>
<td><strong>6 Scalability</strong></td>
<td>Low</td>
</tr>
<tr>
<td><strong>7 Current Profitability</strong></td>
<td>High</td>
</tr>
<tr>
<td><strong>8 Regulatory Concerns</strong></td>
<td>Low</td>
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</tbody>
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Let the Good Times Roll at the 2015 Factoring Conference

BY HEATHER VILLA

The 2015 annual Factoring Conference will be my twelfth year with the IFA. When I first started working for Bert at Distinctive Solutions Corporation in 2003, he mentioned briefly that part of my job would also be to help him with an association that he created for the Factoring industry. The IFA at that time had about 200 corporate members, and the only event we offered was the annual Factoring Conference. Little did I know, that would change drastically; over the years, the IFA would be on its own, more than doubling its membership, and not only putting on the annual Factoring Conference, but also 10-12 training classes throughout the year, multiple webinars, and countless networking opportunities, and educational offerings through chapter events and online resources. I’ve seen our annual conferences grow from 300-something attendees to almost 800 attendees. I am excited to see how much we will continue to grow this year!

On April 15th-18th, the Factoring Conference will call New Orleans, Louisiana, its home. Of all the cities that have hosted the Factoring Conference, New Orleans is my all-time favorite. The history, culture, music, nightlife, amazing food, and Southern hospitality make New Orleans such a unique place. With its historic buildings and grand traditions, the “Big Easy” has more the flavor of an old European capital than an American city. Did I mention the food? New Orleanians not only eat to live, they live to eat! A mix of Creole, Cajun, French, Italian, African, Chinese, and everything in between, this eclectic city has cooked up a culinary heritage with some of the tastiest and most interesting foods in the world.

What better hotel to host the Factoring Conference than the Roosevelt New Orleans? This iconic New Orleans luxury hotel offers an unparalleled combination of Southern hospitality, world-class service, and historic surroundings. The Roosevelt is at the heart of everything that makes New Orleans so special. Just steps from the French Quarter, it is within walking distance to the city’s most vibrant attractions and entertainment, including Jackson Square, Bourbon Street and the Arts & Warehouse District. Since 1893, this legendary property has represented everything that makes New Orleans one of the world’s greatest destinations. After Hurricane Katrina damaged a great portion of the hotel in 2005, it underwent a $170 million renovation and reopened during the summer of 2009. It revived many of the features for which it was famed throughout the 20th century. The Roosevelt seamlessly blends the glamour and history of New Orleans with cutting-edge amenities, making it a unique destination for business or pleasure and for tourists and locals alike.

Now, about the Factoring Conference...the world’s largest gathering of Factoring and Commercial Finance professionals! If you can only attend one event this upcoming year, you won’t want to miss this one. It truly is a spectacular experience to have the whole Factoring industry in one place at one time. It amazes me every year how much business is taking place and how many new partnerships are formed, not to mention the lifelong friendships that are created. There are still so many familiar faces that I remember from my first Factoring Conference 12 years ago that have attended every year since. I always look forward to seeing my old friends and adding new ones to my “Factoring Family. I can bet that they all feel the same

By Heather Villa
The invaluable networking opportunities provide access to some of the highest caliber of industry experts and peers in the commercial finance industry. The conference will kick off with the RMP Capital Welcome Reception on Wednesday evening. Companies that have become new IFA members over the previous year will also be invited to attend a New Member Reception that evening to become familiar with the association, meet industry leaders, and other first-time attendees. Thursday we will have a Bibby Social in the evening and a Tax Guard Dessert Reception later that night. Friday evening is our Closing Event at the House of Blues. Join in our own Mardi Gras parade as we make our way to the premier music venue in the French Quarter.

Food, drinks, and entertainment will be provided. If you are bringing your spouse along with you, make sure you purchase a Spouse Ticket for them. It includes admission to the receptions listed above, as well as the Closing Event.

The networking opportunities alone are worth it, but we also have two full days of educational instruction that is designed to increase your awareness within the industry and provide you with new tools to help grow your business. The compelling agenda includes world class speakers, thought-provoking sessions, and unrivaled educational content. Here is a glance at what is in store for this year.

