

JANUARY | FEBRUARY 2018

EQUIPMENT Leasing & Finance

THE MAGAZINE FOR INDUSTRY EXECUTIVES

STATE OF THE INDUSTRY 2018

Key Factors
for the
Equipment
Finance
Industry in the
Year Ahead

Equipment Management
in Transition

ELFA Debuts Dynamic Data

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State of the Industry 2018:

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While significant headwinds remain, equipment finance executives have reason to be cautiously optimistic about the year ahead

By Jeff Jensen and Elizabeth Rust

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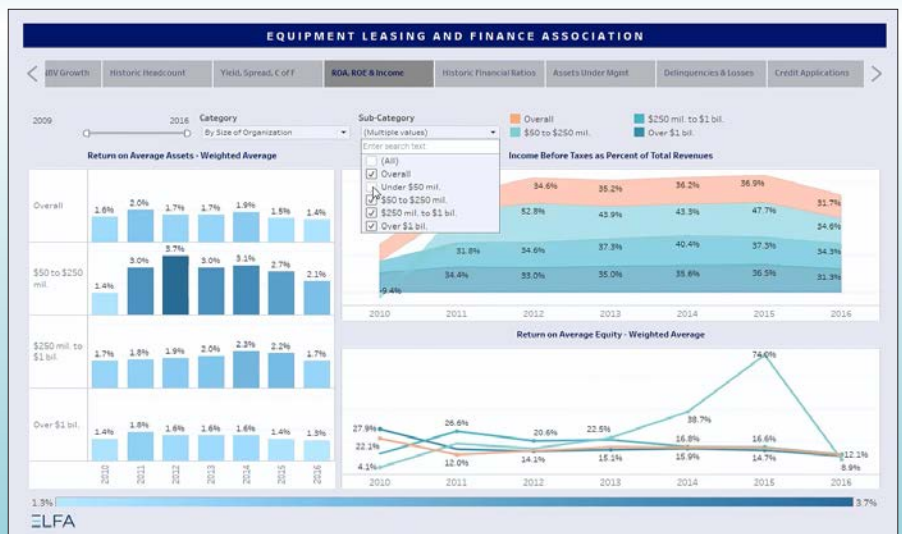
email discussions

www.elfaonline.org/interactive-tools/email-discussions

Introducing the new, interactive Survey of Equipment Finance Activity

A powerful, members-only online dashboard that lets you:

- Connect to the data you care about
- Select categories, add filters and drill down into specific information, in just a few clicks
- Find your own insights and uncover trends



www.elfaonline.org/InteractiveSEFA



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A Fresh Look for 2018



IN AUGUST we surveyed the ELFA membership to collect feedback on the association's flagship publication, *Equipment Leasing & Finance* magazine. We thank all of you who took the time to share such positive and valuable feedback regarding the content and format of this magazine. With this issue, we launch a redesigned magazine based on your input.

You'll notice several enhancements in this issue and in the issues to come. We've given the magazine a fresh look to make the content easier to

read and more visually engaging. We've launched a new Industry Dashboard to highlight new data and insights. We've also overhauled the online edition of the magazine at www.elfaonline.org/news/magazine to make it easy to read on a variety of devices. Our mission remains the same: to bring you the industry information you need to succeed. As always, please don't hesitate to send your feedback to EL&F@elfaonline.org.

In this issue of *Equipment Leasing & Finance*, we look at what's on the horizon for the year ahead to help you anticipate industry trends and position your company for success.

Tax Reform: In the advocacy arena, we continue to keep a close watch on the impact of recently enacted tax reform legislation on our industry. Through our ongoing Capitol Connections program and targeted efforts by our Federal Tax Committee and coalition partners here in Washington, the new tax measure preserves important incentives designed to promote equipment acquisition. Learn more—and access a recording of our Jan. 23 tax reform webinar—on p. 59.

2018 Forecast: What are the key factors driving our industry in the year ahead? Read the cover story, "State of the Industry 2018," on p. 16 and check out ELFA's Top 10 Equipment Acquisition Trends for 2018 at www.equipmentfinanceadvantage.org/rsrscs/articles/10Trends.cfm.

Equipment Trends: Delve into the state of asset management in the feature story "Equipment Management in Transition" on p. 36. Hear more on this topic at the Equipment Management Conference, Feb. 25–27 in St. Petersburg, Florida. Check out all of our upcoming events in our special education supplement on p. 23.

You'll learn about a lot more in the following pages, from the new interactive Survey of Equipment Finance Activity to the contributions of member volunteers to the ELFA Hurricane Relief Hunger Project.

We are fortunate to have engaged volunteers and a strong leadership team in place for 2018. Read about Chairman Dave Schaefer's priorities for the coming year on p. 42. Please don't hesitate to contact us at ELFA headquarters if you have any questions or you'd like to get involved. ☰

Ralph

RALPH PETTA is the President and CEO of the Equipment Leasing and Finance Association.



Watch Ralph's first-quarter message to the membership at www.elfaonline.org/news/Q1video

Board Approves New Initiatives

ON OCT. 21, THE ELFA BOARD OF DIRECTORS MET IN ORLANDO under the gavel of 2017 Chairman Tony Cracchiolo. The Board deliberated over a number of critical matters, not the least of which was approval of a three-year strategic plan and a 2018 work plan and budget for the association. As part of this, Board members approved two new initiatives that carry forward ELFA's focus on emerging talent and gender diversity within member organizations.

The Women's Council is organizing the Women's Leadership Forum, April 23-24 in Wayne, Pennsylvania, which will focus on leadership development for women at all stages of an equipment finance career. The Emerging Talent Advisory Council is organizing EMERGENCE2018, July 18-19 in Washington, D.C., which is an opportunity for emerging talent to gather together and hear from industry leaders, network with

colleagues and learn about the industry from different perspectives. Learn more about both events at www.elfaonline.org/events.

Treasurer Rob Boyer reviewed the latest financial results for the association, indicating that the organization is on sound financial footing and able to develop and fund programs, products and services that continue to be responsive to the needs of ELFA members.

The Board meets next under the leadership of 2018 Chairman Dave Schaefer on May 15, preceding the association's Capitol Connections program in Washington, D.C. Members are encouraged to attend Capitol Connections, which furthers ELFA's grassroots program to educate Members of Congress and other federal policy makers in Washington on the contribution that the equipment finance industry makes to the U.S. economy.



ELFA Board of Directors

Data Discussion

The ELFA Research Committee met in Washington, D.C., in November to plan the 2018 Survey of Equipment Finance Activity (SEFA).





ELFA Website Wins Davey Award

ELFA's website at www.elfaonline.org has been named a winner in the 13th Annual Davey Awards program. ELFA was awarded a Silver Award in the Association Websites category. With nearly 4,000 entries from across the United States and around the world, the Davey Awards honor the finest creative work from the best small agencies worldwide. The program is judged and overseen by the Academy of Interactive and Visual Arts.

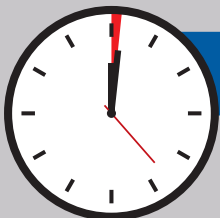
Prepare for the Year Ahead at the Executive Roundtable

Presidents and CEOs of ELFA member companies should mark their calendars for the 2018 Executive Roundtable, March 11–13 at the Ritz-Carlton Coconut Grove in Miami. This event is designed to bring together CEOs and presidents of

equipment finance companies to discuss the issues of the day, strategize about the future and create lasting business relationships. Attendance is limited to the top leaders from ELFA member companies, including service providers. Complete details can be found at www.elfaonline.org/events/2018/ERT.

It's Not Too Late to Renew Your 2018 ELFA Membership

Renewal invoices for the 2018 membership year were mailed to the key contacts of all ELFA member companies on Nov. 1, 2017. Timely payment of 2018 membership dues will ensure uninterrupted access to indispensable benefits, such as federal and state advocacy updates, targeted industry data, discounted fees for ELFA events and much more. Please contact Julie Benson, VP of Membership Marketing, at jbenson@elfaonline.org if you have any questions. We thank you for your continued support and wish you all the best in 2018!



Membership Minute

Members may view highlights from 10 years of industry benchmark data in a new, online platform. The interactive Survey of Equipment Finance Activity (SEFA) dashboard includes key findings and historic data from 2006–2016. Filter for a small or wide range of years or sort the data into various categories. Learn more on p. 46.

Hear what members are saying about this new resource:

"I have used the SEFA results released every year to better understand our current market and recent trends. This survey data is even more powerful now that the team has introduced an online user interface that gives me the ability to immediately customize and visualize the data to my specific needs. Thanks to ELFA for adding this great new feature."

◀ **Jeff Bell, Vice President of Sales Operations, Key Equipment Finance**

"Wow! The interactive SEFA dashboard is something a data geek can love and a leasing professional can cherish! The big data comes alive to address pertinent and relevant matters pertaining to our business like never before. Thanks for the new tool."

◀ **Kevin Prykull, Senior Vice President & Credit Underwriting Executive, PNC Equipment Finance, LLC**



Save the Date: 2018 ELFA Events

Take advantage of a wealth of learning and networking opportunities available to you and your staff as part of your ELFA membership. See the 2018 Educational Supplement in this magazine and visit our website at www.elfaonline.org/events/.

Four Best Practices Roundtables Planned for 2018

Best practices roundtables are small, one-day meetings designed to facilitate the exchange of information among peers. Attendance is open to ELFA member companies only. Watch for updates on the following events at www.elfaonline.org/events/:

- Bank Roundtable, April 10, Chicago
- Independent Equipment Finance Roundtable, April 10, Chicago
- Captive and Vendor Finance Roundtable, April 10, Chicago
- Tax Best Practices Roundtable, June 19–20, Minneapolis

ELFA Forecasts Industry Trends

What are the top trends driving capital acquisition this year? Find out in ELFA's Top 10 Equipment Acquisition Trends for 2018, released in January. Designed to help businesses with their strategic equipment acquisition plans, you can find the trends list on ELFA's Equipment Finance Advantage website for end-users at www.equipmentfinanceadvantage.org/rsrscs/articles/10trends.cfm.



Networking Events Attract Emerging Talent

Are you a future leader who's interested in meeting more people in the industry? Please join ELFA at an Emerging Talent Networking Event in 2018: April 10 in Chicago, July 18 in D.C. or Sept. 17 in Philadelphia. These events, which are sponsored by the Emerging Talent Advisory Council, are a chance to hear from industry leaders and network with your fellow industry colleagues. There is no cost to attend but space is limited and you must register in advance. Watch for updates at www.elfaonline.org/events/.

Workshop Highlights Principles of Leasing and Finance

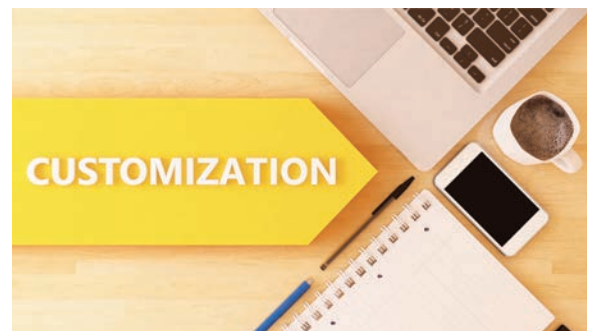
The Principles of Leasing and Finance workshop is all about helping your employees become more valuable members of your corporate team. That means getting a full understanding of the basics of the business within the context of what is happening now in the marketplace. Three workshops are scheduled for 2018:

- April 17–19 in Milwaukee
- June 5–7 in Philadelphia
- Sept. TBD

To view the brochure and to register, go to www.elfaonline.org/POL. For questions, contact Alexa Carnibella at acarnibella@elfaonline.org.

Customized Workshops Come to You

ELFA can bring both the Principles of Leasing and Finance workshop and the Beyond the Basics workshop directly to you. Our instructors educate your employees in your offices with a comprehensive and customized agenda. For further details and pricing, contact Alexa Carnibella at 202.238.3416 or acarnibella@elfaonline.org.





A Powerful Connection

ASPIRE, LeaseTeam's end-to-end single system lease and loan management solution allows businesses to stop talking about front-end and back-end processes and begin talking about total transaction engagement lifecycle. LeaseTeam realizes equipment finance transactions are no longer linear; and therefore companies need a system that will provide an all-encompassing view of their business with the efficiencies of single system processing.



Nominations Open for Equipment Finance Hall of Fame

The Equipment Finance Hall of Fame annually recognizes individuals who have made unique, significant or lasting contributions to the industry and/or the association throughout their careers. Learn about the 2017 inductee and the 2018 nomination criteria and access the online nomination form at www.elfaonline.org/hof. The deadline to nominate someone for the 2018 Class of the Equipment Finance Hall of Fame is April 1, 2018. Nominations will only be accepted via online submission. Please contact Ed Rosen at erosen@elfaonline.org if you have any questions.



Women’s Leadership Forum Coming in April

Discover how to “Be a Force for the Future” at the first ELFA Women’s Leadership Forum, April 23–24 at the DLL Headquarters in Wayne, Pennsylvania. This event will focus on leadership development for women at all stages of an equipment finance career. You’ll engage with dynamic speakers and enjoy plenty of time for attendee interaction and networking with other industry leaders. You’ll leave the event with new insights and concrete action steps you can implement when you return to your office. The Forum is sponsored by the ELFA Women’s Council. Registration is limited to 75 attendees. See details at www.elfaonline.org/events/.



Why I’m a Member of ELFA

Check out ELFA’s new membership video, which features industry professionals speaking out about the benefits of membership—and the return on investment they realize from their ELFA involvement. The video also highlights how ELFA is guiding efforts to bring more voices and ideas into the industry and the association through new initiatives such as the Emerging Talent Advisory Council and the Women’s Council. We invite you to share the video with others who may be interested in learning more about the association. See www.elfaonline.org/membership/video. ☰

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WITH A SINGLE KEY.**



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5 Minutes with the Captive and Vendor Finance Chair



ANDREW BLACKLOCK, Chair of the Captive and Vendor Finance Business Council Steering Committee

WHAT'S HAPPENING with captive and vendor finance companies in the equipment finance space? *Equipment Leasing & Finance* magazine recently talked to Andrew Blacklock, Chair of the Captive and Vendor Finance Business Council Steering Committee (BCSC), to take the pulse of this sector. Blacklock, who is Senior Director, Strategy and Financial Product Development at Cisco Capital, is currently serving his first year as Chair of the committee, which represents ELFA member companies that provide vendor financing programs, either as a subsidiary of a manufacturer or an independent, third-party organization.

From your perspective serving on the Captive and Vendor Finance BCSC, what issues are captive and vendor finance companies focused on this year?

The manufacturing parents and partners of captives and vendor finance companies are undergoing unprecedented transformation in response to their customers' desire to consume solutions in new ways. They need to evolve in parallel to ensure that they continue to provide value to their parents and partners. Captives and vendor finance companies must be nimble and explore new and emerging technologies, like machine learning, predictive analytics, block chain and more in order to remain relevant.

At the same time, it will be important to create and embrace new payment solutions such as consumption and subscription-based products. Successful captive and vendor financing companies will be able to quickly respond to the changing market dynamics with innovative solutions and a focus on simplification.

What do you like best about serving on a BCSC?

Over the next few years this industry is going to experience a transformation. I'm excited to be part of the industry group that can help guide our members through a period of massive change and growth. The part I most enjoy about being on a BCSC is the interaction I have with fellow members on the business council. This is an excellent opportunity for us to work together, share best practices and discuss the challenges and opportunities facing our businesses. ☰

Join the Roundtables!

The Captive and Vendor Finance, Financial Institutions and Independent Middle Market BCSCs are planning best practices roundtables, to be held April 10 in Chicago. See details at www.elfaonline.org/events.



About the BCSCs

ELFA's Business Council Steering Committees represent ELFA's five key business segments: Captive and Vendor Finance, Financial Institutions, Independent Middle Market, Service Providers and Small Ticket. The committees pursue priorities related to their distinct memberships and integrate their work into the overall goals of the association. Activities include membership recruitment and grassroots political advocacy, contributing to industry research, presenting the Guest Lecture Program, and attending and contributing to the success of Capitol Connections and the Annual Convention. Interested in joining? Contact Ed Rosen at erosen@elfaonline.org.

