NEFA
National Equipment Finance Association

# NEWSLINE

MAY/JUN 2021

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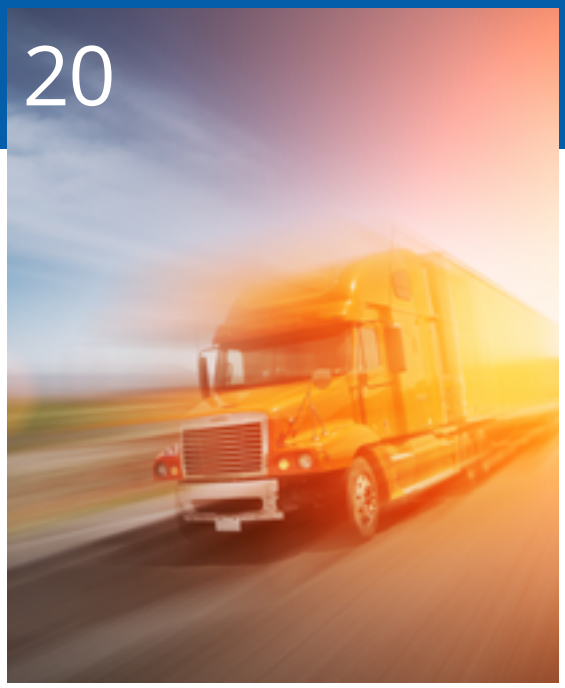
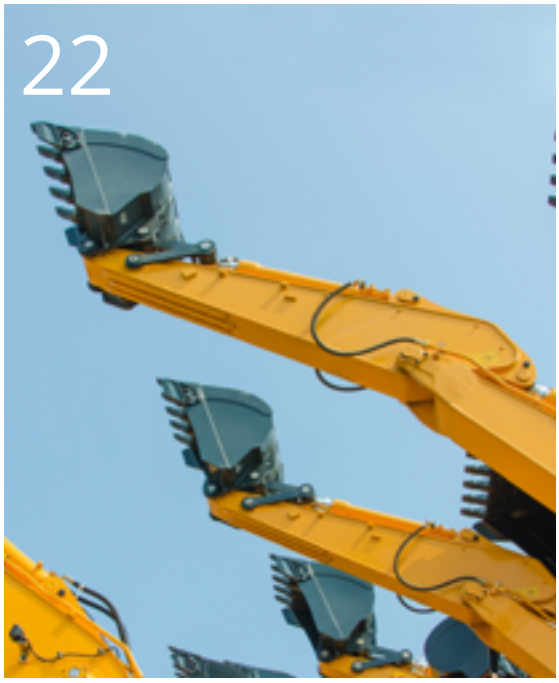



## DEPARTMENTS








## ALSO INSIDE

# A Message from NEFA's President

Spring is here and that means that summer is right around the corner! I always think of spring as a time of the year to hit a refresh button. I look back at the first part of the year, but look to the future with a renewed focus, especially where I am in the Pacific Northwest, when we finally start to see some much-needed sunshine. Our company even does a spring cleaning, to shake out the old and bring in the new. This energy that we have will serve us well.

Whew! We yet again survived! After experiencing uncertainty, shutdowns and extending COVID-19 relief to our customers, we are finally coming out the other side. We are recovering and business is strong. There is an increase in application volume, showing that businesses are on the mend and confidence is growing. Competition is booming and there is excitement once again within our industry. For many, volume declined last year. It wasn't just about the bottom line, there was a shift to protecting our most valuable assets – our customers, those industry peers we have long-standing working relationships with, and, most important of all, our employees.

Now that we are coming up for air, hit that refresh button by thanking them. Thank them all for their continued support during the tough times. It was those relationships that were nurtured that grew and strengthened during the more challenging times. Thank your customers, let them know that it was your pleasure to take the calls, hear them and help them. Appreciate those that return, respect the fact that with all the options in our industry, they chose you. Connect again with your industry peers, those you commiserated with. Friendly competition based in respect is healthy. I want to thank NEFA members and the Board, for being honest in conversations and meetings, pulling off the covers to speak up about a needed increased value proposition to our members. The hard work that the new staff and Board are doing to focus on those goals is refreshing to be a part of. To the Chris Walker Education Foundation, which is there to offer education opportunities to the equipment industry, your work is commendable. A shout out to Reid Raykovich, her brilliant work growing the CLFP organization that strengthens our industry. And last, but only because we save the best for last, thank your employees and co-workers. Make sure that they know their importance on your team. They represent you; they are the reason your customers return; and those are your most precious assets.

Let's move forward together, with that fresh view and enjoy the sunshine! I am confident we will be seeing each other soon.

Laura Carini, CLFP
NEFA President

## 2020-2021 BOARD OF DIRECTORS

# A Message from NEFA's Executive Director

Spring has arrived in Michigan and those of us living here could not be happier. It appears the winters are getting longer and longer (especially with COVID-19 making our lives more challenging). As the seasons change, it is good to reflect on what you learned during the previous season and look ahead at future opportunities. We are excited about the opportunities available within the industry, and specifically for our NEFA members.

As I read economic forecasts and speak to our members who can only spare five minutes for a short call, it is clear to me that there are many opportunities available to grow your business, expand and offer exceptional value to your clients. The focus of this column is networking and visibility. With your NEFA membership, there are virtually endless opportunities for you to expand your personal network, increase visibility and grow your business.

**Committees:** We are looking for volunteers to join the NEFA committees. If you volunteer for a NEFA committee, you will meet other members, participate in driving strategic initiatives to completion, and make a difference in the organization. Below is a list of committees seeking volunteers:

| | |
|---|---|
| Diversity, Equity, & Inclusion | Marketing |
| Education | Membership |
| Legal | Young Professionals |

To learn more, visit www.nefassociation.org or contact our team.

**NEFA Regional Meetings:** We are pleased to announce that several regional meetings are planned for June, which will allow our members to connect in person and build new relationships (all safely following local and state COVID-19 guidelines). We are planning other regional meetings for later in the summer and fall.

**NEFA Note e-Newsletter:** The NEFA Note e-newsletter is another forum by which our members can increase their visibility within the industry. This publication is issued at the end of each month and is distributed to the entire NEFA membership plus thousands of other industry contacts. If you wish to be published, please send your news or industry best practice article to Blair Dawson at bdawson@nefassociation.org.

**Virtual Exchange Webinar and Networking Series:** The NEFA Virtual Exchange Webinars and Networking series provide monthly educational and networking events for the NEFA community. Each event provides 60 minutes of education followed by 30 minutes of networking. These virtual events are held on the first Tuesday of the month from 1:00 – 2:30 PM ET. Members are encouraged to participate and connect with their NEFA colleagues. If you have a program topic idea, please send it to Blair Dawson (bdawson@nefassociation.org). These opportunities are available on a first-come-first-served basis.

To follow are events scheduled for June and July - please mark your calendars.

- June 3 – NEFA Northeast Regional Meeting Baltimore Crab Feast (Baltimore, MD) – 5:00 – 8:00 PM ET
- June 16 – Virtual Exchange Webinar & Networking Series (hybrid – panel will be presenting from Minnesota and streaming to members virtually) – 4:00 – 5:30 PM ET.
- June 16 – NEFA Minnesota Regional Meeting – 6:00 – 9:00 PM CT
- June 3 – NEFA Northeast Regional Meeting Baltimore Crab Feast (Baltimore, MD)
- July – Northwest Regional Meeting
- July – Southwest Regional Meeting

**Please visit the NEFA Events Calendar often for updated virtual, regional and national events.** As you can see, we are doing our very best to offer our members various initiatives to connect and build long-standing business relationships. We hope you will join us on this journey and get involved.

Please remember to "Think NEFA First" when you have needs within the industry.

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# in the NEWS

## INDUSTRY NEWS

### Maxim Commercial Capital Reports Strong Q1 Demand

Maxim Commercial Capital announced strong demand during the first quarter of 2021. Its Structured Finance program proved popular during the period, with business owners leveraging their equity in real estate and owned heavy equipment to fund working capital and fuel growth. Despite low inventory of well-priced, low-mileage Class 8 used trucks, Maxim closed purchase financings ranging from $12,000 to $53,500 for hundreds of owner-operators across the U.S.

"These past three months were starkly different from a year ago, when we were focused on supporting our existing customers to limit delinquencies and adapting to working from home," said Michael Kianmahd, Executive Vice President. "While many of our team members are still working from home, delinquencies are at historic lows and we onboarded over 40 new finance brokers with subprime borrowers needing growth financing."

"We are optimistic, yet realistic, about the business climate and economic recovery," said Behzad Kianmahd, Chairman and CEO. "The unknown risk of COVID-19 variants and the pace of economic recovery make it difficult to project. Conversely, we anticipate the pending infrastructure bill, strong vaccination rates and pent-up consumer demand will continue to drive strong demand for our financing solutions."

### Amur EF Completes Largest-Ever Term Securitization – $346MM

Amur Equipment Finance successfully closed its ninth term securitization, its largest ever, in which it issued $346 million in notes secured by equipment loans and leases originated through its platform.

"This issuance was met with incredibly robust and broad investor demand, including many first-time investors, highlighting the market's appreciation for Amur's innovative origination platform and strong portfolio performance, especially through the COVID-19 pandemic," said Kalyan Makam, Amur's Executive Vice President. "We continue to be thrilled by the capital markets support we receive, which allows us to better serve our core customers – the small business owners across the country that drive our economy."

This transaction was rated by both DBRS Morningstar and Moody's, with $264.6 million of the notes rated P-1/R-1H or AAA/Aaa.

Amur has grown into one of the largest independent small business lenders in the United States. The company now employs over 350 leasing professionals across eight offices and is headquartered in Grand Island, NE.

### Marlin Agrees to Be Acquired by Funds Managed by HPS Investment Partners

Marlin Business Services entered into a definitive agreement in which HPS Investment Partners LLC will, through its European Asset Value Funds, acquire all of Marlin's outstanding shares of common stock in an all-cash transaction for $23.50 per share, potentially subject to downward adjustment, which represents a 65 percent premium over the closing price of Marlin's common stock of $14.24 on April 16.

HPS is a global investment firm with $68 billion of assets under management as of March 2021. HPS manages various strategies across the capital structure including through its European Asset Value Funds equipment leasing platforms with approximately $4 billion of leases.

The company's board of directors has unanimously approved the transaction. The closing of the transaction is subject to various customary closing conditions, including regulatory and shareholder approvals, as well as the condition that Marlin Business Bank effect a "de-banking" and cease operations as a bank. Subject to satisfaction of all closing conditions, which there can be no assurances will occur, the company believes the transaction would likely close in the first quarter of 2022.

# in the NEWS

### Northland Capital Marks 25-Year Anniversary

Northland Capital Financial Services celebrated 25 years in business.

"In April of 1996 when I founded Northland Capital, I was determined to do what I enjoyed and to do it the right way," said Willis Kleinjan, CEO and founder of Northland Capital. "It has been a blessing to grow to the size we are today and to partner with our many clients over the years. We are grateful for the ability to celebrate this milestone and look forward to continued growth."

"This is an incredible milestone and is a tribute to the integrity and commitment of our founder and dedicated staff," said Brian Eschmann, President of Northland Capital. "The positive portfolio performance, coupled with record-setting business volume, is a testament of being able to adapt to the times. I am excited by the strong momentum in 2021 and beyond."

### North Mill Restructures Working Capital Solution, Expands Customer Benefits

North Mill Equipment Finance restructured its working capital solution to make it more competitive with other, less cost-effective options on the market. The financing arrangement, called Cash Out, allows a customer to borrow the equity of paid-up business equipment and channel the proceeds back into the company. Although similar in concept to a sale leaseback, Cash Out is structured as a loan. It delivers a reprieve for borrowers looking for a less expensive alternative to finance day-to-day operating expenses.

"There are many ways a company can obtain working capital," said Paul Cheslock, Vice President of Customer Relations, North Mill. "Some of the more common include a merchant cash advance (MCA), a revolving line of credit and accounts receivable factoring. And while they all fill the same need, they are not created equal. Cash Out in particular offers a long list of customer benefits including better rates, monthly vs. weekly payments, and terms up to 60 months. It's a powerful tool for our referral agent partners looking to grow their customer base."