Thursday Sessions:

• The New Normal: Leadership and Preparedness in the 21st Century (Spanning a 37-year Army career, General Honoré has commanded teams through some of America’s most difficult challenges, and brings these lessons learned to deliver a most important message: See First, Understand First, Act First) – Lt. General Russel L. Honoré (Ret.), Commander of Joint Task Force Katrina and Global Preparedness Authority & CEO

• The Current Political and Legislative Environment (Using poll numbers, economic indicators, and historical data, Cook discusses today’s political and legislative environments in a balanced, non-partisan way – from the policy direction of the current administration to the Congressional agenda.) – Charlie Cook, Political Analyst and Publisher of The Cook Political Report

• What Does Sex Have To Do With It? The Truth About Gender Intelligence (Unlock the secrets of gender communication to help you—male or female—influence, persuade and communicate more effectively with the opposite sex to ensure that your message achieves maximum understanding.) – Colette Carlson, President of SpeakYourTruth.com

• Factoring 101 (The nuts and bolts of Factoring.) – Gail Reints, President and Owner of Sky Business Credit, LLC

• Working With Difficult Transactions (How it Starts Isn’t Always How it Ends) – Jay Atkins, First Growth Capital and Mike Ullman, Ullman & Ullman P.A.

• Fraud Forum: What You Don’t Know Can Hurt You (Hear the latest schemes experienced in the marketplace and what we can do to protect against succumbing to fraud.) - Panel

• Outlook for the Energy Industry and Opportunities for Factors (Covering topics such as fracking, its future and opportunities, types of energy service companies, the expansion of energy production in the US and factoring oilfield trucking companies.) - Panel

• Legislative Changes and New Tendencies in Latin America (discussing recent legislative changes that affect Factoring in Latin America as well as the progress of the ongoing IFC-World Bank project that was designed to improve local lending and factoring laws in the region) - Panel

• Complimentary Products 101 (Discussing PO Finance, Inventory Finance, Leasing and Equipment Finance and Unsecured Loans.) – Panel

• Doing Business in Québec (Explaining the legal and language challenges to work through to tap into this very lucrative market.) - Panel

Friday Sessions:

• Economic Forecast: How the Economy Will Affect Factors – Dr. Peter Ricchiuti, Professor at Tulane University

• Report From The Courts (Lessons to be learned from this year’s court decisions and how the courts treated IFA members) – Bob Zadek, Esq., Buchalter, Nemer

• 10 Must Have Clauses in a Canadian Factoring Agreement – Martin Fingerhut, Esq., Fingerhut Global Advisors

• Current Topics in Transportation Factoring – David Jencks, Esq., Jencks & Jencks P.C.

• Effectively Gather Information, Avoid Deception and Spot Liars (Learn skills with guiding conversations by gathering information while looking for key words and phrases that indicate deception in spoken language and text.) – Gregory Hartley, Mind At War

• Financing Inventory-In-Transit (Learn how to manage the risks to create new lending opportunities with financing in-bound or out-bound inventory.) – Panel

• Regulatory Environment in Washington D.C. (How the results of the 2014 Congressional elections have impacted the industry, and the risks to Factors, particularly as it relates to Operation Choke Point.) – Panel

• The Keys to Customer Retention (Focus on creating a corporate environment that allows for finding, building, and growing lasting relationships with your clients.) – Panel

• Factoring with the European Community (Aspects to be considered by non-European based Factors...
to work with clients and/or debtors based in Europe.) - Panel

- **Legal Panel** (Discuss legal issues facing today’s Factor.) - Panel

- **Small Factors Roundtable** (Factoring companies who fund clients with low sales volumes operate in a unique manner. This roundtable discussion is designed to give this important segment of our industry a forum to discuss their challenges and learn from their peers.) - Panel

- **Case Studies in Latin America** (Interesting A/R financing deals that represented challenges due to their structure or industry served.) - Panel

**Saturday’s Idea Exchange** is also included in your conference registration. From 9am-12pm, this event brings together small groups who have a common interest in a particular issue. Over the course of the morning, attendees explore continuing and emerging opportunities and issues in a roundtable environment that provides enormous opportunities for sharing ideas.

For those that are newer to the factoring industry, you won’t want to miss the Factoring Fundamentals training course that is all day Wednesday before the conference starts. This add-on class will provide you with the background you need in order to become a successful Factor. Industry experts George Thorson from Triumph Business Capital and Gen Merritt-Parikh from Allied Affiliated Funding will delve into topics ranging from contract basics, Uniform Commercial Code, how to find clients, credit and underwriting, notifications and verifications, the daily business flow, and ending the relationship. This is definitely a great learning opportunity for new Factoring companies, new employees or those wishing to brush up on their Factoring knowledge.

If you want to spend some extra time in New Orleans, which I definitely recommend, we have put together some fun and exciting adventures.

Continued on page 35

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**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.
You say that your talk will feature some economic myth-busting. What are some of the myths out there today?

