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# Leasing & Finance

NOVEMBER | DECEMBER 2018

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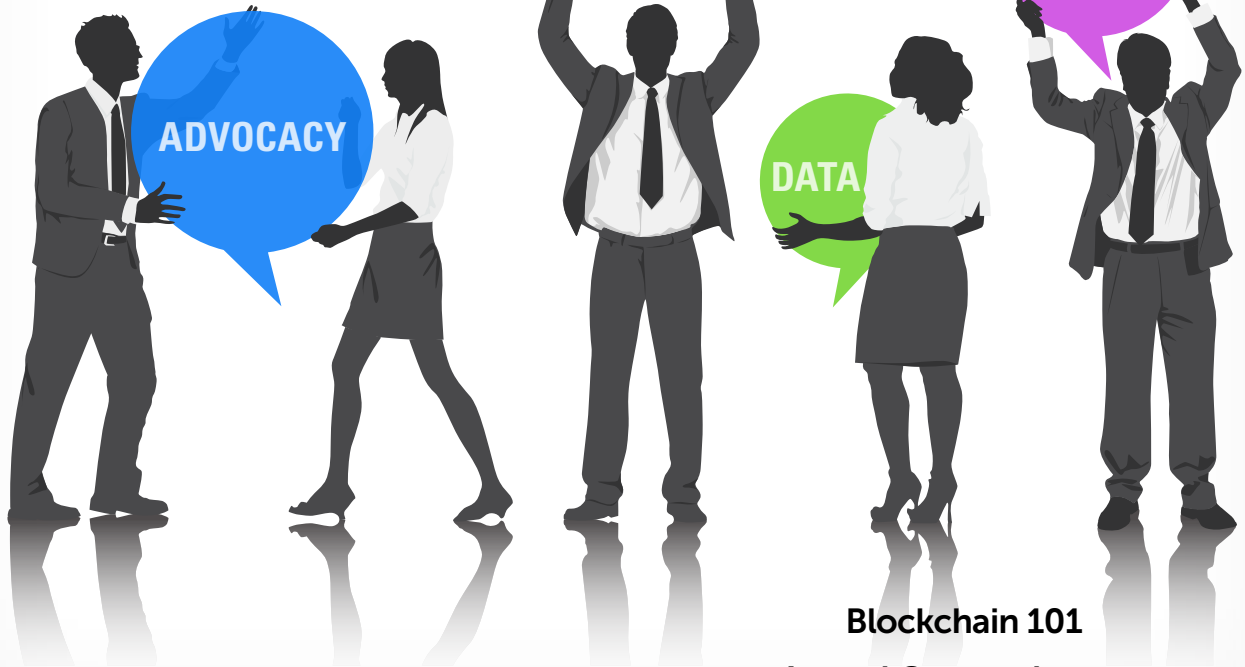
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## Why I Joined ELFA

Meet the New Members



Blockchain 101  
Annual Convention  
Highlights

The Run-Up to the  
New Leases Standard

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## Make a Lasting Impact!



### **Guest Lecture Program**

Connect with the next generation workforce and sign-up to be a Guest Lecturer at your local university! Share your experience to attract new talent to the industry.



### **Internship Center**

Recruit the best via the Foundation's digital Internship Center! A one-stop resource for managing your intern search, the online Internship Center provides a platform for students and companies to make connections.

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# Recognizing People Power



**AT ELFA**, we are proud to serve the diverse and vibrant equipment finance industry. Our aspiration as an association is that the people powering this great sector—from our members to the customers we serve—will represent a wide range of backgrounds and perspectives.

Last year we announced the formation of the **ELFA Women's Council**, and over the past year this group has been working overtime to increase the engagement and

leadership of women in our association and our industry. I am pleased to report that this important initiative to achieve gender balance is paying off. We have been making gains across our volunteer bodies to ensure that more women are included and participate in our work.

The Women's Council held a popular networking reception and breakout session at the Annual Convention last month and is planning its 2019 agenda, including the 2019 Women's Leadership Forum, which will be held April 1-2 in Washington, D.C. We hope your organization will be represented at this important event.

We know there is a strong desire among members to engage the next generation of industry leaders, especially as many of you are involved in recruiting, hiring and retaining talent. (Speaking of the next-gen workforce, don't miss the Executive Perspective column by Amy Gross on p. 48.) Our **Emerging Talent Advisory Council (ETAC)**, a group of up-and-coming employees from member companies, is working to encourage industry professionals to get involved in the association early in their careers and attract the best and brightest to the industry.

This year ETAC hosted three successful networking events around the country, as well as Emergence2018, a terrific leadership development conference for early- and mid-career professionals. The positive energy, enthusiasm and intelligence of the young professionals who participated in the event leave no doubt that this industry and association are in good hands in the years ahead. Check out our event calendar for upcoming activities, including Emergence2019, July 17-18 in D.C.