LEAP AHEAD OF THE CROWD



The Cornerstone of an Equipment Leasing and Finance Career

2018 Principles of Equipment Leasing and Finance Workshops

April 17-19 - Milwaukee, WI

June 5-7 - Philadelphia, PA

September - TBD

To view the complete brochure and to register for these workshops, please go to the Events section of www.elfaonline.org and select Principles of Equipment Leasing and Finance.



In-House Option

Hosting a workshop at your own facility gives you the flexibility and convenience to address specific learning needs of your employees, establish collective knowledge and a shared skill set, and achieve even your most challenging business goals.

For questions about the public or in-house workshops, please contact Alexa Carnibella at (202) 238-3416 or acarnibella@elfaonline.org.



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Equipping Business for Success


ELFA INDUSTRY D



Which departments are hiring?

Compliance and Cash & Billing Departments report 50% more full-time employees in 2016 over 2015.

Get the details in the 2017 Survey of Equipment Finance Activity at www.elfaonline.org/SEFA.



Aging and charge-offs have stabilized

According to the November Monthly Leasing & Finance Index, receivables over 30 days were 1.40%, unchanged for the same period in 2016. Charge-offs were 0.41%, up slightly from 0.37% in November 2016. Check out the latest MLFI at www.elfaonline.org/data/mlfi.



EXPERIENCING

MARGIN

COMPRESSION?

Spreads for independents are up 69 Basis Points. Explore this data and more in the new interactive SEFA Dashboard at www.elfaonline.org/interactiveSEFA.

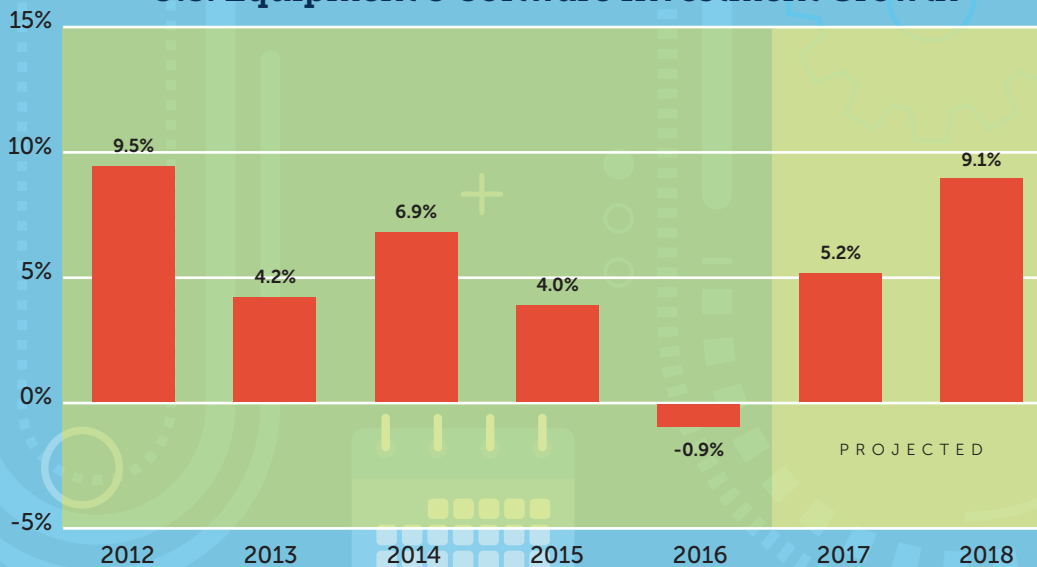
ASHBOARD



Is your business prepared for the technology transformation of the equipment finance industry?

Check out the Foundation's comprehensive visualization for how artificial intelligence, blockchain and smart contracts will impact the equipment finance model over the next five years, at <https://bit.ly/ELFFNewTech>.

U.S. Equipment & Software Investment Growth



Equipment and software investment are expected to grow 9.1% in 2018, the strongest performance since 2012. That's according to the Foundation's 2018 Equipment Leasing & Finance U.S. Economic Outlook. Access the full report at <http://bit.ly/ELFFEconomicOutlook>.

Source: Macrobond Financial; Projections from Keybridge

STATE OF THE INDUSTRY 2018



Key Factors for the Equipment Finance Industry

By Jeff Jensen and Elizabeth Rust

A YEAR AGO, the U.S. economy was beginning to show signs of life after limping to an anemic 1.5% growth rate in 2016. Over the next 12 months, business and consumer confidence rebounded sharply, labor markets continued to tighten, business investment strengthened, and the global economy finally began to fire on all cylinders (or at least most of them).

As we enter 2018, businesses and consumers are optimistic about the direction of the economy, and the industry is well-positioned for a banner year. In the recently-published 2018 Equipment Leasing & Finance U.S. Economic Outlook (jointly produced by the Equipment Leasing & Finance Foundation and Keybridge Research), we forecast an above-consensus 2.7% growth rate for the economy and 9.1% growth for equipment and software investment. These forecasts reflect our belief that the U.S. economy has a lot of things working in its favor, and relatively few headwinds—though trade is a potential 2018 wild card that should be monitored closely. On behalf of Equipment Leasing & Finance Foundation, Keybridge economists produce monthly U.S. Equipment Software Investment Momentum Monitors and quarterly industry-focused economic outlooks. Drawing on these materials, here are nine key industry, policy and macroeconomic factors to watch in 2018.



2018 should be a bright year for the U.S. economy.

The economy got off to a slow start in 2017, prompting concerns of yet another year of sluggish activity following the “growth pause” of late 2015 and early 2016. However, growth kicked into gear in the second quarter and shows no immediate signs of letting up. A key factor behind this acceleration has been the release of pent-up consumption and investment demand that accumulated over the last two years, which should continue into the first half of 2018.

Several other factors will likely drive solid economic growth this year, including:

- Growth synchrony among all major blocs of the world economy—the first time this has occurred since the recession;
- An exceptionally strong labor market that shows no signs of deterioration;
- Elevated consumer and business optimism, due in part to the promise of tax reform and a lighter-touch approach to regulation;
- Energy price stability, allowing the U.S. oil and mining industry to get back on its feet; and
- The potential for investment and consumption to rebound early this year following large-scale hurricane damage.

While not everything is rosy—a strengthening dollar may dampen exports, construction investment has been very weak and interest rates will almost certainly

rise substantially—the U.S. economy is witnessing a broad-based cyclical upturn that should make 2018 one of the strongest since the recession (though we expect growth will fall short of the elusive 3% rate last achieved in 2005).



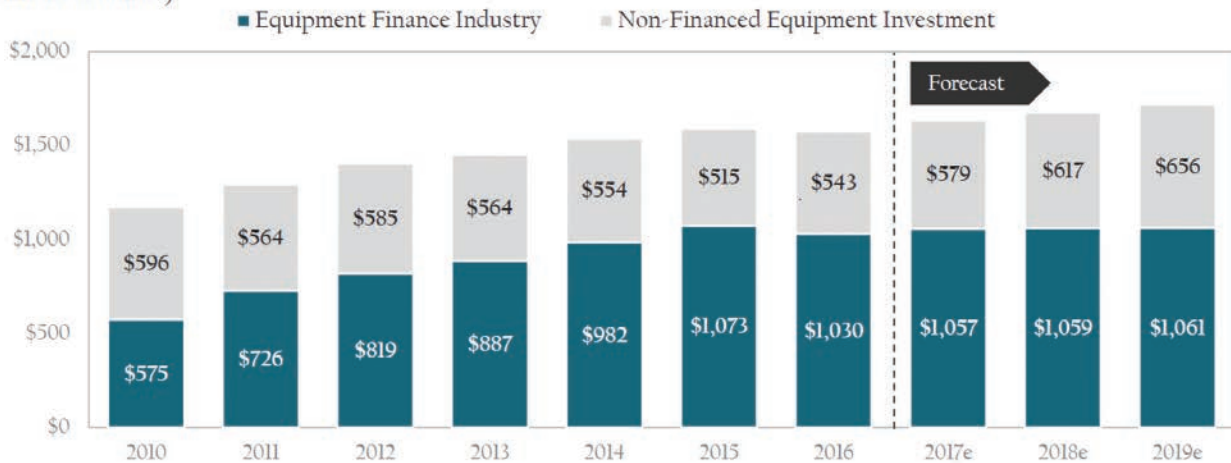
Business investment should continue to surge.

After several quarters of anemic growth or contractions, business investment rebounded in 2017 and should continue to thrive in 2018, particularly in the first half of the year. One reason for this recovery is the rebound in the oil and gas sector over the last 12-18 months. Another factor is persistently strong business confidence, which increased substantially following the 2016 election and remains elevated by most measures (including the Equipment Leasing & Finance Foundation’s Monthly Confidence Index).

Two factors to watch on the investment front are the effects of tax reform and the steady decline in business demand for commercial and industrial loans. On the positive side, a lower tax burden on most businesses and consumers will likely provide a modest boost to U.S. GDP and business activity. However, the demand for business loans declined noticeably throughout 2017, despite solid investment growth. This latter trend is something to keep an eye on, as it could signal a shift toward other types of financing or, potentially, a decline in capex spending during the second half of the year.

Equipment Finance Industry Size

(in billions of dollars)



Source: Equipment Leasing & Finance Foundation 2017 State of the Equipment Finance Industry Report, Keybridge LLC



Most equipment verticals are currently well-positioned for growth.

In mid/late 2016, many of the equipment verticals tracked by the Foundation-Keybridge U.S. Equipment and Software Momentum Monitors were exhibiting signs of a turnaround, and most were “flashing green” throughout 2017. At present, most verticals continue to show strong momentum, driven by a cyclical economic upswing that should lead to strong growth in Q1 and Q2. However, we expect momentum in some verticals to ease in the months ahead, raising the potential for slower equipment investment growth during the second half of the year.

One vertical to monitor closely in 2018 is mining and oilfield equipment. Over the last 12-18 months, the Mining and Oilfield Equipment Momentum Monitor has tended to lead the performance of other verticals that are indirectly tied in varying degrees to the oil and gas sector (e.g., railroad transportation, truck transportation, materials handling and industrial machinery). Among these verticals, the Mining & Oilfield Momentum Monitor was the first to show signs of life; now, the Momentum Monitors associated with these other sectors are thriving while the Mining & Oilfield Momentum Monitor may have recently peaked. As such, we would not be surprised to see a modest deceleration in railroad, trucking, materials handling and other industrial equipment investment growth during the second half of the year.



Portfolio performance unexpectedly improved in 2017 and should remain strong in 2018—but there are a few storm clouds on the horizon.

While the industry has enjoyed superb portfolio performance for several years, delinquency rates were slowly rising since bottoming out in late 2014—until last year, that is. After rising nearly 60 basis points in 2016, the C&I loan delinquency rate actually fell more than 30 points in 2017 according to the Federal Reserve. Other data, such as PayNet’s Small Business Delinquency Index and AbsolutePD tool, also indicate that portfolio performance improved last year.

However, as the economic expansion enters its 10th year, it is only a matter of time before portfolios begin to soften. The industry remains hypercompetitive, and in the drive for new business volume, some firms (particularly new entrants who didn’t experience the last downturn) may find themselves overextended if economic conditions change. Moreover, there are signs of declining credit quality in other industries, such as credit cards and automobile loans (particularly the subprime segment). This has led to some tightening in consumer credit standards, and a similar effect could quickly materialize in the C&I loan market if loan quality begins to deteriorate. We do not expect a sharp decline in portfolio performance this year, but industry executives should keep a close eye on their portfolios, as winter will come eventually.



Federal policy will continue to favor businesses—for now.

After Republicans swept the field in the 2016 election, it seemed the stage was finally set for policymakers to move forward on long-stalled priorities, including tax reform and infrastructure improvement. Although there have been relatively few legislative successes for the GOP thus far, the recently passed tax bill was a significant political achievement. While we have significant concerns about the bill's cost and its impact on the country's long-term fiscal health, it should kickstart business investment and provide a modest boost to economic growth this year.

With tax reform out of the way, Congress will likely make another push at an infrastructure spending bill in 2018. A priority of the Trump administration, an infrastructure bill has the potential to infuse hundreds of billions of dollars into the economy each year to rebuild roads, bridges, airports and other critical infrastructure. If successful, it could be a major boon for the equipment finance industry. However, unlike tax reform, such a bill would likely require support from at least 60 senators, and the parties differ on how large the package should be, how to fund it, and what projects it should promote. Perhaps more importantly, convincing 9+ Democrats to support a Republican legislative initiative in an election year will be a challenge.

Another key policy area to watch in 2018 is deregulation. The administration made significant progress in 2017 toward reducing the cumulative regulatory burden on U.S. businesses. Most notably, several executive orders (including a "one-in, two-out" order that caps the incremental cost of new regulations) have led to a dramatic reduction in new regulatory activity. These efforts are likely to continue in 2018—though it is worth remembering that deregulatory actions typically follow the same process as regulatory actions and must be supported by sound economic analysis,

which often takes years. Regardless, it is a near-certainty that regulatory agencies will continue to employ a lighter touch than they did under President Obama.

However, the business-friendly leanings of Congress may shift depending on the midterm elections. While Republicans currently enjoy a sizable majority in the House and have a built-in advantage in several states due to current district boundaries, midterms are traditionally bad for the incumbent party, and President Trump's low approval numbers (if sustained) could portend a strong showing for Democrats in November. The GOP majority in the Senate appeared to be safer given that 10+ Democratic incumbents face difficult races while few Republican seats (most notably Arizona and Nevada) appear to be vulnerable. However, the special election result in Alabama is the latest evidence that a "blue wave" may well materialize in November. If this occurs, a

left-leaning populist backlash against the business-friendly policies of the Trump administration is a real possibility.



A global growth resurgence should provide the U.S. economy a boost...

For the first time since the Great Recession, the global economy is finally clicking. A robust cyclical upturn in manufacturing activity, recovering energy and commodity prices and accommodative monetary policy from most major central banks has driven global growth forecasts near 4%, a significant improvement. The Euro area is expected to exceed the 2% threshold in 2017 and remain on track in 2018 and 2019, while most emerging markets are accelerating. Although China's growth rate is expected to decelerate slightly, India's should ramp up significantly, while

(Continued on p. 22)

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We are in unprecedented times: financial markets are reaching new highs yet U.S. domestic and global business growth remains tepid. With tax reform now in place, we believe U.S.-based global companies will increase capital expenditures as they repatriate foreign cash. The role captives play in underpinning business growth will only increase in 2018 as they help customers innovate and solve business challenges through the use of flexible payment solutions, such as pay-as-you-consume structured offers.

—Kristine A. Snow, President,
Cisco Systems Capital Corporation

We expect our agriculture customers to increase capital investment in 2018 as many of them have been putting off investment for the last couple of years as they adjusted their operations to the impact of lower prices for cash grain commodities. Tax reform could have an impact on how we go to market as we look for new solutions to provide value to our customers.

—Mike Romanowski, President,
Farm Credit Leasing Services Corporation



Members Weigh In

Equipment Leasing & Finance magazine asked ELFA members what they see on the horizon for 2018. Here are their responses.

In the equipment finance industry, the benefits of artificial intelligence (AI) will be realized by firms that have digitized their front and back offices. These leaders will partner AI with a big data strategy, realizing gains via marketing efficiency, higher customer satisfaction and an efficient workforce focused on only value-added tasks.

—Jeff Boots, Director, Capgemini Financial Services



As we approach the new lease accounting standard's effective date, there will be an increasing focus on developing strategies and products that are beneficial to our clients under the new framework. The passage of the tax reform bill will further intensify the need to understand how external factors will impact our customers and our ability to modify our offerings accordingly.

—Deborah Brady,
CFO, Key Equipment Finance

2017 was a tough lending environment. Financing was squeezed from the slow economy and more use of cash. Terms are incredibly competitive with “ridiculous pricing for 2nd tier credits” so some lenders are foregoing market share. We are hearing a strong focus on operational capabilities. Business models may differ for banks versus captives versus independents, but they share one consistent view: complete the credit app faster with less hassle for the customer. Several companies are striving toward more automation to complete approvals in minutes. Operational efficiency doesn’t stop at originations. Auto dialers for collections and suspicious activity reports create further efficiencies in the operations. With credit risk expected to rise in 2018, costs will have to be addressed in other areas of the business.