The US economy is a lot better than you’re hearing in the media. I guess bad news sells, but we’re adding about 200,000 new jobs each month; banks are starting to loan money, and both individuals and corporations have better balance sheets than I’ve seen in my 35 years following the markets. This is why the stock market has tripled since 2009 and trades at near record levels.

What is the single biggest factor making you optimistic?

If I had to pick one it would be “energy independence”. My entire adult life we have been held hostage by OPEC. That’s over. We call our own shots and the story behind the growth in natural gas is truly a game changer, particularly for domestic manufacturing.

What keeps you up at night?

The national balance sheet (as measured by Deficit/GDP) has improved dramatically and keeps getting better. However, in a few years, we will have to deal with big increases in our obligations to healthcare and social security. Now is the time for the White House and the Congress to sit down and make the “Grand Bargain” regarding revenue increases and cost cuts. Both sides have to give a bit to make this work.

You have taught at Tulane University for the past 28 years. What do you see from campus?

I have a very different perspective on the “Millenial.” This group takes a lot of abuse, but I see this group as the smartest, most creative, and community-oriented generation that the nation has ever seen. I see outreach programs and social entrepreneurship as cornerstones for this age group. I do not worry about turning the reins over to the millennial. •

Peter Ricchiuti teaches at Tulane University’s Freeman School of Business where his insight and humor have twice made him the school’s top professor. Peter started his career with the investment firm of Kidder Peabody and later managed over three billion dollars as the assistant treasurer for the state of Louisiana. In 1993 he founded Tulane’s highly acclaimed BURKENROAD REPORTS student stock research program. Peter also hosts a popular weekly business show on National Public Radio in New Orleans called “Out To Lunch” and recently published his first book “STOCKS UNDER ROCKS”. He has been featured on CNN and CNBC as well as in The New York Times, BARRON’S, The Washington Post, and The Wall Street Journal. Over the past twenty years, Peter has addressed more than 1000 groups in 47 states and several countries. He has presented to a wide variety of audiences including workshops for the New Orleans Saints. Peter can be reached at pricchi@tulane.edu.
The focus of this issue is looking ahead to 2015. For those of us involved with the American Factoring Association (AFA), 2014 has been a year of worrying about our industry getting entangled by Operation Choke Point, and beginning to share our concerns with Members of Congress and their staff and officials at the Office of the Comptroller of the Currency.

While the factoring industry has not specifically been listed as a target of Operation Choke Point, confusion surrounding the program is causing many banks to err on the side of caution and cease doing business with legally operating factoring companies. Operation Choke Point has caused some of our members to have their banking relationships end, with others having credit cards cancelled.

Since Operation Choke Point has come to the attention of the nation, the FDIC list of specific industries being targeted has been rescinded, but Operation Choke Point continues. Unfortunately, from the factoring industry’s perspective, rescission of the list has made matters even worse by leaving banks to guess at what regulators consider an unacceptable risk. And we all know that in the current environment, if banks have to guess, they will err in favor of what they think regulators may want and not their clients.

The official reason for Operation Choke Point is to combat fraud. If this were the case, then we would expect to see charges filed, lawsuits, and maybe even an arrest. However, this does not appear to be happening. Instead, what we see are banks being pressured to discontinue relationships with clients who have violated no law, nor have they been charged with any wrongdoing, but who have not been given an opportunity to appeal.

So, as we look forward to 2015, we must maintain our focus on how Operation Choke Point will impact our industry. In addition, it is important for our industry to continue to make Washington aware of the impact Operation Choke Point is having on our members. Any of us could be the next factoring company to be impacted. If you have already been impacted, we would like to continue on page 31.
ASSOCIATIONS

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

- Colombian Association of Factoring (CAF)
- Commercial Factoring Expertise Committee of China (CFEC)
- International Factors Group (IFG)
- Romanian Factoring Association (RFA)

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.

Email: ryan@12five.com
Phone: 630-270-3072 • www.12five.com
IFA Members receive a $10 discount per 100 pack. Also, the first order from each company will be doubled.

CONSULTING

12five Consulting

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

Phone: 630-270-3072 • www.12five.com
Email: ryan@12five.com
IFA Member Benefit: One free hour of initial phone consultation

FactorHelp

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

Phone: 972-722-3700 • www.factorhelp.com
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 a low $8 with a substantial discount offered for participation in our A/R exchange for AR data.

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

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Credit2B is a transformational cloud-based platform that combines third party credit information with what we call the Intelligence of the Community™, that is a network of the thousands of leading credit professionals and credit grantors that have a common interest in accessing better credit information about their trading partners. Our mission is to provide our clients better, timely, more relevant and highly accessible credit information at incredibly affordable prices. We do this through a compelling solution that leverages the power of peer network intelligence, quality bureau data, and advanced computer analytics to create an unparalleled experience.