According to Cheslock, the product's loan-to-value ratio was restructured to enable customers to borrow a larger percentage of equity from an unencumbered asset. One of the most significant advantages of Cash Out is that it includes an early pay-off feature. Customers can pay off the loan without premium or penalty after 18 consecutive, on-time payments – a benefit that other products do not offer.

### Mitsubishi UFJ Lease & Finance, Hitachi Capital Merge to Form Mitsubishi HC Capital

Mitsubishi UFJ Lease & Finance Co. (MUL) and Hitachi Capital Corporation (HC) have merged to form Mitsubishi HC Capital Co., Ltd. As a result of this merger, Mitsubishi HC Capital will be one of the largest global players in the industry in terms of both its size and business domains, with 10 trillion yen ($91.4 billion) of total assets, over 100 billion yen ($914 million) of net profit, and nearly 10,000 employees. Mitsubishi HC Capital will accurately capture the changing needs of its customers and local communities in countries and regions across the world and utilize its expanding scale and built-up capital to develop into a company that can provide solutions to modern social issues.

This merger will also allow MUL and HC to: Complement each other's business domains, strengthen their management base and create new value. Through this merger, Mitsubishi HC Capital's operating assets through all its wholly owned subsidiaries in the Americas will grow to approximately $18 billion. All subsidiaries in the Americas will continue to operate independent of one another as future synergies are reviewed to assess the combined strength of the companies.

### IDS, White Clarke Group Join to Create Secured Finance Technology Powerhouse

IDS agreed to acquire White Clarke Group. The two companies combine to create a multi-asset class secured finance technology powerhouse supporting banks, independents, OEM captives and specialty finance firms globally. Together, the combined company will serve more than 300 customers across North America, Europe and Asia Pacific and will be co-headquartered in Minneapolis, MN, and Milton Keynes, UK.

"Global business has entered a new long-term investment cycle driven by the rapid evolution of technology," said David Hamilton, CEO of IDS. "Smart factories, connected-assets (IoT), green-energy and many other technology innovations will bring about exciting new economic growth opportunities which will require access to capital from secured finance firms. With a comprehensive and flexible technology foundation, these finance providers will be able to support new funding models accelerating the move to digital, servitization and mobility. Supporting this fast-changing market need is the motivation for bringing our two great companies together creating an unmatched range of secured finance solutions and the ability to support customers globally."

IDS and White Clarke Group together provide a comprehensive portfolio of products across multiple market segments including:

- Automotive Finance (Retail, Fleet and Wholesale) – CALMS is a full lifecycle system including point-of-sale, loan origination, loan servicing and floorplanning capabilities serving 8 of the top 10 auto manufacturers representing 25 brands.

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# in the NEWS

- Equipment / Asset Finance – end-to-end platform for leasing and loan origination and portfolio management with more than $350 billion of net asset value running on the solution.
- Working Capital – (Asset-based lending and Factoring) – a comprehensive solution providing the ability to manage flexible working capital finance offerings with real-time credit monitoring and availability. Managing $39.7 billion in factoring volume annually.

The transaction is expected to close before the end of Q2 2021. The financial terms of the deal have not been disclosed.

### Leasepath Launches with PMD Business Finance

Leasepath announced the successful live deployment of its Finance Origination (LOS) and Customer Engagement (CRM) platform with Manchester-based asset finance broker PMD Business Finance. One of the largest independent finance brokers in the United Kingdom, PMD is leveraging the Leasepath platform to increase its team's capacity and empower employees to build better relationships with clients through added efficiencies, improved operational performance and streamlined deal flow with their funding sources of choice.

The Leasepath Intelligent Workplace platform will support PMD's current and anticipated growth by enabling the company to become faster and provide better support to its customers. Specifically, PMD is using Leasepath's sales-to-order workflow, document generation, dealer/vendor portals, and other automation capabilities to relieve team members of oft-repeated workload, freeing them to focus on their areas of expertise.

PMD chose Leasepath to increase its organizational capacity, centralize front- and back-office solutions, and gain the agility to move where their markets demand. The company is leveraging Leasepath to reduce friction in its sales cycle, thus speeding up its customer service processes without sacrificing security. Additionally, the company sought to modernize its core systems by moving to a fully digital, cloud-first environment, simultaneously future-proofing against more disruptions stemming from the COVID-19 pandemic, reducing technical strain and IT costs, enabling more agility with respect to finance products, and making available more UK-based talent for the growing team.

"PMD made a commitment to embrace the new ways of doing business made modern by the pandemic," said Jeff Bilbrey, Leasepath CEO. "They were clear that being cloud-first, digital-first was critical to them. They want to be ready for

emerging technologies to make a major impact on the asset finance industry, and with their new Intelligent Workplace from Leasepath, they're prepared to do just that. They're a rising star, and we are delighted to be partnering with them in their growth."

### North Mill EF Hits All-Time High with March Volume

North Mill Equipment Finance reached an all-time high in monthly loan and lease originations in March. Funded volume surged to more than $24 million, a growth rate of 53 percent from last March and an increase of 22 percent from the company's previous high-water mark last December.

"We're firing on all cylinders," said David C. Lee, Chairman and CEO, North Mill. "We reported a record-breaking year in 2020 and I anticipate that we'll continue to see an upward trajectory as the economy opens up. First-quarter volume topped $54 million, an increase of more than 18 percent from Q1 of last year while our weighted average FICO climbed an additional 9 points to 717."

Average deal size also hit a record for March, according to Lee, as it reached nearly $90,000 per transaction. A strategic initiative that has had a resounding impact on North Mill's success is its continued commitment to financing assets across an array of industries. Transportation, which made up nearly 100 percent of the firm's asset portfolio a few years ago, now accounts for about 40 percent of funded volume. The company has expanded into many types of equipment including, but not limited to, construction, health care, franchise opportunities and livery.

### North Star Leasing Acquired, Now a Division of Peoples Bank

Peoples Bank and North Star Leasing Company announced North Star Leasing is now a division of Peoples Bank. Founded in 1979 and located in Burlington, VT, North Star Leasing provides specialized lease solutions for vendors and commercial customers across numerous industries, including automotive, plumbing, healthcare, pet supply and foodservice. North Star Leasing works with more than 10,000 equipment vendors, manufacturers and resellers to help customers finance and access mission critical pieces of equipment they need to grow their businesses. With a portfolio ranked 119th by Monitor Daily, North Star Leasing has grown its originations 18 percent annually from 2014 to 2020. North Star Leasing has 42 employees.

Peoples Bank is the wholly owned subsidiary of Peoples Bancorp Inc. Peoples Bank has been headquartered in Marietta, OH, since 1902 and has an established heritage of financial stability, growth and community impact. Peoples had $4.8 billion in total assets as of Dec. 31, 2020, and 88 locations, including 76 full-service bank branches in Ohio, Kentucky and West Virginia.

Dan Feeney, Chief Executive Officer of North Star Leasing, said, "We are thrilled to have the opportunity to join forces with one of the best community banks in America. We have an aggressive growth plan and being part of Peoples Bank will provide us with the opportunity to grow our business to new levels."

The acquisition was effective Thursday, April 1, 2021 with North Star Leasing's business operations remaining in Burlington, VT.

### Tamarack Celebrates Two Decades Serving the EF Industry

Tamarack Technology reached a milestone as it celebrates its 20th anniversary of serving the equipment finance industry. For the past two decades, Tamarack has been helping lessors realize greater value from their operations through innovation and integration. Since its inception in 2001, Tamarack has grown into a leader in providing independent software solutions in the equipment finance and commercial lending industry and has positioned itself to continue to meet the evolving technology needs of the industry.

"Tamarack was built on the premise that at its core, we are a technology company that understands equipment finance," said Tamarack founder and CEO Daniel Nelson. "In my mind, the key to Tamarack's longevity has been our focus on building strong relationships with our clients and delivering value. And as we continue forward and expand our services, our commitment to our clients will remain steadfastly the same."

# in the NEWS

The company's evolution reflects the changing dynamics within the equipment finance industry as well as the advancements in the technology of equipment such as IoT and AI – both of which are poised to transform operations within the industry. During the last nine months, Tamarack has taken steps to realign its business strategy to support the integration of digital technologies to drive greater value from equipment finance operations. Key transformative accomplishments include: Added both technology and corporate development executives to define and execute the strategy, added expertise to its board of directors, expanded both its client services team and product offerings, and forged new strategic partnerships.

### Rinaldi Advisory Services, ECS Financial Services Team Up on CEO Financial Benchmarking Service

Rinaldi Advisory Services and ECS Financial Services, Inc. announced the immediate rollout of a valuable financial tool for CEOs and principals of equipment leasing and finance companies. The deep industry expertise of Rinaldi and ECS are combined to provide CEOs and principals with regularly updated integral data analysis tools developed by the leading-edge programmers at Liventus.

These financial tools will integrate data from a company's historical financial statements, application data and staffing metrics into powerful proprietary models, updated and delivered each month electronically in spreadsheet, chart and graph formats, along with ready to use PowerPoint slides. Combining this financial data with monthly virtual meetings, Rinaldi and ECS will help identify areas of strength and weakness and provide recommendations for improving processes, financial performance, and ultimately scaling up. Never again will CEOs and principals be left scrambling to cobble together last-minute presentations for investors, shareholders or financial institutions.

Rinaldi noted, "This is a tool I wish I had available to me when running my past companies. It will be indispensable to CEOs and principals in developing strategies for continuous improvements, identifying unproductive costs and focusing on growth."

ECS's Nancy Geary added, "This tool provides the best of both worlds - combining Bob's first-hand industry knowledge with ECS's extensive management experience and financial expertise is a win-win proposition. It's a unique opportunity to draw upon valuable industry expertise to turn your management team into a powerful board of directors."

ECS's Tobey Wilson spearheaded the development of the new tool on behalf of ECS and RAS. "It is exciting to see so much energy dedicated to an affordable resource for brokers and lessors,

whose CEOs and principals' efforts are so dedicated to running the day-to-day operations that they can't always find time for big picture thinking," Wilson said. "This combination of data analytics and monthly consultations can really help them with long-term planning and the development and implementation of process improvements."

## PERSONNEL ANNOUNCEMENTS

### Wintrust CF Hires Lenamon as SVP, Portfolio Manager

Wintrust Commercial Finance hired Pamela Lenamon as Senior Vice President, Portfolio Manager. With more than 30 years of equipment finance experience, Lenamon will be responsible for the post-funding supervision of WCF's growing portfolio with activities including collections, annual reviews, account work out, reporting and audit.

"Pam comes highly recommended and has demonstrated portfolio management, work out and problem loan resolution skills at prior institutions in a diverse range of industries, business models and large-ticket collateral types," said WCF Chief Credit Officer Paul Hallauer. "She brings strong underwriting and documentation skills to ensure adherence to established procedures and audit compliance. We look forward to utilizing her extensive experience at WCF."

Lenamon is a graduate of Baylor University with both business administration and MBA degrees. Her prior experience includes roles at ITT, Merrill Lynch Capital, and, most recently, CIT.

### Pierman Named Crestmark Equipment Finance SVP, Business Unit President

Crestmark named Rick Pierman as Senior Vice President, Business Unit President of the Crestmark Equipment Finance (CEF) business unit. Based in Troy, MI, Pierman will report to Division President Christopher Soupal. Pierman previously held the role of Senior Vice President, Strategic Operations with CEF. In this new role, he is responsible for overseeing CEF's equipment finance portfolio, succeeding Tom Rutherford, who remains with the company in support of division special projects.

Pierman originally joined Crestmark in 2014 with the company's acquisition of TIP Capital, where he was Vice President, Asset Management. In his 15-year tenure with TIP Capital and Crestmark, he held a variety of roles including Director of Asset Management, Remarketing Manager, and Accounting and Project Manager. Previously, he worked with CIT and AT&T Capital. Pierman left Crestmark in 2016 to serve as Senior Vice President, Managing Director of Asset Management for Woodforest National Bank's equipment finance division, before returning to CEF in 2019.

