NEFA
National Equipment Finance Association

NEWSLINE

MAY/JUNE 2022

Inspiring New Strategies in a Changing Environment

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Supply Chain Suspense

Securitization in Equipment Finance

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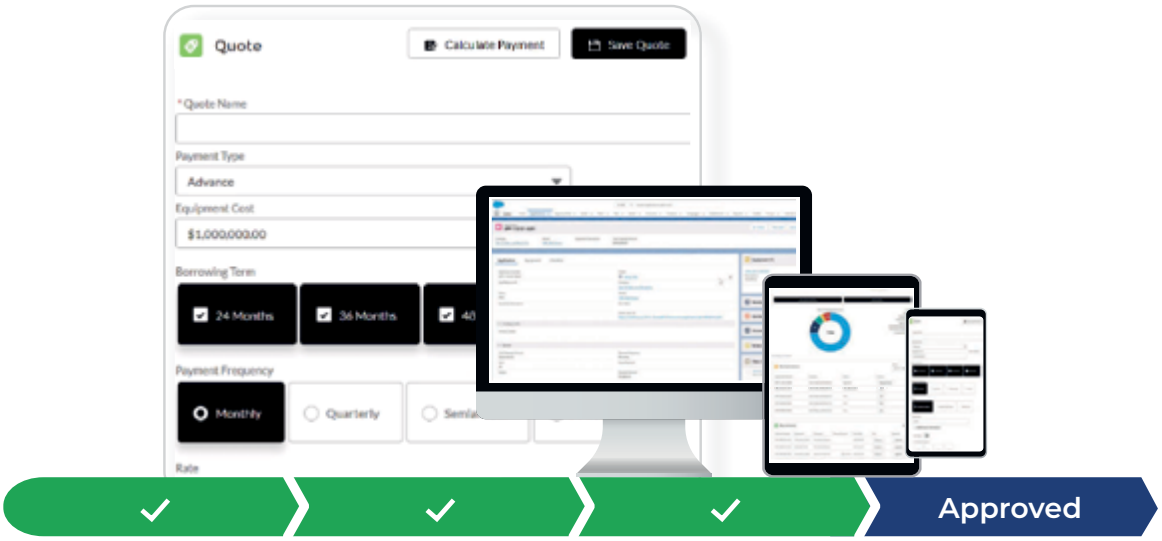
origination & portal



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- partner portal

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A Message from NEFA's President

Spring may be right around the corner for most of us, but it seems like there may be some distant storms rumbling as it relates to our industry and how we conduct business.

Record inflation continues to remain a threat to our economy despite the fact that the White House suggested to us last year that inflation was temporary and would resolve itself through market forces. Once this was proven not to be the case, the government quickly pivoted to blame inflation first on the pandemic, then the robust economy, and finally on the actions of Russian President Vladimir Putin via the Putin price hikes. Irrespective of the reasons and excuses, I think we can all agree inflation is likely to continue into the future absent any meaningful actions by the Federal Reserve to significantly increase interest rates. Supply chain issues continue to impact our industry not only from the standpoint of the ability of vendors and dealers to deliver equipment, but also the fact that much of the equipment, both new and used, is priced significantly higher as a result of the supply and demand issues as well as inflation. In addition to these economic concerns, independent finance companies are also facing proposed disclosure law requirements in certain states which will serve to increase costs to operate within those states and potentially place them at a disadvantage to their bank-owned counterparts, that are expected to be exempt from the new reporting requirements.

Despite these distant storm clouds, I have full confidence that the quality independent finance companies and brokerages will quickly adapt to this changing economic environment and may potentially improve their originations and profitability as a result of these changes. While the independents and brokers lack the size and scale and low cost of capital enjoyed by bank-owned finance companies, they are generally not subject to the same regulatory and compliance pressures and as a result, can adapt and pivot more quickly to changing business needs. Since most smaller organizations focus on customer service and financing convenience, they are not forced to compete primarily on price and therefore can afford to be more flexible on pricing and transaction structuring to maintain margins in a rising rate environment. Many independent finance companies and brokerages proved their ability to work with customers through the worst of the pandemic and not only survived but became stronger organizations because of their willingness to be flexible and provide relief to those customers through payment deferrals.

The entrepreneurial spirit of these organizations and their constant focus on improving the customer experience is what sets them apart in our industry. As always, feel free to reach out to the membership for guidance or help and we will do our best to point you in the right direction with advice and counsel from the many seasoned professionals within our organization. We are here to help.

Jim Jackson
NEFA President

2021- 2022 BOARD OF DIRECTORS

A Message from NEFA's CEO

There is much to be grateful for at NEFA headquarters. Our team and many volunteers have successfully organized several events including the recent 2022 Finance Summit held in Huntington Beach, CA, which achieved our highest attendance in history for the organization.

As we approach mid-year, I have found it is always good to take time to evaluate where we are, where we are going, and how we will get there. You often must adjust strategies to accomplish the goals set forth for the fiscal year. With my role, I am always evaluating how we can provide additional "value" for our members and encourage further engagement with the initiatives NEFA offers. The definition of "value" is subjective to each person and their individual needs. NEFA is fortunate to offer value, in many forms for the membership, including education, networking and member benefits available to our valued members as outlined below:

- NEFA Community: NEFA has over 320 member companies, which employ thousands of individuals, creating an excellent networking environment. The organization is comprised of the following members:
  - 165+ Broker/Lessor companies
  - 75+ Funding Source companies
  - 75+ Service Provider companies
- Industry and Best Practices Educational offerings
- Committees and Task Forces volunteering opportunities
- Access to the online member directory and bi-annual printed membership directory
- Bi-Monthly *Newsline* Magazine (print and electronic)
- NEFA Note e-newsletter
- NEW - Funding Source CEO Roundtable Networking & Best Practices Calls
- NEW - Broker/Lessor CEO RoundTable Networking & Best Practices Calls
- NEFA LinkedIn Group for industry professionals
- Opportunities to personally connect with other NEFA members
- Conferences, regional events and virtual programming including:
  - January 27 – NEFA California Wine Mixer: Virtual Wine Tasting & Networking
  - February 10 – Ice Fishing Regional Networking Event (Wayzata, MN)
  - March 23-25 – Finance Summit (Huntington Bach, CA)
  - May 5 – Regional Networking Event (Philadelphia, PA)
  - May 18 – Regional Networking Event – Indianapolis 500 Practice (Indianapolis, IN)
  - June 9 – Regional Networking Event – Crab Feast (Baltimore, MD)
  - July – Regional Networking Event (Kansas City, MO)
  - July – Regional Networking Event (California)
  - August 11 – Virtual Exchange – Webinar & Networking Series
  - Hybrid Event (Virtual & In-Person)
  - August 11 – Regional Networking Event – Lake Minnetonka Dinner Cruise (Wayzata, MN)
  - August 25 – Regional Networking Event (Point Ruston/Tacoma, WA)
  - November 2-4 – Funding Symposium (Nashville, TN)
  - December – Regional Networking Event (New York City, NY)

The NEFA member benefits package is strong, however I am a firm believer that we can always improve. If you have ideas on how NEFA can improve, please share your thoughts with me at csluss@nefassociation.org or at 616-204-9599.

In looking ahead for the balance of 2022, we have many opportunities planned for you to engage with NEFA and our community. We hope to see you at a future regional event, conference, or virtual program.

As always, remember to "Think NEFA First" for all your needs within the industry!

Chad Sluss
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PERSONNEL ANNOUNCEMENTS

Tamarack Technology Expands AI Team with Addition of Jackson

Tamarack Technology expanded its Artificial Intelligence (AI) team with the addition of Aaron Jackson. In his role as a Data Analyst, Jackson will focus his time on expanding the Tamarack.ai platform's reporting capabilities by building Power BI Datasets and custom reports for clients.

"In today's world of equipment finance, decisions are driven by data," said Tim Appleget, Director of Technology Services at Tamarack Technology. "Aaron excels at analyzing both financial and operational data and is truly gifted at presenting the data in ways that uncover opportunities to enhance the productivity and revenue capabilities of equipment finance companies."

Over his professional and educational career, Jackson has shown a profound ability to use data to improve performance and process. He joins Tamarack from Minneapolis, MN-based Strategic Education Inc. In this role as a planning and reporting analyst, he analyzed data using Excel and Power BI in order to identify operational inefficiencies. As a result of his recommendations, Strategic Education was able to boost answered calls by nearly 20 percent. He also led efforts to explore new data tools to enhance reporting and dashboards as well as creating new models to capture process data and make improvements to operational workflows. Additionally, Jackson created forecasts for multiple business lines using regression and quarter-over-quarter trend analysis.

American Lease Insurance Names Blais as Business Development Manager

Nuria Blais has been appointed Business Development Manager by American Lease Insurance (ALI). Blais, a certified lease and finance professional and licensed property and casualty insurance producer, is responsible for developing new opportunities to expand ALI's client base and cultivate new business relationships.

She has more than 10 years of experience in sales, customer service and operations for national healthcare and telecommunications corporations. Blais has earned both a Bachelor of Science and a Master of Business Administration from Bay Path University, focused on leadership and entrepreneurial strategies.

ALI President Steve Dinkelaker said, "We're pleased Nuria has joined the ALI team, and confident her innovative thinking, coupled with an understanding of insurance and leasing and finance best practices, will further the success of the ALI Program."

Navitas Credit Corp. Promotes Bruman to COO

Navitas Credit Corp announced Mike Bruman has been promoted to the newly created position of Senior Vice President and Chief Operating Officer. In his new role, Bruman will oversee the daily operations of the company which includes credit, operations, sales and marketing. Prior to this announcement, Bruman served as the Chief Credit Officer of Navitas and has been with the company for over 10 years. Bruman has more than 30 years of industry experience, including experience managing the credit and operations functions at CIT, AT&T and Copelco.

Gary Shivers, President and CEO of Navitas, said, "I am so pleased that Mike is taking on this new challenge. He has demonstrated the leadership skills that will help Navitas continue to be a leader in the equipment financing marketplace. With the rapid growth we've seen over the last 14 years, it will be enormously helpful to have Mike focus on the operations of the company to ensure we continue to satisfy the needs of our employees and customers."

"I am excited about this opportunity. This new operations leadership role will help Navitas continue to evolve our services and products to meet the ever-changing needs of our customers. Our success would not have been possible without the incredible dedication of our employees, and I look forward to creating a workplace environment that makes Navitas the preferred employer in our industry," said Bruman.

Quality Leasing Grows Sales Team with Addition of Clifford

Quality Leasing Co., Inc., the commercial equipment financing subsidiary of the Tom Wood Group, announced the addition of Andre Clifford, CLFP, to the organization's growing sales team. As Quality's newest Sales Consultant, Clifford brings more than seven years of financial sales, underwriting and customer service experience to the position. In his new role, Clifford is tasked with expanding and managing his current book of third-party originator relationships along with augmenting the company's business equipment financing reach and customer service program.

Over the past several years, the Indianapolis-based firm has grown exponentially; most recently posting six consecutive months of record-breaking originations volume. Quality Leasing's Sales Manager, Bradon Marshall, explained, "The company's adoption of new technology—including Salesforce, DocuSign and E-Notarize—has pushed the whole team to operate more efficiently than ever. Andre's finance experience, energy, and tech-savvy are just right for the direction Quality is moving."

Managing Director G. Paul Fogle, CLFP, added, "We're thrilled to bring Andre onto the team. His stellar industry reputation as a knowledgeable and hard-working salesperson truly embodies Quality's core values." With the addition of Clifford, Quality now boasts five CLFPs on staff.

Clifford, who has quickly acclimated to his new position, noted, "The entire Quality workforce has been so welcoming. I'm ready and looking forward to putting up big numbers this year."

in the NEWS

Clifford will be working remotely from Quality's satellite office in Harleysville, PA.

He previously was BankFinancial Small-Ticket Equipment Finance Vice President. Prior to that, he held positions in sales, underwriting, operations and customer service at Bryn Mawr Funding and Customers Banks. Clifford has been involved in both AACFB and NEFA since 2017 and earned his Certified Lease & Finance Professional (CLFP) designation in 2018. Additionally, he holds a B.S. degree in Economics from Pennsylvania State University.

Channel Adds Zucchi to Sales Leadership Team

Adam Peterson, Senior Vice President of Sales at Channel, announced the company hired Elena Zucchi as Vice President of Sales, responsible for establishing, developing and growing partner relationships and sales team leadership for Channel across the Central U.S. region.

"Strong relationships have always been a critical component to our success, built through a concentrated effort to understand and connect with the core business needs, goals and values of our partners," said Peterson. "We continue to focus on hiring industry and functional experts that are assigned to our regional teams to provide dedicated support for our partners and help them grow. Elena is a strategic addition to our Central team with an established reputation for fostering valued and lasting relationships and thoughtful support for her partners, something well aligned to our win together difference here at Channel."

Zucchi brings 26 years of equipment finance industry experience to her role at Channel. She started her leasing career in 1996 with JDR Capital where, in her first six months, she earned recognition as the first employee to fund more than $1 million in equipment leasing deals within a single month and becoming the first member of the company's newly formed Million Dollar Club. She quickly achieved $2 million funded in a single month during her first year of employment, establishing her position as the company's highest volume producer, a title she retained throughout her time at JDR.