I hope you will identify up-and-comers in your organizations to get involved.

Both of these initiatives—the Women's Council and Emerging Talent Advisory Council—demonstrate the association's commitment to diversity and inclusion in all that we do. In fact, earlier this year the Board of Directors established a Diversity Work Group and at its meeting last month took the momentous step of inserting into the association's Mission Statement and Strategic Objectives language that explicitly embraces diversity and inclusion.

Our Mission Statement now reads, in part (new language in bold): *ELFA exists to provide member companies a platform to promote and advocate for the industry, **including attracting and developing new and diverse talent**; a forum for professional development and training; and a resource that develops information about, and for, the industry.* Read the full Statement and 2019-2021 Strategic Plan at [www.elfaonline.org/strategicplan](http://www.elfaonline.org/strategicplan).

ELFA believes that by focusing on diversity and inclusion, we're empowering not only our members and the markets you serve—but also our entire industry. We believe these efforts will not only result in better decision-making, but also are the right thing to do.

As 2018 draws to a close, I would like to thank our hardworking professional staff, outgoing Chairman Dave Schaefer, the Board of Directors and all of our member volunteers for a successful year. The ELFA team and I look forward to working with 2019 Chairman Jud Snyder and all of you in the year ahead. ☰

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



**Watch for our Q4 Member Video on People Power, Diversity and Inclusion, coming soon!**



Jud Snyder, 2019 ELFA Chairman

## Dues Renewal Season Is Here!

**IT'S THAT TIME OF YEAR AGAIN** and the dues renewal campaign has begun. Renewal invoices for the 2019 membership year were mailed to the key contacts of all ELFA member companies on Nov. 1, 2018. Timely payment of 2019 membership dues will ensure uninterrupted access to indispensable benefits, such as federal and state advocacy updates, targeted industry research, discounted fees for ELFA events and much more. Please contact the ELFA Membership Department at [membership@elfaonline.org](mailto:membership@elfaonline.org) if you have any questions. We thank you for your continued support!

### KEY DATES TO REMEMBER....

**NOV. 1, 2018**—2019 dues invoices mailed to key contacts

**DEC. 31, 2018**—Deadline to pay 2019 dues

**THROUGHOUT 2019**—  
Take advantage of ELFA's many benefits!

## 2019 ELFA Leadership

**FOLLOWING THE 2018 ELECTION**, ELFA Officers and Directors for 2019 are as follows:

### OFFICERS

Jud Snyder, President, BMO Harris Equipment Finance Company (*Chair*)

David Schaefer, CEO, Mintaka Financial (*Immediate Past-Chair*)

Martha Ahlers, President, United Leasing & Finance (*Chair-Elect*)

Larry Smilie, Managing Director, Banc of America Leasing (*Vice Chair*)

Kris Snow, President, Cisco Capital, Cisco Systems Capital Corporation (*Vice Chair*)

Mike DiCecco, President, Huntington Equipment Finance (*Vice Chair*)

Robert Boyer, President, BB&T Commercial Equipment Capital Corp. (*Treasurer*)

Ralph A. Petta, ELFA (*President/CEO*)

Paul Stilp, ELFA (*Secretary*)

### DIRECTORS

Jennifer Coyle, Executive Director, Macquarie Corporate and Asset Finance

James Cress, Vice President and General Manager, Stryker Flex Financial

Brett Davis, President, CNH Industrial Capital LLC

Conrad Eimers, President, Vision Financial Group, Inc.

Dave Fate, President and CEO, Stonebriar Commercial Finance

Willis Kleinjan, Founder and CEO, Northland Capital Equipment Finance

Dan Krajewski, President and CEO, Sertant Capital, LLC

Marjorie Krumholz, Partner, Thompson Coburn LLP

Matthew LeSage, Chief Commercial Officer, Wells Fargo Equipment Finance

Brian Madison, President, Trinity Industries Leasing Co.

Robert Neagle, President, Merchant Finance, Ascentium Capital LLC

Amy Nelson, President, Global Healthcare & Clean Technology, DLL

Daniel Nelson, President, Tamarack

David Normandin, President & CEO, Wintrust Specialty Finance

Deb Reuben, President, Reuben Creative, LLC

Alan Sikora, CEO, First American Equipment Finance, an RBC/City National Company

Dave Walton, President and CEO, Caterpillar Financial Services Corporation





## Cultivating Relationships

### WHAT'S THE SECRET TO MAKING CONNECTIONS WHEN YOU'RE NEW TO THE EQUIPMENT FINANCE INDUSTRY?

Attend an Emerging Talent Regional Networking Event! The latest event—held in Philadelphia in September—drew industry newcomers as well as seasoned execs who engaged in thought-provoking roundtable discussions.

