National Equipment Finance Association

NEWSLINE

MAR/APR 2024 CONFERENCE ISSUE

2024 NEFA SPRING CONFERENCE

Riding the Waves of Change

INSIDE

CHANNEL

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NEFA National Equipment Finance Association
NEWSLINE

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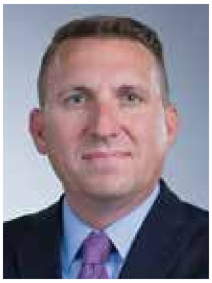
A Message from NEFA's President



Spring is here, which means conference season has officially begun! As our members gathered together for our wonderful Spring Conference in Huntington Beach, uncertainty in our industry (and our country) looms large. There is no clear economic picture for 2024 and 2025, with an array of economic and political variables that could spark a seismic shift in the finance industry. On top of that, the equipment finance industry is changing, with a younger and more diverse demographic of talent beginning to take leadership roles. Despite these "Waves of Change," the Board, Chad and NEFA's staff are committed to moving NEFA forward. We understand that now, more than ever, NEFA needs to continue to provide the networking opportunities and the quality education that our members have come to expect.

As you know, NEFA developed a comprehensive Strategic Plan that will guide the organization into the future. But what are a few of the specific objectives that will help NEFA implement the initiatives of the Strategic Plan so that we can "Ride the Waves of Change" in 2024 and beyond?

Brokers, Brokers, Brokers – NEFA is steadfastly committed to greatly increasing the number of broker members within the organization. We fully understand that brokers are the backbone of the equipment finance industry and serve as the catalyst for getting deals done. NEFA is therefore not only making it more affordable for brokers to attend our Spring and Fall Conferences but is expanding regional events and offering more virtual events at different times (i.e., after work hours) to ensure that brokers can actively participate and engage with the membership. Moreover, NEFA is developing a comprehensive educational initiative aimed specifically at brokers – offering different educational tracts and content for different broker-types. Whether the broker is new to the industry, looking to become a discounter/hold its own paper or simply wants to increase revenue, NEFA will provide the education and training aimed at enhancing the broker's business.

Continuity in Education – While education is a central part of the NEFA Strategic Plan, continuity is the key to delivering useful and quality education over time. The NEFA Team now includes an Education Manager, Skip Wehner, who is laser-focused on creating educational content that will be delivered in a variety of formats so that all our members can benefit from NEFA's offerings. Skip will continue to work closely with NEFA's Education Committee – chaired by Anne Dalgaard – to ensure that NEFA is following an education plan driven by its membership. The goal is to provide worthwhile education for NEFA members that is consistent and can build upon previous offerings, whether it is formal industry-specific education, best practice seminars, roundtables or sales training classes.

Time Well Spent – NEFA's conferences and in-person events remain central to the vitality of the organization, and it is critical for NEFA to make those events personally worthwhile for all its members. NEFA is keenly aware that our hard-working members get little time out of the office, so NEFA needs to deliver a unique and memorable experience not only to foster networking, but to provide a little down time as well. In this regard, NEFA will continue to seek out venues where members actually want to go (such as the beachfront Hyatt resort) and provide unique activities (golf, armadillo racing, beach parties) that are fun and entertaining. NEFA will also seek to bring in quality speakers to our conferences that may not necessarily fit the equipment finance mold, such as a three-time Olympic gold medalist, that will hopefully be of personal interest to the members. Finally, and most importantly, NEFA will continue to partner with and support a variety of non-profits at our events, such as the Chris Walker Education Fund, so that the members can directly engage in giving back to the community.

This is just a small sample of the specific objectives that NEFA is looking to achieve/implement over the next year and beyond. NEFA's goal is to continue to provide value to the membership and we are constantly striving to think of new ways to do so, particularly with the changes in the market and the industry. Your time and money are valuable, but we believe that they are, and will continue to be, well spent with NEFA!

Robert Hornby
NEFA President

A Message from NEFA's CEO

The NEFA Board of Directors and staff hope you are having a fantastic 2024. We are here to support you and your organization.

I am excited to share highlights from the March 25-27 Spring Conference, which offered so many opportunities for attendees to connect with old friends, establish new contacts and discuss business.

The conference theme "Riding the Waves of Change" seemed fitting for 2024 given the uncertainty in the market.

Hundreds of attendees converged upon the Hyatt Regency Beach Resort & Spa in Huntington Beach, CA to learn, network and build long term relationships with industry colleagues. The educational program offered opportunities to gain valuable knowledge from the spotlight speaker, a Leadership Panel where industry veterans discussed trends and opportunities, plus Best Practices Roundtables. Attendees could choose from the breakout sessions that covered the following topics:

- How to Move your Business from a Broker to Discounter
- Smart Spending, Big Impact: Maximizing Marketing on a Budget
- Collections Conversations: Unveiling Asset Valuation Trends for Operational Efficiency
- Beyond Compliance: Practical Approaches to Section 1071 and Financial Disclosures

Conference attendees had many networking opportunities including:

- Chris Walker Education Fund Golf Outing
- Karaoke Tsunami: Riding the Waves of Change… In Tune
- Women in Leasing Luncheon
- Opening Welcome Reception
- Ambassador's Reception (for first time & new member attendees)
- President's Reception
- Networking events in the Exhibit Hall (attendees connected with the 50+ Funding Source & Service Provider exhibitors/sponsors)
- CLFP Toast & Photo
- Seaside Soiree: A Beach Bash

Special thanks to the planning committee for organizing a fantastic conference. My team is owed much gratitude for their hard work on the conference including; Alicia Bos – Director of Marketing, Hannah Kroll – Director of Membership, Kale Tissue – Director of Events and Operations and Skip Wehner – Manager of Education for their hard work.

Committee Members:

- Lisa Whitehead, CLFP, – Chair
- Kristi Darlington, instaCOVER
- Richard Hickmon, CLFP, VFI Corporate Financing
- Tamara McCourt, CLFP, Huddle Business Capital
- John Pfister, CLFP, Mazo Capital
- Kristi Schon, Channel

If you missed the Spring Conference, you may view the conference recordings in the NEFA Members Only Portal. Below is a partial list of upcoming events we encourage you to attend later in 2024:

- April 16 – Knowledge Exchange: Collections (Virtual)
- May 2 – Southeast Regional Event (Atlanta, GA)
- May 21 – Knowledge Exchange: Leadership (Virtual)
- June 18 - Knowledge Exchange: Credit (Virtual)
- June 20 – Northeast Regional Crab Feast & Educational Program (Baltimore, MD)
- July 11 – Southwest Regional Angels Baseball Game & Educational Program (Anaheim, CA)
- July – Midwest Regional Brit's Pub Event (Minneapolis, MN)
- July 16 - Knowledge Exchange: Human Resources (Virtual)
- August – Northwest Regional (Seattle, WA)
- August 15 – Northeast Regional Niagara Falls Event (Buffalo, NY)

We hope you will get involved in NEFA and take advantage of the community, many virtual, and in person events. As always, remember to Think NEFA First for your industry needs.

Chad Sluss
CEO

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in the NEWS

PERSONNEL ANNOUNCEMENTS

Channel Adds Stark and Boos to Lead Syndication Division

Channel introduced key additions to its leadership team. Bob Stark assumed the crucial role of Chief Syndication Officer, while Jackie Boos was appointed Director of Syndication Sales.

Before joining Channel, Stark served as the Senior Managing Director of Capital Markets and Corporate Development at TCF Equipment Finance, now Huntington, for over 22 years. During his tenure, he oversaw potential acquisitions and managed buy and sell teams. His background also includes serving as Chief Credit Officer for Firstar Equipment Finance, where he managed a $5 billion portfolio and led a team of credit managers, following time as Corporate Auditor and Senior Credit Officer at Wells Fargo Equipment Finance.

In his current role as Chief Syndication Officer at Channel, Stark draws upon his 34 years of extensive experience to enhance and manage all syndication activities. His responsibilities include fostering a market brand, developing existing relationships, establishing new connections with long-term strategic partners, as well as creating a unique syndication platform utilizing Channel's experienced data science team, risk-based pricing, and support.

Boos brings 21 years of expertise gained from roles at TCF Equipment Finance/Huntington Bank as well. Boos has a diverse background, spanning Accounting Operations, Portfolio-Customer Service, Operations-Funding, and Capital Market Sales, with a specific focus on syndication buy and sell, portfolios, and acquisitions.

As part of Channel's leadership team, Boos plays a vital role in driving the organization's strategic initiatives in syndication activities. Her wealth of experience aligns seamlessly with Channel's commitment to excellence and growth in the competitive capital markets landscape.

Eastern Funding Adds Ristaino to Commercial Laundry Financing Sales Team

Eastern Funding announced Brendan Ristaino has joined the company as a Loan Officer.

Ristaino joined Eastern Funding with several decades of experience in the laundry industry. He started early working in his family's laundromats and most recently was the General Manager of one of the leading laundry equipment distributors in the Northeast.

Ristaino will work with business owners and investors in the industries Eastern Funding serves to help them access financing tailored to their unique business needs.

Western Equipment Finance Adds Anderson

Western Equipment Finance hired Jonathan Anderson as Vice President - National Business Development. With his addition to the team, the equipment finance company plans to expand its offerings to the golf and turf industry vertical.

Anderson brings over 12 years of equipment finance experience, including positions with Midland Equipment and Wells Fargo Equipment Finance. He earned a finance degree from the University of Iowa and his MBA from Western Illinois University.

"I'm excited to add Jon to our long list of industry experts," said Chad Palmer, President of Western Equipment Finance. "We pride ourselves in hiring people who understand our customers. Jon's experience in the golf and turf industry will open up new possibilities for growth."

Juvekar Joins Star Hill Financial as VP of Franchise Financing

Star Hill announced the appointment of Shashank "SJ" Juvekar as the company's newest addition to its Franchise Financing team. With over 10 years of experience in the banking and finance industry, Juvekar will be a significant addition to Star Hill's growth in 2024.

"I have worked with SJ for the past two years and really got to know him, I am confident he is right addition to contribute on the franchise financing side of the company," said Keith Smith, President and Partner of Star Hill. "With SJ's knowledge and capabilities, we will continue to support national brands with a focus on Tier 1 and Tier 2 quick serve brands."

Prior to joining Star Hill, Juvekar was a Relationship Manager and Vice President at BCI Capital where he originated and managed franchise portfolios. "There is a lot of opportunity in the franchising space right now," said Juvekar, "I am passionate about continuing the long-term relationships with my clients and delivering exceptional service and value. The team at Star Hill aligns well with my experience and I am excited to be part of the team."

Moritt Hock & Hamroff Appoints First Chairman, Names Next Managing Partner

Marc Hamroff, who had been Managing Partner of Moritt Hock & Hamroff LLP for over 25 years, is assuming the role of Chairman. Michael Cardello III, a long-standing member of the firm's Management Committee and former Chair of the Litigation practice, has been elected Managing Partner. Leadership at the firm established the focus of the Chairman to be spearheading client service, overseeing the firm's long-term vision and executing its long-term plan.

In making the announcement, Hamroff said, "We have experienced significant growth in the past few years and Michael has been an important part of that expansion. He has been part of our team since 1997 and has earned the respect and trust of all who have worked with him. Going forward, I cannot think of anyone who is better equipped to assume this role."

Cardello said, "I am humbled that my partners had the confidence to allow me to continue in the footsteps of my mentor and friend. Under Marc's leadership, our firm has become a real force in the legal industry, and I expect the growth that we have seen to only accelerate in the coming years. As Chairman, Marc will continue to be a major presence in the firm, and moving forward, will continue to impart his vast experience and knowledge with our leadership team."

Hamroff pointed out that the move will allow him to focus more on his client base, which has been expanding rapidly in recent years along with spearheading the firm's long-term vision and plan. He said, "It is still a great thrill for me to mentor our lawyers and future firm leaders in furtherance of the long-term success of the firm. My new role will also provide me with more time to focus on serving the needs of our clients. It is always gratifying to feel that you are an important part of both our firm and our clients' success."

NEFA Welcomes Wehner as Manager of Education

The National Equipment Finance Association (NEFA) announced William "Skip" Wehner as the new Manager of Education. With over 30 years of extensive small business lending experience, Wehner brings a wealth of knowledge and a diverse skill set to this role.

He began his career in leasing at a young age, gaining hands-on experience by answering phones, pulling credit bureaus, and filing UCC's for his father's leasing company. His professional journey led him to a recent sabbatical where he played a crucial role in the successful sale of his family's manufacturing business. With eight years of product development and manufacturing experience from this endeavor, Wehner adds a unique perspective to his finance background.

Expressing his enthusiasm for re-entering the industry, Wehner said, "I am excited at the opportunity the Manager of Education position creates to help me give back to an industry using my contacts, experiences, skills, and knowledge acquired throughout my career."

A review of his credentials reveals a strong skill set in nearly all facets of commercial equipment lending, contributing to the success of organizations he has been part of. His operational background, coupled with extensive business development experience, positions him as an invaluable asset to NEFA's membership.

As a longstanding member of NEFA starting in 1992, Wehner has contributed to the association's growth. He has served as the Regional Chairperson for Colorado, a Director on the NEFA Board, Fall Conference Chair, and an occasional conference speaker. Additionally, Wehner had periodic involvement with AACFB (American Association of Commercial Finance Brokers) and ELFA (Equipment Leasing and Finance Association) throughout his career. His reputation in the industry is solid and longstanding.

Chad Sluss, CEO of NEFA, expressed his confidence in Skip's abilities, "The organization is fortunate to have an industry veteran join our team to help shape the long-term direction of NEFA's educational programs. Wehner has served in a variety of roles, including Broker, Funder and Service Provider. With his wealth of knowledge, NEFA is well-positioned to raise the bar on education for our member community."

Wehner is eager to contribute to NEFA's educational initiatives and looks forward to meeting with members to explore opportunities to enhance the association's educational programs.

in the NEWS

AP Equipment Financing Hires Coveney as EVP, Head of Fleet & Mobility Division

AP Equipment Financing announced the addition of Alex Coveney as Executive Vice President of the newly established Fleet & Mobility Division. In addition to being tasked with developing value-added services throughout AP's portfolio, the division will also explore untapped segments for new growth opportunities.

Coveney comes to AP with over 25 years of professional experience in building strategies, program development and management with 22 of those years in the rental and leasing industry. After his first 19 years of business development at a global rental and leasing company, he transitioned to business ownership where he used his keen entrepreneurial spirit to skillfully and successfully build and divest a multimillion-dollar business in a few short years. After his achievements in business ownership, Coveney re-entered the rental and leasing industry with a focus on innovation and program development for enterprise-level clients.

President, Chris Lerma, CLFP said, "We are thrilled to welcome Alex Coveney as the Executive Vice President of the Fleet & Mobility Division. Alex's experience and entrepreneurial prowess perfectly aligns with AP's focus on innovation and creating new value-added programs for our entire clientele base. His leadership and ideas will contribute to our strategic growth and reinforce AP's position within the industry."

As EVP at AP Equipment Financing, Coveney will play a pivotal role in shaping strategic direction, driving portfolio expansion, and overseeing the operational functions of the leasing and mobility business. His leadership style, marked by collaboration, innovation, and a strong commitment to service, resonates with AP's dedication to surpassing the ever-changing needs of today's customers.

AP Embarks on Strategic Expansion of Key Programs, Adds Industry Experts

AP Equipment Financing announced an expansion initiative designed to diversify and nurture its growing portfolio. In 2024, AP is placing a focus on expanding its towing and construction verticals with a concentrated effort on strengthening vendor, dealer and manufacturer relationships.

As part of this expansion, AP brought onboard four industry experts spearheading these initiatives. Ryan Whitehead, with over 18 years of experience in equipment finance, brings an extensive background in the towing sector. Leading AP's initiative in the construction industry, Seth Davis is supported by seasoned professionals Andrew McBride and Adam Domke.

Ryan Whitehead: VP of Business Development – Towing

Whitehead leverages over 18 years of expertise in building relationships with end-users and dealers in various markets. Coming from Huntington National Bank (formally TCF Equipment Finance), his wealth of experience makes him a recognized expert in the towing industry, known for providing excellent service and crafting tailored programs across the United States.

Seth Davis: VP of Business Development – Construction

Davis, a seasoned professional, collaborates with construction dealers, manufacturers, and end-users to optimize profitability through tailored finance solutions. With prior roles as Territory Manager, Dealer Development and Branch Manager, Davis brings expertise that spans vendor finance, sales team oversight and dealer growth. His focus on client and vendor relationships positions him well for spearheading AP's construction verticals.

Andrew McBride: VP of Business Development – Construction

McBride is an experienced sales professional in the finance industry with numerous years managing vendor programs at Marlin Capital Solutions. His expertise involves engaging new and existing equipment manufacturers and dealer networks through compelling offers, including subsidized promotions, floor planning and retail solutions. With a focus on creating unique vendor programs, his extensive experience and networking skills make him an asset in AP's new initiatives.

Adam Domke, CLFP: Business Development Officer – Construction

Domke brings over six years of experience in the finance sector from Stearns Bank and Oakmont Capital, providing valuable business development expertise within the industry. His background includes extensive involvement in dealer programs and vendor management, with a strong focus on growth and sales.