Pierman earned a bachelor's degree in accounting from Michigan State University. He is a past chairperson of the Equipment Lease and Finance Association's Equipment Management Committee.

### Tamarack Hires Appleget to Lead Technology Services Offerings

Tamarack expanded its product and service team with the addition of Tim Appleget as Director of Technology Services. An experienced equipment finance leader of technology and business operations teams, Appleget will be responsible for the development and implementation of Tamarack's technology services offerings around data, IoT and workflow automation.

"For most companies in the equipment finance industry, managing technology is not a core business function – rather technology is a tool to drive value," said Tamarack founder and CEO Daniel Nelson. "Tim (Appleget) understands the dynamics of the industry as well as how companies like Tamarack can help lessors drive value through their organizations by focusing on the execution of critical business strategies."

Appleget joins Tamarack after more than two decades in equipment finance at Wells Fargo. During his tenure at Wells, he took on positions of increasing responsibility in which he developed an expertise in application and process development and support. Most recently as Business Support Manager, Appleget led a multi-year technology consolidation program mapping and porting access for more than 1,000 team members.

# in the NEWS

### LTi Technology Solutions Promotes Dargy to Marketing Manager

LTi Technology Solutions (LTi) announced that Kirsten Dargy has been promoted to Marketing Manager. She will be moving from her role as Marketing Team Lead, which she has held since the beginning of 2020. Dargy will be responsible for leading all marketing and communication efforts across the organization and cultivating innovative strategies to grow LTi's business and brand.

Dargy has been part of the LTi team since 2015, where she started as Marketing Coordinator and moved through roles including Marketing Communications and Social Media Coordinator, Digital Marketing Coordinator, Digital Marketing Analyst, Marketing Team Lead and now Marketing Manager. Throughout her roles at LTi, she has focused on the development, implementation and management of comprehensive marketing campaigns, which integrated content creation, public relations, marketing analytics, social media, conference and webinar events, and more.

As Marketing Manager for LTi, she will be responsible for translating the company's business objectives into marketing strategies that drive revenue. In addition, she will identify and track key metrics and manage the overall marketing activities for the Marketing Department. Dargy will play an instrumental role in revitalizing client communications and executing marketing campaigns aimed at new growth. She will help rethink marketing strategy to keep LTi relevant in the marketplace.

"From the time Kirsten started six years ago, she has shown a passion for the industry and a persistent desire to learn," said Susan Foster, LTi's Vice President of Marketing. "Kirsten has proven to be a tremendous asset to LTi. We're proud to recognize her continued contributions within marketing strategy and communication. We expect more great things from her and appreciate the integrity she brings to LTi."

"I am very much looking forward to using previous experiences and ideas in my roles at LTi to help power the LTi brand further and build upon their well-established marketing strategy," said Dargy. "I look forward to helping take the company and my career to the next level alongside LTi's impressive marketing team. It's an incredible opportunity to continue to transform our business through new and innovative marketing strategies."

# REIMAGINING THE 2021 NEFA Funding Symposium

*Jacklynn Manning, NEFA Board Director and Co-Chair of NEFA's 2021 Funding Symposium, provides a glimpse into what NEFA members can expect at this year's exciting and groundbreaking conference in Charlotte, NC.*

By Jacklynn Manning

**Jacklynn Manning, CLFP**
Amur Equipment Finance, Inc.

**Reimagine everything.**

If we have learned anything over the past year, it's that we have to reimagine everything to survive and thrive. The global pandemic has transformed nearly every aspect of our lives — from the way we work to the way we connect. Video conferencing has now become our new meeting rooms, collaboration centers, classrooms, water coolers and communication channels. These shifts, however, were made entirely possible by the technological advancements allowing our economy and lives to continue.

Technology has played a pivotal role from eCommerce becoming the primary way people shop to the procurement of digital experiences. Instagram influencers have the power to persuade us to make purchases directly from the app, without even getting up from our seat, and they are adept at doing so. The path to technology adaptation was well underway in most organizations for many years, but the pandemic undoubtedly accelerated the pace of technology-driven change. The successful integration of technology made it possible to pivot our businesses overnight. We had to reimagine how to succeed in the new all-digital world, while providing guidance and reassurance to our stakeholders—our customers, employees, shareholders, partners, communities and each other.

And now we're coming up on the time when we typically host our most important event, NEFA Funding Symposium. NEFA Funding Symposium means so many things to so many people. It's an event that brings together professionals working in all aspects of equipment finance to network, collaborate, challenge each other, learn and visit with friends we may only get to see once a year. But this year is different. This year has a more profound meaning. This year is our homecoming.

So, we completely reimagined our event.

Because of the significance, we took everything we learned during the past year to make the 2021 NEFA Funding Symposium an event that celebrates the journey we took to get to this point and supports our journey ahead.

We are excited to offer a wide range of educational, networking and entertainment activities with content and areas built specifically around the way that you grow your business and your bottom line. Our goal is to help you foster new relationships and procure new technology and knowledge to drive ideas. We want to provide a place where everyone in your organization, from CEOs to admins, can come to get inspired, learn and innovate. This is our moment to connect product with purpose and help support not only each other, but our customers of small to medium-sized businesses that make up our economy. It also drives our business, motivates our employees and brings the best thought leaders and industry-movers together to shape a better future.

Reimagine everything. Customer expectations and business demands are constantly increasing – are you ready to experience innovation? The Funding Symposium's speaker series features a combination of inspiring keynotes from all new presenters; hands-on interactive workshops which offer personalized solutions to address your unique needs; thought-leader roundtables; and much more to help you navigate today's world of constant disruption and get ahead of tomorrow's challenges.

When we thought about how to approach the Funding Symposium this year, we knew it is unlike any other conference. We adopted a beginner's mind to truly transform what it means in the context of a year like no other. We recognize the great need for technical discussions, knowledge transfer and inspiration in the industry.

We are thrilled to see you at the 2021 NEFA Funding Symposium! Although technology has allowed us to adapt to the pandemic, it has also taught us that there is no substitute for a handshake or a hug. True connectivity happens when we come together offline and build relationships the old-fashioned way. So, save the date, October 12-15, 2021, Charlotte, NC, and come see what it's like to reimagine everything NEFA can offer you and your business.

**ABOUT THE AUTHOR:** Jacklynn Manning, CLFP, Vice President Marketing at Amur Equipment Finance, Inc. contributed this article on behalf of the NEFA Board of Directors.

# in the NEWS

### Oakmont Capital Services Grows Operations, Sales Teams

Oakmont Capital Services (OCS) has further expanded its sales and operations teams. As an independent direct lender partnered with a bank, Oakmont is committed to offering customers low rates via a virtual, streamlined process.

The three additions to the team enhance the company's commitment to service:

- Aaron Dym, Controller, is a veteran corporate controller with past industry experiences in equipment leasing, wholesale distribution, employment contract services and the design-build industry. Dym's core competencies include general financial management, banking & treasury management, strategic planning, benefits negotiation & management, and software & technology implementation.
- Tatum Noreen, CLFP, Inside Sales Representative, began her career in the equipment financing industry as a credit analyst six years ago. She then transitioned into a Client Relations role, becoming a team lead. In 2019, she obtained her CLFP designation. At Oakmont, Noreen works to strengthen the relationship with current customers and assists other finance professionals with account management responsibilities.
- Deborah Reber, Insurance Specialist, has worked in the equipment finance industry for 10 years. At Oakmont Capital Services, Reber handles various duties, including interacting directly with customers to confirm insurance standing. She also manages the overall insurance program, ensuring a smooth process for the end customer.

"As our lending capabilities broaden through our bank partnership, we're expanding our team to better serve our customers," said Joe Leonard, CLFP and CEO. "All three new team members are an integral part of keeping both operations and sales on course to positively impact our customers, their business, and Oakmont's. We are excited to have these experienced and dedicated professionals on board and welcome them to the team!"

### Arboretum Commercial Finance Adds Langvardt as BDO

Arboretum Commercial Finance enlisted industry veteran Debra Langvardt as a Business Development Officer for Arboretum's middle-market and large-ticket operations. Langvardt is a consummate sales professional with over 20 years of leasing experience holding strategic leadership positions focused on revitalization, growth and profitability within highly competitive markets. Langvardt joins Arboretum most recently from East West Bank where she led as First

Vice President and Regional Sales Manager, overseeing a $350 million client portfolio and targeting new business opportunities.

On joining Arboretum, Langvardt said, "I am thrilled to be working with a group of such extraordinarily talented individuals."

Arboretum CEO Chip Leas said, "We are thrilled to have someone of Debra's quality and character joining our team."

### LTi Technology Solutions Names Foster as VP of Marketing

LTi Technology Solutions (LTi) announced that Susan Foster has joined the company as Vice President of Marketing. Foster is an omni-channel customer engagement marketer with over 19 years of marketing experience in the equipment finance industry. Reporting directly to LTi's Senior Vice President and Chief Revenue Officer Bryan Hunt, Foster will lead the development and implementation of the company's overall marketing plans and strategies to support its objectives, ensuring competitive success in the industry.

In her new position, Foster will be streamlining LTi's marketing strategy and will be responsible for the strategic, operational and financial aspects of LTi's marketing organization. A particular area of focus will be communicating the business value of LTi's ASPIRE platform as well as leading the marketing efforts of the company's broader customer experience.

Foster has served as Vice President of Marketing at PNC Equipment Finance working with clients such as Microsoft, Philips Medical and Harris Broadcast. In addition, she has worked in consulting roles with large corporate clients, such as Kroger. She also has extensive experience in managing all aspects of business development support and channel partner marketing, including leasing and finance-related products and services to large enterprise organizations.

"Susan's leadership, vision and passion for putting our clients first with her in-depth experience will help us deliver on our company's strategic objectives," said Hunt. "She has had tremendous success in building a positive brand identity with large corporate clients. Susan will do an outstanding job of refining the strategic direction of our Marketing Department to help position us for success in this increasingly ever-changing marketplace. We are delighted to have her join our team."

"I am honored to be joining LTi as we enter this new era of leadership in digital transformation," Foster said. "We are poised for exceptional growth in 2021 with a strong brand, leading-industry product innovation, and a progressive tech-forward reputation. LTi's ASPIRE platform is the solution that forward-thinking companies are looking for, and I am excited about the opportunity to help our organization strengthen its market position in a way that is agile and sustainable."

## CERTIFIED LEASE & FINANCE PROFESSIONAL FOUNDATION

### CLFP Foundation Adds 17 New CLFPs

The Certified Lease & Finance Professional (CLFP) Foundation announced that 17 individuals who recently sat through the eight-hour online CLFP exam, have passed. They are:

- Chris Byrnes, CLFP – Vice President, Ascentium Capital LLC
- Colleen Daniels, CLFP
- Tamara Darnow, CLFP – SVP, Risk Management, Key Equipment Finance
- Antionette Egan, CLFP – Vice President, Federal Sales, Key Equipment Finance
- James Eulenstein, CLFP – Equipment Finance Officer, Vice President, Key Equipment Finance
- Kathryn Havlik, CLFP – Equipment Finance Officer, Key Equipment Finance
- Kerilyn Marlink, CLFP – Senior Finance Manager, Key Equipment Finance
- Matthew Nalbach, CLFP – Senior Payment Processor, Key Equipment Finance
- Hank Nhep, CLFP – Senior Pricing Analyst, Key Equipment Finance
- Tony Quesenberry, CLFP – Director of Finance and Insurance Sales, Vanguard Truck Centers
- Laura Riley, CLFP – Assistant Vice President, Key Equipment Finance
- Michelle Riley, CLFP – Senior Account Manager – Vendor Originations, Key Equipment Finance
- Karin Schreck, CLFP – Senior Analyst, Sales Enablement and Initiative Support, Key Equipment Finance
- Heather Valenty, CLFP – Vice President, Key Equipment Finance
- William Vassar, CLFP – Leasing Manager, Key Equipment Finance
- Lindsey Yozamp, CLFP Associate – Funding Accountant, AP Equipment Financing
- Amy Zins, CLFP – National Sales Coordinator, Ascentium Capital LLC

Quesenberry attended the virtual Academy for Lease & Finance Professionals hosted by Key Equipment Finance and stated, "I chose to pursue the CLFP designation because of the respect I have for colleagues of mine that have earned the title of CLFP. I also wanted to continue my education and growth in finance and leasing and to challenge myself to be the best I could possibly be. Preparing for the test was definitely a daunting challenge but well worth the time and effort spent."

