EQUIPMENT
Leasing&Finance
THE MAGAZINE FOR INDUSTRY EXECUTIVES
JANUARY | FEBRUARY 2021

Finding Growth in a Changed World

The Year Ahead: 8 Forces to Watch

Strength & Resilience in Equipment Management

Meet the New ELFA Board Chair

Executive *LIVE!* Roundtable:
The Future of Work

April 6, 2021
10 am – 7:00 pm

If you're a leader in the equipment finance industry, you can't afford to miss this special opportunity. Register today for the only industry event planned exclusively for top equipment finance executives. Join outside experts and your industry peers to discuss the high-level trends of the day, plan for the future, and create lasting business relationships.

With the recent historic changes in business and work environments, experts on business strategy will explore transformation of the work place occurring as a result of the COVID-19 pandemic. This event will provide a forum to discuss with fellow ELFA executives innovation strategies designed to help you craft a tailored, forward-thinking approach to sustaining and growing your business.

New This Year: All Executives Invited!

Maximize your networking opportunities on our brand-new virtual platform!

All top executives are invited to attend. There will be no limit on registrations from ELFA member companies or Service Provider member companies. Our goal is to bring the membership together for a successful 2021 and beyond.

Complete details and registration information coming soon.
Contact Lisa Ramirez at lramirez@elfaonline.org for more information.

ELFA
EQUIPMENT LEASING AND FINANCE ASSOCIATION

EQUIPMENT LEASING AND FINANCE ASSOCIATION
Equipping Business for Success

EQUIPMENT Leasing & Finance
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By Ralph Petta

Positioning Your Business for Success in 2021

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.

Policy Outlook

With a new administration moving into Washington and a shift of control in the Senate, your association is poised and ready to continue engaging policymakers on the Hill, in key regulatory agencies and in state capitals throughout the nation. Be assured that we will be at the table as important policy matters are debated, and we will continue meeting (virtually) with members of Congress and staff to educate them about what our industry does and to be sure the issues that are important to our industry are addressed.

Industry Outlook

We'll also be keeping a close eye on the state of the economy and delivering industry data to keep you informed regarding industry trends. See how ELFA members are finding growth in a world changed by COVID-19 on p. 16. Also, read eight predictions for 2021 in "The Year Ahead" on p. 23 and check out ELFA's Top 10 Equipment Acquisition Trends for 2021 at www.EquipmentFinanceAdvantage.org.

Networking Outlook

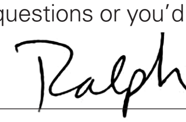
If we've learned one thing during the pandemic, it's the importance of staying connected. We encourage you and your team to participate in the association's new lineup of virtual events:

- **ELFA Equipment Management LIVE!, Feb. 23-24** – This virtual conference for equipment managers, appraisers, remarketers and others is previewed on p. 28. Don't miss it!
- **IMN/ELFA Investors Conference, March 11** – Investors and equipment finance leaders will gather to discuss industry hot topics, including the outlook for the year ahead, structural and legal challenges, risk management and the capital markets.
- **Executive Roundtable LIVE!, April 6** – At this event for top industry executives, hear from experts on the future of work and discuss innovation strategies to craft a tailored, forward-thinking approach to sustainable growth.
- **Virtual Principles of Equipment Leasing and Finance Workshop, April 13-15** – There is no substitute for preparation and this workshop will provide the skills and knowledge your team needs to compete effectively in the marketplace.
- **Women's Leadership Forum LIVE!, April 20** – At this interactive event hosted by the ELFA Women's Council, hear from dynamic speakers, build your professional network and gain inspiration and tools to move forward and thrive.
- **Emerging Talent Networking Event, April 27** – Mix, mingle and make connections with industry colleagues on a virtual platform built to simulate a live venue. Hosted by the ELFA Emerging Talent Advisory Council.

Learn more and please stay tuned for announcements about additional 2021 events to come at www.elfaonline.org/events.

Meet the Leadership

We are fortunate to have engaged volunteers and a strong leadership team in place for 2021. Read about Board Chair Kris Snow's priorities for the coming year on p. 34. Please don't hesitate to contact us if you have any questions or you'd like to get more involved. ☰



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

New Year, New ELFA Events!

ELFA HAS ANNOUNCED a new and diverse lineup of learning and networking events scheduled for February through April of 2021. The events will cover a broad range of topics and formats, and each will provide a forum for equipment finance industry professionals to make new contacts, stay on top of critical industry trends and build your businesses and careers.

"We are excited to roll out a new series of specialized events for ELFA members in the first third of 2021," said ELFA President and CEO Ralph Petta. "Due to the ongoing pandemic, these activities will be held virtually using state-of-the-art technology to maximize attendee engagement. We encourage all ELFA members to participate in these events to stay connected to the colleagues and issues important to you and our industry in the year ahead."

Make the most of your ELFA membership benefits by attending these upcoming events:

- **ELFA Equipment Management LIVE!, Feb. 23-24** – Equipment managers, appraisers and remarketers will participate in educational sessions, networking opportunities and a multimedia exhibition featuring leasing appraisers, remarketers, auctioneers and others. Details at www.elfaonline.org/events/2021/EMC
- **20th Annual IMN/ELFA Investors Conference, March 11** – This event focuses on educating investors and equipment finance companies about the latest industry trends and developments. Topics include the outlook for the year ahead, structural and legal challenges, risk management and capital markets. Details coming soon at www.imn.org/equipment
- **Executive Roundtable LIVE!, April 6** – This event is held exclusively for top executives within ELFA member companies. Leaders will hear from experts on business strategy in uncertain environments and discuss innovation strategies to craft a tailored, forward-thinking approach to sustainable growth. Details coming soon at www.elfaonline.org/events/2021/ERT
- **Virtual Principles of Equipment Leasing and Finance Workshop, April 13-15** – There is no substitute for preparation and this workshop provides the skills and knowledge needed to compete effectively in the marketplace. Details at www.elfaonline.org/POL
- **Women's Leadership Forum LIVE!, April 20** – This interactive event is focused on leadership development for women at all stages of an equipment finance career. Hear from dynamic speakers, build your professional network and gain inspiration and tools to move forward and thrive. Hosted by the ELFA Women's Council. Details coming soon at www.elfaonline.org/events/2021/WLF
- **Emerging Talent Networking Event, April 27** – Mix, mingle and make connections with industry colleagues on a virtual platform built to simulate a live venue. Hosted by the ELFA Emerging Talent Advisory Council. Details at www.elfaonline.org/events/2021/ETApr

Additional Events

ELFA will hold additional conferences from May through December 2021. Watch for details to come about upcoming events, including:

- Legal Forum
- Credit & Collections Management Conference
- Best Practices Roundtables: Bank, Captive & Vendor Finance, Independent, Small Ticket and more
- Capitol Connections
- Emergence2021
- National Funding Conference
- Lease and Finance Accountants Conference
- Operations & Technology Conference
- ELFA 60th Annual Convention

Web Seminars

- **Wednesday Webinars** – ELFA will host a series of Wednesday Webinars on a wide range of hot topics.
- **Summer Software Webinars** – New in Summer 2021, ELFA will offer a special series of webinars hosted by software companies.

Learn more at www.elfaonline.org/events.

Get Involved with ELFA!

IT'S A NEW YEAR filled with possibilities and opportunity. What a great time to get involved by volunteering on an ELFA committee. ELFA is a volunteer-driven organization and each year, hundreds of volunteers from ELFA member companies contribute their time and energy to drive the association's mission. If you would like to learn more about how to get involved and participate on a committee, go to www.elfaonline.org/about/governance, scroll down to the "Get Involved" section and:

- Download the new ELFA Volunteer Guide
- View descriptions of ELFA committees
- Complete the online committee volunteer form

For more information, please contact Ed Rosen, Director of Governance, at erosen@elfaonline.org.

What Are the Top 10 Industry Trends for 2021?

ELFA is forecasting the leading trends driving capital acquisition this year in the Top 10 Equipment Acquisition Trends for 2021. Designed to help businesses with their strategic equipment acquisition plans, you can find the trends press release, video and infographic on ELFA's Equipment Finance Advantage website for end-users at www.equipmentfinanceadvantage.org.

Survey Respondents Reap Rewards

THE RESEARCH COMMITTEE MET RECENTLY to plan the 2021 Survey of Equipment Finance Activity (SEFA), the Interactive SEFA Dashboard and the MySEFA personalized data tool. Make sure you participate in the 2021 SEFA to take advantage of special benefits! Every company respondent will receive:

- A complimentary copy of the 300+ page SEFA and Small-Ticket SEFA reports (a $1,495 value).
- A personalized MySEFA interactive tool, which lets you track your company's operational and performance statistics and compare them against your peers.

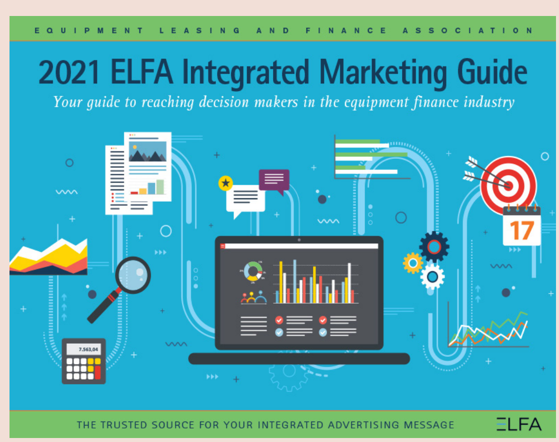
The survey questionnaire will be posted at www.elfaonline.org/SEFA on Jan. 31. Questions? Contact Bill Choi at bchoi@elfaonline.org.

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. The deadline for nominations to the 2021 Class of the Equipment Finance Hall of Fame is April 1, 2021. Learn about the nomination criteria and deadlines and access the online nomination form at www.elfaonline.org/hof. Please contact Ed Rosen at erosen@elfaonline.org if you have any questions.

Maximize Your Reach

GET THE GREATEST IMPACT AND RETURN ON INVESTMENT FOR YOUR MARKETING DOLLARS! ELFA's 2021 Integrated Marketing Guide highlights the most effective opportunities—online and in person—to reach decision makers in the nearly $1 trillion equipment finance industry. Download the guide from www.elfaonline.org/About/Advertise or contact Steve Wafalosky at stevew@larichadv.com or 440.247.1060 for more information.



New Year...New App!

Download the ELFA Mobile App and Win!

DOWNLOAD THE ELFA ENGAGE MOBILE APP and access the latest ELFA news through your smart device. Any ELFA member who downloads and signs into the mobile app from January 1 – January 31 will be entered into a drawing to win a **$25 gift card** and **ELFA Swag!** #ELFAMugClub. See details at www.elfaonline.org/app.

New Report Highlights Tech Trends in Equipment Finance

ELFA AND CAPGEMINI are pleased to present the 2020-2021 Business Technology Performance Index. The report, based on a survey of ELFA member companies, provides insight into the technology initiatives that equipment finance companies are undertaking to drive their firms into new markets, new opportunities and more efficient operations. Download your copy at www.elfaonline.org/data/market-trends.

Evolution of Equipment Finance

On ELFA's 60th anniversary, reflecting on the past and looking to the future

1961

THE YEAR 2021 MARKS ELFA'S 60TH ANNIVERSARY. We're celebrating by taking a look back as well as forward, imagining what the future will hold. In this issue we talk to Martha McGuire, Executive Vice President at First Bank Chicago, a division of First Bank of Highland Park, which is celebrating 20 years as a member of ELFA. We'll talk to other companies celebrating "milestone" ELFA membership anniversaries throughout 2021.

Q 2021 marks First Bank Chicago's 20th year as an ELFA member. To what do you attribute your company's longevity in the marketplace?

A Our CEO, Randy Green, started the Lease Finance Group in 1987 when there were very few banks involved in the lease finance industry. The times have certainly changed as the list of our competitors would fill this entire page. I credit our CEO with being very selective of the lessors we do business with and serving higher quality credits. Having started in the business so long ago, bank management has literally grown in tandem with the management teams of many of our lessors and faced many of the same issues. We have forged strong bonds of trust and reciprocity. That goes a long way in doing business together. Having a CEO who started the bank's Lease Finance Group is truly a competitive advantage. When challenges arise (and they always do), our team can go straight to the top without first having to explain leasing.

Q Why is it important for your company to be a member of ELFA?

