A PUBLICATION OF THE INTERNATIONAL FACTORING ASSOCIATION

COMMERCIAL FACTOR

DECEMBER 2019 | VOL 21 | No. 6

From Blackberries to Smartphones: A Decade to Remember

The Big Squeeze

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FROM THE MANAGING DIRECTOR

BY HEATHER VILLA

Where do you see yourself in 10 years? What are you doing to get there? Technology makes change inevitable and easier, but how are you going to use that change to adapt and grow?

As 2019 comes to an end and another decade begins, I think about how far the International Factoring Association (IFA) has come over the past 10 years. In 2009, the IFA had roughly 325 corporate members, and the IFA Annual Conference had about 500 attendees. Fast forward to today and we have 500 corporate members and more than 850 attendees at our Annual Conference. Our growth was brought on by many changes. Adapting to these changes, listening to our members and providing opportunities for them to grow has strengthened the industry as a whole and contributed to what we are today.

The 2020 IFA Annual Conference aims to prepare you and your business for the changes that lie ahead and provides a strategy to help you use those changes to grow. Some of the topics at this year's conference are:

- The Big Shift: How Customer Behavior & Technology is Changing the Future of Factoring
- Digging for Hope: Turning Wine to Water and Other Modern-Day Miracles
- What Happens Next? Looking Backwards to See into the Future
- Rise of Fraud in the Digital Era
- Culturetopia — The Ultimate High-Performance Workplace
- Learn from History or be Doomed to Repeat It
- A Look into the Future of Factoring Technology
- Current Topics in Transportation Factoring & Driverless Trucks
- Report form the Courts
- Acquisitions & Future Planning
- Supply Chain Finance
- Interactive Legal Panel at Lightning Speed
- Tech 101 for Factors
- Factoring 101
- Risk Management in Cross-Border Factoring
- Canadian Legal Panel
- Roundtables including: Women in Commercial Finance, Senior Executives, Young Professionals, Operations, and Small Factors

The best way to adapt to change is to have support from others and expand your peer-to-peer connections. The only way to fully understand the internal challenges factoring companies face is to connect with others and learn from their experiences. The IFA Annual Conference provides an opportunity to build meaningful relationships that will help your company thrive in the turbulent times ahead. The conference will take place April 22 to April 25 in Nashville, TN. More information can be found at www.factoringconference.com.

Also, over the past decade, the American Factoring Association (AFA) has been helping you prepare for the future by monitoring legislation that can directly or indirectly affect factors. The AFA was formed as the education and advocacy arm for our industry in 2009. During its first decade, the AFA has become a meaningful success. It has established strong bipartisan contacts at all levels of government, ensuring those contacts understand our industry and how we differ from other industries that have come under fire recently. If you have not supported the AFA, please consider doing so today. More information can be found on page 18 and at www.americanfactoring.org.

In addition to the Annual Conference, the IFA offers webinars, training classes and meetings to support the factoring industry. Some of our 2020 offerings are listed on our website at www.factoring.org. Check back frequently to find more class announcements. The IFA strives to keep you informed of current events, educate members with quality training and help you prepare for the changes ahead to help you grow and succeed in your business during the next decade and beyond.

COMMERCIAL FACTOR

IFA INTERNATIONAL FACTORING ASSOCIATION

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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.**

NEWS

INDUSTRY NEWS

Canadian Fraudsters Fleece Finance Firm of $300K

A Hamilton couple who systematically ripped off more than $300,000 from a local finance company found their cunning plan quickly became a dead duck of substandard deception.

Sanita Devi Singh, 39, and Vimlesh Vikash Chand, 39, were sentenced to nine months and 11 months of home detention respectively when they appeared in the Hamilton District Court on four charges each of causing loss by deception.

Singh had pleaded guilty to the charges while Chand was found guilty by a jury following a trial presided over by Judge Robert Spear. The couple were running a business importing goods that they then sold to other businesses in the local Indian community, when they began employing the services of a small factoring company that they decided to fleece.

From August 2015 to February 2016, when their duplicity was discovered, the couple and two accomplices from their home village in Fiji made just over $300,000 in illegally-obtained invoice funds.

Their sentencing was delayed more than once to allow the couple — who now live in Papakura — to obtain funds to pay back their victims the outstanding amount of $191,823 they still owed, which Judge Spear ordered be paid at no less than $4000 per month.

A family home in Fiji is now on the market and if this was sold, and the reparation paid in full, the judge said he would entertain a possible reduction in their home detention time.

TAB Bank Completes $46MM Acquisition of BAM

TAB Bank has finalized the acquisition of BAMFi's $46 million BAM Capital division.

This is TAB Bank's fourth successful completed acquisition of a working capital loan portfolio. TAB will retain the operations and staff at BAM's office in Dallas.

BAMFi, a software provider for the secured lending industry, will continue to own FactorCloud, its proprietary, all-in-one, cloud-based secured lending software solution.

Republic Acquires Continental and Fast A/R Funding

Republic Business Credit expanded its business finance platform with the acquisitions of Continental Business Credit (CBC) and Fast A/R Funding.

Republic partnered with CBC's CEO, Matt Begley, to transfer substantially all of its assets to form Republic's new West Coast office. Republic is expanding its national platform through a dual strategy of organic growth and complementary acquisitions that add new products, talent and geographic expansion. Republic's new products will include traditional non-recourse factoring, asset-based lending and a technology-enabled small ticket factoring platform to add to its ledgered line of credit and factoring offerings.

Stewart Chesters continues as the CEO of Republic, with Robert Meyers as president and Matt Begley joining as COO.

Republic has made additional personnel changes to support the acquisitions. Jason Carmona was promoted to EVP, Western Regional Manager, tasked with building out a new business team that supports its growth goals. Vanessa Johnson has joined the team as EVP, Asset Based Lending.

Republic will remain headquartered in New Orleans, with offices in Los Angeles, Houston, Chicago, Nashville and Minnesota.

NEWS

Crestmark Equipment Finance President Joins ELFA Board

The Equipment Leasing and Finance Association has named Crestmark Equipment Finance President Thomas R. Rutherford to its board of directors for 2020.

An active member of ELFA, this is Rutherford's first time serving on the board of directors, where he will serve one three-year term on a staggered basis.

ELFA's board of directors develops and sets policy, provides for resources, adopts the strategic plan and budget, and monitors overall operations for the association. The board also appoints an executive committee, nominating committee, investment committee and audit committee

Rutherford joined Crestmark in 2014 through the acquisition of TIP Capital, an equipment leasing and finance company which he co-founded in 1999. He has more than 30 years of experience in sales, marketing and operations, with more than 25 years of experience in technology financing. Prior to TIP Capital, Rutherford was the director of syndications for AT&T Capital Systems Leasing, where he was responsible for the placement, syndication and management of a diverse portfolio of equipment financing transactions. Rutherford also has held Series 7 and a Series 63 Securities licenses.

Crestmark Launches Healthcare Financial Services Division

Crestmark has launched a new division offering medical accounts receivable financing to businesses in the healthcare industry.

The division will be led by Ray Zilke, first vice president, division manager based in Franklin, TN. Zilke will report to Steven Tomasello, Crestmark executive vice president.

Zilke joined Crestmark in November 2005 as an account executive for the Midwest region at Crestmark's Troy offices. In 2010, he was relocated to Tennessee, where his contributions played an integral role in reorganizing the Transportation Services division. In 2012, Zilke was promoted to first vice president, underwriting and portfolio management for the Transportation Services division. Under his leadership, write-offs were reduced, and portfolio performance improved to top tier.

Zilke served as vice president, asset-based loan officer and special assets loan officer at GMAC Commercial Finance. Earlier in his career, he served NBD Bank as assistant vice president, field exam team leader, as well as loan officer.

CANADA CHAPTER EVENTS 2020

February 11
Economic Outlook

March 10
Cybersecurity

April 22
Chapter Reception at the IFA Annual Conference
4:30pm–5:30pm
Omni Nashville, Nashville, TN

May 5
Factoring & Technology

June 9
Business Transactions & Factoring

Meetings Location:
Mississauga Living Arts Centre
Scotia McLeod Room
4141 Living Arts Drive
Mississauga ON L5B 4B8

For more information, call Oscar Rombolà at (905) 603-6284 or email orombola@accutraccapital-itc.com. Visit IFA Canada's website at www.FactoringAssociationCanada.com.

INDUSTRY TRANSACTIONS

Pinnacle Provides $995K Facility to Aerospace Company

Pinnacle Capital Finance has funded a $995,000 accounts receivable line of credit for a company that manufactures casings, sheet metal and extruded products for the aircraft, military and space industry.

The company has been an industry leader for 40 years and has the largest privately held inventory of forming equipment in the world.