Check out the 2019 event lineup at [www.elfaonline.org/events/calendar](http://www.elfaonline.org/events/calendar) and plan to participate in a Regional Networking Event organized by ELFA's Emerging Talent Advisory Council next year.



## Dahlka Enters Equipment Finance Hall of Fame

### ELFA HAS NAMED EDWARD A. DAHLKA, JR.

to the 2018 Class of the Equipment Finance Hall of Fame. ELFA President and CEO Ralph Petta made the announcement at the General Session of the Annual Convention in Phoenix. Dahlka, whose career in the equipment finance industry spanned more than four decades, was recognized as an industry pioneer, a dedicated mentor and a tireless supporter of the association.

"Ed is a visionary leader who was instrumental in starting and advancing a number of national equipment leasing and finance businesses," said Petta. "Over the course of his career, Ed not only developed successful business models and strategies, but also served as a mentor to countless individuals, developing and nurturing their careers in the industry. In addition, he has contributed immensely to our association and Foundation, lending his considerable industry knowledge and leadership skills."

To learn more, visit [www.elfaonline.org/hof/](http://www.elfaonline.org/hof/).



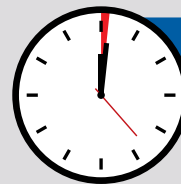


## Women Leaders Plan for the Future

**THE ELFA WOMEN'S COUNCIL** held a strategic planning meeting in Phoenix last month following the Annual Convention. Attendees reviewed the Council's mission and identified priorities for the year ahead. Save the date: The 2019 Women's Leadership Forum will be held April 1–2 in Washington, D.C.

## "Ask a Leader" Interview Series Launches

**THE EMERGING TALENT ADVISORY COUNCIL** has launched "Ask a Leader," a series of interviews with ELFA members with a diverse range of backgrounds and experiences in the commercial equipment finance industry. The leaders will discuss their formative professional years, their success and challenges over the years and their advice for future leaders in the industry. Check out the first interview with Bill Verhelle, CEO of Innovation Finance, at [www.elfaonline.org/industry-topics/emerging-talent/ask-a-leader](http://www.elfaonline.org/industry-topics/emerging-talent/ask-a-leader).



## Membership Minute

### UPLOAD THE ELFA MEMBER LOGO

to your company website and show

your support of the industry and the association.

The ELFA Member logo may be accessed at [www.elfaonline.org/about/elfa-logos](http://www.elfaonline.org/about/elfa-logos). Questions concerning use of the logo or the terms and conditions of this license should be directed to Amy Vogt at [avogt@elfaonline.org](mailto:avogt@elfaonline.org).



## New Business Intelligence from ELFA

**WONDERING** about trends in pay at small and medium-sized equipment leasing and finance companies? The 2018 Small and Medium Enterprise Compensation Survey reveals data—including salaries, bonuses, benefits and commission—at equipment finance companies with annual volumes (new origination) under \$250 million. It includes 19 specialized revenue and support positions, ranging from CEO to collections staff to sales staff. Learn more at [www.elfaonline.org/data/market-trends](http://www.elfaonline.org/data/market-trends).

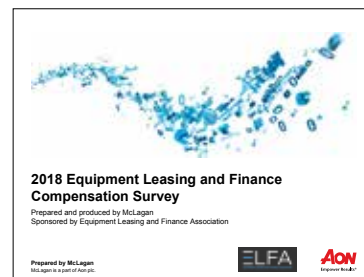


## Report Highlights Top Tech Trends

**THE 2018/2019** Business Technology Performance Index from ELFA and Capgemini reveals the current state of technology in the equipment finance domain. The report, which is based on industry research and input from ELFA members, provides insight into the tech trends and forward-looking initiatives that equipment finance companies are undertaking to drive their firms into new markets, new opportunities and more efficient operations. Download your copy from the ELFA website at [www.elfaonline.org/data/market-trends](http://www.elfaonline.org/data/market-trends).

## Industry Compensation on the Rise

**COMPENSATION** in the equipment finance industry increased modestly in 2017, according to the 2018 Equipment Leasing and Finance Compensation Survey from ELFA and McLagan. The annual survey measures compensation rates for more than 90 executive, front-office and support positions reported by more than 75 equipment finance companies from across the sector. Learn more at [www.elfaonline.org/data/market-trends](http://www.elfaonline.org/data/market-trends).



## ELFA Abroad

### IMMEDIATE PAST CHAIRMAN

Dave Schaefer discussed the state of the U.S. equipment finance marketplace at the Leaseurope Annual Convention in October in Venice, Italy. This is the preeminent yearly gathering for the European leasing, automotive rental and consumer credit communities.

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## Get Noticed

**ONCE AGAIN** ELFA is providing member companies with a variety of opportunities to showcase your products and services. To learn about exhibit, sponsorship and advertising opportunities for 2019 that might fit your needs, please contact Steve Wafalosky at 440.247.1060 or [steve@larichadv.com](mailto:steve@larichadv.com). Also, check out the 2019 Integrated Marketing Guide at [www.elfaonline.org/about/advertise](http://www.elfaonline.org/about/advertise).