In 2014, Zucchi returned to the funding vertical as a Senior Business Development Manager for Marlin Leasing Corporation and quickly resumed her position as a top producer and highest volume representative for the company. She was a recipient of the Winners Circle Award, Admirals Club and two-time Presidents Club awards while at Marlin. Zucchi joined Centra Funding, LLC, in 2020 as Vice President of Broker Relations for the East Coast.

Tamarack Technology Hires Hedstrom to Lead Sales

Tamarack Technology hired Andrew Hedstrom as Director of Sales. In his role at Tamarack, Hedstrom will lead the development of a dedicated sales team to support the company's product and service offering as well as the recently launched Tamarack.ai.

"I've known Andy for more than three decades and I've always been impressed by his ability to understand complex situations and identify what is needed to help an organization reach their business objectives," said Tamarack founder and CEO Daniel Nelson. "We created this new position with Andy in mind. His experience developing sales infrastructures is critical in order for Tamarack to continue to evolve and grow. By having a dedicated sales lead like Andy, we also free our professional services and Tamarack.ai teams to be singularly focused on delivering solutions to our customers."

Hedstrom brings more than 25 years of account management experience to Tamarack. Over his career, Hedstrom has been instrumental in helping several organizations evolve their sales structure and develop independent sales teams to achieve growth goals, increase market presence and expand into new markets.

Most recently, Hedstrom was sales Operations Manager at A Milestone Group, a provider of school products to private and public schools. In his role at A Milestone Group, he established an independent sales force and helped the company expand beyond the elementary and middle school segment into the high school market. Under his direction, the independent sales force recorded $2 million dollars in sales within two years. Prior to A Milestone Group, Hedstrom spent seven years at Walter's Publishing, a division of Taylor Corporation. At Walter's Publishing, he led the development of the company's sales force and was instrumental in helping the organization gain entrance into the high school yearbook market.

KLC Financial's Keepman Retires, Thomas Promoted to CEO

KLC Financial announced the retirement of Marc Keepman, CLFP, its founder, CEO and Chairman and the promotion of President Spencer Thomas, CLFP, to the role of CEO.

While Keepman steps down from the CEO role, he will continue to serve as the Chairman of the Board.

"I am pleased to announce the promotion of Spencer Thomas to CEO of KLC Financial, Inc.," Keepman said. "Spencer has been my partner over the past 20 years and our sales and business development leader. Spencer has been President for the past five years and is more than prepared to take us into the next rounds of growth and expansion as our CEO."

Thomas has decades-long experience in the equipment leasing and finance industry and has held various roles from business development to executive management. Prior to his past 20 years at KLC Financial, the St. Mary's University graduate has held positions at LeasePoint.com and IMI. He is an active member of many industry associations

including the National Equipment Finance Association and Certified Lease & Finance Professionals. Thomas is ready to take on this role from his longtime partner and embrace this new opportunity with KLC Financial.

"I am very excited to embark on the opportunity to be the CEO of KLC Financial, Inc.," Thomas said. "KLC is well-positioned for success with an accomplished leadership team, valued customers, advanced platform and formative partners. I plan to move forward with continuing KLC's mission of delivering equipment finance solutions to our clients with integrity, depth of knowledge and speed. The future is very bright for KLC Financial and our stakeholders."

Dedicated Financial GBC Promotes Elhadad to President

Shawn Smith, CEO of Dedicated Financial GBC, announced the promotion of Matthew Elhadad to the position of President. Elhadad previously served as the company's Executive Vice President.

"Matthew came to Dedicated with over a decade of experience as a decisive, forward-thinking operations and marketing leader," said Smith. "He has a proven track record of applying critical thinking and analytical skills to define and drive organizational goals. At Dedicated, he is leading a diverse, high-performing team that provides elite service for our clients."

"At Dedicated, we are known as the 'giving collector' because of not only extensive volunteer and charitable efforts but additionally for our focus on giving back to our team and to those we serve on the phone," said Smith. "Matthew shares our belief that business has the greatest opportunity to change the world. Dedicated has become a world-class organization in part thanks to Matthew's efforts, so this promotion is definitely well-deserved."

INDUSTRY NEWS

Ascentium Capital Reports $392.5MM in Q1 Funding Volume

Ascentium Capital announced a positive start to the year, wrapping up the first quarter of 2022 with $392.5 million in financed volume. The company exceeded Q1 2021 volume by $81.4 million or 26.2 percent.

"We saw a fairly equal distribution of funding activity across the various markets we serve," said David Lyder, Senior Vice President of Ascentium Sales & Marketing. "Demand for financing remains strong in all industries as customers look for ways to maximize liquidity, manage expenses and hedge against inflation. Our approach to service helps differentiate Ascentium Capital as we work one-on-one with clients to help them build on their success."

Ascentium Capital offers specialized equipment financing and business loans to commercial entities nationwide. The

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company also provides customized finance programs for equipment manufacturers and distributors with simplified application procedures to help businesses in a broad array of industries including commercial vehicles, energy, franchise, healthcare, industrial and technology.

"Particularly over the last two years, businesses have shown they are ready to adapt, innovate and meet the needs of their clients, and while we are mindful of continued uncertainty such as lingering impacts from the pandemic, we are also seeing optimism, strength and resilience among our clients," added Thomas Depping, Executive Vice President and Ascentium Group Manager. "Quarter-over-quarter originations growth remains strong along with our other KPIs. Ascentium's customer-first focus, passion for delivering fast, flexible financing and consultative approach all resonate with our customers, keeping them coming back to us to meet their financing and lending needs."

Maxim Commercial Capital Reports Strong Performance During Q1

Maxim Commercial Capital reported strong results for the first quarter. The company kicked off the year with record low delinquencies, increased fundings to better credits and strong demand for cash-out financings secured by real estate and equipment.

"As a closely held company, we have the luxury of pivoting our business strategy real-time based on market conditions," said Michael Kianmahd, Executive Vice President. "This benefitted us during the pandemic and continues to serve us and our borrowers during today's volatile global economic conditions. We continue to invest in our operating infrastructure and are seeking to fill a few key positions."

AP Equipment Financing Posts Record Q1, 50% Growth in Y/Y Funding Volume

AP Equipment Financing funded a record $63.5 million in Q1, 50 percent year-over-year increase from Q1 2021. AP funded 906 transactions in Q1 2022, with an average transaction size of $70,040.

"Our continued focus on providing superior personalized service and flexible financing options has contributed to impressive quarter over quarter growth," said Chris Lerma, CLFP, President of AP. "In this competitive environment, small business owners and dealers have several options to turn to for their financing needs, so we are proud to be able to grow our existing programs and relationships while continuing to expand into new segments."

A significant contributor to this year's Q1 growth is AP's expanding vendor division. "AP's Vendor group continues to partner with, and work closely with our OEM and dealer partners. By working together as a team, we have been able to assist with selling more equipment and closing sales that were delayed due to supply chain challenges," said Al Steinhaus, AP's Senior Vice President of Business Development & Sales. "The AP Vendor group continues to grow our business and are adding new relationships with key OEM/Vendors where we can add real value to their sales and marketing strategies. We expect steady growth for the remainder of 2022, despite any economic challenges in the marketplace."

AP Equipment Financing is looking forward to what the rest of 2022 will bring as AP continues to streamline front- and back-end efficiencies to prepare for more high-volume quarters. AP Equipment Financing is a wholly owned subsidiary of Tokyo Century USA.

Quality Leasing Posts Unprecedented 102% Q1 Growth Y/Y

Quality Leasing Co., Inc. announced a 102.2 percent increase in funding volume for first quarter 2022 over Q1 2021. With a 70.5 percent increase in the number of transactions booked and average contract size rising 21.4 percent to just under $100,000.00, Quality's Q1 2022 performance broke 65 years of company records across the board. Year over year KPI upsurges were also seen in the number of asset classes funded, industries served and repeat customer fundings. Additionally, average guarantor FICO scores jumped to

724—demonstrating positive borrowing trends across the U.S. commercial equipment finance market.

Quality Leasing Managing Director G. Paul Fogle, CLFP, said, "2021 was a year of big changes at Quality. We grew our sales, administrative and leadership teams; re-structured operations and management in our Carmel, IN, headquarters and seven satellite offices; and we implemented a number of new technologies with efficiencies to speed up everything from deal submissions and underwriting through back-end contract servicing." The organization now boasts utilization of tech platforms including DocuSign for all contracts, E-Notarize for POAs, EOS for management productivity, and Salesforce for company-wide CRM and contract management. While making sweeping changes had its complications, Fogle noted the overall results were well worth the time and effort. He went on to acknowledged, "I would be remiss if I didn't attribute some of our growth to U.S. economic trends like increases in equipment prices due to inflation and supply chain challenges or the large number of Americans leaving the traditional workforce to start their own businesses. However, capitalizing on these trends was only possible with the hard work of the entire Quality team." Quality Leasing continues to serve myriad U.S. industries and companies of all sizes including start-up business owners with experience.

Beginning with October 2021, the operation has now achieved six consecutive months of record-breaking funding with March 2022 posting the highest monthly funding volume in the company's 65-year history. Quality Leasing Sales Manager Bradon Marshall explained, "It sounds counterintuitive, but the technology has driven our focus back to the people. We are constantly striving to create a better customer service experience for our TPOs, referral partners and borrowers." Third quarter 2021 saw the successful rollout of Quality's new quarterly commission bonuses for high-volume third-party originators—a program Marshall believes was also a driver of the Q1 22 growth. He added, "This week Quality is starting a new insurance offering that will facilitate faster funding; we're adding downloadable partner resources to our website, and we've got more exciting news coming down the line!" Fogle, Marshall and the Quality leadership team are expecting continued growth throughout second quarter 2022.

JDR Solutions Launches Line of Support Services, JDR Streamline

JDR Solutions launched JDR Streamline. JDR Streamline is a support offering that leverages JDR resources to assist equipment finance organizations with their lease/loan accounting platforms. The support service offers equipment finance organizations the ability to fast track lease/loan accounting software upgrades, data migrations, system conversions and reporting.

"System upgrades, conversions and reporting can be challenging to any equipment finance organization," said Jesse Johnson, Vice President of Sales and Marketing at JDR Solutions. "Our team has over 400 years of experience streamlining lease/loan accounting platforms and processes."

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JDR Solutions is a software agnostic solutions organization that has four different lines of business including front end/back-office portfolio management services, consulting, disaster recovery services/hosting and custom web portal development. Clients include banks, captives, manufacturers and independent finance companies in the United States, Canada and United Kingdom.

North Mill Equipment Finance's Originations Reach All-Time High

North Mill Equipment Finance (NMEF) announced that first quarter loan and lease originations reached an all-time high of $109 million, up 99 percent from the same period last year. Originations for the month of March represent a new pinnacle as funded volume surpassed $49 million, eclipsing the December 2021 originations high of $36 million.

"I could not be prouder of the energy, dedication and collaboration that the team at NMEF displays each and every day," said NMEF Chairman and CEO, David C. Lee. "We were able to double our funded volume in one year with only a 33 percent increase in headcount while achieving greater asset and industry diversity and maintaining yields without sacrificing credit quality as evidenced by a weighted average guarantor FICO of 716."

Mark Bonanno, NMEF's President and Chief Operating Officer, said, "Our exclusive commitment to the broker channel remains steadfast. By deepening our strategic relationships with key referral partners, we were able to substantially improve our efficiency and service levels, allowing us to double funded volume while processing nearly the same number of applications as the prior year. Discounting relationships now represent over a third of our funded volume."

Amur Achieves Record-Breaking First Quarter, 100% Y/Y Growth

Amur Equipment Finance announced the results of its record-breaking first quarter, which established new benchmarks for both application and origination volume and represented a year-over-year growth rate of 100 percent compared to first quarter 2021. At the current annual run rate, Amur expects to surpass its target of $1.5 billion in origination volume for 2022 and to achieve a 100 percent-plus growth rate for the second consecutive year.

"Our outstanding first-quarter results would not have been possible without our uncompromising service and dedication to our hundreds of thousands of small-business customers and our deep relationships with all our partners," said Todd Wainwright, Amur Senior Vice President, Head of Commerce and Strategic Partnerships. "These relationships reflect the commitment and trust we have built with our partners through years of differentiated service, and for that, we are grateful."

Amur's record growth can also be attributed to its dedication to the well-being of its customers and its employees. "We are passionately committed to helping our customers realize their business aspirations. Customers come back to us time and time again, year after year because they know we are devoted to their success," said Ken Karpel, Senior Vice President, Sales, and Retention. "Additionally, our continuous push for ensuring a culture of personal risk-taking with ample leadership opportunities for our people bodes well for the future."

And yet this growth would not be possible without Amur's robust and scalable proprietary tech-enabled platform that allows it to keep pace with Amur's growing originations and positions it to capture even greater volumes in the years to come.

Orion First to Provide Servicing to Universal Finance Corp

Orion First has begun servicing contracts for Universal Finance Corp.

Massachusetts-based Universal Finance has over the last 40 years established itself as a premier lender to the construction industry. The company now serves clients in a wide range of other industries, including transportation, restaurants and medical equipment suppliers. As it has grown from a regional to a national business, Universal has wanted to expand product lines and operate more efficiently. Limitations of its current systems had restricted them, however.