Chris Lerma, CLFP, President of AP, said, "This expansion underscores our commitment to providing innovative solutions, fostering client success, and reinforcing our position as a leader in equipment financing. With a focus on towing and construction verticals, we're poised for significant growth, and our dedicated team of industry experts ensures a bright future ahead."

JDR Solutions Promotes Enevoldsen to Chief Operations Officer

JDR Solutions promoted Joey Enevoldsen to Chief Operations Officer, reporting to CEO Doug Williams.

Enevoldsen has over 15 years of experience in equipment finance and financial services, including the last two years with JDR Solutions where he most recently served as the director of implementation services. He will oversee daily business operations and lead the newly formed senior leadership team to ensure continued delivery of high-quality service, while also developing JDR's operations strategy and deployment. Enevoldsen will also continue to play a pivotal role in expanding the customer base and fostering lasting partnerships with clients.

"When Joey joined the JDR team, his relationship building skills were immediately clear and impactful. Over time, it became obvious that his drive, strategic foresight, industry knowledge and ability to deliver, seamlessly aligned with JDR's culture, values and the overall vision for the company. Then, when current clients who are part of JDR's advisory council took the

Continued on page 10

time to reach out to make this promotion recommendation, the decision was clear," said Doug Williams, CEO of JDR Solutions. "Joey and the senior leadership team are the foundation for JDR's future. He has been instrumental in shaping and guiding that team and ultimately the company in his short tenure here. JDR is in great hands going forward."

Financial Partners Group Adds McBride as SVP of Sales, Hard Assets

Financial Partners Group announced the appointment of Jon McBride as Senior Vice President of Sales - Hard Assets. In this new role, McBride will play a pivotal part in expanding the company's presence in commercial financing, working capital loans, and equipment vendor financing within new and existing strategic verticals.

With over 15 years of experience in the financial services industry, McBride brings a wealth of knowledge and a proven track record of establishing strong relationships with vendor partners. His expertise lies in crafting unique financing programs that cater to the diverse needs of vendors and their customers, whether they are large national partners or small to mid-sized equipment dealers.

"Bringing Jon onboard signifies a strategic move for Financial Partners Group as we intensify our focus on building strong vendor partnerships in our Hard Assets division. His extensive experience and commitment to being a valuable resource for vendors aligns perfectly with our company values and mission," said Jeff LaLima, CEO of Financial Partners Group.

NMEF Announces Promotions, Retirement of Littier

North Mill Equipment Finance LLC (NMEF), an independent commercial equipment lender headquartered in Norwalk, CT, announced the promotion of four employees representing several departments across the organization. Promotions include:

- Deana Redmond – AVP, Asset Recovery
- Jessica (Link) Eisenbeis – Manager, Contract Administration
- Kate LeConey – Manager, Broker Relationship and Marketing
- Matt Mosley – Manager, Broker Relationships

"Nothing is more meaningful to NMEF's long-term success than our employees. I am proud to recognize this group for their outstanding performance and contribution," said David C. Lee, Chairman and CEO. "They personify hard work and acumen in their respective areas and their passion and dedication is inspirational."

NMEF's promotions are on the heels of another staff-related announcement at the company – the retirement of long-time senior leader Joe Littier. "After 26 years at NMEF and more than 50 years in the equipment finance industry, veteran senior leader Joe Littier is retiring," Lee said. "His contributions have been vast; he served as an SVP in a number of important roles including managing Collections, Customer Service, Insurance, Restructurings, Legal Documents and Titling. He also served as Co-Chief Credit Officer for nearly five years. A great mentor and one of the hardest working people at the company, he will be missed by all."

LTi Technology Solutions Promotes Ledden to VP of Deployment Operations

LTi Technology Solutions (LTi) announced Ryan Ledden has been promoted to Vice President of Deployment Operations. He will lead its Release Management, Business Analysts, Client Services and PMO teams. He will be responsible for maintaining quality standards in system deployments and product releases.

Ledden joined LTi in 2014 and has spent the majority of his career in the equipment finance and financial services industry, gaining experiences in areas such as software implementation, sales, customer service, and operations. He earned the Certified Lease and Finance Professional (CLFP) designation in 2020 and continually promotes educational opportunities in the equipment finance industry.

"Ryan has shown a strong ability to execute, lead and provide results both in in his time deploying systems and most recently in his time as Director of Release Management," said Jeff Van Slyke, President and Chief Executive Officer of LTi. "I am excited to see the excellent results that Ryan will continue to achieve and the benefits the company will see in his new role at LTi!"

"I have been very fortunate to work in both operations and development roles during my time at LTi which has given me a holistic understanding of how we continue to create value for our customers," said Ledden. "I look forward to bringing those experiences to this role for our client partners and working with them for their continued success."

INDUSTRY NEWS

Dakota Financial Implements Core Elements of Tamarack's AI Product Suite

Dakota Financial has partnered with Tamarack Technology on the implementation of Tamarack's AI Product Suite – TrailView Customer Service Portal and DataConsole. By deploying data-centric technologies, Dakota is enhancing team productivity, customer service and overall business performance.

"Dakota has a reputation for being a leader in the service and support of its customers," said Tim Appleget, director of SaaS products at Tamarack Technology. "With the adoption of TrailView, Dakota empowers its customers with round-the-clock access to account information, fostering transparency and reinforcing its customer-centric commitment. Moreover, by leveraging DataConsole's data consolidation capabilities, Dakota captures a holistic view of data from the business and gains invaluable insights for informed decisions and operational improvements, from deal origination all the way through asset disposition."

"Our customers are usually on the road working hard to transport goods across the country, so having access at their fingertips is vital for them," said Erin Smith, Customer Relations Manager at Dakota Financial. "Our customers appreciate convenience and transparency, which in turn fosters mutual trust. As portal usage continues to rise, we anticipate reallocating resources to further enhance our services.

"One of the reasons we were excited about the Tamarack Product Suite is the operational overview and insights that we get via the collection and organization of all of our data into one reporting framework." said Michael Green, Chairman of Dakota Financial.

NFS Leasing Sets Record for Y/Y Originations, Increasing Vendor Partner NBV by 250%

NFS Leasing achieved 8 percent year-over-year growth of originations in 2023.

"Our team's strength and the value we provide to our customers to support their growth are highlighted by the achievement of our growth in originations, which surpassed the industry's average," said Ashley Whyman, President of NFS Leasing. "NFS Leasing remains committed to providing innovative, personalized, and flexible financing solutions to businesses that are unable to obtain funding from traditional financing sources."

Drivers of its growth include 250 percent growth in vendor new business volume and year-over-year growth in new customer originations.

"As we mark another year of record growth and expansion, our inspiration is fueled by the stories and achievements of our customers and partners," said Dana Calumby, Chief Financial Officer of NFS Leasing. "Our commitment to excellence as a trusted partner will be supported by incremental investments in our systems and processes, as well as initiatives promoting our brand as THE story lender in 2024."

Industry Trailblazers Join LEAN's Steering Committee for 2024

LEAN, the Lease Enforcement Attorney Network, announced Brittany Ogden and Robert Hornby have joined its steering committee. These new committee members bring years of experience and leadership in the industry, which will help expand the organization's reach and influence.

Ogden is a Partner at Quarles & Brady LLP's Milwaukee office where she serves as the firm's National Co-Chair of its Bankruptcy, Restructuring, & Creditor's Rights Practice Group. Her legal expertise extends to state and federal courts, specializing in creditor's rights, commercial litigation, and bankruptcy. She represents financial institutions, equipment finance companies, and creditors regularly. In 2022, The Equipment Leasing and Finance Association (ELFA) honored her with their prestigious Michael J. Fleming Distinguished Service Award, acknowledging her substantial contributions to both the association and the equipment finance industry. She also serves on the Board for the Equipment Leasing and Finance Foundation as well as Chair of the ELFA Amicus Curiae Subcommittee.

"I have enjoyed my membership in LEAN," said Ogden, "and look forward to serving in a leadership role as we strive to grow the organization and the clients we serve."

Hornby is a Member of CSG Law in Roseland, NJ where he chairs the firm's Equipment Leasing & Asset-Based Lending Team. He was recently installed as President of NEFA, the National Equipment Finance Association. He also serves on ELFA's Legal Committee. An experienced litigator, he represents national and regional banks and finance companies in all aspects of equipment leasing, asset based lending and civil litigation in New York and New Jersey state and federal courts. He regularly counsels clients on a wide range of matters unique to the equipment finance and leasing industry, from drafting master documentation to the enforcement of lessors' and secured creditors' rights.

"2024 will be a busy year in leasing and commercial finance," said Hornby. "I look forward to helping guide the organization and its members to deliver great solutions to the industry and those we serve."

The two new steering committee members join LEAN founder Robert Bernstein, of Bernstein Burkley in Pittsburgh, Lewis Cohn of Cohn and Dussi in Boston, Dan Heald of Hemar Rousso in Los Angeles, Harry Simon of Denver, and Howard Toland of Mitrani, Rynor, Adamsky & Toland, PA on the Steering Committee.

Fora Financial Surpasses $4B in Capital Provided to Small Businesses

Fora Financial, a provider of short-term financing to the SMB community, announced it has surpassed $4 billion in capital provided to more than 55,000 small businesses since its inception in 2008. The company achieved this milestone on the heels of a record-setting 2023, in which it supplied the nation's small businesses with over half a billion dollars of flexible financing.

"In a year of challenging economic conditions when small business confidence levels fell to historical lows, the Fora Financial team took great pride in expanding our support for the SMB community," said Andrew Gutman, Fora Financial's Chief Operating Officer.

After achieving this significant milestone, Fora Financial has continued its impressive momentum entering 2024. In January, the company deployed more capital than in any previous month in its history. "This record-setting month further solidifies our dedication to supporting the SMB community amidst economic uncertainty," said Gutman. "Our broad sales relationships, diversified capital base, and deep funding experience enable us to continue financing small businesses through the ups and downs of the economic cycle."

Gordon Brothers Provides $5MM Operating Lease to Aerospace & Defense Solutions Provider

Gordon Brothers provided a five-year operating lease to an Ohio-based aerospace and defense solutions provider for 15 late-model CNC machine tools worth more than $5 million.

The provider will use the equipment in support of its precision manufacturing, fabrication and assembly services for the aerospace, defense and power generation industries.

"As a market leader in valuation and disposition services equipped with the industry's largest asset database, we leverage our financing expertise to qualify and quantify risk and opportunity and undertake transactions traditional lenders and lessors cannot," said Dennis A. Bolton II, Senior Managing Director, Head of North America Equipment Finance at Gordon Brothers. "By delivering rapid liquidity solutions and hands-on support, we partner to help clients manage through operational challenges and market cycles to transform their businesses."

Black Equipment Finance Network Awards Scholarships to HBCU Students for CLFP Program

The Black Equipment Finance Network (BEFN), a national networking organization comprising equipment finance professionals, announced the awarding of its inaugural scholarships to two students from Historically Black Colleges and Universities (HBCUs). These scholarships mark a significant step in BEFN's mission to enhance the participation of black professionals in the equipment finance industry and to provide networking opportunities for those already working in the sector.

This scholarship program, covering the costs of study materials, test preparation classes, and the CLFP (Certified Lease & Finance Professional) Certification Exam, is part of a collaborative effort between the CLFP Foundation and Cisco Capital. It aims to provide specialized training and certification opportunities to HBCU students studying business and finance who have an interest in the equipment finance sector.

The program offers a comprehensive introduction to the equipment finance industry, including guest speakers, networking opportunities with industry professionals, CLFP training, the chance to take the CLFP exam, and potentially, the opportunity to secure an internship and/or a full-time position with a participating company in the industry.
BEFN plans to extend this initiative, with additional scholarships set to be offered in 2024. George Parker, President of BEFN, expressed his enthusiasm, stating, "We are thrilled to be a part of this excellent initiative that introduces HBCU students to the equipment finance sector. Our industry, now exceeding $1 trillion, frequently goes unnoticed by students mapping out their career paths, especially those from HBCUs and other students of color. The program initiated by CLFP and Cisco Capital is already creating significant impacts. We look forward to collaborating more with the CLFP Foundation and Cisco Capital to help create opportunities for students interested in equipment finance."

Reid Raykovich, CEO of the CLFP Foundation, also expressed gratitude for BEFN's support, noting, "The support from the Black Equipment Finance Network is immensely appreciated. Their involvement sends a powerful message to HBCU students and others, highlighting the commitment of many in the equipment finance industry to build a more robust sector. This is achieved by attracting diverse talent and raising awareness about the various opportunities available within our industry."

360 Equipment Finance Scales with GreatAmerica Portfolio Services Group

360 Equipment Finance announced it has signed on with GreatAmerica Portfolio Services Group LLC (GPSG), a lease and loan service provider specializing in third-party servicing, to service its portfolio as the company scales. 360 Equipment Finance previously serviced contracts internally but sought outside expertise to help meet growth goals and expand while enhancing operational and customer service excellence.

"We knew that when it comes to servicing contracts GreatAmerica Portfolio Services Group would treat our customers as if they were their own. We have always had great respect for GreatAmerica; our cultures align well, and we know their back-office platform will allow us to meet the expectations of our customers today and into the future," said Kip Amstutz, President of 360 Equipment Finance.

GPSG Vice President and General Manager Joe Andries is excited to help 360 Equipment Finance grow, "I have been impressed with the 360 Equipment Finance team for many years. We are honored to help them focus on sales, new business and closing deals, all while knowing their customers are getting cared for like they desire."

Dedicated Financial GBC Announces Office Relocation; Appoints Keckhafer as President

Dedicated Financial GBC announced two significant milestones in its growth. The company has recently relocated its office from Roseville to Shoreview, MN, and concurrently, Jay Keckhafer has been appointed as the new President of Dedicated Financial GBC, effective January 2024.

The decision to move to a spacious 15,000+ square foot building from the previous 3,000-square-foot location is in response to Dedicated Financial GBC's remarkable growth. The company has tripled in size, necessitating a larger facility to accommodate expanding teams and enhance capabilities in first-party servicing, third-party collections, litigation management, bankruptcy servicing, account scoring, and asset management services.

Founder and CEO, Shawn Smith, emphasized the strategic nature of the relocation, stating, "This move supports our expanding team and aligns with our commitment to meeting the rising demands of our clients. We are excited about the enhanced workspace that will not only increase productivity but also prioritize the well-being of our dedicated team members."

The new office space is designed with employee engagement in mind, featuring sit-stand desks, larger common spaces, additional meeting rooms, offices, and amenities. Dedicated is also actively undertaking initiatives to brand the interior of the office, contributing to the development of a robust and vibrant company culture.

Most notably, Dedicated Financial GBC is excited to announce the appointment of Jay Keckhafer as its new President. With over two decades of experience, Keckhafer brings a wealth of expertise to his new role, having served as the Executive Director of Operations and Legal Outsourcing for the past six years. His extensive career includes notable roles such as Director of Collection Operations at OPTIO Solutions, LLC, and Director of Collections at AscensionPoint Recovery Services.

As President, Keckhafer will oversee the strategic direction and day-to-day operations of Dedicated Financial GBC, leveraging his skills in business analysis, operations management, financial analysis, and business strategy. His leadership is expected to drive the company's growth and success in the financial services industry.

Smith expressed his excitement about Keckhafer's appointment, stating, "We are grateful to have Jay Keckhafer as the President of Dedicated Financial GBC. His background in operations, legal outsourcing, and business operations makes him the perfect leader to guide Dedicated to new heights. We look forward to the innovative strategies and insights he will bring to our team and the leadership he will bring in support of our mission to use business to make the greatest impact on people in need locally and globally."

Northteq's Aurora Platform Powers ElmBlue Capital's Equipment Finance Launch

Northteq supported the launch of ElmBlue Capital, an emerging lender in the equipment finance market. Co-founded by industry veterans Greg Bourdon, Paul Reny, and Jake Broom, ElmBlue Capital is leveraging Northteq's Aurora platform to streamline operations and deliver an automated digital lending experience to its customers and vendors.

"We knew we wanted the power and flexibility of Salesforce, and Northteq's Aurora platform was the perfect match to quickly operationalize our vision," said Bourdon, co-founder of ElmBlue Capital. "Aurora allowed us to select the features we need now while laying a solid foundation for our future operations to grow."

The integration of Aurora is a central component of ElmBlue's business strategy, providing the scalability and flexibility that is critical to compete in the rapidly evolving equipment finance industry. Aurora's automation and seamless third-party integrations provide real-time data access for vendors, streamlining processes while enhancing transparency and speed in operations.

"We are placing an emphasis on providing resources and financial tools for our partners that expand beyond the scope of what currently exists in the equipment finance space today," Reny, co-founder of ElmBlue said. "Our focus on automating our workflows and leveraging technology from the onset will ensure our level of service remains consistently high, regardless of capacity or market conditions."

"Partnering with Northteq has been instrumental in actualizing our vision for ElmBlue," said Broom, co-founder of ElmBlue. "Our strategic emphasis on establishing a scalable and efficient operation from inception has positioned us for sustained success in the long run."

Equipment Finance Cares Adds Bilbrey and Yanuzzi to Board

Equipment Finance Cares, a non-profit organization dedicated to supporting the equipment finance industry, announced the appointment of two new members of the board of directors, reinforcing its commitment to driving positive change within the industry.