## Save the Date: 2019 ELFA Events

**ARE YOU WONDERING** when ELFA events and training will be held in 2019? Start planning for next year now with the 2019 Event Calendar. Take advantage of the learning and networking opportunities available to you and your staff as part of your ELFA membership. Download the 2019 schedule at [www.elfaonline.org/events/calendar](http://www.elfaonline.org/events/calendar).



## Video Highlights New Fundamentals Course

### DO YOU WANT TO STAND OUT FROM THE CROWD?

Expand your skills? Accelerate your career growth? Whether you are new to the equipment finance industry or looking for a refresher on industry fundamentals, turn to ELFA's new online training course, the Fundamentals of Equipment Leasing and Finance. This interactive interface lets you "be the boss" and run your own fictional equipment finance company. Learn more and check out a new video highlighting the key features at [www.elfaonline.org/events/fundamentals](http://www.elfaonline.org/events/fundamentals).



## Rave Reviews

**VOLVO FINANCIAL SERVICES** hosted the ELFA Principles of Leasing and Finance Workshop at their offices in Greensboro, N.C., in August. The class, led by instructor Bob Golden, received high marks from attendees. Megan Clutter, Financial Planning & Analysis, Volvo Financial Services, said: "This was a wonderful training course for the Volvo Financial Services team! We had an excellent time, learned more than we imagined and had a wonderful instructor. Bob was the best instructor we could have had for this course. He took a dry subject and made it interesting with his enthusiasm and joy for the industry." Learn how to host this workshop at your company at [www.elfaonline.org/POL](http://www.elfaonline.org/POL).



# BE THE BOSS

## ELFA's *NEW* Fundamentals of Equipment Leasing and Finance Online Course!

**Welcome to the new (and improved!) Fundamentals of Equipment Leasing and Finance course—the only course of its kind for the equipment finance industry!**

This course is divided into 7 micro-lessons (8-10 minutes each), allowing learners to review the vital information every person new to the industry should know. Badges are earned for completing each micro lesson.

**Lesson 1** – Introduction to Equipment Leasing and Finance

**Lesson 2** – Origination Phase of the Transaction Lifecycle

**Lesson 3** – Administration and Termination Phases

**Lesson 4** – Leasing Law

**Lesson 5** – Lease Accounting and Federal Tax

**Lesson 6** – Types of Finance

**Lesson 7** – Creating Successful Solutions

### Be the Boss

Take what you've learned and "be the boss" at Strategic Equipment Leasing and Finance, Inc. (S.E.L.F.) – navigating through customer interactions, identifying the departments and individuals that should be involved in each step, and earning badges and upgrades as they go! From closing the sale to fielding customer requests and reviewing end-of-lease options, the learner will experience it all and will receive guided feedback to reinforce learning.

### Who Should Take the Course?

This course is designed for those who are new to the equipment finance industry, or as a refresher for those with more experience.

### Pricing

#### Individual:

ELFA Members - \$500/license

Non-Members - \$775/license

#### Bulk:

Bulk pricing is available for purchases of 11 or more licenses.

### Questions?

Contact Alexa Carnibella at [acarnibella@elfaonline.org](mailto:acarnibella@elfaonline.org) for more information.



[www.elfaonline.org/events/fundamentals](http://www.elfaonline.org/events/fundamentals)