Phone: 201-714-4514 • www.credit2b.com
IFA Members receive free trade reports in exchange for AR data. Also receive free bankruptcy notifications & preferred rates for collections - 15% contingency fee.

Dun and Bradstreet (D&B)

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

Phone: 973-605-6344 • Website: www.dnb.com
IFA Member Benefits: New & Returning customers: receive DISCOUNTS off D&B solutions. Discount is for IFA members that are not current D&B customers or have been gone for a period of one year. Existing customers: receive discounts on other D&B solutions not under contract. (ie: Hoovers, Supply, DNBI Modules)

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

Phone: 800-215-8448 • www.transcredit.com
IFA Member Benefit: Receive a discount of 50% or more. Score your portfolio through Bayside’s Cadence Factoring Software or directly with Transcredit.

CREDIT CARD PROCESSING

ePaymentAmerica

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

Phone: 901-385-5335 • www.epaymentamerica.com
Email: factoring_program@epaymentamerica.com
www.epaymentamerica.com
Phone: 901-385-5335 • www.epaymentamerica.com
Email: factoring_program@epaymentamerica.com
[IFA Member Benefits: Interchange Plus Pricing* Bundled Monthly Service Fee of $30.00 (includes IRS regulatory compliance, account maintenance, PCI compliance, virtual gateway & online management tool).] *Based on volume/ transaction count.

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Email: salessupport@agilityrecovery.com
IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

FUNDING

RMP Capital Corp.
RMP Capital Corp. is a best-in-class provider of Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $3,000,000. Understanding the needs of the Independent Factoring Company is the driving force behind a funding program which has helped clients build their operations and grow their portfolio. With over 10-years of industry experience, RMP Capital Corp. prides itself on taking the time to understand 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.
Phone: 631-738-0047 • www.rmpcapital.com
IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.

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Phone: 610-631-5702 • www.50wordsmarketing.com
IFA Member Benefits: 5% discount to each respective client’s marketing program.

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Gateway Trade Finance, LLC
Gateway provides purchase order funding for importers, distributors, wholesalers, and exporters nationwide. They will work with a client’s current or prospective factor, ABL, lender, bank, and private lender. Gateway can fund 100% of the cost of pre-sold finished goods in transactions from $25,000 to $4,000,000. They will do the small transactions and one-off transactions that are not currently funded by their competitors. “Financing Growth for Entrepreneurs.”
Phone: 703-548-2882
www.gatewaytradefinance.com
IFA Member Benefit: Gateway will pay a 12.5% referral fee on completed transactions on all deals brought to them by IFA members.

RMP Trade Credit, LLC
RMP Trade Credit is the leading source of small ticket Purchase Order Financing. They do deals from $5,000 to $2,000,000 per month. They consider larger deals with participation. RMP Trade Credit closes deals faster than any other competitor. Their staff has over 100 years of manufacturing, importing, and exporting experience to help their clients with their needs.
Phone: 877-340-2388 ext 400
www.rmptradecredit.com
IFA Member Benefit: RMP Trade Credit will offer a 15% commission on all PO deals referred by an IFA member.

RECRUITMENT AGENCY

Commercial Finance Consultants
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Email: dar@searchcf.com
IFA members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

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Phone: 205-972-8900 • www.baysidebiz.com
IFA members will receive 10% off license fees and add-on modules. For IFA members who are currently Bayside customers: Free one day refresher course, per year, at Bayside’s training facility in Birmingham, AL.
FactorFox
FactorFox Cirrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internet-connected computer, tablet, or smartphone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox’s various versions make it suitable for nearly any size factor.
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In addition to the one-month free trial for everyone, IFA Members receive an additional two free months for a total of three free months to try the complete program.

TAX COMPLIANCE

Tax Guard
Tax Guard is the only tax compliance company in the U.S. that works with lenders to expose credit risks in real-time before it becomes public information. Unlike a traditional public record search for federal tax liens, Tax Guard utilizes a proprietary, patent-pending process, providing due diligence and tax monitoring reports to lenders across the United States.
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IFA Members will receive a 20% discount on the same-day due diligence order.