The line of credit will be used to supplement cash flow during crucial times of need, meet payroll demands and increase sales and production.

BFS Canada Provides $1.8MM Facility to Emergency Relief Company

Bibby Financial Services provided an $1.8 million factoring facility to an emergency relief restoration services company specializing in remedying damages on buildings caused by floods, fire, mold, and asbestos.

Previously funded by another factor, the company contacted BFS looking for better customer service and lower rates. With BFS' factoring facility, the client was able to retain a significant contract and fund its day to day operations as the business grows.

In addition, BFS North America extended an additional $1 million to clients, primarily in the transportation industry in October 2019.

White Oak Agents Facility for Virtus Pharmaceuticals

White Oak Healthcare Finance acted as sole lender and administrative agent on a senior credit facility for Virtus Pharmaceuticals, a portfolio company of Linden Capital Partners.

Proceeds were used to refinance existing debt and provide liquidity for strategic initiatives and working capital.

Virtus is a specialty pharmaceuticals company.

Gibraltar Provides $8MM Facility to Sports Equipment Company

Gibraltar Business Capital provided an $8 million line of credit to a sports equipment company.

The company was referred to Gibraltar by a turnaround consultant. The client was an industry-leading retailer/e-tailer of new and preowned golf equipment, shoes, apparel and accessories. The company had been in business selling sports equipment to consumers through its multiple ecommerce sites.

Despite a good track record of sales, the company had run into temporary setbacks in business performance. In addition to seasonality associated with its product mix, declining margins on discontinued products and shifts in product demand required the company to make changes to its product mix strategy.

IFA CALENDAR OF EVENTS 2020

January 23–January 24
2020 Presidents & Senior Executives Meeting

April 22, 2020
Factoring Essentials Training Class
Omni Nashville, Nashville, TN

April 22–25
2020 Annual Factoring Conference
Omni Nashville, Nashville, TN

June 8-9
The Law and Business of Factoring Training Class
Planet Hollywood, Las Vegas, NV

June 11-12
Account Executive/Loan Officer Training Class
Planet Hollywood, Las Vegas, NV

InterNex Provides $1.5MM Revolver to Grocery Importer

InterNex Capital completed a $1.5 million revolving line of credit for a grocery importer.

The company imports and distributes foods from Europe and Asia into the U.S. The company needed working capital to support continued growth and expand customer base.

InterNex provided a flexible revolving line of credit powered by the Velocity technology platform's real-time borrowing base.

Encina Provides $30MM Revolver for Coal Producer

Encina Business Credit provided a $30 million senior secured credit facility to a company that produces coal for blast-furnace steel production.

The facility consists of a revolving line of credit based on accounts receivable and inventory.

Loan proceeds will be used to provide a dividend and to support working capital, capex and other corporate requirements.

Utica Leaseco Provides $750K Facility to Medical Company

Utica Leaseco provided a $750,000 true lease secured by machinery and equipment to a medical company based in California. Utica provided the working capital for this company for new purchases.

Austin Provides $5.5MM Facility to OEM Supplier

Austin Financial Services closed a $5.5 million accounts receivable and inventory revolver and M&E term loan to a tier 1 OEM supplier of plastic and metal components located in the Southeastern U.S.

The company had outgrown its line of credit and was to looking to maximize the value of its assets and improve its liquidity position.

Proceeds from AFS' revolver were used to pay off the company's existing line of credit, fund ongoing working capital needs, and provide new capital to support projects for long term growth.

Rosenthal Provides $1MM PO Facility for Women's Footwear Designer

Rosenthal & Rosenthal completed a $1 million inventory production finance deal for a well-known designer and importer of women's footwear.

A New York- and London-based designer of women's footwear was experiencing rapid growth due to an influx of orders from both its U.S. and European customer base. The company's European-based factories were looking for either deposits or payment assurance before they could begin production.

Rosenthal's purchase order finance facility allowed the client to obtain goods from multiple European suppliers by funding the required inventory via letters of credit, which were issued in EURO-denominated currency. The PO finance facility also funded all freight, duty and logistics costs. With Rosenthal as a preferred strategic partner, the company did not require overadvances, nor would it need to raise additional equity and dilute ownership of the business, as the company had done in the past.

Gateway Completes Two Transactions Totaling $1.5MM

Gateway Trade Funding provided a $1 million PO facility to a Canadian linens distributor and a $500,000 facility to an athletic equipment supplier.

The Canadian company sells specialist towels and linens imported from India to hotels. The company needed a PO facility to close its cash flow cycle. Gateway was able to supply a letter of credit to its Indian supplier. The facility has helped the Company grow further than its original projections.

Gateway also partnered with a factoring company to help provide a $500,000 PO facility to a three-year-old Midwest-based winter athletic equipment and apparel company that supplies goods to outdoor retailers. The company's anticipated growth potential (100% year on year historically) was restricted due to a lack of working capital to pay suppliers, despite high gross profit margins. The PO financing facility provided a letter of credit to its Chinese manufacturer.

Crestmark Tops $40.1MM in Funding to 92 Firms

Crestmark provided more than $40.1 million in commercial financing to 92 businesses in the first half of November 2019.

This included a total of $13.1 million in ABL financial solutions for seven new clients; $16,833,431 in eight new lease transactions from Crestmark Equipment Finance; $7,397,038 in 78 new lease transactions from Crestmark Vendor Finance; $1,432,735 in financing for one client from the Joint Ventures Division; and $1.345 million in financing for one new client from the Government Guaranteed Lending Division.

Tradewind Closes $2.5MM Facility for Sustainable Homewares Firm

Tradewind has closed a $2.5 million trade finance facility for a company based in China and the U.S. that sells sustainable, ecologically sourced, and manufactured homewares.

The company exports to major retailers in the U.S. including Amazon, Target, Kroger, and The Container Store, as well as to distributors in key international markets globally. The client leveraged the many benefits provided by international trade finance companies and used the accelerated cash flow for working capital. This trade finance service solution allowed the client to increase production volumes, expand into new distribution channels, and initiate diversified brand marketing.

NEWS

Celtic Provides $2.6MM A/R Funding to Furniture Manufacturer

Celtic Capital provided a $2.6 million A/R facility to a California-based manufacturer of high-end furniture.

This borrower had a long-term relationship with its bank, but after losses and covenant violations, was asked to seek alternative financing. The bank, who continues to think highly of the borrower, referred the client to Celtic Capital to replace the bank's line of credit and provide additional working capital to carry the company through its slow season.

NORTHEAST CHAPTER EVENTS 2020

January 22

Northern New Jersey Networking Group Breakfast
Time: 9:00am - 11:00am
Real Estate Financing and Interaction with Working Capital Lenders. Presenter: Dana Malley — Harvest SBF, LLC
Coach Diner, Hackensack, NJ

January 29

Networking Luncheon & Presentation
11:45am–2:00pm
DIP Financing
Presenter: Vincent Galano — President, Prime Capital Group
Trattoria Rosa Bianca, Yardley, PA

February 12

Joint Super Networking Party
6:00pm–9:00pm
Iberia Tavern Restaurant, Newark, NJ

February 18

Northern New Jersey Networking Group Breakfast
Time: 9:00am - 11:00am
Dealing with MCA Stacked Accounts. Presenter: Stuart Wells — White and Williams
Coach Diner, Hackensack, NJ

March 3

Joint Annual Meeting with NYIC
Arno Ristorante, New York, NY

April 22

Chapter Reception at the IFA Annual Conference
4:30pm–5:30pm
Omni Nashville, Nashville, TN

For more information, call Harvey Gross at (732) 672-8410 or e-mail hgross4@verizon.net or visit www.ifanortheast.org

PERSONNEL NEWS

Bibby Names Barber Regional Sales Manager — East

Scot Barber joined Bibby Financial as regional sales manager — East.

"Scot has nearly 30 years of experience in factoring and a track record of surpassing goals and maintaining strong relationships," said Jay Gardner, EVP, national sales manager. "We have no doubt he will be a valuable asset to our team. With Scot's management, we expect to strengthen our market presence and expand our financing capabilities in the East region."

Most recently, Barber held the position of vice president and business development officer at Wells Fargo Capital Finance, selling asset-based and factoring solutions primarily to small and mid-sized companies in the southeastern United States.

Previously, Barber was vice president and business development officer at Presidential Financial.

Bernstein Joins Change Capital as General Counsel

Scott H. Bernstein joined corporate financing provider Change Capital as senior vice president and general counsel.

Bernstein brings extensive bankruptcy, reorganization, and commercial litigation experience, representing financial institutions, financial services companies and secured and unsecured creditors.

Bernstein was most recently counsel at Blakeley, a bi-coastal creditors' rights boutique, and served in similar roles at Stradley Ronon Stevens & Young and McCarter & English.