A There are a number of reasons:

- Membership creates visibility for First Bank Chicago.
- The association provides access to important industry information.
- The association protects the industry's prospects with federal and state lobbyists.
- Membership offers learning through webinars and convention sessions.
- Being a member affords us occasions to:
  - o Network and build relationships
  - o Gather informal industry information:
    - What are companies seeing or doing in the marketplace
    - Who has joined or left organizations and why
    - What are advantages we may not be thinking of or taking advantage of

Q The equipment finance industry is evolving. What are some ways you've seen the industry evolve over the course of your career? In what ways would you like to see or do you expect to see the industry evolve by ELFA's 100th anniversary in 2061?

A I'm a relative newcomer to the industry, having been appointed to manage the Lease Finance Group in 2016. I've learned a lot and still have lots to learn. That said, I think the industry will change tremendously by 2061. Even during my short tenure, it's been interesting to watch the megabanks take market share from independent lessors. The banks have a ready salesforce that is responsible for staying in regular contact with clients to monitor their credit quality and cross sell. This is a tremendous advantage as they're already extending credit so they've defined their credit appetite and by staying in touch they're more likely to become aware of opportunities. By definition, the banks do business with creditworthy companies so we've seen many independents lower their credit standards to maintain volume. As you might guess, they've also raised pricing to compensate for the risk. I expect this trend will continue.

Something else that I see is the fact that a lot of independents started their business in the 1980s. If those leaders were in their 30s then, that means they're in their 70s now and, if they haven't already, will soon be thinking about selling the business. The face and culture of the industry will change as these industry stalwarts retire.

Lastly, we're at the beginning of a technological revolution and technology will forever evolve. Using e-documentation, creating websites that lead companies to self-identify as real prospects, using credit scoring for evaluating credit and applying artificial intelligence will ultimately change how leasing is done. ☰

2021

5 Minutes with the Independent Middle Market Chair

WHAT'S HAPPENING in the independent middle market sector of the equipment finance space? *Equipment Leasing & Finance* magazine caught up with Ricardo Rios, CFA, CLFP, Chair of the Independent Middle Market Business Council Steering Committee (BCSC), to take the pulse of this sector. Rios, COO of Commercial Equipment Finance, Inc., is currently serving his second year as Chair of the committee, which engages independent finance and multiline finance companies involved in transactions between $250,000 and $5 million, either individually or through lines.

RICARDO RIOS, Chair, Independent Middle Market Business Council Steering Committee

From your perspective serving on the Independent Middle Market BCSC, what issues are independent equipment finance companies focused on this year?

2020 brought disruption and turbulence to member business models and industries. Nonetheless, independents continued to do business, survive and even thrive. As we look forward to emerging from the pandemic, it's a good time to be an independent. The Independent Middle Market BCSC hosted a session at ELFA 2020 Business LIVE! and we talked about how independents have a tradition of being nimble and able to adapt and thrive amid volatility. Although 2021 won't be without its challenges, independents are well positioned to use our unique equipment and industry knowledge to take advantage of new opportunities in the current environment.

We recently asked the Independent Middle Market BCSC what industry topics are at the forefront of their businesses, and their top three responses were: (1) Originations, (2) Funding Capacity and Funding Alternatives and (3) Credit Quality. We are planning a larger survey of the ELFA membership to delve deeper into what issues are top of mind for independents. In addition, we are currently planning a virtual Independent Best Practices Roundtable to be held this spring. This will be a terrific, interactive opportunity to learn and network together. We hope to see all independent members there!

What do you like best about serving on a BCSC?

I enjoy the opportunity to network with fellow independents. Our committee is diverse, and the member companies vary in size, geography, equipment and industry focus. Even though we have unique approaches to the market, we share common challenges. Serving on the committee has been a great opportunity to engage more fully in the association and to develop new friendships with fellow members. ☰

Join the Roundtables!

The Captive and Vendor Finance, Financial Institutions, Independent Middle Market and Small-Ticket BCSCs are planning best practices roundtables for 2021. Watch for details this spring at www.elfaonline.org/events.

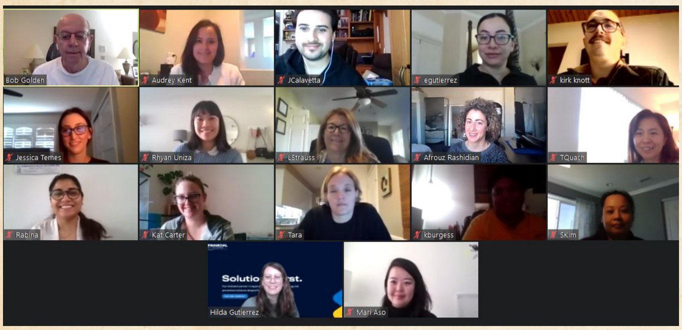
About the BCSCs

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 Foundation's 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.

We Are ELFA

SOCIAL DISTANCING isn't stopping members from contributing to the association's mission during the coronavirus pandemic. Over the past few months, hundreds of members have participated in dozens of virtual association gatherings. These get-togethers have ranged from Business Council Steering Committee meetings to webinar planning meetings to networking happy hours. While Zoom meetings are no substitute for live, in-person gatherings, ELFA appreciates all the members who have participated together, apart.

If you'd like to get involved with an ELFA committee, download the ELFA Volunteer Guide, complete the online committee volunteer form or contact Ed Rosen, Director of Governance, at erosen@elfaonline.org.



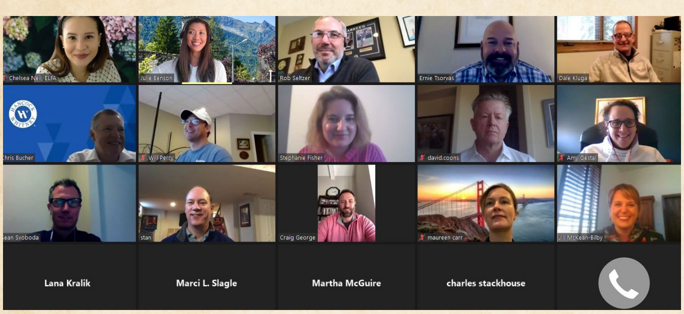
A scene from ELFA's Virtual Principles of Equipment Leasing and Finance Workshop with First Financial Equipment Leasing.

Independent Middle Market Business Council Steering Committee

ELFA Board of Directors Meeting

Research Committee Meeting

Communications Committee Meeting



Financial Institutions Business Council Steering Committee

ELFA Staff Meeting

ELFA

INDUSTRY D

Work from Home is Here to Stay

77% of equipment finance execs surveyed indicated their post-pandemic work location model will be a hybrid approach with some increased work from home options for employees.

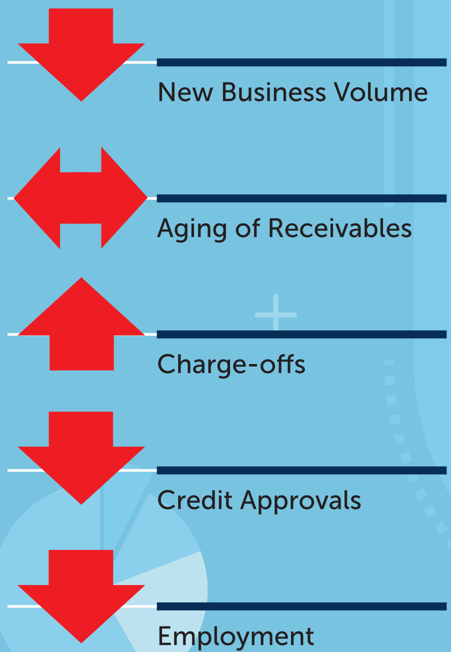
Source: Business Technology Performance Index, https://www.elfaonline.org/data/market-trends

MLFI

Monthly Leasing and Finance Index Products

Dec. MLFI Year-Over-Year

See details at www.elfaonline.org/data/MLFI



According to the December Monthly Leasing & Finance Index, cumulative new business volume for 2020 was down almost 6 percent compared to 2019.

"While 2020 certainly presented serious challenges to our nation's economic well-being as well as to the physical well-being of many of our citizens, the equipment finance business, overall, showed remarkable resilience and durability," said ELFA President and CEO Ralph Petta.

Read more at

www.elfaonline.org/data/mlfi

ASHBOARD

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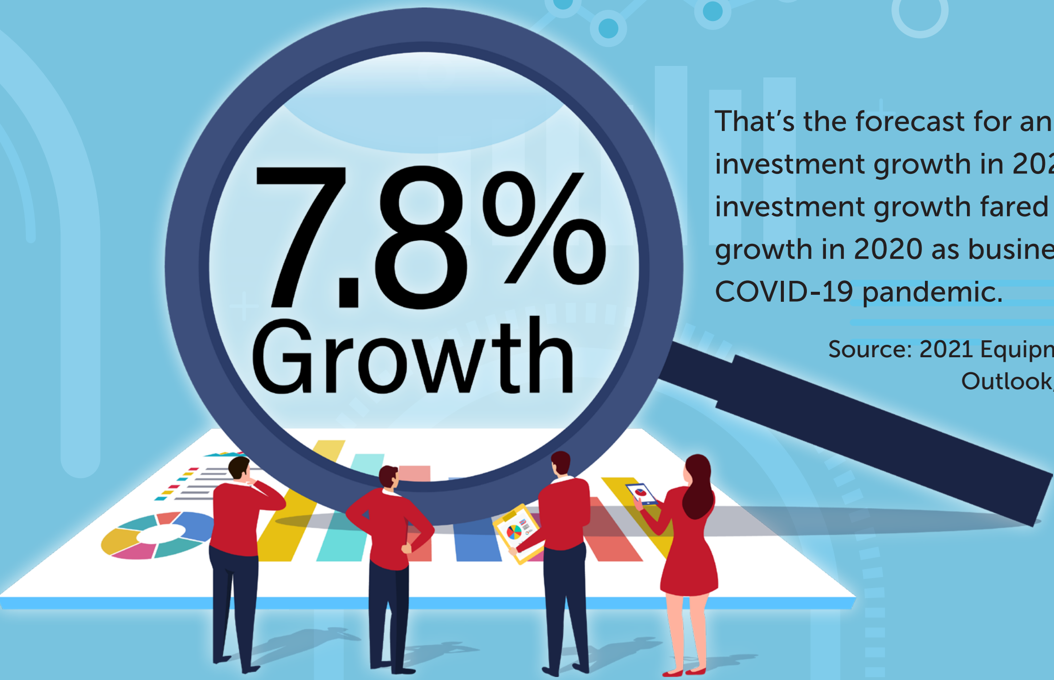
Your Eye on the Future



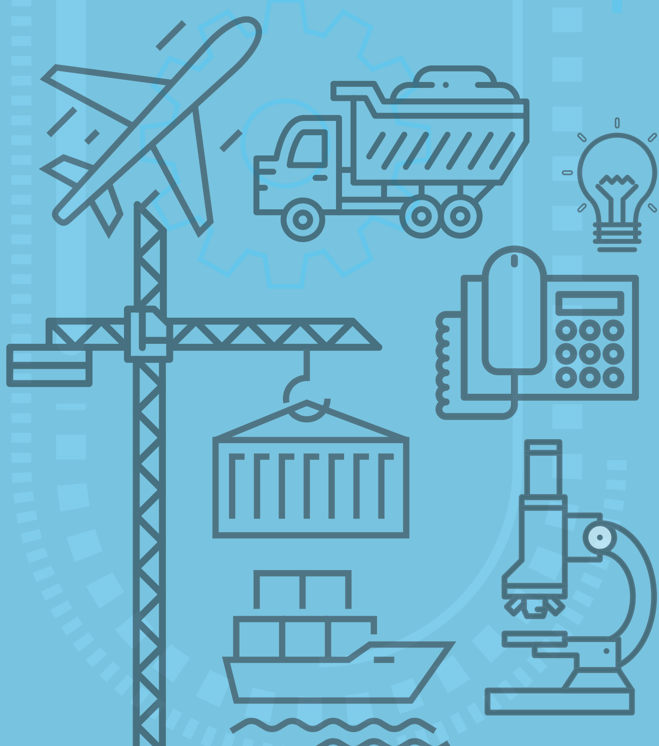
That's the forecast for annual equipment and software investment growth in 2021. Equipment and software investment growth fared better than overall GDP growth in 2020 as businesses invested to adapt to the COVID-19 pandemic.

Source: 2021 Equipment Leasing & Finance U.S. Economic Outlook, http://bit.ly/ELFFEconomicOutlook.

Accelerating Equipment

While investment momentum readings are below the long-term average in 6 of 12 verticals tracked by the Foundation's Momentum Monitors, all 12 are showing signs of strong acceleration, suggesting that investment activity should be elevated in early 2021.