–William Phelan, President, PayNet, Inc.

We live in interesting times, as they say! We can anticipate more of the unknown unknowns from the current administration. For our industry, the changing landscape should be positive with more disruptive technologies needing unique financing solutions, in combination with new accounting standards—structured finance becomes the norm.



–Jennifer A Coyle, Division Director, Corporate Asset Finance Resources, Macquarie Corporate and Asset Finance

It’s clear that, as leaders, we must create cultures within our businesses that embrace technology. In the vendor and captive space, we must prepare for the increased influence of technology while always remembering the importance of our customers. At EverBank, we’re making significant investments in technology to not only improve our own efficiency, but also enhance our customer experience.

–Mike Sweeney, SVP, Originations, Vendor Equipment Finance, EverBank Commercial Finance, Inc.



With Republicans in office, I expect continued growth in the construction, transportation and the industrial sector.

With the passage of corporate tax cuts, I expect to see more investment in new equipment across the business sectors. Finally, I am hopeful the CFPB will agree that equipment finance business differs from traditional mortgage lending and afford our industry relief from Dodd-Frank’s requirement to obtain and report information regarding credit applications submitted by women-owned and minority-owned businesses.



–Lisa Fleischer, Chief Legal Officer, DLL

(Continued from p. 19)

Brazil is set to bounce back from its deep 2015-2017 recession. This is all good news for the United States, which should benefit from increased global demand for U.S. goods and services. However, the benefits will be limited if trade relationships worsen.



...but protectionist U.S. trade policies carry many downside risks.

Last year, we noted that global trade and U.S. export growth could suffer in 2017 amid a global backlash against free trade and protectionist rhetoric from the Trump administration. Fortunately, global trade was solid in 2017 due to a broad-based growth resurgence and the absence of major shifts in U.S. trade policy. However, 2018 is likely to be the year in which trade tensions come to a head.

First, NAFTA renegotiations have taken a negative turn in recent weeks. One area of contention is a U.S. proposal that would require NAFTA members to opt-in to the agreement every five years. Another is the U.S. preference for more stringent rules of origin that require a higher percentage of goods to be manufactured in North America or the United States. Thus far, Canada and Mexico consider both of these positions to be non-negotiable. In our view, the likelihood that the United States pulls out of NAFTA in 2018 is significant, which would likely trigger a mild to moderate negative effect on the U.S. economy (particularly the agricultural sector).

Second, the unfolding trade dispute with China is another major area of concern. Certain key advisors who advocated for a moderate approach to China are expected to depart the White House in early 2018, while the influence of “China hawks” is increasing. We will be closely monitoring developments relating to the steel and aluminum industries, as well as intellectual property protection. These three issues have the potential to upend the trading relationship with China and negatively impact growth in both countries if a trade war is trig-

Download your copy of the Equipment Leasing & Finance Foundation’s 2018 U.S. Economic Outlook Report from www.LeaseFoundation.org.

JEFF JENSEN is Senior Director and **ELIZABETH RUST** is Senior Analyst at Keybridge Research.



Residential investment may improve, but a strong rebound in construction activity is unlikely.

Residential investment was remarkably weak last year, posting its two largest quarterly contractions since 2010. Housing starts and permits both lagged for most of the year, held back by regional shortages of skilled construction labor and high lumber prices (among other factors). Ironically, the demand for homes remains robust, and the combination of strong demand and weak supply has predictably led to rapidly rising home prices.

Looking ahead, the Fed’s plan to continue normalizing interest rates will drive up mortgage rates and exacerbate existing affordability concerns. The good news is that, as the old adage goes, “there’s no better cure for high prices than high prices.” In theory, current market conditions should incentivize builders to break ground on new homes—and indeed we began to see some evidence of that late last year (e.g., builder optimism is rising, housing permits are at a 2-year high and the number of “authorized” housing units is up 14% compared to a year ago). The recently enacted tax legislation may help to alleviate rising housing prices, as the National Association of Realtors expects prices to grow more slowly this year due to changes that reduce the tax-related benefits of home ownership. Overall, we expect the housing market will continue to muddle through, with marginal gains in housing starts and the return of positive, but not robust, residential investment growth.



This could finally be the year of 3% wage growth.

Though the U.S. economy was substantially stronger in 2017 than it was the previous year, one area of relative disappointment was wage growth. After steady improvement throughout 2015 and 2016, wage growth improvements stagnated last year and failed to eclipse the 3% barrier last achieved in 2009.

This year, however, could finally signal a wage growth rebound. As measured by the unemployment rate (currently at 4.1%), the labor market is as tight as it’s been in nearly two decades. Many economists expect unemployment to fall below 4% in the months ahead, as there are nearly 6 million job openings in the economy (just shy of an all-time high). Clearly employers are looking to hire, and as spare workers become increasingly scarce, there will be increasing upward pressure on wages to attract and retain talent. ☐

2018

ELFA Annual Schedule of Conferences, Workshops and e-Learning Opportunities

RISE TO THE CHALLENGE



ELFA
EQUIPMENT LEASING AND
FINANCE ASSOCIATION

BUSINESS & PROFESSIONAL DEVELOPMENT

FEBRUARY

February 25-27

EQUIPMENT MANAGEMENT CONFERENCE & EXHIBITION

The Vinoy Renaissance • St. Petersburg, FL

- **Knowledge Level:** Basic, Intermediate and Advanced
- **Program Type:** Group-live event & exhibition
- **Prerequisite or Advanced Preparation Requirements:** None
- **NASBA Field of Study:** Finance - 2.0 CPE and Specialized Knowledge and Application – 10.0 CPE

Focusing on the issues concerning asset managers, equipment appraisers and remarketers for over a quarter of a century, this conference and exhibition is a “must attend” event for anyone involved in equipment management. The conference includes multiple sessions that evaluate the current market conditions, portfolio quality and residual values for a variety of equipment segments. The agenda includes off-site equipment tours at actual worksite locations. In addition, everyone you need to talk to is under one roof at the world-class conference and exhibition.

WHO SHOULD ATTEND

Equipment management professionals, including senior managers and their staff and service providers to the industry.

Conference
Qualifies for A.S.A.
Re-Certification and
12 CPE Credits

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

EXHIBIT OPPORTUNITIES AVAILABLE

For information on how your company can exhibit at this conference, contact Steve Wafalosky at (440) 247-1060 or steve@larichadv.com.

MARCH

March 11-13

EXECUTIVE ROUNDTABLE

The Ritz-Carlton Coconut Grove • Miami, FL

- **Knowledge Level:** Advanced
- **Program Type:** Group-live event
- **Prerequisite or Advanced Preparation Requirements:** Must be President, CEO or Top Company Leader
- **NASBA Field of Study:** Business Management and Org – 4.0 CPE and Specialized Knowledge and Application – 10.0 CPE

The Executive Roundtable is the premier event for presidents, CEOs and other top leaders within the equipment leasing and finance industry. This two-day session is designed to bring leaders together to discuss the issues of the day, to strategize about the future and to create lasting business relationships. Top-notch speakers and thought leaders have been invited

to discuss topics such as forecasting trends in the equipment finance landscape and preparing leaders for the workforce of the future. Attendance is limited to encourage interaction and networking and roundtable wrap-ups after each session will serve to pull all this valuable information together.

WHO SHOULD ATTEND

Attendance is still limited to the senior executive leadership from ELFA member companies. Executives must hold the position of president, CEO, managing director or COO and be part of the senior leadership team and/or manage a substantial division within the company. However, Service Provider Member Companies may now send one senior executive from their company to this Roundtable. ELFA Regular Member Companies may send up to three representatives from their companies.

Conference
Qualifies for 14
CPE Credits

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

SPONSOR OPPORTUNITIES AVAILABLE

For information on how your company can sponsor this conference, contact Steve Wafalosky at (440) 247-1060 or steve@larichadv.com.

March 20

17TH ANNUAL IMN/ELFA INVESTORS CONFERENCE ON EQUIPMENT FINANCE

Union League Club • New York, NY

Now in its 17th consecutive year, the Investors Conference on Equipment Finance is set to attract increasing attention from analysts, bankers and institutional investors. Nearly half of the attendees represent investors and equipment finance companies who come to network and learn about the latest industry trends and developments. The agenda includes a review of the current landscape for commercial finance and equipment leasing, along with an update on the capital markets.

For more information on the 17th Annual IMN/ELFA Investors Conference on Equipment Finance, go to www.imn.org/ef2018.

WHO SHOULD ATTEND

CEO/CFO/finance directors of equipment finance companies, investors and providers of private capital, rating agencies, investment bankers, credit enhancers, financial advisors, technology service providers, trustees and attorneys.

APRIL*April 10-12***30TH ANNUAL NATIONAL FUNDING CONFERENCE**

Swissôtel • Chicago, IL

The ELFA National Funding Conference is the largest gathering of funding sources serving the equipment finance industry. This widely respected and highly-popular forum provides the optimum atmosphere for funding sources and equipment finance companies to discuss funding programs and options. Confidentiality and access to key players are the main trademarks of this meeting.

If you are interested in becoming a Funding Source Exhibitor, contact Lisa Ramirez at lramirez@elfaonline.org.

WHO SHOULD ATTEND

Principals in leasing and finance organizations responsible for funding the company and its transactions and for participating in transactions and those who want to meet with current funding sources, establish new relationships to fulfill their funding needs and keep current on the latest funding issues.

*April 10***BANK BEST PRACTICES ROUNDTABLE
CAPTIVE AND VENDOR FINANCE BEST PRACTICES ROUNDTABLE
INDEPENDENT BEST PRACTICES ROUNDTABLE**

Swissôtel • Chicago, IL

The Best Practices Roundtables are small, highly-interactive half-day programs designed to bring senior executives together for information sharing and critical thinking about issues facing you each day as leaders of your organization. The Roundtables also provide an unparalleled networking opportunity.

The Best Practices Roundtables begin with a joint luncheon and will be held from noon-4:30pm, immediately preceding the National Funding Conference.

WHO SHOULD ATTEND?**Bank Best Practices Roundtable**

The roundtable is open exclusively to senior bank executives of ELFA member bank leasing companies.

Captive and Vendor Finance Best Practices Roundtable

The roundtable is open exclusively to senior executives of ELFA member captive and vendor finance companies.

Independent Best Practices Roundtable

The Roundtable is open exclusively to senior executives of ELFA member independent leasing companies.

*April 10***EMERGING TALENT NETWORKING EVENT**

Swissôtel • Chicago, IL

The Emerging Talent Networking Events are an opportunity to hear from industry leaders and network with your fellow industry colleagues. If you're a future leader, or just interested

in meeting more people in the industry, please join us at the Emerging Talent Networking Event. There is no cost to attend but space is limited and you must register in advance. Sponsored by the Emerging Talent Advisory Council (ETAC).

*April 23-24***ELFA WOMEN'S LEADERSHIP FORUM**

DLL Headquarters • Wayne, PA

The first ELFA Women's Leadership Forum will be held April 23 to 24 at DLL Headquarters in Wayne, PA (Metro Philadelphia). The theme is "Be a Force for the Future." This event is open to anyone who would like to attend and will focus on leadership development for women at all stages of an equipment finance career. The forum will feature dynamic speakers with plenty of time for attendee interaction and networking with other industry leaders. You'll leave this event with new insight and concrete action steps you can implement when you return to your office. Registration is limited. Sponsored by the ELFA Women's Council.

MAY*May 6-8***LEGAL FORUM**

Omni Shoreham Hotel • Washington, DC

- **Knowledge Level:** *Intermediate, Advanced, Overview*
- **Program Type:** *Group-live event*
- **Prerequisite or Advanced Preparation Requirements:** *None*
- **NASBA Field of Study:** *Management, Personal Development, Specialized Knowledge & Applications, Taxes, Ethics*

The premier event for attorneys serving the equipment finance industry, this conference provides an analysis of current legal issues facing lessors, offers a basic legal review for attorneys new to leasing, improves the professionalism of attorneys involved in leasing matters and creates an environment that encourages networking with peers. The Forum stresses practical solutions and strategies for addressing the practice of law as it affects the equipment leasing and finance community.

ELFA is a recognized sponsor of continuing legal education by most states in the U.S. Attendance at the conference may be used to fulfill your annual continuing education requirements.

Conference
Qualifies for
CLE Credits

WHO SHOULD ATTEND

Internal and external counsel, as well as entry- and senior-level attorneys.

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

● BUSINESS DEVELOPMENT OPPORTUNITIES

May 16-17

CAPITOL CONNECTIONS

The Washington Court Hotel • Washington, DC

This annual event, a component of the ELFA Grassroots Program, is designed to present a united voice for public policy impacting the equipment leasing and finance industry. The program offers unmatched opportunities to develop and maintain relationships with elected officials and key regulators at select federal agencies and brings important industry issues to the forefront. ELFA member participation in the political process is critical if policymakers are to understand the nature and scope of public policy issues affecting the equipment finance sector. The conference includes a networking reception, detailed briefings on the latest public policy issues and meetings with legislators and Administration officials. There is no registration fee for ELFA members to attend this conference.

To find out about ways to make a difference with your federal legislators, contact Richard Shanahan at rshanahan@elfaonline.org.

WHO SHOULD ATTEND

Presidents, CEOs and senior staff of member companies, including those whose job responsibilities include federal government liaison activities.

JUNE

June 4-6

CREDIT AND COLLECTIONS MANAGEMENT CONFERENCE & EXHIBITION

Omni Royal Orleans • New Orleans, LA

- **Knowledge Level:** Basic, Intermediate, Overview
- **Program Type:** Group-live event & exhibition
- **Prerequisite or Advanced Preparation Requirements:** None
- **NASBA Field of Study:** Business Management and Org – 13.0 CPE

The ELFA Credit and Collections Management Conference and Exhibition addresses new and emerging issues relevant to credit and collections professionals in the equipment finance industry. The 2018 conference will include sessions on the state of the economy, the new lease accounting rules, human capital issues, the legal and regulatory environment, data analytics, risk and bankruptcy and other relevant topics. Additionally, the conference will provide ample opportunity to network with colleagues in the equipment finance industry.

WHO SHOULD ATTEND

Senior vice presidents and vice presidents of credit, credit managers, credit analysts, documentation specialists, collections managers and service providers to the industry.

Conference
Qualifies for 13
CPE Credits

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.

3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

EXHIBIT OPPORTUNITIES AVAILABLE

For information on how your company can exhibit at this conference, contact Steve Wafalosky at (440) 247-1060 or stevew@larichadv.com.

**Attorneys email Janet Fianko at jfianko@elfaonline.org in advance of the conference if you would like to receive CLE credits for this conference.*

JUNE 19-20

TAX BEST PRACTICES ROUNDTABLE

Offices of PwC • Minneapolis, MN

The Tax Best Practices Roundtable is a two-day forum offered exclusively to tax practitioners of ELFA member companies. The roundtable focuses on federal and state compliance and planning issues, recent developments, and sharing of internal best practices.

WHO SHOULD ATTEND?

Tax practitioners and other professionals that hold a position in tax, planning, research, business unit support or any other position responsible for corporate tax functions. This roundtable is open to ELFA members only.

Sponsored by:  VERTEX

JULY

July 18-19

EMERGENCE2018

ELFA Headquarters • Washington, DC

EMERGENCE2018 is an opportunity for emerging talent in the equipment leasing and finance industry to gather together and hear from industry leaders, network with colleagues and learn about the industry from different perspectives. If you're a future leader, or just interested in meeting more people in the industry, please join us at the first EMERGENCE2018 for this unique experience. Space is limited and you must register in advance. Sponsored by the Emerging Talent Advisory Council (ETAC).

SPONSOR OPPORTUNITIES AVAILABLE

ELFA's Emerging Talent Advisory Council (ETAC) will be hosting a number of events in 2018 to help identify and develop employees at member companies who are future leaders in the industry. Show your support and help further the mission by sponsoring these fantastic events.