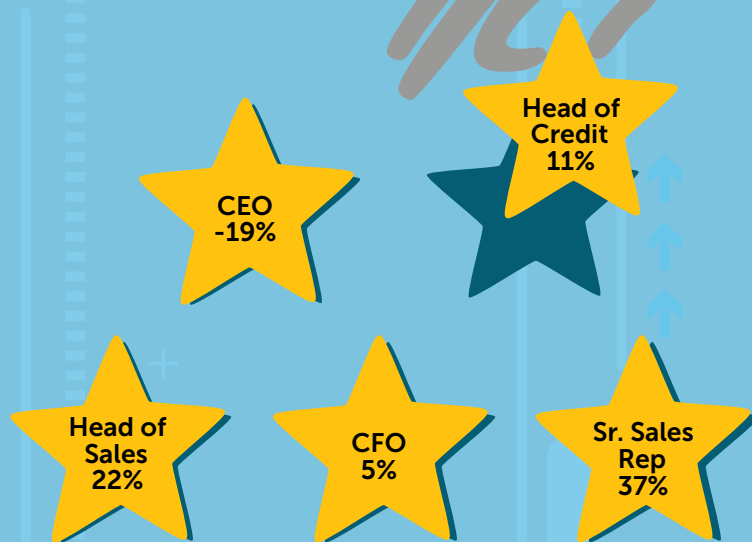


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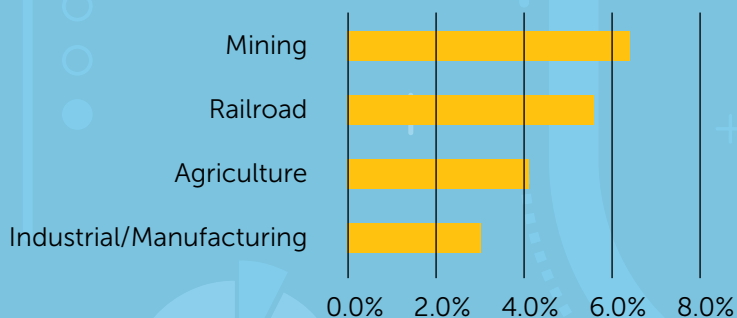
# ELFA INDUSTRY D

## Compensation for Top 5 Paid Positions % Change Year-Over-Year (2018/2017)

Source: 2018 SME Compensation Survey,  
[www.elfaonline.org/data/market-trends](http://www.elfaonline.org/data/market-trends)



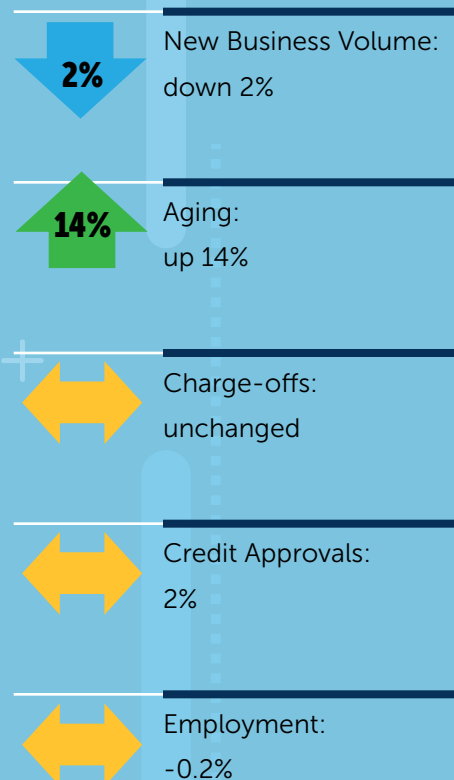
## Top 4 End-User Industries with Highest Delinquencies Over 30 days



# MLFI

Monthly Leasing and Finance Index Products

## September MLFI Year-Over-Year





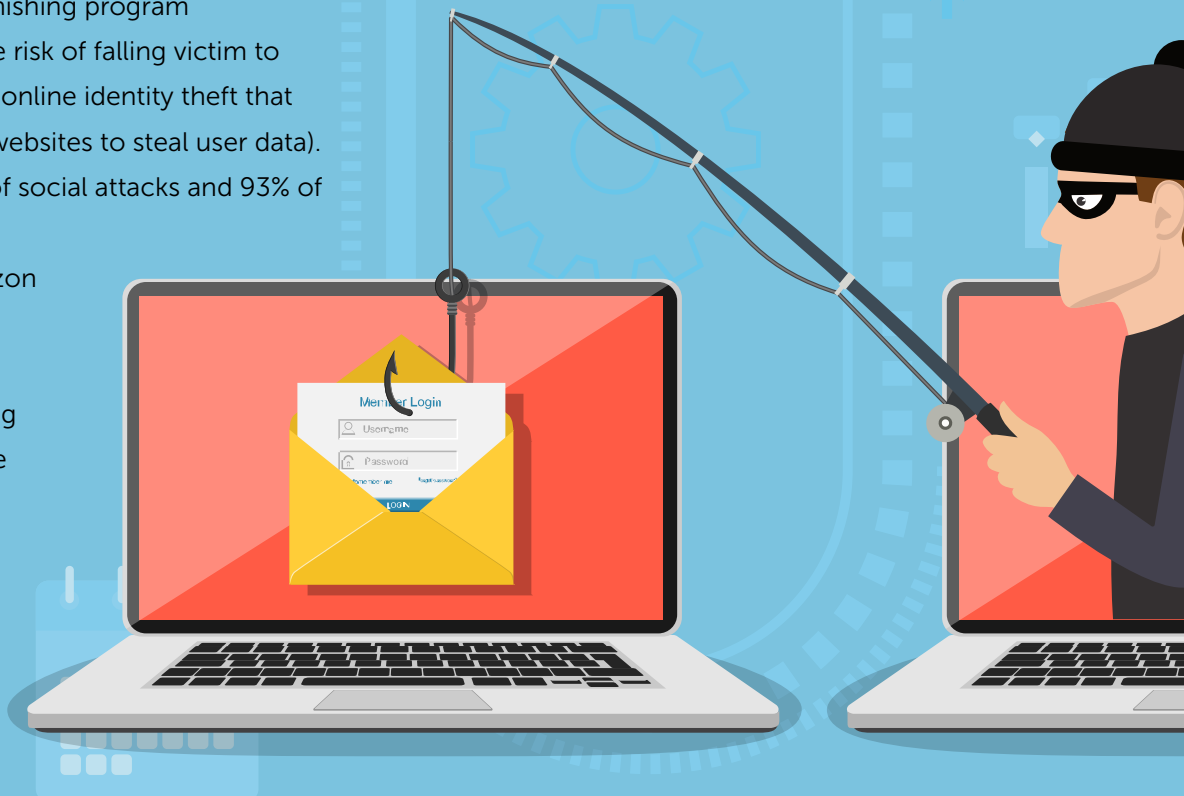
Several equipment verticals show investment strengthening over the next 3-6 months in the Equipment Leasing & Finance Foundation's October Equipment & Software Investment Momentum Monitor:

<http://bit.ly/ELFFMonitor>

## Beware Phishing Attacks

A well-managed internal phishing program can dramatically reduce the risk of falling victim to a phishing attack (a type of online identity theft that uses email and fraudulent websites to steal user data). Phishing was used in 98% of social attacks and 93% of reported security breaches, according to the 2018 Verizon Data Breach Investigations Report. Learn more in "The Business Guide to Improving Information Security" article available in the Fall issue of the *Journal of Equipment Lease Financing*:

<http://bit.ly/ELFFJELF>



## The Election Results Are In!

**ELFA IS PLEASED** to present the following Business Council Steering Committee (BCSC) rosters for 2019. The committee members are elected by the Business Council membership for a two-year term on a staggered basis. The BCSCs play an important role representing your interests to the Board of Directors. *The asterisks indicate members who were newly elected or re-elected in the September 2018 elections.*

### Captive and Vendor Finance BCSC

**Troy Graziani**, Toyota Commercial Finance  
(Committee Chair)

**Garland Brooks**, Dell Financial Services (ETAC Liaison)

**Jack Haynes**, Wells Fargo Equipment Finance

**Eric Henry**,\* Altec Capital Services

**Loren Hill**, Key Equipment Finance

**Dominic Janney**, Canon Financial Services

**Sherrie Kalajian**,\* Presidio Technology Capital LLC

**Brian Lowe**,\* Verdant Commercial Capital LLC

**Thomas Mariani**,\* CNH Industrial Capital LLC

**Chris Meeks**,\* GSG Financial

**Tom Meredith**, DLL

**Vince Mollica**,\* CIT

**Kim Montgomery**,\* TIAA Commercial Finance, Inc.

**Randy Montrose**, Franklin Equipment, LLC

**Larry Scherzer**,\* Cisco Systems Capital Corporation

**Joel Van Vark**, John Deere Financial

**Greg Vandewalker**,\* GreatAmerica Financial Services

**Jeffrey Walker**,\* CIMC Capital Inc.

**David Walton**, Caterpillar Financial Services Corp  
(Board Liaison)

ELFA STAFF LIAISON: Bill Choi, bchoi@elfaonline.org



The Financial Institutions Business Council Luncheon at the Annual Convention focused on best practices for attracting and retaining emerging talent in the equipment finance industry.



## Financial Institutions BCSC

---

**Kirk Phillips**, Wintrust Commercial Finance (*Committee Chair*)

**Richard Barry**, Merchants Bank Equipment Finance

**Chris Bucher**, Hancock Whitney Equipment Finance, LLC

**David Coons**, Mitsubishi UFJ Lease and Finance (USA), Inc.

**Jennifer Coyle**, Macquarie Corporate and Asset Finance (*Board Liaison*)

**R. Timothy Evans**, F.N.B. Equipment Finance

**David P. Farrell**,\* Banc of America Leasing

**Craig George**,\* SunTrust Equipment Finance & Leasing Corp.

**Amy M. Gross**,\* Key Equipment Finance

**Michael Hube**, Fifth Third Equipment Finance Company (*ETAC Liaison*)

**Michael LaSalle**,\* Bankers' Bank Leasing & Equipment Finance

**Eric Miller**,\* CIT

**William C. Perry, III**, Regions Equipment Finance Corporation

**Charles Stackhouse**, Wafra Capital Partners Inc.

**Sean Svoboda**,\* Farm Credit Leasing Services Corporation

**Donald A. Synborski**, Citizens Asset Finance (CAF)

**Ernie Tsorvas**, Fifth Third Equipment Finance

**Kenneth Walters**,\* Investors Bank Equipment Finance

**Mike Wiedemer**,\* First American Equipment Finance, An RBC/City National Company

**Bonnie Wright**,\* Wells Fargo Equipment Finance

ELFA STAFF LIAISON: Julie Benson, [jbenson@elfaonline.org](mailto:jbenson@elfaonline.org)