Source: Foundation-Keybridge Equipment & Software Investment Momentum Monitor, https://www.leasefoundation.org/industry-resources/momentum-monitor/



IMAGES: ISTOCK

Finding Growth in

Shifting markets are creating new opportunities in a world altered by COVID-19. Here are some to consider.

By Susan L. Hodges

a Changed World

WITH EVERY NEW YEAR COME HOPES FOR A BETTER WORLD, and 2021 is fairly bristling with them. Of particular relevance to equipment finance companies is the Equipment Leasing & Finance Foundation's 2021 Equipment Leasing & Finance U.S. Economic Outlook, which forecasts 7.8% growth in equipment and software investment this year, and 4.7% growth in the U.S. Gross Domestic Product. Heartened by plans for widely distributed vaccines against COVID-19, industries and the companies within them are re-tooling to apply permanently many of the technologies and efficiencies necessitated by the pandemic. *Equipment Leasing & Finance* spoke to leaders in several equipment sectors experiencing changes that are leading to growth.Here's what we learned:

There's a Window in Trucking

Howard Shiebler is President of Crossroads Equipment & Finance LLC and Chairman of Velocity SBA, both in Rancho Cucamonga, California. Financing commercial trucks for transportation companies gives him a strategic view of one of the largest and most dynamic sectors in equipment finance. "We're in an abnormally strong market now, both with values and the demand for tractors and trailers," he says. "For those financing in this space, new business volume is up and repossessed inventory is selling quickly, and at good prices."

"Manufacturers of trucks and trailers have had their supply chains and work forces impacted by the pandemic, and the corresponding shortage of new equipment has driven demand and prices for used equipment to unusually high levels."

HOWARD SHIEBLER
Crossroads Equipment & Finance LLC and Velocity SBA

The big question is how long current conditions will last. Increased consumer spending, much of it done online, helped freight markets recover quickly from initial pandemic shock. If economic recovery continues, Shiebler expects the strong transportation market to last well into 2021.

"Additionally, manufacturers of trucks and trailers have had their supply chains and work forces impacted by the pandemic, and the corresponding shortage of new equipment has driven demand and prices for used equipment to unusually high levels," Shiebler notes. He adds, "I think some e-commerce-driven demand will become permanent, and manufacturers will eventually catch up with market demand, leading to a more typically cyclical transportation finance market."

Nonetheless, Shiebler says equipment finance companies must still do a thorough job of underwriting in the space or risk getting into trouble. "When the economy slows, we'll see freight rates drop, defaults increase and used truck prices drop fairly quickly," he warns. "Lenders that understand this cycle underwrite to it, and they also properly staff collections and remarketing operations to deal with increased defaults."

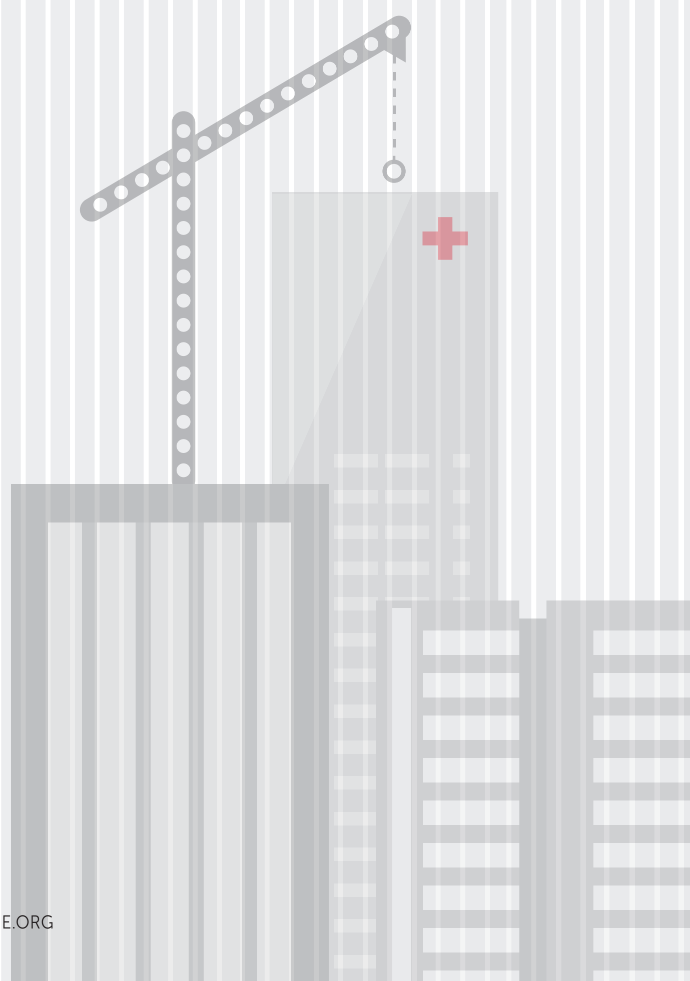
Healthcare Providers Want More Options

Jon Biorkman is President of Healthcare Financial Services at GE Healthcare. As the dynamics of the medical equipment market change, he sees healthcare providers revisiting budgeting, capital structure and other fundamentals of corporate finance to re-evaluate strategy and develop multiple scenarios for use in times of economic uncertainty.

"To account for variability, leadership teams are examining operating and non-operating cashflows, liquidity sources and cash on the balance sheet," says Biorkman. "And as market dynamics continue to change, we're bringing optionality to the table. This can be in terms of structure that allows for the deferment of a more permanent position, or increased liquidity to protect against unpredictable variability in patient volumes, payors and reimbursement trends."

One such option is an escrow agreement that prefunds capital for future equipment acquisitions. "The benefit is to lock in interest rates today, and secure capital for upcoming needs," says Biorkman. Another option shortens the lease term, enabling equipment usage without full capital outlay.

"Creativity is something that matters to customers, and if we look at the market we've been operating in, it's been incredibly dynamic," Biorkman observes. "We view our role as providing customers with options for a future that may not be certain. We're having candid conversations with them, being very grounded as it relates to financial projections—where they were before, where they are now, where they're going. Liquidity and cash on the balance sheet have always been important, but today, customers are placing a



premium on both—and alternative financial structures can really provide more tools."

Aircraft Has Pockets of Promise

David Mayer, Partner at Shackelford, Bowen, McKinley & Norton, LLP, in Dallas, says the COVID crisis created a potential cash crunch for some owners of aircraft, and that a significant number of these are refinancing or entering into sale-leasebacks to cash out their equity in the equipment. "This is a global phenomenon, also driven in part by lower interest rates," says Mayer. The upshot: opportunities exist in sale-leasebacks for those able to take residual risk, not just in tax leases, but in true or operating leases.

Mayer says there are also leases in which the credit advanced is fully paid out and the asset is sold for a purchase price at the end, which can be as low as $1 or another agreed price. "These deals have been active since the emergence of the pandemic and since rates have dropped," he says. "I expect this trend to continue into 2021."

Mayer has handled a number of such transactions and sees a particular market for the refinancing of larger jets with a value of $7 million or more. "One challenge for equipment finance companies will be to persuade customers that they won't suffer 'brain damage' from engaging in a financing transaction," says Mayer, tongue in cheek. "I say that because, compared to purchasing or borrowing, leasing is a more complex transaction." Another deterrent among high-net-worth individuals and companies is pride of ownership and reluctance to use a financing product or allow a lessor or lender to control use of their aircraft.

"Make no mistake, the market is under stress and the pandemic is not helping," Mayer cautions.

"Equipment finance companies can provide [aircraft] owners with smart and viable solutions in the form of true leases, tax leases, loans and sale-leasebacks."

DAVID MAYER
Shackelford, Bowen, McKinley & Norton, LLP

"Companies that buy, lease or charter aircraft are leaving the business. But financiers are ready, able and willing to finance, and are doing more secured loans than true leases because they're unable or unwilling to take the risk on the value of these assets."

The aircraft market was on a downslope that started in 2019, and prices dropped another 10 to 15% at the start of COVID-19 before showing later indications of stabilizing. "But owners didn't panic and sell; they were smart enough to stand by and wait—unlike what happened in 2008," says Mayer. "Now equipment finance companies can provide these owners with smart and viable solutions in the form of true leases, tax leases, loans and sale-leasebacks."

Small Businesses Need Your Capital

Marlin Capital Solutions provides equipment financing, working-capital loans, vendor financing and franchise financing to approximately 100,000 small businesses throughout the U.S. Thus, the company's portfolio is a small-business index for sentiment and economic health, and CEO Jeff Hilzinger says the pandemic put the company "right at the center" of the 2020 economic storm.

"After ensuring the safety of our employees and the stability of our financial portfolio, we transferred people from our front office to our servicing team and immediately began reaching out to customers," says Hilzinger. "We processed almost 6,000 requests for payment relief, most of them during April and May. And because we own a bank, we have an SBA license and were able to lend under the PPP program. We quickly created a platform to do that. Along with the payment relief we were providing, our goal was to preserve as much liquidity for our borrowers and in our own portfolio as possible."

As Marlin helped its customers, the company also saw an opportunity to help itself. "The PPP platform we obtained was digital, and we'd always known we needed to become more digital," says Hilzinger. "Once we took care of our employees, partners and customers and saw that the pandemic would last a while, we realized it could be a crisis of opportunity for us. We decided to dramatically accelerate our digitization and have been focused on it since June."

In 2015, the New Jersey-based, small-ticket Independent had introduced a working-capital loan product to compete against fin techs. "We were always careful with it, because it hadn't gone through

> *"Willingness to be nimble, to explore the market deeply and invest time communicating with prospects and building relationships is extremely important."*
>
> **COLLEEN O'DONNELL**
> Insight Financial Services

a complete business cycle," says Hilzinger. "But it turns out that the product performed much better than we expected, so now we're redoubling our efforts with it."

Because the small-business market resides next to the consumer market, Hilzinger says much of what consumers do with their personal credit can be projected for use in small business. "Once customers can access us digitally, we'll be able to offer lines of credit and other micro-ticket products that were too much work to provide when our processes were manual," he says. "Now we can offer these in ways that will be exciting to small businesses, and of economic benefit to us. Going digital definitely opens up new opportunities."

Schools Urgently Need IT

Insight Financial Services (IFS) in Costa Mesa, California began studying the nuances of the k-12 school market about six years ago with the goal of doing business there. Through networking, they were introduced to OETC, an Oregon-based consortium that offers contracts for products supplied to K-12 schools and universities throughout the Pacific Northwest. "Needs were starting to change for schools at the time, and one of our customers suggested we talk to OETC about the consortium developing an RFP for school districts to lease IT," says Andy Hashimoto, Vice President.

Over the next year, Hashimoto and Colleen O'Donnell, IFS Senior Vice President of State, Local and Education Business, explained to OETC the benefits municipalities and schools could leverage through leasing. A contract with IFS would allow OETC-member schools to acquire equipment without requesting proposals.

"What we found with many schools is that their previous plan had been to put equipment in the classroom with teachers and keep it until it didn't work anymore," says O'Donnell. "But the idea was evolving that schools need a sustainable strategy for IT and a budget to support it. They need technology that matches the curriculum, technology for both students and teachers that brings digital learning to life."

COVID-19 greatly accelerated the need, and this past October, IFS was awarded a three-year contract as an approved IT equipment leasing services vendor in California. The contract is in addition to a nationwide agreement IFS already has with OETC, and expands the services the company can provide in California.

"This is a growing market for us, and we've experienced significant growth over the last couple of years," says Hashimoto. "Today, school districts need large numbers of devices, and these can be acquired through a leasing contract that manages the entire life cycle."

To that point, Hashimoto says much of IFS's growth in the school market is attributable to asset management services included in the company's contracts. "The asset management is geared to specific devices and allows school districts to be in control of what happens to the equipment," he says. And because IFS

tailors its leases to individual school-district budgets and needs, IFS is able to serve every customer. "We invest the time with each school district to customize the solution so that it works specifically for them," says O'Donnell. "We structure from beginning to end to help them have the technology they need to support learning in the classroom and from home."