"Outsourcing our servicing enables us to focus on sales and credit underwriting," said Dan Robinson, a Partner at Universal, "which is what we do best."

Robinson led the search for a servicing partner. "Orion was clearly the top choice. No one else has the kind of performance and savvy that Orion does. They outperform everyone else, and they have two rare commodities: broad knowledge and deep history."

"Like us, they're really all about helping small businesses succeed," said Orion Executive Vice President Quentin Cote. "It's exciting to see them building a world-class organization." Cote said he believes it's natural for growing finance companies to seek servicing partners. "Visionary leaders recognize that originations and credit are key differentiators, while the back office can often be a drag on success. Partnering with Orion ensures world-class performance, insight and borrower experience."

eCapital Launches Business Management Tools to Support Transportation Industry

eCapital announced the launch of the Five Star Load Board and Five Star Dispatch platforms under the Five Star brand. These tools have been designed specifically for the underserved owner-operator, small fleet and freight brokerage segments as part of eCapital's commitment to helping small and mid-sized transportation companies succeed. The announcement comes at the Mid-America Trucking Show (MATS), where eCapital is exhibiting for the first time.

"We understand the needs of owner-operators, small fleets and the growing freight brokerage market," said Ken Judd, Chief Executive Officer of Freight Factoring at eCapital. "Not only are we a partner they can count on for their cash flow, but with the launch of the new Five Star products, we also help them build and manage their business better."

Five Star is a new brand powered by eCapital that extends beyond specialty lending with a suite of products to equip small and mid-sized transportation businesses with the tools they need for success. Both Five Star Load Board and Five Star Dispatch are available to eCapital clients and all owner-operators, small fleets and freight brokers, supported by the industry-leading technology the company is known for.

Five Star Load Board allows users to search and find loads for free, in real-time, from a carefully curated network with instant credit data provided for every load. Five Star Dispatch is a full-service dispatching tool for managing all aspects of trucking and brokerage business operations.

KLC Financial Implements Tamarack Technology's AI Platform

KLC Financial has successfully implemented Tamarack.ai, an artificial intelligence (AI) platform from Tamarack Technology, Inc. An element of KLC Financial's growth strategy, the company is using the fully integrated AI tool to increase efficiency and accuracy of its decision-making.

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"In equipment finance, you have to look at every available tool and technology to help you compete," said KLC Financial CEO Spencer Thomas, CLFP. "We felt that AI was a tool we needed to adopt into our business processes in order to become more efficient and accurate in our decision-making. With Tamarack.ai, we found a solution that could help us scale and grow using our data and our way of doing deals."

One of the first companies to implement Tamarack.ai in the second half of 2021, KLC Financial has already begun to realize positive results and is looking to leverage the tool further. According to Thomas, "Tamarack.ai is helping KLC Financial make decisions on a daily basis on how and which businesses the company goes forward with."

For KLC Financial, the next step in the implementation of Tamarack.ai is the use of the platform's prediction capabilities in the automation of processes to further drive digital integration across the organization.

"We have an aggressive growth plan that will rely on the use of the platform's prediction tools to be more focused and more productive," said Thomas. "We view Tamarak.ai as a tool to help us reach the 'right customer' with the right product at the right pricing and expand into new markets – to find customers we didn't think about before and be more confident in our decisions. It is going to empower us to be able to do more and scale faster."

Designed for the equipment finance industry, Tamarack.ai continuously and autonomously helps reduce capital risk through analysis and learning gained from operational data that reflects an institution's business processes. The Tamarack Technology team worked closely with KLC to identify the data universally available across past transactions and built it into the model. The Tamarack.ai system is implemented to draw data from all KLC's digital systems – past and present – for the last five years of business.

"Working closely with an innovator like KLC on the application of Tamarack.ai demonstrated to us the vast potential that the platform has for enabling digital transformation," said Tamarack Technology President and Chief Digital Officer Scott Nelson, PhD. "The experience highlighted the value of collecting 'good data;' specifically the many data points collected during traditional underwriting that can then create predictions of customer, lender and lessor behaviors."

Leasepath Partners with IDology to Enhance Data-Driven Decision Making

Leasepath entered a strategic partnership with IDology, a GBG company and leader in digital identification verification and authentication. The partnership provides Leasepath customers immediate access to applicant background data that enables smarter and faster leasing decisions.

"Speed and efficiency are critical elements for success within the leasing industry," said Leasepath CEO Jeffrey Bilbrey. "By adding IDology's ExpectID Scan solution and unique data pull features at the top of the funnel, our customers have immediate access to all critical data necessary to make a funding decision and the power to leverage the Leasepath system to take automatic action on the application."

Leasepath's Intelligent Workplace platform is purpose-built to help equipment finance companies increase organizational capacity, automate the pricing, quoting, and documentation process, improve workflow, implement credit automation, enhance fraud mitigation, and provide expansive reporting and dashboard capabilities. With IDology's robust identity verification and authentication solutions layered digitally integrated into the Leasepath solution at the beginning of the origination process, asset finance organizations gain immediate access to an applicant's driver's license and KYC data – dramatically accelerating the decision-making process.

"With IDology and Leasepath, finance companies can offer automated, data-driven decisions to their vendors and brokers with just the scan of a driver's license," said Christina Luttrell, CEO of IDology. "Not only is the process faster, it allows for absolute confidence in the identity verification process."

The partnership displays Leasepath's continued commitment to bringing new opportunities for innovation to the

equipment finance industry. In partnering with IDology, Leasepath is making world-class solutions more accessible to finance companies. IDology functionality was added to the Leasepath platform as part of a recent quarterly update that added new features and solutions automatically. Interested customers can connect with their Leasepath customer success representative or an IDology representative to begin the journey towards simplified and streamlined applicant identify verification and authentication.

LTi Technology Solutions Launches ASPIRE Express

LTi Technology Solutions (LTi) announced the launch of ASPIRE Express, a pre-configured servicing platform for startup organizations. This secure SaaS solution provides the ability to book and service lease and loan contracts quickly with a low cost of entry.

With ASPIRE Express, small and startup organizations will be able to begin booking deals using the platform within 45 days. ASPIRE Express allows for scalability without the need to change platforms. When a business is ready for the next level of servicing capabilities, functionality required is simply turned on in the next phase of their growth. Also, ASPIRE Express has no limit on the number of contracts processed.

Bryan Hunt, Senior Vice President and Chief Revenue Officer of LTi, said, "We are very excited to offer this pre-configured solution that will allow smaller broker-type businesses to originate broker and own-book deals. ASPIRE Express is the perfect solution and does not require a change of system as the business grows. We provide this solution with no up-front fees, and a low monthly payments to allow immediate ROI for these organizations."

North Mill Closes Its Largest Securitization, $371MM

North Mill Equipment Finance (NMEF) announced the closing of its fifth commercial equipment backed securitization (ABS), NMEF Funding 2022-A (NMEF 2022-A). The $371,070,000 transaction represents North Mill's largest ABS issuance to date, surpassing its $236,588,000 ABS issuance in March 2021.

The transaction was well-received by institutional investors despite being in the market during a period of heightened macroeconomic volatility, pricing on the day of Russia's invasion into Ukraine. North Mill had no investors drop their order post announcement of the invasion, and ultimately priced at a WAL-adjusted spread of 1.54 percent. The transaction featured 23 investors, eight of whom were first time investors in NMEF.

NMEF 2022-A featured five tranches of notes, achieving an 88.35 percent advance rate through the Class D note. The transaction was rated by Kroll Bond Rating Agency, Inc. (KBRA), who assigned a lower base case rating agency loss assumption for NMEF 2022-A vs. the company's preceding issuance (NMEF 2021-A), permitting North Mill to achieve higher proceeds through the capital stack (88.35 percent in NMEF 2022-A vs. 86.03 percent in NMEF 2021-A). The $371.1 million transaction was backed by $420 million in equipment loan and lease contracts, $72 million of which will be contributed via a three-month prefunding period post-close.

in the NEWS

CERTIFIED LEASE & FINANCE PROFESSIONAL FOUNDATION

CLFP Foundation Adds Over 50 New CLFPs

The Certified Lease & Finance Professional (CLFP) Foundation announced the following individuals who sat through various eight-hour online proctored CLFP exams, have passed. They are listed alphabetically:

- Cheryl Baker, CLFP – Director, Commercial Finance Operations, Crestmark, a division of MetaBank
- Janine Benson, CLFP – Vice President, Key Equipment Finance
- Jean Blakeley-Cook, CLFP – Loss Mitigation Recovery Specialist, Channel
- Danielle Bonzer, CLFP – Account Executive, Northland Capital Financial Services, LLC
- Brian Bourne, CLFP – Business Development, KLC Financial, Inc.
- Stephanie Bramer, CLFP – Vice President, Counsel-Senior, The Huntington National Bank
- Jodi Brockman, CLFP – Funding Coordinator, Channel
- Nicholas Bromberek, CLFP – Regional Sales Manager, Crossroads Equipment Lease & Finance LLC
- Jordan Brown, CLFP – Senior Collateral Services Specialist, Key Equipment Finance
- Anita Carew, CLFP – Senior Director of Professional Services, FIS
- Michael Cohen, CLFP – Chief Risk Officer, Crossroads Equipment Lease & Finance LLC
- Kristin Coster, CLFP – Vice President, Operations, North Mill Equipment Finance
- Taylor Dannar, CLFP – Sr. Funding Manager, Alliance Funding Group
- Scott Dawson, CLFP – Director of Business Development, Northland Capital Financial Services, LLC
- Kristy Doll, CLFP – Client Account Manager, Oakmont Capital Holdings, LLC
- Alexandra Dressman, CLFP – Counsel - Senior, The Huntington National Bank
- Jack Elenbaas, CLFP – Credit Manager, Crossroads Equipment Lease & Finance
- Brian Eschmann, CLFP – President, Northland Capital Financial Services, LLC
- Jackie Ettle, CLFP – Operations Specialist, Northland Capital Financial Services, LLC
- Tanner Evans, CLFP – Federal Sales Associate, Key Equipment Finance
- Mark Hoffman, CLFP – Vice President, Key Equipment Finance

- Hiroki Kawai, CLFP – Assistant Vice President, Sumito Mitsui Finance and Leasing Co., Ltd.
- Samantha Knight, CLFP – Credit Analyst, North Mill Equipment Finance
- Joseph Knobbe, CLFP – Collections and Loss Mitigation Analyst, Channel
- Kevin Law, CLFP – Senior Account Executive, Key Government Finance, Inc.
- Desire' Leaf, CLFP – Senior Paralegal, Key Equipment Finance
- Jennifer Martin, CLFP – SVP, Sales Enablement and Enterprise Support, Key Equipment Finance
- Jennifer Martin, CLFP – Operations Associate, KLC Financial, Inc.
- José Albertorio Matos, CLFP – Relationship Manager, Commercial Equipment Finance, Inc.
- Trudie McAdams, CLFP – Senior Counsel, The Huntington National Bank
- Richard McAuliffe, CLFP – Financial Services Executive & Executive Board Member and Past Chair, Canadian Finance & Leasing Association
- Naya Montoya, CLFP – Vice President, Key Equipment Finance
- Andrea Moreno, CLFP – Manager - Funding, North Mill Equipment Finance
- Molly Morris, CLFP – Sr. Commercial Relationship Service Specialist, The Huntington National Bank
- Bradley Nicholson, CLFP – Senior Commercial Portfolio Manager, The Huntington National Bank
- Michael Peterson, CLFP – Director of Syndication, Crossroads Equipment Lease & Finance LLC
- Travis Rader, CLFP – Equipment Finance Sales Executive, The Huntington National Bank
- Nicole Rice, CLFP Associate – Finance Broker, Affiliated Financial Services
- Alex Ruderman, CLFP – Senior Business Architect, Odessa
- MollyAnn Sand, CLFP – Business Development Officer, Oakmont Capital Holdings, LLC
- Steven Schroeder, CLFP – Vice President, Fifth Third Bank
- Brittany Simonsen, CLFP – Analytics Engineer, Orion First Financial
- Eduardo Sobrino, CLFP – USA Sales Manager, Commercial Equipment Finance, Inc.
- Denise Steinberger, CLFP – Vice President, Western Region, North Mill Equipment Finance
- Timothy Stickney, CLFP – VP Sales – Bank Channel, Key Equipment Finance
- Paula Summers Murphy, CLFP – Director of Strategic Partnerships, Vision Financial Group, Inc.
- Matthias Swanson, CLFP – VP, Commercial Strategic Solutions Analyst Senior, The Huntington National Bank
- Maria Trettel, CLFP – Credit Analyst, Oakmont Capital Holdings, LLC
- Joseph Tuholsky, CLFP – Portfolio Manager, Northland Capital Financial Services, LLC
- Joshua Utke, CLFP – Business Development Manager, Crossroads Equipment Lease & Finance LLC
- Jeffrey Wehe, CLFP – Account Executive, Northland Capital Financial Services, LLC
- Nicolette Wellington, CLFP – Client Solutions Analyst, The Huntington National Bank
- Denise Zeise, CLFP – Contract Manager, Key Equipment Finance

The CLFP designation identifies an individual as a knowledgeable professional to employers, clients, customers, and peers in the commercial equipment finance industry. There are Certified Lease & Finance Professionals and Associates located throughout the United States (including Puerto Rico), Canada, India, Africa and Australia.