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This is a premier luxury sedan service that offers private transportation with experienced professional drivers. Whether you are heading to the airport, a business meeting or social event, ExecuCar will get you there safely, in style and comfort.
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January 21-23
Presidents & Senior Executives Meeting
Fairmont Kea Lani, Wailea, Maui, Hawaii
February 19-20
International Trade and Factoring
JW Marriott Miami, Miami, FL
March 10
Luncheon Meeting with NYIC
Arno Ristorante, New York, NY
April 15-18
Factoring Conference
The Roosevelt, New Orleans, LA

FOR DETAILS ABOUT IFA EVENTS, PLEASE VISIT WWW.FACTORING.ORG
This Part Two will focus on the rights of the account debtors regarding the specifics of the dispute. Unfortunately, many factors in the industry finance millions of dollars and fund invoices which contain no terms beyond the price and quantity (a “Naked Invoice”). When parties have underlying contracts, which discuss the specifics, then the contract will govern how things work if the deal goes bad. When a Naked Invoice deal goes bad, then all the missing pieces get decided by the court. For the sale of goods, the court will look to Article 2 of the UCC, which governs sales of goods. For services, which are not covered by Article 2 of the UCC, the court may look to the UCC for guidance or will look to common law (prior cases) or various state law codes, which may govern the dispute. This Part Two will also outline the “gap fillers” that may happen when a court has to sort out the rights of a factor and the account debtor, after the factor is called upon to collect Naked Invoices after a default.

The first thing that you, as the factor, will have to examine in a Naked Invoice case is, where should the case be brought since the Naked Invoice will be silent on this point. The factor would prefer to litigate in its home territory. The business reality is that frequently the factor is often doing business in one state, financing a client in a different state, and purchasing accounts of an account debtor in a third state. If you bring the case in the wrong state and lose the motion to dismiss, you may have easily taken a three or four month detour only to be told to start over in a new jurisdiction - not a pleasant prospect. Absent an arm’s length contract between two business entities which has a jurisdiction and venue clause, the court decides where the case is to be brought. The concept that the court will examine is whether or not the account debtor does business in the factor’s state or whether or not the account debtor has minimum contacts with the factor’s home state, such that it would be fair to haul the account debtor to a court in a different state. The smaller and more regional the account debtor is, the harder it will be to bring the account debtor to the factor’s home state.

Closely related to the issue of personal jurisdiction is the concept of venue, which is where to try the case. Venue clauses between business entities are routinely enforced. A party may have personal jurisdiction but may not satisfy venue requirements. Absent a venue clause, the court will then look to what can sometimes seem like a complex calculus of rules to determine where the case should be brought. For contract cases, the court will look to where the contract was entered into, which can sometimes be where the last person accepted. Sometimes the court will look to see where the contract was to be performed. Sometimes performance is hard to define, and the factor will try to argue that performance is just the payment of money, and that money needs

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to be paid to the factor by virtue of the factor’s notification letter. An additional monkey wrench thrown into the venue decisions are when you have two parties in different locations, with the rules being trickier when one of the defendants is an individual. Venue rulings, much like personal jurisdiction fights, can turn into mini battles, with each side presenting briefs and evidence, which don’t address the merits of the case, but only decide where the case is to be tried. Keep in mind that if you are dealing with federal court diversity jurisdiction, which requires citizens of two different states and an amount in controversy over $75,000, most federal judges are happy to throw out a case and streamline the court docket for any reason.

The next gap filler question is which state law to apply. Usually that will be the law of the state where the action is brought, because that’s the easiest thing to do. Although courts prefer to apply the law of the state where it’s located, that’s not always the case. State law clauses in business contracts are usually enforced. Absent a state choice of law section, the parties will likely need to review the UCC. Model UCC Sec. 1-301 will allow the parties to choose the law of whatever state they want. However, many states have not passed this model rule yet. The net effect is, that if you don’t have a state law designated no matter which version of UCC Sec. 1-301 is being used, you will be subject to a complex set of rules known as conflict of laws, which is when courts figure which state’s law to apply.

What happens when the goods or services which are the subject of the Naked Invoice gets sold, but the parties do not address all of the specifics, and now the missing pieces need to be filled in? If you have a sale of goods, the UCC in Article 2 has plenty of gap fillers which address modification, price changes or fluctuations, and time for performance. Generally, the court will look to a reasonableness standard, which is up to the court to decide, and generally the losing side is not going to think that the court was reasonable. In addition, in a UCC sales or goods case the court will often look to the course of dealing or industry standards to fill in the gaps. Again, this can be arbitrary. In a UCC sale of goods case, sometimes the parties send competing forms which add in new and different terms. Couple the competing forms with conduct between the account debtor and the factor client where it’s not clear if the new and additional terms were agreed to, and you are now living what is every first year law student’s contract class nightmare in figuring out a battle of the forms test question, or in my case, being called upon in class by a sadistic contracts professor. In service cases, where you do not have the UCC Article 2 to govern the gap fillers, the factor is now in uncharted territory. One would hope that the court would look to Article 2 of the UCC for analogy, because at least there is a body of law which governs these gap fillers. However, the court may look elsewhere. And, to make matters worse, when you are addressing a gap filler question, you should expect a good defense lawyer on the other side to argue that no contract was ever reached because there are too many terms left open.