"Donna and Jeff are great additions to the EF Cares board," said Jesse Johnson, President of Consult Disrupt and founder

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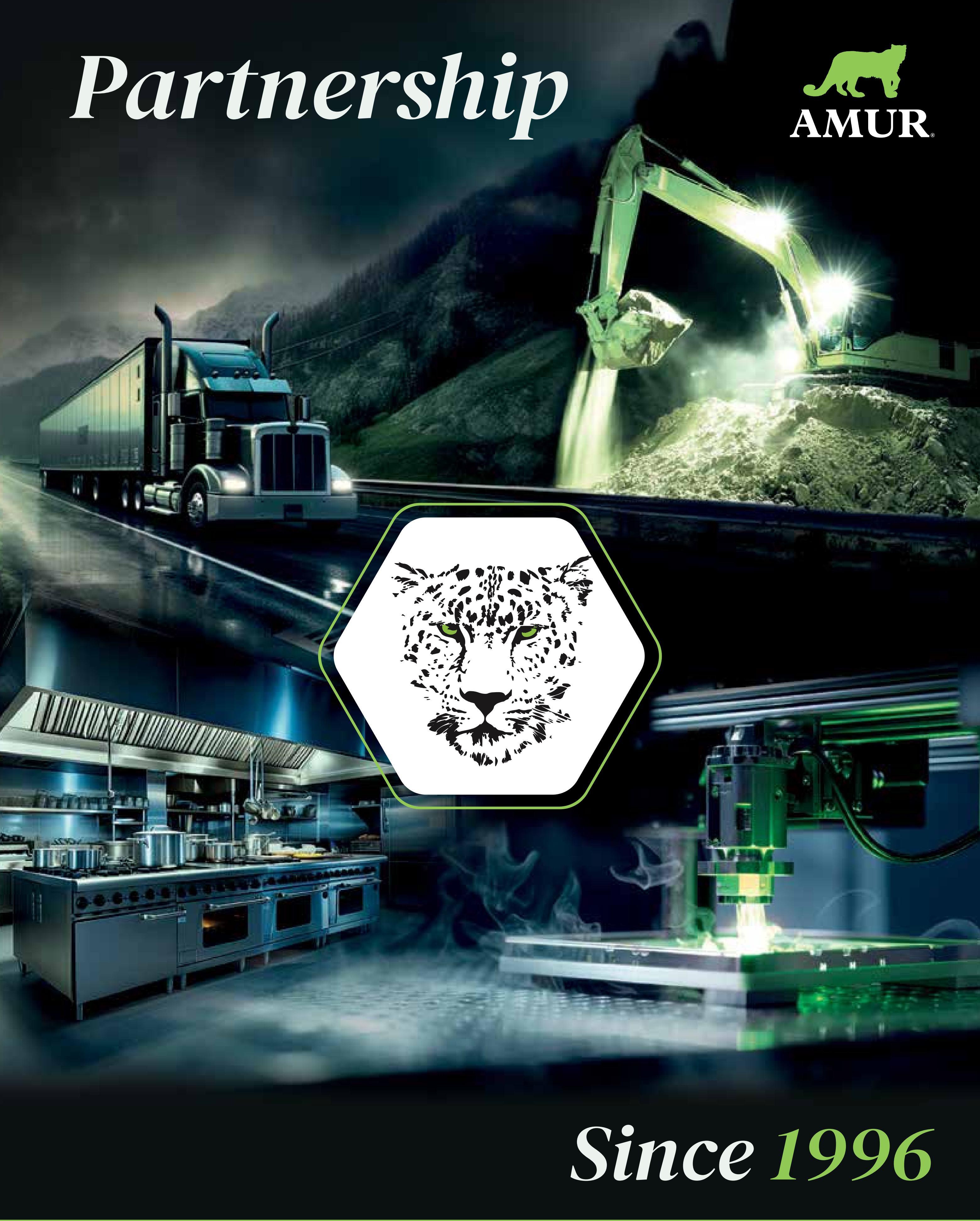
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Collaborating to Create a Memorable Conference

Creating a memorable and informative conference requires the collaborative efforts of numerous individuals, including dedicated volunteers generously contributing their time for the benefit of all conference participants, alongside the diligent work of NEFA staff members.

Every year, before NEFA's two national conferences, *Newsline* interviews NEFA members who volunteer to collaborate closely with the association's staff in planning these dynamic and memorable events. The Spring Conference Planning Committee for this year consisted of six enthusiastic individuals who devoted their time to ensuring that this year's first national conference meets the needs of our members to thrive both today and in the future.

Lisa Whitehead, CLFP
First Foundation Bank

2024 Spring Conference Planning Committee

Lisa Whitehead, CLFP, First Foundation Bank
Conference Committee Chair

Committee Members

- Kristi Darlington, instaCOVER
- Richard Hickman, CLFP, VFI Corporate Financing
- Tamara McCourt, CLFP, Huddle Business Capital
- John Pfister, CLFP, Mazo Capital
- Kristi Schon, Channel

As a group, the committee members possess over 50 years of experience, and many were actively involved in the associations that pre-date NEFA according to Lisa Whitehead, Committee Chair, who said, "As Tamara notes, 'Being part of any committee allows us to give back to the Association and pay forward all the knowledge that has been poured in us while building relationships and making lifelong friends.'"

While working on committees can be time consuming, it can also be invigorating and personally fulfilling. John Pfister agrees saying, "Being a part of the NEFA planning committee has been an eye-opening experience. I've (we've all) been so impressed with the NEFA team and the other committee members, because of their dedication and diligence in planning an impactful conference. I feel strongly about the need for NEFA to incorporate education sessions geared towards equipping TPOs with the tools and knowledge needed to be successful in a dynamic market and economic landscape."

This year's Spring Conference theme is "*Riding the Waves of Change*," which according to Whitehead capitalizes on the beach location of the Hyatt Regency Huntington Beach Resort and Spa in Huntington Beach, CA. We asked Lisa to share some of the highlights of the events at this year's Spring Conference.

Monday afternoon kicks off the conference with our annual Golf Tournament benefiting the Chris Walker Education Fund followed later that evening by, "*Karaoke Tsunami: Riding the Waves of Change...in Tune*" – a fun filled charity event benefiting Laura's House of Orange County.

Tuesday events include our traditional Women in Leasing Luncheon, exhibit hall networking and our Ambassador's and Opening Receptions.

Wednesday is filled with networking and educational opportunities, but is highlighted by our Keynote speaker, three-time gold medalist, Misty May-Trainer, and culminates with our *Seaside Soiree: A Beach Bash*, which is a short jaunt from the hotel.

We also asked each Conference Committee member to share why they volunteered for this committee.

John Pfister, CLFP
Mazo Capital

"I find volunteer opportunities like this to be extremely fulfilling. From my perspective, so many people have paved the way for me in this industry, and so many of the experiences I've benefited from have come from people giving back to the industry. I feel responsible, and take the responsibility seriously, to help empower the next generation of equipment finance professionals with networking opportunities and practical educational material. I'm fortunate to be involved with the NEFA Planning Committee, the NEFA Education Committee, and the NEFA Rising Professionals Committee, so I have a well-rounded perspective as to how the association operates and all the work that goes on behind the scenes. I would recommend that anyone, no matter their role or level of experience, get involved more deeply in industry groups. Not only are you sure to develop professionally, but you will find the personal relationships you build to be just as important and something that causes you to wake up each day excited to go to work."

Kristi Darlington
instaCover

"I volunteered for this committee because I enjoy working with other members and meeting new members to collaborate and bring a very successful conference to the industry."

Richard Hickmon, CLFP
VFI Corporate Financing

"It seems larger direct lenders in our space ($1MM to 70MM+) have limited representation, so when given the opportunity to become more involved I was happy to do so to hopefully bring a different voice and perspective into the planning."

Tamara McCourt, CLFP
Huddle Business Capital

"Volunteering for committees shows great support for the association, allows you to give back and pay forward all the knowledge that has been poured into us, but also it allows you to build relationships with other members of the association and other volunteers. Not only is it rewarding, but there is also a great value by building long lasting relationships."

Kristi Schon
Channel

"I chose to volunteer for several reasons. First, I am committed to immersing myself in the industry, continuously seeking opportunities to learn, and establish meaningful connections with fellow equipment finance professionals. Second, sharing unique skillsets through committee involvement is a way to give back to an industry that has provided me with invaluable experiences and knowledge. Committee participation also aligns with my goal of supporting association membership growth and fostering an engaged community of experts and peers. Beyond the professional aspects, I am genuinely excited about the prospect of having fun while collaborating with diverse individuals. The committee provides a unique platform for sharing ideas and working with others, creating opportunities for collaboration that I might not have encountered otherwise."

of Equipment Finance Cares "Their leadership experience and philanthropic insights will continue to pave the way for EF Cares for years to come."

Tamarack Enhances Functionality of TrailView Customer Service Portal

Tamarack Technology released enhancements to its popular TrailView Customer Service Portal. Developed to facilitate, automate and improve communication between lessors and customers, TrailView provides 24/7 access and streamlined workflows boosting customer service productivity and customer satisfaction.

"Modern consumers demand immediate access and self-service capabilities from their financial institutions, including their equipment finance partners," said Tim Appleget, Director of SaaS products at Tamarack Technology. "Through TrailView, we provide customers with an elevated level of self-service capabilities and real-time visibility into their equipment financing accounts. Most importantly, they can effortlessly manage their accounts, access critical information, and submit support requests. With TrailView 2.0, we are meeting these expectations and more with increased account access, enhanced self-service functionality, and new on-demand payment capabilities."

TrailView consists of a customer-facing portal and an administrative portal for use by customer service representatives (CSRs). On the administrative side, TrailView 2.0 enhancements include an easy-to-use upload utility that simplifies bulk on-boarding of targeted segments of a portfolio.

Updates to the customer-facing portal include new self-service account management tasks as well as enhanced two-way secure borrower communication via SMS or email. Account management enhancements include:

- Document Exchange: Allows for the uploading of key borrower documents and downloading contracts and amortization schedules.
- Payment History: Offers the ability to view recent payment history records and unpaid balances.
- On-Demand ACH: Enables customers to enter bank payment information to process payments through the ACH system.
- Tax Summary and History: Provides support for customer inquiries related to taxes, including interest paid and balance information.

GreatAmerica Announces $655MM Term Securitization

GreatAmerica Financial Services Corporation announced it has closed on its 24th term securitization in $655,260,000 of privately placed bonds. S&P and Fitch rated 93.4 percent of the bonds in the transaction as AAA, unchanged from the prior seven transactions from GreatAmerica. To date, GreatAmerica bond issuances have totaled $9.9 billion.

"We are very pleased with the execution of our latest bond offering. Our company culture and track record of strong performance have enabled us to consistently access the debt markets and achieve desirable results," said GreatAmerica CEO Martin Golobic. "We owe it to our GreatAmerica team members for their tireless approach towards quality, expertise, and value in helping our customers achieve greater success."

Proceeds from the transaction will pay off outstanding warehouse and revolving credit facility debt, placing GreatAmerica in a strong liquidity position to continue to support business operations and serve its customers. A January 2024 S&P Global Ratings pre-sale report stated, "GreatAmerica is distinct from many other small-ticket leasing companies in that it has generally continued to grow its portfolio, even during downturns in the economic cycle…The company is distinct from many other small-ticket equipment leasing companies because it benefits from long tenure and senior management continuity."

Investor interest was strong, as evidenced by over $2.5 billion in orders placed, 3.8 times the amount of bonds offered. There were 43 unique investors that participated in the bond transaction, including five new investors.

Amur Completes 13th Term Securitization at $406MM Issuance

Amur Equipment Finance announced the completion of its 13th term securitization, in which it issued $406.3 million in notes secured by equipment loans and leases originated through its platform. Over 50 unique investors participated in this transaction, which was led by Bank of America, BMO and Truist. It was nearly six times oversubscribed with over $2.3 billion in total

Continued on page 20

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End of Lease Profit Includes:

- End of Lease Residuals
- Renewal Payments
- Profit from sale of returned assets (Including profits on defaulted transactions)

Qualifying Criteria:

- **Application:** Funding partner application must be submitted and approved.
- **Dollar Amount:** Minimum transaction of $250K to qualify.
- **Timeline:** To qualify for the New Funding Partner Program, the transaction needs to be documented, dated, and signed by June 30th, 2024.
- **Required Documentation:** Signed Funding Partner Agreement detailing all terms and conditions.

This opportunity will not last forever, so act now and enroll today! You can reach out to your Account Executive or contact the office for more details. If you are unsure of who your Account Executive may be, you can call our office via phone, 847-784-0011 or email SalesCoordinator@elgallc.com.

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*Program offering subject to qualified credits and Funding Partners. Ask your Account Executive for details.

**All actual Terms and Conditions are in the Funding Partner Agreement. This is strictly marketing material and not to be relied upon for any contractual obligations by Equipment Leasing Group of America, LLC.

orders. This transaction is rated by S&P and Moody's, with $310 million of the notes earning an AAA/Aaa rating.

"We are extraordinarily proud of our growth journey, but we have always been enabled by the strength of our partnerships," said Todd Wainwright, Senior Vice President, Head of Commerce & Strategic Partnerships. "Our partners understand the potency and consistency of our offering and our commitment to their customers, which is why they trust us with their best ones."

With a sole focus on equipment finance, Amur recently set origination records in the fourth quarter of 2023, during which it provided financing to over 2,600 small and medium sized businesses. Amur anticipates robust origination growth in 2024 as businesses gain confidence in the strength of United States economic momentum, especially in economy-essential sectors.

"We know that strong businesses have options when it comes to financing. That's why we are continuously expanding and refining the capabilities of our platform to deliver a great product and thoughtful service in our core sectors of construction, manufacturing and transportation," said Andrea Zana, Chief Risk Officer. "This transaction is a highwater mark for us in nearly every credit metric, which is a testament to the efficacy of our efforts."

LTi Technology Solutions Celebrates 35 Years of Excellence, Client Success

LTi Technology Solutions announced 2024 marks its 35-year anniversary. As LTi marks this significant milestone, Randy Haug, EVP/Co-Founder, reflected on the remarkable 35-year journey and looked back on the collective achievements that have propelled the company and its client partners forward and emphasized a renewed commitment to LTi's client partnerships.

A Culture of Continuous Learning and Improvement

Co-founded in 1989 by Randy Haug and Russ Hallberg, LTi is a 100% privately owned business that prides itself on being deeply rooted in the equipment finance industry. LTi's commitment to continuous learning combined with an unrelenting drive for customer satisfaction has fostered a culture of continuous improvement that benefits both its internal team and its client partners.

Haug pointed out "the single most important factor in our success and longevity has been our unwavering commitment to innovation, client success, and continuous improvement. At LTi, our focus is on three key pillars that form the bedrock of our company strategy: our people, our clients and our products. Our incredibly talented team is dedicated to designing innovative products and our clients work with us as business partners giving us critical insights into real life business problems that our innovative products solve. We call this the #LTIDIFFERENCE. The LTI difference has propelled us forward for 35 years."

The LTi Difference: A Key to Success in 2024 and Beyond

Both LTi founders believe their success is inextricably linked to the success of their clients. "Our clients' investment in our productivity-based solutions, like ASPIRE, are an integral part of client business success. Clients tell us that they choose LTi because we are a "value added partner." And we are extremely proud to have clients who have consistently chosen us as their partners for many of those 35 years" Haug said.

With an active presence in over 210 well-established equipment finance companies across the US, Canada, and the UK, LTi continues to grow its client footprint, providing robust software solutions and personalized advisory services that contribute to client success proving that the "#LTidifference" is a winning formula.

A Heartfelt Thank You to the LTi Team, Clients and Partners

"We are so grateful to the talented LTi team, our trusted client partners, and our business associates who have played pivotal roles in the company's success for 35 years. As we look ahead to 2024 and beyond, we are excited about the future as we continue to provide the #LTiDifference in all the global markets we serve," concluded Haug.

Northteq's January Product Release Delivers Enhanced Lending, Pricing Solutions

Northteq announced a range of new features and enhancements in its January Product Release. This release focuses on making operations smoother, expanding financial product options, and improving vendor and partner collaboration. It is all about making things better and easier in the world of equipment finance. The company is excited about continuing to evolve its Aurora LOS and Partner Portal and know these enhancements will open new possibilities for our clients.

Expanded Product and Pricing Offerings

- Enhanced Asset-Based Pricing: We are transforming the way you price in Aurora. The updated asset-based pricing feature, powered by TValue, allows for individualized pricing of each asset with different rates, residuals, and more. Asset pricing can be rolled up on the application or into a blended rate as suits your business needs.

- Line of Credit Capabilities: Introduce new revenue streams with our Line of Credit product featuring the same automated credit decision-making in Aurora that you love. After approval, you can auto-approve an application against an approved borrower line of credit.

- Enhanced Residuals: Experience a breakthrough in pricing flexibility with advanced residual pricing tables that accommodate both currency amounts and percentages, automatically calculating the corresponding value on the equipment record. The dynamic residual pricing feature enhancement is seamlessly integrated into program residuals, improving reliability and efficiency of pricing and quotes.

- Flexible Payment Frequency Options: Updated to offer a multi-select field, catering to a wider range of client preferences and requirements.

Vendor and Partner Portal Advancements

- Vendor Enabled TValue Pricing: We're supercharging our Aurora Partner Portal with TValue's industry-leading calculations and data. This means more accurate quotes and risk-based pricing options, right at your vendor's fingertips.