Before entering private practice, Bernstein served as a law clerk to the Honorable Robert E. Gerber of the U.S. Bankruptcy Court for the Southern District of New York.

Crestmark Promotes Trendell to BDO

Crestmark promoted John Trendell II to business development officer. He is based in Troy, MI and will report to James Farrell, senior vice president, sales manager.

Trendell joined Crestmark in May 2013 as a vice president in Crestmark's underwriting group. He was promoted to first vice president and underwriting manager in 2014. Previously, he was managing director for Great Lakes Business Credit, assistant vice president and relationship manager for LaSalle Business Credit, and a collateral analyst, auditor and audit manager for Greenfield Commercial Credit.

MIDWEST CHAPTER EVENTS 2020

Events TBA

For information on upcoming events, contact:
Robert Meyers
IFA Midwest Chapter President
Republic Business Credit, LLC
rmeyers@republicbc.com

FSW Funding Hires Director of Underwriting

FSW Funding hired Patrick Cooper as director of underwriting. FSW continues to grow both its factoring and asset-based lending portfolios which dictates the need to increase the underwriting staff. Cooper is based in Phoenix and will help build out the underwriting and credit team to support continued growth.

Cooper started his career as an underwriter and has spent the last five years as the portfolio manager of Bankers Trust Company.

Rosenthal Expands Southeast Sales Team

Rosenthal & Rosenthal appointed Leigh Lones as senior vice president, Southeast Regional sales manager, and Al Foster as vice president, business development officer.

Lones will be based in the Atlanta office and Foster will operate remotely out of Tennessee.

Lones will be responsible for growing Rosenthal's client portfolio across the Southeast as well as developing a dedicated sales team in the region. She has successfully delivered multi-million-dollar factoring and asset-based lending transactions in her previous roles at banks and independent finance companies. Most recently, Lones was a director at Equiniti Riskfactor, responsible for selling risk management software to banks and finance companies. Her prior experience includes serving as CEO Americas of Bibby Financial Services and holding a variety of senior leadership roles at Citizens Business Credit, Congress Financial Corporation, Citibank and Bank South.

Foster brings more than 20 years of sales and marketing experience in the commercial lending industry to Rosenthal, where he will focus on business development across the southeast. most recently, foster served as vice president at Lighthouse Financial, where he covered key markets across Georgia, Ohio, Kentucky, Alabama and Tennessee. Previously, he held business development roles at a variety of commercial lending institutions, including Keltic Financial/Ares Commercial Finance, First Tennessee Bank, Bridge Business Bancorp and Wells Fargo Business Credit. •

Three Steps to Standardize Your Data Quality

Data is the lifeblood of the factoring industry, but determining the quality of that data is critical. Matthew Debbage explains how to obtain and use data to enhance your business.

BY MATTHEW DEBBAGE

In the factoring industry, the ability to instantly assess a company's legitimacy is key. Data isn't just a part of this process; it's the lifeblood that indicates whether a company is likely to succeed and whether it's likely to pay back its loan.

Yet, simply having easier access to data does not guarantee the quality of the data or its usefulness in effective analysis.

QUALITY OVER QUANTITY

High-quality data is a crucial part of factoring. In the U.S., public company data is generally high-quality and readily accessible. Large companies, such as Coca-Cola, Cargill, and Dell, publish financials regularly. However, large public companies represent just 0.1% of U.S. business. When it comes to micro entities, which comprise about 80% of U.S. business, data access and quality can be diminished. A major reason for this diminished data is the lack of regulatory requirements to file financials in the U.S., unlike in Europe.

The lack of data integration in the factoring industry cannot be traced to data access alone. As a whole, the industry is not making full use of data capabilities, particularly when it comes to international lending. Traditionally, international data reports have been quite expensive and difficult to access. With historic

price tags of up to $500 per report, factoring companies were often deterred from trying to utilize them.

THE CHALLENGE OF NUANCED PROCESSES

In the past, factor and ABL lenders pulled pricey, cumbersome credit reports manually. They phoned and faxed references debtors provided, yet often came up short of the insights they wanted. Although this manual method only covered about 10% of a creditor's profit, lenders still relied on it because it allowed them some way to vet new clients, update records and increase credit limits.

Technology can work wonders for factoring, especially when it comes to digitizing and automating business processes. New software can pull reports instantly, and CRMs automate all client and debtor data. However, it can be difficult to implement such improvements, especially in small businesses, which leaves many in the industry struggling to get and maintain high-quality data. Each organization goes about data maintenance differently, from the way they structure their accounting systems and online order management to how they track online payments. To use business and credit data to its full potential, systems and processes must be put in place, enabling smarter business decisions.

THE KEY TO MAXIMIZING THE POTENTIAL OF YOUR DATA

Wherever you fall in the factoring industry, here are three steps you can take to refine your approach to data quality and analytics:

1 Conduct a quality assessment on current data.

Start by determining which of the four stages of data sophistication your organization currently falls into.

- ***Unaware:*** There is no understanding of data impact.
- ***Reactive:*** There are no data-specific roles, just tactical fixes within department silos.
- ***Proactive:*** There is clear ownership between business and IT with a focus on root-cause analytics.
- ***Optimized:*** The chief data officer (CDO) is responsible for firm-wide data assets, and data quality analysis is standardized.

By understanding where your company stands, you'll be better equipped to make the changes necessary to boost your data quality. If you're in the reactive stage and want to get to the proactive stage, for example, hire a single data owner (e.g., a CDO) to take responsibility for the quality of your data and the processes for improving it. Eventually, you'll also want to add a broader team of professionals, such as data scientists and analysts, to support the data owner.

2 Decide what you want from the data.

Remember, data in factoring is about quality, not quantity. Volume is not the priority; the analysis of data and making decisions based on it is the focus. Start by determining the business purpose for each data point. From there, you can set specific key performance indicators to monitor the efficacy of your data improvement efforts. These metrics will also help you define a clear ROI for plans to improve data quality, which will help you secure leadership buy-in and resources.

Additionally, understanding what you want from your data will better equip you to research the types of technology you need to streamline data quality analysis across your company.

3 Standardize proactive processes.

Once you have the right objectives and people in place, it's imperative to standardize data quality control as part of your day-to-day operations. If you wait until there's a problem or inaccuracy to conduct data quality analysis, you'll end up with messy, useless metrics at best. At worst, you could make poor decisions that negatively affect your brand and revenue.

If you focus on staying proactive, you can develop your data management process from both business and technical lenses. Your primary data owner should be the one to make the connection between business objectives and the execution of quality improvement initiatives. That way, he or she has complete ownership over both the technical and strategic components, ensuring efficiency and effectiveness.

It's easy to be reactive when it comes to assessing data quality. But a proactive approach is imperative to your success in the factoring industry. By analyzing the current state of your data and creating a strategic plan to institutionalize quality management, you'll help ensure your company is making smart business decisions. •

Matthew Debbage is the COO of Creditsafe Group and the CEO of Creditsafe USA and Creditsafe Asia. He has been responsible for Creditsafe's international expansion across Europe, Asia, and the U.S. Matthew has been building a career in business intelligence and company credit management solutions for more than a decade and has developed global expertise along the way.

The Great Squeeze...

Factoring is Changing, and We Factors Must Change with It

Factors face many challenges in today's market as clients clamor for faster, easier ways to obtain working capital. Robert Meyers reflects on changes that have affected the industry over the last few years and insists that those disruptors will only make it stronger.

BY ROBERT MEYERS

The end of the year always provides a natural pivot point to reflect and plan for the following year. As entrepreneurs, we are optimistic by nature and often convince ourselves that next year will be better, even if we are not quite sure why. We update our three-year plans to tackle our known challenges head on. We all conduct some version of a self-assessment. Business confidence remains high, but I do not know an entrepreneur who isn't feeling a little more tired recently.

In times like these, we suggest dusting off strategic frameworks to articulate those feelings. No framework is more classic, or appropriate, for factoring than Porter's Five Forces. They include bargaining power of suppliers, bargaining power of customers, industry rivalry, new entrants and substitutes. Feel free to search *Harvard Business Review* or most journals to get the unfiltered definitions.

BARGAINING POWER OF SUPPLIERS

We have long adopted the position that it is better to know capital providers over time, gain references and discuss your strategy long before you need to use it. Those capital partners might consist of high net-worth family offices, private equity, banks, non-banks, institutional funds and an eclectic collection of folks that are looking for high yields on capital. The number of capital providers seeking specialty finance companies has grown exponentially, providing more options, choices and creative structures. At the end of the day, it can feel like you are working for your debt providers if you are not careful,

but more favorable terms and structures exist today. There are unique challenges based on the amount of money, often feeling that it might be easier to raise $25 million than $10 million. We choose partners that believe in our long-term outlook.