In account debtor litigation, the issue of performance and whether or not the goods or services were up to par will invariably come into question. Under UCC Article 2 in a sale of goods case, the court will look to the concept of merchantability. That means, were the goods fit for their intended use? Absent an agreement, in the sale of goods, every contract will have an implied warranty of merchantability. The same will apply to services. The account debtor must get what it paid for. In a Naked Invoice case, the court will be left to reasonableness standard, which can be all over the board.

Closely related to the merchantability issue, is whether or not the goods or services were timely rejected so that it’s clear that the account debtor raised its defenses (remember, recoupment and set off from Part One of this Article?). Article 2 of the UCC allows the account debtor, after a breach, to waive the breach (never happens when the factor client goes under), reject part of the goods, or reject all of the goods. Rejection must be in a timely manner and it must be clear that the goods are rejected. The account debtor can, if it rejects the goods, return the goods (remember, you own the returned goods since you factored the invoice), or liquidate the goods if they can’t be returned or carry out the factor’s reasonable instructions. The key to whether or not there was a timely rejection with a Naked Invoice contract is what was reasonable under the circumstances. This means, that generally the goods should be rejected quickly. However, there are always issues that the defects were latent or there are issues relating to the drop

Keep in mind that if you are dealing with federal court diversity jurisdiction, which requires citizens of two different states and an amount in controversy over $75,000, most federal judges are happy to throw out a case and streamline the court docket for any reason.

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No matter which side of the political spectrum you reside, the overall approval rating of Congress was an abysmal 14% prior to the November elections which tells us they can't do much worse in the eyes of their constituents. Will the new Congress once again try to repeal Obamacare? Will we finally see some meaningful legislation on immigration, tax reform, and fair trade deals with Europe and Asia? Only time will tell, but doing nothing surely is not a recipe for success.

As for global events, the Middle East unrest continues. The situation in Syria is worsening by the day which has led to the birth of a more potent faction of Al Qaeda known as ISIS. They have already taken over large swaths of land in both Syria and Northern Iraq in their quest to create a separate Islamic state. The United States has maintained a hands-off policy, allowing the Iraqi government to run their country without US interference. Unfortunately, the situation has deteriorated, forcing the United States to provide air support, and ultimately, build a global coalition to combat ISIS.

The price of oil continues its downward slope with current prices still below $80 a barrel. To the average American, the drop in gas prices is welcome news, especially heading into the holiday spending season, with extra disposable income. Some economists have likened the savings at the pump equivalent to a tax rebate which is likely to stimulate the economy. There are other factors to consider before we start going back to our gas guzzlers from decades past. Will OPEC cut production or will they continue to sell at current prices? Time will tell. Domestically, the oil boom originated in the North Dakota Bakken Oil region through hydraulic fracting. This process allows for horizontal drilling by pumping pressurized liquid deep in shale rock formations, allowing for gas and oil to flow freely. More rich petroleum and gas deposits are located in Texas and the eastern US. This is still a complicated issue since oil is traded on the commodities market and subject to market fluctuations not necessarily tied to supply and demand.

Using this information as a backdrop, will 2015 be a good year for the asset based lending community? It depends. What we do know is that the US economy is getting better. According to the United States Bureau of Labor Statistics, non-farm payroll employment grew 214,000 in October and the unemployment rate edged down to 5.8%. Although corporations are starting to expand, we still see the need for cash flow providers to fuel growth. Banks and other institutional lenders are lending more to businesses but not enough. The after effects of the global recession are still being felt, with very tight lending restrictions and strict requirements for business loans. From our vantage point, a growing economy is good for invoice factoring companies and other niche lenders. The domestic oil boom in North Dakota has proven to be very prosperous for transportation factors providing capital to small, mid-sized and fleets of trucking companies that are hauling oil and gas for large, well capitalized corporations. We believe that one of the biggest misconceptions with factoring is that our services are best suited for companies as a last resort to stay afloat. Our experience over the last several years is that...
expansion creates the cash flow demand from our clients. Many of our past and current clients have business loans that are not adequate to meet their demands.