Various sponsorship levels available. For more information on how your company can support these events, please contact Richard Shanahan at rshanahan@elfaonline.org or Steve Wafalosky at (440) 247-1060 or stevew@larichadv.com.

July TBD

EMERGING TALENT REGIONAL NETWORKING EVENT

ELFA Headquarters • Washington, DC

The Emerging Talent Networking Events are an opportunity to hear from industry leaders and network with your fellow industry colleagues. If you're a future leader, or just interested in meeting more people in the industry, please join us at the Emerging Talent Networking Event. There is no cost to attend but space is limited and you must register in advance. Sponsored by the Emerging Talent Advisory Council (ETAC).

SEPTEMBER

September 17-19

OPERATIONS & TECHNOLOGY CONFERENCE & EXHIBITION

Loews Philadelphia Hotel • Philadelphia, PA

- **Knowledge Level:** Basic, Intermediate, Overview
- **Program Type:** Group-live event & Exhibition
- **Prerequisite or Advanced Preparation Requirements:** None
- **NASBA Field of Study:** Business Management and Org – 14.0 CPE

The ELFA Operations and Technology Conference & Exhibition provides direction and support for member companies using technology to improve business processes, enhance customer satisfaction and increase operational effectiveness. Program highlights include sessions on project selection and building a business case, operational process mapping, application development methodologies, survival tips for the accidental project manager, a preview of the 2018 Business Technology Performance Index, managing enterprise risk and information sharing. Also hear from the 2018 Operations & Technology Excellence Award winners; this award recognizes equipment leasing and finance companies that have demonstrated best practices in developing and implementing innovative uses of technology or creative business processes to improve operations, enhance customer interactions, enter new markets and build overall ROI.

Conference
Qualifies for 14
CPE Credits

The ELFA Operations and Technology Conference will again be held concurrently with the ELFA Lease and Finance Accountants Conference. Both conferences will share a table-top exhibit targeting companies that provide lease and finance accounting software and other technology-related processes and systems.

WHO SHOULD ATTEND

Executive management; directors of operations and administration; department managers for credit, collections, information technology, documentation, accounting, remarketing and equipment management; as well as representatives of companies providing systems.

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.

2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

EXHIBIT OPPORTUNITIES AVAILABLE

For information on how your company can exhibit at this conference, contact Steve Wafalosky at (440) 247-1060 or steve@larichadv.com.

September 17-19

LEASE AND FINANCE ACCOUNTANTS CONFERENCE & EXHIBITION

Loews Philadelphia Hotel • Philadelphia, PA

- **Knowledge Level:** Basic, Intermediate, Advanced, Overview
- **Program Type:** Group-live event & Exhibition
- **Prerequisite or Advanced Preparation Requirements:** None
- **NASBA Field of Study:** Accounting – 19.0 CPE

The largest annual gathering of lease accountants and those responsible for financial reporting keeps attendees abreast of developments involving rule-making activities of the Financial Accounting Standards Board, international accounting standard-setters, state and federal tax authorities and other regulatory bodies. The agenda also includes timely sessions on the new lease accounting standards and multiple sessions ranging from basic lease accounting for the newly-hired accountant to discussions of complex and emerging accounting issues and their impact on business practices. A FASB board member participates in the program each year.

Conference
Qualifies for 19
CPE Credits

The ELFA Lease and Finance Accountants Conference will again be held concurrently with the ELFA Operations and Technology Conference. Both conferences will share a table-top exhibit targeting companies that provide lease and finance accounting software and other technology-related processes and systems.

ELFA is a recognized sponsor of continuing professional education with many State Boards of Accountancy and the National Association of State Boards of Accountancy U.S. (NASBA). Attendance at this conference may be used to fulfill your annual continuing education requirements.

WHO SHOULD ATTEND

Chief financial officers, accountants, controllers and others responsible for financial reporting activity.

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your work place.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

● BUSINESS DEVELOPMENT OPPORTUNITIES

EXHIBIT OPPORTUNITIES AVAILABLE

For information on how your company can exhibit at this conference, contact Steve Wafalosky at (440) 247-1060 or stevew@larichadv.com.

September 17

EMERGING TALENT REGIONAL NETWORKING EVENT

Loews Philadelphia Hotel • Philadelphia, PA

The Emerging Talent Networking Events are an opportunity to hear from industry leaders and network with your fellow industry colleagues. If you're a future leader, or just interested in meeting more people in the industry, please join us at the Emerging Talent Networking Event. There is no cost to attend but space is limited and you must register in advance. Sponsored by the Emerging Talent Advisory Council (ETAC).

OCTOBER

October 14-16

57TH ANNUAL CONVENTION

JW Marriott Phoenix Desert Ridge Resort & Spa • Phoenix, AZ

- **Knowledge Level:** Basic, Intermediate, Advanced, Overview
- **Program Type:** Group-live event & Exhibition
- **Prerequisite or Advanced Preparation Requirements:** None
- **NASBA Field of Study:** Business Management and Org – 6.0 CPE and Specialized Knowledge and Application – 8.0 CPE

The 57th ELFA Annual Convention is the equipment leasing and finance industry's premier event. The Convention offers unmatched networking opportunities and high-quality educational sessions.

All educational sessions are selected from proposals submitted by ELFA members. If you have an idea for a session and would like to submit a proposal for consideration by the Convention Review Committee, contact Heather Staverman at hstaverman@elfaonline.org.

WHO SHOULD ATTEND

Presidents, senior staff, marketing directors, division managers, sales directors and department directors will all find their experience at the annual convention rewarding.

LEARNING OBJECTIVES

After attending this conference, you will be able to:

1. Be aware of strategies that work best for you and recognize when to use them in your workplace.
2. Demonstrate the ability to make accurate equipment leasing decisions based on the content provided.
3. Learners will collectively have brainstormed, articulated, captured and addressed pertinent issues or concerns in their industry.

EXHIBIT OPPORTUNITIES AVAILABLE

For information on how your company can exhibit at this conference, contact Steve Wafalosky at (440) 247-1060 or stevew@larichadv.com.

**Attorneys email Janet Fianko at jfianko@elfaonline.org in advance of the conference if you would like to receive CLE credits for this conference.*



Conference Resource Center

Whether you didn't attend an event or attended but couldn't make it to all the sessions, the Conference Resource Center (CRC) ensures that you'll never miss out again! View session recordings and download materials for many of ELFA's outstanding conferences.

If you attended a particular conference, access to the archived sessions is free of charge. All others may obtain access to the session recordings for a nominal fee.

Go to: <http://elfa.sclivelearningcenter.com>. For questions about the Conference Resource Center, contact Alexa Carnibella at acarnibella@elfaonline.org or (202) 238-3416.

Get Credit!

CONTINUING EDUCATION CREDITS

CONTINUING PROFESSIONAL EDUCATION (CPE) CREDIT

ELFA is a recognized sponsor of continuing professional education with The National Association of State Boards of Accountancy and many State Bar Associations. Most of ELFA's conferences and workshops qualify for CPEs or CLEs and attendees will be able to receive credit toward their licensing requirements. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. For a complete list of approved accredited courses and credit hours, go to www.elfaonline.org/Events/CEC/.

CONTINUING LEGAL EDUCATION (CLE)

There are several ELFA conferences that qualify for CLE credits and attendees will be able to receive credits toward their legal education requirements. The ELFA Legal Forum has been approved by many State Bar Associations for CLE credits. For a complete list of approved states and credit hours for the ELFA Legal Forum, go to www.elfaonline.org/events/CLE.

CERTIFIED LEASE AND FINANCE PROFESSIONAL (CLFP) DESIGNATION

Attendees who possess the CLFP designation are required to maintain that designation in a variety of ways, including teaching and attending leasing and finance-related events. If you have your CLFP and wish to receive a certificate of attendance to get credit for attending or teaching at an ELFA conference or web seminar, please contact Janet Fianko at (202) 238-3420 or jfianko@elfaonline.org.

For **ALL** questions on CLFP or how to apply the credits on the certificate received toward your CLFP, please contact Ms. Reid Raykovich at (206) 535-6281 or reid@clfpfoundation.org.

If you have general questions regarding Continuing Education Credits, please contact Janet Fianko at jfianko@elfaonline.org.

**BE YOUR BEST FROM YOUR DESK!**

The ELFA Academy provides high quality, interactive training and resources in the essentials of equipment finance via online courses and web seminars.

**FUNDAMENTALS OF EQUIPMENT LEASING AND FINANCE**

BE THE BOSS with the NEW Fundamentals of Equipment Leasing and Finance Online Course!

Plus micro-lessons on: Introduction to Equipment Finance, Transaction Lifecycle, Leasing Law, Lease Accounting, Types of Finance, Delivering Winning Solutions and much more!

For questions, contact Alexa Carnibella at acarnibella@elfaonline.org or 202/238-3416

COMING SPRING 2018!

AUDIENCE

The Fundamentals of Equipment Leasing and Finance is designed for those new to the equipment leasing and finance industry. Those with more experience may use it as a reference tool.

FINANCIAL STATEMENT ANALYSIS

Developed in conjunction with Moody's Analytics, Financial Statement Analysis is the only course of its kind available specifically for LEASING credit and risk professionals. The course not only covers the fundamentals that all credit professionals need to know, but goes BEYOND to teach future-focused skills necessary in today's environment.

**MOODY'S
ANALYTICS**

AUDIENCE

Designed to help credit analysts, underwriters, portfolio managers and credit officers increase their proficiency in assessing risk and evaluating the creditworthiness of middle market companies through financial statement analysis in order to make thoughtful and well informed credit decisions.

For more information about these courses, visit the ELFA Academy Home Page: www.elfaonline.org/Events/eLearning/. For questions, contact Alexa Carnibella, acarnibella@elfaonline.org or (202) 238-3416.

PRINCIPLES OF EQUIPMENT LEASING AND FINANCE WORKSHOP

The Principles of Equipment Leasing and Finance workshop has been educating newly-hired personnel in the essentials of the business for more than two decades. This workshop helps your sales force become more confident when meeting with potential customers and provides your operations staff with a greater understanding of how the leasing and finance business works and where their individual responsibilities fit into the workflow.

This workshop is designed to teach the fundamentals of "business-to-business" commercial equipment leasing and finance for entry-level personnel and/or individuals with business experience who do not have a complete overview of the industry.

WHO SHOULD ATTEND

Newly-hired staff, new ELFA members, operations staff, sales personnel, marketing personnel, outside providers, lessees, vendors and manufacturers. **It is recommended that attendees have at least 3-6 months in their current position before attending.**

DATES AND LOCATIONS FOR PUBLIC WORKSHOPS:

April 17-19 • Milwaukee, WI
June 5-7 • Philadelphia, PA
September TBD

For additional information on the workshops, contact Alexa Carnibella at acarnibella@elfaonline.org

BRING THESE WORKSHOPS IN-HOUSE!

Hosting a workshop at your own facility gives you the flexibility and convenience to address specific learning needs of your employees, establish collective knowledge and a shared skill-set and achieve even your most challenging business goals. Our instructor comes to you and works with you to customize the content to your group's needs. If you've got at least 10 people to train, this might be a more affordable alternative for you.

Principles of Equipment Leasing and Finance Workshop – 2 days

The in-house *Principles* workshop helps employees become more valuable members of your corporate team. That means getting a full understanding of the basics of the business within the context of what is happening now in the marketplace. The agenda includes: Industry Terminology; Lifecycle of a Lease; Legal, Tax and Accounting Rules and Regulations; Types of Lease and Finance Transactions; Law and Documentation; Lease Accounting; Benefits of Leasing; Fraud Prevention and Detection and much more!

Beyond the Basics Workshops – 1 day

Beyond the Basics is an in-house workshop that takes attendees beyond their basic knowledge of the industry and immerses them in an intensive one-day, real-world case study. Current and anticipated changes in tax, accounting and legal areas impact the pricing and underwriting process, as well as the life cycle of the transaction from origination to termination. An in-depth analysis of an actual transaction, including pricing, three credit approvals and accompanying documentation will be covered during the workshop.

Want in-house training for your company? Contact Alexa Carnibella at (202) 238-3416 or acarnibella@elfaonline.org.

ELFA MOBILE EVENTS APP**ELFA EVENTS HAVE GONE MOBILE!**

The ELFA Events app provides event-specific access to items such as the attendee roster, a customized conference agenda, presentation handouts and much more, all in the palm of your hand. Visit www.elfaonline.org/Events/EventsApp for instructions on downloading and a video demo.



BE THE BOSS

with the **NEW** Fundamentals of Equipment Leasing and Finance Online Course!



Plus micro-lessons on: Introduction to Equipment Finance, Transaction Lifecycle, Leasing Law, Lease Accounting, Tax Rules, Types of Finance, Delivering Winning Solutions and much more!

COMING SPRING 2018!

For questions, contact Alexa Carnibella at acarnibella@elfaonline.org or (202) 238-3416

ELFA
EQUIPMENT LEASING AND
FINANCE ASSOCIATION

GET NOTICED!

MARKETING OPPORTUNITIES

ELFA offers a number of marketing opportunities including sponsorships and exhibits to put you in touch with a network of industry representatives who are valuable prospects.

CONFERENCE SPONSORSHIPS

ELFA offers a fantastic conference sponsorship program as an additional opportunity for industry providers to network with industry executives. As a sponsor, your company is showcased to decision-makers in all facets of the equipment leasing and finance industry. Many of the conference sponsorships offer creative and unique methods to showcase your company and we are always open to new ideas and suggestions from industry providers. Below is a list of conferences which offer sponsorship programs.

Equipment Management Conference & Exhibition

February 25-27, 2018

Executive Roundtable

March 11-13, 2018

ELFA Women's Leadership Forum

April 23-24, 2018

Legal Forum

May 6-8, 2018

Credit and Collections Management Conference & Exhibition

June 4-6, 2018

Operations & Technology Conference & Exhibition

September 17-19, 2018

Lease and Finance Accountants Conference & Exhibition

September 17-19, 2018

ELFA 57th Annual Convention

October 14-16, 2018

For more information about the ELFA conference sponsorship program and specific conference sponsorships, visit the ELFA website at www.elfaonline.org/pub/events/sponsor or contact Steve Wafalosky at steve@larichadv.com or (440) 247-1060.

EXHIBITS

Don't miss opportunities to showcase your company's products and services to key decision makers and influencers in the equipment leasing and finance industry. ELFA's conferences are tailored to unique audiences within the industry and so are our exhibit opportunities. Whatever your target audience, you're certain to get the most for your investment.

The following conferences offer exhibit booth or table top opportunities:

Equipment Management Conference & Exhibition

February 25-27, 2018

Credit and Collections Management Conference & Exhibition

June 4-6, 2018

Operations & Technology Conference & Exhibition

September 17-19, 2018

Lease and Finance Accountants Conference & Exhibition

September 17-19, 2018

ELFA 57th Annual Convention

October 14-16, 2018

Additional information regarding each conference and specific offerings for exhibit space including scope of attendees, booth cost, floor plans, specific booth details and more may be found in the Exhibit Prospectus for each individual conference. If you would like information on exhibiting at ELFA conferences, visit the ELFA website at www.elfaonline.org/Events/Exhibit or contact Steve Wafalosky at steve@larichadv.com or (440) 247-1060.

NON-MEMBER CONFERENCE ATTENDANCE POLICY

1. A non-renewing, **Regular Member organization** will be permitted to attend **one** ELFA conference as a non-member and pay the applicable non-member registration fee. If the company wishes to attend another ELFA conference thereafter, it must join as a Regular Member.
2. An organization that has never been a member of the ELFA and is qualified to be a Regular Member, is subject to the same attendance policy that applies to the non-renewing ELFA Regular Member: i.e., they will be permitted to attend **one** ELFA conference as a non-member and pay the applicable non-member registration fee. If the company wishes to attend another ELFA conference thereafter, it must join as a Regular Member.
3. New members will receive a discount (the difference between the non-member and member registration fee) toward their dues if they attend a conference as a non-member, pay the non-member registration fee and subsequently join ELFA within 60 days.

To learn more about ELFA membership and its benefits, please contact Julie Benson at jbenson@elfaonline.org or (202) 238-3432.