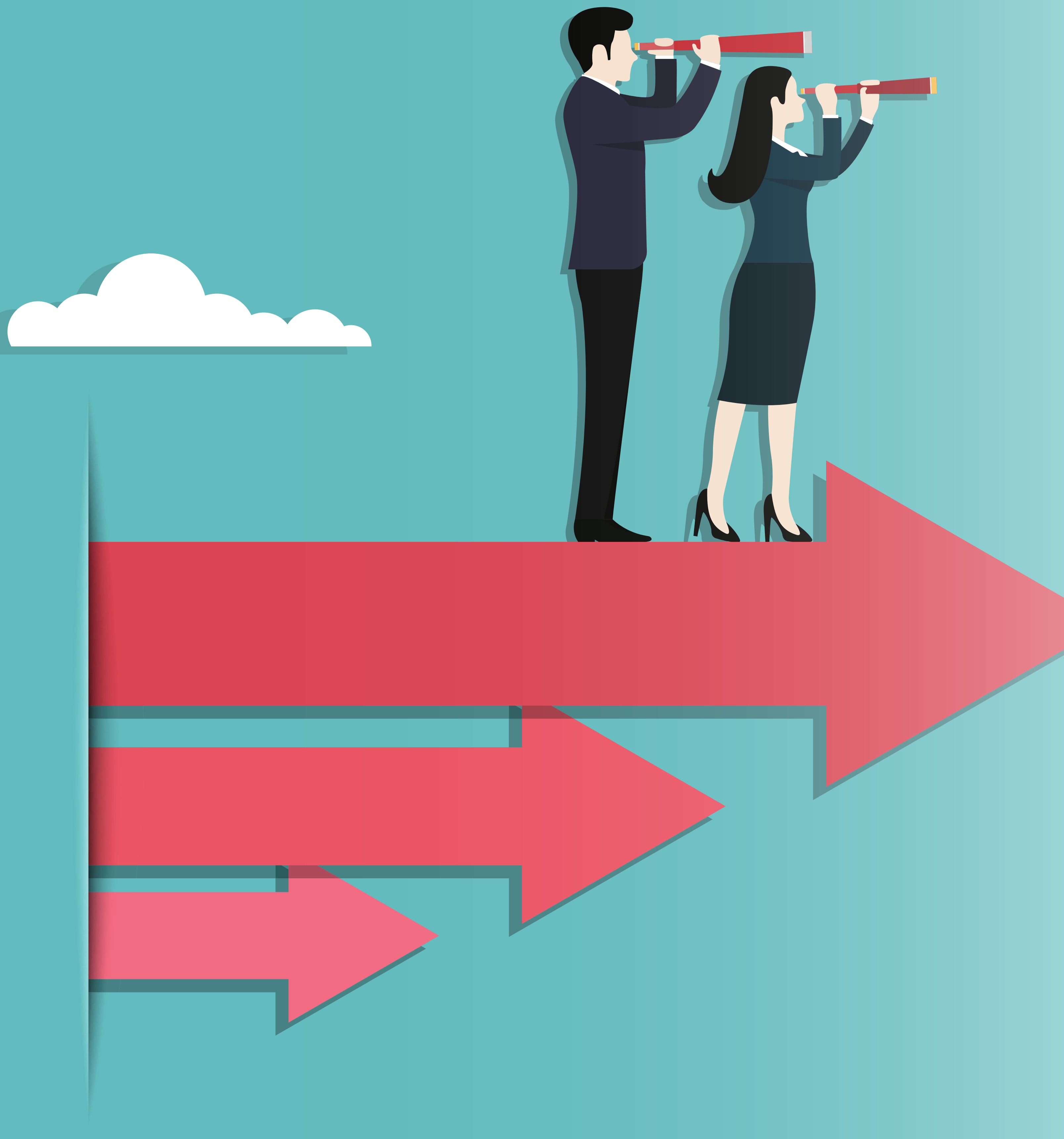
Asked for suggestions for other equipment finance companies considering the school market, Hashimoto and O'Donnell have several thoughts. "Colleen and I have joked that we are evangelists for leasing, but it's true that customers need to be educated about how leasing can help them," says Hashimoto. "Our message about this has been the same since we started with the education market, but with COVID-19 driving and accelerating the need for IT equipment, what we had to say became that much more important and understandable. Communicate often with your customers, and explain clearly how leasing can be a solution for budgets, for obtaining the equipment they need, and for controlling what happens to that equipment at the end of the lease."

Adds O'Donnell, "I'd say the willingness to be nimble, to explore the market deeply and invest time communicating with prospects and building relationships, is extremely important. Working this way is a cornerstone of our business, and by doing it, we're in a position to respond immediately when needs change or a crisis arises. It's how we provide solutions our customers are looking for." ☰

"Today school districts need large numbers of devices, and these can be acquired through a leasing contract that manages the entire life cycle."

ANDY HASHIMOTO
Insight Financial Services

SUSAN HODGES writes about equipment finance from her office in Albuquerque, New Mexico.



The Year Ahead

8 Forces Shaping Equipment Finance and the U.S. Economy in 2021

By Jeff Jensen and Desmond Dahlberg

FOLLOWING A YEAR OF DECENT ECONOMIC GROWTH IN 2019, the U.S. economy fell off a cliff due to the global pandemic in 2020. COVID-19 led to a broad shutdown of the economy beginning in mid-March, triggering a brief but extremely deep recession in which 22 million jobs were lost in a matter of weeks and the economy contracted at the sharpest rate in U.S. history. Equipment and software investment was not immune to the collapse, falling more than 28% (annualized) in Q2. Most states began to reopen over the summer, resulting in the rapid recovery of roughly half the jobs lost in Q2 (in part due to a timely and massive fiscal intervention through the CARES Act). As a result, the economy expanded at a record pace in Q3, and equipment and software investment followed suit, surging 47% (annualized).

While the record expansion in Q3 was not sustainable, the economy continued to expand in October and early November, boosted by surprisingly solid consumer spending even as COVID-19 cases remained elevated. By late fall, however, it was clear that the United States was the new epicenter of the pandemic, and as states and localities reimposed restrictions on business activity, the economy predictably suffered. While Q4 data are not yet available, in the recently published 2021 Equipment Leasing & Finance U.S. Economic Outlook (jointly produced by the Equipment Leasing & Finance Foundation), Keybridge projects that the economy contracted 3.5% in 2020, the worst year since at least WWII. Equipment and software investment fared slightly better, falling 2.9% overall but demonstrating resilience during the second half of the year.

In 2021, we expect the economy to be once again a tale of two halves. The first part of the year will be determined largely by our ability to contain the pandemic while also remaining open for business. This is likely to be a tall order, though the success of the CARES Act demonstrates that Congress has the ability to make a real difference by providing timely and targeted aid to the most affected individuals and businesses. The package passed in late December should help significantly, though additional targeted support could be needed before vaccines are widely available.

However, the outlook for the second half of the year is brighter. Several vaccines have entered production and could provide a substantial boost to economic activity once they are widely available, which we expect will occur by late summer. The production and distribution of a vaccine has the potential to unlock a surge in consumer spending once Americans feel comfortable in public again — though there remains a risk that structural damage done to the labor market via permanent job losses may hold the recovery back.

Here are the eight predictions and trends that we believe will shape the equipment finance industry and the U.S. economy this year.

IMAGE: ISTOCK

1 The pandemic will get worse before it gets better, hampering the economy in early 2021.

Entering the year, the third wave of the pandemic that began in mid-October was still rising, leading to crowded hospitals and thousands of additional deaths per day. In response, state and local officials across the country reinstituted operation restrictions on many businesses in an attempt to slow the virus's spread, protect public health and avoid overburdening local health care systems. Unfortunately, the timing wasn't ideal: the virus was already spreading widely before tens of millions of people traveled to visit family for the holidays, and with colder weather businesses in many parts of the country are less able to operate outdoors. The combination of these factors is likely to slow economic growth in the first quarter. Federal policymakers likely mitigated some of the potential economic damage by extending and/or recapitalizing key relief measures, including unemployment insurance programs, eviction and foreclosure moratoria, and the Paycheck Protection Program. Whether this relief will be sufficient (and sufficiently timely), however, remains to be seen.

> In 2021, we expect the economy to be a tale of two halves, with the outlook for the second half of the year brighter.

2 Vaccines will provide relief in the second half of the year and should spur faster growth.

The single most important factor to watch for in 2021 is the vaccine rollout. While vaccines initially will be targeted to health care and other essential workers and high-risk populations, we expect broad distribution to the general public will begin in the late spring or early summer. Assuming vaccines are as safe and effective in a real-world setting as the test data suggest (and assuming most people who have not yet contracted COVID-19 are willing to be inoculated), the upside potential for economic growth later in the year is substantial. In 2020, consumer mobility and spending patterns tracked closely with local prevalence of the coronavirus, so as the public develops trust in the vaccine and more Americans are immunized, we expect consumption patterns will normalize. Moreover, if the vaccine is widely available by the summer, the potential for a surge in economic activity due to pent-up spending—particularly among higher-income households who had abnormally high savings rates in 2020—provides further upside growth potential.

3 Equipment and software investment will start strong but soften as the year progresses.

Like the overall economy, equipment and software (E&S) investment was weak in 2020 overall, driven by a 9% annualized decline in Q1 and a 28% cratering in Q2. However, E&S investment bounced back in Q3 at a record 47% annualized pace, outperforming the broader economy as firms across the country invested to adapt to the new "COVID normal." The pandemic upended the way that millions of Americans live, work, and socialize and required many businesses to reconfigure business operations. This trend is likely to continue in 2021, providing a sustained boost to E&S investment in the first half of the year, and the propensity to finance this investment should remain elevated. However, we expect that the tailwind effect will wane as the year progresses, and quarterly investment may soften (though remain positive).

Looking at specific industries, the Foundation/Keybridge Equipment & Software Investment Momentum Monitor suggests broad-based investment growth, with all 12 of the tracked verticals exhibiting strong positive momentum heading into the year. We are particularly optimistic about medical equipment investment, which should benefit from vaccine distribution and resumption of elective medical procedures. Construction equipment and trucks should also bounce back, with the former benefitting from increased demand for single-family homes and the latter from over-the-road transportation demand as consumer spending strengthens throughout the year.

4 Independents will see opportunities to increase market share as financial institutions pull back.

Relief measures, such as eviction and foreclosure moratoria and debt deferral and forbearance programs enacted by federal policymakers or offered voluntarily by lenders, undoubtedly saved the U.S. economy from a longer and deeper recession. However, these measures also made it harder to determine the creditworthiness of many borrowers, exacerbating the typical post-recession trend of tighter credit and a "risk off" posture. In 2021, we expect banks to continue to exercise caution in financing equipment expenditures, which should provide increased opportunity for independent lenders and lessors to capture additional market share.

5 Massive stimulus and pent-up demand mean that inflation could surprise to the upside.

While Congress appropriated trillions of dollars toward pandemic and economic relief efforts in 2020, the Federal Reserve injected trillions more into the financial system to stabilize it. Together, these actions caused a massive increase in the money supply, which is now more than 25% higher than its year-ago level. Due to reduced economic activity and low oil prices (among other factors), there has not yet been a commensurate increase in inflation.

Industry leaders should revisit what higher inflation would mean for their business.

However, the story could be different this year. If vaccines are as safe and effective as advertised and widespread distribution is achieved by the summer, the increased spending on travel, meals and other services could drive prices higher. Though we do not expect a large inflation spike, inflation could certainly end the year in the 2.0–2.5% range. As such, industry leaders should revisit what higher inflation would mean for their business, including lower yields, particularly for contracts with longer time horizons.

6 The Trump Administration's hard line on China is unlikely to soften under the Biden Administration.

One of the defining policies of the Trump Administration was a hard line on almost all things China. President Trump's confrontational policies against China included (1) imposing tariffs on Chinese goods to combat what was perceived as unfair terms of trade, (2) encouraging allies to cut Chinese telecom firms out of their next-gen cellular networks and (3) imposing sanctions on Chinese officials in retaliation for human rights abuses.

Though some of these policies were controversial, the reality is that the American public's opinion of China has soured notably in recent years, across the political spectrum. As a result, it has become increasingly politically untenable for President Biden to roll back some of the actions taken against China. While the Biden Administration is likely to favor a return to a pre-Trump foreign policy posture on many issues, we do not expect this to occur with China, where in many respects the genie is out of the bottle. Instead, U.S. / China relations are likely to grow more complex as China continues to challenge the United States' economic and political dominance.

7 The Georgia Senate races were important, but likely less consequential than many believe.

Though the runoff races in Georgia were the focus of a huge amount of attention given that they resulted in a 50-50 tie that nominally flipped control of the Senate to Democrats, the reality is that most of the more controversial policies favored by House progressives (e.g., the Green New Deal) will almost certainly not come to pass. This is because Democrats simply do not have the votes to enact them given that they will need the support of political moderates in conservative states, most notably Joe Manchin of West Virginia. While a larger majority could have put the Senate filibuster in jeopardy and paved the way for a more aggressive legislative agenda, the narrow margin will make Sen. Manchin (who has been clear in his opposition to removing the filibuster) among the most powerful men in Washington. The man who famously shot a bullet through the cap-and-trade bill during his 2010 reelection campaign is, to put it mildly, unlikely to support the Green New Deal. Moreover, assuming Republicans remain united against President Biden on most issues, other policies favored by progressives may face a similar fate if even a single Democratic moderate (e.g., Kyrsten Sinema, John Hickenlooper, Jon Tester or Mark Warner, just to name a few) opposes it. We do expect Democrats to take full advantage of the reconciliation process in the Senate to push for legislation with a simple majority vote, but a sharp leftward legislative turn is highly unlikely given their tenuous majorities in both chambers.