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Supply Chain Suspense

Supply chain issues have fueled strong demand for used equipment financing, requiring equipment lessors to be flexible in their go-to-market strategy while simultaneously maintaining strong risk underwriting policies.

By Don Hansen

Don Hansen
Regents Capital Corporation

As equipment leasing and finance companies look to navigate the post-pandemic period, many new challenges and potential opportunities manifest daily. One of the most significant impacts our industry faces is supply chain disruption and the related fallout to our customers and equipment vendors. It is clear to me that many businesses are ready to move forward with expansion plans or new business opportunities. However, those plans are consistently paused or excessively delayed due to the lack of available equipment. Construction and manufacturing end-user clients are consistently stymied by empty dealer lots and unknown equipment vendor delivery timelines. In the meantime, orders continue to come in and project completion demands continue to mount.

Used Equipment Explosion

Faced with the unknowns brought about by the supply chain challenges previously detailed, businesses have scrambled for alternatives. One specific remedy has been the acquisition of used equipment rather than new. The pivot to this solution has pushed used equipment prices to record levels and left companies racing to purchase what they can locate and acquire quickly.

Once the marketplace for newer businesses or even start-ups, credit departments are now fielding requests for used equipment from established enterprises. Furthermore, the desperation to acquire certain manufacturing or construction assets to meet their job demands has pushed some companies to acquire decades-old assets. Our credit team recently received a request for a 30-year-old trailer. When pressed on why they were looking to purchase such a dated asset, the exasperated client said the unit was all they could find, and their business needs it now. "Take what you can get," is emerging as the new normal.

The used equipment marketplace can also be quite chaotic with a variety of participants. Expect a significant increase in private party sale requests as well as sales from equipment brokers with a limited (or in some cases no) established commercial credit profile. Ensuring clear asset title and proper sale documentation will further challenge your credit and documentation teams.

The Delivery Dilemma

For some clients, the used equipment market will not be a practical option. These clients need new assets given current customer order specifications or other requirements that cannot be met by older generation equipment. In these cases, they are forced to wait out the extended delivery timeline which often exceeds 120 days. These extended delivery times are not isolated to smaller equipment vendors. Established equipment vendors that normally predict

> The used equipment explosion and the delivery dilemma present challenges to equipment leasing and financing companies.

delivery timelines to the day now give loose commitments or no delivery timeline commitments at all.

Given this extended delivery window, equipment vendors and dealers want to ensure their orders stay committed and are mandating significant upfront deposits prior to delivery. I have seen a dramatic increase both the number of requests for such deposits combined with the longest delivery gaps from the payment of those deposits. We track these metrics at our firm and the number of days outstanding for our progress payment deposit pool has doubled in the last 12 months.

Industry Challenges and Responses

The used equipment explosion and the delivery dilemma present challenges to equipment leasing and financing companies. There are underwriting pitfalls that must be addressed to ensure overall portfolio health and performance. Pricing assumptions – especially residual based pricing formulas – will need to be reviewed to adequately respond to the spike in current values. Finally, tough decisions are needed on progress payment/deposit funding policies as well as approval duration and transaction commencement guidelines.

Focused consideration must be given to your company's credit underwriting criteria related to used equipment. This is especially true if your underwriting policies are a component of credit facilities used to fund your business. Be certain that both used equipment concentrations as well as any used equipment prohibitions are adequately managed. An updated policy statement should include items such as equipment age restrictions, private party sale requirements and any used asset exclusions.

In the underwriting process specific attention should be paid to the vendor/seller of the equipment. While it would be preferrable to work with an established equipment dealer with a solid commercial credit profile or one of the nationally recognized auction houses, that will often not be the case. Lien searches on the private party sellers are a must. In many cases, private party sellers may have outstanding loan balances on assets they are liquidating. Funds should always flow to any entity holding a security interest first, with surpluses going to the seller.

It is likely time for an open discussion with your management team to analyze the current impact of used equipment on your organization. Sales, credit and documentation leaders can provide a "boots on the ground" vantage point to specific areas that may need to be addressed in underwriting policies to respond to this shift. Communicate any shifts in policy or underwriting guidelines immediately to your entire company to ensure alignment with your new guidance.

Smaller equipment finance firms or brokers that rely on third party funding relationships may face extra challenges finding partners that will approve transactions with used equipment, especially if the assets are older than five years. Direct discussions with your key relationships about your current flow of used equipment applications is highly advisable. Look for common ground to meet your specific market demand.

The rising cost of equipment combined with significant inflation we have recently experienced has further enhanced the value of leasing for many businesses. For lessors, this presents both opportunity and risk. The assignment of a correct residual position to used assets when current costs have been moving exponentially presents challenges. Will the current values hold for the lease term? What happens to the value of the equipment when the supply chain issue resolves? Wrong moves in residual value assignment could ultimately crush the overall yield in your transactions at maturity.

To mitigate this risk, lessors fortunately have many tools at their disposal. There are various data providers active in both the manufacturing and constructions sectors who are supplying real time equipment sales values as well as predictive future values based upon their analytics. These assumptions are based on current and historical data giving asset managers a solid base from which to make rational decisions on future values. The predictive data not only helps in residual assignment, but also in formulating pricing strategies related to the term of a lease or finance agreement. With the right credit profile, providing extended term length on a used asset may capture more opportunities.

The supply chain challenge is but one of many challenges equipment finance and leasing companies have faced in the past two years. However, organizations that communicate effectively and respond with proper policy enhancements can produce solid results. When these adjustments are complimented with data-based analytics, I believe organizations will come out ahead. Further, providing solutions for clients now will solidify your future relationship when the turbulence of the current moment has passed.

ABOUT THE AUTHOR: Don Hansen is the Chief Executive Officer of Regents Capital Corporation.

Top Trends in the Office Technology Sector

The office technology sector is evolving rapidly and to compete, equipment finance providers must take a proactive approach to understand and meet customers' needs.

By Heather S. Friedman

Heather S. Friedman
GreatAmerica Financial Services Corporation

There is no doubt that the office technology sector is amidst a transformation. The way we think about the workplace, our product offerings and the rapidly changing obstacles we face in today's environment continues to evolve at a fast pace. We've found it more important than ever to understand our customers' current and emerging pain points on our mission to develop solutions that help them not only overcome these obstacles but thrive in the future.

Here are five common trends we're seeing in the office technology sector today.

1. Ecommerce

More and more, we are seeing our customers engage in discussions and make plans surrounding ecommerce. As consumers' buying habits and preferences change and adapt toward a touchless, automated, online experience, considering an ecommerce strategy will become more prevalent in the next few years. We see dealers examining how an ecommerce approach might play out in their world: How it might change their approach to pricing, product representation and sales processes. How can they adapt to ensure they understand how their website's storefront intersects with the roles of sales representatives? Should a financing option be embedded into this approach and if so, how?

While the desire for ecommerce is rapidly growing, it's important to remember the need for personalized transactions and experiences have not disappeared. The key is to identify how to emulate in-person experiences in an online setting.

When asked to weigh in on the sector's adoption of ecommerce, Jennie Fisher, Senior Vice President and General Manager of the GreatAmerica Office Equipment Group said, "The need for a personalized, consultative approach to buying and selling office equipment solutions will never truly go away, but we do need to start thinking about it a little differently. If you think about it, ecommerce is really just an intersection of inbound marketing, sales, and customer service. Creating a personalized, consultative experience in an online storefront should be an extension of the exceptional customer experience this sector has been known for all along."

Technology is advancing our world – there's no doubt about it. Remaining still is not an option. But taking a thoughtful and intentional approach toward efforts like ecommerce will make the difference in a successful and lasting program.

2. Product Diversification

Perhaps the most noticeable shift in our industry is diversification within the products and solutions offered. Along with ecommerce, the technology swings we're seeing in the office technology sector are making a big impact on how providers are staying current and creating additional revenue streams within their portfolios.

The pandemic created an extreme dip in print volume. With offices closed, printing that would have typically occurred ceased. Though we are starting to see an uptick in volume as offices continue to fill back up, it's nowhere near pre-pandemic levels simply because of the additional work-from-home opportunities present in today's environment. Let's be clear – print isn't dead, but office technology offerings have become more robust and the categories of products and services that fall under that umbrella have expanded.

"The way the industry thinks about financing will continue to evolve and diversification is a big driver of this evolution," said Fisher, "As dealers adopt more solutions and as-a-service offerings, like Voice over IP (VoIP), marketing, and Information Technology (IT), the financing solutions that support these offerings will also need to evolve."

Customers are looking for application software, consulting, image capture, security, VoIP, and managed IT services in addition to print, and they want to rely on one provider for all of it. This creates a need for flexible financing solutions that can accommodate a growing scope of not just products, but as-a-service offerings, too.

3. The Hybrid Work Model

Our current work-from-home world may be a by-product of the COVID-19 pandemic, but it looks like it's here to stay. As companies reevaluate their current workplace structures, many are rethinking the need for in-person office space. And while it may still be considered the norm to work within a regular office structure, many now have employees working from home on a part-time or full-time basis. That means increased demand for collaboration software, conferencing capabilities and secure remote work software like Citrix or VPN licensing. As solution providers add in these offerings, they'll be in search of financing programs that align.

4. Supply Chain Issues

We anticipate that supply chain obstacles will continue to be a factor for some time. The issues permeate nearly every sector, and there's no clear solution in sight to get equipment in the hands of dealers. Everyone is in the same boat, which means keeping it afloat is a team effort. However, our dealers are identifying ways in which they can make expectations clear from the beginning of the transaction. Flexibility and communication are key to navigating supply chain issues without losing customers.

5. The Great Resignation

On top of all the other changes we're seeing, the entire workforce is struggling to fill open positions. Experts are calling this period the Great Resignation. Turnover is high and burnt-out employees are seeking out the next best opportunity in the hopes of reaching their career objectives. When you think about the above changes happening, it's key to have employees who are engaged and committed to help you succeed in the above areas.

Diversified offerings create a need for specialized talent. We see our solution provider customers putting more effort into two specific areas: attracting and identifying the right talent and retaining that talent.

Increasingly, solution providers are discerning their exact needs up front, what they are looking for, and how a candidate should ideally fit into their company. They are investing in hiring assessment tools and expertise to ensure they get it right.

Beyond attracting the right talent, solutions providers are also putting a greater emphasis on retaining the talent they already have — employees who already understand the business. Retention is just as, if not more, important than hiring. That's why we see a common practice of "stay interviews" being adopted as a proactive way to remain in tune to the long-term goals and objectives of high performing employees.

In Summary

As stressful as change can be, it's also very exciting. We're watching the sector develop into something completely brand new and unprecedented. "The challenges our customers experience continue to evolve, and we embrace that. Our objective is to support their opportunities with end user customers," added Fisher. "The last few years have certainly brought obstacles, but our strategy has remained unchanged; to listen to our customers and develop timely solutions."

Now more than ever is the time to listen to the challenges your customers are facing and identify new opportunities to support them through this evolution.

ABOUT THE AUTHOR: Heather S. Friedman is Vice President, Corporate Marketing, at GreatAmerica Financial Services Corporation.

Welcome to the New Age of the Equipment Finance Maze

The process for successfully booking and funding a deal has changed dramatically over the past few years with many twists and turns in the process that equipment finance companies must be willing to navigate. In the end, communication is the key to success.

By Dan Feeney

Dan Feeney
North Star Leasing Company, A Division of Peoples Bank.

Obtain an application from a trusted vendor. Approve the application. Come to terms. Get advance payments back from the customer along with the signed contracts. Issue a purchase order to the vendor. Wait 14 days for the equipment to be delivered. Confirm equipment has been delivered and is operating as expected with the customer. Pay the vendor 30 days later. Total time of above transaction is 45 days – welcome to 2015!

How the world of equipment financing has changed over the past seven years. Now a funder must vet the vendor in detail, as some require 100 percent upfront payments, possibly skip payments to assist the customer as the equipment, which used to take two weeks to be delivered and installed, can now take up to five months. Or, in some instances, the equipment that the funder has 100 percent prefunded doesn't ship at all and the transaction needs to be unwound.

This is mission critical equipment, meaning it will either increase revenue, decrease expenses or hopefully both once installed, thus allowing the company to be a more efficient operation and use those efficiencies to repay the lease. Except now the manufacturer is having trouble staffing its facility. The over-the-road service does not have enough truck drivers to deliver the equipment. Cargo ships are waiting to be unloaded at all the ports in the U.S. And then, once the equipment arrives to your trusted vendor, they are having trouble finding qualified installers so the customer can put the equipment in place to grow their business and make the agreed upon monthly payments.

Does the above scenario make your head spin? Welcome to the new age of equipment financing and how important human communication is between your applicant – who will hopefully turn into a long-term customer – your trusted vendor, and your underwriter / funding department. Remember, the underwriting / funding departments are continually trying to mitigate risk to the portfolio by making the best decisions on every transaction. This used to be mostly about the credit of the borrower, but now it entails just about every step of the financing process.

We started using a ***"BEGS"*** story approach at North Star Leasing years ago on our applications so that everyone can be on the same page from the moment an application is received through funding. We let the applicant explain their business model by answering how the equipment they need us to finance is either going to replace a broken piece of equipment (emergency replacement), improve the equipment (more efficiency), or expand beyond to a new opportunity within their business model.