Result: *Slight advantage to entrepreneurial lenders and factors*

BARGAINING POWER OF CUSTOMERS

Any benefit we have experienced in our supply chains has been utilized by our customers tenfold. We face a tough environment to profitably add customers, balance risk and retain clients. Besides the obvious impact of the internet, our customers have grown to expect fast mobile, easy and convenient user experiences. For the factoring entrepreneur, a repeatable new customer acquisition strategy is paramount to long-term success. We all seek solutions through technology, adding products, greater geography and equipping our people for the future.

Result: *Customers are benefitting significantly more than factors or lenders*

SUBSTITUTES

How many times in the past year have you heard about supply chain finance, blockchain, reverse factoring, dynamic discounting or community banks funding what used to be a "factoring" deal? We all scratch our heads a bit to find a clear path forward. At Republic, we accepted that the 50 or 100 debtors will likely be serviced by some version of supply chain, however, that leaves millions of businesses as debtors and customers that will still need help.

Result: *Reduces some of the market, does not eliminate the need for lending to small businesses*

NEW ENTRANTS

Rewind to 2013 for a moment. Remember the merchant cash advance? MCA companies were going to make factoring obsolete and put us all out of business Well, it is 2019, and we're still here, but MCAs did successfully disrupt the process for the better. The vast majority of MCAs continues to lose money due to the cost of acquisitions and bad debts, even during one of the longest growth periods in our history. Factoring has about 2,000 years of credit history on purchasing invoices. Bank-owned factors that embrace entrepreneurial lending, credit discipline and utilize a lower cost of capital will continue to disrupt non-bank lenders.

Still, new entrants always help an industry improve. I believe the "World is Ending" signs can be taken down regarding the MCAs at this point. Factoring and lending will continue to evolve, and we should thank the MCAs for giving us a nice kick in the pants to get moving.

Result: *Not financially in our favor, but made our companies better*

INDUSTRY RIVALRY

Factoring remains one of the last bastions of competitive good will. Much of this stems from the hard work of the International Factoring Association and the Secured Finance Network. Our industry and our customers are better as a result of this strategic collaboration between us. We still aggressively compete with each other, but we do not operate in isolation as we grow our business. It provides a tremendous referral network as each credit box, product, geography and industry presents an opportunity for someone in our community.

Result: *Tie — both customers and factors benefit*

Why is this article called "The Great Squeeze?" Factoring is evolving, our customers are evolving and our suppliers continue to become sophisticated. I will not pretend to know how the next 20 years of small business lending will evolve, but I do firmly believe that factoring will be a one of the few products that thrives over the long term. It might not look or function the same way and it will not have the same software, but factoring will still be relevant. Small businesses across the country need help, support and working capital that will never be filled by banks alone. We are being squeezed at the moment from all sides, but those moments present unique opportunities.

As Thomas Fuller said, "The darkest hour is just before the dawn."

Lastly, this article merely touches the surface the value of the IFA's Senior Leaders Meeting. It is a unique experience in which entrepreneurs gather to commiserate and discuss future trends. And you never know what will happen. Last year at the IFA President's Meeting, Stewart Chesters, CEO of Republic, shared a slice of key lime pie with Matt Begley, CEO of Continental Business Credit. That slice of pie proved to be the first step in the merger of our companies to better enable us to compete in the future together. •

Heading the Origination and Marketing departments for Republic Business Credit, **Robert Meyers** puts into practice more than 15 years of commercial finance experience. Currently, Robert serves as the president for the Turnaround Management Association Midwest Chapter. He sits on the SFNet executive committee and is past president of the Midwest Chapter of the Secured Finance Network. Robert was awarded the SFNet'sTop 40 Under 40 Award in 2016.

The World's Largest Association for the Factoring Industry

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INTERNATIONAL IFA FACTORING ASSOCIATION

TRAINING COURSES & EDUCATIONAL MEETINGS FOR THE RECEIVABLE FINANCE INDUSTRY

Jan 22 - 24	2020 Presidents & Senior Executives Meeting	Andaz Costa Rica Resort Guanacaste, Costa Rica
Mar 3	Annual Meeting with the NYIC & IFA Northeast Chapter	Arno Ristorante, New York, NY
Apr 22	Factoring Essentials Training Class	Omni Nashville, Nashville, TN
Apr 22 - 25	2020 Annual Factoring Conference	Omni Nashville, Nashville, TN
Jun 8 - 9	The Law & Business of Factoring Training Class	Planet Hollywood, Las Vegas
Jun 11 - 12	Account Executive/Loan Officer Training Class	Planet Hollywood, Las Vegas

REGISTRATION INFORMATION 805-773-0011 www.factoring.org info@factoring.org

International Factoring Association, P.O. Box 39, Avila Beach, CA 93424-0039

Payment Method: Check, VISA, MasterCard, Am Ex or Discover. **Cancellations** made 30 days or more before the course, will be refunded the registration fee less a 20% cancellation charge. No refunds for cancellations after the 30 day deadline. You may substitute attendees without penalty. **Accommodations:** Special room rates have been negotiated for all training courses & meetings. Refer to the **International Factoring Association rate** when calling for hotel reservations. **United** is the official airline of the IFA. Call **800-426-1122** or visit **united.com** and put in Offer Code: **ZFS6291314.** (Codes are good for 2019 classes only)

CLE — The IFA offers CLE credits for upcoming programs. For information on approved programs & states, please contact Heather Villa at info@factoring.org or 805-773-0011 ext. 301.

These training courses are approved for CAEF credits. For information contact Terri Baker at 805-773-0011, ext 303.

CPE SPONSOR — The IFA 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.

From Blackberries to Smartphones:

As the New Decade Dawns, Factors Adjust to Change and Serve Our Clients

As a new decade dawns, Ryan Jaskiewicz points out that you can't know where you're going if you don't understand where you're coming from. After sharing some highlights of the past decade, he gazes into his crystal ball to predict what lies ahead for factors.

BY RYAN JASKIEWICZ

It's 12:01 a.m. on January 1, 2010, and you just rang in the new decade while listening to *Tik Tok* by Kesha. Don't worry if you can't remember the song — we are all 10 years older. As you went to call your family and friends to wish them happy new year, you probably pulled out your Blackberry and dialed their numbers on the physical buttons.

The next day, as you nursed a hangover, you probably watched a movie you rented from Blockbuster or, if you couldn't get out of bed to rent one, you watched whatever was on cable. Maybe you perused a very sparse Amazon.com and ordered some pizzas the old-fashioned way — by dialing a telephone and waiting for the delivery driver to arrive. My how things have changed!

WHERE WE WERE

As we enter a new decade, it's good to look back at the decade that was. You can't know where you're going unless you know where you came from. The 2010s saw huge changes in the ways we interact as a society and in business. We saw the rise of cryptocurrency like bitcoin and Ethereum. Amazon exploded from a small online bookseller, to a powerhouse that lives in almost every room of most people's homes thanks to its virtual assistant Alexa. And Alexa has company — Google Assist and Suri — that we speak to as if they were humans.

The rise of Big Data and Big Tech progressed throughout the 2010s. Everything we know was moved from our filing cabinets to the cloud, and suddenly everything was connected. As the decade ended, we realized as a society that things may have moved too fast. We were so quick to share all of our private details on social media and with random companies, we failed to understand the possible consequences. We didn't realize that all this shared data could create wealth for others or how far these companies could penetrate our private moments.

Following the Great Recession, we moved into a bull market that has extended for 10 years. The past decade has been great for factoring and asset-based finance. We saw our bank friends tighten their belts as the decade opened, which allowed some of us to make real progress in growing our portfolios.

As is always the case, some of our bank friends have come down with a case of amnesia; toward the end of the decade they more aggressively in dipped their feet into our pool of clients. Competition is good, though, and it has taught factoring companies we have more to offer our clients than just a low price.

We've seen a huge number of mergers, acquisitions and partnering in our space over the last decade. A lot of our colleagues monetized the many years of hard work they put in, and we should give kudos to them. Some found that partnering together would help them jump to the next level. In the end, there have been more transactions in our space than I can count. We should be proud of those in our space that created something great that someone else wanted to buy.

THREAT OF THE MCA

If I had to guess at the most uttered phrase at our annual conference, it would be Merchant Cash Advance. Easily the most disruptive single threat to factoring companies in the last decade, MCAs brought their own version of finance into our industry. Give them credit for something — they saw a market that was hungry for simplification and speed. A lot of us asked why our clients would pay these prices for these crazy loans. It turns out it is more painful to tell your employees that you can't meet payroll than it is to pay 85% interest for a loan. Many of our colleagues feared for their businesses in the wake of the tsunami of MCA entrants into our industry. Turns out that it's super easy to give people money, but really difficult to collect it.