Construction equipment should bounce back, benefitting from increased demand for single-family homes.

8 Infrastructure investment could be a rare opportunity for bipartisan agreement.

Beginning with an impeachment trial and ending in a heavily contested election that made history both for its voter turnout and, ensuing court battles—and siege on the U.S. Capitol building—with a heavily politicized pandemic somehow sandwiched in between, 2020 was one of the most polarizing years in memory. Although Congress was able to come together and reach several deals when it mattered most to enact COVID relief measures and avoid a complete collapse, the issues for which there is a realistic hope of bipartisanship are few and far between.

However, one such issue is infrastructure investment, and we believe that this *could* finally be the year in which Democrats and Republicans come together to pass a major infrastructure package. There is broad-based agreement that additional federal investment is needed for urban highways and transit systems, and for extending broadband internet to underserved rural communities (among other priorities). Though discussing the prospects of an infrastructure deal sometimes makes us feel like Charlie Brown on his run-up to Lucy holding the football, infrastructure could be a rare spot of common ground. Time will tell, but a major investment bill that funded infrastructure priorities in both blue and red states while simultaneously tackling high unemployment seems like a real possibility. ☰

JEFF JENSEN is Vice President and **DESMOND DAHLBERG** is a Senior Analyst at Keybridge Research.

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STRENGTH & RESILIENCE

Equipment managers rode bucking markets in 2020, but they stayed on— and expect a calmer ride in 2021.

By Susan L. Hodges

Equipment Management in a Year Like No Other

IF THE PANDEMIC WAS A BRONCO THAT THREW MOST OF THE MARKETS AND MANAGERS TRYING TO RIDE IT IN EARLY 2020, it was a tired horse later, accepting nibbles of recovery and creativity as the year wore on. But make no mistake: 2020 was, in the words of one equipment manager, "a most unusual year" as restaurants did business out of the back door, delivery services partnered with competitors to move critical supplies and warehouses couldn't add automated equipment fast enough to cope with the explosion in e-commerce. Observed another asset manager, "Times are changing, jobs are changing and the way we work today is not the way we worked a year ago—and it probably won't be how we work a year from now."

"COVID-19 was the wildcard for 2020, and we expect it to be the same in 2021," summarizes Nick Coscia, Equipment Manager for Asset Management, Americas at DLL in Wayne, Pennsylvania. "But we expect the availability of vaccines to usher in some stability, and we're taking an active approach to help customers manage the life cycle of their equipment."

New Roads, Familiar Destinations

If 2020 turned equipment management inside out, it also forced widespread adaption and innovation, just to continue doing business. "Everything is different, but the same," says Jane Rethmeier, CEO of Harbor Capital Leasing, Inc., an Independent specializing in financing material-handling equipment. "COVID-19 caused shut-downs for many of our lessees last spring, resulting in some stagnation for us. But customers were adapting to conditions by summer, when they realized they had too much equipment or equipment that wasn't in the right place. So many lessees moved equipment to locations where they had more demand. Once everyone got into the groove and found a new, temporary normal, we got really busy—and it's been this way since August."

Tom Monroe, Senior Vice President of Asset Management at ATEL Capital Group, a San Francisco-based Independent that finances heavy equipment, has also seen much more new business since summer. "I think a lot of companies were waiting for the election," he says. "And because manufacturers had made adjustments for COVID-19, it took several months longer for them to deliver new equipment. But the delays gave customers more time to decide how to replace their fleets, and this resulted in longer renewals."

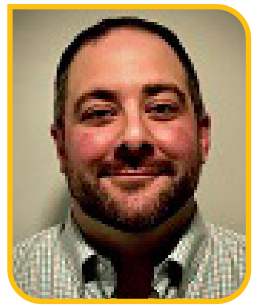
Phil Houser, Director of Asset Management at CIT in Livingston, New Jersey, says that in commercial construction the pandemic led to supply delays, altered strategies and investor pull-back on project decisions because of uncertainty. "Industry intelligence on the heavy-equipment market talks about new construction orders being down from a year ago and manufacturers shifting to produce medical supplies," he says. "But as this happened, the used-equipment and rental-equipment markets benefited. Prices for used equipment, based on condition for lower hours of service, were at a premium."

"Customers know more now about the equipment they have, and they ask us for additional reporting."

Jane Rethmeier
Harbor Capital Leasing

"We're seeing more interest in automation, specifically in the warehouse equipment space."

Nick Coscia, DLL



Fresh Situations and Positive Trends

One trend Rethmeier has noticed in customer behavior could last well beyond the pandemic. "We're seeing customers paying more attention to the equipment they have on lease, spending more time analyzing whether it makes sense to keep it, or turn it back in and get new," she says. "We're also receiving more requests for multiple types of proposals, on both the origination side and the end-of-lease side," she says. "Before 2020, a customer might have said they wanted to look at a five-year term. Now they want to consider three-, four- and five-year terms—and they want renewal proposals for their existing fleet."

She attributes the trend to continued economic uncertainty, but also to sensors embedded in many types of newer equipment that record hours of service and maintenance events. "Customers know more now about the equipment they have, and they ask us for additional reporting," she says. "We're happy to do it," she adds, "because the information helps them make their best decision. I expect customers' increased analysis of existing equipment will become the norm."

Kelly Lane, Vice President of Asset Management for Brookfield, Connecticut-based Signature Financial,

Don't Miss ELFA Equipment Management LIVE!

Kelly Lane always enjoys ELFA's annual Equipment Management Conference, and he says this year will be no different. "Equipment Management LIVE! will be a great opportunity to attend informative sessions and network while saving on travel costs and time," says Lane. "I'm looking forward to experiencing the conference virtually, and I hope to see everyone in person in 2022."

To be held Feb. 23-24, Equipment Management LIVE! will feature educational sessions and networking opportunities. And because of its virtual platform this year, companies that don't ordinarily send many attendees to a physical location may be able to send more who'll attend from their work stations. "A big value of the conference is the networking, and although it will be different this year, we'll still have opportunities to see old friends and make new ones," says Tom Monroe. "And everyone who attends will take away new information from speakers who'll talk about market trends and developments in equipment."

Jane Rethmeier notes that one session will be directed toward new asset managers. "I'm excited about this, because we have some rock stars in equipment management, and I think young professionals will benefit from the virtual platform," she says. "And since you'll be able to go back and visit sessions previously recorded, I also think a lot of people will attend them on their own schedules."

Nick Coscia urges all equipment managers to attend this year's virtual conference for a particular reason: "This is a unique opportunity to hear from colleagues, service providers and competitors as to what's going on in the Equipment World," he says. "We learn about new products and industries not only in the equipment market, but in the equipment finance industry. I'm looking forward to hearing from my peers about their experiences over the past 10 months of this unique time—and I'd encourage others to attend for the same reason."

For more information, visit www.elfaonline.org/events.

LLC, now uses Zoom calls and virtual meetings to stay in touch with customers. He has also seen the increased use of technology in virtual equipment inspections. "Using technology to do our jobs more efficiently and maintain momentum has been extremely helpful," says Lane. "I'm really looking forward to getting back to normal, when we can visit our customers in person and physically see the equipment."

Monroe has also experienced new procedures around inspections. "Some lessees had implemented stricter rules for on-site inspections because of COVID-19, but surprisingly, we didn't run into issues there," he says. "Asset managers got creative, some companies did virtual inspections, and everyone worked together to get things done."

At DLL, robotics process automation now performs many manual tasks in equipment management, and projects using AI (Artificial Intelligence) are underway to predict customer behaviors that drive residuals. Says Coscia, "Incorporating the data and behavior into meaningful residuals will keep us relevant in the marketplace."

Warming Markets, Mixed Equipment Values

Equipment managers speaking for this story stopped short of saying any market would be "hot" in 2021. But they noted upward trends among several equipment types that reflect larger trends in the industry. An example: Houser says CIT's survey of middle-market and small businesses shows emphasis on technology and remote working. "Working from home, we can see how much we're supporting online commerce, and this environment is expected to be even more favorable for equipment finance in 2021," he says. "Add the continued low-interest environment, and these trends can drive equipment financing in specific verticals like technology, material-handling and last-mile transportation."

"Advances in the microchip, driving ever higher speeds, will support the remote workplaces of the future."

Phil Houser, CIT

Houser also expects growth in guided vehicles used in warehouses, drones used for asset-tracking and 3-D printing technology. "Three-dimensional printing has been around for a while, but disruptions in the supply chain highlighted the ability to print parts for your fleet when you couldn't get them any other way," he says. Houser also sees green-energy initiatives expanding and looks for financing to gain momentum in these areas during the new administration.

"The pandemic has created a new light for equipment managers."

Tom Monroe
ATEL Capital Group

Monroe, meanwhile, reports an uptick in covered hoppers. "Overall, the railcar market is measured by traffic, and the number of carloads dropped in mid-2020 by an additional 10 to 15% compared to earlier in the year, which is a lot," he says. "But since then there's been a big push and export market for soybeans and corn, and fortunately, U.S. farmers had strong crops in both. So that has pushed for an increased demand in hopper cars, and the fourth quarter has been a big turnaround."

In construction, Coscia says equipment markets fluctuated by segment in 2020 and will probably continue to do so in 2021. "We noticed weakness in articulated trucks and excavators earlier in 2020, but we've seen recent stability in aerials," he says. "We're also seeing more interest in automation, specifically in the warehouse equipment space, and activity in machine tools, which has generally maintained values except for small pockets of weakness in sectors such as automotive."

Not unlike Harbor Capital, DLL is experiencing increased renewal appetite from lessees skeptical about buying new equipment while still using their existing units. Says Coscia, "In some cases, we are more willing to take additional risk on the extension than risk potential losses, should a customer decide to return rather than renew."

At the same time, DLL is expanding its Fleet Solutions program to suit customers' changing

"Equipment Management LIVE! will be a great opportunity to attend informative sessions and network while saving on travel costs and time."

Kelly Lane
Signature Financial

transportation needs. "Our fleet equipment experts customize financing solutions that help improve a customer's business performance and lower their total cost of operation," Coscia explains.

Meanwhile, Rethmeier sees "a lot of new forklifts going into distribution centers," and more soft costs in telemetry and monitoring for those forklifts. "Monitoring records when the forklift bumps into something, how many trips it makes and how long it takes to do things," she says. "And wire guidance tells the forklift where to go—so now there are programmers in the warehouse, telling automated equipment what to do and where to go."

So far, Harbor Capital hasn't experienced much fluctuation in used-equipment values. "But if distribution centers continue to evolve and grow, I'd expect used values in material-handling equipment could go up as customers wait for lead times on new equipment," says Rethmeier.

ATEL Capital watched values for over-the-road tractors plummet in early 2020, "but they were already dropping in 2019," says Monroe, who adds, "We haven't seen stabilization there yet."

Not surprisingly, values for personal computers remained steady as employees retreated to home work spaces and distributed architecture enabled multiple computers to share proprietary software and data-processing. "This really was a bright spot in 2020, and we look for increased demand in 2021," says Houser. "Advances in the microchip, driving ever higher speeds, will support the remote workplaces of the future."

Lane says he witnessed a drop in equipment values across many categories in 2020 but is already seeing many of them improve. "If the vaccines against COVID-19 are safe and effective and we have no more shut-downs, I expect widespread growth in trucking, construction, medical, computers and material-handling," he says. "All of these industries are cyclical, and I expect to see growth as customer confidence returns and they look to replace or add to their equipment fleets." Lane notes that values for buses, limousines and aircraft are still soft, due to steep declines in travel. "Unfortunately, we don't expect values for any equipment used in the tourism industry to improve in the near future," he says.

Optimism for Constructive Change

Despite 2020's bumps and bruises, equipment managers interviewed for this story expressed pride in their industry and a calculated optimism for 2021. "Overall, I think the equipment finance industry demonstrated signs of strength and resilience in 2020, even though companies differed in their experience by industry," concludes Houser. "I think our industry will continue to adapt to present challenges and create more solutions that will drive investment and increased activity in 2021."