**Please send your company's news items to mdickinson@advisorpubs.com**

VIRTUAL FINANCE SUMMIT

# NEFA's 2021 Virtual Finance Summit Achieves Extraordinary Success

On March 16th and 17th, the equipment finance industry gathered for NEFA's first two-day virtual conference – The NEFA 2021 Virtual Finance Summit – over two action-packed days. This virtual conference was held in lieu of the 2021 in-person NEFA Finance Summit originally scheduled to be held in Newport Beach, CA, to ensure the safety of NEFA members due to concerns with the COVID-19 pandemic.

Despite the move to a virtual conference, attendance was extraordinary with over 280 equipment finance professionals and service providers attending from across the U.S. It also featured 32 exhibitors and numerous sponsors participating.

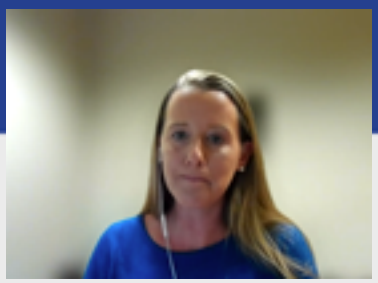
To ensure the conference would present highly engaging content for all attendees, the NEFA staff – Chad Sluss, Executive Director/CEO; Blair Dawson, Vice President of Marketing & Programs; and Steve Elworth, Director of Membership and sponsorship– worked closely with the 2021 Virtual Finance Committee to assemble highly engaging educational sessions, panelists and keynote speakers. The 2021 Virtual Finance Committee included: Kristian Dolan, Northteq, Chair of the Virtual Finance Summit; Anne Dalgaard, Dynamic Rentals; Dennis Dressler, Dressler|Peters, LLC; Chris Maudlin, Wintrust Specialty Finance; Beth McLean, Northland Capital Financial Services, LLC; Kim Riggs, Orion First Financial, LLC; Peter Van Dyke, Northteq, and James Wilson, TimeValue Software.

Over 30 NEFA members volunteered their time as speakers to ensure the success of this virtual conference which featured two highly engaging keynote speakers for the first time, eight topical and informative educational sessions (a NEFA

*"I want to thank the team and the many members who attended the Finance Summit. I think the two keynote speakers alone were worth the price of admission! Although a virtual platform is sometimes challenging, the conference was well run and it was great to be able to direct message attendees to catch up during the sessions to discuss content. It also offered me the opportunity to meet potential new business partners, some of which I have already met with!"*

*- Laura Carini, NEFA President, SVP Operations, Financial Pacific Leasing*

*Keynote Address, Featuring Stan Phelps*



*Documentation in the Post-COVID World*


*Preparing Yourself to Be Your Company's Next Leader*

conference hallmark), significant virtual exhibitor networking time throughout each day, lunch provided to attendees via DoorDash during the kickoff keynote session on day one of the conference, exhibitor networking and happy hours each day, and a virtual fundraiser to benefit the Chris Walker Education Fund including a raffle drawing to win a Peloton bike.

The Summit kicked off with introductory remarks from Chad Sluss – NEFA CEO and Executive Director. Following the virtual summit, Sluss commented, "To have over 280 equipment finance professionals join this two-day conference was amazing. The planning committee, led by Kristian Dolan of Northteq, did a fantastic job organizing the impactful educational programs throughout the conference. The event wouldn't have been possible without the support of our sponsors and exhibitors – thanks to all for making this event possible."

> *"The content delivered by the panelists, keynotes and input from participants was, as usual, first rate. I hope some people were able to participate that may not have attended the in-person events in the past but due to this experience, will do so in the future. Hats off to Kristian as the conference Chair and to Chad, Blair and Steve from NEFA who mastered the online medium and delivered an excellent event!"*
>
> *- G. Paul Fogle, Managing Director, Quality Leasing Co., Inc.*

## CONFERENCE HIGHLIGHTS

The conference kicked off with a keynote address featuring **Stan Phelps, author of *What's Your Purple Goldfish?: How to Win Customers and Influence Word of Mouth*** – A discussion about how loyalty and retention today is largely about the little moments. In this keynote address, Phelps outlined the 10 different types of Purple Goldfish – little things we can all do to add value or reduce friction to win customers and influence positive word-of-mouth in business. This keynote address and lunch – provided via DoorDash to attendees – was sponsored by Quality Leasing Co., Inc.

The keynote address was followed by concurrent educational sessions:

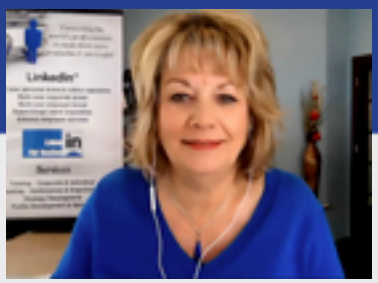
***Documentation in the Post-COVID World (e-Notary/eDocs/Vaulting/Signer Verification)*** – The COVID-19 pandemic drastically changed the way we conduct business. This session provided highly useful tips on how NEFA members can protect their business by implementing strategies around electronic signatures, vaulting, and electronic notarization. Panelists included: Greg Clark – Northteq, Robert Cohen – Moritt Hock & Hamroff, Jen Foulds – Oakmont Capital Services, Kernard Jones – Notarize and Beth McLean – Northland Capital Equipment Finance.

> *"While it wasn't ideal to have an online conference, it was reassuring that after a year at home, the NEFA community that we have missed so much is still out there and itching to get back together! It was great to see the names and faces of friends and colleagues that we have missed so much in the meetings and connect again! I am looking forward to seeing so many in the fall in Charlotte!"*
>
> *- Anne Dalgaard, CPA, Senior Controller, Dynamic Rentals*

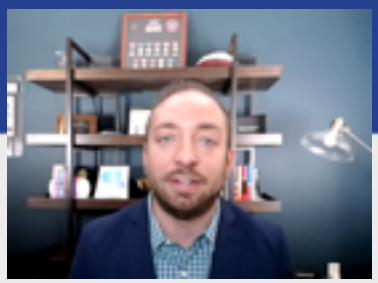
***Preparing Yourself to Be Your Company's Next Leader*** – This panel featured rising association leaders from the frontlines of leading organizations to share insights and experiences that have helped them rise to the top. This session offered mentorship to navigate challenges and proposed strategies to help future leaders get to the next level in their careers. Panelists included: Anne Dalgaard – Dynamic Rentals, Stephanie Hall – BankFinancial Equipment Finance, Chris Lerma – AP Equipment Financing, Kayla Perlinger – Oakmont Capital Services and Justin Vogel – Bridge Bank.

***Credit Scoring: What Is It and How Should It Be Used?*** – A session focused on learning about the history of credit scoring and how having a better understanding of credit scores can strengthen your tool kit. Panelists covered topics including the effects COVID-19 has had on credit scores and an explanation of odds charts, rank ordering risk and probability of default. Panelists included Shawn Rife – Experian, Tom Ware – Tom Ware Advisory Services and Chris Maudlin – Wintrust Specialty Finance.

*Credit Scoring: What Is It and How Should It Be Used?*



*LinkedIn: Differentiating Yourself and Leveraging Your Professional Relationships in Today's Online Environment*



*Keynote Address, Featuring John Kriesel*

***LinkedIn: Differentiating Yourself and Leveraging Your Professional Relationships in Today's Online Environment*** – Featuring Joanne Funch, Chief Connection Officer – LinkedIn for Business and moderated by Blair Dawson – NEFA. This session provided insights and tips into how to take full advantage of LinkedIn to present a strong professional brand at work, lead with influence, promote business expertise and maximize effective career networking.

> *"NEFA has such a strong community and we saw that first-hand at our Virtual Finance Summit. Thank you to the conference committee for putting together educational and actionable content."*
>
> *- Kristian Dolan, CEO, Northteq*

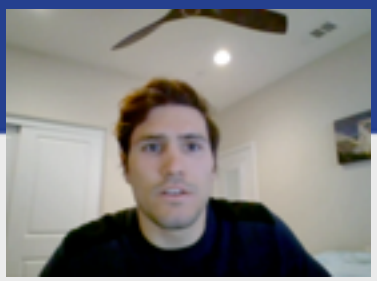
Day 2 of the conference kicked off with a keynote address featuring **John Kriesel with his session: *Still Standing, Still Smiling*** – Kriesel is the author of the book: "*Still Standing: The Story of SSG John Kriesel.*" In this emotionally charged session, Kriesel, who was seriously injured while serving in Iraq, shared his life story – delivering a powerful message of hope and the value of a positive attitude to overcome any challenge. Kriesel described how he was seriously injured by a 200-pound roadside bomb in Iraq in 2006. Kriesel, who died three times from his injuries and was shocked back to life, endured 35 surgeries and months of recovery after losing both legs and suffering numerous major injuries. Since this serious life-altering event, Kriesel created a courageous return to life, family and career. Four years after his near-death experience in Iraq, Kriesel became a civilian marketing employee with the Minnesota Army National Guard and in 2012 was named Director of Veterans Services for Anoka County. He also is a part-time host on KFAN Sports Radio and former member of the Minnesota House of Representatives. This keynote address was sponsored by Channel Partners Capital.

The keynote address was followed by concurrent educational sessions:

***Fraud: Real Life Case Studies and How They Were Resolved*** – In a time when we are all pulling together (from a distance) to get through the COVID-19 pandemic, cyber criminals are seeing it as another opportunity to attack. Reports of vendor fraud, DocuSign Fraud, wire fraud and others are emerging more prevalently. This panel presented real life fraud cases and how they were resolved. Panelists included: Aaron Massie – Beacon Funding Corporation, Mark Bonanno – North Mill Equipment Finance, G. Paul Fogle – Quality Leasing Co., Inc., and James Wilson – TimeValue Software. This session was sponsored by Northteq.

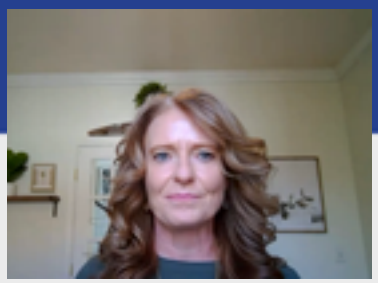
> *"With an executive-level role, we get busy with demands within our growing businesses. However, as a constant learner, I make time to attend NEFA's educational events. The Spring's 2021 Virtual Summit was well run. The educational sessions allowed us to work on continuing our level of knowledge acquisition and improved thought leadership. Thank you, NEFA, for bringing networking opportunities to participate in and Q&A sessions that followed."*
>
> *- Randy Haug, EVP, Vice Chairman, and Co-Founder, LTi Techology Solutions*

**Stan Phelps: Silver Goldfish – *Loud & Clear: The Keys to Virtual Communication*** – This workshop provided attendees 10 keys to communicating in a way that maximizes engagement – outlining ways members can deliver memorable business presentations virtually.



*Fraud: Real Life Case Studies and How They Were Resolved*

*Financing Equipment to the Cannabis and Hemp Industries*



*Maximizing Your Funding Source Relationships*

***Financing Equipment to the Cannabis and Hemp Industries*** – The cannabis industry is growing, but still faces many obstacles in terms of financing. In this session, expert panelists provided a roadmap to understanding the risks and rewards of leasing equipment in the cannabis industry. Panelists included: Dennis Dressler – Dressler|Peters, Gabriel Selko – Sweet Leaf Capital, Jason Anderson – Sweet Leaf Capital, and Peter Van Dyke – Northteq.