You can fill in the rest of holes yourself to add anything I've missed (GPS devices, anyone?)

Now I'd like to take a look at where we are heading in this decade. Full disclosure: I am not a futurist; I just play one in factoring industry magazines.

It's hard to say what the next decade will bring, but it is clear we have a lot of decision-making as a society ahead of us. Take data privacy and security, for example. Will we continue to leave windows of our private lives wide open or will we pull the curtains down on the huge tech companies that are mining our data in ways that we can't imagine? When I quit Facebook a year or so ago, I downloaded all my data, and I was astounded by the places

Facebook is selling every single piece of your digital and non-digital life. At the very least, can we push them to slow down and let us figure out how to treat the data we share? PSA — stop sharing your location with so many of them!

SMARTPHONES MAKING US DUMB?

The smartphone has taken over every aspect of our lives. People can't go to the bathroom without them. What a peaceful thing it must have been 40 years ago to relieve oneself. People can't stand in line without looking at their phones. Smartphones became engineered to steal away our attention. Will we take that back? Will we choose to be more present with our kids and partners? Will we be okay being bored again? Can we walk down the street without bumping into a person because neither of us were looking up from our device?

Science has proven that multitasking is a myth. I can hear you insisting, "I'm the exception, I'm great at multitasking." You're not. Get over yourself. The science is in on this. Smartphones are making us dumber. My question is, will we return to monotasking at work in the next decade? Will our businesses begin to place the correct value on our employees' ability to do deep work? Every ding, buzz and notification is a distraction that takes us and our team away from the meaningful work that can help our companies be as strong as they can be.

Without these distractions, maybe you catch that error early in underwriting that multitasking causes you to miss. Maybe you think of a new product to launch or maybe your team follows up more diligently with your clients, since they aren't being hounded by incessant email alerts and notifications. I sure hope the industry moves that way, but it doesn't feel like it is trending that way. Let's hope more leaders in our industry read books like *ReWork* and *It Doesn't Have to Be Crazy at Work* (both written by Jason Fried and David Heinemeier Hansson).

HOW WILL OUR CULTURE CHANGE?

What will culture be like in 2020, as millennials get older and take on leadership roles in our companies? How will we value our employees? My guess is that culture will become even more important as people decide where they want to spend their careers. The trend seems to be moving in the direction of employees choosing employers not just by the highest dollar, but the highest lifestyle. Will we value people's time with their families and away from work, or will we continue to encourage them to work 12 hours a day? Will we invest in our teams rather than just viewing them as a cost of doing business?

What about client relationships? Thirty to 40 years ago, relationships were everything in business. Over the last decade those relationships have become transactional. Will that pendulum swing again? In our space relationships are long lasting and end in the graduation of a client to bank financing rather than a portfolio that churns every year.

Hopefully, the success and sustainability of our clients will be a focus in the next decade. The MCAs debacle should have taught us that there is no relationship in these types of transactions. Where there is no relationship, there is no sustainability. More importantly for our clients, will we see a further backlash against big companies like Amazon and Walmart, with business flowing to smaller companies or will the "Amazoning" of America become even more dominant?

SPLENDOR OF THE GRASS

What markets will we see grow in the next decade? Clearly, the buzziest word in our space is cannabis. We all see the boulder rolling in the direction of legalization. Will that happen on a federal level in the next decade, or will we still sit in a purgatory of state by state confusion? My best guess is this happens between now and 2029, but who knows? Maybe we will see special regulations for financing cannabis businesses. I do know that banks will not touch this market for many years, even when it becomes legal. Factors can step in to fill that gaping need in a big way.

It looks like regulation is going to rear its ugly head. Certain bad actors in our space and bad decision makers who lack critical information are leading us down a path to further regulation. In the end, it's really out of our control.

Bert Goldberg and the AFA are doing everything they can to limit the impact for all of us, large and small. That said, they can only do so much, and what will be will be. In the end, our real impact will be how we choose to accept it as it comes along. Is it a chance for certain factors to differentiate themselves as transparent and open to change? Will we see the "obstacle as the way," or will we wallow, complain and let it distract us from what we do best? If I know my colleagues, I get the feeling we will rise to the occasion and focus on what matters, continuing to finance the businesses that empower lives and families in America and around the world.

So, enjoy your old-fashioned, as you ring in the new decade while your kids dance to *Old Town Road*, and you grimace because you can't understand why they like the song. We've got work to do as an industry come January 2, 2020. •

Ryan Jaskiewicz is CEO of 12Five Capital, based in Chicagoland. He can be reached at ryan@12Five.com.

A Productive Trip to Washington by AFA Leaders

BY BRYAN ALSOBROOKS

Visiting Washington in the late fall can be a gamble. Unpredictable weather can make your trip enjoyable or absolutely miserable. During the AFA's latest Capitol Hill fly-in from November 19 to 20, the fine weather turned out to be a mirror image of the visit ... quite remarkable. Allen Frederic, Jr., president of the AFA and co-founder and CEO of Republic Business Credit, Palmer Hamilton with Jones Walker, and I enjoyed a great deal of success on the Hill.

This visit to Washington marked my third opportunity to work on behalf of the AFA. The first two opportunities were primarily focused on discussing the practical aspects of factoring with Treasury Department staff and then talking about the proposed freight broker bond increase from $10,000 to $75,000. In looking back over those two trips, there were meetings during each that left us pondering if the time spent with each House or Senate office was beneficial. In contrast, our de-brief after this latest visit to Capitol Hill left us wondering how to even begin ranking the meetings, as each of them deserved to be at the top of our list!

Our first day opened with a meeting with Congressman Andy Barr (R-KY). Congressman Barr was very engaged, knowledgeable and well versed as we discussed factoring in general. We also discussed in detail the potential regulatory burdens that could arise under Section 1071 of Dodd-Frank. Congressman Barr is a true advocate for what our industry does for the economy, and he genuinely understands our position.

We also discussed California SB1235 with Congressman Barr and the impact it would have on the industry were other states to enact similar legislation, creating a huge new burden for factors. While everyone agrees transparency in transactions is critical, the Congressman helped us brainstorm how this problem might be best addressed, including the possibility of enacting a federal standard to provide uniformity.

We also met with Congressman Blaine Luetkemeyer (R-MO) and Congressman Greg Meeks (D-NY). Congressman Meeks is the chairman of the committee of jurisdiction for most of the legislation that could affect factors, and Congressman Luetkemeyer is the Ranking Republican on this subcommittee. Both meetings were similar to our meeting with Congressman Barr. Each of them reinforced our thoughts and ideas on ways to deal with the various state level challenges. We presented, as an example of the effect of a new burden, a report issued by the Federal Reserve Bank of St. Louis. The report stated that banks with under $100 million of assets spent an average of 8.7% of non-interest expense on compliance.

We also had productive visits with the offices of Senators John Tester (D-MT), Kyrsten Sinema (D-AZ), Tom Cotton (R-AR), Cory Gardner (R-CO) and John Kennedy (R-LA). In each case, I was impressed by their

willingness to meet, listen, ask questions, and offer assistance if/when needed. I found it all quite remarkable. Without the AFA, our industry would be fighting an uphill battle. This visit reinforces the need for the support and involvement of all IFA members to be part of the AFA.

I'd like to take this opportunity to ask all IFA members to support the AFA. With more than 500 IFA members, 100% support could help lead to even greater impact. As of May 2019, fewer than 90 IFA members had contributed to the AFA's cause. We should look at the AFA as our insurance policy. We all know insurance is something we need to pay to protect us, while hoping we never need to use it. Remember, you can't place coverage after you sustain a loss! Without the AFA, our industry could be in jeopardy. We are facing a real threat of burdensome regulation. Contributing to the AFA is a minimal price to pay to protect what we do and how we operate every day. •

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. •

AFA American Factoring Association

2019/2020 Members

As of December 27, 2019

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Accord Financial, Inc.
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BAMfi, LLC
Crestmark Bank
D & S Factors
Great Plains Transportation Services, Inc.
Gulf Coast Business Credit
International Factoring Association
J D Factors
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Sallyport Commercial Finance, LLC
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Triumph Business Capital

Platinum ($5,000—$10,000)
FSW Funding
Interstate Capital Corporation
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Millennium Funding
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PRN Funding
Republic Business Credit, LLC
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Spectrum Commercial Services Company
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Firmco Business Funding Inc.
Grace Capital Resources, LLC
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Integrated Logistics & Associates
MarcFunding, LLC
Neville Grusd — EVP/COO, Merchant Factors Corp.
S3 Capital, LLC
Sherri DeJong — Vice President, Great Plains Transportation Services
Terry Keating — President, Accord Financial, Inc.
The Interface Financial Group

Other (Under $500)
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Hawaii Receivables Management, LLC
Kevin Wood — Managing Director, Chesapeake Bank
Plus Funding Group
Stonebridge Financial Services, Inc.
TradeGate Finance, Inc.