## Independent Middle Market BCSC

---

**Brian Eschmann**, Trans Lease, Inc. (*Committee Chair*)

**Lynn Alstad**,\* Capella Equipment Finance LLC

**Mark Duncan**,\* Hitachi Capital America Corp.

**Jacob Fahl**, Hitachi Capital America Corp. (*ETAC Liaison*)

**Brian Fleming**, FORT Capital Resources, LLC

**Don Hansen**,\* Regents Capital Corporation

**Dan Krajewski**, Sertant Capital, LLC (*Board Liaison*)

**Kathleen McGurk**,\* Marlin Business Services Corp.

**Nancy Pistorio**,\* CLFP, Madison Capital LLC

**Michael Quimby**,\* Sertant Capital, LLC

**Ricardo Rios**, Commercial Equipment Finance, Inc.

**Sohini Roy**,\* Nexseer Capital

**Mark Tomaselli**,\* Innovation Finance USA, LLC

ELFA STAFF LIAISON: Amy Vogt, [avogt@elfaonline.org](mailto:avogt@elfaonline.org)

## Service Provider BCSC

---

**Debbie Devassy**, Askounis & Darcy, PC (*Committee Chair*)

**Todd Anderson**,\* CSC

**Joe Collins**, Orion First Financial, LLC

**Nathan Cox**, PayNet, Inc. (*ETAC Liaison*)

**Jeff Dicosola**, Great American Insurance

**Jesse Johnson**,\* LTI Technology Solutions

**Martin Klotzman**,\* Ivory Consulting Corporation

**Shari Lipski**,\* ECS Financial Services, Inc.

**Daniel Nelson**, Tamarack (*Board Liaison*)

**Brittany Ogden**,\* Quarles & Brady, LLP

**Nathan Petrie**,\* PayNet, Inc.

**Ross Taylor**,\* Keating Muething & Klekamp PLL

**Wade Whitenburg**, Ritchie Bros.

**Doug Williams**,\* JDR Solutions, Inc.

ELFA STAFF LIAISON: Paul Stilp, [pstilp@elfaonline.org](mailto:pstilp@elfaonline.org)

## Small Ticket BCSC

---

**Shannon Stangl**, DLL (*Committee Chair*)

**Stephen Brown**, Orion First Financial, LLC (*ETAC Liaison*)

**Mike Coon**,\* Amur Equipment Finance

**Quentin Cote**,\* CLFP, Mintaka Financial, LLC

**Nate Gibbons**,\* CLFP, Innovation Finance USA, LLC

**Jaimie Haver**,\* CLFP, Hanmi Bank

**David Lafferty**, Marlin Business Services Corp.

**Chris Lerma**,\* CLFP, Allegiant Partners Incorporated

**Don Link**,\* Hitachi Capital America Corp.

**Bob Neagle**, Ascentium Capital LLC (*Board Liaison*)

**Brad Peterson**,\* Channel Partners Capital

**Ryan Schlenner**,\* US Bank Equipment Finance

**Allen Snelling**,\* Financial Pacific Leasing, Inc., an Umpqua Bank Company

**John Vande Moore**,\* ENGS Commercial Finance Co.

ELFA STAFF LIAISON: Ed Rosen, [erosen@elfaonline.org](mailto:erosen@elfaonline.org) 

# Why I Joined

# ELFA

NETWORKING

TRAINING &  
EDUCATION

BY SUSAN L. HODGES

ADVOCACY

DATA

# MEET THE NEW MEMBERS

CONNECTIONS

TECH  
TRENDS

## FUEL CAPITAL GROUP NAPLES, FLORIDA

A small-ticket company begun earlier this year with \$100 million in backing, Fuel Capital Group provides vendor financing for independent motorcycle retailers who specialize in Harley Davidson motorcycles. "We put fuel in the bank for dealers," says Peter Wasmer, President and CEO. "Our proprietary lease program gives dealers across the country a tool to sell a motorcycle to anyone who walks in the door."

Fuel Capital Group focuses on leasing previously owned motorcycles. "Leasing a pre-owned Harley Davidson is a unique proposition in our industry, but when you peel the onion back, you find it's a compelling strategy," says Wasmer. "The value of the asset is remarkably stable for a long time."

Fuel Capital Group offers two-, three- and four-year vehicle leases with unlimited miles. Wasmer says the entire lease process is digital and fully automated. "From origination to asset disposition, it's essential for the intelligence of a system to be housed within a single pipeline," he says. "We've built an end-to-end system with a single point of data entry that includes a digital funding process using DocuSign and digital deal verification. Because the intelligence built into our system is predicated upon accurate residual valuation, state-specific taxation, automated funding and servicing requirements, our platform and our team are well prepared for the future."