Pop-up lenders are now the rage on the internet, catering to small businesses. I’m sure these providers have found a niche by using social media as a way to get their message out to the masses. We’re sure the surge will end with only the strongest surviving. Whenever there is a herd of folks chasing the same demographic in the business or consumer market, we advise our clients to proceed cautiously. Generally, if something sounds too good to be true, it usually is. As I’ve stated in previous articles, we feel that our services are all about relationships. A good factoring company understands their client’s business model, and most importantly, the reason why they are utilizing the services of that factoring company. Contrary to popular belief, we advise many of our prospects to seek other forms of financing if we feel that invoice factoring isn’t the right fit, for example, if the applicant’s margins are too thin to justify the cost since their sales are in a mature period. In other cases, the client may need a bridge loan to offset some short term cash flow crunch or they simply may require purchase order financing to get parts and materials to fulfill orders. No matter what the situation is or where you direct your prospect, integrity is a cornerstone for every successful business.

Nobody knows for sure how 2015 will shake out for lenders, businesses and consumers. The indicators are pointing in the right direction at home; let’s hope the rest of the global community follows suit. At the end of the day, be fair with your clients, be prudent in your due diligence, and most importantly, be profitable and successful in the New Year! •

LEGAL FACTOR
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shipments. If the account debtor acts in a manner contrary to rejection, then the court should find that the account debtor accepted the goods. Generally, the law regarding acceptance and rejection is similar to services, but depending on the nature of the services, there could be issues in determining what was a reasonable time for rejection.

We’ve just gone through a litany of potential problems, for which attorney’s fees will be incurred. What’s missing from the Naked Invoice is an attorney’s fees provision, which you will generally need to recover all the fees being spent. Thus, sorting out a problem in a Naked Invoice case can be quite expensive with no possibility of recovering your attorney’s fees.

Funding a Naked Invoice can be a scary proposition. Part Three of this Article will synthesize the first two parts, and focus on how to get around the problem. We will focus on forms of invoices for both goods and services, and the best practices in financing a contract, which is subject to a full-blown agreement between the factor client and the account debtor. •

AFA UPDATE
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hear your story. Please contact an AFA Board Member if you would like more information or to share your experience.

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.
2015: A LOOK AHEAD
NOVEMBER/DECEMBER 2014
Hello there!

My name is John Borrower, and I come to you from the future. I am here to try and help you navigate the future, as you try to understand what that looks like from a client’s perspective. I know how hard it must be to find prospective clients today, but it is only going to get tougher when you meet a prospect like me fifteen years from now. I know this probably won’t be easy to understand, but I think if I can share what we are like and what we are looking for in a lending relationship, it might help make your business thrive into 2030! Not everyone will get on board, believe me; I’ve seen it over these past fifteen years.

Let me start by giving you a little background on myself. I’m 40 years old and I own a high growth manufacturing company. I’ll tell you more about my company in a minute, but for now, a little bit more about myself. In the year 2014, the year you are reading this, I was 25 years old. I know...I know, just a little pup. I was the “millennial” that you are all railing against these days. I remember how “entitled” you all thought I was and that with my work ethic, I’d never amount to anything. Now I have a $50 million dollar company. I kept telling you guys, I don’t work hard, I work smart.

My company, like many successful companies, started from my condo. We grew by leaps and bounds in the first two years. We used a factoring/asset based lending firm for the first two years because they were the only ones willing to lend to us and learn about our entire business. Banks weren’t really interested early on, but we have now transitioned to a traditional banking relationship.

I have three kids and a great wife. Life is great because I work primarily from home, since the advent of the “Work From Home” corporate tax break went into effect in 2022.

I get to walk my kids to school every day and enjoy a cup of coffee with my wife before heading into the office now. For my generation, it’s not about work-life “balance”, but work-life harmony. We remember our parents putting in 60 hours a week in the late 90’s, only to have their retirements wiped out in the crash of 2008. This completely reframed the way we look at work and the stresses and time commitments that come with it. I say this to clue you in to how we think in 2025 and how you will market to us. Of course, we have some price sensitivity, but nowhere near as bad as it is in your time now. In a lender, we look for a deeper relationship, versus just the cheapest option.

I can hear you now, “…but John, we can work from home already...you can’t run a manufacturing company from a home office”. I remember that phrase from one lender in 2020 as the excuse for why they wouldn’t lend to us. The difference in my time is that every single, solitary piece of our manufacturing is connected to the internet, which means my
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real time updates come faster than the LinkedIn update on your iphone. Oh, and not to give away insider info, but Facebook bought LinkedIn in 2025. It’s called Facebook Business now. Anyhow, let’s just say that our manufacturing system is more advanced than your current inventory system. My current lender loves it because they get real time updates of inventory, how our line is moving, and our shipping times. They can also shut down all of our equipment remotely should we miss a payment or find ourselves in default. Heck, they can even see when we have a breakdown on the line for whatever reason, but they generally don’t worry because with advanced robotics, the line fixes itself in no time.