- Streamlined Partner Portal Quotes: Improved integration and handling of quotes from the Partner Portal to the LOS for better efficiency and accuracy.
- Single-Page Borrower Application: An updated, more intuitive application process designed to improve completion rates and user satisfaction.

The company is also rolling out enhancements across our Salesforce partner apps and integrations including Ocrolus, Middesk, TValue, Paynet, Experian, Transunion, Equifax, and OFAC. Expect improvements in user experience, performance enhancements, and essential bug fixes.

Cohn & Dussi Attorneys Named to Boston Magazine's Top Lawyers List

Cohn & Dussi, a full-service law firm with its principal office in Boston, MA announced four attorneys from the firm were named Top Lawyers by Boston magazine.

Boston magazine's Top Lawyers List recognizes lawyers throughout Greater Boston for excellence in the field as chosen by their peers. The following Cohn & Dussi attorneys were chosen as Top Lawyers for 2023:Managing Partner Lewis J. Cohn in the field of bankruptcy and workouts.

- Partner Richard E. Alpert in the field of personal injury law
- Partner Russell A. Rosenthal in the field of personal injury law

- Associate Andrew B. Glaab in the field of bankruptcy and workouts

Cohn's practice is focused on representing lenders in all phases of the commercial loan process, with a special expertise in the collection, workout, and liquidation of troubled debt. He serves as chair of Cohn & Dussi's Financial Services Group.

Alpert and Rosenthal co-lead the firm's Personal Injury Department. Alpert also heads Cohn & Dussi's Trusts & Estates Department. Further, Rosenthal is a senior member of the firm's Litigation Department.

Glaab, who heads the firm's in-house collections group, is a graduate of the Massachusetts Bar Association (MBA) Leadership Academy.

ECONOMY

Small Businesses Appear Optimistic About Growth Despite Cash Flow Issues

Pathward released its "Small Business Credit Habits and Needs" report, which found that while one in three small businesses have struggled with cash flow in the changing economy, 70 percent consider themselves to be in growth mode.

Based on a survey of 1,000 small business owners and executive decision-makers, the report aims to uncover their financing needs compared to the loan products available to them. Despite indicating optimism for future growth, the survey results reveal Main Street has been faced with critical cash flow issues. Seventy-seven percent (77 percent) of small businesses reported having just enough cash to remain operational, and 56 percent anticipated needing funding in the coming year.

"Accessible financing is one of the most critical levers of small business success. When a company's cash flow is under pressure, the inability to deliver on goals can be catastrophic," said Anthony Sharett, President of Pathward and Pathward Financial, Inc. "Pathward is determined to expand access to financing options that keep our small and medium-sized business partners on track and positioned for growth."

Faced with economic headwinds, small businesses have an array of loan options at their disposal – yet the survey revealed mixed experiences and lack of familiarity when they need financing. With business viability so tied to a solid financial footing, understanding options - and having the comfort to explore them - is vital for sustainable growth.

Notable among the survey's findings:

- The largest small businesses are struggling with cash flow the most: For the seven to 12 months of the year preceding the survey, 34 percent of small businesses reported having just enough cash on hand to stay operational. This primarily applied to companies with annual revenues of more than $10 million (48 percent) and 50+ employees (46 percent).
- Small businesses are feeling the effects of cashflow challenges: Four in five small businesses (81 percent) experienced the consequences of a cash flow issue. More than a quarter had to delay a planned expansion (27 percent) or were unable to capitalize on an opportunity (25 percent) while 22 percent reduced staffing.

- Lack of familiarity limits funding options: Only 32 percent of small businesses felt they were knowledgeable enough about asset-based loans to explain them to another person – compared to SBA loans (60 percent), business line of credit (57 percent), and equity financing (39 percent).

"Cash flow has a substantial consequence on small businesses. Ninety-two percent (92 percent) of the companies in our survey who anticipate the need for financing over the next year have experienced the impact of cash flow problems, from delaying product launches to reducing staff," said Christopher Soupal, Division President of Pathward's Commercial Finance business line. "Small businesses need customizable financing options to expand their operations, purchase equipment, or invest in sales and marketing – and there are more options available than most are aware of."

CERTIFIED LEASE & FINANCE PROFESSIONAL FOUNDATION

CLFP Foundation Adds 12 New Australian CLFPs

The Certified Lease & Finance Professional (CLFP) Foundation announced 12 individuals who recently sat through the online proctored CLFP exam, have passed. They are:

- Michael Burke, CLFP – Chief Executive Officer, Coex Capitals
- Tina Clark, CLFP – Director, Laurentide
- Matthew Corkin, CLFP – Head of Broker, Atlas Equipment Finance
- Bruce Debenham, CLFP – Director, Perks
- Gino Defeo, CLFP – Commercial Asset Finance Professional, Quantum Business
- Paul Fisher, CLFP – State Manager Originations, Commonwealth Bank of Australia
- Andrea Maddern, CLFP – Business Development Executive, Commonwealth Bank of Australia
- Nicholas McMahon, CLFP – Asset Finance, Quantum Business
- Ryan Medina, CLFP – Operations Manager, Viking Aggregation
- Brent Starrenburg, CLFP – Head, Connective Asset Finance
- Paula Tirpkos, CLFP – Business Development Executive, Commonwealth Bank of Australia
- Tala Zabeneh, CLFP – Account Manager Team Leader, Flexicommercial

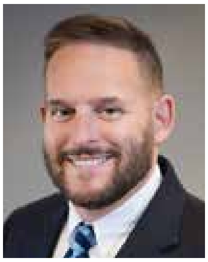
"I have absolutely enjoyed every moment of the CLFP course and feel as though the training and the support provided is second to none," said Tala Zabeneh. "It teaches and cements many aspects of the commercial finance and leasing industry that many may not know, especially for those that have been in the industry for such a long time like myself. My knowledge has expanded well beyond the work I do day-to-day, and I will continue to utilize everything I have learned in my career moving forward."

Gino Defeo said, "CLFP has been an excellent addition to the available educational pathways through CAFBA (Commercial & Asset Finance Brokers Association of Australia). It is essential to continue to improve industry knowledge with advanced learning, which will in turn improve industry standards."

Think Like a Lender:
Understand How They Operate and Maximize Your Performance

Building a robust broker/lender relationship hinges on cultivating a deep comprehension of the lender's preferences, including credit underwriting criteria, pricing structures, risk management strategies, preferred collateral and more. The ultimate goal is to seamlessly align with your lender to maximize opportunities in the market.

By Don Cosenza, CLFP



Don Cosenza
North Mill Equipment Finance

As a novice fisherman, a buddy of mine recommended a great self-help book entitled, "How to Think Like a Fish" by Jeremy Wade. "The Key to catching a fish is to think like one," says Wade. "Make sure to understand their behavior and use the right equipment."

As the CMO of the country's largest referral agent-only equipment finance company, I could not help but recognize the industry correlation. As a broker, you have two fish in your pond: the customer, or end-user of the equipment, and the lender, the entity that provides the financing.

When new brokers ask my thoughts on what they can do to be successful, I emphasize the relevance of establishing an intimate relationship with both the customer and the lender. Regarding the latter, make it a point to know their equipment preferences and guidelines, credit parameters and decisioning tree, and how they raise capital to lend to your customers. All are key to understanding how your lender operates, which, in turn, may help your relationship prosper and your business burgeon.

Think Like a Lender

Become one with your lender; ask questions, read their literature, know the company's processes and most importantly, the types of deals that fit snugly inside their credit box. By doing so, you will make better decisions as you identify how to package the optimal transactions with the right customers financing the right equipment.

To shed light on why we look for the things we do in an equipment finance deal, I often start by comparing a commercial bank to a private lender like North Mill Equipment Finance (NMEF). The objective is merely to highlight the importance of recognizing that lenders make decisions about the types of deals they prefer based in part on their own business models and return hurdles. Most people understand the fundamentals of what a bank does. While the bank and the private lender both offer financing, the two entities operate differently. Case in point is how they raise capital to fund transactions.

Raising Capital – How Private Lenders Lend

By and large, banks generate income through demand deposits and fees and lend that money in the form of various types of loans, charging a higher interest rate than what is paid to depositors. Private lenders, on the other hand, do not offer checking accounts or CDs. Rather, they raise capital in other ways to fund operations, including originations. In either case, the lender makes a loan at a higher rate than its cost of funds. This spread between the two is called the net interest margin, or NIM, a key profitability performance indicator. The lender's objective is to maximize this spread as it covers line items like operating expenses and losses.

A common source of financing for private lenders is known as a revolving line of credit, or "warehouse facility," often provided by a commercial bank. The borrowing entity (the private lender) uses the money to finance the origination of equipment leases and loans. In order to access warehouse financing, the borrower must "pledge" some of the deals, or receivables, they originate as collateral to secure the facility.

Based on the receivables in the collateral pool, the warehouse lender structures what is known as a "borrowing base." The borrowing base determines the advance rate, or the percentage of funds the private lender can use to finance operations. For a deal to be pledged, it must meet eligibility criteria. Covenants for warehouse facilities dictate eligibility criteria to build portfolio diversification. Depending on the financing source, criteria may include acceptable asset types, asset concentration limits, minimum FICO scores, on-time payments, and other conditions associated with equipment financing. This all plays a role in the types of deals your lender chooses to finance.

Securitization

Another key source of money for private lenders is the asset-backed securities (ABS) market. An ABS is a type of financial investment that is collateralized by an underlying pool of assets that generate a cash flow from debt, such as loans and leases. "Securitization" bundles those assets into interest-bearing securities. In return for the stream of payments from the underlying securities, the lender receives a higher loan-to-value on the collateral than in warehouse facilities. The money advanced against securitized assets, which comes at a discount, can be used to make additional loans creating yet another stream of payments that can be pledged, packaged and sold. In effect, lenders use future cash flows to lend money to your customers today.

Beginning at some point in the early 1980s, securitizations started to become an increasingly attractive financing mechanism. "A primary reason for their popularity is that a lender can use securitization as a means of borrowing money at a lower cost than would otherwise be available from a typical warehouse line of credit," said Mitch Tobak, CLFP, VP of Corporate Development, NMEF. "It also has the advantage of fixing the cost of funds using term notes, whereas traditional bank lines are based on a revolving borrowing base, priced at a fixed spread over a floating base rate such as SOFR."

What Does All This Mean?

Now that we have reviewed basic tenets of how private lenders raise funds, you may be asking yourself why it matters to an equipment finance broker. As mentioned, think like a fish and you are more apt to catch one. When you understand what they do, how they operate, and the reasoning behind their equipment and credit guidelines, you will be in a much better position to submit the types of deals they prefer. Along with how they raise capital, there are other factors that determine a private lender's preferences, some unique to each lender. By being in the know, together, you can establish a winning plan of action.

Submitting the "Right" Transactions

"As a referral agent, I consider myself a farmer," says Michael Hong, President, Taycor Financial in El Segundo, California. "My lender is my bakery and my partner. For my business to help theirs, I provide them with the ingredients they need to bake cakes. It is incumbent upon me to know all the ingredients that go into making those cakes saleable. If milk is required, it is my job to determine whether it is whole, two percent, or skim, and most importantly to disclose it. My job is knowing the bakery and producing the right quantity and quality of ingredients."

According to Mr. Hong, by establishing strong ties with his lenders, he is better prepared to submit the deals they are after. "Check to see if anything's changed regarding their business model and asset mix," he explained. "For example, the transportation segment took a big hit last year. After catching up with customer demands post-pandemic, we saw a steep freight market decline in 2023." Given the outlook, some lenders have deemphasized various sub-categories of transportation equipment such as Class 8s, vocational units and trailers. While the economic reasons behind the upheaval may be out of your control as a broker, the number of transportation transactions you submit remains very much within your control. "Work with your lender – determine the optimal mix of assets, diversify and continue to adjust accordingly," he said.

> "While each lender has its own credit model, there are a handful of parameters that find common ground across finance companies."

NMEF provides monthly KPI (key performance indicator) statements to each referral partner to help them monitor their performance. The chart-laden report includes a plethora of pertinent information specific to the referral partner including submission, approval, conversion and closing rates; net loss and delinquency rates by equipment type; commission earned year-to-date, and how well individual performance compares to other NMEF brokers. Plus, the report reveals equipment "spokes" – the percentage of deals closed by asset category.

Understand How Equipment and Credit Impacts Pricing

Lenders consider several factors when building a pricing scheme. For example, a basic tenet is that there is a direct connection between pricing and risk. That is, the better the credit of the borrower, the lower the rate, the less emphasis placed on the asset. It stands to reason that a customer with a strong credit history is less likely to default, thus allowing the lender to avoid liquidity costs associated with the repossession and remarketing of the reclaimed equipment. On the contrary, the weaker the credit, the greater the emphasis placed on the asset. In this case, the lender is looking for equipment that holds its value in a secondary market, thus allowing the proceeds to pay down the losses from a default.

> “Become one with your lender; ask questions, read their literature, know the company’s processes and most importantly, the types of deals that fit snugly inside their credit box.”

NMEF offers brokers two sets of rate cards. The “Standard” rates are designed for most assets while the “Special” rate cards are for those that tend to perform less optimally and/or for those customers with less experience. Given how the transportation segment performed last year, some transportation assets moved from Standard to Special pricing.

While each lender has its own credit model, there are a handful of parameters that find common ground across finance companies. There are far too many to highlight, but a few that we get questioned on require further explanation and are worth noting – comparable credit, revolver availability, and open tradelines. Again, the purpose is to illustrate the “why” behind the lender’s decisioning.

Consider “comparable credit.” Lenders want to see that a borrower has satisfied a comparable amount of debt in the recent past and without incident. Why the interest? Past behavior is the best predictor of future behavior. There is no better measure that offers a proxy on the propensity of your customer to re-pay a loan than comparable credit.

Another parameter that merits explanation is the percentage of “revolving credit” that remains available. A revolving credit facility is a line of credit based on a continuous cycle of withdrawing and repaying. Credit cards and home equity lines of credit are classic revolvers. Some lenders consider the type of revolver, the credit limit, the utilization ratio, and the repayment history when analyzing a customer’s profile. A high utilization ratio may indicate financial distress when the credit limit is “maxed out.” Missing or late payments can also have negative consequences.

Lastly, another credit parameter that pays to understand is the number of open tradelines. The credit report from Experian includes all types of financing arrangements that your customer has had from revolvers to working capital loans to other equipment leases and/or loans. Why it matters? Borrowers with a small number of accounts are considered to have a “thin credit file” and, generally speaking, pose a greater credit risk due to their inexperience in the credit markets. On the other hand, when there are too many open tradelines, it may indicate that the borrower is “over extended,” resulting in another set of potential issues altogether.

Know Your Lender and You May Think Like Your Lender

As an equipment finance broker, you are at the center of a triumvirate. Strategically you sit between your customer and your lender. As an intermediary, you hold the key to success. It starts by taking the time to truly know both your customer and your lender. Just as you pose questions to your customer as you prepare their deal for submission, do the same with your lender. Take a step beyond reviewing their pricing grid. Ask them what types of deals they want and then deliver. The more you know, the better your chance of maximizing your performance indicators with that lender. Building sound, mutually beneficial relationships is the foundation for growth and personal and professional satisfaction.

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

How the Manufacturing Industry Recovery is Impacting Used Inventory and Value Trends

Utilizing asset-related data at various stages of an asset's lifespan is essential for financial institutions aiming to maximize returns and reduce credit underwriting risk. Equally crucial is the development of a comprehensive strategy for asset disposition.

By Jim Ryan

"Don't put all your eggs in one basket." It's a simple adage that may sound overworn, but sayings like this stick around for a reason, and this one is key to obtaining the best return on equipment investments in today's market. The ramifications of going with the alternative – doing business the same way repeatedly and expecting better results each time – don't seem promising in light of market trends observed in recent months.

Jim Ryan
Sandhills Global

As the world continues to adapt to a post-pandemic economy, we have witnessed a noticeable uptick in manufacturing in the construction equipment, farm machinery and transportation sectors within the past two years. More recently, as we watch this uptick in manufacturing continue, we are seeing the various ways in which the increased supply of new assets is directly impacting both retail and auction pricing. These market trends are reflected by the pricing and inventory levels within Sandhills Global marketplaces, which comprise a sizable subset of the construction equipment, farm machinery and transportation markets worldwide.

There have been variations within specific categories of equipment and vehicles, but overall Sandhills Global noted Q1 2022 as a period in which pricing peaked across sectors for assets within Sandhills marketplaces. Since then, there has been a downward trend in pricing. In this article, I examine some of the larger causes and effects of these industry trends, using trends in specific equipment categories as examples, and explain why a multi-faceted approach to asset liquidations (rather than, say, sending every asset directly to auction) tends to produce more lucrative results. But first, I'll look at the key ingredient to this approach: accurate market data.