*"NEFA's Virtual Summit was the best virtual conference I've attended. The platform provided the interaction we've missed during the past year and the peer education was fresh and relevant. The highlight was the keynote speakers; Stan Phelps talked about loyalty and retention, JoAnne Funch gave direction on how we should be using LinkedIn, and John Kriesel gently nudged us to check our attitudes in tough times and remember how much we have to be grateful for."*

*- Stephanie Hall, EVP Small Ticket, BankFinancial Equipment Finance*

***Maximizing Your Funding Source Relationships*** – In this session, funding source panelists explored what makes some originators better than others at maintaining relationships, best practices that can get you to the top of the list with funding sources, and what to expect from your funding sources in return. Panelists included: Kim Riggs – Orion First Financial, John Boettigheimer – 4 Hour Funding LLC / Centra Funding, Laura Carini – Financial Pacific Leasing and NEFA President, Andy Hall – Midland Equipment Finance, and Chris Maudlin – Wintrust Specialty Finance.

The conference wrapped up with closing remarks from Chad Sluss, NEFA's Executive Director/CEO and Randy Haug, Committee Chair for the Chris Walker Education Fund (CWEF), and a Peloton Bike drawing to benefit the CWEF. The fundraiser was a great success, with the winner, James Jackson, Vice President, NEFA Board of Directors and Co-CEO - Practice Leader of the M&A Group, The Alta Group, ultimately donating the bike back to the Fund.

In closing, Sluss added, "We are looking forward to seeing you all in person for the 2021 Funding Symposium being held October 12 – 15, 2021 at The Westin Charlotte in Charlotte, NC! Stay tuned for details!"

***NOTE:***

*If you missed the 2021 NEFA Virtual Finance Summit you can still register and download the educational programming and contact the sponsors or exhibitors. Please contact the NEFA team for assistance.*

*"Great education sessions from very knowledgeable and generous volunteers. We all look forward to reconnecting with everyone in person, hopefully in the near future!"*

*- Dale Kluga, President, Providence Equipment Finance, a Division of Providence Bank & Trust*

# Successful Owner-Operators Learned to Roll with Change in 2020

*For the single-truck owner-operator, going from one truck to a second is by far one of the most difficult tasks to accomplish. To follow is salient advice lessors/lenders can provide their clients considering expansion.*

**By Kit West**

**Kit West**
CH Brown Co. LLC

Of the 350,000 owner-operators driving in the U.S., nearly every one of them were impacted by the COVID-19 crisis in 2020. At first, the initial fear of great change and the unknown created a hysteria of helplessness. Owner-operators that were struggling and determined that they could no longer operate as an independent, sold their trucks and either hired on as company drivers or changed careers completely. Other owner-operators saw a light and found great opportunities to grow and expand their businesses.

At this point, owner-operators in the U.S. have realized that where there is change – there is opportunity. The number of startups jumping into owning their first truck increased as well as the number of trucking companies buying their second and third truck. The government programs provided debt relief to those that needed it, and incentives to grow to those companies that could. Change is inevitable. Independent owner-operators have learned that they must either change when forced to, or they must embrace change as part of their culture and learn to roll with it.

As a lender, who are some of your most challenging clients? Startups, owner-operators or fleet owners? We have found that the single truck owner-operator growing from one truck to a second is by far the most difficult task to accomplish. The risk for default or troubled loans escalates at this point.

Your client(s) may not realize the complexity of doubling the size of their operation to two trucks. The emotional investment into the idea of being a fleet owner dominates their thoughts as they drive across the country. Even before purchasing their first truck, the idea of growing a trucking company has always been with them.

With your client being so emotionally invested into building their trucking company, they may not be able to see some of the challenges that lay before them. After a time as a profitable single-unit owner-operator, the natural next step is for the business to grow and acquire a second truck. Most owner-operator drivers have probably thought...how did all the larger, multi-unit fleet owner-operator companies get their start and grow their companies? The answer is more common than you might think...one truck at a time. Still, this path is fraught with pitfalls and each business owner must do some serious planning and thinking before doubling their fleet.

Making the jump to a two-truck operation doubles the responsibility, increases expenses, raises one's stress and adds time commitment; everything multiplies. Purchasing a second truck and finding a reliable and trustworthy driver creates a feeling of being overwhelmed. Knowing this and going through it will require perseverance and determination. Understanding these facets beforehand and successfully surviving the two-truck transition creates momentum which, when sustained, enables more growth toward a third and fourth truck. Each successive additional truck expansion will be simpler once the second truck difficulties are conquered. The owner-operators who make the leap successfully will become even better clients and will turn to you, the lender, to help grow the company.

> Change is inevitable. Independent owner-operators have learned that they must either change when forced to, or they must embrace change as part of their culture and learn to roll with it.

When working with your borrowers/lessees, here are the most common steps required – but sometimes overlooked – to make the second truck acquisition by an owner-operator a success.

1. Get their own Department of Transportation (DOT) authority. Many single power unit owner-operators are leased-on and run under some other entity's authority. Insurance and loads are handled by the leasing company, in addition to their paycheck. All that's required is for the owner-operator to drive and maintain the truck. But having their own DOT authority provides the freedom to make additional operating decisions about their trucking company.
2. Even if there is a sole owner of the business, your borrowers/lessees should create a legal business entity such as a limited liability corporation, S corporation and even a limited partnership. These entities provide more legal protection over a sole proprietorship. Is your client going to be 100 percent owner? Does your client have a partner? Is the client's spouse involved? Owner-operators much choose partners wisely as their credit history may have a profound effect on the company's ability to secure financing.
3. Clients should check and maintain their credit score: They should strive to keep credit card debt low and meet their financial obligations – even on medical bills. And clients should run financial projections!
4. Advise clients to create a Business Bank account. Their accountant or bookkeeper will be happy that the business income and expenses are separate from the personal accounts. This will also make company tax reporting and profit/loss statements more accurate and easier to produce.
5. Prepare to step away from driving. For the owner of a trucking company, the best seat is often in the office. When in the office, perspectives of the business will change, which will also ensure the paperwork is in order. This will create the ability to see new business opportunities that would have never been seen while driving.
6. Owner-operators should pay themselves. Clients should expect the business to make a profit. If your clients do not pay themselves, then all they have created is a new job and they are now working for a lunatic – themselves!
7. Create a budget and stick to it. This will provide the insight to see all the costs, observe where the revenues are coming from and assess what the profit should be.
8. Buy a profitable truck. A long nose Pete 389 Glider is a profit challenge. Yes, it has a 550 hp, DD15 engine mounted to an 18-speed transmission with dual stacks and chrome fuel tanks; those features look and sound good but don't necessarily make a profit. A load is only worth so much a mile and there are not enough miles in the day to force a gorgeous truck with a corresponding monthly payment to cash flow and make a profit. Owner-operators should shop for the right truck; it's out there.
9. Determine beforehand how to manage and communicate with an employee driver and how the second truck will acquire its loads. Determine if the additional unit be local, regional or OTR.
10. Set aside money for worst-case scenarios. The number one reason small trucking companies fail in the U.S. is because trucks break down and there are no funds for repairs. Protective Advances are possible, but hard to get and even harder to pay off.
11. Never stop learning. Advise your clients to read, listen to podcasts and audiobooks, and keep current on trucking trends and business "Best Practices." These activities will provide them insights to help make smart business decisions. There are numerous resources available that can help to develop the business.
12. They must stay healthy: Encourage your clients to keep in good condition both physically and mentally. Your client's mind must be in the right place when making big decisions. Encourage them to ask for help, call a friend, partner, spouse or even you – their lender.

The 12 steps above will not guarantee a successful transition for clients from a single-unit owner-operator to a dual truck operation; however, if utilized they will help ensure most facets of doubling a company's operations are considered. Having your clients understand what it takes to make the jump to the next level is critical for their business as well as yours in any economic environment.

Disclaimer: Following these directions will provide a solid foundation for your client to build their company, but there are many additional items that can influence their success. Staying focused and determined will give them confidence to succeed in building the business.

**ABOUT THE AUTHOR:** Kit West is Business Development Director at CH Brown Co. LLC.

# Yellow Iron Could Get Red Hot in 2021

*The construction sector is expected to be the hottest equipment finance sector this year.*

**By Don Cosenza**

**Don Cosenza**
North Mill Equipment Finance Inc.

Despite its star-crossed reputation, the number 13 may prove to be lucky in 2021. That is, at least for those of us who touch the construction industry. According to a recent World Economic Forum report, the U.S. ranks 13th around the globe in overall infrastructure.[1] That's something President Joe Biden is intent on changing.

The Biden administration is using the substandard ranking to emphasize the need to rebuild and upgrade roads, bridges, ports and much more. He plans on pumping $2 trillion of federal money into the massive revitalization package. Virtually every community in the nation will tangibly improve as things like bridges that are more than a half-century old are repaired or replaced.

Naturally, construction companies will be a key beneficiary from the surge in demand. But it doesn't stop there. As more general managers solicit construction bids, manufacturers, dealerships, contractors, lenders and equipment finance brokers will reap the rewards as the need for yellow iron intensifies and the benefits trickle down throughout the sector.

All the possibilities have not gone unnoticed among the players. A new report from the Equipment Leasing and Finance Association (ELFA), *What's Hot/What's Not: Equipment Market Forecast 2021*, reveals industry perceptions and portfolio preferences of 15 equipment markets based on a survey of 100 ELFA members. The top pick? Construction. (Results point to medical, trucks/trailers and hi-tech/computers as the other leading sectors for the year ahead.)

Essentially, the ELFA report is designed to assist businesses in identifying paths for future success. Construction also ranked number one in largest expected increase in residual value — a boon for the secondary market as well. "All this is music to our ears," said Chet Zeken, President of Smarter Finance USA in Las Vegas, NV. "No doubt, 2020 was a tough year. Although construction remained active, especially locally in Las Vegas, lenders tightened up guidelines and became more stringent regarding acceptable credit backgrounds and adequate financials. Things seem to be easing up. And the outlook is positive, based on the continuation of pent-up demand for housing and commercial and civil projects. Bring in Biden's plan and all the stars align."

Zeken emphasized the importance of separating his brokerage from the many others that serve the construction industry as competition to serve the market heats up. Promoting one's value proposition helps ensure that customers see and feel the difference. Since opening his doors just five years ago, he and his wife/partner, Amanda Zeken, have seen their business double. "Make no mistake about it," he explained, "staying on top of industry trends has been a key factor in allowing our business to prosper."

Both Zekens make it a point to absorb as much information as possible on the markets they represent. "Amanda and I constantly read economic reports, industry trades and research reports to ensure we know what markets are hot and what markets are not, and where we need to invest to maintain our steep growth trajectory. Construction will continue to be a primary sector for us as the market remains active and the news stays positive."

Construction projects are certainly not limited to Biden's national infrastructure proposal. Indeed, Main Street has also helped to deepen the hue of the rosy outlook. While many current and planned construction projects fall under the DIY category, some will include major renovations or additions that require contractors with their yellow iron in tow. Moreover, according to the National Association of Home Builders, the number of new houses being constructed across the country is up sharply since the pandemic started.

Jeffrey Mutter, Senior Account Executive for Harbour Capital, is excited about the possibilities. A full-service business-to-business financing company in Newington, NH, Harbour has grown into one of the nation's largest independent equipment finance companies. Mutter's entire book of business centers on construction and construction-related transactions. Last year alone, he placed several million dollars in volume per quarter and anticipates that he will close more this year.

"A lot of my business is referral based. Often, I get cross-referrals – a customer in one industry recommends Harbour from another industry," Mutter explained. "That makes sense since the increase in construction projects has a peripheral impact on other industries. Case in point – landscaping." Given the growth in construction, Mutter is seeing many smaller, closely held businesses like landscapers also upgrade their equipment purchases. Said Mutter, "It's not just the inside of a building or a home, it's the outside as well. I have lots of landscaping businesses in the market for trucks, trailers and various types of yellow iron. Considering that the sector is seasonal, which just kicked off, I anticipate closing a lot more construction and construction-related business. Government spending will sweeten the pot."

Not only do seasonality and vertical industries play a role in the types of yellow iron Mutter finances, technology and geography also deliver a one-two punch, expanding his playing field further. Currently, Mutter is placing deals in the underground communications industry; specifically, the need for underground directional boring equipment used for subterranean cable installations is booming in the Southeast. Housing starts only help to fuel that need. "As one industry takes off, another follows suit. It's a domino effect, leading to more transactions across the board," he said.