● ELFA AWARDS

ELFA recognizes the contributions of industry members through a number of awards. We like to recognize our members for many of the important contributions they make to the industry and these awards serve as a small way to show our gratitude and appreciation. Below is information about each award ELFA offers.



EQUIPMENT FINANCE HALL OF FAME

Recognizes individuals who have made unique, significant, or lasting contributions to the equipment finance industry throughout his or her career.

- Presented at the Chairman's Dinner during the ELFA Annual Convention
- Submission Deadline: April 1, 2018



OPERATIONS & TECHNOLOGY EXCELLENCE AWARD

Recognizing innovative uses of technology in the equipment finance industry

- Presented at the Operations & Technology Conference and Exhibition
- Submission Deadline: June 4, 2018



DAVID H. FENIG DISTINGUISHED SERVICE IN ADVOCACY AWARD

Recognizing extraordinary contributions to ELFA's federal and state advocacy programs.

- Presented at Capitol Connections
- Submission Deadline: March 9, 2018



THE MICHAEL J. FLEMING DISTINGUISHED SERVICE AWARD

Paying tribute to significant contributions to ELFA and the equipment finance industry.

- Presented at the ELFA Annual Convention
- Submission Deadline: June 25, 2018



EDWARD A. GROOBERT AWARD FOR LEGAL EXCELLENCE

Honoring extraordinary contributions to initiatives sponsored by ELFA and its Legal Committee.

- Presented at the Legal Forum
- Submission Deadline: March 26, 2018

For full details on each award,
please visit:
www.elfaonline.org/about/awards.

Rise to the challenges that life presents you. You can't develop genuine character and ability by sidestepping adversity and struggle.

—Daisaku Ikeda





Is Your ELFA Profile Complete?

Your ELFA profile is the place to showcase your industry expertise and make a great first impression to potential business prospects. Ensure your profile shows a complete picture of who you are.

Individual Profile

In addition to your contact information, job function and Business Council, don't forget to include your:

- *Photo*
- *Cell Phone*
- *Communication Preferences*
- *Email*
- *LinkedIn URL*
- *Job Title*

Company Profile:

Ensure others searching the ELFA member directory and the Equipment Finance Advantage website can easily connect with your business. Note: Only the key contact at your company may update the company profile. In addition to your company's contact information, please be sure to include your:

- *Website URL*
- *Company Description*
- *States with Employees or Physical Locations*
- *Twitter Handle*
- *Business Council*
- *LinkedIn Page*
- *Facebook Page*
- *Company Logo* 

Five easy steps to update your individual or company profile:

1. Visit the ELFA website at www.elfaonline.org.
2. Click on "User Login" in the top right corner of the page.
3. Click on "Account Tools" in the top right corner of the page.
4. Click on "Update My Information" (for individuals).
5. Click on "Update Company Profile" (for companies).

Questions? Contact membership@elfaonline.org

FEBRUARY

February 25-27

EQUIPMENT MANAGEMENT CONFERENCE & EXHIBITION

The Vinoy Renaissance St. Petersburg Resort
& Golf Club • St. Petersburg, FL

MARCH

March 11-13

EXECUTIVE ROUNDTABLE

The Ritz-Carlton Coconut Grove • Miami, FL

March 20

17TH ANNUAL IMN/ELFA INVESTORS CONFERENCE

Union League Club • New York, NY

APRIL

April 10-12

30TH ANNUAL NATIONAL FUNDING CONFERENCE

Swissôtel Chicago • Chicago, IL

April 10

BANK BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 10

INDEPENDENT BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 10

CAPTIVE AND VENDOR FINANCE BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 10

EMERGING TALENT NETWORKING EVENT

Swissôtel Chicago • Chicago, IL

April 23-24

ELFA WOMEN'S LEADERSHIP FORUM

DLL Headquarters • Wayne, PA

MAY

May 6-8

LEGAL FORUM

Omni Shoreham Hotel • Washington, D.C.

May 16-17

CAPITOL CONNECTIONS

The Washington Court Hotel • Washington, DC

JUNE

June 4-6

CREDIT AND COLLECTIONS MANAGEMENT CONFERENCE & EXHIBITION

Omni Royal Orleans • New Orleans, LA

June 19-20

TAX BEST PRACTICES ROUNDTABLE

Offices of PwC • Minneapolis, MN

JULY

July 18-19

EMERGENCE2018

Washington, DC

July 18

EMERGING TALENT NETWORKING EVENT

ELFA Headquarters • Washington, DC

SEPTEMBER

September 17-19

OPERATIONS & TECHNOLOGY CONFERENCE AND EXHIBITION

Loews Philadelphia Hotel • Philadelphia, PA

September 17-19

LEASE AND FINANCE ACCOUNTANTS CONFERENCE

Loews Philadelphia Hotel • Philadelphia, PA

September 17

EMERGING TALENT NETWORKING EVENT

Loews Philadelphia Hotel • Philadelphia, PA

OCTOBER

October 14-16

ELFA 57TH ANNUAL CONVENTION

JW Marriott Phoenix Desert Ridge Resort
& Spa • Phoenix, AZ



ELFA MOBILE EVENTS APP

ELFA events have gone MOBILE! The ELFA Events app provides event-specific access to items such as the attendee roster, a customized conference agenda, presentation handouts and much more, all in the palm of your hand. Visit www.elfaonline.org/Events/EventsApp for instructions on downloading and a video demo.



CONFERENCE RESOURCE CENTER

ELFA's Conference Resource Center is your online portal to educational content from ELFA's conferences. View conference sessions virtually and access speaker handouts, audio streaming presentations, MP3 downloadable files and more. To learn more go to: elfa.sclivelearningcenter.com.



The ELFA Academy provides high-quality, interactive training and resources for you and your staff. For a complete listing of the online self-study courses and web seminars available through the ELFA Academy, go to: www.elfaonline.org/Events/eLearning/.

PRINCIPLES OF LEASING AND FINANCE WORKSHOP

ELFA instructors have been introducing equipment finance company employees to the basics of the business for three decades. For workshop details, visit www.elfaonline.org/events/.

Dates and locations for Public Workshops

April 17-19 — Milwaukee, WI

June 5-7 — Philadelphia, PA

September TBD

If the 2018 dates and locations do not fit your schedule and you have 10 or more employees you would like to send to the workshop, ELFA can bring the workshop to you. Contact Alexa Carnibella for further details and pricing, 202-238-3416 or acarnibella@elfaonline.org.

For the latest information and updates go to:
www.elfaonline.org/events/calendar/

The 17th Annual Investors' Conference on Equipment Finance

March 20, 2018 | New York, NY

150+ ISSUERS & INVESTORS ALREADY CONFIRMED!

IMN, along with the Equipment Leasing and Finance Association (ELFA), will host the Annual Investors' Conference on Equipment Finance on March 20, 2018 in New York City. This one day event focuses on educating investors and equipment finance companies about the latest industry trends and developments.

As many companies broaden their focus to include all kinds of equipment finance and related services that present strong opportunities for sustained growth, there has never been a better time to hear from expert speakers in the equipment finance sector. The 2018 event will include extensive coverage on outlook for the year ahead, structural and legal challenges, risk management, capital markets and transportation finance.

Featured Keynote Speaker:



Augustine (Gus) Faucher
Chief Economist
PNC Financial Services Group

Program Advisory Board Members Include:

- Julie Schlueter, *Manager, Capital Markets,*
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Financing & Investor Relations,
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- Evan Wilkoff, *Executive Vice President -*
Capital Markets, **Ascentium Capital LLC**
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Atalaya Capital Management LP
- Fred Wang, *Portfolio Manager,*
Hudson Cove Capital Management

www.imn.org/equipment

For sponsorship opportunities, contact Chris Arnold at carnold@imn.org or 212-901-0544

EQUIPMENT

*Shorter market cycles,
advancing technology
and regulatory compliance
keep equipment managers
paddling as fast
as they can*

By Susan L. Hodges



IMAGES: SHUTTERSTOCK

MANAGEMENT

in Transition

VALUES MAY BE FLAT AND DEMAND FOR NEW INVENTORY LACKLUSTER, but anyone

characterizing equipment management as “ho-hum” in early 2018 would be mistaken. Market cycles are contracting and deals are expanding. Automation is revolutionizing manufacturing and agriculture, and compliance requirements are roiling the appraisal business. Meanwhile, much equipment remarketing has moved online, where auctions can be held anytime and the selling prices posted soon after. Amid this fury of change, equipment managers are doing what actor Michael Caine once advised: “Be like a duck—calm on the surface, but always paddling like the dickens underneath.”



"Equipment management is in a transition," confirms Kim Esposito, Managing Director, Asset Management Services for The Alta Group in Clearwater, Florida. "We're learning to accommodate changes in the regulatory arena that shorten lease terms, affect return and maintenance provisions, increase audit frequency and influence other basic tenets of the leasing industry."

In short, every aspect of the business is changing, including the equipment—and values are at the heart of the challenge. "Equipment managers have always been concerned with the accuracy of equipment values, especially residual values," Esposito says. "But with new equipment technologies introducing obsolescence risks in historically staid industries such as plastics, medical and machine tools, it takes equipment management experience to identify the new depreciation cycles when there is no supporting marketplace data."

Steve Robbins, Managing Vice President and Director of Asset Management at Signature Financial in

"Generally, values have remained flat for 2017, but one of the biggest challenges is to identify the market cycles, and there have been changes."

Steve Robbins, Signature Financial



Melville, New York, agrees. "Generally, values have remained flat for 2017, but one of the biggest challenges is to identify the market cycles, and there have been changes," he says. "Some are still very predictable, but there are a number that have changed due to such occurrences as 9/11, the Great Recession and natural disasters. If anything, cycles have shortened."

Liz Jaramillo, Vice President of Asset Management at Key Equipment Finance in Superior, Colorado, anticipates that residual values will be a stressor in early 2018. "There is a great deal of competitive pressure toward more aggressive residuals," she says. "I expect that we will continue to have to weigh the economics of competing for deals that provide less upside at the end of the lease."

Mark Loken, Vice President, Credit, at Farm Credit Leasing Services Corporation in Minneapolis, says chronically low rates and flat yields add that much more pressure for companies to increase residual values to win new business. "That's the hard part of this—the fine line between maintaining prudent portfolio risk positions and seeing if you can stretch on a bigger residual position to win a specific deal," he says. "Residual pressure will always be there because pricing pressure is in the here and now, and with residual risk you won't necessarily realize you have a problem for several years down the road."



The Auction Aspect

At least one development is helping equipment managers determine values, however, and that's the growth and advancement of online auctions. Last year, Vancouver, B.C.-based Ritchie Bros. Auctioneers purchased competitor Iron Planet, expanding Ritchie Bros.' reach into different areas of equipment marketing and growing its Internet sales. "We're moving more aggressively into the Internet-direct market space, and Iron Planet dominated this," observes Wade Whitenburg, Strategic Accounts Manager. "Iron Planet's name recognition and specific technology for the platform, blended with Ritchie Bros.' reputation for the live unreserved sale, now gives us three separate platforms for equipment sales."

Live auction sales that are unreserved and held around the world constitute the first platform. An online listing site that solicits bids on



"Compliance requirements now dominate equipment management for banks."

Wade Whitenburg,
Ritchie Bros.

Signature Financial's Robbins also credits increased access to auction-company data for improved equipment valuations. "There's more data available now, and by studying the sale prices, the asking prices and specific equipment descriptions, equipment managers can whittle the information down to apply to a specific piece of equipment or asset type as a whole," he says. "Everyone does it differently, but having all of these data points, as well as our own databases and historical results, is extremely helpful."

Upheaval in Appraisals

For banks, however, independent, third-party equipment valuations are crucial to compliance because regulators view them as proof of asset values. Independent lessors also rely on appraisals in managed-solution transactions to separate equipment hard costs from services when valuing the

equipment portion of the deal. But Whitenburg and Esposito say much of the compliance burden falls on appraisers themselves.

"Compliance requirements now dominate equipment management for banks," says Whitenburg. "But the many different ways that banks and their attorneys interpret what they have to do to be compliant doesn't necessarily accommodate business, and that's made it difficult for equipment managers to get independent, high-quality, third-party, market-value appraisals on the assets they deal with."

Whitenburg says that now, smaller independent appraisers and appraisal companies often decline to take on bank business due to onerous paperwork and liability requirements. "It puts equipment managers in a tough situation because they can't employ appraisers they trust and have worked with for decades because of the new regulations," he says.

That means companies offering appraisals that can meet compliance requirements now enjoy a competitive advantage. But,



equipment featured on the site for a week to 10 days composes the second platform, and Iron Planet, which retains its name on the Ritchie Bros. website, serves as the third platform, enabling online purchases. Iron Planet listings are accompanied by inspection reports filed by Iron Planet inspectors and a certification that "what you see in the inspection report is what you really get."

Loken finds the after-sale information particularly useful. "The sale results from auctions are a lot of help," he says. "Our remarketing associates analyze those and retail asking prices to estimate what we can get for used equipment today and how best to remarket specific units. At the same time, our equipment managers are using similar data to help establish and examine depreciation curves in an effort to forecast value for specific equipment types. Today's values are used as a barometer by both groups."

"There is a great deal of competitive pressure toward more aggressive residuals. I expect that we will continue to have to weigh the economics of competing for deals that provide less upside at the end of the lease."

Liz Jaramillo, Key Equipment Finance



as Esposito says, the traditionally solid lines separating appraisals, remarketing and auctions are blurred, and the change is being felt by the entire equipment finance industry. "We've experienced a significant increase in appraisal work for refinancing, loans and sale/leaseback transactions, particularly for construction equipment, process equipment and transportation assets," she says. "In addition, there's been a notable increase in appraisals for end-of-term negotiations and legal-support valuations." Ritchie Bros. has also inherited increased appraisal work because the company can demonstrate compliance capability through its size, scope "and fortitude to work through the processes," Whitenburg says.

"We're learning to accommodate changes in the regulatory arena that shorten lease terms, affect return and maintenance provisions, increase audit frequency and influence other basic tenets of the leasing industry."

Kim Esposito, The Alta Group



Hot Markets

Despite all the changes, equipment markets continue to rise and fall, reflecting dynamics in the economy. Among the markets Jaramillo expects to be strong this year are heavy-duty trucks and trailers, cybersecurity software, renewable energy and machine tools.

"Class 8 orders steadily increased in 2017 and should remain strong for the first half of this year," she says. "And regulators are considering more aerodynamic requirements and tire-monitoring equipment for trailers, both of which will increase fuel economy." Meanwhile the cybersecurity industry has begun introducing new products and fixes every few months to combat new threats and ransomware, Jaramillo says. And solar energy should remain hot because applicable tax credits won't begin to diminish until 2020. The wildcard: a potential tariff on imported solar panels. "The Chinese are reportedly flooding the U.S. marketplace with solar panels, and a suit has been filed," Jaramillo says. "There's a possibility that a tariff will be imposed."

The machine-tool market is strengthening as additive manufacturing and metal-cutting experience growing demand, particularly in aviation. "Additive manufacturing is much like 3D printing but uses metal instead of plastic," explains Jaramillo. "It's an up-and-coming technology, and we think the automotive and aviation markets will drive its growth in 2018."

Esposito adds a qualifier. "The present additive manufacturing market is limited by high machine costs and lack of a trained labor pool," she says. "But Michigan, Indiana and Ohio are teaming up with universities, industry trade associations and manufacturers to provide the needed specialized education and training."

In manufacturing generally, Esposito sees a shift to flexible, automated systems that use one machine to manufacture several products. "The goal in many industries is to create closed-loop manufacturing facilities in which product changeovers will be governed by sophisticated control and software systems, minimizing the human factor," she says. "The largest challenges to equipment manufacturers will be machine



Five Reasons to Not Miss the 2018 Equipment Management Conference

1. **Network** with your peers and industry colleagues.
2. **Learn** about industry trends and developments at educational sessions.
3. **Inspect** equipment.
4. **Tour** equipment facilities and gain insight into a variety of equipment.
5. **Visit** the exhibition and discover essential products and services.