Monroe takes an even larger view. "Generally, I think the pandemic has created a new light for equipment managers," he says. "Some companies now realize how very important they are to managing the portfolio." Rethmeier agrees, saying, "Business generally has been fairly good for leasing companies in 2020, and as a group, we are very effective at changing directions quickly and adapting to customer needs. If asset managers continue to play their part within their organizations to provide value, I think there are many opportunities out there to grab onto." And each one starts with getting on the horse. ☰

SUSAN HODGES writes about equipment finance from her office in Albuquerque, New Mexico.

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EQUIPMENT LEASING AND FINANCE ASSOCIATION
Equipping Business for Success

By Gwen Moran

The Art of the Possible

ELFA's new Board Chair Kris Snow is focusing on member needs for recovery and growth

KRISTINE A. "KRIS" SNOW HAS A VISION FOR ELFA'S FUTURE, and it involves recovery, technology and an emphasis on diversity, inclusion and equity. As the new association Board Chair, Snow takes the organizational reins not only during ELFA's 60th year but also during a global health crisis that has affected every member. Undaunted, Snow sees an opportunity for ELFA to be an integral part of helping member companies weather the pandemic while also continuing to look toward and prepare for the "next normal" as the threat of the COVID-19 virus wanes.

"It's very surreal stepping into this role in the middle of the pandemic, with the current disruption," says Snow, who is President of Cisco Systems Capital Corporation. "But for as much disruption as our members have endured, our businesses and our industry have proven time and time again how resilient we are."

"Our businesses and our industry have proven time and time again how resilient we are."

With 20 years of experience as part of ELFA, Snow speaks from experience. She was leading a captive finance program when ELFA President and CEO Ralph Petta first invited her to attend the ELFA Annual Convention. "I was struck by the camaraderie, the companionship and the common purpose and values among the attendees," she says. Members were engaged and eager to share knowledge and help each other. She was also impressed with the advocacy and research the association and the Equipment Leasing & Finance Foundation provided.

It wasn't long before Snow's involvement in the Captive and Vendor Finance Business Council Steering Committee led to her chairing the committee. Snow has also served in a number of other roles, including as a member of the Board of Directors from 2008-2011 and again from 2017 to present. In addition to her current position on the Board, she is a member of ELFA's Executive, Nominating and Personnel Committees.

Road to Success

Snow began her career as a system engineer. When she had an opportunity to move into a promising role in sales, she took it, soon advancing into management roles, including general manager for a technology company's captive finance organization. The move gave Snow, who holds a Master's in Business Administration, the opportunity to run a global business.

No stranger to tumultuous economic times, Snow was Global President of an independent finance provider during the Great Recession, helping steer her company through one of the most challenging business environments in history. In 2009, she returned to the technology sector as Global President of Cisco Capital, which has a quarter-century-long relationship with ELFA. Cisco Capital manages more than $10 billion in assets and has a presence in more than 150 countries.

Vision for the Future

Snow's notable career has given her extensive experience working within both captive and hybrid models and partnering with banks and independent finance companies. She has first-hand insight into the challenges and opportunities these member segments face, which helped form her vision for her first goal as ELFA Board Chair: Helping members through the pandemic and economic recovery.

In addition, Snow's background gives her a clear vision of how ELFA can take a leadership role in helping members understand how technology can be a game-changer, which is her second goal for the organization.

"Technology can amplify our business objectives and is something we should embrace, not shy away from," she says. "It's a very powerful tool in our toolkit."

While many companies have added various digital elements to their operations, especially during the pandemic, technology can be a bigger driver of operational excellence, says Snow. Beyond videoconferences and electronic signature platforms, the right platforms and tools allow people to collaborate more effectively and accelerate business cycles. Artificial intelligence and machine learning are increasingly integrated into digital tools, making them more powerful in everything from finding and qualifying prospects to facilitating processing of leasing and financing products. Snow sees ELFA playing a key role in helping members understand "the art of the possible" when it comes to technology.

Snow's third goal as Chair has been a priority for ELFA for a number of years: Focusing on diversity, inclusion and equity within the industry. As Snow makes plans to attract more women and people of color to the industry, she keeps her daughter—a recent college graduate and STEM professional—in mind.

"She is intelligent, balanced, sensitive and globally and culturally aware, as that generation is," notes Snow. "They really provide hope for all of us. And so, the focus on diversity, inclusion and equity (DI&E) is also founded in making sure that we create that environment where our children can excel and succeed in this industry, which will really move our businesses forward."

Snow notes that the equipment finance industry provides excellent career opportunities for young professionals. She will continue to support the organization's DI&E efforts and programs, as well as explore new ways to attract new talent to the industry.

Voice of the Member

Outside of ELFA, Snow is busy with a number of civic and community organizations. She serves on the Gonzaga University Board of Trustees and is Board Member Emeritus for St. Mary's College School of Economics and Business Administration. She is also widely recognized within the business community and was honored by the Computer Reseller News 2019

Snow at ELFA 2020 Business LIVE! with 2020 ELFA Board Chair Martha Ahlers

Women of the Channel list. She also received the Silicon Valley Business Journal's Women of Influence award and the YWCA Tribute to Women Award for the Silicon Valley.

Snow is an avid golfer, weather permitting. She is also a self-proclaimed "recovering percussionist," who played during her middle school and high school years. However, she also stated on the record that she is open to coming out of her self-imposed drumming retirement should an invitation to join "the infamous ELFA band," The Financial Statement, arise. (Editor's note to Ralph Petta: Call her.) She looks forward to the time when ELFA members can gather in-person again.

Snow says she's open to coming out of drumming retirement should an invitation to join "the infamous ELFA band," The Financial Statement, arise.

Most of all, Snow wants to use her unique blend of professional, industry and personal experience in her role as Board Chair for the benefit of members going through a challenging time. "I'm so honored to take on this role as ELFA reaches its 60th anniversary. And I'm here to be the voice of the member companies," she says. "I would say directly to member companies and the members themselves: Please do not hesitate to contact me if I can be of assistance in any way."

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

By Scott Adams

5 Things Traditional Lessors Can Learn from Our Fintech Counterparts

WITH A GOAL OF BRINGING SPEED AND SIMPLICITY TO THE INDUSTRY, Fintechs have emerged as a disruptive force to traditional sources for equipment finance and leasing, including banks, captives and independents (collectively, "Traditional Lessors"). A "Fintech"—the term is shorthand for financial technology—refers to an entity that integrates technology into financial services products. Although Traditional Lessors may have dedicated business areas or affiliates focused on technology, a Fintech firm provides end-to-end solutions through the customer's mobile device or personal computer, which may involve little or no human interaction. This article will examine several legal areas where Fintechs have challenged the status quo and provide new ways of thinking about longstanding pain points.

1. Transaction Complexity and Legal Documents

Technology is at the heart of the Fintech business model, including minimizing layers and reducing complexity. In the traditional equipment finance space, the customer may interact with sales, credit, pricing, underwriting, operations, documentation and other teams in order to finance a single piece of equipment. For Fintechs, these steps are reduced through significant reliance on technology and automation.

From a legal perspective, Traditional Lessors can learn from the document generation and signing experience of Fintechs. According to Bill Verhelle, a lawyer by training who founded Innovation Finance USA LLC and its QuickFi platform ("QuickFi") after building First American Equipment Finance, the legal documents should be user-friendly, in simple English and devoid of the layers that are often baked into lessors' forms over years of revisions and changes.

> Think critically about what legal provisions are "must haves" versus "nice to haves" in finance or lease documents.

Additionally, consider how many signatures are required for a customer to execute a legal document package, including signature lines on master agreements, schedules, addenda, billing forms, authorizations, etc. Fintech companies engaged in commercial lending have streamlined the number of signatures—QuickFi has a single digital signature—to allow the customer to scroll through the agreements and execute the agreement.

Mobile and digital platforms serve as a catalyst for streamlining the Fintech document generation and signing process. However, Traditional Lessors can benefit by thinking critically about what legal provisions are "must haves" versus "nice to haves" in the finance or lease documents. In the COVID-19 era, automation of the documentation process is especially helpful. Also, electronic signatures have become more pervasive during recent years and especially through the COVID-19 pandemic. As long as Traditional Lessors navigate legal concerns related to electronic chattel paper and other nuances, Fintechs have shown that it is possible to build a business by shifting entirely to digital signatures.

2. Creativity for Navigating UCC Requirements

Traditional Lessors often address security perfection as part of the documentation and funding process, once the collateral is more clearly identified and capable of being referenced in the UCC financing statement. Some Fintechs have incorporated creative UCC strategies into the "Terms of Use," which allows for a possible purchase money security interest in situations involving tight delivery timing. Although Traditional Lessors may not find this approach ideal for every financing, it may be worth evaluating the timeline for filing UCC financing statements in certain transactions.

Also, the issue of "acceptance" is critical for equipment lenders and lessors seeking to provide only funding for equipment and not being involved in its manufacture, performance or selection. Fintechs have leveraged their mobile platforms to address this issue where certain goods may not be delivered immediately due to production or shipping. Of course, if a customer finances equipment that is available immediately (e.g., stock computers), acceptance is less of an issue. However, if a customer orders equipment that has not been manufactured yet or that must be shipped, the lessor cannot fund the transaction until the customer accepts delivery. QuickFi's mobile application prompts the customer about whether the equipment has arrived yet. When the customer affirmatively indicates it has been delivered, the equipment is "accepted," and the vendor can be funded promptly.

For Traditional Lessors, it is worth considering issues and timelines around "acceptance" to avoid gaps (see Liberatore, D. "Equipment Acceptance is Important," *Equipment Leasing & Finance Magazine*, Jan./Feb. 2020). Even in the absence of a mobile application, implementing electronic forms or communications certifying acceptance could streamline the process and protect the lessor.

3. Security, Fraud Risks and Mitigation

Fraudsters can engage in misconduct whether on paper or electronic documents, but Fintechs view their technology as providing greater protections and mitigation. Mobile device features, such as biometric authentication, driver's license verification, geolocation data and unique device ID information provide additional levels of security when compared to transactions completed on computers or paper contracts. These features can enhance the security of a Fintechs' overall platform. The camera feature on mobile devices acts as a scanner for the customer's driver license, which can be uploaded and matched against 50 state data for validation, before facial recognition is used to compare the likeness of the user of the mobile device with the photo on the validated license. This entire process can be completed in minutes, 24/7/365. Additionally, digital signature tools create a verifiable audit trail, memorializing the time, date, location, device type, unique device ID and IP address of the signer.

Although Traditional Lessors may not desire to implement all these tools, certain options, such as driver's license authentication, may be practical and provide a better security and audit trail than a photocopy. Even small changes from the Fintech world may provide incremental improvements and legal protections for Traditional Lessors.

4. Regulatory and Legal Structure

In the same way that one structure does not work for all lenders or lessors, Fintechs have taken different approaches regarding their organization and legal structure. Many operate as finance companies and maintain numerous states licenses. However, Varo Money obtained a national bank charter (Varo Bank, N.A.) from the Office of the Comptroller of the Currency on July 31, 2020, and in late October 2020, the OCC granted conditional approval for SoFiBank, N.A. Other entities, such as Square, Inc., have elected to obtain Utah industrial loan company charters. These Fintechs have pursued legal structures that may help navigate the numerous federal and state laws and regulations governing financial services companies. However, bank structures require capitalization and oversight that could impact the priorities of certain entities.

Ultimately, all market participants, whether Fintechs or Traditional Lessors, must periodically reflect and examine the best structure for advancing interests of their customers, employees and shareholders. However, these recent examples of Fintechs obtaining bank charters serve as a reminder that significant structural changes should not be cast aside when analyzing what legal structure is best for an organization.

5. Collections and Recovery

When it comes to collecting accounts and exercising legal rights and remedies after charge-off, Traditional Lessors may have institutional tools and personnel that facilitate collections. However, Fintechs can use device notifications to prompt the customer for payment and to make payment through the mobile application. On the other hand, after the point of default and charge-off, some Fintechs have turned to selling non-performing accounts to debt buyers. Traditional Lessors have also used debt sales for many years. To the extent that internal resources for debt collection are stretched during the COVID-19 recession, Traditional Lessors may benefit from exploring automated text/SMS reminders with a link to the lessor's payment portal. Of course, such tools require appropriate policies and customer consents. Debt sales may provide benefits to lessors facing mounting defaults and legal spend.

In conclusion, certain benefits of Fintechs, such as speed, security and a better user experience, are goals that all lessors will continue to pursue. Other aspects of Fintechs' ways of doing business may be worth considering as equipment finance lawyers identify ways to innovate and help clients provide better service. ☰

SCOTT ADAMS is Senior Counsel, United States for Volvo Financial Services in Greensboro, North Carolina, and a member of the ELFA Legal Committee.