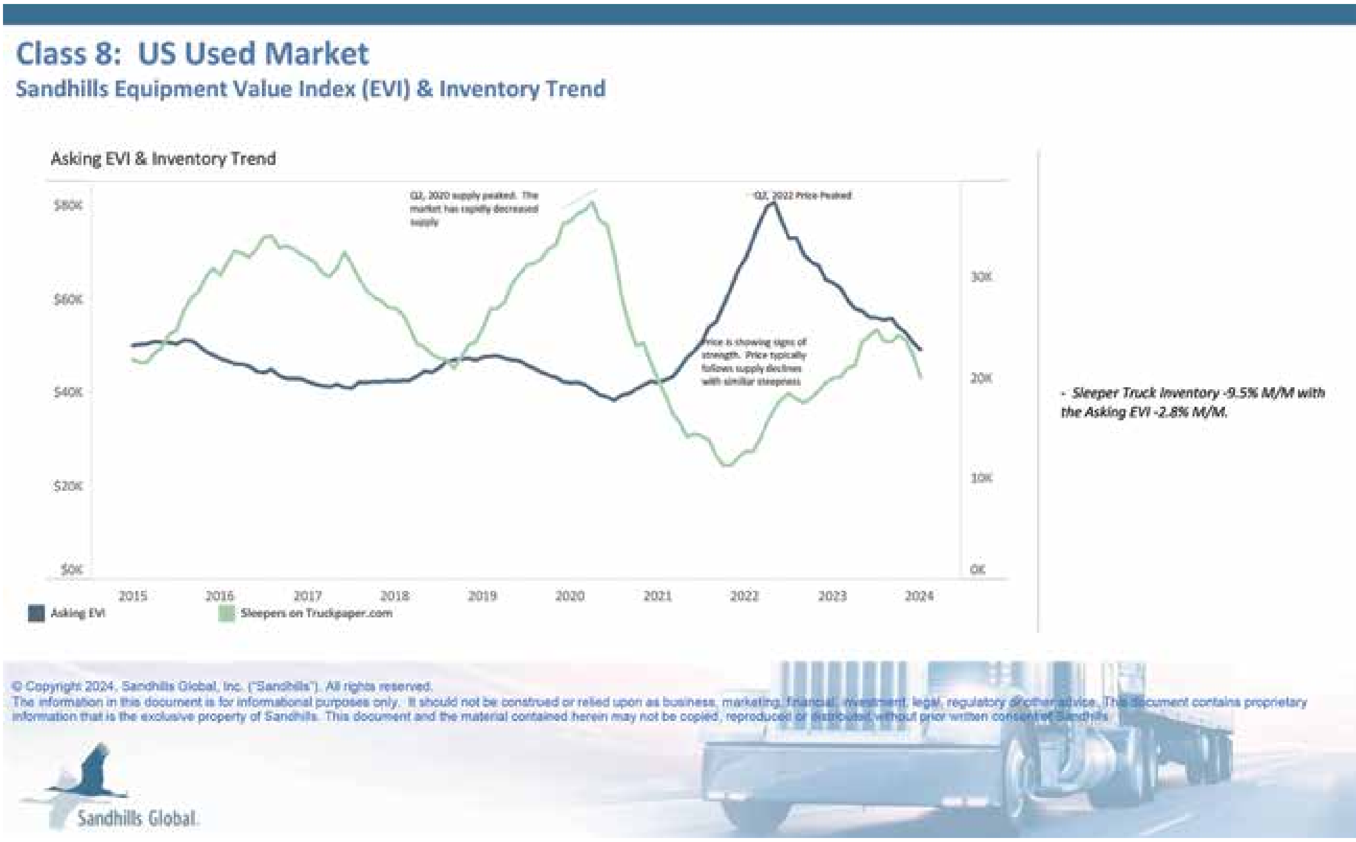
Big Data and Fine-Tuning Equipment Values

Manufacturing levels are rising across the board, leading to an influx of new equipment, trucks and trailers on dealers' lots throughout the United States. Demand for this new equipment has left a growing quantity of used inventory unsold, precipitating a downward trend in used equipment values. These extraordinary post-pandemic market circumstances make it challenging to determine fair market value and liquidation values. This understandably creates headaches for portfolio managers, construction businesses, logistics companies, fleet managers, contractors, asset managers and others with a vested interest in keeping equipment costs down while maintaining optimal productivity.

In this environment, financial institutions are wise to refine their approach and make sure they don't overextend themselves as many did during the pandemic. We've seen tried and true valuation methods falter in recent years as they fail to account for the unusual market conditions observed in the past few years. Making financial decisions about equipment based on the ways in which certain types of equipment have sold in the past at certain times of year, or making calculations that don't rely on the wealth of information that big data solutions provide, often miss the mark.

The best-informed decisions in today's market have a foundation in real-world sales data that is large in volume, detailed in its specificity, cleansed to remove faulty information, inclusive

Chart 1



of broad health of market trends, and capable of identifying both current and future values. When financial institutions are equipped with this type of data-driven asset valuation solution, they are in a much better position to extend reasonable lending terms and ensure that their leases, loans, existing portfolios and residual values are set correctly. In short, with greater knowledge comes less risk.

Used Equipment Market and Market Reports

Because Sandhills Global is the company behind some of the largest brands and platforms for buyers and sellers in the construction, agriculture, transportation, and aviation industries worldwide, it's in an excellent position to analyze a large volume of sales data on an ongoing basis. Sandhills brands include Machinery Trader, TractorHouse, Truck Paper, Controller, and AuctionTime for the larger industries mentioned above, as well as brands devoted to niche markets, including CraneTrader, ForestryTrader, RVUniverse, and MotorSportsUniverse.

Given the scope of these brands, Sandhills' team of data scientists is in a unique position to draw on data points from approximately $2.8 billion in monthly customer sold data, over 200 million data points in Sandhills databases, and roughly $145.8 billion in annual retail and auction transactions. FleetEvaluator, Sandhills' proprietary valuation solution, uses this massive store of data and weighs it against dozens of market metrics and comparisons to like equipment. FleetEvaluator also factors in machine hours, specifications, location, specialized features and other information.

In addition to FleetEvaluator and Value Insight Portal (a FleetEvaluator-powered valuation tool available to any buyer or seller), Sandhills produces several monthly market reports, each of which is devoted to a specific market or machine category. For these market reports, the key metric is the Sandhills Equipment Value Index (EVI), which buyers and sellers can reference to monitor equipment markets and maximize returns when making acquisition, liquidation, and leasing decisions about their equipment. The reports track inventory levels, Sandhills EVI values, and other data for specific equipment categories.

In the next section, I'll provide some examples that illustrate how market research founded on big data brings focus on trends relevant to financial decision-makers.

Transportation Market Leads the Way in Inventory Abundance and Value Drops

Among the industries Sandhills monitors, transportation was the first to see dramatic inventory increases and substantial value drops as manufacturing resumed following pandemic-related supply chain issues. Trends within the truck market serve as a good example of the overall trend identified earlier in this article, with a rapidly growing number of new units rolling out of factories and onto dealers' lots, directly impacting used inventory levels as well as their retail and auction pricing.

Chart 2

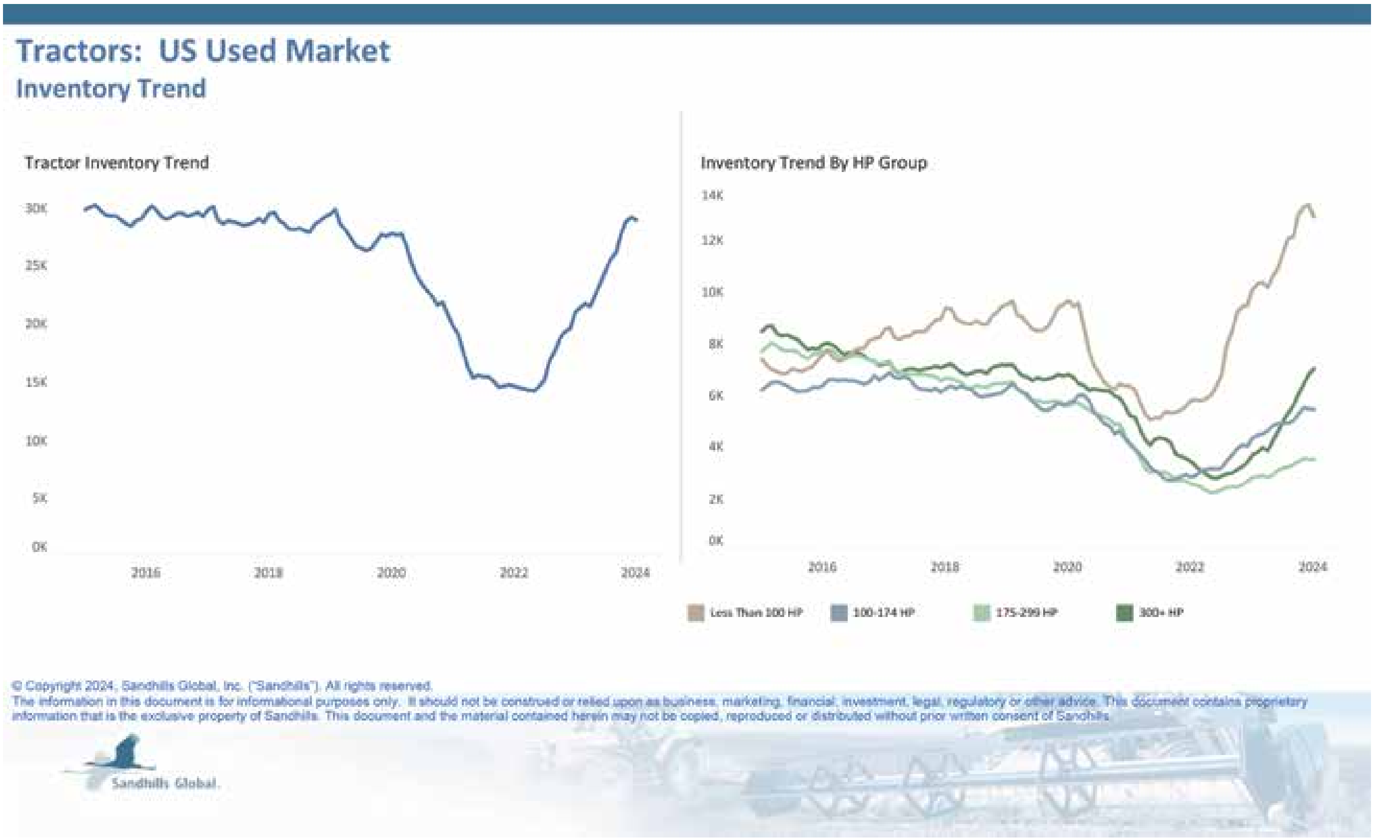
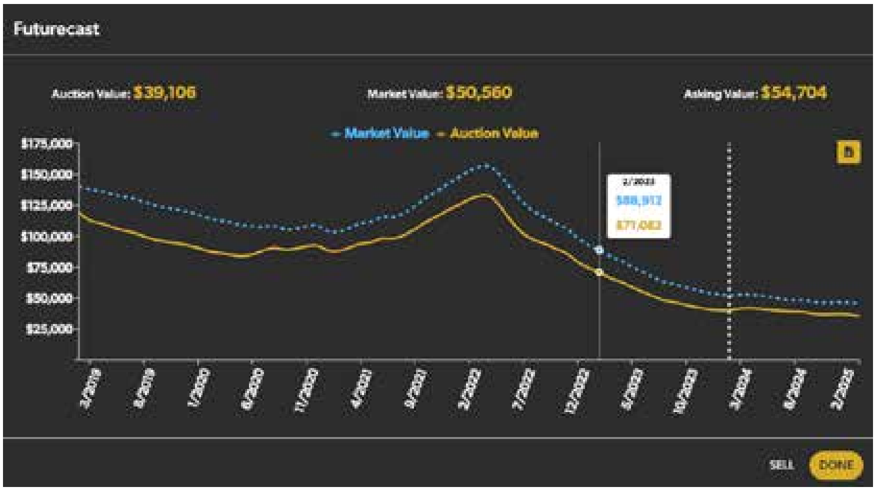


Chart 3

Chart 4



Let's look at the "Class 8: US Used Market: Sandhills Equipment Value Index (EVI) & Inventory Trend" chart **(Chart 1)** from Sandhills' "Sleeper Trucks U.S. Used Market" report covering January 2024. This chart shows the initial early-pandemic-era increase in used heavy-duty truck inventory levels, with supply peaking in Q2 2020, and the decline in used inventory and increase in asking EVI (retail pricing) that occurred over the ensuing two years. Note that the decline in supply was followed by the typical outcome of prices rising at roughly corresponding levels of steepness. The remainder of the chart brings us to the present, where we see asking EVI falling as used inventory accumulates.

In the "Tractors: US Used Market: Inventory Trend" chart **(Chart 2)**, we see a good example of how trends for a broad category (in this case, inventory levels of used tractors in the U.S. within Sandhills marketplaces) have noteworthy variations within its subcategories (e.g., distinctly fluctuating trends based on horsepower rating, model year, and other factors). In January 2024, Sandhills recognized an influx of late-model farm equipment availability in the marketplace and observed that late-model high-horsepower tractors and combines had inflated the overall farm equipment value metrics within the preceding years. In this overall market, Sandhills noted that both retail and auction values were trending up. However, for individual assets, retail and auction pricing had depreciated year over year. For example, retail and auction values for 2021 John Deere 8R 370 tractors, which at 370 HP falls into the high-horsepower range, were 8.0% and 7.1% lower, respectively, from January 2023 to January 2024.

In its "Medium-Duty Construction Equipment U.S. Used Market" report for January 2024, Sandhills observed a downward trend in values and demand in the months prior, with values trending lower since mid-2022. The overall medium-duty construction equipment market includes used skid steers, mini excavators, and loader backhoes. Looking at two of these categories, Sandhills also reported that tracked skid steers and mini excavators experienced the largest year-over-year inventory and value changes in January. In the "Skid Steers: US Used Market: Sandhills Equipment Value Index (EVI)" chart **(Chart 3)**, we see that asking and auction values were -2.6% and -7.5% YOY, respectively. This is another example showing the importance of granular reporting in determining any asset's fair market value or liquidation value.

Another key factor for equipment decision-makers is determining an asset's likely value in the coming months and years. This is another area in which big data-based software solutions provide a significant advantage. FutureCast, a FleetEvaluator-based tool from Sandhills Global, offers an example of how this works. In the image included here **(Chart 4)**, we see the anticipated future market (retail) and auction values for a 2019 Freightliner Cascadia 126 sleeper truck. The tool provides an interactive screen that allows users to see likely valuations on a month-by-month basis both historically and up to 12 months into the future. Because it uses a larger pool of data reflecting the sleeper truck market combined with specifications and usage details for a specific asset, FutureCast delivers the values that exact asset is likely to have if it continues to be used at the same rate into the future.

How to Maximize Value on Returned Assets with Proper Remarketing

With used equipment inventory levels continuing to grow, used values continuing to fall, and lease returns coming back, optimizing returns on assets is paramount. To maximize return on assets, as pointed out at the beginning of this article, it's best to avoid strategies that rely on identifying the optimal time to sell using a single sales avenue (for example, in live auctions). Instead, taking an approach that opens the door to every option—retail, wholesale, live auction, and online auction – is overwhelmingly the more lucrative route.

Sandhills' equipment life cycle approach accomplishes this by offering the ability to place any asset on a track that begins with a FleetEvaluator valuation, makes the asset available to a closed network of wholesale buyers and, simultaneously, to Sandhills' online marketplaces, before moving the asset to auction. When using this method, roughly 40% of assets are sold prior to auction, and those that don't sell before auction tend to sell for higher dollar amounts due in part to the exposure they receive in retail, wholesale and auction marketplaces leading up to the sale.

In conclusion, the manufacturing industry's recovery post-pandemic is marked by rising inventory levels and shifting pricing dynamics. Adapting to these changes requires a nuanced understanding of equipment values and market trends. Leveraging data-driven insights and tools can help businesses navigate these challenges and maximize their returns on assets.

ABOUT THE AUTHOR: Jim Ryan is Equipment Lease & Finance Manager with Sandhills Global.

Unlocking Opportunities

Thriving in a Challenging Market Environment

Brokers constitute an entrepreneurial cohort renowned for their adeptness in crafting effective financing solutions for borrowers across diverse lending landscapes. Newsline recently met with two prominent brokers within the equipment finance sector to gain insight into their strategies for navigating the dynamic market and economic conditions, all while striving for robust growth.

Please describe your business – how many years you have been in business, your targeted equipment classes, types of transactions you pursue and geographic scope.

Coby Trudell: Ridge Commercial Capital was established in 2017 as a nationwide lending partner. While we provide financing for all types of commercial equipment. Our primary focus is on industries such as transportation, waste management, construction and agricultural equipment.

Theresa Kabot: Kabot Commercial Leasing LLC was established in 1996 as an equipment financing and leasing brokerage. The third-party origination division conducts business in all fifty states and Canada. Historically the company has been focused on hard assets such as machinery and titled equipment, with the exception for the over-the-road trucking and transportation sector, in which we do not participate. In 2014 we began building our own portfolio of EFAs and equipment leases. As a small company this has been a slow and cautious process as we make sure we can comply with the tax and regulation requirements of each state in which we do business.

2023 presented challenges for businesses seeking to both acquire and finance equipment. What were some of the biggest challenges you faced as a broker when trying to meet clients' needs?