### Preparing for the Upswing

As construction companies of all sizes gear-up for expected market expansion, those who facilitate equipment acquisition are also in prep mode. According to Zeken, "Surprisingly, even during the pandemic, we managed to keep our deal pipeline full. Now, in synch with the positive headlines surrounding yellow iron, we're adding to staff and anticipate that our sales team will spend a larger portion of the day fielding construction-related inquiries."

Before submitting a deal to a lender, Zeken emphasizes service. "This may sound like a cliché, but we take the time necessary to understand our customer. We thread together a 360-degree story that provides insight into the company's goals, finances, creditworthiness and significantly, how the business anticipates using that new dozer to generate revenue," he said. After a comprehensive interview, the team packages the transaction for the partner lender most suited to place the deal.

Harbour Capital's Mutter contemplates customer background. "While every company is unique, I have found that there are three primary end-user categories that have a direct impact on the kind of financing available," he said. "I've got the larger-sized construction 'fleets' that tend to have better credits, often scoring a FICO of 750 and above. For them, Harbour's bank lines allow us to offer competitive rates and structures, becoming a one-stop shop for their vendor partners. On the other end of the spectrum is the sole proprietor. As a group, their credit backgrounds run the gamut. Right in the middle is my sweet-spot – the largest percentage of my book. Typically, these are construction customers with perhaps 30 full-time employees and reporting anywhere from $2 million to $5 million in annual revenue."

This last group, according to Mutter, is looking for flexibility and choice and generally prefers a loan rather than a lease. The majority are willing to pay a bit more for an option to pre-pay. "North Mill will approve a deal and offer both a conventional loan and an equipment finance agreement (EFA). The former is priced a bit higher as it includes a pre-payment option whereas the EFA offers a slightly lower monthly payment. Many of my customers opt for peace of mind knowing they can pay off the loan in 18 months at no penalty. It's worth the extra cost."

Mutter has seen an increase in the need for working capital among his equipment customers. "It's important that they see me as the 'answer man' with a solution for many of their financing needs," said Mutter. "By doing so, Harbour becomes a one-stop shop. Not only does that help us close more business, but it also results in more repeat customers."

### Enjoy the Ride

Chet Zeken might be right when he said the stars are aligning for the construction industry. As a broker, take advantage of the positivity. Especially now, with the end of the pandemic in sight. Look into forging alliances with construction dealers, construction companies, landscapers – any industry that may benefit from a surge in demand of construction equipment and/or equipment used by businesses that touch the industry tangentially. Find lenders who have the right financial solutions for the construction space. And keep an eye on the news, particularly publications like NEFA *Newsline* dedicated to the equipment finance space. Whether or not Congress will pass President Biden's trillion-dollar infrastructure package, it appears that yellow iron could get red hot.

**ABOUT THE AUTHOR:** Don Cosenza, CLFP, is SVP, Chief Marketing Officer, North Mill Equipment Finance Inc.

*1. www.washingtonpost.com/business/2021/03/31/takeaways-biden-infrastructure-plan/*

# How a Data-driven Approach Decoded the Financial Unknown of the Pandemic

By Kristi Schon, Eli Sethre, Ed Krueger and Landon Thompson

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The health and human impact brought on by the COVID-19 pandemic has stretched across the globe and into our own main streets and homes. It has been unimaginable and devastating and it is unquestionably important to recognize just how profoundly people, places and business have been effected. As we all begin to look forward, it is also essential that we identify and understand the early indicators of economic recovery. Decoding this information will help bring forward insights that may serve as a guidepost for future planning and preparedness. This article will reveal a unique data and analysis approach taken by Channel Partners Capital (CPC) to discover key findings and the associated reclamation of business profitability and economic recovery across the equipment finance industry.

## Cleared for Take Off

Entering 2020, CPC and so many others believed the year ahead would be the most successful yet. The economy was booming and its benefits appeared to be shared among all industry types and business sizes in the equipment finance community. To help manage relationships, CPC uses a third-party bank verification service to access bank data for opt-in accounts. When referencing this transaction data from January 5, 2020 to March 14, 2020, it was clear to us that most industries CPC serves were performing well in terms of weekly deposits versus 2019, and that they were poised to continue growing as the year progressed.

**Weekly Average Deposit Amounts by Group**

| Modified | Covid Impact Industry | 2019 Deposits 1/5 - 3/14 | 2020 Deposits 1/5 - 3/14 |
|---|---|---|---|
| Yes | Moderate/High | $16,872 | $20,619 |
| | Low/No | $19,826 | $22,990 |
| No | Moderate/High | $23,332 | $31,080 |
| | Low/No | $24,224 | $26,009 |

| Modified | Covid Impact Industry | 2020 % of 2019 Deposits Jan 5 - Mar 14 |
|---|---|---|
| Yes | Moderate/High | 122% |
| | Low/No | 116% |
| No | Moderate/High | 133% |
| | Low/No | 107% |

▲ *At the beginning of 2020, all industry segments showed significant growth versus 2019 based on weekly deposit data.*

### KEY TERMS & DEFINITIONS

**Modified Contract/Account:** Borrower requested payment reduction to as low as 10% of the original payment amount for 4 months with a 4-month extension in term.

**Un-Modified Contract/Account:** No borrower request received, continued with original payments to term.

**Revenues/Deposits Weekly:** Bank data for opt-in borrowers through a third-party bank verification service, edited for non-revenue deposits and transfers, displayed as weekly averages for the time-period identified.

**Revenues/Deposits Quarterly:** Bank data for opt-in borrowers through a third-party bank verification service, edited for non-revenue deposits and transfers, displayed as quarterly averages for the time-period identified.

**COVID-19 INDUSTRY IMPACT DISTINCTIONS:**

**High Impact:** Businesses more likely to be negatively impacted by the pandemic including restaurants, travel, hotel, bar/nightclub, beauty salon, consulting, retail sales, passenger transportation, education/schooling, fitness, entertainment, staffing, etc.

**Low/No Impact:** Businesses less likely to be negatively impacted by the pandemic including transportation (local and long haul), construction (residential, specialty), franchise restaurants, auto repair, manufacturing, B2B, accounting, architecture, engineers, grocery, wholesale distribution, etc.

## Flying Blind

Suddenly COVID-19 was upon us. Everyone was operating blind and scrambling to adapt their business in response to new and unknown needs to assist their customers. The world was now defined by forced and unpredictable shutdowns and stay-at-home orders with limited ability to forecast where and what would happen next. In the face of overwhelming turmoil, it was critical that we quickly find ways to gather information to help make well-informed decisions and move forward in supporting our customers, protecting employees and continue to manage our portfolio.

To accomplish this, CPC accessed and collected existing bank data to build an analysis model that would create greater transparency for the purpose of ascertaining where and how our customers were impacted or showing signs of recovery across industry type, size, region and more. This exercise began to uncover insights that were both unexpected and encouraging, and certainly differed from the narrative more typically broadcast in the media.

## Tailwinds Start to Return

The initial analysis was split across high and low impacted industries and whether accounts required modification to their loans. Then, weekly average deposits were tracked to monitor business performance closely throughout the initial stages of the pandemic.

| Weekly Average Deposit Amounts by Group | | | | | |
|---|---|---|---|---|---|
| Modified | Covid Impact Industry | 2020 Deposits 1/5 - 3/14 | 2020 Deposits 3/15 - 4/25 | 2020 Deposits 4/26 - 5/30 | 2020 Deposits 5/31 - 6/20 |
| Yes | Moderate/High | $20,619 | $9,442 | $15,176 | $16,760 |
| | Low/No | $22,990 | $17,954 | $17,263 | $21,302 |
| No | Moderate/High | $31,080 | $20,930 | $23,958 | $31,893 |
| | Low/No | $26,009 | $31,184 | $37,061 | $29,111 |
| Modified | Covid Impact Industry | 2020 Deposits 1/5 - 3/14 | 3/15 - 4/25 Deposits as a % of 1/5 - 3/14 | 4/26 - 5/30 Deposits as a % of 1/5 - 3/14 | 5/31 - 6/20 Deposits as a % of 1/5 - 3/14 |
| Yes | High Impact | $20,619 | 46% | 74% | 81% |
| | Low/No Impact | $22,990 | 78% | 75% | 93% |
| No | High Impact | $31,080 | 67% | 77% | 103% |
| | Low/No Impact | $26,009 | 120% | 142% | 112% |

▲ *Accessing real-time weekly deposit data across accounts expanded the visibility into actual revenues and enabled trackable trend analysis by business segment.*

By June 2020, the data showed all industry segments had returned to pre-COVID deposit revenue levels except for the bottom 30% of Modified accounts. In total, Modified accounts made up 45% of CPC's portfolio and only 14% of accounts were operating below a sustainable revenue level through the same period.

| Weekly Average Deposit Amounts by Group | | | | | |
|---|---|---|---|---|---|
| Modified | Covid Impact Industry | 2020 Deposits 1/5 - 3/14 | 3/15 - 4/25 Deposits as a % of 1/5 - 3/14 | 4/26 - 5/30 Deposits as a % of 1/5 - 3/14 | 5/31 - 6/20 Deposits as a % of 1/5 - 3/14 |
| Yes | High Impact - Bottom 30% | $18,312 | 32% | 25% | 5% |
| | High Impact - Top 70% | $21,628 | 51% | 92% | 109% |
| | Low Impact - Bottom 30% | $21,351 | 66% | 33% | 29% |
| | Low Impact - Top 70% | $23,683 | 83% | 91% | 117% |
| No | High Impact | $31,080 | 67% | 77% | 103% |
| | Low Impact | $26,009 | 120% | 142% | 112% |

▲ *45% of transactions were modified. From a revenue standpoint, the non-modified accounts had returned to normal business levels by late May into early June along with the Top 70% of modified transactions. As of June 2020, remaining concern centered upon the bottom 30% of modified transactions.*

Many CPC customers appeared to be experiencing a steady recovery pace in the initial analysis, even earlier than anticipated whether they had modified their loans with CPC or not. These positive trends were directionally relevant by April and determinably reliable by June as industries showed sustained deposit levels at or near Q1 2020. The speed of this progress further validated the agility and resiliency of more than 85 percent of our small and mid-size business (SMB) customers. CPC's approach and ability to observe this activity helped to confirm our partners' customers were not only surviving but demonstrating signs of growth in some areas as they adapted new business models and worked to meet altered consumer needs and business demands.

As has been widely communicated, the pandemic had an understandably greater impact on select states and presented more substantial challenges for lenders. Our expectation was to see a dramatically different revenue recovery story in California and New York, for example, versus other less impacted states. The data, however, notably supported that many businesses were at or near Q1 2020 revenues by the fourth quarter of 2020. This visible favorability in these hyper-affected states, and within 6-9 months of the initial impact, was yet another strong indicator that SMBs were finding ways to pull through from an economic perspective.

| Weekly Average Deposit Amounts by Group | | | | | |
|---|---|---|---|---|---|
| Modified | Covid Impact Industry | 2020 Deposits 1/5 - 3/14 | 3/15 - 4/25 Deposits as a % of 1/5 - 3/14 | 4/26 - 5/30 Deposits as a % of 1/5 - 3/14 | 5/31 - 6/20 Deposits as a % of 1/5 - 3/14 |
| Yes | High Impact CA & NY | $25,381 | 48% | 35% | 46% |
| | High Impact - Not CA or NY | $19,617 | 45% | 84% | 91% |
| | Low/No Impact | $22,990 | 78% | 75% | 93% |
| No | High Impact | $31,080 | 67% | 77% | 103% |
| | Low/No Impact | $26,009 | 120% | 142% | 112% |

▲ *By June 2020, businesses operating in high impacted states (NY, CA), were showing half the recovery of weekly deposit revenue versus those in less impacted states.*

| Weekly Average Deposit Amounts by Group | | | | | | |
|---|---|---|---|---|---|---|
| Modified | Covid Impact Industry | Q1 2020 Monthly Deposits | Q2 '20 Deposits as a % of Q1 '20 | Q3 '20 Deposits as a % of Q1 '20 | Q4 '20 Deposits as a % of Q1 '20 | Q1 '21 Deposits as a % of Q1 '20 |
| Yes | High Impact CA & NY | $96,686 | 51.9% | 50.8% | 92.7% | 94.4% |
| | High Impact - Not CA or NY | $108,078 | 50.1% | 78.0% | 81.7% | 87.9% |
| | Low/No Impact | $119,069 | 72.4% | 76.0% | 66.7% | 71.2% |
| No | High Impact | $85,334 | 72.1% | 94.8% | 120.8% | 108.6% |
| | Low/No Impact | $95,163 | 98.1% | 113.3% | 110.2% | 98.7% |