Understanding your applicant's Business (***"B"***) and how the Equipment (***"E"***) will benefit them followed by the Guarantor's (***"G"***) credit standing and then how the transaction should be Structured (***"S"***) efficiently allows our salesperson, broker, underwriter and finally the documentation team member to all be on the same page prior to funding. Given the unknowns within the supply chain, the ***"S"*** or structure on a payment is critical for underwriting and funding to understand as we are coming out of a two-year pandemic. Over the past two years, the customer's ability to repay their obligation had to be understood as many very solid customers were closed with no revenue while trying to make payments. Now almost the reverse is happening, whereby the customer is doing OK, but the vendor is having a very difficult time "guaranteeing" delivery in a timely manner. Your customer, the vendor and the financing company must all be working together to offer a reasonable solution. No one is trying to cheat anyone out of money, but the underlying issues remain – there are many more moving parts today versus only a few years ago when vendors extended terms and worked off purchase orders.

Since March of 2020, we have experienced a significant increase in funding "anything stainless steel." That is an asset in the kitchen of a restaurant, behind a bar's service area or anything related to the production of craft brews or craft distillery as restaurants were closed and they had to pivot to a different business model in order to survive. Once the supply chain became impacted and demand surpassed supply some vendors went the "cash is king" route by selling equipment to the first customer who put cash into their account. I believe this was short-sighted by some vendors, but we can address that at another time. Communication with your vendors and understanding their issues during this critical time is very important to a long and profitable relationship between you and a vendor. Waiting two weeks for soap, dishwasher detergent or toothpaste from Amazon is one thing, but a business owner relying upon a critical piece of equipment to be delivered in a timely manner to grow their business is a totally different experience.

Two additional contributors to the equipment maze and cost are freight and soft costs associated with the installation. The unprecedented rate of inflation and lack of labor in the marketplace can significantly increase the amount of "air" in a transaction. Freight costs, which last year might have been $4,000 for a $100,000 piece of equipment, are now running as high as $12,000 to $15,000 and sometimes higher. Obviously, the equipment is of no value if it is not delivered. Understanding the best way the shipping can occur in the most efficient manner helps everyone. Also, where installation cost used to make up 15 to 20 percent of an equipment lease, now we are finding that due to labor shortages, the costs to install are sometimes double. The work needs to be done for the equipment to be fully operational, but those additional labor costs are not really "collateral" and must be addressed when underwriting and structuring the lease terms.

We are seeing the need to structure deals by helping our customers manage the cash flow burden while the equipment is being made, shipped, delivered and assembled. We have been asking for about 20 percent down, then have skip payments while the equipment works its way through the supply chain maze. We have, on occasion, had to modify those initial payments as the customer was relying upon increased revenue or efficiencies to make the monthly payments.

As we head further into the year, the world appears upside down with inflation through the roof, war in Ukraine, major supply chain issues and Washington, DC, remains politically divided. With that as a backdrop, I never bet against the men and women who run the businesses that make this country strive. I have worked in the equipment leasing industry through the Great Recession in 2009-2012 as well as the past two years of COVID-19 lockdowns, and I marvel at how the "American Dream" continues to expand daily. In other words, business relationships matter and not everything can be communicated between computers. Occasionally, a little human interaction goes a long way in seeing your way through speedbumps and hiccups such as we are seeing in the supply chain / manufacturing segment. Pick up the phone and work with your vendors and customers.

ABOUT THE AUTHOR: Dan Feeney is Executive Vice President, Manager at North Star Leasing Company, A Division of Peoples Bank.

What's Around the Next Curve for Trucking?

G. Paul Fogle
Quality Leasing Co., Inc.

The trucking industry has undergone a series of cycles over the past few years. Succeeding in this sector is not for the faint of heart.

By G. Paul Fogle

Increasingly we're seeing alarming reports of an oncoming "bloodbath" in the U.S. over-the-road (OTR) trucking industry due to predictions of freight rates topping out and cascading lower. When freight rates decline significantly, many freight companies go out of business, and lenders must liquidate assets. Shortly after COVID began, freight rates started increasing and hadn't decreased until recently. Truck prices have had a similar trajectory. Prices have risen so much that a three-year-old truck can be sold for the same amount purchased brand new three years ago! If you've been a lender in this space holding a portfolio of trucking assets and freight rates sharply decline for an extended time and truck prices do the same, you might be in big trouble.

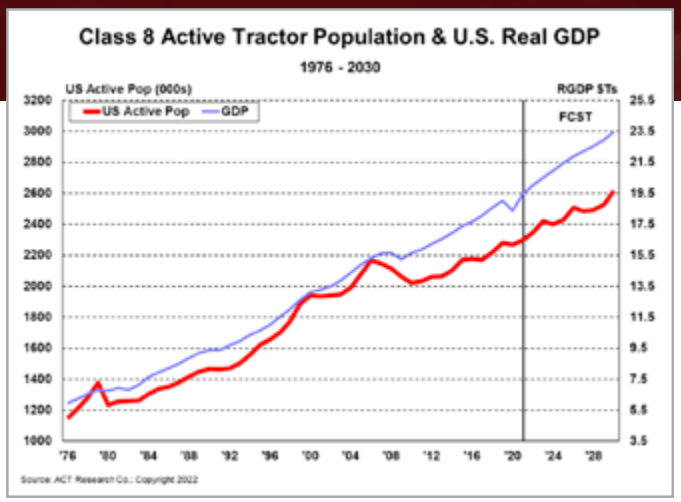
This article discusses where we are today, where we can go from here, and my perspective on the future of financing in this space.

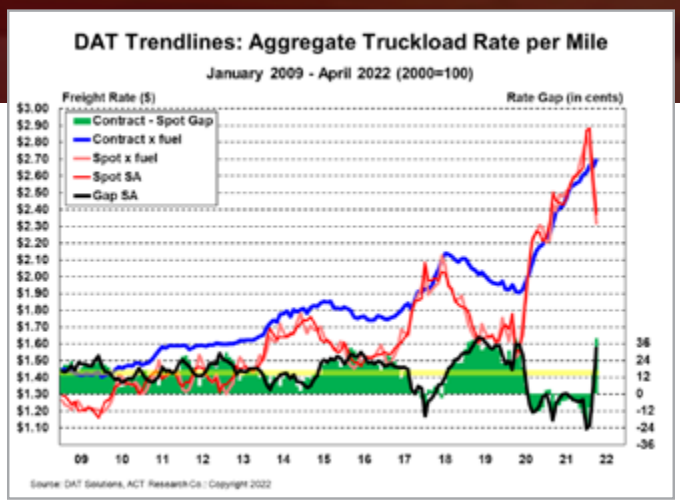
The trucking space is a huge market. The total estimated revenues for moving freight in the United States in 2021 was just over $1 trillion, inclusive of rail, water, pipeline, and other modes. Seventy-five percent of the $1 trillion involved moving goods via OTR Class 8 trucks and trailers.

There are two main freight carriers in Graph 1: Private Fleet Truckload and For-hire Truckload. Private Fleets are trucks owned by private companies to haul their goods. The For-hire fleets are companies hired to transport goods for third parties and are typically the ones that seek outside financing from lenders.

Demand for OTR freight hauling has been red hot since shortly after COVID started. Demand to move goods which correlates with GDP has out-paced existing freight capacity, driving per mile freight rates to record highs. The U.S. econ-

Graph 1

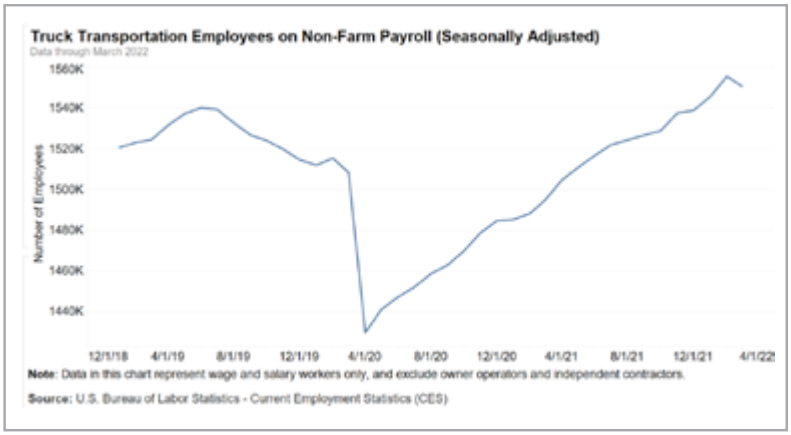


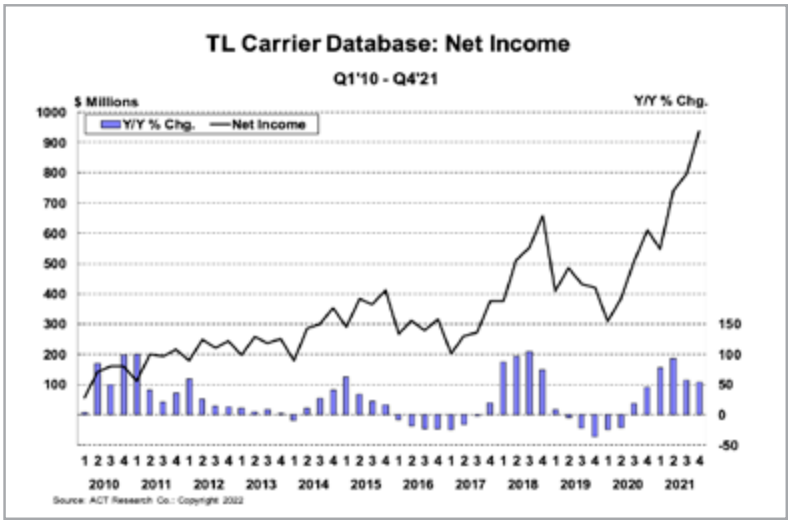


omy expanded by 5.7% in 2021, the strongest year-over-year growth since 1984's 7.2% expansion. Recently however, Spot Rates, considered the bellwether of oncoming freight conditions, have sharply declined.

Before COVID, there existed a driver shortage as younger people were not entering this business as fast as people were getting out of the business. Being an OTR driver is a tough job, and for many, the compensation versus the work was out of balance. In the early months of COVID, when many goods-producing businesses in the U.S. and abroad shut down, many drivers retired, sat on the sidelines, or got out of the business altogether. COVID-related driver shortages and higher demand to move freight once the economy re-opened produced increased profits for freight companies. This also increased wages across the board and attracted new entrants, especially company drivers that become owner-operators by purchasing their trucks. Some owner-operators earned more than 3 times their previous salary!

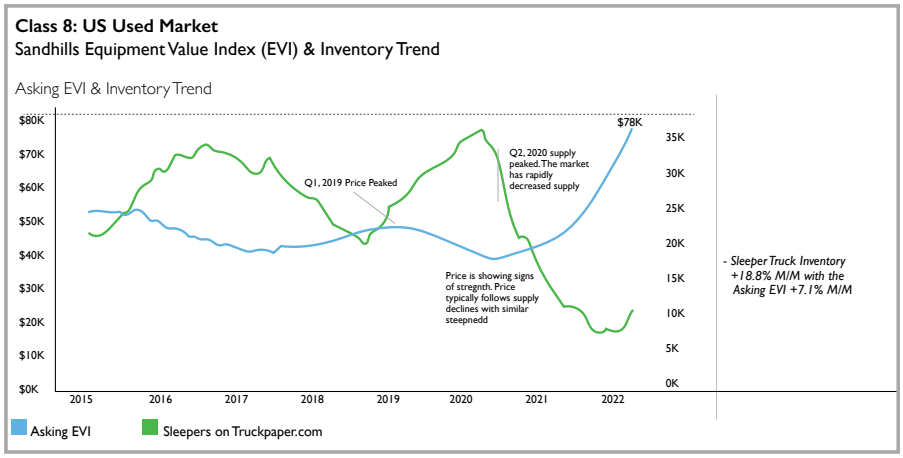
This has led to a "gold rush" of opportunity seekers. According to USDOT, there was a 112% increase in commercial driver's licenses issued in the first months of 2022 versus 2021. Overall, trucking employment is now around 30,000 higher than at the pandemic's start. New fleet registrations were up to 20,166 in March. The last peak was in August 2019, when there were 9,511 new trucking fleets.





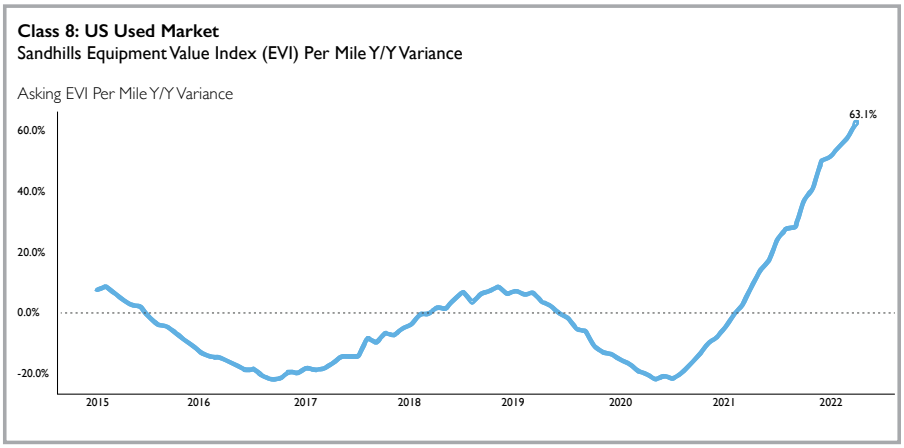
Supply Chain Challenges

The ongoing supply chain problems and chip shortage issues have limited the production of new trucks. There is currently a backlog of orders with deliveries extending into 2023, and the market isn't expected to normalize until sometime in 2024. The lack of new truck inventory, high freight demand and new entries into the freight business has drastically increased new and used truck prices to levels never seen before. For example, used Class 8 sleeper auction prices have increased approximately 90% since mid-2020.