Kabot: Commensurate with the rising interest rates, our banks and funders tightened their credit parameters. This resulted in additional effort in not only establishing the creditworthiness of our clients but the structure that might need to be proposed to qualify a client. It also resulted in the need to look for additional sources of funding whose underwriting requirements, and consequently pricing, were more in line with the type of business we were seeing and the contracting credit windows. The selection of a new funding partner is a big decision as you not only trust them with your client base, but you also need to be able to trust how they are capitalized. We try to align ourselves with funding partners who are on solid financial footing and committed to the equipment finance sector. This has proven to be a major challenge as banks struggle with their deposit to loan ratio. The rapid spikes in the cost of equipment has also been a battle. In some cases, as much as a 33 percent increase in a 12- to 24-month period. It's different from lender to lender however qualifying for $150,000 can be very different than qualifying for $200,000, and we found the application only caps problematic, resulting in more financial statement financing.

Theresa Kabot, CLFP
Founder
K2 Funding Group

Coby Trudell
Co-Founder & Partner
Ridge Commercial Capital

Trudell: 2023 presented us with a series of distinctive challenges. As inventory levels rose and demand weakened, asset values continued to decline, making it difficult for underwriters and sellers to determine fair equipment values. The increase in delinquencies led to stricter credit requirements, prompting many lenders to either exit the transportation market altogether or implement stringent standards that made them less competitive and reduced available capital. Higher interest rates prompted some buyers to step back from the market, while those who remained faced increased financing costs when replacing equipment or expanding operations. Several funding sources ceased operations altogether.

How have your company's business development and structuring processes been impacted by the rising interest rate environment? How have you changed your approach to structuring and winning deals to successfully close deals?

Trudell: Our strategy is to prioritize the needs of the customers and dealers we serve, striving to absorb as much of the rate increases as feasible (within sensible limits) to maintain competitiveness. While this approach isn't novel for our team, we take pride in operating on slim margins and achieving higher volume. In return, this has historically always resulted in a very high percentage of repeat business. We tend to see at least 50 percent of our business come from repeat customers. We view the current rate environment as a temporary challenge that we were ready to navigate. By adhering to sound business practices and prioritizing the interests of others, we're confident that our efforts will pay dividends in the future.

Kabot: As a small company we have managed to stay competitive in the rising interest rate environment. We work with more established A and B credits. These clients are cognizant of the fact that interest rates have been climbing and understand that they will be paying more. We are prepared to have discussions with our end-users and vendors and explain the increase in payment amounts versus the lower rates we have enjoyed over the last decade.

Funding sources are key to your success and many initiated changes to their underwriting process and appetite. How have the underwriting requirements of your funding sources changed in response to the evolving market conditions?

Kabot: Underwriting requirements have tightened across the board. In some cases, we have seen not only funding sources, but banks implement tiered pricing structures to address an appetite and associated risk for a variety of credits. On the flip side, we have seen some banks remain steadier with their rates but stay true to a very clear-cut credit quality. In other words, "this is exactly what we want and if the business meets these parameters, we will honor a rock-bottom rate." Additionally, from the broker perspective we are increasing focus on presenting down payments whenever we can. Sure, you aren't funding as much and therefore earning less, but our company is in business for the long run. We actively work to protect our banks and funders on the front end and the back end. We want to see our clients do well so they will come back again with additional financing needs.

Trudell: Just like in previous downturns, funding sources are faced with tough choices to ensure their long-term survival and success. Unfortunately, not all funding sources have been fortunate, with many opting to exit the market entirely. While we respect their decisions to temporarily withdraw from certain markets or tighten restrictions, which may no longer make them a competitive option, it has prompted us to seek out new partnerships. Through this process, we've begun forging numerous new relationships that we anticipate developing into great long-term partnerships. It has also provided us with an opportunity to strengthen partnerships with funders whom we may not have previously engaged as much, but who have maintained their established criteria.

Have you seen funding sources take a more cautious approach to lending due to rising or anticipated increases in delinquency in specific sectors? Which sectors?

Trudell: Yes. Based on our experience, it seems the transportation market is experiencing the most significant impact from recent changes by funding sources and shifts in risk tolerance.

Kabot: Transportation has virtually been shut down however this has not had a big effect on our business. Also, collection accounts are being dealt with swiftly.

Lessees/borrowers must face the challenges of higher debt service requirements due to rising interest rates. How would you describe the "demand curve" for financing from clients?

Kabot: The challenges of high debt service has had primarily two effects. First, it has resulted in additional business from businesses who are reaching exposure limits with their banks. As banks tighten business, our clients are looking for new sources and this has been a big benefit. Of course, at the same time, over on the equipment financing side we are seeing banks and funders not only increase debt service ratios but lower their exposure limits, which has resulted in the need to find additional sources of funding. Although credit windows may be shrinking, we feel like the availability of funding is expanding, although funders are more particular about what type of business they want and at what price. Overall, the demand curve from clients remains steady. One phenomenon we have observed is a high number of early payoffs. We try to coach our clients to avoid paying off low interest debt just to take on higher rates down the road. However, I think a big part of the early termination trend may be the burn-off of stimulus money such as PPP and ERC.

Trudell: Demand has certainly softened. However, for our dealer-focused relationships, customers are frequently pre-screened by the dealer's captive lenders without a suitable financing option. Consequently, customers often expect they won't qualify for the lowest market rates, which leads to a bit more tolerance. Nevertheless, with the growing emphasis on interest rates, it's become essential to educate our customers about the current rate and credit landscape so they can make well-informed decisions.

What is your overall outlook for 2024, both for your business and the equipment leasing and finance marketplace?

Trudell: As a small company, it's tricky for us to accurately predict when the market will fully bounce back. Nonetheless, we're noticing a rise in optimism and applications, and we expect that buyers who've been holding back for the past year or two will gradually start re-entering the market. Their need to upgrade equipment and grow their operations will drive these decisions. Additionally, recent discussions from the Fed about lowering rates are giving us more hope. Overall, we're feeling positive that 2024 will be an improvement from 2023.

Kabot: In 2024 we would love to increase the amount of business that we booked 2023 and are on track to do so. It was a record Q1 2024, however with a lot of payoffs as I mentioned earlier. The economy still feels hot in the sectors in which we operate and so I'm not banking on the speculated rate decreases. The increasing regulation and disclosure requirements will often impact the type of transactions we book and with whom we do business – from both an end-user and funding source perspective. However, from an economic perspective, the third-party origination division and funding division are going strong.

Innovating with Data: Moving Past “Good Enough”

By Scott Nelson

How many times have you heard, or even said, one of these "***we don't need to change"*** axioms?

What we have works — don't break it!

What we have is good enough — get back to work.

Scott Nelson
Tamarack Technology

I am embarrassed to say that I have used both. I was taught early the mantra: "If it's not broken, don't fix it. You will probably break something else." Similarly, I have told software and product development teams that they must be able to identify "good enough" so that we can release a product or application and start making money. A tech-stack that works and is ***good enough*** is at the heart of every successful business.

But for design thinkers ***it works*** is table stakes and ***good enough*** is a barrier to innovation. Equipment finance service leaders today face this challenge. ***Good enough*** on a tech-stack that works can establish and even sustain success, but ***good enough*** won't grow a business. When the only way to book and fund more deals is to apply more labor or work harder, growth will be out of reach. When new products or offerings, new market initiatives, and even new customer engagements become a challenge due to a fear of change, then enterprise management has been seduced by and is comfortable with ***good enough***. When leadership becomes comfortable with what they have and do not demand growth, the business becomes at risk of falling behind more aggressive competition.

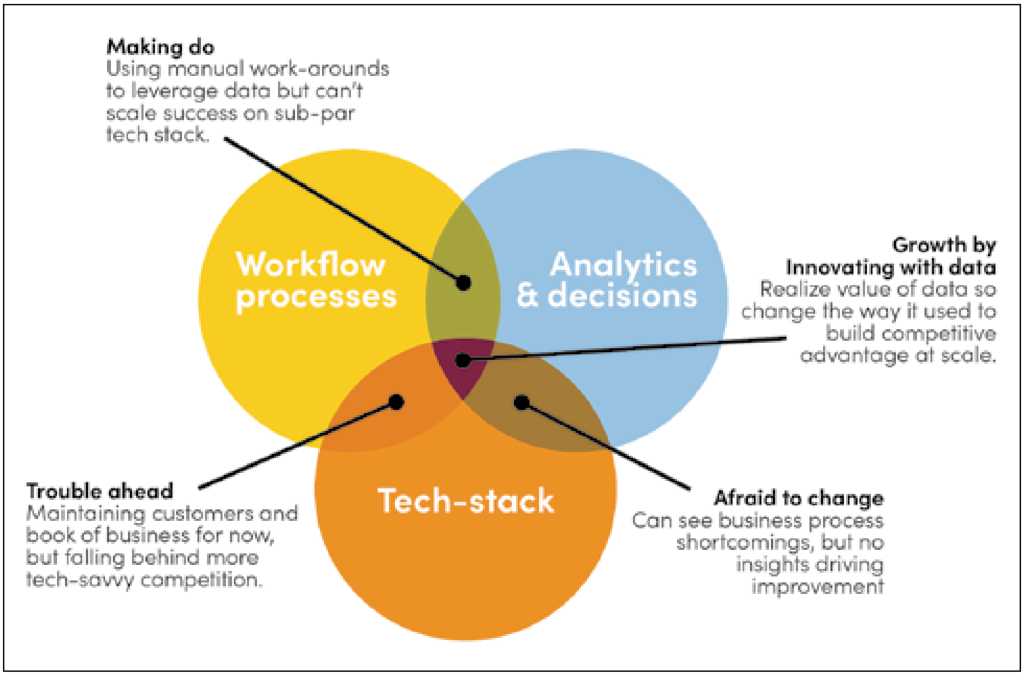
New ideas and digital products that are designed to help these leaders use their data better and leverage new data-driven technologies like AI often encounter the resistive comfort of ***good enough***. The Venn diagram below of processes, technology stacks, and decision making shows the challenges of the ***good enough comfort zone***. Companies can live with tech-stacks that work with processes that are good enough but if they want to grow, they have to move to the sweet spot by ***innovating with data***.

What innovation looks like within an organization is just as unique as their goals and their data. For this article, we spoke with three organizations that are ***innovating with data***. These design thinkers are using data to leverage customer empathy, build deeper relationships, and use data in new ways to get past ***good enough*** and grow their businesses.

Data cultivating empathy: Dakota Financial

Dakota Financial is known for serving a credit-challenged part of the market. Dakota's website tells vendor partners to "bring us your customers who have prior bankruptcies, tax liens, judgements, repossessions, or slow pays." Founder and CEO Michael Green has built an *Inc. Magazine "Best Places to Work"* culture while engaging one of the more difficult borrower segments in the industry. How do they do this?

Erin Smith is the customer relations manager for Dakota. Erin knows that some of Dakota's customers can be difficult; many have had some bad breaks or fallen on tough times. But she comes to work every day believing two things – those customers want to do their best to meet their commitments and "I am one life-event from being in the same position." Erin has deep empathy for her customers – both external and internal. She believes everyone deserves respect and that sharing critical information is a form of respect.



Good enough processes, tech-stack, and decision-making can only grow the company at that sweet spot called innovating with data.

"Our customers are usually on the road working hard to transport goods across the country, so having access at their fingertips is vital for them. We were excited to launch the portal at the end of last year to offer our customers the ability to view their account information whenever they want or need it. This reduces our inbound call volume, allowing us to support customer needs that are at a higher level than basic account status. We are also looking forward to adding the new platform enhancements that will allow for financial documents to be uploaded for added ease of service. This will help our customers and our internal support team."
—Erin Smith, Dakota Financial

Any design thinker will tell you that empathy is critical to innovation because it brings a deeper understanding of customer needs. Dakota has used empathy to build a best-places-to-work while serving credit challenged customers. Dakota embraces risk with data, but they don't use data to avoid customers. They use their data to better understand customers and to better serve them. Erin Smith and her Customer Relations team have found a new way to use their data to help their customers. She and Dakota believe their customers want to meet their commitments and they are helping them do so.

Building deeper relationships through data: KLC Financial

Randy Myhre is the director of collections at KLC Financial. His job includes the sometimes-difficult communications with funding partners that comes with delinquency. But Randy could see good news in the performance of the portfolios of his funding partners via his broader portfolio views in KLC's DataConsole. He could see that many lenders had much less trouble than others in the market – good news. He wanted to share that bigger, better picture with them, so he took a chance. He exported dashboard views of a lender's portfolio and used his ExportPro tool to include detailed row-based data.

"They really appreciated all the additional information I provided. Several told me that they never see some of this. They thanked me for the "special" treatment and have become more excited about their partnership with us. I send the extra reports to all my partners now."
—Randy Myhre, KLC Financial

Randy joined KLC about a year ago. As a long-time collection specialist, he found the access to data at KLC gave him new ideas on how to manage and build relationships. CEO Spencer Thomas has been an innovator with data for years and has created both a data-centric culture and a state-of-the-art digital tool set for his team.

"As KLC evolves we are continually looking for efficiency in our business to drive faster conversions, elevate our customer experience and improve profitability. Our business intelligence and AI tools are our go to resource to find which levers to pull and when."
—Spencer Thomas, KLC Financial

Spencer is a natural innovator. He is not afraid to try new things to achieve a vision and he is a business leader who has made the use of data central to the KLC culture. Friends of Spencer will tell you he often uses his iPhone to look at dashboards. He "walks the talk" of both digital transformation and innovation – while carrying his phone.

One digital transformation myth is that it is counter to human relationships. That fact is it is sometimes used as a reason not to move to online and automated technology in equipment finance – "We are a relationship-based business." Randy Myhre and KLC have "busted that myth." They ***innovated with data*** by extending KLC's data-first culture to lender partners and strengthened some of their most important relationships.

Managing risk at speed with data: Northland Capital

Northland Capital is a midwestern-based, national lender that prides themselves on being "industry specialists" for their customers. Northland has grown their business by over 40% in the last 18 months. They did this during the fastest rise in interest rates and longest "recession is imminent" period in U.S history. Yet Erik Anderson, Northland's Chief Credit Officer, and his underwriting team maintained sub-1 percent delinquency throughout the expansion. How does a company grow 4 to 5 times faster than the industry average while maintaining best-in-class credit quality and avoiding the hazards of economic uncertainty?

Like KLC and Dakota Financial it starts with a data centric

culture. Erik cited a favorite saying of founder and CEO Willis Kleinjan: “People will do what we measure and monitor.” Northland’s operating and underwriting culture is built around measuring and monitoring everything – built on data. But another tenant at Northland is “be better” in everything we do. As the underwriting “point of the spear” at Northland, Erik and his team start every day looking for ways to be better using the technology, processes and skills they possess. Northland’s team of analysts, whose tenure runs from 8 to 18 years, found that they could use the data they had and their experience to increase the precision with which they evaluated deals and built their portfolio.

> *“Farm Producers are true entrepreneurs. They find ways to make money and are always seeking out ways to be more productive. Like every other industry, some do it better and more consistently than others. We needed to stratify our portfolio and we found we had the data to do it. We have constantly evaluated our credit models going from 5 variables to over 50 and then back to 10-15. By placing constant scrutiny on our decisioning models and leaning heavily into the hard-earned lessons we’ve had during Northland’s tenure, we’ve been able to handle the growth in volume. We feel confident in our ability as an organization to identify those deals which truly are a good fit for us.”*
>
> *—Erik Anderson, Northland Capital*

But the Northland team didn’t think just scrutinizing their credit models was good enough. The North American Industry Classification System (NAICS) codes are an industry standard for classifying market segments. They are good, but not good enough. Northland had more expertise and enough data to innovate. They built more precise classifications that enabled them to find their best industry sub-segments. They don’t just evaluate a trucking business by its asset type and industry, they look at what the trucks haul and when.

> *“We feel the industries that we operate in are core industries that produce goods and services that are necessary under all economic conditions. Because those industries are core industries, the competition for the business is quite fierce. We know we have to differentiate ourselves from the competition and we do that by constantly looking for ways to be better in every aspect of our business.*
>
> *—Erik Anderson, Northland Capital*

Northland’s analysts innovated by building new tools and decision-making criteria to take advantage of their experience and their data. As a result, Northland’s portfolio is built on smaller but stronger customer groups. They reduce risk by diversifying investments at a finer granularity supported by more precise models. If a sub-segment classification does go bad, it can’t hurt the overall quality of the portfolio because it makes up too small a part. Erik says the team “iterates” quickly when they see a trend they don’t like. “Live to play another day” is another favorite saying at Northland. Engage every risk smartly and appropriately – with data.

So, in 2022 when rates began going up and some lenders stepped away, Erik and his team leaned in and applied their higher precision, data-driven underwriting process. They increased their deal throughput without sacrificing the quality of their credit analysis. They maintained sub 1 percent delinquency and captured market share. They innovated by finding new ways to use data to put their experience to work identifying better customers and providing the financing those customers needed and could afford.

Thank you innovators

For any business making money, the status quo can be seductive. But if a business wants to grow, then ***good enough*** isn’t enough. Equipment finance leaders need to find people who are not comfortable with good enough and help the company innovate with data to grow. The companies and people above found new ways to innovate and grow their businesses by leveraging the data from their operations and existing technology stacks. They use data to embrace risk more precisely with expertise and discipline. They use data to enhance their relationships with partners and customers. They use data to cultivate empathy and to help their customers be better. They use their data to serve their company missions better and grow their businesses.

They don’t settle for good enough. They are innovators with data.

ABOUT THE AUTHOR: Scott Nelson is the President and CTO of Tamarack Technology.