Get all the details about this event, Feb. 25–27 at the Vinoy Renaissance in St. Petersburg, Florida, at www.elfaonline.org/events/2018/EMC/.

speeds, product-changeover efficiencies and the willingness of end-users to pay for the technology upgrades.”

Robbins says Signature Financial realized growth in 2017 in all Signature Financial direct and indirect equipment finance business lines as well as in its specialty vehicle, franchise, commercial marine and municipal funding origination channels. He expects that growth to continue this year and thinks construction and over-the-road equipment will be particularly hot, “as long as the economy remains sound and rebuilding after the hurricanes continues,” he says. Both sectors could get a further boost if Congress passes an infrastructure spending bill. “But, of course, that’s a wait and see,” he adds.

Robbins also thinks the oil, gas and mining equipment markets could rise this year, “but up is the only direction they can go since hitting the dumps in late 2014 and ’15,” he says, adding, “That drop was like walking off a cliff.”

Loken doesn’t anticipate any hot markets in agricultural equipment, but he voices mild optimism nonetheless. “Ag equipment resale values are still pretty soft and cap-ex related to farm implements and production equipment is still low, so we tend to see a fairly high supply of equipment for sale and falling prices, due to the low demand,” he says. “But one positive is that much of this equipment is consumable. Tractors, harvesters and sprayers last five to seven years. You can run them longer than that, but if you do the maintenance costs go up. So we’ll probably start to see some replacement expenditures increasing next year.”

What excites Loken is agriculture’s increasing adoption of technology. “We’re starting to see more and more GPS (global positioning systems) in sprayers and tractors, and we expect to have ‘operator-less’ tractors soon,” he says. Technology in dairies has increased significantly, and robotic milking machines are seeing increased acceptance, although they’ve been available for a while. “Because agriculture continues to be in a downturn, more farmers and ranchers are looking for efficiencies,” Loken explains. “When commodity prices were high, our customers weren’t necessarily looking for ways to cut expenses. But it’s



“We’re starting to see more and more GPS in sprayers and tractors, and we expect to have ‘operator-less’ tractors soon.”

Mark Loken, Farm Credit Leasing Services Corporation

more important now to become efficient to get back into profitability—and technology is one way to do that.”

Other Issues

Technology adoption aside, Loken worries how tax reform and impending changes in lease accounting rules will impact equipment management. “These things are first on our watch list to see how they’ll affect the appetite for leasing,” he says. He expects lease accounting changes to result mainly in questions from customers and their CPAs, but he voices concern that new tax legislation may change how equipment finance companies conduct their business.

Jaramillo expects that the new lease accounting requirements may result in some early terminations, restructures and perhaps exercising of early buyout options for deals already on the books. “Lessees will probably ask us to help alleviate their balance-sheet impact by coming up with restructures,” she says. For new business, she expects shorter-term deals with more aggressive residuals.

Robbins, meanwhile, frets about perpetuation. “There’s not much bench talent available, and a lot of us have been doing this for a long time,” he reflects. He knows that, for many, interest in equipment management pales beside interest in money management. But he hopes ELFA’s Emerging Talent Program will introduce new college graduates to this highly varied work. “We’re involved in every aspect of the business, from structuring deals to portfolio management to selling equipment,” he says. “Our work keeps us active, involved and stimulated—never a dull moment, and very rewarding.” ☰

SUSAN HODGES writes about equipment finance and other business topics from her office in Wilmette, Ill.

Building Toward the Future

ELFA's new Chair brings broad experience and entrepreneurial know-how to the role

ASSUMING A LEADERSHIP ROLE AT A LARGE ORGANIZATION IS CHALLENGING IN NORMAL TIMES. Those challenges are multiplied when you're taking the helm of an association representing a \$1 trillion industry during a time of business and tax policy uncertainty and change.

But ELFA's new Chairman, David T. Schaefer, is ready for what's ahead. Schaefer, who is CEO of Mintaka Financial, LLC in Gig Harbor, Washington, brings a combination of broad financial services experience and entrepreneurial know-how to his new post.

A seasoned industry veteran and entrepreneur, Schaefer says he "likes to build things." He founded his first company, Checkmate Certified Collections, a consumer and commercial collection agency, in 1975. Since then, he has founded, co-founded or led at least three other companies in the equipment finance sector, ranging from a major broker funding organization to a lease and loan primary servicing company to an independent, small-ticket finance company. His wide-ranging experience gives him insight into ELFA's various membership sectors and the challenges they face.

Strength Through Members

For the coming year, Schaefer has a few key areas of focus. He sees the strength of ELFA in its far-reaching and influential membership and will work to use the power of members' grassroots advocacy efforts in tandem with the organization's advocacy both in Washington, D.C., and in their home states. As the nation grapples with sweeping changes to tax law that could affect both members and their customers, he says the organization needs every voice it can muster to ensure that legislators understand the impact of each change.



David T. Schaefer

"Capitol Connections and the visits we make on Capitol Hill to the Senate, the House and committees like the Finance Committee are important. We'll also need to keep the line of communication open with the agencies that we have relationships with, particularly the Consumer Financial Protection Bureau," he says. Building a base of members who are willing to speak out on behalf of the industry is an important goal for him.

New Voices, New Insight

Another key theme of his tenure will be diversity. Schaefer says the diversity

within the organization's membership is a strength to be leveraged. "I want to make sure that we are, as an association, representing all of the segments of our industry: the small independents, the banks, the captives, the service providers. My job is to be sure that all of those voices are heard," he says.

He also believes the association needs to foster more diversity within its ranks. Schaefer will continue to emphasize the importance of the Emerging Talent Advisory Council, which was created to develop the next generation of industry leaders, and the Women's Council, which focuses on recruiting and developing women in the industry. This, again, is where the power of individual members becomes important, Schaefer says. As member companies begin to focus on recruiting and developing new talent into leadership roles, including more women, people of color, people with disabilities and other underrepresented groups, the industry as a whole will benefit by bringing new voices, ideas and insight to members.

"Having a diverse workforce and leadership is actually something we have to do because it makes us more competitive. It's been proven that having diversity across a company is actually a very positive way to help your company grow and be successful," he says. Schaefer's wife, Barbie Schaefer, is also part of the industry, as the head of human resources at Orion First Financial.



Schaefer on stage at the ELFA Annual Convention

A Long History

Schaefer has been an active participant in ELFA since his days running his first company. He served on the ELFA Board of Directors for the past decade as a Director and Vice Chairman as well as Chair of the Board's Working Group on Electronic Documents. He also chaired the LeasePAC Committee in 2014, representing the industry's federal political action committee. He was a Board liaison to the Small Ticket Business Council Steering Committee from 2008 to 2012 and Chair of the committee from 1999 to 2000. He also served on the Membership Committee and has been active with the Equipment Leasing & Finance Foundation, participating in the Foundation's Industry Future Council, an annual meeting of industry executives exploring trends, challenges and opportunities in the equipment finance sector.

Through his experience within ELFA and with outside organizations—he has served on the Board of Directors of the United Association of Equipment Lessors, now the National Equipment Finance Association—Schaefer has a good sense of how the business is evolving. New competition is coming from outside traditional financial institutions. New technologies, peer-to-peer lending and even major online sellers are all having an impact on the equipment leasing and financing market. Schaefer believes that ELFA needs to

be championing technology development that helps members improve the customer experience and drive down costs to help members facing this new competition.

He believes the time is ripe for equipment finance companies to consider converting to electronic documentation, including the use of electronic chattel paper, and will continue to champion the association's e-leasing initiative, which educates members about the benefits of digitizing lease and finance transactions. "The adoption of electronic documents and electronic chattel paper is an important advancement in transacting business," he says. "It's time for our industry to use these tools to increase efficiency, lessee satisfaction and competitive advantage."

Building a Bright Future for ELFA

While the industry is in a period of possible change, it's also in a period of enormous opportunities, Schaefer says. He encourages members to turn to ELFA's staff, resources and membership to maximize those opportunities. One of the

most powerful things members can do to help both the organization and themselves is to get involved, he says.

"The relationships you get out of being involved are an amazing payoff. I've been able to work with and learn from so many people that I never would have had the opportunity to meet as an independent up here in the Pacific Northwest, doing my own thing," he says.

Schaefer realizes he has a big job ahead in the coming year. He was brought up in an Air Force family and his father was one of the 52 hostages held in Iran from 1979–1981. The experiences he gained from moving constantly during his childhood, adapting to change and facing adversity have influenced him significantly.

While he doesn't have much time for hobbies, the focus of his attention outside of work include his family and being outdoors, particularly camping, hiking and golf. Schaefer has four adult children and three grandchildren relatively close to his Pacific Northwest home. All of his children are outdoor enthusiasts and one of his sons is a world-class rock climber, who is now a photographer working as an ambassador with the outdoor gear company Patagonia.

Schaefer speculates that they may have gotten some of their appetite for risk from being exposed to entrepreneurship

when they were growing up.

"I'm a builder. I probably would have been a great general contractor. I like working with people. I like having a project. I like seeing it through to the finish," he says. It sounds like his role as ELFA Chair will suit him perfectly. ☰



Schaefer and his wife Barbie

GWEN MORAN is a New Jersey-based freelance business and finance writer.

A Vision for

Board of Directors Approves New Strategic Plan

By Amy Vogt

ELFA is rolling out a new Strategic Plan that will guide the association's activities and priorities over the next three years, from 2018 through 2020. At the Annual Convention in October, the Board of Directors approved the plan and President and CEO Ralph Petta shared highlights with the membership.

The new plan was developed over the past year from listening to members and collecting a wide range of insights from industry stakeholders to ensure that the association will continue to respond to members' needs; provide programs, products and services to help members succeed; and support and advance the equipment finance industry moving forward.

the Future

First Step: Member Impact Study

As a first step in the strategic planning process, ELFA conducted a comprehensive Member Impact Study to assess how the association is meeting member needs. The association retained a top-notch market research firm to conduct this critical assessment for the association, guided by a diverse working group of ELFA leaders. Using a number of techniques, including in-person and phone interviews in fall 2016 and an online survey in early 2017, the study asked a broad range of members—and some nonmembers—about their business challenges, and whether and to what extent the association is helping them deal with these pressures.

Next Step: Strategic Planning

The Member Impact Study revealed that member satisfaction is high overall. It also identified a number of areas where ELFA can further advance the value proposition it offers to members. Using the study findings as a guide, the association's leadership and staff held a series of strategic planning sessions throughout 2017 to establish a strategic direction for delivering on that value proposition.

Strategic Plan Highlights

The 2018–2020 ELFA Strategic Plan identifies five strategic priorities:

- Member Engagement
- Training/Education
- Advocacy
- Industry Awareness and Development
- Research

Each of the five priorities includes a series of vision statements and strategies. While not a comprehensive list of *all* the association's activities, the plan identifies key initiatives the association has targeted for the next three years. Highlights include—but are not limited to—the following:

■ **Member Engagement** – Leverage the Emerging Talent Advisory Council to engage industry employees in the association early in their careers and foster opportunities for professional development and networking,

and leverage the ELFA Women's Council to expand opportunities for professional development, networking and career growth among female members. All members will have a positive impression of the ELFA value proposition and be able to articulate it to others.

■ **Training/Education** – In response to a desire among the membership for enhanced education and training opportunities, overhaul online course offerings and enhance training opportunities for early- and mid-career professionals. Members will look to ELFA as the premier provider of industry-specific training and development delivered in multiple formats and suitable for all career stages.

■ **Advocacy** – Foster and promote opportunities for ELFA members to create ongoing relationships with their members of Congress. Policymakers and stakeholders will be aware of the impact of the equipment finance industry on the U.S. economy, and ELFA members will be well versed in the association's advocacy priorities and value.

■ **Industry Awareness and Development** – Communicate the value of equipment finance to end-users across key channels. Businesses of all sizes will be aware of the benefits of equipment finance and choose to finance equipment, and the news media will turn to ELFA as the recognized voice of the equipment finance industry.

■ **Research** – Deliver research in a dynamic and accessible format. ELFA's research offerings will help members make better decisions and improve their business processes and performance.

Read the Full Plan

To get all the details, read the 2018–2020 Strategic Plan on the ELFA website at www.elfaonline.org/about/about-home/elfa-strategic-plan. ☰

AMY VOGT is ELFA Vice President of Communications and Marketing.



Game Changer

ELFA Debuts Dynamic Data

Introducing the Interactive Survey of Equipment Finance Activity

By Amy Vogt

ELFA IS INNOVATING ITS RESEARCH OFFERINGS to deliver data to you in a more accessible and dynamic format. As part of this effort the association has launched a new online edition of the venerable Survey of Equipment Finance Activity (SEFA).

The new interactive SEFA dashboard debuted at the 2017 ELFA Annual Convention and is now live on the ELFA website at www.elfaonline.org/interactive/SEFA. Try it out today and get ready to interact with the most important source of industry data in ways you never have before.

Unleash the power of the equipment finance industry's most important source of data!

View 10 Years of SEFA Industry Benchmarks

The online dashboard features 10 years of historical SEFA Industry Benchmarks, including key findings from the executive summary of the report stretching back to 2006. The benchmarks include such data as:

- New business volume growth
- Headcount
- Yield/spread/costs of funds
- Financial ratios
- Assets under management
- Delinquencies and losses
- New business volume by state

In just a few clicks, you can query the data by all of these metrics and more. The user-friendly platform—which employs the visual analytics software program Tableau—makes it easy to segment the data by year, type of organization, market segment, size of organiza-

tion and business model. Just select categories, add filters and drill down into specific information. You can:

- Connect to the data you care about
- Explore and analyze data in seconds
- Benchmark your company against others in the industry
- Find your own insights and uncover trends
- and more!

The SEFA interactive dashboard is free and it is only available to ELFA members. In addition to the new interactive dashboard, the traditional 300-page 2017 SEFA Report and Small-Ticket Breakout are still available at www.elfaonline.org/SEFA. While the new dashboard provides 10 years of executive summary data, the full report provides comprehensive performance metrics for 2016.

What the Future Holds

"We're very excited to roll out this new tool for members," said Bill Choi, ELFA Vice President of Research & Industry Services. "Expanding the SEFA from a static report to an interactive dashboard allows users to take a deeper dive into the data. Whether you're wondering about industry trends or looking for new business opportunities, the new online SEFA lets you view this rich data set in a new way. We truly believe this is a game changer."

Choi adds that the ELFA Research Committee hopes to expand this effort, offering additional association data sources in an interactive, online format in the future. Stay tuned! ☰

For more information about the SEFA, including how you can participate in the survey, please contact Bill Choi at BChoi@elfaonline.org.

AMY VOGT is ELFA Vice President of Communications and Marketing.

Keeping Pace with Change



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Attendees: Watch for information on how to register for the National Funding Conference at the ELFA website: www.elfaonline.org

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Helping the
Industry Meet
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Do *YOU* Have What It Takes To **BE THE BOSS?**

Find out with the new
**Fundamentals of Equipment Leasing
and Finance online course!**

By Alexa Carnibella

THERE'S NOTHING QUITE LIKE HANDS-ON EXPERIENCE TO LEARN NEW SKILLS, and although we can't give you the ultimate promotion to the corner office, we can give you the opportunity to run your own (fictional) equipment finance company. In spring 2018, ELFA will debut the redesigned and improved Fundamentals of Equipment Leasing and Finance online course where you, the learner, will run the show in the new "Be the Boss" game.



The new Fundamentals course engages users through "gamification."

What's in a Game?

Perhaps you've heard the term "gamification." Gamification is "the application of gaming...to real-life tasks to influence behavior, improve motivation and enhance engagement."¹ If done correctly, it leads to higher learner engagement and turns bored, disconnected learners in to engaged participants. By allowing you to "be the boss," you can take chances and make mistakes in a risk-free environment.

As the head honcho of Strategic Equipment Leasing and Finance, Inc. (SELF), you'll guide two of your customers through the entire lifecycle of the transaction—from origination to termination. You'll field requests and questions from existing clients—all the while consulting with your fictional colleagues in sales, credit, pricing, documentation, portfolio management, finance, collections and asset management. You'll identify what we call the "4 Ps" for each step in the lifecycle:

- **Purpose:** What is the purpose of this step?
- **People:** Who are the people involved?
- **Policies:** What are the policies that apply in this step?
- **Paperwork:** And, finally, what paperwork (documentation) is needed in this step?