Reading the Tea Leaves

Some say this is the beginning of a free fall, and several indicators support this argument. For instance, the trucking labor force has been consistently increasing, and more drivers are getting their own authority which has been increasing capacity on the supply side. GDP is forecasted to decline to 3% in 2022, and in Q1, 2022 was a negative 1.4%. Households continue to shift spending towards services, which will reduce freight demand. Mortgage interest rates are increasing, which will cool off the housing markets, further reducing freight.



But there are also compelling arguments that the freight markets will continue to be strong, albeit coming off the peaks. For example, while Q1 2022 GDP shrank, it fell because inventories shrank, imports increased significantly and government spending decreased, accounting for -4.5%. Private demand for goods actually grew by 3.7%, above the anticipated 3% GDP growth predictions. Business activity remains strong, with all four leading indicators (PMI, industrial capacity utilization, production, and new orders) supporting continued growth expectations. Corporate profits in Q4 2021 and Q1 2022 have been substantial. Inflation is projected to fall back down to lower levels as supply chain, labor issues are worked out and more goods need to be transported. Investment in business equipment continues at a robust pace. The labor participation rate has recently surpassed the March 2020 rate, and consumer spending is forecast to increase. There is a 12-month+ backlog of new truck orders, and the for-sale inventory of trucks is only 25% of what was pre-pandemic, which supports continued demand and prices for trucks.

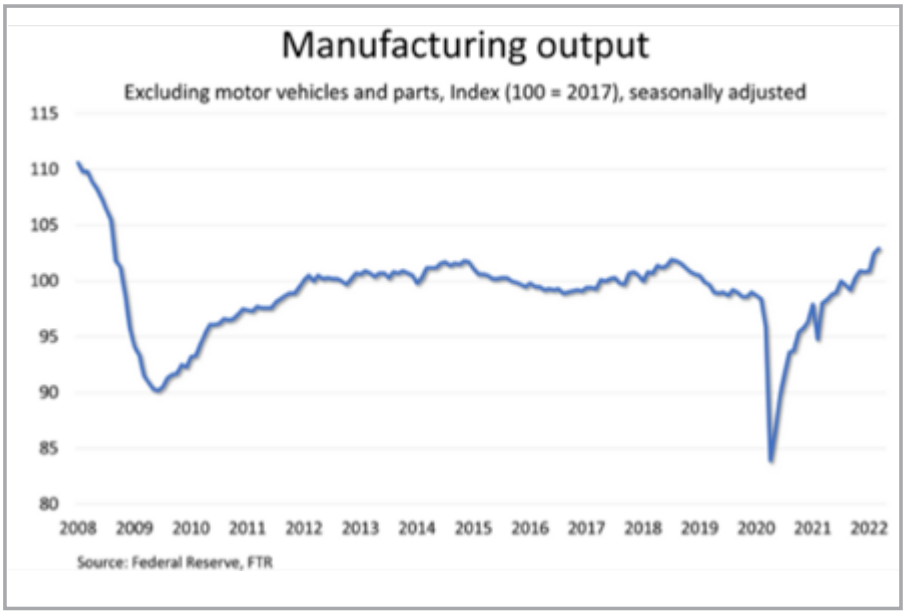
"The reports of my death are greatly exaggerated." – A phrase originally uttered by Mark Twain, but also applicable to the perceptions of the current freight market. It appears we are coming off-peak freight rates, which was inevitable, but with the current economic momentum, supply chain issues being worked out, labor participation increasing, continued strong freight demand and the lack of new truck inventory, I don't see a collapse in the freight business.

What does this mean for truck financing?

According to the ELFA's Monthly Leasing and Finance Index, new business volume was up 14% in March 2022 year-over-year. However, history has taught us that when uncertainty hits the credit markets, many lenders get out of certain businesses, tighten up credit standards or move upstream, financing only the best credits. The best recent example is when COVID hit the country in 2020: lenders got out of truck financing in droves, sold portfolios and left many wondering where they could get financed. Especially hard-hit were small businesses and the borrowers with less-than-perfect credits. Also, as the Federal Reserve raises interest rates, so does the cost of borrowing. In an increasing rate environment, higher borrowing costs decrease the demand for credit and decrease the supply of new money to less than "A" quality credits.

Short-sighted versus long-term view lenders

Many industry lenders, including Quality Leasing, have survived and thrived when other lenders have pulled out of this space. We have lived through the freight recessions of 2019 and 2015-16 and understand the cyclical nature of the OTR industry. Over the years, we have diversified our portfolio by financing more non-titled assets, but truck financing is still a large part of our DNA. My advice to other lenders: This business is not for the faint of heart and certainly has its cycles. Sticking to common sense underwriting and properly managing inherent risks will keep you in this market consistently well into the future.



ABOUT THE AUTHOR: G. Paul Fogle is Managing Director, Quality Leasing Co., Inc.

Securitization in Equipment Finance

Brian Rodd, President and CEO of Securcor Financial Group, provides a guide through the securitization process and outlines the benefits of this important source of liquidity.

By Brian A. Rodd

Brian A. Rodd
Securcor Financial Group

What Is Securitization?

For many independent lease and finance companies, the word "securitization" is often met with intrigue, quickly followed by a sense of apprehension. *What exactly is securitization? How does it work? Are we big enough to benefit from securitization?*

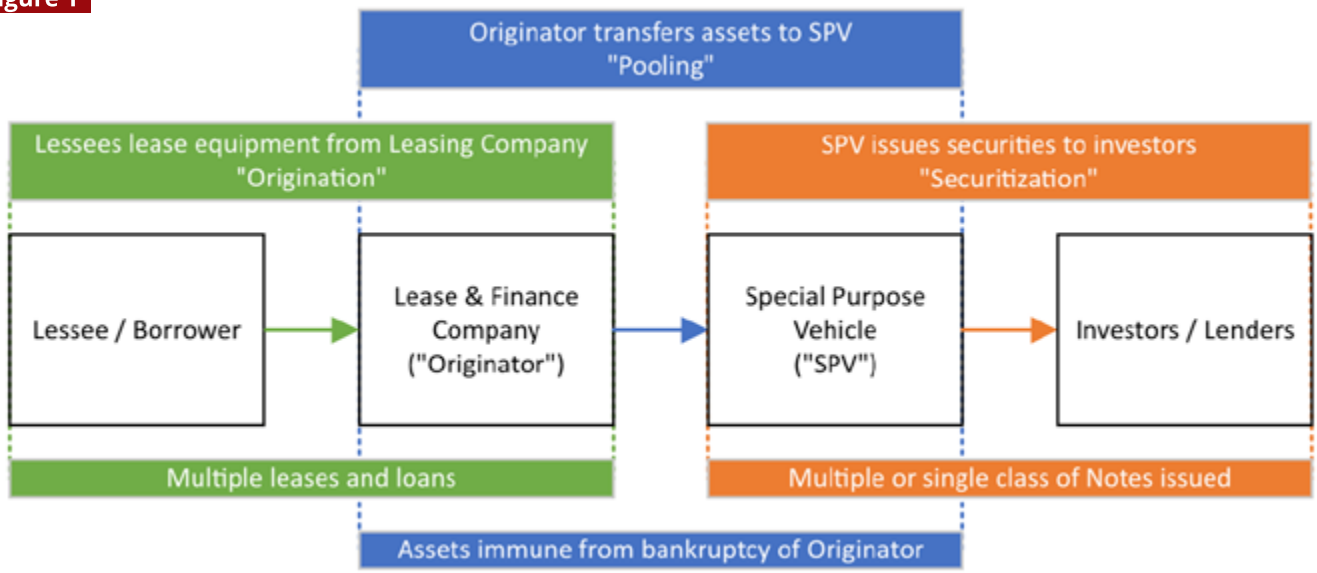
Securitization structures can be quite complex, but they don't have to be! Simply put securitization is the process of pooling lease and loan contracts and selling their related future receivables (the payment streams) to raise cash – turning illiquid assets into liquid assets to free up capital. For those exploring securitization for the first time, the process can end up being much easier than you think.

The process for a typical securitization facility is depicted in Figure 1: i) Lease & Finance Company (the "Originator") extends credit to customers through lease and loan contracts, ii) the Originator then sells the contracts on a discounted basis to a special purpose vehicle (the "SPV"), an entity that buys the receivables, and iii) the SPV then issues securities to Investors and Lenders, usually in the form of debt obligations, in order to raise funds that are used to purchase the receivables from the Originator.

After the initial sale, the SPV uses the collections received on the receivables (which it now owns) to pay the interest and principal on the debt obligations that it has issued. Once the obligations of the SPV have been satisfied, all remaining collections on the receivables are then returned to the Originator.

In most cases, the Originator continues to service the portfolio of contracts, billing and collecting payments from customers then passing them along to the SPV.

Figure 1



What Are the Various Structures that Can Be Utilized?

Securitizations come in many different types (Asset-Backed Securities ("ABS"), Future Flow, Collateralized Debt Obligations, Mortgage-Backed Securities, etc.), but they all adhere to the same basic structure described in Figure 1. Equipment securitizations fall under the ABS-type which we can further categorize into two classifications, i) publicly and ii) privately funded models. These monikers are derived from the avenues in which investors are sought. Public securitizations seek note purchasers through targeting institutional investors or selling notes on the open market, whereas private securitizations are traditionally funded by a single investor (for example: insurance companies, pension funds, family offices) looking to add to their own balance sheet. Both models are extensively used in the equipment finance market today.

Public securitizations typically receive the best possible rates the market can offer. However, they are very expensive to operate, and therefore make more economic sense when an Originator can produce a pool of contracts in excess of $150.0 million. Privately funded models utilize the same traditional asset-backed financing techniques but can be completed at much smaller volumes.

Why Are Securitizations a Beneficial Form of Funding?

Access to Non-traditional Funding Sources

For most independent finance companies, the draw of securitization begins when the decision is made to diversify or consolidate their funding sources by adding additional facilities to work in concert with their traditional bank lines. Not only can securitization facilities provide access to new capital, but they can also be used to consolidate and replace smaller bank facilities that require re-underwriting of contracts. Companies that employ this approach can save a tremendous amount of administrative time and effort by streamlining their funding process with a new source of funds. As securitization facilities often rely on non-bank investors who have an appetite for short term products, like leases and loans, access to capital can increase dramatically for the company.

Reduced Funding Costs

The process of securitization removes the assets from the Originator's balance sheet thus providing the opportunity to reduce the cost of borrowing through financial structuring. For example, a leasing company with balance sheet strength attracting a "BB" rating could securitize high quality lease contracts and through financial structuring achieve a higher rating than attainable through conventional borrowing. Unlike traditional bank borrowing, securitization does not increase the balance sheet liabilities; it produces funds for future investment.

Reduced Asset-Liability Mismatch

A securitization can help Originators eliminate interest rate and duration risk by providing perfectly matched funding. Portfolios funded through traditional bank debt are subject to changes in the cost of borrowing. Selling contracts at a fixed rate and term provides cost certainty and the ability to create a self-funded portfolio.

Liquidity

Securitization turns the illiquid future receivables of lease and loan contracts into immediately available cash for current spending or future investment.

Other items to consider

Securitization facilities typically allow for increased leverage while retaining ownership of the underlying asset along with any tax savings resulting from that ownership. In addition, the facilities are set up on a fully serviced basis, allowing the Originator to retain servicing and the resulting customer contact throughout the term of the contract. Customers are not notified as the funding is truly behind the scenes between the Investor in the securitization pool and the SPV.

Unlike traditional bank facilities where loan limits are put in place and the security package includes the Originator's balance sheet (and possibly the owners' personal guarantees), securitizations are structured as bankruptcy remote facilities, designed to stand on their own. They are secured by financial structuring and the assets of the SPV. The only support provided by the Originator is via their servicing obligation.

Comparing and Contrasting Private and Public Securitizations

Let's have a look at the similarities and differences between public and private securitization structures.

	PRIVATE	PUBLIC
Minimum Issuance Size	Under $50.0 million	$150.0 million and over

Private securitizations can be completed with a portfolio size as low as $50.0 million. This allows Originators to participate in the benefits of securitization listed above much earlier in their growth cycle. Many companies use a private securitization model initially and as they continue to grow and are able to take advantage of economies of scale, make the transition to the public markets.