Another thing that is different in my time is messaging. I know you’re going to be sad to hear this, but email is dead. It faded into the ether like the fax and the landline before that. If someone needs to reach you, it is done through a social networking service or project management software. It is received instantly in your “lens”. What is this “lens” you ask? It is what we now use for everything. Remember when Apple released the iPhone and changed the world and the way we interact? Well, they released the iLens, which is a removable contact lens that functions as your all in messaging service. Phone, messaging, internet are all included in this tiny little lens. Sound overwhelming? It kind of is. Just like in your day of email, we are inundated with messages, ads, and all sorts of other noise. You love this because you can target and market to us by what we see and use. As a lender, you also like it because you can see what we see, which makes underwriting and due diligence easier.

How do you type into a contact lens you ask? Keyboards no longer exist. They were on their way out in 2015, but now we don’t even have laptops or PC’s. We now use thought to “create” our messages and those are sent through the lens.

Companies have made great strides in trying to keep their teams productive. In fact, as our lender, you now ask on a regular basis what the productivity level of our staff is. You have seen it directly impact our P&L, so now it is standard operating procedure to ask about it. In some business circles now, this is called the “Happiness Factor”. I know it sounds cheesy, but I didn’t come up with it. Over the years, you realized that the value of a company isn’t only measured by the product they sell. A leading indicator is culture and how strong it is within an organization. You guys are starting to see it now in 2015, but it really takes off here in the late 20’s. How does this apply to you? Simply put, there is an advantage to underwriting the core and character of a company, not just our balance sheet. At the same time, we, as your borrowers, will be “underwriting” you the same way. It won’t be enough just to offer us money; we will want to see how great your team is and how happy they are to be working for you. Remember, we don’t just want to make a bunch of money; our generation wants to enjoy doing that, and if you have a company that is a pain to talk to everyday, you can bet we are less likely to choose you.

Speaking of social networking, remember when you thought it was a fad in 2015? Well, I suggest you get on the bandwagon now, because if you don’t, you’ll go the way of the Blackberry. Remember, I grew up in the days of social networking, so as your client, I expect to interact with you on a personal level in these networks. I expect to have a one-to-one relationship with my lender because you are the one that makes my business keep moving. I remember, in the late twenty-teens, the wave of transparency that came over the lending industry. There were a few that didn’t want to ride that wave, and because they were being reviewed by everybody and anybody, they lost my business and many others.

Well I must be going. I hope I was able to help in some way. I know we are different than what you are used to, but we have incredible potential and want you to help us cultivate our passion by being our partner and lender. I look forward to meeting you in 2030! •

Ryan Jaskiewicz is CEO of 12five Capital, LLC. He started 12five Capital in early 2006 at the age of 23. Ryan grew up in the finance industry; his father is a 25-year veteran of the factoring industry. Ryan attended University of Illinois at Chicago where he received a Bachelor of Arts in Political Science with an emphasis on international politics and economic policy. Ryan is married with two little girls and lives in La Grange, IL. Ryan can be reached by phone at 630-270-3072 ext 3 or email at ryan@12five.com.
this year. Our golf tournament will be at the Lakewood Golf Club, which is nestled among beautiful Louisiana cypress and oaks and one of the South’s premier golf destinations. Our golfers always have a fantastic time, and the tournament is our most popular activity every year. Meet new friends, engage in some business, or just stick to the game; it’s up to you!

Other activities we have planned are a Culinary Culture Walking Tour (New Orleans history and food; what more do you need?), a Guest Tour that will include Houmas House Plantation & Gardens and lunch (the crown jewel of Louisiana’s River Road), and a Louisiana Bayou Swamp Tour. If you would like to really experience New Orleans, then plan on coming in the weekend before the conference for the French Quarter Festival or staying the week after for the Jazz & Heritage Festival. These events showcase the music, culture, and legacy of the birthplace of jazz.

The 2015 Factoring Conference promises to deliver unrivaled educational content, innovative new ideas and compelling speakers. Connect with influential leaders and peers to keep abreast of the latest developments, resources and trends concerning the factoring and asset based lending industries. The invaluable networking opportunities, compelling speakers, and quality of information makes this the must-attend event of the year. As they say in New Orleans, “Laissez les bons temps rouler.” Let the good times roll, and I will see you in New Orleans!

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