▲ *By Q4 of 2020, businesses operating in high impacted states (NY, CA) had recovered to a sustainable deposit level, over 90% of Q1 '20 revenues and exceeded deposit performance for modified accounts in other less impacted states for the same period. Regarding Modified/Low Impact accounts not rising above Q1 deposit level, this is driven primarily by construction (commercial/residential) and medical/health accounts that have either stayed low or are currently low.*

## The PPP Impact

The Paycheck Protection Program (PPP) came available and served as a welcome life vest for businesses owners during this time. For many businesses receiving funds, PPP loans were a means of survival. For others, their situation was perhaps less dire, yet they accepted funds because there was no way of anticipating what may come next and it was a method of preparedness to manage their business. The money was available through a program that was easy, fast and extensive, helping to provide security against the unknown. As the economy started to recover, the return to employment stability and revenue recovery is attributable, in combination, to the resiliency of the SMB community alongside support through the PPP program.

| Plaid Data - PPP + SBA Group | | | | | |
|---|---|---|---|---|---|
| Industry | Q1 2020 Deposits | Q2 2020 Deposits | Q2 Deposits as a % of Q1 | PPP or SBA Amount | PPP or SBA as a % of Q1 2020 Deposits |
| Construction (Commercial) | $353,558 | $302,281 | 85.50% | $97,414 | 27.55% |
| Construction (Residential) | $378,029 | $491,224 | 129.94% | $98,190 | 25.97% |
| Construction (Specialty) | $271,311 | $383,086 | 141.20% | $79,036 | 29.13% |
| Local Transportation | $390,073 | $450,582 | 115.51% | $105,939 | 27.16% |
| Long Haul Trucking | $294,843 | $289,552 | 98.21% | $123,507 | 41.89% |
| Medical / Health | $182,461 | $121,874 | 66.79% | $83,845 | 45.95% |
| Services (Other) | $194,264 | $214,613 | 110.48% | $109,674 | 56.46% |
| Restaurant Franchise | $287,979 | $339,200 | 117.79% | $112,500 | 39.07% |
| Restaurant Non-Franchise | $429,741 | $221,249 | 51.48% | $135,400 | 31.51% |
| Auto Repair | $257,903 | $337,623 | 130.91% | $141,286 | 54.78% |
| Overall | $256,105 | $244,027 | 95.28% | $100,208 | 39.13% |

▲ *Industries or businesses that suffered more severe revenue losses were buoyed by PPP program support. Others that continued operating their business through the pandemic turmoil were able to apply PPP funds toward adaptations to their business model, helping them sustain growth.*

## A Long Journey

While the data signals that SMBs were recapturing revenue and managing their business despite continued volatility, the journey to fully overcoming the pandemic will take years and not the months many initially assumed. The Q4 2020 holiday season drove another rolling shut down with businesses closing their doors and then returning to phased reopening slowly across the country. There was a pattern forming and this left us wondering if earlier business adaptations would help our customers weather the ongoing challenges. Twelve months later, the analysis continues to emphasize our assessment that SMBs have adapted and are broadly sustaining revenues through the everchanging landscape. In fact, the top 70% of both low and high impact business types remained above Q1 2020 deposits since Q3 2020, and even earlier for some.

| Weekly Average Deposit Amounts by Group | | | | | | |
|---|---|---|---|---|---|---|
| Covid Impact Industry | Q2 Deposit as % of Q1 | Q1 2020 Monthly Deposits | Q2 '20 Deposits as a % of Q1 '20 | Q3 '20 Deposits as a % of Q1 '20 | Q4 '20 Deposits as a % of Q1 '20 | Q1 '21 Deposits as a % of Q1 '21 |
| High Impact | Bottom 30% | $113,577 | 45.5% | 53.1% | 84.7% | 86.8% |
| | Top 70% | $76,643 | 81.2% | 103.7% | 106.6% | 115.9% |
| Low Impact | Bottom 30 % | $73,349 | 70.3% | 65.0% | 78.0% | 87.8% |
| | Top 70% | $78,983 | 101.3% | 114.0% | 111.6% | 103.5% |

▲ *The bottom 30% of high-impact industries returned to a sustainable level of revenue by Q4 2020. Regarding the recovery of low-impact industries, they appear to have taken longer to reach a sustainable level but seem to be there by Q1 2021. The slower recovery may be attributed to variables including state and business model among other factors.*

As the analysis drills into industry type, the data further supports a positive recovery trend with most businesses operating at a sustainable level by May 2020 and many at or exceeding first quarter revenues by June that were sustained into 2021. For several industries, 2020 brought unprecedented growth as well. For example, Specialty Construction (electricians, plumbers, etc.) maintained deposits well above Q1 for the duration of 2020, particularly as consumers prepared their households for work- and school-from-home scenarios. Similarly, Transportation (local and long haul), saw increased demand and deposits related to delivery service needs that continue based on a lasting change in consumer behavior. Medical & Health-related businesses have exhibited more fluctuation, experiencing an immediate decline and then bouncing back in Q2-Q3 followed by another slight decline in Q1 2021 which may be attributed, in part, to a second shutdown and fewer elective procedures.

| Weekly Average Deposit Amounts by Group - Industry | | | | | |
|---|---|---|---|---|---|
| Industry | Q1 2020 Monthly Deposits | Q2 '20 Deposits as a % of Q1 '20 | Q3 '20 Deposits as a % of Q1 '20 | Q4 '20 Deposits as a % of Q1 '20 | Q1 '21 Deposits as a % of Q1 '21 |
| Construction (Commercial) | $112,423 | 84.5% | 91.5% | 94.8% | 69.2% |
| Construction (Residential) | $93,778 | 118.0% | 126.4% | 88.8% | 70.4% |
| Construction (Specialty) | $99,145 | 126.6% | 125.7% | 107.9% | 92.1% |
| Local Transportation | $81,382 | 114.5% | 118.8% | 150.7% | 113.1% |
| Long Haul Trucking | $113,756 | 80.5% | 112.5% | 124.3% | 109.9% |
| Medical / Health | $76,095 | 95.0% | 101.9% | 97.7% | 78.7% |
| Services (Other) | $72,256 | 79.7% | 84.6% | 106.4% | 95.5% |
| Restaurant - Franchise | $144,871 | 69.3% | 95.6% | 97.2% | 104.4% |
| Restaurant - Non-Franchise | $104,633 | 53.1% | 75.0% | 67.1% | 86.0% |
| Auto Repair | $98,429 | 89.4% | 95.2% | 87.3% | 91.9% |

▲ *Weekly deposits by quarter show consistent growth across most industry types through Q4 2020. Declines in Q1 2021 are attributed to 2020 year-end holiday period and a resurgence in COVID-19 cases and shutdowns nationally.*

## Open Skies Ahead

Using the deposit data and a unique analysis approach, CPC was able to unveil a reassuring economic story and perhaps much brighter than anyone expected to see by this point. The pandemic and its impact continue nevertheless, perhaps with more turbulence ahead, but through data, we have a clearer understanding for what these moments potentially look like and learnings to help us navigate through them more confidently.

Our world has been permanently altered; this we know to be true. In good times or crisis, the importance of real-time business performance visibility is no longer an option but a necessity for lenders to remain competitive. However, what the data also represents is the incredible strength of the equipment finance industry and our SMB customers with encouragement that we will continue to rise through this unprecedented time together.

**ABOUT THE AUTHORS:** Kristi Schon is Vice President, Marketing. Eli Sethre is Chief Financial Officer. Ed Krueger is Vice President, Analytics. Landon Thompson is Manager, Analytics. All authors are with Channel Partners Capital.

# neFACTS

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## INDUSTRY EVENTS CALENDAR

**Baltimore Crab Feast & Networking Event**
**Captain James Seafood Palace**
June 3, 2021 | 5:00 - 8:00 PM ET

**NEFA Hybrid Virtual Exchange - Webinar & Networking Series**
June 16, 2021 | 3:00 – 4:30 PM CT

**Minnesota Regional Networking Event**
**Brit's Pub & Eating Establishment**
June 16, 2021 | 6:00 - 9:00 PM CT

**2021 Funding Symposium**
**October 12 - 15, 2021**
The Westin Charlotte
Charlotte, NC


## REGIONAL NETWORKING EVENTS

**JUNE 3**: BALTIMORE CRAB FEST

**JUNE 16**: MINNESOTA REGIONAL EVENT, BRIT'S PUB & EATING ESTABLISHMET

**JULY**: NORTHWEST REGIONAL EVENT

**JULY**: SOUTHWEST REGIONAL EVENT

**AUGUST**: DINNER CRUISE ON LAKE MINNETONKA, MN

**AUGUST**: SOUTH CENTRAL REGIONAL EVENT, KANSAS CITY

**SEPTEMBER**: SOUTHEAST REGIONAL EVENT

**NOVEMBER**: NORTHEAST REGIONAL EVENT, NEW YORK

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# Preparation and Communication: Keys to Getting Paid in Difficult Times

*A recent NEFA Virtual Exchange panel focused on successfully getting paid in a challenging market, such as the pandemic. Here are some key takeaways lessors and lenders should keep in mind.*

**By Dan Feeney**

An organic beef farmer in northern Vermont had seen enough. He had sold a ton – literally, a ton of beef to a restaurateur who kept promising to pay. Thirty days went by, then 60, then 90. In a fit of rage, early on a Saturday morning, the exasperated beef farmer pulled into the restaurant owner's private driveway, backed his pickup truck to a new, shiny boat in the yard, and was ready to drive away with that boat to settle the debt.

Luckily, cooler heads prevailed. The struggling and embarrassed business owner figured out how to pay the beef farmer in a way that didn't involve giving up the family's boat.

Equipment leasing companies undoubtedly sympathize with this farmer. Anybody who lends money has experienced annoyance and frustration as accounts become delinquent and the collection process begins. As the days of not being paid string out longer and longer, it can be tempting to take steps to repossess property, engage lawyers or file liens. But what a panel of finance and collection experts explained during a recent NEFA Virtual Exchange on collection essentially ladders back up the old adage that you tend to catch more flies with honey than you do with vinegar.

Insights on successfully getting paid in a challenging market formed the basis of the information-packed NEFA Virtual Exchange – *The Evolution of Collections: How to Get Paid in a Challenging Market* held in early April. I moderated the event, but there was immense help from panelists Shawn Smith, Founder and CEO of Dedicated Commercial Recovery; attorney Peter Tamposi, who serves as CEO of Lease Security Systems; and Walter Graham, National Account Executive at Quiktrak.

Collections can be messy and awkward, but the tips shared by the panel and attendees of the discussion provide a good blueprint for addressing an uncomfortable situation. Nobody wants to end up being the incensed beef farmer.

## Talk the Talk

**Dan Feeney**
North Star Leasing, a division of Peoples Bank

When the effects of the COVID-19 pandemic struck in 2020, many equipment leasing companies girded for the worst, fearing that the number of customers who would be forced to have their accounts become delinquent would skyrocket. North Star Leasing, a division of Peoples Bank, took a proactive approach early in the pandemic. With about $70 million in its portfolio, North Star Leasing offered an extraordinary onetime deferred payment plan for its customers. In April 2020, that equated to about $3 million in deferment. As of today, all but a handful of the accounts that took advantage of our deferment plan have been made current.

People remember the conversations we had with them. That was the takeaway – being upfront and honest at the start of it all was critical. If you can't get to know and understand your customer during a difficult time, it becomes even more difficult to understand your customer when the situation turns even more dire.

Smith, at Dedicated Commercial Recovery, agreed with my team's approach, saying the focus of his collection efforts transformed dramatically early during the pandemic. Smith's company increased the number of people working in customer service, lent an empathetic ear and leaned hard into overcommunicating. It worked. Dedicated Commercial Recovery saw record growth in its collections totals in 2020.