	PRIVATE	PUBLIC
COSTS		
Funding Rate	Improved over traditional borrowing	Best rates in the market
Legal Fees	Moderate	High, due to complexity of structure, number of participants and multiple note issuance
Rating Agency	Do not require a rating or require a limited private rating from one rating agency	Always required, must be rated by at least one rating agency and in many cases two ratings will be required
Standby Servicer	Required	Required
Trustee and Custodial Fees	Not always required	Required. Rating Agencies and Investors require tighter control of assets and cash flows
Servicing Fees	Paid to Originator	Paid to Originator

As with any lending facility, both private and public securitizations come with an array of costs that must be considered and evaluated before making the decision to move forward. Although structured based on rating agency principles and methodologies, many of the features of public securitizations are not deemed essential for private investors. The biggest cost savings come from being unrated, and the legal fees that accompany which result in additional complexity and time. Generally speaking, the total dollar cost of public securitization is greater than private, but when these costs can be spread over a larger portfolio, public market securitizations become a very compelling option.

	PRIVATE	PUBLIC
Repeat Issuance	Yes. Often under the same agreements and terms.	Typically; fully drawn on closing without ability to increase funding

Private securitization structures generally allow for several draws during a stated approval period that are tailored to the origination abilities under existing facilities. As a result, the warehouse or aggregation facility needs are not as large as the securitization facility drawdowns and can be done as often as required. Conversely, public structures are less flexible, often requiring the establishment of multiple SPVs and additional legal agreements

	PRIVATE	PUBLIC
Asset Types	Traditional and esoteric assets classes	Limited to traditional assets classes for which a developed rating methodology exists

Private securitizations can be tailored to meet the unique abilities and needs of an Originator. Due to the lack of a required rating, private investors are able to entertain portfolios that don't meet the strict data standards of public market transactions. These may include such elements as sufficient performance history, management tenure, or portfolio diversification, among others.

Through accessing the private capital markets, the securitization structure has been simplified making it easier to understand and, more importantly, simple to administer.

What Are the Risks of Securitizing?

There are no new risks for the Originator created through the process of securitization. In fact, securitization *transfers* traditional risks associated with financing (credit, liquidity, prepayment, reinvestment, and concentration) to Investors. As an added bonus, the Originator retains control of their portfolio and customer base.

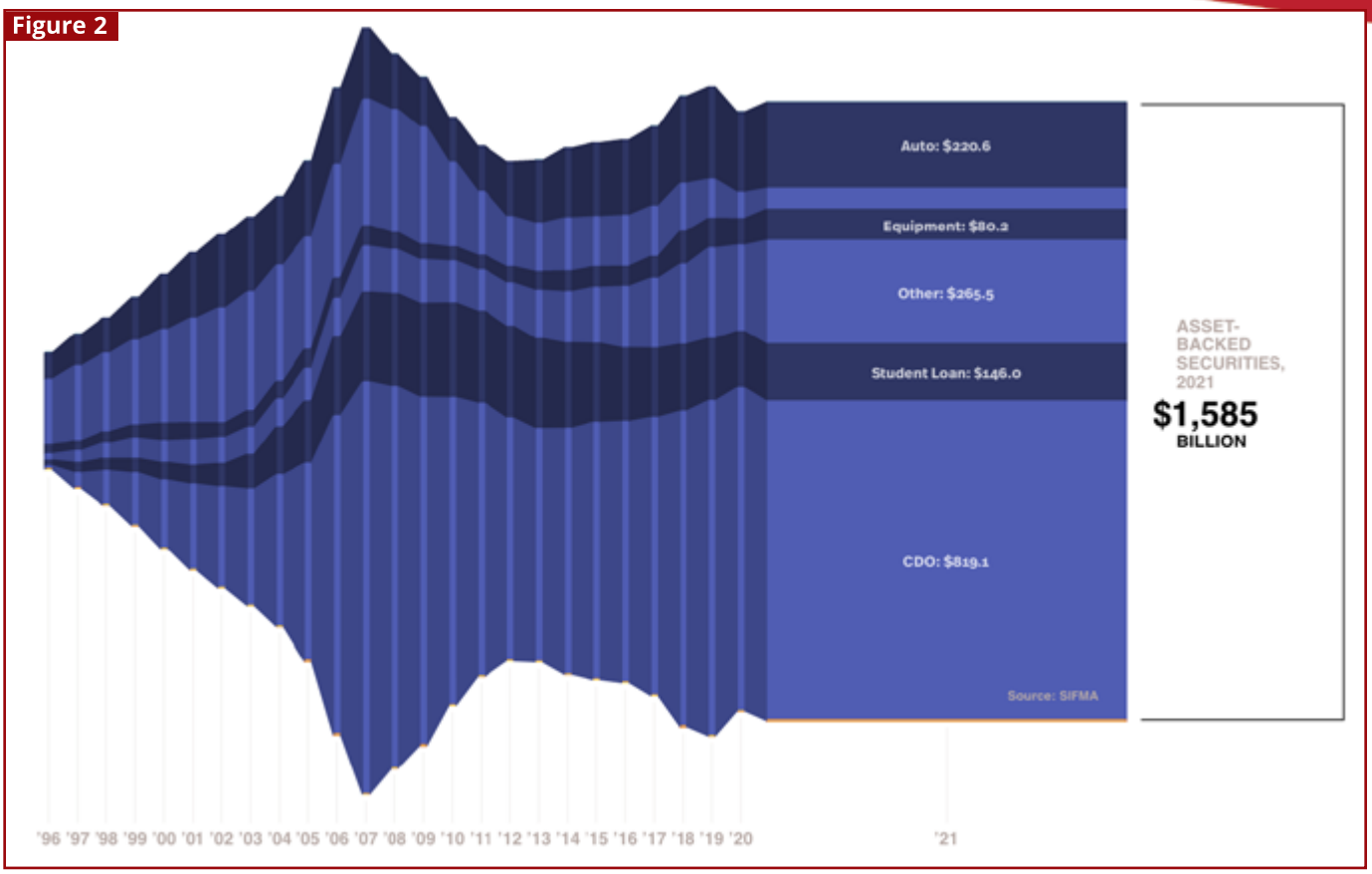
Securitization will not insulate Originators from systemic risks like those experienced during the Covid-19 pandemic. It is also true that securitization of subprime mortgages was at the root of the 2007/2008 global financial crisis. However, underlying asset performance and excessive risk taking were the culprits, not the process of securitization. In times of rising-rate, financial market uncertainty, a securitized portfolio provides cost certainty to Originators. If the capital markets dried up and stopped funding again, the cost of future securitizations would certainly be impacted, along with all traditional sources of capital. On a positive note, some securitization structures that were funded by private investors continued to fund through that most difficult period in modern financial market history.

What Makes a Company "Eligible" to Utilize a Securitization Facility?

There are a few key factors that independent finance companies should consider when making the decision to include securitization as a source of capital.

1. Portfolio size and origination velocity
   a. Annual origination levels of $50.0 million are generally required to tap the private market, whereas $150.0 million would be needed to make a public securitization economical.
2. Warehousing capability
   a. Does the Originator have the funding capability to pool contracts in anticipation of securitization? The company must have sufficient existing funding lines that can be used to build a securitizable pool.
3. Management experience
   a. Tenure
      i. Has ownership and management demonstrated the ability to operate the company through economic cycles?
   b. Quality and demonstrated adherence to company underwriting policies
      i. Does the company ensure that all contracts are underwriting according to documented policies and procedures? Originators must be able to articulate their funding strategy and convince investors that past results are indicative of future performance.

Figure 2



c. Servicing capability and history
   i. Can the Originator provide a detailed track record of delinquency and loss performance? Historical loss and delinquency levels are the prime indicators of a company's ability to services their portfolio through economic cycles, both good and bad.

4. Portfolio characteristics
   a. Can the Company originate a diversified collateral pool of contracts? Securitizations are best suited for pools that have low concentrations geographically, by asset type, by industry, and by deal size.
5. Structure
   a. Does the composition of the collateral pool allow the securitization to be structured to provide sufficient credit enhancement to cover stress level losses? Investors need to have comfort that unexpected portfolio turbulence won't impact their expected returns.

What Is the Outlook for the Securitization Market?

In various forms, the use of securitization dates back centuries. But like many engineered products, its use and misuse have been subject to unintended market pressures throughout history. The chart in Figure 2 above shows the outstanding balance of ABS transactions since 1996:

Following its misuse during the financial crisis, markets saw a contraction of securitizations for the subsequent five years. Expansion ensued thereafter until the Covid-19 pandemic. Today, the public ABS securitization market in the U.S. is well in excess of $1.5 trillion dollars and as private securitizations continue to gain momentum they, too, have become an important part of the investment strategy for private investors that fund into that market.

Securitization continues to have a strong future. Lessons learned from the financial crisis, including the need for increased transparency, have improved the model. This means increased participation and comfort for investors and more options for Originators. Political unrest and an ever-changing economic landscape will most certainly lead to future upturns and downturns in the capital markets. However, there will always be a market for asset-based lending in the lease and finance industry. Well-structured transactions will always attract capital that needs to be deployed.

ABOUT THE AUTHOR: Brian A. Rodd is President and CEO of Securcor Financial Group.

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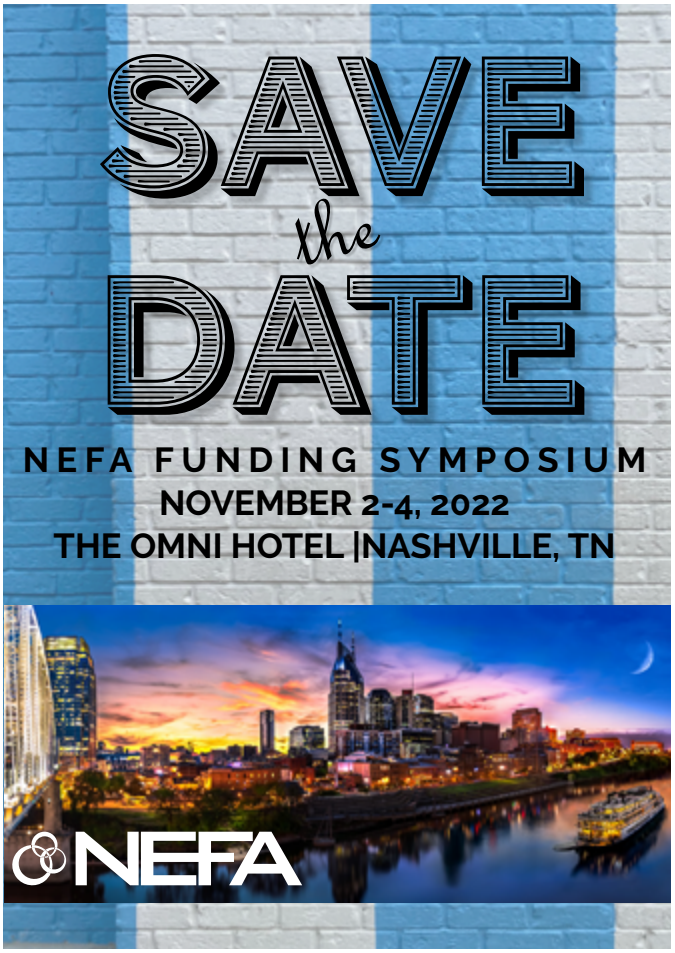

NEFA EVENTS CALENDAR

Baltimore Crab Feast & Networking Event
June 9, 2022
Captain James Seafood Palace
Baltimore, MD

Los Angeles Angels Baseball Game & Networking Event
July 12, 2022
Angel Stadium of Anaheim
Los Angeles, CA

Kansas City Regional Networking Event
July 28, 2022
Boulevard Brewing Co.
Kansas City, MO

Lake Minnetonka Boat Cruise & Networking Event
August 11, 2022
Al & Alma's Charter Cruises
Wayzata, MN

Point Ruston Regional Networking Event
August 25, 2022
Farrelli's Pizza
Ruston, WA

Taking Steps to Fix What is Wrong… Even When the Challenge is Expansive

By Shawn Smith

In April, I was asked by the *Newsline* editorial staff to expand upon Dedicated's charitable giving in 2021 and its plans for 2022, and I am both humbled and excited by this request. I see it as a great opportunity to talk about why all our companies do what they do, where the inspiration for being a company that gives heavily comes from, and what Dedicated's specific charitable plans are for 2022.

Having gone to Haiti with my wife, Stephanie, in 2013 and having taken many subsequent trips to that impoverished but beautiful country, there are many stories that come to mind that explain our drive for giving back to those in need. Probably the most significant story to me, personally, would be the story of Jenika Francois, an adorable little girl I had written about in detail in the July/August 2015 issue of *Newsline*.

While Jenika's story ultimately motivated Stephanie and me to do something about all the heartbreaking things that are currently taking place in Haiti, there was a different little girl that ultimately motivated us to start partnering with Feed My Starving Children and explains why that organization is still such a big part of everything we do here at Dedicated.

I met her while I was serving at the Home for Sick and Dying Children in Cite Soleil, the poorest slum in the western hemisphere, located just outside Port Au Prince Haiti, and her image would forever be imprinted in my mind, heart, and soul. She was about a year old and weighed about 10 pounds, and if you have never seen what the phrase "skin on bone" looks like (especially in person) then let me just say that it is both horrifying and memorable in the worst of all possible ways. When I first looked into her bassinette, she slowly raised her little arms to grab my pinky and smile at me, and that single action broke me, changed me forever, shattered my heart, and – to be quite frank – it was God that put it back together because my own mind could not.