WHAT'S NEW AT IFA DECEMBER 2019

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.

ASSOCIATIONS

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

Beijing Commercial Factoring Association (BCFA)

Colombian Association of Factoring (CAF)

Commercial Factoring Expertise Committee of China (CFEC)
www.cfec.org.cn

Ecuadorian Factoring Association (ASOFACTOR)
www.asofactoring.org

FCI
www.fci.nl

Romanian Factoring Association (RFA)
www.asociatiadefactoring.ro

World of Open Account (WOA)
https://woa.community/

BROKER

Rainstar Capital Group

Rainstar Capital Group is a multi-strategy private equity firm based in Grand Rapids, Michigan that makes direct investments and provides advisory debt capital. Rainstar partners with factoring firms who have clients seeking debt capital products separate from the factoring solution for growth needs. Through its multiple lending platforms with over 250 registered lenders, Rainstar provides factoring firms' clients debt financing product lines for commercial real estate, corporate finance, small business and equipment needs. Product lines include: Unsecured Lines of Credit, Revenue Based Lines of Credit, Revenue Based Advance, Merchant Cash Advance, Business Lines of Credit, Inventory Financing, Purchase Order Financing, Equipment Leasing, Accounts Receivables Factoring, CMBS loans, Agency loans, Bridge Financing, Hard Money and Commercial Contractor Credit Lines. Rainstar's lending platform finances clients from $10k to $300M and covers all credit profiles across the listed product lines.

Kurt Nederveld: Kurt@rainstarcapitalgroup.com
(616) 953-6036 • ww.rainstarcapitalgroup.com
I*FA Member Benefit: Rainstar Capital Group will pay your IFA membership dues. Members will pay IFA directly and Rainstar will reimburse member within 30 days of payment. Members will be eligible for membership fee reimbursement if they either:*
• Fund a client that was presented by Rainstar during the preceding 12-month period.
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CERTIFIED MAIL

RMail

Go Paperless. Switch to RMail to send your important notices. RMail services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrefutably starting the accounts receivable aging clock.

www.rpost.com/ifa
IFA Member Benefit: IFA Members save $300! Subscribe to 1000 units RMail plan for only $390! (Normally $690)

COLLECTIONS

The Collection Law Group, Inc.

The Collection Law Group ("TCLG") is a group of lawyers who collect past due commercial accounts receivables from businesses across the United States. Our collection approach has been helping finance and factoring organizations collect past due amounts more quickly more efficiently and more cost effectively than other approaches. Our approach combines the best of collection agencies with the best of law firms giving our clients higher recover amounts more quickly with less cost. At TCLG we call our approach our "Attorney Driven Approach".

Brad Magill • brmagill@tclginc.com
www.tclginc.com • 888-304-4347
IFA Member Discount: For the first five collection files sent to TCLG by IFA members that are $10,000 or more in amount due, TCLG will offer a reduced fee from our normal 20% contingency fee to a 15% contingency fee. Future discounts if any will depend on the volume of files and nature of the files.

VeriCore

VeriCore is the pioneer of ZERO fee collections! A ZERO fee collection takes place when VeriCore compels the debtor to pay for the cost of collection. ZERO fee collections don't happen every time, but many IFA members have already experienced ZERO fee collections over 100 times! VeriCore is a contingent, fully licensed and bonded agency with an A+ rating with the BBB and a strong focus on compliance. Our proprietary process is designed to create constant and methodical pressure on a debtor which compels them to prioritize you at the top of their AP list. We have a national and international presence and we would relish an opportunity to show you how good we truly are.

800-433-4903 x1162
Chris Dawson: chris.dawson@vericore.com
www.vericore.com
IFA Member Discount: Contingency rate of 22% or will match the rate of any agency that is fully licensed.

CONSULTING

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.

972-722-3700 • www.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 more than 250 Factors and over $800 billion in data, Ansonia provides Factors and ABL lenders an innovative way of managing debtor and fraud risk. Our business credit reports feature current and historical days-to-pay information collected directly from the accounts receivable departments of small and large factors and other companies across all segments.

855-ANSONIA • 855-267-6642 x.103
www.ansoniacreditdata.com
IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia's unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of our entire portfolio.

Credit2B

Trusted by all of the majors because of the sheer volume of Factor trade and 98% third-party data coverage of active businesses in North America, Credit2B is a cloud-based platform that empowers accurate and timely decisions by connecting the experiences of trade credit grantors around their common business customers. We combine this highly valuable trade network information of approximately $700B in recent receivables with live bureau and public filing information to provide comprehensive financial risk profiles, all in real time. Our dashboard also provides Factor specific scoring, Factor client risk pools, monitoring, peer benchmarks and comprehensive trade data pack solutions for integration into your enterprise software.

212-714-4500 • www.credit2b.com
IFA Member Benefits: Join the largest virtual factor community. Receive 10% price discounts for being an IFA member. Complimentary invitations to our hosted events in NYC.

FactorsNetwork

FactorsNetwork provides an online platform where Factors share trade experiences with each other. Members are able to pull unlimited Credit Reports as well as monitor and analyze their portfolio. Transportation Factors benefit from our CarrierMonitoring and ChameleonCatcher programs and their clients profit from our LoadBoard. We even offer a Sales Tool to help you find new clients.

435-659-4612
www.factorsnetwork.com
IFA Member Benefits: 50% cost savings for the monthly membership fee. It is normally $1,000 per month, but IFA members will pay $500 per month.

CREDIT CARD PROCESSING

Clarus Merchant Services

Clarus Merchant Services offers a custom program developed specifically for how the Factoring Industry processes their credit card transactions. Our program provides detailed reporting that allows tracking of each invoice and fee transaction for easy account reconciliation with their customers and clients. We work with each member to ensure all processing costs are covered and that they are doing so within the guidelines of MasterCard / Visa. In addition we provide IFA members direct access to their account manager for immediate response and support.

David Powers • dave.powers@clarusdc.com
540-222-3925 • www.clarusdc.com
IIFA Member Benefits: IFA members that purchase the CardX program receive a one-time $200 rebate*
****Once the member has processed a whole month using the program***

ePaymentAmerica

ePaymentAmerica is the nation's leading provider of processing 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.

901-385-5327 • www.epaymentamerica.com
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.***

FUNDING

Liquid Capital Corp.

Liquid Capital has been in the Factoring industry since 1999 and entered into a partnership with Next Edge Capital in 2015. This relationship has allowed them to pursue an aggressive growth strategy focused on the following key initiatives:

• The acquisition of A/R portfolios from Factors looking to exit the industry
Member benefit: Trailer fees for the life of the acquired accounts
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Robert Thompson-So • 866-272-3704
www.Liquidcapitalcorp.com
rts@liquidcapitalcorp.com

MARKETING

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

610-631-5702 • www.50wordsmarketing.com
IFA Member Benefits: IFA Members will receive five free hours of marketing services with the purchase of any marketing service. (Offer for new clients only)

RECRUITMENT AGENCY

Commercial Finance Consultants

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

469-402-4000 • www.searchcf.com
dar@searchcf.com
IFA members will receive an additional 60 days added to the guarantee on all placements.

SOFTWARE

Artis Trade Systems

Artis Trade Systems offers ArtisPay, the revolutionary Supply Chain Finance (SCF) app that allows banks and lenders to provide buyers and suppliers with a flexible, customizable, easy-to-use enterprise-grade software. ArtisPay is a fully cloud-based software-as-a-service (SaaS). Partnering with Artis Trade endows lenders with a high-tech innovative partner with deep industry experience that will help market and grow their SCF program.

480-250-8186 • www.artistrade.net
IFA Member Benefits: IFA members will receive a 33% discount on the registration fee.

FactorFox

FactorFox has been providing factoring software to small, medium, and large companies during the last 15 years. FactorFox is beautifully designed, user friendly, and powerful. With every line of code we write, we challenge the status quo. We are continually finding ways to mitigate risk, and give our factors a competitive advantage in the factoring industry.

877-890-1897 • www.factorfox.com
IFA Member Benefits: In addition to the one month free trial for all users, IFA members receive an additional month to try out the complete software.

Finvoice

Finvoice offers traditional factoring companies and asset-based lenders a simple-to-use and comprehensive software solution to help them become a modern and efficient online lender. Finvoice came out of a passion to help small businesses who generate 67% of jobs and 50% of the world's GDP.

Andrew Bertolina
310-951-0596 • www.finvoice.com
IFA Member Benefits: Complimentary landing page review/optimization for digital conversion. 15% discount on pricing for the first year.