By Scott Muir

FASB Leases Roundtable: What We Heard

THE FINANCIAL ACCOUNTING STANDARDS BOARD held its long-awaited, virtual, leases roundtable in mid-September. Participants included public accounting firms, financial statement users, public and private companies and trade associations. There were five major topics of discussion:

- Lessee application of the rate implicit in the lease;
- Lessee application of the incremental borrowing rate;
- Embedded leases;
- Lease modifications; and
- Lessee allocation of fixed and variable payments.

For each of these topics, the FASB staff prepared agenda papers (available on the FASB's website here). ELFA Financial Accounting Committee Chair John Bober summarized the questions within each major topic area in a November 2020 Financial Watch column entitled "FASB Leases Roundtable: What's on the Table."

The FASB met on Dec. 2 to discuss the feedback it received from the roundtable.

What was the feedback?

Given the number and diversity of roundtable participants, as might be expected, there were varied opinions on some items within the broader topics. However, there was also a surprising amount of near consensus around other items.

Lessee application of the rate implicit in the lease

Roundtable participants we re generally opposed to either:

- Permitting (option) or requiring lessees to estimate the lessor's implicit rate, even if there is publicly available (observable) information available that is likely to be consistent with the information used by the lessor to calculate its implicit rate; or
- Eliminating the requirement for lessees to consider whether the lessor's implicit rate is readily determinable.

Since the roundtable, the FASB voted at a public meeting on Oct. 21 not to further consider either of these possible changes to Topic 842. Consequently, this roundtable topic was not discussed further at the Dec. 2 meeting.

Lessee application of the incremental borrowing rate

Roundtable participants were mostly opposed to changing the lessee incremental borrowing rate guidance for public business entities, including to permit or require use of a default discount rate (e.g., an A or AA rate). While many participants observed that determining incremental borrowing rates was an implementation challenge, they also observed that entities that have adopted Topic 842 generally now have processes in place that are sustainable and repeatable such that changes to the incremental borrowing rate guidance would be disruptive.

By contrast, roundtable participants were largely in favor of making changes to the incremental borrowing rate guidance for non-public entities, most of whom have not yet adopted Topic 842. Participants were generally receptive to one or both of the following revisions to the risk-free discount rate practical expedient available to these entities:

- Making the practical expedient electable by class

of underlying asset (rather than on an all-or-nothing basis for all leases); and

- Incorporating a credit element into the practical expedient (effectively making the default rate a high credit quality rate other than a risk-free rate).

At its Dec. 2 meeting, FASB members expressed interest in the staff bringing back research to the Board on both of these possible changes.

Embedded leases

Most roundtable participants were opposed to either:

- Making changes to the definition of a lease in Topic 842; or
- Enacting embedded lease scoping exemptions such as:
  - o The "low-value asset" exemption in the IFRS leases standard (IFRS 16), which would permit not recognizing embedded leases of assets with a low value when new (e.g., small IT equipment); or
  - o The exemption in the revenue guidance (Topic 606) that permits entities to not separately account for promised goods or services that are qualitatively and quantitatively "immaterial in the context of the contract."

Some of those participants observed that the lease definition has conceptual merit and is identical to that in IFRS 16. Others observed that both of the above scoping exemptions were debated during the development of Topic 842 and were deemed to have operational and/or conceptual flaws.

At its Dec. 2 meeting, some FASB members expressed that additional education on the part of the FASB with stakeholders may assist with some of the lingering concerns and complexity associated with identifying embedded leases, particularly for those entities still undertaking implementation of Topic 842.

Lease modifications

While participants generally agreed that the modification accounting models under Topic 842 were an improvement from those that applied under Topic 840 and that stakeholders understand and know how to apply the Topic 842 modification guidance, they were broadly supportive of possible changes to:

- Reduce how often modification accounting triggers reassessments of lease judgments and estimates, such as lease classification, discount rate for the lease and lease term;
- Permit the recognition of certain termination penalties as an expense of the termination (rather than as a cost of the remaining lease components); and
- Prevent counterintuitive lease classification outcomes, such as the classification of a lease changing multiple times during its life or changing solely due to the passage of time since lease commencement.

At its Dec. 2 meeting, a number of the FASB members expressed an interest or willingness to consider modification accounting changes consistent with these suggestions, as well as to consider any other worthwhile suggestions received from respondents to the FASB's recent proposed ASU on targeted lease standard improvements.

Lessee allocation of fixed and variable payments

The lessor guidance in Topic 842, derived from guidance in Topic 606, requires lessors to allocate a variable payment, and therefore also potentially a fixed payment, to only one or some of the contract components if specified conditions are met. While many roundtable participants were supportive of expanding this guidance to lessees on a conceptual and decision-useful information basis, many of those same participants (and others) were concerned about disrupting lessees' existing accounting processes and lease systems with this change.

FASB members did not make specific comments in relation to this topic at the Dec. 2 meeting.

Next Steps

The Financial Watch column will provide an update on changes to Topic 842, including those stemming from the September 2020 roundtable, in the coming months. ☰

SCOTT MUIR is a member of ELFA's Financial Accounting Committee, a Partner in the Department of Professional Practice of KPMG and a former member of the FASB leases project staff.

By Andy Fishburn

ELFA Responds to Section 1071 Proposals

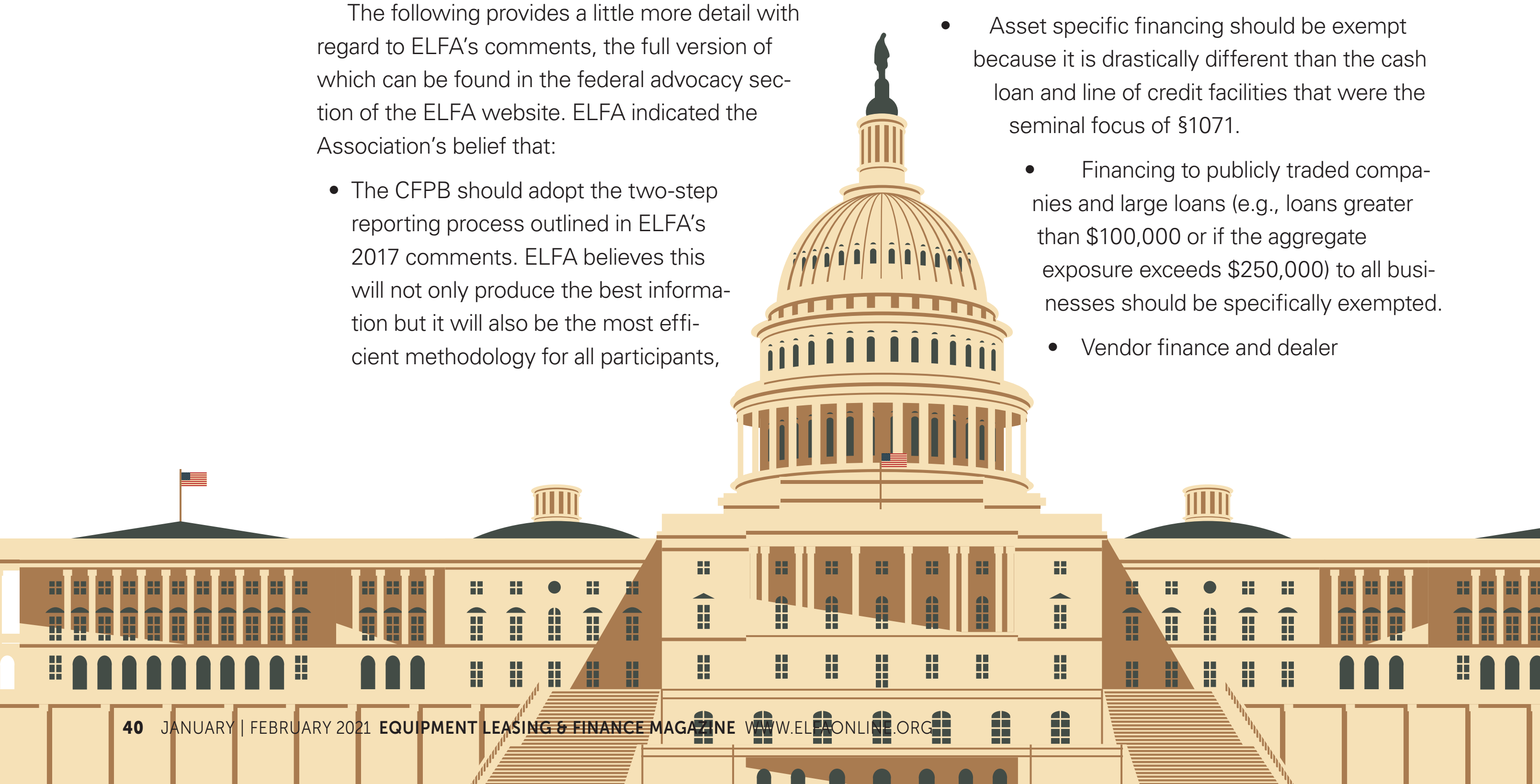
IN DECEMBER, ELFA responded to the Consumer Financial Protection Bureau's (CFPB) proposals regarding Section 1071 of Dodd-Frank. The CFPB had issued these proposals in coordination with their panel meetings required by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). This represents the most detailed look that the public has had at the approach that the CFPB is utilizing with regard to Section 1071 since it was passed a decade ago.

Of note, the proposals would exempt true leases, but cover most other small business finance transactions by commercial finance companies. There are some exemptions in the proposals, but for the most part, these will only exempt the smallest finance companies. If the proposals were to be enacted in anything approximating the SBREFA proposals it would be a watershed moment in the commercial finance space, especially for non-bank commercial finance companies.

ELFA's comments took a three-step approach. First, we attempted to gain meaningful exemptions, then, if exemptions couldn't be utilized, we advocated for simple rules (e.g., a bright-line revenue test to define small business) and, lastly, we pushed for an indemnification of finance companies from having to verify demographic information provided by their customers such as the ethnicity of a business's owners.

The following provides a little more detail with regard to ELFA's comments, the full version of which can be found in the federal advocacy section of the ELFA website. ELFA indicated the Association's belief that:

- The CFPB should adopt the two-step reporting process outlined in ELFA's 2017 comments. ELFA believes this will not only produce the best information but it will also be the most efficient methodology for all participants, the government, obligors and obligees. If the CFPB does not adopt some variant of this reporting process, the CFPB should:
  - o Develop an optional form—with input from industry—that financial institutions can use to collect customer data, with clarity that the customer is solely responsible for accuracy; and
  - o Clearly define "feasibility" in restricting access to customer information by loan officers and underwriters.
- The CFPB should adopt a simple, revenue-based definition of small business. The CFPB proposal of a $1M ceiling for revenue is reasonable, although a significantly lower ceiling is supported by the existing administrative record and would capture a significant majority of small business lending.
  - Asset specific financing should be exempt because it is drastically different than the cash loan and line of credit facilities that were the seminal focus of §1071.
    - Financing to publicly traded companies and large loans (e.g., loans greater than $100,000 or if the aggregate exposure exceeds $250,000) to all businesses should be specifically exempted.
      - Vendor finance and dealer



transactions should be exempted because of the inherent difficulties associated with information collection by non-affiliated entities.

- The size-based exemption levels contemplated in the CFPB proposal need to be raised significantly to be meaningful.
- In the absence of much broader exemptions, staged implementation of Section 1071 is advisable.
- The CFPB should take great care in publishing any 1071 information due to the privacy and anti-competitive factors inherent in this data. Many borrowers want their finances kept confidential for a myriad of reasons and competition on a variety of factors is critical to efficiently providing credit to small businesses. If this information is made public, it will cause many borrowers to decline to provide the information, creating a skewed and unreliable database. It will also inevitably cause greater competition on headline rates, if the CFPB requires rate disclosure, at the expense of other factors in the financing such as servicing. This would also open the door to rate manipulation through down payment adjustments and the like.