It's all designed to demonstrate how each step in the lifecycle is crucial to meeting your customer's needs and making your company a success.

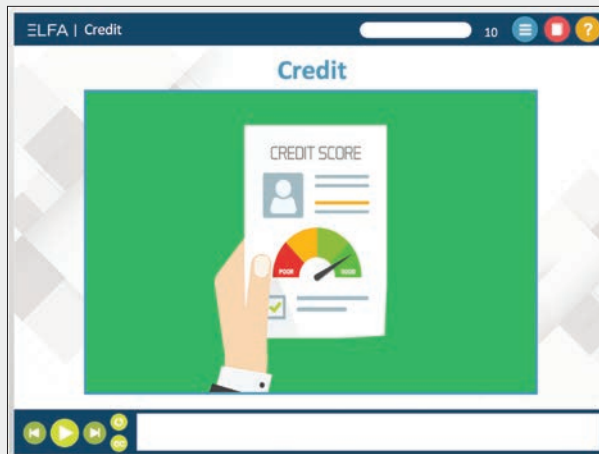
You'll be rewarded for guiding your customers to the best option for them, level up when you've earned enough points and learn what's involved in the day-to-day operations of an equipment finance company in the process!

Micro-Lessons Cover a Lot!

And while the "Be the Boss" game is the star of the show in the new Fundamentals of Equipment Leasing and Finance course, it also features seven micro-lessons (8–10 minutes each) that cover the vital information that someone new to the industry needs to know. Keeping the content in short, "bite-sized" pieces "allows the brain to more easily digest new information."² Learners can take the micro-lessons in any order or can pick and choose which they'd like to take. After each micro-lesson, learners earn a badge that can be shared on social media.

Topics include:

- Introduction to Equipment Leasing and Finance
- Origination Phase of the Transaction Lifecycle



The course features seven micro-lessons that cover vital information.

- Administration and Termination Phases of the Transaction Lifecycle
- Leasing Law
- Lease Accounting and Federal Tax Policy
- Types of Finance
- Creating Successful Solutions

Put Employees in Charge and Reap the Benefits

You want your employees to feel engaged. You want them to have the skills and information they need to hit the ground running as quickly as possible. According to the 2017 State of the Global Workplace Gallup Poll, 70% of the U.S. workforce is not engaged in the workplace—that leaves companies like yours at risk of losing valuable employees (and, in turn, revenue).

The new Fundamentals course is designed with your new hires in mind and can become a valuable onboarding and training tool in your overall engagement and retention strategy. Keep an eye out for its debut in Spring 2018! For questions, contact Alexa Carnibella, Director of Professional Development, at acarnibella@elfaonline.org. ☰



ALEXA CARNIBELLA is ELFA Director of Professional Development. For more information contact acarnibella@elfaonline.org.

Endnotes:

1. <https://www.cappgemini.com/2012/03/gamification-for-your-company/>
2. http://thelearningcoach.com/elearning_design/chunking-information/

A

T THE ANNUAL CONVENTION IN OCTOBER, ELFA President and CEO Ralph Petta announced the launch of the **ELFA Hurricane Relief Hunger Project** to support hurricane relief efforts in Texas, Florida and Puerto Rico. The association launched this project in partnership with Feeding Children Everywhere (FCE), a charity that empowers and mobilizes people to assemble healthy meals for hungry children.



At the Annual Convention, ELFA members packed 20,000 meals for children and families in Puerto Rico.

A number of ELFA members encouraged the association to launch this initiative to help those affected by the devastating hurricanes of 2017. One of those members was Ricardo E. Rios, Vice President of CEFI, an independent equipment finance company headquartered in Puerto Rico. Rios sent the association an email voicing his concerns about the dire situation on the island. He wrote, in part:

Aid is arriving to Puerto Rico but there are enormous logistical problems to get the aid to the people most in need. Regardless of the amount of aid arriving and logistical issues being solved, Puerto Rico will need a lot and it will take a very long time for Puerto Rico to resemble what it was prior to Hurricane Maria. For this reason, I am reaching out to request that we at ELFA come together to assist Puerto Rico by setting up a Puerto Rico relief efforts fund, and hope we can use ELFA's communications platform and upcoming Convention to raise as much monetary support possible for the island.

This request, and several other requests from members concerned about the impact of the storms, inspired ELFA to take action. The association worked with FCE to set up a special website—which was featured on the association's homepage and promoted through the

association's communication channels—to accept financial contributions to the ELFA Hurricane Relief Hunger Project. Members of the equipment finance community stepped up and generously donated a total of \$8,138 through the end of November. ELFA matched that donation, bringing the total contribution to \$16,276. All funds raised supported children and families in hurricane-devastated areas.

In addition, during the Annual Convention, members supported hurricane relief efforts by participating in a community service project with Feeding Children Everywhere. Member volunteers packed 20,000 healthy meal kits that were

shipped to children in need in Puerto

Rico. Thanks to the generosity

of ELFA sponsors, as part

of the community service

project, the association

donated an additional

\$11,000 to support the

Feeding Children Every-

where Puerto Rican hur-

ricane relief effort, which

worked with FEMA to dis-

tribute 4.4 million meal kits

to children and families in the region.

Ricardo Rios expressed his appreciation for the efforts of ELFA members. "It is a true testament to the strength and character of our association when we not only come together to network and conduct business, but consistently support non-profit organizations and react promptly to catastrophic events," said Rios.

"We are grateful for the support from ELFA toward critical meals for Puerto Rico in the wake of Hurricane Maria," said Daniela Farinas, Regional Manager of Feeding Children Everywhere. "At Feeding Children Everywhere we practice the vision that 'Together we can achieve a Hunger-Free World.' Support from partners like ELFA make that vision a reality."

ELFA thanks all the members who contributed their time, effort and financial assistance to this initiative. ■

AMY VOGT is ELFA Vice President of Communications and Marketing.

Members Donate Generously to Hurricane Relief

By Amy Vogt

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For more information, please contact Alexa Carnibella at acarnibella@elfaonline.org



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How to Move Beyond NDA Negotiations and Start Doing Deals

IN YEARS PAST, most funders had unique forms of nondisclosure agreements (NDAs). Funders would find themselves negotiating before a business relationship even started and the routine process of getting NDAs signed became more difficult. A decade or so ago, the industry moved to some very common provisions and NDA forms. Recently, a number of challenging provisions have resurfaced. This article identifies a few of the more material issues and suggests solutions. The goal is to efficiently conclude NDA negotiations so the parties can move on to the important thing, doing business together.

NDA Terms. Most funders take confidentiality very seriously and develop processes to protect confidential information. Understandably, funders want to limit NDA terms rather than having indefinite obligations. Truth be told, much confidential information grows stale over time. This is especially true for certain financial data (but would not be true for a company's secret sauce recipe). Therefore, lengthy terms are often not needed. However, in some instances a 1-year term may be insufficient. Finding the balance is an art, but 2- or 3-year terms are commonly used. If certain information has particular sensitivity, a separate timeframe should be considered.

Scope. When determining the scope of confidentiality, most funders prefer a limited scope of information to be exchanged (and therefore protected under the NDA), namely, only the most salient information. This would typically include financials, relevant data and other business analyses that would be most relevant to begin discussions. Many NDAs, however, have become incredibly inclusive and contemplate trade secrets, patent applications, manufacturing technology, etc. For funders, information with such a broad scope is not only irrelevant, but also burdensome to keep confidential. A practical solution is to narrow the scope to only information reasonably needed to begin discussions. Later, if needed, the scope can always be amended.

Destruction of Information. At the end of the NDA term, it is commonplace to have the parties destroy or return confidential information to the counterparty. In this digital age, however, it is practically impossible to destroy all copies of information, especially copies backed up in the ordinary course of business, wheth-

er in a cloud or hard drive. Companies are not only protective about information, but also wary of losing it. Perhaps due to an abundance of caution, files are duplicated on a regular basis to ensure that no important information is lost. A practical middle ground is to maintain the confidentiality of any data automatically backed-up on IT servers in the ordinary course. Such information would remain subject to the NDA for so long as such information is retained.

Trade Secrets. Companies view trade secrets as sacrosanct and want them always protected. However, indefinite periods are problematic for funders. One solution is to simply carve out trade secrets from the information to be disclosed. The NDA term would thus not be an issue. Another option is to require that all confidential information be marked as "confidential." The parties can then monitor that trade secrets are not actually exchanged. A third option is to use a separate term for trade secrets (e.g., a 2-year term generally, but with a longer term for trade secrets). The funder can then build operational processes around protecting this limited bucket of information.

Specific Performance. Another sensitive topic involves injunctive relief. An injunction is a court order requiring an individual/entity to do or not do some action. A typical provision provides that any threatened NDA violation *may* cause irreparable injury to the other party, entitling such party to seek an injunction in addition to legal remedies. Some parties seek to change "may" to "shall." This confuses the underlying rationale for an injunction. It is a discretionary remedy used in very limited cases to change or maintain the status quo to pre-

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vent irreparable harm. The court weighs whether the harm is irreparable and can be later compensated with damages. This is very fact-specific and focuses on the foregoing balance. Requesting a party to agree up front that a threatened violation categorically will cause irreparable injury is putting the cart before the horse. This is a tough one to resolve because there is not much middle ground between “may” and “shall.” However, if both parties are openly communicating, the above rationale may be sufficient to allow the parties to be comfortable retaining the “may” language. Suffice it to say, this one word is not merely legal wordsmithing.

The goal is to efficiently conclude NDA negotiations so the parties can move on to the important thing, doing business together.

Non-solicitation of Employees. Non-solicitation clauses have found their way into NDAs, even though non-solicitation has little to do with the actual disclosure of information. Similar to the unauthorized disclosure of confidential information, the solicitation of employees by a counterparty is problematic to say the least. When an opportunity arises at the start of a new business relationship, one party may be tempted to reach out to a counterparty’s employee to secure a specific (and sometimes tough-to-find skillset). Hence, the wish to include a non-solicitation clause is understandable, despite its somewhat awkward inclusion in the NDA. A practical solution is to leave the provision in, but to include carve-outs that allow employers to hire without jeopardizing the business relationship. Carve-outs can include, for example, job postings made public and directed at a large audience and third-party firms retained for the purposes of a general search.

Binding on Employees/Agents versus Personal Liability. Typically, NDAs (i) restrict access to confidential information to a party’s authorized persons (employees, directors, officers, representatives, and agents) and (ii) require that the receiving party remains liable for any breach by its authorized persons. The authorized persons are informed of the confidentiality of the information and are directed to comply. The disclosing party is expressly protected for breaches by the receiving party’s authorized persons. Therefore, requests to make authorized persons personally liable

for breaches, or even that authorized persons sign individual NDAs (even without personal liability), are not needed and, frankly, unreasonable. Strong and clear NDAs are critical for negotiations and information sharing. However, requiring that employees put their own personal assets at risk should be completely out of bounds in virtually every scenario.

Disclosure to Governmental Agencies. For funders, and especially banks, another hot topic involves granting access to governmental agencies. Financial institutions are heavily regulated. Regulators want to maintain a level of control and perhaps even an element of surprise prior to an audit. A common carve-out is to allow the receiving party to grant access to confidential information to regulators given that the disclosure is regulatory-based and not something initiated by the receiving party. If the other party objects, one solution is to include terms which indicate generality and nothing specifically directed at a party’s confidential information. For example, terms such as “in the ordinary course” and “not specifically directed” would imply that audits apply to a broad portfolio, without singling out any one party. Single, or direct, demands for a party’s information, by contrast, might trigger a requirement from the other party to provide notice to the disclosing party and an opportunity for the disclosing party to respond to governmental demands for information. Of course, any such notice to the disclosing party should be conditioned by “to the extent permitted by applicable law.” Anyone subject to regulatory review knows that government agencies typically do not give much notice and want immediate access to the files they deem necessary.

In conclusion, NDAs are critical in the equipment leasing industry. However, no client wants to hear that a new opportunity was lost due to lawyers haggling over the NDA. NDAs raise legitimate concerns to both sides. By keeping an open dialogue, there is no reason why the parties cannot come to terms with the NDA in a mutually beneficial manner and move on to getting deals done. ☰



DOMINIC A. LIBERATORE is Deputy General Counsel and **JANE HE** is Legal Counsel for DLL, a global provider of leasing and business finance solutions, including vendor finance. Mr. Liberatore is a past Chairman of the ELFA Legal Committee.

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Easing Lessee Concerns Around Topic 842 Accounting

WITH THE NEW ACCOUNTING GUIDANCE going into effect for public companies in 2019 and for all other companies the following year, lessees will need to recognize assets and liabilities on their financial statements for leases with terms longer than 12 months. This is a new development for lessees and one that may prompt questions and concerns that could, if significant, lead to a purchase rather than a lease decision.

Lessors may be justifiably concerned that this accounting change will discourage leasing. One way for lessors to assuage lessees' concerns is to show them how to calculate the amounts that need to be

recorded for a lease using Topic 842 lessee accounting. Under Topic 842, there are two types of leases for lessee classification: **finance leases**, similar to what are known today as capital leases, and **operating**

Figure 1

Period Ending	Cash Rent	× IBR Present Value Factors 5.00000%	= Present Value of Payment	⇒ Cumulative Present Value	Present Value of Rent @ IBR 5.00000%	= Initial ROU Asset	− ROU Depreciation	⇒ ROU Asset
Dec-30-19		1.00000		0.00	94,227.37	94,227.37	23,556.84	70,670.53
Dec-30-20	26,573.23	0.95238	25,307.84	25,307.84			23,556.84	47,113.69
Dec-30-21	26,573.23	0.90703	24,102.71	49,410.55			23,556.84	23,556.84
Dec-30-22	26,573.23	0.86384	22,954.96	72,365.51			23,556.94	0.00
Dec-30-23	26,573.23	0.82270	21,861.87	94,227.37				0.00
Total	106,292.94	4.54595	94,227.37		94,227.37	94,227.37	94,227.37	

Figure 2

Period Ending	Present Value of Rent @ IBR 5.00000%	Rent	Accrued Interest @ IBR 5.00000%	Cash Interest @ IBR 5.00000%	Principal	⇒ Remaining Principal Balance	+ Cumulative Accrued Interest minus Cash Interest	= Lease Liability
Dec-30-19	94,227.37	0.00	4,711.37	0.00	0.00	94,227.37	4,711.37	98,938.74
Dec-30-20	0.00	26,573.23	3,618.28	4,711.37	21,861.87	72,365.51	3,618.28	75,983.78
Dec-30-21	0.00	26,573.23	2,470.53	3,618.26	22,954.96	49,410.55	2,470.53	51,881.08
Dec-30-22	0.00	26,573.23	1,265.39	2,470.53	24,102.71	25,307.84	1,265.39	26,573.23
Dec-30-23	0.00	26,573.23	0.00	1,265.39	25,307.84	0.00	0.00	0.00
Total	94,227.37	106,292.94	12,065.56	12,065.56	94,227.37			

Figure 3

Period Ending	Initial ROU Asset	− ROU Depreciation	⇒ ROU Asset	+ Cumulative Cash	= Total Assets	Lease Liability	+ Equity	= Total Liabilities and Equity
Dec-30-19	94,227.37	23,556.84	70,670.53	0.00	70,670.53	98,938.74	−28,268.21	70,670.53
Dec-30-20	0.00	23,556.84	47,113.69	−26,573.23	20,540.45	75,983.78	−55,443.33	20,540.45
Dec-30-21	0.00	23,556.84	23,556.84	−53,146.47	−29,589.63	51,881.08	−81,470.70	−29,589.63
Dec-30-22	0.00	23,556.84	0.00	−79,719.70	−79,719.70	26,573.23	−106,292.94	−79,719.70
Dec-30-23	0.00	0.00	0.00	−106,292.94	−106,292.94	0.00	−106,292.94	−106,292.94
Total	94,227.37	94,227.37						

leases, the name of which is unchanged. This article sets forth a description of the lessee's calculations for both finance and operating leases.