HubTran

HubTran is the leading provider of back office automation technology for factoring companies. HubTran's SaaS platform streamlines invoice processing, document management, and exception handling. Customers increase productivity 4X, reduce errors and increase capacity. HubTran's innovative technology leverages Optical Character Recognition and Artificial Intelligence to simplify back office work without requiring massive investments of time in training and integration.

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The 2020 Factoring Conference: Don't Miss the Sights and Sounds of Nashville

If the great menu of speakers and seminars hasn't already convinced you to sign up for the 2020 Factoring Conference, the many attractions of our host city, Nashville, provide additional reasons to attend. You might want to tack on a few days before and/or after to take advantage of the music, the food and the history that abound in this great city.

BY TERRI BAKER

Our 2020 Factoring Conference is only a few months away, and we are so excited that it's being held for the first time in the vibrant city of Nashville. If you haven't visited Nashville before, prepare to be amazed by all the city has to offer. In addition to attending the outstanding conference sessions, you will have the opportunity to listen to some incredible music, dine in some of the best restaurants and enjoy some amazing sights and attractions. Nashville has something for everyone which is why I know this will be a top destination for attendees.

THE MUSIC SCENE

Nashville's music scene is one of its greatest attractions. It is widely known as the Country Music Capital of the World, but musicians come from all over displaying an array of music styles. No matter what type of music you prefer, you are likely to find it in one of the many different venues that swathe the city. Tunes engulf Nashville all day and night, 365 days of the year with musicians playing everything from classical, rap, bluegrass, jazz and rock, to name a few.

The Ryman Auditorium is one of Nashville's premier music locations. This "intimate" venue features 2,362 seats and has some of the most world's amazing acoustics. The building opened in 1892 as the Union Gospel Tabernacle, a house of worship, and is known as "The Mother Church of Country Music." It was the home of the Grand Old Opry from 1943 until 1974 and was designated a National Historic Landmark in 2001. World-renowned talents such as Elvis Presley, Charlie Chaplin, Dolly Parton, Bob Hope, Roy Rogers, and Loretta Lynn have all appeared on stage. Johnny Cash debuted at the auditorium in 1956 and met his future wife, June Carter, backstage that day. If you can't get in to see a concert during your stay, the guided tour will take you behind the scenes of the auditorium.

The Grand Old Opry, the world's longest-running live radio show, is one of the most recognizable music venue names. Its original name, the "Barn Dance," was changed when George Hays, a radio announcer at WSM, told listeners, "For the past hour, we have been listening to music taken largely from grand opera. From now on, we will present the Grand Old Opry." This was more than 90 years ago.

More than a million guests visit the site every year and it has had more than 200 members throughout its existence. Membership in the Grand Old Opry is one of the greatest accomplishments a country star can achieve. In 2010, the building flooded with more than 10 feet of water when the Cumberland River overflowed, but the building was repaired. You can take a tour to see the six-foot circle of wood on the Opry stage that was taken from the floorboards of Ryman Auditorium and survived the flood.

Bars and honky-tonks line Broadway — a historic district in downtown Nashville that is walking distance from the Omni Hotel where the conference is located. It was the home of the first public high school in the city in 1875 and transitioned into a street of honky-tonks in the early 1930s. Many well-known musicians launched their careers at some of the Broadway's famous places. Tootsies Orchid Lounge is the oldest bar on Broadway having opened in 1960 by Hattie Louise "Tootsie" Bess. Due to its proximity to the Ryman Auditorium, several famous musicians would visit between sets. Now, many of the bars on Broadway are owned by country music stars such as Jason Aldean, Alan Jackson, Dierks Bentley and Kid Rock. The music starts at 10 a.m. and goes until three in the morning, so be prepared to sing and dance the night away.

For those who prefer more intimate place to experience live music, the Bluebird Café is an excellent option. In 1982, Amy Kirkland opened the cafe in a strip mall about 15 minutes from the Omni Hotel. She would allow singers to come in and play after the dinner shift was over. The Monday Night Blues Tradition proved so popular, by the late 1980s, lunch service was canceled and music became the focus. Garth Brooks received his first record deal when another performer canceled, offering him the chance to sing for a Capitol Records executive in the audience. It is a venue for up and coming songwriters looking for their chance to become chart-topping artists. Taylor Swift was one of the lucky ones discovered at the Bluebird Café. Tickets go fast and are only available a couple of weeks in advance, so if you want to visit, you will need to watch the website, https://bluebirdcafe.com.

RESTAURANTS OF NASHVILLE

Nashville is not just known for its music. Over the years, its restaurants have exploded, and the city has evolved into an elite culinary scene with a variety of dining options. No matter what type of food you are looking for, you are bound to find restaurants that will leave you with a newfound appreciation for delicious food.

Bourbon Steak is located on the 34th floor of the newly opened JW Marriott. Acclaimed chef Michael Mina has more than 20 years of culinary experience and was *Bon Appétit*'s Chef of the Year, *San Francisco Magazine*'s Chef of the Year, as well as the *International Food and Beverage Forum*'s Restaurateur of the Year. The

restaurant offers panoramic views of the city's skyline and a terrace that provides open-air seating. This high-end restaurant features an extensive wine and cocktail list as well as some of the finest cuts of meat around. *https://www.michaelmina.net/restaurants/tennessee/bourbon-steak-nashville*

If Southern food is what you are looking for, Husk provides a continuously changing menu that focuses on locally sourced food from regional producers and vegetables grown in the restaurant's backyard. The rule at Husk is that "if it doesn't come from the South, it's not coming through the door." The Husk building worth the trip — it was built into the side of a hill in the late 1800s just a few blocks away from Broadway Street. *https://husknashville.com/*

Nashville is famous for its hot chicken. The legend began around 80 years ago when a womanizer named André Prince Jeffries angered one of his many girlfriends by coming home late after a night on the town. She decided to spice up his chicken with the fieriest seasonings she could find to teach him a lesson. Turns out he liked it so much that he decided to open a restaurant featuring the specialty dish called Prince's Hot Chicken, *https://www.princeshotchicken.com.*

Another well-known restaurant featuring this local dish is Hattie B's Chicken that provides heat levels of southern, mild, medium, hot, damn hot and "shut the cluck up." Buyers beware! *https://hattieb.com*

Edley's Bar-B-Que was voted the best Bar-B-Que four years in a row in Nashville's Scene reader's poll. They cook their meat daily using local white oak wood, and once the food is gone, the restaurant closes for the day. First come first served! They provide eight to 10 vegetables from family recipes that were passed down from generation to generation. Their meats include ribs, pork, brisket, chicken and turkey which can be eaten on their own, in a platter or tacos and sandwiches. https://www.edleysbbq.com.

The IFA holds a walking food tour on Wednesday, April 22nd for all the foodies in the group. The tour will take you through the SoBro (South of Broadway) district of Nashville which is lined with some of the most popular restaurants and live music venues. The neighborhood has seen aggressive growth over the last several years as it underwent a massive revitalization effort. The tour will explore five local spots where you can sample a variety of delectable southern flavors. Along the way, your guide will provide you

with engaging stories about the history of Nashville and some of its best kept secrets.

THE MUST-SEE SIGHTS

No trip to Nashville is complete without a visit to the Country Music Hall of Fame. Luckily, this is the site of the conference's closing reception! We hope everyone will be able to stay Friday night. The museum, which opened in 1964, is often referred to as the "Smithsonian of Country Music" because of extensive music collections. It has more than 2.5 million collections of recordings, photographs, instruments, costumes and more. Hank Williams was one of the first inductees into the Hall of Fame in 1961. Every year, only three honorees are inducted into the Hall of Fame which recognizes significant contributions to the advancement of country music. You may want to schedule some additional time to visit a minimum of two hours is the recommended time to see everything that the museum has to offer.

If you haven't had a chance to visit the Parthenon in Greece, you can save a few dollars and several hours of flying time by visiting the full-scale replica in Centennial Park. It was designed in 1897 by Confederate veteran William Crawford Smith as part of the Tennessee Centennial and International Expo. Every aspect of the building was closely monitored to ensure its historical accuracy, which even includes a 42-foot statue of Athena. A self-guided tour takes 30 minutes to an hour. Once you are done, Centennial Park offers 132 acres of natural outdoor space including a sunken garden, fountains and trails.