Should you have any questions about ELFA's work on these issues, or the status of this rulemaking, please get in touch with the ELFA Federal Advocacy team. ☰

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

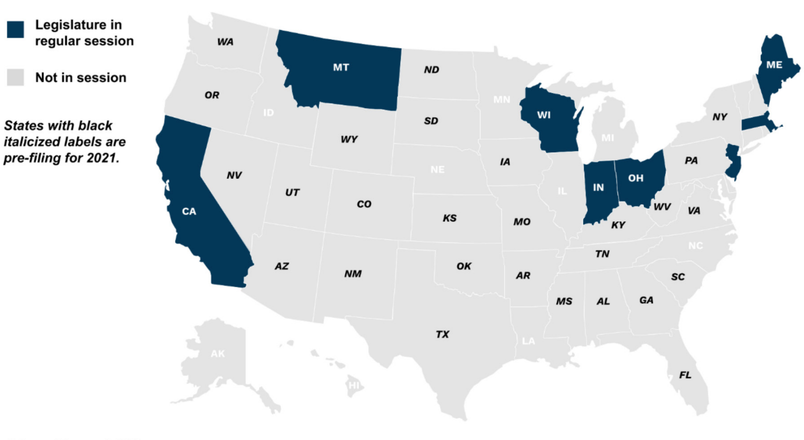
By Scott Riehl

State Legislation Ramps Up in 2021

WITH EIGHT STATES CURRENTLY IN SESSION, your team at ELFA is working to review and, where needed, to address all legislation filed that impacts your interests. ELFA's efforts are focused on identifying any and all measures that would wrongly infringe on the operations of ELFA members in the commercial sector, addressing those bills that require our attention and conversely promoting legislation that addresses industry needs.

Traditionally ELFA has projected that more than 180,000 state legislative bills will be filed across the 50 states on a yearly basis. In 2021 ELFA projects this number will increase significantly due to the interruptions caused by the pandemic, the closing down of state legislative chambers and the backlog of legislative filings not addressed or permitted due to the shortened legislative session. Of that more than 180,000 state legislative filings, ELFA estimates there will be more than 2,000 bills introduced in 2021 that may impact our members' interests.

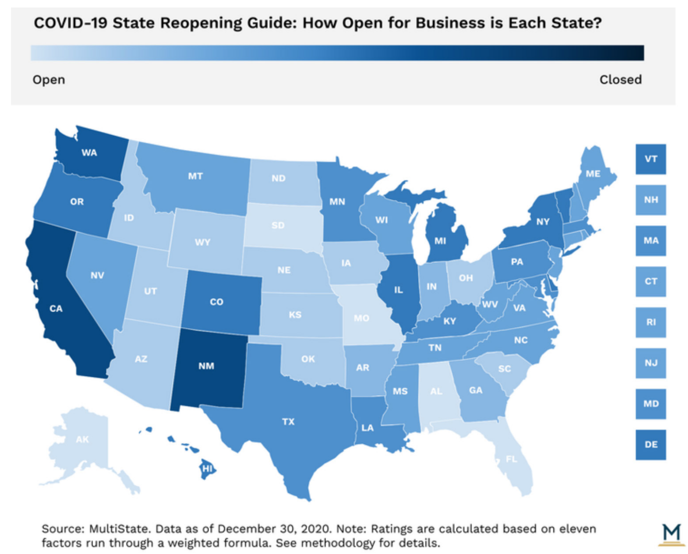
State Legislative Sessions



- **8** state legislatures are in regular session (CA, IN, ME, MA, MT, NJ, OH, WI)
- **42** states are not in session
- **32** states are pre-filing for 2021

ELFA Presents State and Local Resources for Critical Coronavirus Information

COVID-19 State Reopening Guide - MultiState's COVID-19 State Reopening Guide provides a numerical rating of each state's degree of "openness"—in other



words, how open for business is each state now that states have begun shifting their focus to economic recovery? Learn more.

State Tax Filing Date Changes/Extensions - Vertex has created a resource showing states that have issued sales and use tax guidance in response to the COVID-19 crisis. Learn more.

New York Finance Licensing Bill Filed

New York Senate Bill 1061, sponsored by Banking Committee Chairman State Sen. James Sanders Jr (D-NYC), seeks to regulate commercial finance licensing of those making or soliciting commercial financing products as authorized and without first obtaining a license.

§ 363-A 1(C) of definitions includes "any leasing transaction where any funds are provided to the business or commercial enterprise by the leasing business or any affiliate of the leasing business in the amount of

five hundred thousand dollars or less." Exemptions in § 363-B 2 covers "any banking organization" as defined. Licensees shall file annual reports, and any additional or special reports deemed necessary, used in part to assemble an annual consolidated statement of condition showing the combined assets and liabilities of all licensed lenders.

ELFA had actively worked to impact similar legislation filed last year by this sponsor and is fully in the fight to protect our industry from all and certain negative impacts this new legislation would cause. Your views of this development can be shared with ELFA Vice President, State Government Relations, Scott Riehl.

New York Finance Disclosure Law with ELFA Amendment Signed by Governor

New York Senate Bill 5470 sponsored by Senate Consumer Protection Committee Chairman Kevin Thomas (D-Garden City) and companion New York Assembly Bill 10118 sponsored by Assembly Governmental Operations Committee Chairman Kenneth Zebrowski (D-Rockland County) were enacted and signed by the Governor as Chapter 369 on Dec. 24.

As reported in an earlier story and ELFA State Legislature Report, ELFA obtained an important exemption in the legislation, but as in California, certainly not everything we fought for. Your views of this development can be shared with ELFA Vice President, State Government Relations, Scott Riehl.

Details

§ 801. Definitions. For the purposes of this article, (d) "closed-end financing" means a closed-end extension of credit, secured or unsecured, including equipment financing that does not meet the definition of a lease under section 2-a-103 of the uniform commercial code, the proceeds of which the recipient does not intend to use primarily for personal, family or household purposes. "closed-end financing" includes financing with an established principal amount and duration.

ELFA expects more than 2,000 bills will be introduced in 2021 that may impact members' interests.

Exemptions

Section 802 of Article 8 contains exemptions for financial institutions, certain technology service providers, lenders regulated under the federal Farm Credit Act, commercial financing secured by real property, leases as defined in the UCC, providers making 5 or less commercial financing transactions in a year, and individual commercial finance transactions over $500,000.

Rules and Regulations: Authorized not Required

§ 811. Rules and regulations. The superintendent is hereby authorized and empowered to promulgate such rules and regulations as may in the judgment of the superintendent be consistent with the purposes of this article, or appropriate for the effective administration of this article, including, but not limited to…

Implementation Date

Effective date: This act shall take effect on the one hundred eightieth day after it shall have become a law (December 24, 2020).

ELFA sends out email updates on state legislative and regulatory activity as it occurs. You can receive this information by sending complete contact information to ELFA Vice President, State Government Relations, Scott Riehl. ☰

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

Foundation Announces 2021 Board of Trustees

THE EQUIPMENT LEASING & FINANCE FOUNDATION BOARD OF TRUSTEES met virtually to elect 2021 officers, approve the 2021 budget, and set programming plans for the year ahead. Guided by strong leadership and invaluable expertise for over 30 years, the Equipment Leasing & Finance Foundation continues to be *Your Eye on the Future*.

We are pleased to announce the 2021 Officers and Trustees:

CHAIR: Scott Thacker, Ivory Consulting Corporation

IMMEDIATE PAST CHAIR: Jeffry Elliott, Huntington Equipment Finance

VICE CHAIR: Nancy Pistorio, Madison Capital LLC

SECRETARY/TREASURER: Zack Marsh, Orion First Financial

PRESIDENT: Ralph Petta, Equipment Leasing and Finance Association

Jeff Berg
Katie Emmel
Chris Enbom
Valerie Gerard
Miles Herman
James Johnson, Ph.D
Shari Lipski*
Brian Madison
Bonnie Michael
Michael Romanowski
William Tefft*
Thomas Ware
Bonnie Wright*
Donna Yanuzzi

**New Trustees*

Get to Know Zack Marsh

Foundation Academic Outreach Committee Chair

AS PART OF THE FOUNDATION'S EFFORTS to engage academics and industry experts, the Academic Outreach Committee was formed. Leading the Committee is Chair Zack Marsh, Chief Financial Officer, Orion First Financial, LLC. The following is an interview delving into Marsh's evolution within the Foundation, providing insight into some of the priorities for the Committee as we embark upon the new year.

Why did you initially become involved with the Foundation, and how has your engagement evolved?

I began my involvement with the Equipment Leasing and Finance Association (ELFA) through the Emerging Talent Advisory Council (ETAC). That experience with ETAC, and the awesome collection of rockstars I was fortunate to meet and collaborate with, fueled a desire to stay involved when my Council term reached an end. I had already fixed my eye on the Foundation, and fortunately, the opportunity to join the Board of Trustees was availed to me. So far, it has been a fun journey and a really cool experience to see us launch the Scholarship Program in 2020.

What impact on the industry does the Academic Outreach Committee have?

You've likely heard the saying when talking to other industry professionals; it goes something like, "I just stumbled into this space." We want to be more strategic about driving interest in the industry and engage early and often with academics to make them aware of all the great things this industry does and supports. The Academic Outreach Committee was created to focus specifically on that academic realm. Today, it supports the Guest Lecture and Scholarship Programs, providing the tools and resources to elevate those efforts' awareness, ultimately promoting the equipment finance industry and attracting the next generation of leaders.

What are your 2021 goals for the Academic Outreach Committee?

In 2020 we launched the Scholarship Program, something new and really impactful. As we move into 2021, we intend to support and build upon that program. We also learned in 2020 that the Guest Lecture Program can be just as powerful given remotely as in-person. So in 2021, enhancing the toolset we developed for members to provide lectures from their home to a more widespread audience will be a focus.

I look forward to engaging more members over the next year to help us expand the Foundation's Academic Outreach efforts. You can learn more about our programs and resources, specifically for academics and researchers, at www.leasefoundation.org/academic-programs/home/. ☰

Editor's Note: This article was submitted before Zack Marsh was elected to serve as Foundation Secretary/Treasurer. We thank Zack for his leadership in helping to launch the scholarship program in 2020 and setting academic outreach goals for 2021. A new Academic Outreach Committee Chair will be named for 2021.

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

By Marc Meunier

Sale Leasebacks Meet Competing Needs

Structured transactions offer flexible, affordable fleet expansion and replacement during uncertainty

FOR SOME U.S. BUSINESSES, the COVID-19 pandemic caused the front-loading of peak season, pushing them to operate at peak earlier in the year to try to keep up with unprecedented demand. The coronavirus also forced many brick-and-mortar stores across the country to shut their doors while consumers quarantined, leading to a surge in online purchases. While this paradigm shift to e-commerce was going to happen, the pandemic accelerated what was inevitable and, I believe, is here to stay.

Due to the longer peak season and explosive e-commerce growth, many companies required more trailers to meet demand. However, business uncertainty and an inability to forecast the future caused many companies to slow down on buying new trailers to preserve their balance sheets. In addition, trailer production decreased due to the same reasons and because of the closure of trailer manufacturing facilities as a result of COVID-19.

Now that the economy and supply chains are stabilizing, more companies want to buy new trailers while retaining their old ones to keep up with increased demand. Companies have also realized they need more capital sooner than they planned to finance these trailers, but are uncertain whether this surge in demand is permanent or temporary, and what appropriate trailer fleet size is needed.

Therefore, their challenge is twofold, as they must balance these competing needs:

1. Need to increase capital expenditures to add new trailers and
2. Need to retain the older trailers they would normally sell to help raise that capital, as well as being unsure how long and how many of the older trailers they need to keep in the future.

Sale-leaseback structured fleet transactions have proven to be a viable solution to meet these competing needs, as they allow companies to access the equity in their current, older trailer fleet by selling assets to finance the purchase of newer trailers. Fleets can also utilize multiple lease terms on the leaseback of their older trailers to give flexibility on overall fleet size over time as demand potentially rationalizes.

If you are looking to offer sale-leaseback structured fleet transactions to your customers, it is important that your company embodies the following qualities as a lessor:

1. Extensive financial expertise and experience working with lenders and other lessors.
2. A network of physical locations to help smoothly integrate trailers into your customers' networks.
3. Exceptional, personalized customer service and ease of underwriting to find the best solution for your customers' unique needs.

The COVID-19 pandemic has spurred greater consumer demand and changed how consumers shop. In turn, this has altered how goods flow through the supply chain to the consumers' hands, resulting in a much higher number of trailers needed. Now more than ever, innovative solutions like a sale-leaseback structured fleet transaction have enabled companies to manage their trailer fleets and maintain their balance sheets while addressing fleet changes needed to meet current challenges. ☰

MARC MEUNIER is Executive Vice President, Business Development at Milestone Equipment Holdings

2021 *Virtual* Principles of Equipment Leasing and Finance Workshops

THE CORNERSTONE OF AN EQUIPMENT LEASING AND FINANCE CAREER

DATES: April 13-15
September 21-23

"This course provides an essential starting point for individuals new to the equipment leasing industry. I walked away with a better overall understanding of the entire life cycle of the product and the industry terminology."
Workshop Attendee

https://www.elfaonline.org/events

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