Beyond Traditional Paths
A Look at Evolving M&A Strategies in Equipment Leasing

In 2023, various factors influenced M&A activity in the equipment finance industry, including early-year regional bank issues. Despite this, forward-thinking companies are primed for renewed success in this sector's M&A landscape.

By Bob Rinaldi

Bob Rinaldi
Rinaldi Advisory Services

Before we roll into my acquisition activity projections for 2024, we must truly understand the impacts of a tumultuous year on the community banking and equipment finance industries.

2023 Community Bank Recap

Starting at about the end of the first quarter of 2022, the Federal Reserve set in place a rapid succession of 11 rate increases over the following 18 months, a total increase of 500 basis points in the prime rate of interest (or 5.0 percent) from a low of 3.5 percent to its current 8.5 percent as of this writing. The rapid succession of rate increases played havoc in many ways for the community banking industry. Typically, rising interest rates are a good thing for banks. However, the speed of increases seriously impacted bank's investments in their bond portfolios. As rates rise, the price of existing bonds decreases.

Here is an example. If a bank parked its extra cash in, say, 20-year treasuries earning a paltry 2 percent in 2022, and rates on similar new 20-year bonds in the fourth quarter of 2023 were yielding 5.3 percent, well, the value of the existing 2022 bonds took a significant loss (on paper). Providing the bank did not need to sell any of these bonds to raise cash, then no big deal. But if the bank needed to raise cash due to, say, a flight of some of its core deposits, these bonds may have to be sold at a steep realized loss to their original purchase price. Those losses to equity value would have far-reaching impacts on the bank. Indeed, since it hasn't happened in recent memory, the possibility of that happening would be remote. In 2023, that remote possibility did happen. After several high-profile regional bank failures, depositors fled banks for higher yields such as money market accounts and/or to the big money center banks for safety. This, in turn, required banks to shore up their balance sheets and increase their dependence on and the cost of new deposits.

If all the above wasn't bad enough, let's add another looming issue for community banks. Community banks have historically committed a significant portion of their assets to financing commercial real estate. The percentage of these assets being stressed is increasing, and non-insignificantly so. Specifically, this is seen in the average community bank's growth in the percentage of delinquent portfolios, non-performing status and troubled debt restructuring status.

Why does all this matter in regard to M&A in the equipment leasing and finance industry? Here's why. The rising cost of deposits (interest rates high enough to attract depositors) that community banks then lend out (interest rate on loans to new borrowers) is reducing who they can lend to if it is not for commercial real estate. Moreover, banks have to shore up their capital via several means, such as cutting back their lending activity, selling or pledging some of their loan portfolios to raise cash, and of course cutting costs/expenses.

One of the most common solutions was for banks to allocate their capital sparingly. They chose to only lend to their core customers in their core geographical markets that a) generate other types of non-interest loan income for the bank, such as fees of all types, and b) have deposits in their bank. Any other

type of lending gets second-tier status for the time being. Therefore, anything transactional and not considered relationship-based lending was curtailed. National leasing programs were a direct target to cut. Wholesale (capital markets) buy desks were also a direct target.

Not surprisingly, for most of 2023, community banks have hunkered down in the foxhole while assessing where they will be by year-end and their posture going into 2024. There are about 5,000 community banks in the U.S. About one-third are what can be referred to as zombie banks, meaning they cannot find a place to lend that would allow them to generate deposits at such a rate as to make a reasonable profit margin. These banks will be sleepwalking like zombies for the foreseeable future or will have to find another bank to merge with or sell to.

There is another third that, let's say, will use a walker or crutch for the next year or so to see if they can find an avenue to sustainability. That leaves another 1,500 or so big enough (i.e., have the scale) to cover the compliance burdens and retain a value-added franchise in their markets. These banks have an opportunity to enter into the equipment lease and loan industry. The equipment lease and loan industry, especially small- to mid-ticket, has a history of generating above-average returns on assets compared to the general commercial and industrial bank lending model. Moreover, our industry also generally runs at a lower net charge-off ratio. I hope this provides an adequate backdrop for the meat of this article, which is projections for M&A in our industry for 2024.

Equipment Lease and Loan Industry

The rapid interest rate increases impacted parts of our industry, too. Most notable, though, is the over-the-road truck and trailer sector. Concurrent with the rate increases, the Paynet Small Business Default Index jumped almost 60 percent from ~1.75 to ~2.75 at the end of 2023. (See table 1.)

While I do not have the industry sector detail behind the default data, it would be plausible to assume that a significant portion of the default increase is attributable to this transportation sector since it is one of the largest asset category sectors in the equip-

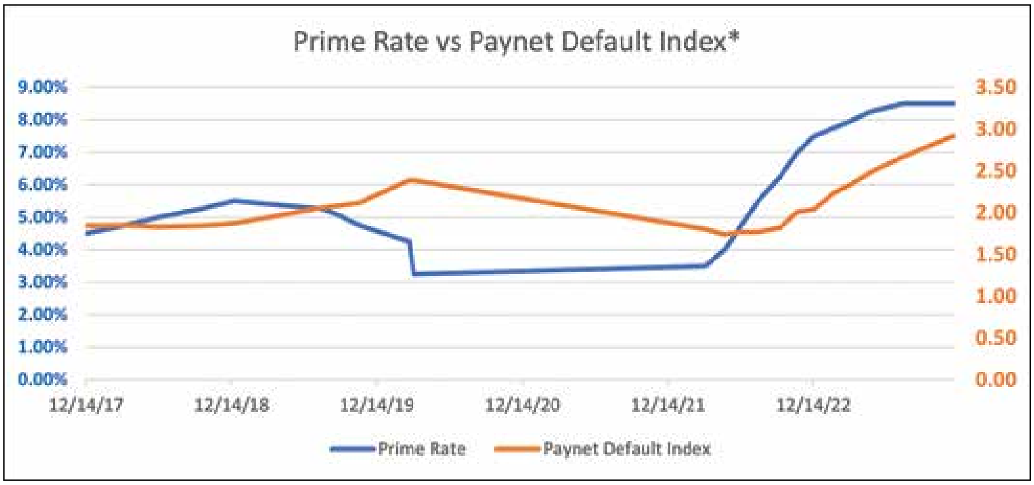
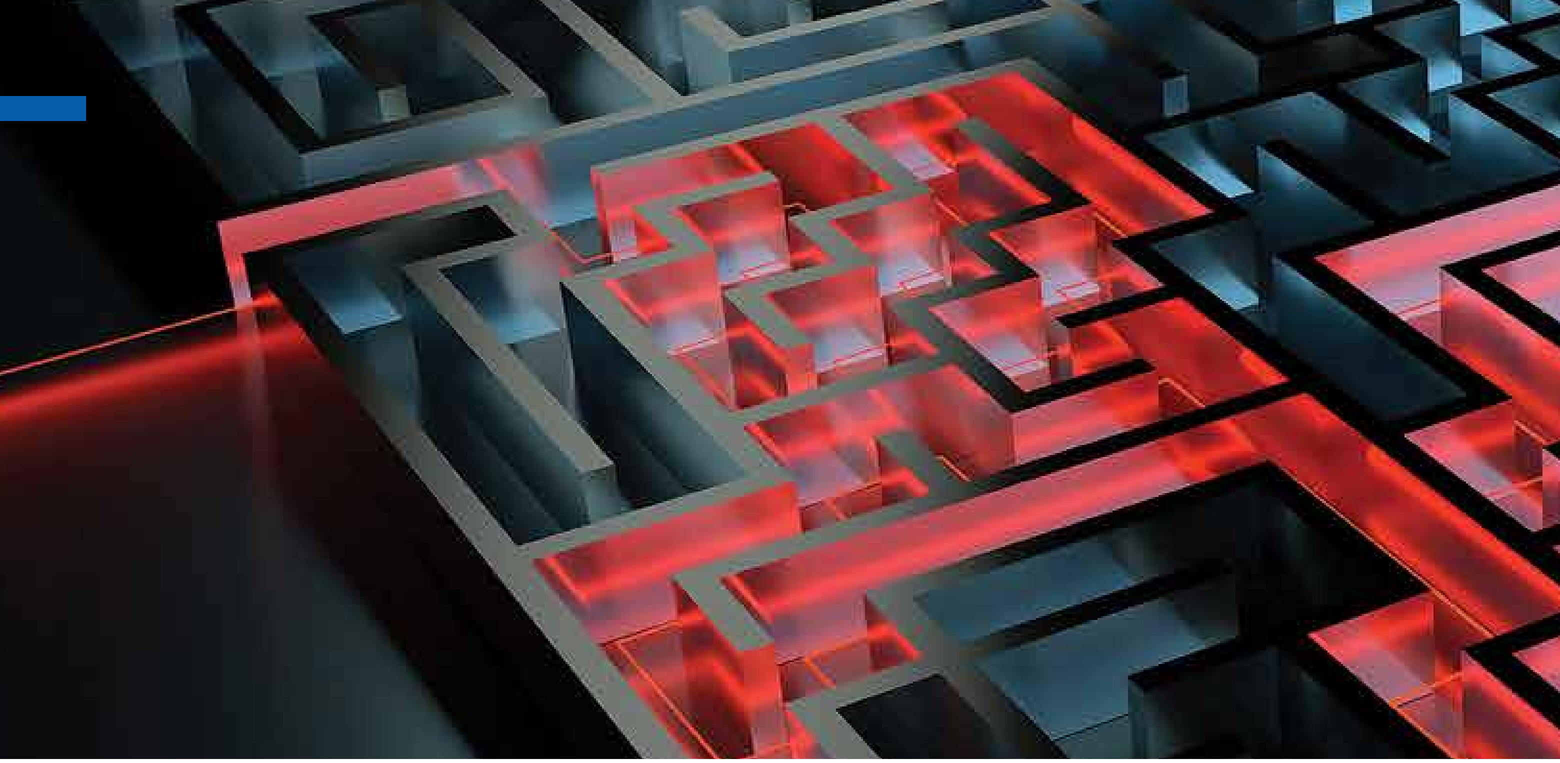


Table 1

**Paynet Default Index ("SPDFI") provided by Paynet, an Equifax company. SPDFI is an economic indicator designed to gauge small business defaults and signal insolvency across multiple sectors of the economy at the national, state and industry levels.*



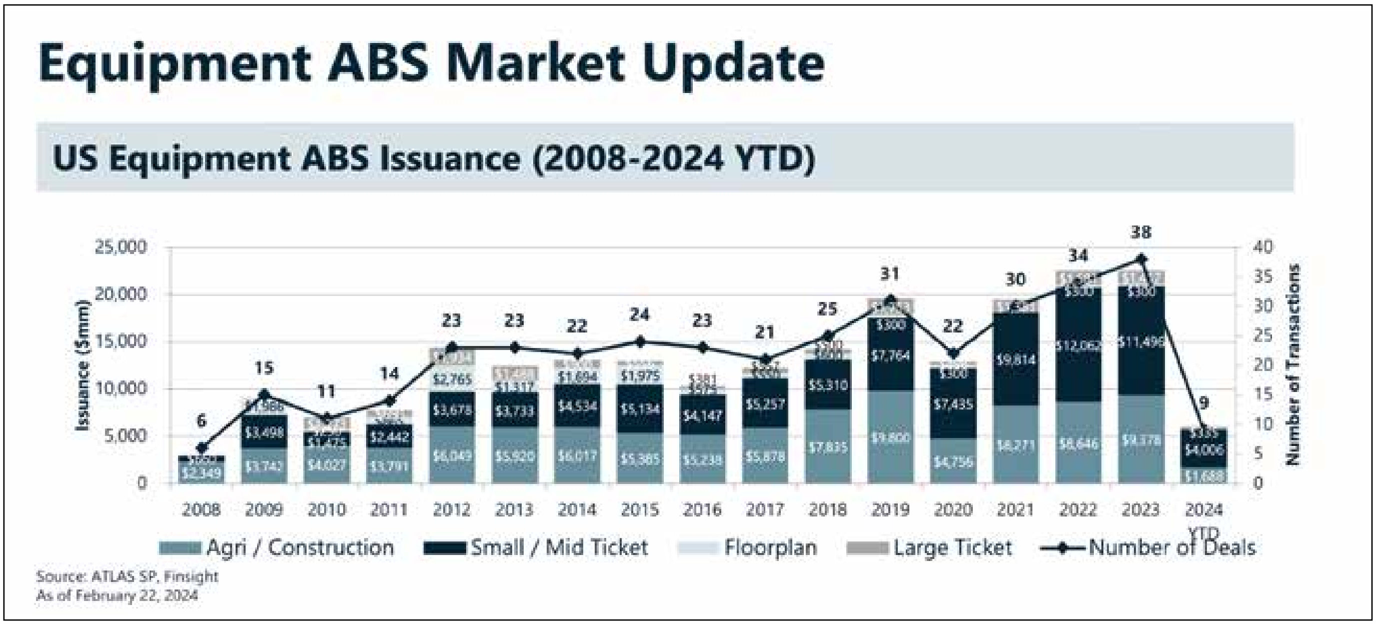


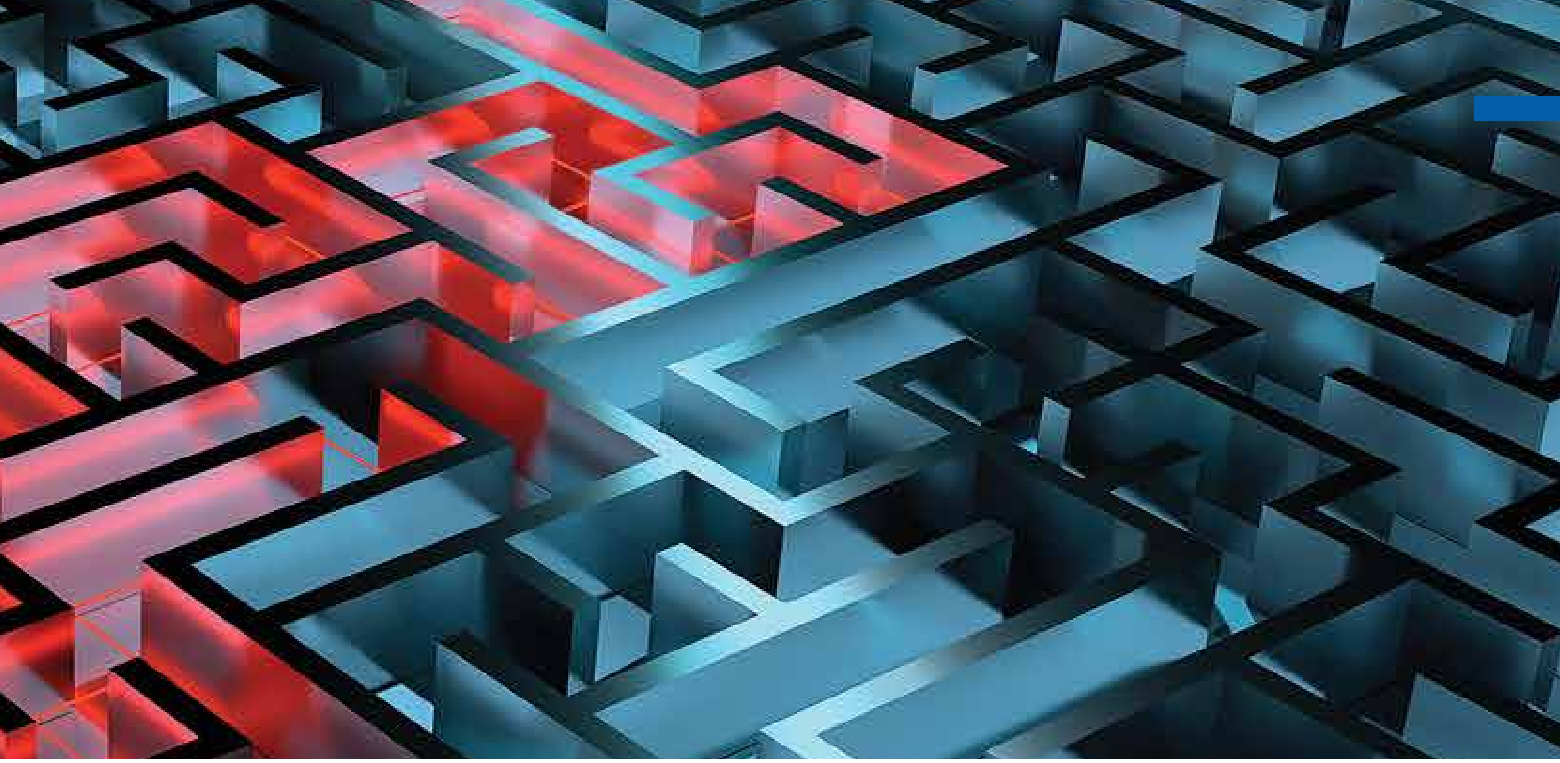
Table 2 *Courtesy of Finsight and Atlas – SP*

ment leasing industry. Let's add to that the fact that asset values (both new and used trucks and trailers) saw price inflation during COVID-19 of 30 to 50 percent, which drove supply such that when demand fell, the freight rates plummeted, taking many small and large freight companies with them. Combine that with the inflated prices our industry paid and financed, and you have a significant flight from the truck and trailer sector. Over time, this too shall pass and fade into memory. Those leasing companies well-capitalized enough to weather this storm will be the long-term winners as their competition will have fled the sector, and customers will not forget.