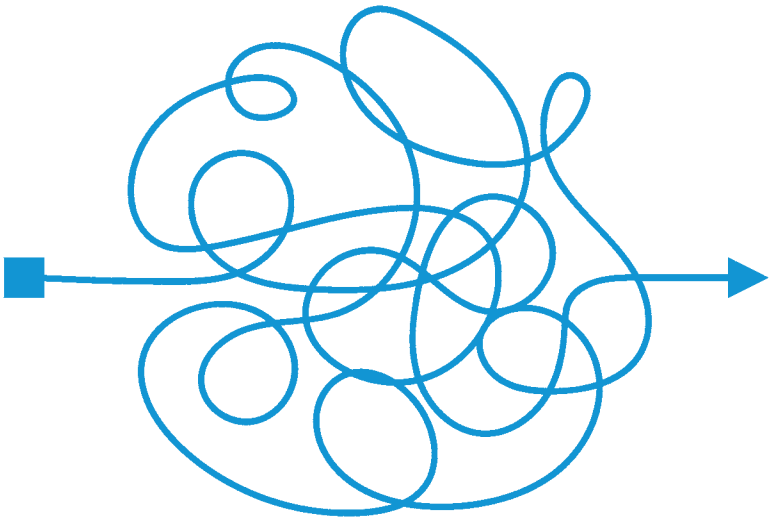
The Gulch is another part of town worth visiting. An abandoned industrial area has been transformed into a chic and trendy community full of high-end boutiques, phenomenal restaurants and unbeatable nightlife. It is one of the hottest parts of town and a close distance from the hotel.

If you have a car or are willing to Uber about 30 minutes outside of the city, I recommend visiting the town of Franklin. This was one of the wealthiest counties in the state until the Battle of Franklin devastated the town in one of the bloodiest battles of the Civil War. You can visit three historic Civil War sites that have been preserved, including the Carnton Plantation, the Carter House and the Lotz House. Franklin has been revitalized to include tourist-worthy shops, galleries and restaurants.

There is so much to do in Nashville. I hope that everyone will take a day or two on the front- or back-end of the conference to experience everything the city has to offer. I promise you will not be disappointed! •

FOR ALL THE CONFERENCE DETAILS, PLEASE VISIT FACTORINGCONFERENCE.COM.

Terri Baker is the Marketing Director for the International Factoring Association. Terri is responsible for overseeing the account executive certification program, supporting and developing IFA training programs, expanding sponsorship opportunities and promoting the IFA globally to develop new relationships. Terri has been in in the factoring industry for over 15 years with responsibilities including marketing, business development, loan compliance, credit analysis and underwriting. Terri can be reached by phone at 805-773-0011 ext. 303 or by email at terri@factoring.org.



California Usury Laws: Still Clear as Mud

California's usury laws show no sign of becoming more clear or concise. Steven Kurtz reports on the most recent California Supreme Court decisions, which still have not managed to reconcile the old laws with new.

Despite the recent trend towards an unfriendly business environment in the U.S., you probably do transactions in California, because there's a lot of business in the state.

California has very strict usury laws, prompting many of you to address compliance issues with the California Department of Business Oversight, which oversees licensing and enforcement activities against lenders. The maximum interest rate for non-exempt lenders is currently 10% per annum. Lenders who violate California's usury laws may be required to repay three times the usurious interest paid over one year, along with a host of other civil and criminal penalties.

On November 14, 2019, the California Supreme Court in *Wishnev v. The Northwestern Mutual Life Insurance Company,* 2019 DJDAR 10528, addressed one of the few usury cases that has reached the court's docket. This case will likely be cited for years to come, because it provided a pretty detailed history of California usury law and cited many of the major usury cases on both the prosecution and defense sides. In deciding the case, the California Supreme Court admitted, "California usury laws, which regulate the charging of interest, are far from a model of clarity." The court recognized the state's usury laws are a patchwork of voter initiatives, state constitutional amendments, the California Financial Code, state regulations and Federal law.

Wishnev was a class action suit against the Northwestern Mutual Life Insurance Company. The plaintiff purchased four whole life insurance policies. He later borrowed money and secured the

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loan against the cash value of these policies. Compound interest was charged on the loan balance. After the loan was repaid, the plaintiff sued on behalf of similarly situated borrowers and claimed the compound interest violated a 1918 California Voter Initiative which stipulated compound interest cannot be charged unless the loan agreement explains in detail it was being charged.

The class action was originally brought in the California Superior Court, which is the state level trial court. The defendant brought the class action to Federal court and then brought a motion to dismiss on the ground that a 1932 Amendment to the California State Constitution repealed the 1918 Voter Initiative. The defendant claimed according to the amendment, exempt lenders are not bound by the 1918 Voter Initiative. Insurance companies are considered exempt lenders, who are not regulated by the laws governing interest rates. There are classes of lenders who are exempt from California usury laws because state and federal laws already regulate their industries, such as federal or state charted banks.

DEFENDANT APPEALS TO 9TH CIRCUIT

The Federal District Court ruled against the defendant and found the loan contract violated the 1918 Voter Initiative. The defendant appealed to the 9th Circuit Court of Appeals. In a very unusual move, the appeals court decided not to rule on a matter of California Constitutional Law and asked the California Supreme Court to decide the issue. The appeals court likely asked the California State Supreme Court to decide the case because the usury laws are so unclear the referring court wanted someone else to sort out the mess.

The California Supreme Court was requested to decipher different sets of laws, drafted at different times. The more recent laws failed to fit in with the earlier laws. Initially, there were no interest rate caps, and the decision was left to the loan parties. The 1918 Voter Initiative capped interest rates at 12%, prohibited compound interest unless specifically explained, allowed for three times the interest paid for usury violations, prohibited collecting interest if there was a violation, and did not allow for collection actions by lenders against borrowers for non-compliant loans until the end of the loan term.

In 1934, a State Constitutional Amendment was approved by the voters, which, among other things, limited interest rates to 10%, imposed treble damages for violation, and possibly repealed the 1918 Voter initiative, but did

not discuss the compound interest issue. Subsequent to the 1934 Constitutional Amendment, further laws were passed including provisions of the California Financial Code, and laws which eventually placed insurance companies in the list of lenders exempt from state usury laws.

COURT PROVIDES ANALYSIS

The California Supreme Court provided a detailed analysis of how to interpret statutes when the meanings are not clear. The court eventually held that the 1934 Constitutional Amendment essentially repealed the 1918 compound interest limitations for exempt lenders. California usury laws allow for non-exempt lenders to charge in excess of the usury limitations if the lenders hold a California Finance Lenders License. Factors and asset-based lenders, unless divisions of state or federally charted banks, are covered by California usury law. The license subjects the holder to regulation by the State of California, but the regulation does not include the charging of interest.

The *Wishnev* ruling should apply to holders of a Finance Lenders License, but as the California Supreme Court noted, the state usury laws are clear as mud. Factoring and ABL contracts contain a number of charges and fees built in. These fees and charges, unless directly tied to cost reimbursements like wire transfers and appraisals, are considered interest in California and most other states because the fees are tied into the use of and repayment of money. When there are various charges, fees, interest rates, and default related charges built into the contract, one should look at how they are calculated on the ledgers provided to the factor clients and borrowers. If everything is accounted for separately, there may be no issue. Most factoring and finance accounting programs treat those items separately. But, if things are "piled on" or if interest is charged on top of the fees, an argument can be made that there is compound interest. Most factoring and ABL contracts have usury savings clauses. For those doing business in California, it is a good idea to include language dealing with the compound interest in your usury savings clauses, just in case.

As this article goes to press, the regulations have not been finalized, and there may be a further round of review by various players in the industry, including the IFA. We will report back once the law goes into effect.

LAWS REMAIN MURKY

Wishnev's effects are not certain at this time, like most of California's usury laws. California has recently enacted SB 1235, which contains new provisions to the California Financial Code. This new law is basically truth in lending for business loans and requires that for "commercial finance loan offerings" of $500,000 or less, certain disclosures must be made in the offer, very similar to consumer truth in lending disclosures. This law will not go into effect until the California State Department of Business Oversight enacts certain regulations to enforce the law and outline the form of the required disclosures.

As this article goes to press, the regulations have not been finalized, and there may be a further round of review by various players in the industry, including the IFA. We will report back once the law goes into effect. However, there will certainly be more confusion because the new law was not drafted with an understanding of existing laws, and the new law contains definitions that are not compatible with business realities and also modify UCC definitions on the same topic. There are sections of the California Financial Code which adopt the UCC definitions. There is no logical explanation why the Department of Business Oversight fails to adopt UCC definitions in the new law and accompanying proposed regulations.

Notwithstanding the state of the lending laws, California is a center for technology, finance, e-commerce, fashion, apparel, health science, entertainment, transportation, shipping, real estate, and construction. Thus, for those engaging in factoring or asset-based lending in this state, compliance with some of the finer nuances of California law should be adhered to, and one should have a finance lenders license, even for traditional non-recourse factoring. For the *Wishnev* case, the short answer is to tweak the usury savings clauses in your agreements and pay attention to your accounting systems and see if the various fees, interest, and other charges are segregated. If they are segregated and you have a good usury savings clause, you should be okay. As for the new SB 1235, we will report separately on the new law once the regulations are finalized and the law becomes effective. •