"In many cases, it was about changing the approach," Smith said. "You have to really consider the words you say, how you say them and how those words make people feel."

The seeds of the pandemic response were planted previously in responses to natural disasters and catastrophic events, with phones, texts, chats, and emails enabling rapid

> That was the takeaway – being upfront and honest at the start of it all was critical. If you can't get to know and understand your customer during a difficult time, it becomes even more difficult to understand your customer when the situation turns even more dire.

and customized communication more now than at any previous point in human history. What the pandemic laid bare was the need to stay connected with struggling customers at the start of, and consistently throughout, difficult times such as these.

"Had we taken a heavy-handed approach or not been so proactive, our success in 2020 wouldn't have happened," said Smith. "The key is frequent communication."

### Get in Line

Tamposi, a bankruptcy lawyer, provided equipment leasing companies with a peek behind the curtain of companies that are forced toward insolvency.

"Defaults are usually conscious decisions; they just prioritize other things more," Tamposi said.

"That means," he said, "struggling business owners follow a hierarchy on who gets paid. Utilities top the list, followed by banks holding liens, payroll, taxes, critical vendors, landlords and trade debts."

At the back of the line are leasing companies and equipment lenders. Understanding your place in line should help you design communication and effective outreach strategies. Ultimately, you most likely will get paid, just perhaps slower than you like or not on the terms established at the outset.

"Very, very few people borrow money without the intent of paying it back. Most people want to do the right thing," he said.

Tamposi did have a word of caution for those who may already be caught in the midst of a messy collection process.

"I'm the lawyer your client calls when they decide if they're going to call you back or not," he said. "In my view, if you're involving an attorney, you've got a problem. You need to nip it in the bud well before that."

### Advanced Planning is Key

Tamposi's business, Lease Security Systems, manufactures Blok Box, a web-based payment enforcement system that's embedded in leased equipment. When accounts go past due, the equipment can be remotely disabled. In simple terms, it's much like the cable company being able to disable your services should that bill not be paid. At Quiktrak, Graham provides asset verification inspections for financial institutions – a third-party validation process of prospective loan and funding applicants.

In a way, both of those services dovetail with the proactive measures North Star Leasing and Dedicated Commercial Recovery took at the onset of the COVID-19 pandemic. Everything – from the terms of the deal to the nature of the business being financed, to the options you have in the event of non-payment – should be planned out in advance of any money being lent.

"The key is to have as much information as possible when you go in with a client," said Graham. "You'll want to see what the work site looks like, what exactly the business is. Put the Blok Boxes on at the start of the lease when everybody is happy. It's a less stressful process for all involved if that's all taken care of before somebody becomes in arrears."

That was one of the big takeaways from the NEFA panel discussion. Ensure that your collection procedures and policies are fair and enforceable. Have as much information as possible about the company borrowing the money from you, and be prepared to be quick, compassionate, and proactive with your communication.

"Let's face it," said Graham, "collections are never fun."

**ABOUT THE AUTHOR:** Dan Feeney is the Executive Vice President and Manager of North Star Leasing, a division of Peoples Bank.

# Best Practices Remain Key to Success in Any Environment

*While a transaction being passed on at a late stage can be painful, it's crucial to have an open and critical mind to identify potential areas of risk.*

**By Mike Miroshnikov**

It doesn't take a pandemic to understand the value of meeting face to face. Long before Zoom, it was the primary way humans interacted. For a middle-market equipment lessor with a focus on B and C "story credits," the site visit is often a key point in transaction underwriting and due diligence. The site visit, while time and resource intensive, is where we can connect those last few dots and fully translate the numbers into a unifying story deserving of funding. As such, this is often the last opportunity for a lessor to gain direct insight into a company and avoid a potential land mine. While a transaction being passed on at this late stage can be painful, it's crucial to have an open and critical mind. All of the experiences recounted here are real and some were painfully learned.

There are many tangible and intangible takeaways the visit provides. Face-to-face meeting with the management team is often crucial as this is the time to decide if the people sitting across the table will be good partners not only during the preliminary "dating period," but also if times get rough. This is also the time to probe any potential deficiencies and fill in the gaps in the "story." An astute lessor will come in armed with previously provided information, and cross-check against what they are being told in a lengthy discussion with the management team. While it is rare to uncover a smoking gun that kills the transaction, there is another less immediate but equally important point to the exercise. The more a lessor understands the business of their client and the drivers behind success or failure, the better he or she will be prepared to deal with a default or a workout down the road – should one occur. A cavalier CEO bragging about the haircut his last lender took when things were tight is a story to remember, as one day you may end up in that lender's shoes. And don't think the example sounds too over the top. It is precisely why site visits can be important; people are more likely to be themselves and share in person.

Kicking the tires on an operation also has myriad benefits. Walking the floor of a manufacturing facility may reveal a bustling hub of activity or laid up machines that are explained by "preventive maintenance." Similarly visiting a medical facility can exhibit an empty waiting room, or a busy practice with a long line of patients. Does the equipment appear to be clean and well-maintained? Are there tags from other financing companies on the equipment? By watching and observing, one can get a fairly good picture of the lessee's culture and a prediction on how your equipment will be treated.

**Mike Miroshnikov**
Arboretum Investment Advisors, LLC

2020 turned the entire site visit experience upside down with businesses restricting access, and lessors not wanting to expose their staff to undue travel risk. This was less of an issue when lending activity froze in Q1 and Q2. However, as activity started to pick back up, lessors had to adapt to mitigate the loss of this is key underwriting tool. Although business travel has resumed to some extent, there is still understandable hesitancy by all sides at unnecessary personal interaction.

The physical walkthrough is more of a science and may be easier to solve. Multiple third-party companies that conduct inspections around the country have adapted, allowing for a physical inspection that complies with various state, local and company protocols. While standard reports can be fairly robust and include photographs and a description of what the inspector observed, it's important to remember that the inspector may not observe and diagnose the environment the way that you would. To ensure maximum value is obtained, the inspector should be given specific instructions on what to detail, including the equipment and beyond. This of course can vary significantly based on the type of business being inspected, so each inspection should be given a fair amount of thought.

With the physical inspection addressed, the art of the management interview, also has to evolve. This is usually a multi-hour, in-person interaction, and is much more difficult to recreate. Zoom and other virtual meetings appear to be the best available alternative at this time. While certainly not the same as sitting in a room and interacting with the management team for several hours, most of the information and insights can still be obtained. It's crucial to stay focused and pay attention, which can be more challenging if you have a crying baby (or a barking dog) in the next room.

> 2020 turned the entire site visit experience upside down with businesses restricting access, and lessors not wanting to expose their staff to undue travel risk.

It may be beneficial to break up a meeting into two smaller calls. For example, one call with the CEO and the CFO to talk about the big picture and financial outlook, and another call with the COO to get specific insight on how the equipment will be used, projects are being done, etc. This approach may be appreciated by everyone as it's easier to process information in smaller chunks, and it does not unnecessarily tie up team members on lengthy calls. Separate calls also let you see if the management members are on the same page and provide similar answers to questions regarding the business.

In today's environment, being diligent and prepared is more important than ever. By the time the meeting takes place, a lot of diligence information will have been provided. The lessor must have clear probing questions to fill in any diligence gaps, as well as broad open-ended questions that lead to longer responses and may yield relevant information that was not asked for previously.

There are also several important points that can still be observed:

- Are the participants paying attention as they would in person, or are they multitasking?
- Does the team appear dressed as they would be in person, or less professional?
- Are there any inconsistencies with previously provided information?

All these are useful datapoints, especially when both sides are still courting each other to do a deal.

After all the observations have been made and call notes compiled, it's important not to lose sight of the big picture. We tend to place greater weight on negative factors while overlooking the positive. A holistic evaluation should be made of the entire diligence picture. Just because one machine looked broken down, it may not mean your equipment will fall in disrepair when you know it comes with a vendor maintenance contract.

As the "new normal" continues to evolve and redefine itself, businesses will endure the challenge and equipment financing needs will live on. Equipment finance firms that can step up to this opportunity, while finding a way to retain underwriting standards will thrive. Part of that underwriting process includes the irreplaceable site visit. The technological solutions of today coupled with a thought out approach, will allow us to reach a place of comfort and remain confident in the credit decisions we make.

**ABOUT THE AUTHOR:** Mike Miroshnikov is President of Arboretum Investment Advisors, LLC.

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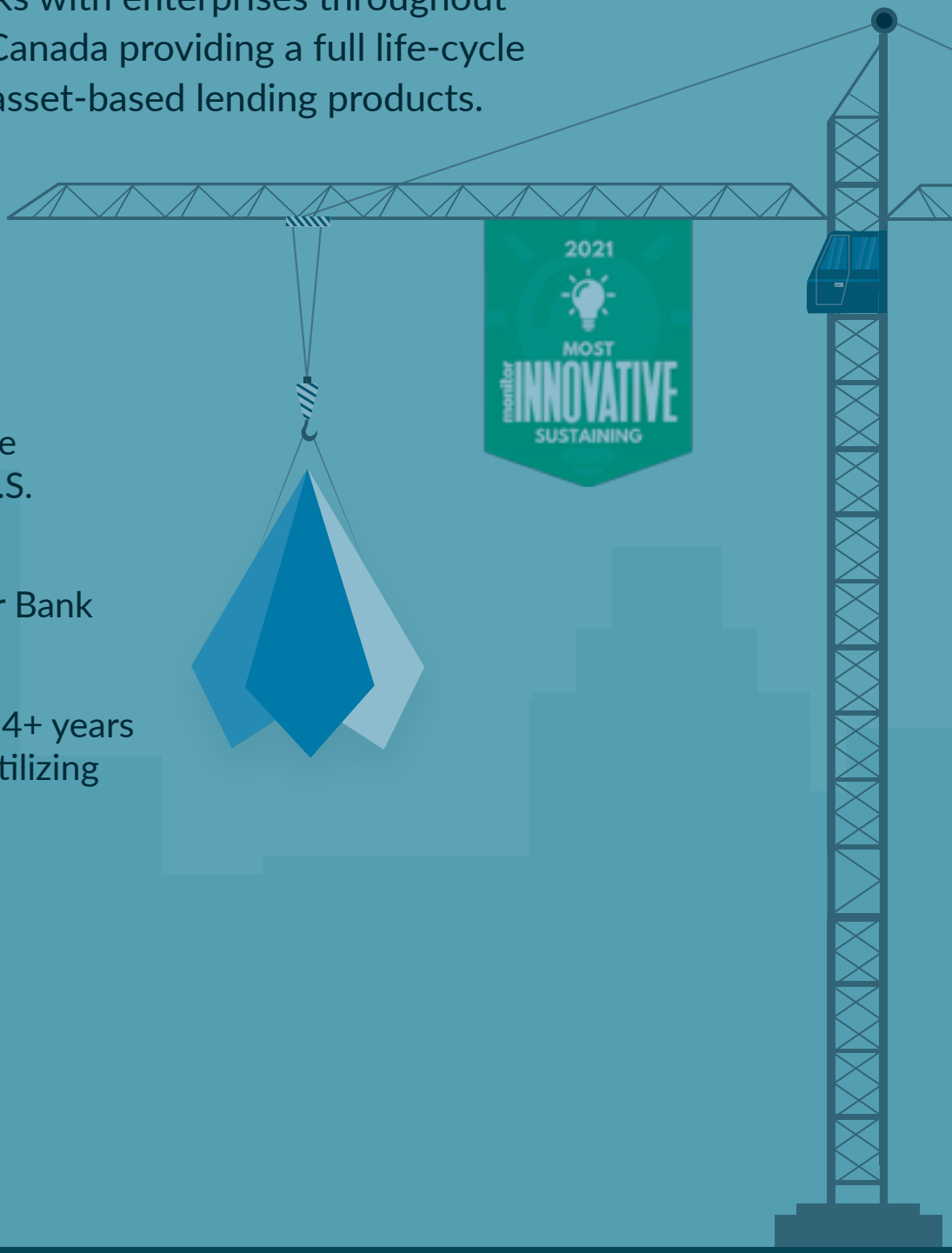


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