This wasn't something that I could just quickly see on television and then forget. I was experiencing something firsthand, something that would change me and motivate me for the rest of my life.

But in this dark story there existed a ray of light: She was being brought back to life by the infant formula that is contained in the MannaPack meals that are produced and shipped all over the world by Feed My Starving Children. Here was the miraculous impact of an organization that wouldn't surrender and wouldn't stop fighting against hunger in its many terrible forms. Here was hope. All parents would fight to their last breath for the survival of their own children, and here was an organization that provided resources to help parents and guardians in Haiti carry on that fight.

Shawn Smith
Dedicated Financial GBC

I immediately knew that I couldn't just return home after this visit without doing something about what I had seen, and this became our primary motivator to use Dedicated to sponsor meals – specifically meals supplied by Feed My Starving Children. Through this sponsorship, we were simultaneously saving children and giving families hope for a better future. We were giving families a way to get and stay healthy so that they could then focus on other important things like providing an education and maintaining a safe home.

Every new trip that I take to Haiti provides me with additional motivation to give, now more than ever. I find it extraordinarily sad that slavery is legal in a country just 1.5 hours from Miami, and that the poorest slum in the western hemisphere exists in Citi Soleil. Every time I have served in that slum, a mother has begged me to take her baby back to America because she has no way to feed it, telling me that her baby won't survive without my help. Having to say that you can't help in those situations is something that tears at your soul, leaving you broken.

As a result, every year since its inception Dedicated has added more giving, at higher levels, in larger amounts, and to more

vetted charities. We have traveled to locations where those charities operate, and we have seen their impact. In fact, of the $256,900 that we gave away in 2021, that amount was spread across 17 separate non-profits.

In addition to Dedicated as a whole, Dedicated's individual team members directly help in many ways. The team has selected a nonprofit in every one of our business verticals that is near and dear to our hearts, and Dedicated gives to those nonprofits every time we do business. One example would be American Gold Star Mothers, which helps both families that have lost someone in combat and veterans who need critical assistance. One of our longest-tenured team members, Joe Costello, was made aware of this organization when his best friend from college was lost in combat in Afghanistan, and this organization provided critical assistance to his friend's mother and family after their tragic loss.

Team members and clients in other business verticals have chosen to sponsor nonprofit activities and organizations such as No Shave November and Idea Financial. The latter is a wonderful client of Dedicated and its CEO, Justin Leto, dedicated his efforts recently to raising funds to help raise awareness of the importance of cancer prevention.

As we look ahead to the remainder of 2022, we hope that a newly launched partnership will bring the borrowers that we work with into the fold of giving back and social awareness. We'll be sending them six cookies that we've purchased from Cookies for Kids Cancer once they have achieved six months of payments for our clients, and our goal with this partnership is to send this nonprofit thousands of dollars each month to support pediatric cancer research and the children going through cancer treatment. When you look at the statistics you quickly find how incredibly little public funding goes to children with cancer – at last count it was about 4 percent of all public funding – and how incredibly long it can take for children to qualify for this small sum. It can take up to *two years*.

> "Find something that affects your soul and that motivates you to want to help, to give back, and to help others. Find your "*why*."

I sincerely urge *everyone* to visit the Cookies for Kids Cancer website at https://cookiesforkidscancer.org/ in order to read about the great work that this non profit is doing, its urgent need for funding, and the truly horrifying statistics regarding the number one disease killer of children in the United States.

Ultimately, we choose to view our growth as the best way for us to have more impact in the world; we choose to focus on changing the world and let any success that comes from that be the byproduct, and we put people before profit which ultimately leads to greater profit, more impact, and more success. In fact, we often find ourselves saying that, if a business with a giving model like ours, that provides tough services like commercial collections, repossessions, remarketing and nation-wide legal services, can grow between 50 percent and 200 percent year over year while being viewed by its clients as effective, ethical, and transparent, then *any business* should be able to adopt a giving model that is like ours and also become a force for good in the world.

Starting is easy: All you need to do is find your story. Your "*why*." Identify something in the world that is happening to people, something that they can't stop, and something that you *know* is wrong. Find something that affects your soul and that motivates you to want to help, to give back, and to help others. Find your "*why*."

Then, take steps to fix what's wrong, even if you can't fix it completely. Talk to team members, owners, and clients. Get their input. Talk to family and friends. Get their input, too. No single individual will have all the answers, but you don't *need* all the answers. You just need to find a way to start, and then not stop. Find a win-win that will make you want to do more every day.

As for Dedicated in 2022, we have no intention of slowing down or reducing our impact. Rather, we have every intention of figuring out even more ways to grow and even more ways to give. This is the heart of everything that we do and, God willing, it always will be.

ABOUT THE AUTHOR: Shawn Smith is CEO of Dedicated Financial GBC.

How the %#*!% Can a Lawyer Help?

We asked seasoned leaders in equipment finance 10 questions to find out what they really think about obtaining legal services. The answers may surprise you.

By Harmony Oswald, Esq.

1 Do you know a good lawyer joke?

While there are long lists of lawyer jokes, leaders in equipment finance generally don't feel comfortable telling them to an attorney. One person suggested that they don't know a lawyer joke because they're all true!

What did the lawyer name their daughter? Sue.
- Chris Lerma, President, AP Equipment Financing, Inc.

2 If you could describe it in one sentence, what does a lawyer do?

Leaders in equipment finance generally view lawyers as providing consultation and guidance, conducting legal research, interpreting laws, moderating risks, helping to make business decisions and making appearances in court.

"A lawyer enhances a parties' ability to legally protect their own interests."
- Bill Summers, CEO, Vision Financial Group, Inc.

3 What is the most valuable skill a high-quality attorney should possess?

In equipment finance, leaders value attorneys who are knowledgeable of the law, suggest cost-effective strategies, and communicate risks with short, concise, easy-to-understand language. A repeating concern is that some lawyers tend to over-complicate matters. Attorneys sometimes get too in depth and use difficult to understand legal jargon. Further, lawyers who take a more solutions-oriented approach are viewed as highly beneficial in business.

"What we really need is a transformational attorney. Someone who has a seat at the table, who helps us make business decisions, and not from a "can't do this" perspective. I can get almost any attorney to tell me what I shouldn't do. It's hard to find somebody that can really see past that and help us transform and evolve our business."
- Brad Peterson, CEO, Channel

4 What animal best represents the qualities of a lawyer?

Leaders in equipment finance believe that attorneys possess characteristics of animals such as elephants (smart and cautious), foxes (smart, cunning and strategic), and leopards (hunting in trees and striking when prey is not looking). In the end, however, we're told the comparison really depends upon the individual attorney.

"A lawyer is like a bunny rabbit carrying a hammer. They're always awake and looking out for danger. If danger strikes, they wield the hammer and click right in the temple."
- Bill Summers, CEO, Vision Financial Group, Inc.

5 When should someone in the equipment finance industry see a lawyer?

Harmony Oswald, Esq.
Oswald Law Firm

According to industry leaders, it's smart to have attorneys involved before, during, and after funding transactions take place. For example, up front, attorneys can provide "preventative care" by reviewing and drafting smart legal documents. Over time, industry regulations change, and lawyers can assist to ensure compliance with nuanced updates and requirements under the law. If a deal goes bad and a customer stops communicating, counsel can take quick action to protect interests, recover collateral, file lawsuits and enforce judgments.

"Almost every business decision we make has some legal piece. We get legal involved early, but legal has to be conscious that they are only one part of the decision."
- Brad Peterson, CEO, Channel

6 What would you tell your younger self regarding legal matters?

Leaders in the industry have accumulated years of wisdom regarding addressing legal matters. Some highlights of what they've learned include the importance of clearly communicating goals with the lawyer up front; recognizing that involving legal counsel is merely one part of a broader decision-making process; that you get what you pay for, attorneys are business people, and you cannot expect them to work for free; that attorneys are not "mystical magical creatures" and you should not be afraid to ask them questions as needed. Also, it's important to keep your expectations in check.

"Generally, the law grinds slow, so if you're going to start a lawsuit, justice isn't going to be immediate. It's going to take quite a while. You should always realize you're not going to make yourself whole in court and get it all back. There's lost time, money, you name it. You can document each transaction, but it's not going to save you that much. Always use enough foresight and judgment when getting into each transaction. Don't assume that your legalities will save you. Don't ever think, 'I can always sue and get my money back.' For us, when we go to litigation and see funds, it's found money."
- John Boettigheimer, President, Centra Funding LLC

7 If you could ask a lawyer one general question, what would it be?

We received a variety of inquiries from, "Do you love your job?" to "Do you ever discount your hours?" We had one specific request to print the answer to the below question.

> *"When you think back to your legal career, please share what is the most interesting and rewarding case or transaction, and why?"*
> *- Bill Summers, CEO, Vision Financial Group, Inc.*

> *Answer: "I once handled a case where my client sued several defendants for fraud. Most of the defendants agreed to settle before trial, but one refused. The one who refused to settle had a judgment entered against him at trial for the full amount plus costs and fees which was much more than if he had settled. After the trial, one of the defendants who did settle emailed me to state that although it seemed odd to reach out to the opposing counsel who sued him, he wanted to thank me for my assistance in getting the matter efficiently resolved. It was interesting and rewarding to receive a thank you note from the other side."*
> *- Harmony Oswald, Esq.*

8 If you could tell lawyers something you wish they knew, what is it?

Equipment finance leaders want attorneys to know that sloppy writing with spelling and grammatical errors can ruin an otherwise brilliant legal argument (i.e. presentation truly matters), a coordinated and persistent post-judgment enforcement plan is highly valued (i.e. don't stop with the judgment) and treating other humans like the enemy is never a winning course of action.

> *"We're in business to help our customers; sometimes our competitors. We have to be friends and have relationships with everybody. Nobody is the enemy. We want to be sure we're viewing the world in that way."*
> *- Brad Peterson, CEO, Channel*

9 We've been through uncertain times with the pandemic, war in Ukraine, supply chain disruptions, inflation, etc. Have you noticed any recurring or novel legal issues popping up more than usual?

Aside from some Texas counties applying blanket liens when a customer fails to pay property taxes, lenders are largely hyper-focused on evolving licensing requirements and regulatory compliance becoming increasingly complex and risky. Also, uncertain times have led to some customers trying to back out of agreements.

> *"We might do a pre-fund, stating that the equipment will be ready in 60 days. We commence the agreement, and 69 days later, the equipment gets delivered. In the meantime, something changes with the customer, and they try to back out. First, we explain to the customer that they cannot legally cancel. We recommend working with the vendor to see if they'll buy back the equipment. Since there's an equipment shortage, the vendor can probably sell it for the same or more."*
> *- Chris Lerma, President, AP Equipment Financing, Inc.*

10 What's your best piece of advice to other lenders, to ensure deals go smoothly?

Experienced leaders in the industry recommend prudent underwriting, trusting your gut, and if you have any sense the deal will go bad, then don't do it. Pick your battles, cut your losses, remove emotions and take a less aggressive approach to collections. Fight the good fight.

> *"Nice guys finish first, so teach your collections department that they need to have a nice discussion with customers. Get your collections department to really establish a dialogue with people. Have the same people reach out to parties so they really get to know them. If they feel like it's a different person calling them each time for money, they are more likely to view you as some big corporation and they don't want to answer. If they view the person on the other end of the line as an individual; if the debtor feels that they can deal with you straight and you're not plotting to hit them for as big a lawsuit as possible, they'll work with you. We try to get across to customers that it's in their interest to let us pick up the equipment, because we will try to sell it. We will try to bring their bill down. Things really get done the best when the two parties realize their goals are aligned."*
> *- John Boettigheimer, President, Centra Funding LLC*

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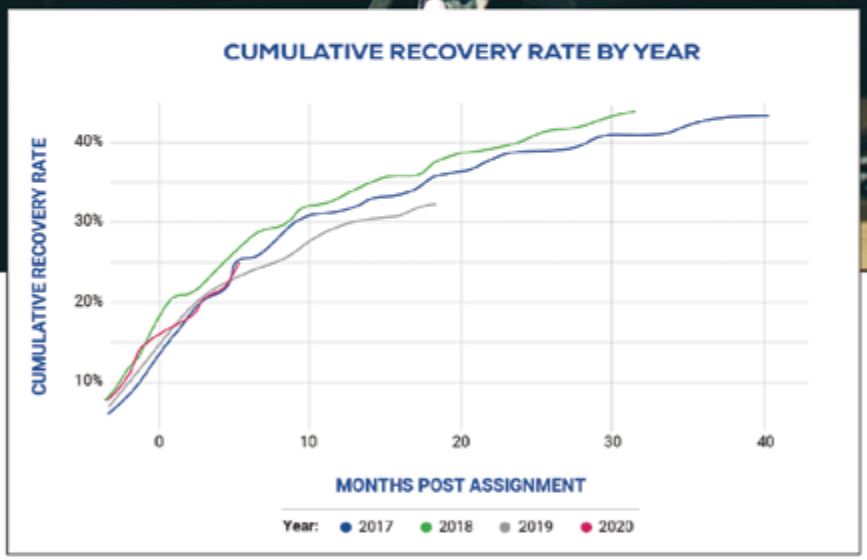

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