Finance Leases

Finance leases are recorded as a right-of-use asset (net of depreciation) and a lease liability. The calculations are similar to the calculations lessors have been using for years.

ROU Asset and ROU Depreciation—Calculation of the right-of-use (ROU) asset begins with the cash rent. The incremental borrowing rate (IBR) is used to calculate a discount factor on each date throughout the term. The rent for each period is multiplied by its re-

spective factor, the sum of which is the present value (PV) of rent. This amount is the initial ROU asset. That same amount is then spread on a level basis over the lease term to create the ROU depreciation. The ROU asset is equal to the initial ROU asset at commencement reduced by each period's ROU depreciation, as shown in Figure 1.

Lease Liability—The lease liability is calculated by amortizing the rent into principal and interest using the IBR. The principal balance starts at the PV of the rent and drops to \$0 at the end of the term. The lease liability at the end of each period is the sum of the principal balance and the accrued interest, less the cash interest, as illustrated in Figure 2.

LEASE ACCOUNTING UPDATE

By John Bober

FASB Agrees to Amendments to Help Ease Burden of Leases Implementation

SINCE ISSUING THE ACCOUNTING STANDARDS UPDATE (ASU) No. 2016-02, Leases (Topic 842) in February 2016, the Financial Accounting Standards Board (FASB) has regularly met to answer questions and address concerns over implementing parts of ASU. At a recent November FASB meeting, the Board agreed to incorporate two amendments to help ease the burden of adoption and implementation.

FASB approved two amendments, which include:

- Allowing organizations to apply transition provisions of the leases standard at its effective date rather than providing comparative period financial statements.
- Adding a practical expedient that would permit lessors to not separate nonlease components from the related lease components, under certain conditions.

The FASB staff is currently formalizing the two changes and will expose them for comment. Interested parties will have 30 days to provide feedback.

As detailed in other Financial Watch articles, the Leases standard requires companies to adopt the new accounting model through a restatement of prior

financial statements. For example, if a company is a public company and adopts the standard on Jan. 1, 2019, it would restate its P&L's and cash flow statements for 2017 and 2018, and present a restated balance sheet for Dec. 31, 2018, in the 2019 annual report. With the proposed amendment, lessees will not have to restate prior periods. This does not grandfather the existing lease transactions but it will reduce the burden on preparers. The lessor changes will benefit operating lessors by simplifying the conditions when they will need to separate lease and nonlease components.

The FASB has recognized the new standard requires significant effort by

lessees. To ensure adoption is streamlined and efficient, the Board has met with companies, stakeholders and preparer groups to address their concerns over the new standards and answer their questions. The two recent updates from November's meeting are in response to this feedback. While they reduce the comparability of the basic financial statements, core information will be in the notes to financial statements and the changes will provide companies with cost and process savings when adopting the new standards. ☰

JOHN BOBER is Managing Director and Global Technical Controller for GE Capital and is the Chair of the ELFA Financial Accounting Committee.

The Balance Sheet—The ROU asset shown on the balance sheet is obtained by subtracting the ROU depreciation from the initial ROU asset. That amount is added to the cumulative cash (a negative value because rent is an outflow), giving total assets. Over the life of the lease, the value typically starts positive and ends negative at an amount equal to the total rent of the lease. The equity is the total assets less the lease liability, as shown in Figure 3.

The Income Statement—The income statement presents the lease expense. It is calculated by taking the ROU depreciation and adding the interest on the lease liability (calculated using the IBR) and prorated by the number of days in each period.

Operating Leases

Operating leases are somewhat simpler to record. They are recorded as a right-of-use asset and a lease liability.

ROU Asset and Lease Liability—The ROU asset is the lease liability less the deferred rent. The deferred rent is simply the straight-line remaining balance of the total lease payments. The lease liability calculation is the same as for finance leases.

The Balance Sheet—The balance sheet presents the lease transaction such that total assets equals total liabilities and equity. The calculations are as follows:

$$\begin{aligned} \text{Lease Liability} - \text{Deferred Rent} &= \text{ROU Asset} \\ \text{ROU Asset} + \text{Cumulative Cash} &= \text{Total Assets} \\ \text{Lease Liability} + \text{Equity} &= \text{Total Liabilities \& Equity} \end{aligned}$$

The Income Statement—The income statement shows the lease expense, which is calculated on a straight-line basis over the term of the lease, shown as:

$$\text{Straight Line Rent Expense} = \text{Lease Expense}$$

Four Key Elements

In anticipation of adopting Topic 842, most prospective lessees will be interested in understanding four key elements before making a lease vs. purchase decision. The first two were covered in this article; the third and fourth could be the subject of another article:

1. Balance sheet impact, both for assets and liabilities and equity
2. Increase/decrease on profitability
3. Impact on the statement of cash flows
4. Changes to the financial statement footnotes

When a lessor discusses the accounting impacts on the income statement and balance sheet of a proposed lease with a prospective lessee, a pro-lease decision may be easier to achieve. ☰

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The authors all represent Ivory Consulting Corporation: **JAMES ALNAS-BENSON, CLFP**, is Operations & Technical Services Leader; **DAVID HOLMGREN, CLFP**, is Director of Quality Assurance; and **SCOTT THACKER, CPA, CLFP** is Chief Executive Officer.

Tax Reform's Number Was Finally Called

WHILE THE FAMOUS QUOTATION SAYS THAT TAXES ARE ONE OF LIFE'S TWO CERTAINTIES, tax reform was never certain until it was. On Dec. 22, 2017, President Trump signed H.R.1, a law that makes the most sweeping tax code changes in decades. One thing is clear: the new law does not impact our entire industry in the same manner. The effects of these changes will depend on everything from your corporate structure to whether your business is predominantly leasing or financing to the industries of your customers. Here are some of the highlights.

Corporate Tax Rate

The new law provides for a 21% corporate rate. This has implications for not only income, but also the value of deductions as well as lease-versus-own types of analyses.

100% Expensing

The Act provides for 100% expensing of both used and new equipment in the first year, and this is applicable for equipment first placed into service after Sept. 27, 2017.

This provision is scheduled to remain in place through 2022. Afterward, the provision gradually phases down with regular depreciation schedules coming back into effect in 2027 for most equipment types. There is widespread speculation this provision would become an annual exercise in extension starting in 2022, but 2022 is a long way off, especially in Washington years.

Interest Deductibility

Under the new tax code, businesses will have their ability to deduct their net business interest limited. Generally speaking, the interest eligible to be deducted is limited to:

$$\begin{aligned} & \text{interest income} + \\ & \text{floor plan financing interest paid} + \\ & 30\% \text{ of adjusted taxable income} \end{aligned}$$

For the next four years, adjusted taxable income closely approximates tax EBITDA, and after that it would be based on tax EBIT. This limitation applies to both

corporations and pass-through businesses with the pass-through rules demanding special attention. Lastly, there are exemptions and exclusions in this area that should be thoroughly reviewed.

Accounting Provisions

The new law would require an accrual method taxpayer subject to the all events test for an item of gross income to recognize such income no later than the taxable year in which such income is recognized as revenue in an applicable financial statement. This provision is complex and there are differences of opinion as to its effect.

Like-Kind Exchanges

Like-kind exchanges for personal property are repealed under the new law.

179 Expansion

The Act increases the maximum amount a taxpayer may expense under section 179 to \$1,000,000, and increases the phase-out threshold amount to \$2,500,000.

This provision is effective for equipment placed into service in tax years beginning after Dec. 31, 2017.

Pass-Through Businesses

This is one of the most complex areas of the new tax code, but in general, certain types of pass-through businesses are eligible for a 20% deduction of pass-through business income. This deduction is available for specified service business owners,

Listen to a recording of ELFA's Jan. 23 web seminar on the new tax reform bill at www.elfaonline.org/advocacy/federal-issues

a term of the law, which includes financial services, with income under \$157,500 (twice that for married filing jointly). If you are a pass-through entity, you will want to talk to your tax advisors about how these provisions will impact your business sooner rather than later. The top individual rate was reduced to 37%, which should provide some relief even once the 20% deduction phases out.

Request for Input

This law is a sea change for how income is taxed in the United States. ELFA is going to endeavor in the coming months to put out as much information as possible on the impacts of the various provisions on different sectors of our industry. If there is a specific issue that you would like for ELFA to focus on, please let us know.

Given the speed at which this bill moved, it is anticipated there will be significant technical corrections needed in the near future. ELFA will be interested in hearing from our members what corrections are needed. ☰



For more information, contact **ANDY FISHBURN**, ELFA Vice President of Federal Government Relations, at afishburn@elfaonline.org.

States Examine Daily Sales Tax Remittance

IN 2013, ELFA began participating in discussions that led to a task force of the National Conference of State Legislatures issuing an alert urging state legislators to be cautious of proposals put forward that require sales taxes be remitted by a party other than the lessor/retailer or its designee. In 2017, Massachusetts became the latest state to look at the feasibility of real-time sales tax collection and reject it. This latest attempt led the NCSL State and Local Tax Task Force (SALT) to again examine the persistence of state and local tax jurisdictions examining these proposals.

These proposals all call for real-time (transaction-by-transaction or daily) sales tax collection by processors such as credit card companies designated by state or local tax departments. The thought is that it would accelerate tax remittance to revenue hungry jurisdictions though only as a one-time, one-month benefit that does not generate additional revenue.

At the latest meeting of the SALT in November, ELFA once again detailed to the task force ELFA's opposition to real-time sales tax collection and again the SALT Task Force rejected the idea without comment or questions. Since 2013, Connecticut, Massachusetts, New York and Puerto Rico all have considered real-time sales tax collection and rejected it. The SALT has considered it and rejected it twice.

New York Data Security Legislation Passes the Assembly

New York Assembly Bill 2856 stipulates that if "data storage device" equipment is acquired:

pursuant to a lease agreement or rental contract, the owner or lessor of the copier...shall, as soon as practicable after the termination or cancellation of the lease agreement or rental contract, or upon assuming physical custody or control...ensure that any personal information which is stored on the data storage device...is destroyed through the use of a physical or technological method that has been adopted by an established standards setting body, including, without limitation...the National Institute of Standards and Technology...

"Data Storage Device" is defined as "any device that stores information or data from any electronic or optical medium, including, without limitation, a computer, cellular telephone, magnetic tape, electronic computer drive and optical computer drive and the medium itself."

The sponsor of the legislation intends for responsibility to fall on the owner/lessor regardless of provisions in the contract placing liability for removal of data on the lessee. It would not apply to equipment that is used or configured in such a way as to prevent the storage of data or images that may contain personal information. The bill has passed the Assembly and moved to the New York State Senate. Comments can be sent to Scott Riehl, ELFA Vice President, State Government Relations, at sriehl@elfaonline.org.

New York State Assemblymember Crystal D. Peoples-Stokes (D-Buffalo) has filed this bill every legislative session since 2011 in response to a CBS Evening News Investigative Report that focused on copiers and intentionally drafted it to move beyond copiers to all leased equipment with data storage. The CBS report is particularly relevant to her constituents in Buffalo because it in part focuses on an off-lease digital copier from the Buffalo Police Department that contained a list of wanted sex offenders, domestic violence complaints and targets of a major drug raid. Peoples-Stokes has met with Buffalo law enforcement about that disclosure of police records and repeatedly introduced this legislation to address the issue. ELFA has met with the sponsor to discuss contract law and other relevant concerns relating to responsibilities of lessees under commercial lease agreements. The sponsor continues to push this legislation, and ELFA will continue to work with industry partners to defeat it. [E](#)



For more information, please contact ELFA Vice President of State Government Relations **SCOTT RIEHL** at sriehl@elfaonline.org.

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THE EQUIPMENT LEASING & FINANCE FOUNDATION inspires thoughtful innovation and contributes to the betterment of the equipment leasing and finance industry through quality, independent research and resources. Through generous gifts from corporate and individual contributors, we assist you in shaping strategic direction for your company by:

- Identifying, analyzing and reporting on emerging issues that affect equipment financing; and
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What you may *not* have realized, however, is that we also strive to provide opportunities to pay it forward to the next generation of industry leaders. Here are six things to know about the Foundation as we embark on another impactful year!



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The Foundation provides free digital access to published industry-specific products including, but not limited to: State of the Equipment Finance Industry Report; State of Credit Quality; Journal of Equipment Lease Financing; Equipment Leasing & Finance U.S. Economic Outlook; and the Industry Future Council report.

3 Share Your Story via the Guest Lecture Program

The Foundation is committed to working with academics and industry experts like you. Designed to increase awareness of equipment leasing and finance and attract new talent, the Guest Lecture Program offers a ready-made presentation developed by industry experts to introduce students to the equipment finance industry. The presentation is customizable, allowing you to share your personal experience.



The Guest Lecture Program has been presented at colleges and universities around the country.

Interested in learning more about how you can play a role in paying it forward today to the industry leaders of tomorrow? Discover the many ways you can expand your investment in the equipment leasing and finance industry at www.leasefoundation.org.

4 Seek Grant Opportunities

The Foundation has funded millions of dollars in research grants to study key topics for and about equipment leasing and finance. Are you an industry expert or leading researcher? Submit a research grant proposal on one of our suggested topics or submit your own original idea.

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The Foundation partners with academics, economists and consultants to produce forward-looking studies addressing critical industry topics. The Foundation provides approved academics and researchers with access to two significant statistical databases, each capturing thousands of data points on equipment finance transactions and benchmarking activity, to help further industry knowledge.

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ANNELIESE DeDIEMAR is the Equipment Leasing & Finance Foundation's Director of Marketing and Communications.



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Driving Employee Engagement: The Little Things Matter

AS LEADERS, it is our responsibility to market our company not only to our customers but also to our current and future employees. Employee engagement is one of the best ways to encourage a positive evolution of a company's culture. Proactive employee communications can have an incredible impact on that evolution.



At CNH Industrial Capital, we recognized it was time for our office environment to evolve. We wanted change but didn't want to cause too much disruption. So we made small changes to keep our existing team engaged and to encourage the next generation of team members to join. Based on our experience, here are some ways to encourage and embrace the changes—even the small ones—that have a big impact on your company.

Open Up Communication

Opening up employee communication is the first step toward change.

Instead of having a very specific group of leaders address company challenges that arise, consider putting together cross-functional project teams for critical challenges. Bringing together employees from different areas, and different levels, with complementary strengths, helps foster an environment for open communication, maximum productivity and, in the end, produces results. We want to make our employees feel like they are a part of a greater team and they can have a material impact on the strategic direction of the company.

Another simple tool: Host a periodic lunch-and-learn with leaders and employees that promotes open, interactive discussions. These sessions give leaders valuable insight on employees' thoughts and questions while demonstrating that the leadership team values the input of employees.

Encourage Recognition

Employees respond positively when successes are publicly recognized. Leadership's role should be to provide easy-to-use tools to encourage employee recognition. We launched a website where all employees can post items recognizing peers and teammates who

had recent success for the entire company to see—an impactful tool.

Companies need to make it easy for managers to reward successes. In our organization, a website is available for managers to access gift cards to reward deserving employees or teams. Additionally, employees can send non-monetary rewards, including eCards, acknowledging efforts, anniversaries or simply providing a birthday greeting.

In addition to recognizing project-related successes, consider giving small tokens to employees throughout the year, thanking them for their continued dedication and work. A small gift of a branded item can go a long way toward continued positive employee engagement.

Empower Employees

Maybe the most powerful changes for our company were those that empower employees. Some examples include flexible work schedules, paid time off for volunteer activities and relaxing the dress code.

Implementing a flexible work schedule or dissolving a strict dress code demonstrates that leaders trust their employees while volunteer time off shows employees that a company values the same things they do. The impact has been great—employees feel entrusted to balance their work and life on their own with marginal supervision.

Be proactive, listen to the marketplace and mold best practices to your company's needs. This kind of evolution will drive employee retention, attract better talent and increase productivity. It's a win-win for leaders and employees, and it is what you need to attract the next generation workforce to your organization. ☰

BRETT DAVIS is the president of CNH Industrial Capital LLC, the captive financial services provider for the CNH Industrial family of brands.

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