Most other sectors, while exhibiting an increase in delinquency and charge-offs, as shown in the ELFA MLFI Dec 2023 reading, are not expecting wholesale stress among the other asset classes. But the way I see it, we are just reverting to the mean in terms of delinquency and charge-offs. On the heels of COVID, these same metrics were at near-all-time lows. This is a widespread phenomenon coming out of a recession. So, chart a path between the highs and lows in delinquency and charge-off, and we revert to the mean or average between the two. Keep in mind, nobody feels the average, ever! But we remember the highs and lows only.

M&A Projections

We are at an exciting point in the state of independent leasing companies and, to a lesser extent, bank-owned leasing companies. It used to be that when we talked about M&A in equipment leasing, the discussion was limited to only independent lessors that have started to scale but need more capital to satisfy the demand that their balance sheets could not provide. That has changed. Now, we must consider several different permutations of M&A. To follow are the participants in the market. I will



continue the M&A Projections topic at the end of the article.

Independents with Some Scalability and Bank-ready

These are still few, as always. The majority of the top 50 of the *Monitor 100* ranking are bank-owned or large captives. Many of the remaining independents have found their growth capital in the securitization market as an alternative to traditional permanent bank lines. Table 2 depicts the growth of the securitization marketplace for equipment leasing by ticket size. By far, the most significant volume is coming from small ticket equipment finance. From 2021 through December 2023, over $32 billion of funding capacity for small ticket lessors came from the securitization market as opposed to traditional bank lines. What does that mean and portend? It means that independent lessors were able to grow to larger annual new business volumes without selling themselves to banks. It also means investors such as private equity firms generally backed these high-growth independent leasing companies. Many of them are reaching their investors' time horizon. What happens to them? That is a rhetorical question, by the way. Only significant-sized regional community banks can write checks big enough to purchase them.

The rest of the Independents, generating less than $200 million per year in annual originations will be able to find attractive homes in the smaller regional community banks that have weathered the storm described earlier. Yes, there are enough left that have the means and need the attractive ROA and charge-off metrics found in the equipment leasing and finance industry.

Brokers Can Now Join the Party

Earlier I discussed the rise of the securitization marketplace. So independent leasing companies that need to get to the $200 million per year threshold should be attractive acquirers of brokers whose principals are either aging out or want to fast-track the process of morphing from brokers to lessors that hold some book of assets on their balance sheet. However, these brokers will need to up their games to be attractive tuck-ins to these independents. Upping their game means investing in systems, specifically in data warehouse technology, to mine the data to validate their value proposition. Only a few of these technology companies have emerged as of late and are easy to find as they have been front and center if anyone has paid attention.

Bank-Owned Leasing Companies

Earlier I discussed that there are a number of these entities whose parent banks have found themselves in the position of raising their capital and curtailing their assets in the national equipment leasing and finance markets. RAS is seeing a great deal of angst in these bank-owned leasing groups. What does that mean? They may be drivers of lift-outs to other banks that have come out of the 2023 meat grinder in good shape and are actively looking for an entry into our industry.

M&A Projections (continued)

As we reflect on the intricate dynamics of the equipment leasing and finance landscape, 2024 emerges as a year of profound significance, characterized by a blend of challenges and opportunities. Amidst the aftermath of a turbulent period for community banks and the leasing industry, the stage is set for a transformative shift in the realm of mergers and acquisitions.

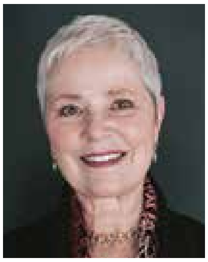
What becomes abundantly clear is the evolving nature of traditional norms, with independent lessors, bank-owned leasing entities, and brokers converging with renewed determination. The landscape of M&A in 2024 promises to be far from the "same ole rock 'n' roll" as diverse stakeholders navigate the rest of the year and early next year with strategic foresight and resilience. The opportunity they all see and have in common is adding equipment leasing and finance assets to their balance sheets, where the means are less important than the outcome. In this unfolding narrative, new entrants and investor-led existing entities are preparing to capitalize on opportunities through innovative methods and strategic collaborations. The next 12 to 18 months hold a myriad of possibilities, where adaptability and forward-thinking will serve as the cornerstone of progress and result in the sunny outlook we are projecting using our expanded definition of M&A activity.

About the Author: Bob Rinaldi, CLFP, is the founder and President of Rinaldi Advisory Services.

Equipment As a Service … To Be or Not to Be

Equipment as a Service (EaaS) has encountered skepticism within the equipment finance industry. Diane Croessmann, from The Alta Group, delves deeper into how such frameworks can cater to the requirements of end-users.

By Diane Croessmann



Diane Croessmann
The Alta Group

Interest in Equipment as a Service (EaaS) has surged in recent years. Unfortunately, it has become an acronym that defines a plethora of market offerings that range from bundled fixed-fee invoice structures to complex variable subscription algorithms. Although EaaS was designed to address requirements created by a generation of subscription users, the ambiguity in using the EaaS reference contributes to healthy skepticism as to whether EaaS can gain sufficient momentum to compete with, or even surpass, traditional purchase, leasing or rental alternatives.

EaaS offerings can vary substantially from industry to industry and between asset classes; however, they also have similarities. Unlike traditional financing, where the underlying asset is part of a financial contract between the end user and the funding source, EaaS is a contract between an end user and a service provider. Service providers are typically equipment manufacturers, distributors, value-added resellers or managed-service providers. Services embedded in the contract are designed to address end-user requirements for comprehensive bundles that include the use of the equipment, options for consumables, maintenance, software applications and other value-added components. An EaaS payment structure should be based on variable usage or successful output of the equipment. As an example, in 1962, Rolls Royce introduced *"Power by the Hour."* This full-service program successfully integrated turbine jet engine usage and maintenance into an offering that Rolls Royce priced on a fixed cost per flying hour. Operators only paid for engines that performed as expected. Rolls Royce's *"Power by the Hour"* is considered an industry benchmark example in addressing specific end-user requirements. Not only did it enhance end-user operational productivity and uptime through more reliable maintenance, but it also created a more predictable budgeting process by improving expense-to-revenue alignment as measured by the cost per successful hour of operation.

While true usage-based EaaS contracts have obvious benefits for end users, they present complex challenges for the service provider. In addition to end-user credit risk, a service provider must assess and mitigate risks created by underutilized EaaS assets, performance gaps, and a balance sheet burdened with the underlying EaaS equipment. For purposes of looking at the evolving definition of EaaS, as well as examining perceptions of EaaS market momentum, service providers fall into two categories—those who mitigate risk through third-party funding sources and those who choose to self-fund transactions.

In its truest form, EaaS is a highly variable usage or output-based structure that resembles Rolls Royce's *"Power by the Hour."* Service providers who choose to mitigate risk through third-party funding sources have more limited options in addressing market requirements. In addition to potentially absorbing risk through various recourse arrangements, they are often required to make significant changes to end-user terms and conditions as a pre-requisite to securing funding from the third party. More often than not, changes required by third-party funding sources include eliminating end-user flexibilities, imposing usage minimums or establishing other fixed-payment commitments. All of these changes provide the third-party funder with a higher level of confidence in a payment stream that will ultimately cover the value of the funded assets. In some cases, the final diluted EaaS contract more closely resembles a fixed-term lease commitment embedded into a more traditional services contract. Although it may no longer embrace the nature of a true usage model, the final product is still marketed as a services and equipment bundle under the 'as-a-service' umbrella. This demonstrates how easily EaaS market requirements can be compromised to include a wide range of structures and offerings. Unfortunately, when the EaaS offering becomes too diluted it loses market relevance. End users who do not see value in the resulting 'bundle' often give up on these structures and revert to more traditional forms of asset acquisition with supplemental service contracts. This is especially true for some asset classes and industries focused on small- to mid-ticket devices with less complex services. The rejection of these diluted EaaS offerings in favor of other traditional acquisition models can lead to a perception that EaaS momentum may not be as impactful as was expected.

The other side of the story involves a very different set of dynamics that exist for the second category of service providers—those who self-fund transactions and absorb EaaS risk. With more autonomy, self-funded service providers are in a better position to leverage remanufacturing, secondary markets and other non-equipment revenue streams when balancing EaaS risk with offsetting opportunities. This puts them in a more strategic position to design EaaS structures that more appropriately address market requirements. A key strength in a true EaaS usage or output-based model is the ability to utilize sensor data to collect, monitor and analyze specific performance criteria. This would include the opportunity to leverage incremental revenue from these data streams. However, until recently it can be argued that the scalability of these EaaS structures has been largely limited by the availability of supporting technology. A relevant indicator as to how quickly this capability might be enabled going forward is to look at the 'digital twin' imaging market. 'Digital twins' represent virtual models of a physical object. They differ from traditional 3D models because they include embedded sensors as part of the virtual object to capture real-time data. The cost to create a digital twin image can range from several thousand to tens of thousands of dollars. Today, the global digital twin imaging market is estimated to be ~$10B but is expected to grow to over $100B within the next 5 years. Because of the initial investment required for digital twin imaging, the expectation is that larger manufacturers, with more complex asset classes, will be more likely to leverage all aspects of this technology including the opportunity to provide a path to effectively launching usage- or output-based EaaS offerings. The logical conclusion is that ultimately the opportunity for significant EaaS momentum will be propelled by this technology. However, even if this occurs, EaaS growth or momentum will not be easy to measure. Most manufacturers do not provide transparency around these transactions. Accounting policy requires that revenue streams be allocated to individual revenue line items. This creates a challenge for the leasing and financing industry to measure shifts in equipment financing volumes.

> "An EaaS payment structure should be based on variable usage or successful output of the equipment."

We still have much to learn about the dynamics of this subscription era, especially as we wait for manufacturers to deploy technology to better enable market requirements. It remains to be seen how all of this will impact EaaS, and ultimately the equipment financing industry. At the very least, we know that the current state of EaaS, where most offerings fall short of true EaaS market requirements, provides a misleading gauge for measuring EaaS demand and momentum. We also know that the rapid deployment of sensor and AI technologies can effectively enable true EaaS. This will force more service providers to choose between addressing end-user requirements through self-funding options versus modifying contract terms and conditions to enable third-party funding. Third-party funders will need to re-examine risk guidelines to continue to effectively participate in these transactions. Lastly, it will require a different lens to examine market shifts from traditional financing to these alternative structures when transparency does not easily exist on service provider financial statements.

ABOUT THE AUTHOR: Diane Croessmann is a Director with The Alta Group.

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Amur Equipment Finance

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Financial Pacific Leasing, Inc.

Great American Insurance Group, Specialty Equipment

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2024 SPRING CONFERENCE EXHIBITORS (AS OF 3.04.24)

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Assurant, Inc.

Avtech Capital

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BankFinancial Equipment Finance

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2024 SPRING CONFERENCE SPONSORS (AS OF 2.24.23)

Amur Equipment Finance
360 Equipment Finance
AFG Funding, LLC
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AVtech Capital
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Centra/4 Hour Funding
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Equipment Leasing Group of America
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Great American Insurance Group, Specialty Equipment
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Leasepath
LTi Technology Solutions
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NewLane Finance
North Mill Equipment Finance
Oakmont Capital Services
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Quality Equipment Finance
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RTR Services
SCJ Commercial Financial Services
Solifi
Sopra Banking Software
Truck Master Warranty
Weltman
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NEFA EVENTS CALENDAR

Southeast Regional Event
May 2, 2024
Atlanta, GA

Northeast Regional Crab Feast
June 20, 2024
Baltimore, MD

Northeast Regional Niagara Falls
August 15, 2024
Buffalo, NY

2024 Fall Conference
November 11-14, 2024
JW Marriott Indianapolis
Indianapolis, IN

Welcome

TO THE NEFA TEAM

Skip Wehner

Manager of Education

NEFA
National Equipment Finance Association

Embracing Diversity, Driving Innovation: *The CLFP Foundation's Progressive Path in 2024*

By Reid Raykovich, CLFP, CAE

Reid Raykovich, CLFP, CAE
Certified Lease & Finance Professional Foundation

As we usher in the year 2024, the Certified Lease & Finance Professional (CLFP) Foundation celebrates a landmark achievement – crossing the threshold of 1,500 devoted members, 500 of those added within the last three years. This isn't just a number; it's a mosaic of commitment to our ethos: to enhance the commercial equipment finance industry one professional at a time. Every member contributes their unique thread to the tapestry of our shared purpose, leading to an industry that's not only more knowledgeable but also more professional and inclusive.

Our growth has been nothing short of remarkable, with the CLFP family extending its arms as far as Australia, embracing 12 new members in 2023. This feat was brought to fruition with the foresight of the Commercial Asset & Finance Brokers Association of Australia (CAFBA), aligning with us in our pursuit of excellence and professional enrichment. This partnership was cultivated after many years of hard work and development and has bestowed fresh perspectives upon the Foundation, fortifying our global stature.

Looking to the horizon, we're thrilled at the prospect of cementing our international footprint with the impending establishment of the Canadian CLFP designation by early 2025. The Canadian Finance & Leasing Association (CFLA) is at the forefront of this venture, marking a significant stride towards harmonizing professional benchmarks across North America and laying down a blueprint for excellence without borders. I will be traveling to Newfoundland later this year to sit on a panel discussing the merits of the designation along with Richard McAuliffe, CLFP, who sat through the American exam, Debbie Roberts, who is authoring the Canadian version of the Handbook, and Michael Rothe, the President and Chief Executive Officer of CFLA.

Moreover, we've embarked on a fascinating journey of global outreach, welcoming professionals not just from Canada and Australia but also from Pakistan, the Ivory Coast, and India who've undertaken the American version of our exam. This initiative has opened doors to international standards and practices in the finance and leasing industry for these regions.

By opting for the American CLFP certification, participants from these diverse locales can immerse themselves in the nuances of the American market. This melding of ideas and strategies serves not just to bolster the skillsets of these professionals but also to orchestrate international collaboration and networking. It's a testament to our commitment to inclusivity and excellence in professional certification, fostering a global industry knitted tightly with knowledge and expertise.

Our leap towards a diverse and inclusive future was propelled by our early 2023 partnership with Cisco Capital, augmented by support from the Black Equipment Finance Network (BEFN), Pacific Rim Capital, and DLL. Together, we're launching a pioneering certificate program designed for Historically Black Colleges and Universities (HBCUs) students. This program is poised to marry theoretical insights with practical industry skills, all the while infusing the professional development journey with the thrill of gamification.

This program isn't just about learning; it's about doing. It ensures that students don't just understand concepts but can wield them effectively in real-world scenarios. With gamification at its core, the program is engineered to captivate, motivate, and retain, transforming learning into an adventure that encourages deeper exploration and application of knowledge. This knowledge will then provide a competitive advantage to participants looking for internships, full-time positions, and/or scholarships offered to those who are interested in the industry.

Innovation is the lifeblood of the CLFP Foundation, as demonstrated by our latest venture – an audiobook version of the CLFP Handbook, catering to the diverse learning preferences of our members and democratizing professional growth. Working with industry veteran and frequent Academy for Lease & Finance Professional instructor Leonard Lane, the readers will be delighted to hear from someone who not only understands and properly speaks/pronounces our nomenclature but has a background in radio as a disc jockey!

Our strides in operational excellence are marked by the intro-

duction of automated test results, ensuring our candidates receive prompt feedback, reflecting our unwavering dedication to a responsive certification experience. Gone are the days when a test result could take upwards of six months, then weeks, then days, then hours; now, with one click, the test-taker can learn of their results and, if unsuccessful, immediately focus on reexamination.

As we celebrate gender parity within the Foundation – with women making up 42 percent of our membership – we reflect the evolving landscape of the industry. We're proud to elevate the voices and perspectives of women, vital to shaping a balanced and visionary professional community. This is also evidenced by the fact that 53 percent of our Board of Directors is female.

Our narrative is enriched by the personal stories of our members, each adding their distinct expertise to our collective knowledge. We salute the diversity of thought and experience that fortifies the Foundation and propels our industry forward.

The backbone of the CLFP Foundation – the Board, committees and countless volunteers – has been essential in our expansion. Their tireless efforts and guidance have been instrumental in steering our strategic direction, maintaining the rigor of our certification, and fostering the ongoing professional development of our members. Our content is updated annually, and the recertification process requires that each designee pledges to uphold the Standards of Professional Conduct and remain abreast of changes pertinent to our industry.

As we sail through 2024, our commitment to cultivating industry-wide connections that spur innovation and collective triumph remains steadfast. Our initiatives are crafted to uphold the financial and professional dreams of our members, forge meaningful partnerships, and contribute to a robust, sustainable industry.

The CLFP Foundation transcends the definition of a professional organization; it embodies a vision of empowerment through certification, diversity and inclusion. Our growth narrates a collaborative saga penned by every member, partner and advocate who believes in our mission.

In closing, as we advance into 2024 and beyond, the CLFP Foundation renews its pledge to elevate the professional standards and ethical practices within the industry. With each new CLFP, we expand not only our ranks but also the depth and breadth of our mission – enhancing the collective proficiency, diversity and robustness of our industry – one professional at a time.

ABOUT THE AUTHOR: Reid Raykovich, CLFP, CAE is CEO of the Certified Lease & Finance Professional Foundation.

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