No stranger to ELFA, Wasmer says Fuel Capital Group's 12 employees hope to develop more relationships with ELFA member companies and learn how they are addressing system-development challenges. "We hope to share our experience, talk about how we've approached our systems issues and continue networking to devise best-in-class solutions," he says. "The challenge for some companies is to take responsibility for refactoring a system and then leave it in the hands of software experts, not understanding how they'll get from Point A to Point B. We all have relative experience with this challenge, and perhaps Fuel Capital can share with and learn best practices from other member companies."



Peter Wasmer

## 2018 MEMBERSHIP MILESTONES

### Celebrating 45 Years

GATX Corporation

### Celebrating 40 Years

Farm Credit Leasing Services Corporation

UniFi Equipment Finance

### Celebrating 35 Years

Hitachi Vantara Credit Corporation

International Financial Services (IFS)

JA Mitsui Leasing Capital Corporation

RESIDCO

### Celebrating 30 Years

Canon Financial Services, Inc.

IBM Global Financing

Key Equipment Finance

Leasing Associates of Barrington, Inc.

### Celebrating 25 Years

Corporate Leasing Associates, Inc.

ePlus Group, Inc.

Financial Pacific Leasing, Inc.,  
an Umpqua Bank Company

Harrison Capital Corporation

Hemar, Rousso & Heald, LLP

Somerset Capital Group, Ltd.

Summit Funding Group, Inc.

### Celebrating 20 Years

Balboa Capital Corporation

Insight Investments, LLC

Madison Capital LLC

Maxus Capital Group, LLC

Pacific Rim Capital, Inc.

TBF Financial, LLC

## INVESTORS BANK EQUIPMENT FINANCE

ISELIN, NEW JERSEY

An equipment finance group housed at a bank was seeking a new home. At the same time, New Jersey-based Investors Bank was looking to grow its commercial loan book. The union of the two this past February handily



Ken Walters

met both needs. "I think this was a nice transition for all of us," says Ken Walters, Group Leader, Investors Bank Equipment Finance. "We were already in Iselin, where Investors Bank's operations are headquartered, so starting fresh was seamless. We kept our entire team of seven professionals who've worked together for more than 20 years, and we added three more. We also brought an approximately \$350-million portfolio with us and hit the ground running."

Walters says Investors Bank differentiates itself by being a \$25-billion regional institution with a community-bank feel. "From our CEO down, Investors has a focus on relationships," Walters observes. "It's a very refreshing place to be."

Although the new equipment finance division has concentrations in transportation, rail and marine, "We consider ourselves a generalist," says Walters. "We're a national business, but we are also focused on being a major player in the bank footprint and surrounding areas, helping our bankers bring additional solutions and products to New York, New Jersey and Eastern Pennsylvania."

Investors Bank Equipment Finance joined ELFA primarily for its networking opportunities and education resources. "When we put together a presentation to move our team to another bank that wasn't in equipment finance, ELFA was a great source of information," says Walters. "We've also found the association very helpful for understanding the changes in tax accounting and lease accounting."

The continuing conversation about the equipment finance industry's application of newer technologies is another attraction. "We're always looking at technology as a better way to service customers, be more efficient and grow," says Walters. "Our bank has an initiative to drive more innovation on the technology side and has a project underway using CRM technology as a backbone to automate our entire processes. This new solution will bring all of our workflows together." Investors Bank is a Member FDIC and an Equal Housing Lender.

## ZEALANDIA CAPITAL LEASING, INC.

ASHEVILLE, NORTH CAROLINA

A wholly owned subsidiary of Zealandia Capital, Inc., Zealandia Capital Leasing opened its doors this past July. "We offer homeowner associations affordable leasing options," says Julie Simes, President of Zealandia Capital. "This in turn allows the associations to maintain high-quality resort destinations."





## KUDOS TO THE ELFA MEMBERSHIP COMMITTEE!

In 2018, the Membership Committee (pictured above) worked closely with the ELFA Membership Department to assist in the association's recruitment and retention initiatives. With the committee's assistance, ELFA met and exceeded its membership goals for the year. Many thanks to the 2018 committee for their hard work and participation:

**Alan Sikora, CLFP**, Chair,  
First American Equipment Finance,  
an RBC / City National Company

**Julie Benson**, ELFA Staff Liaison

**Brett Boehm**, TBF Financial, LLC

**Peter K. Bullen**, Key Equipment Finance

**Donna Christensen**, CSC

**Tom Ellis**, U.S. Bank Equipment Finance

**Jon Gerson**, Executive Solutions for  
Leasing and Finance, Inc.

**Don Hansen**, Regents Capital Corp.

**Mike Jones**, CIT

**Tom Mariani**, CNH Industrial Capital

**Chris Meeks**, GSG Financial

**Thomas Pericak**, Hancock Whitney  
Equipment Finance, LLC

**Marci Slagle**, 36th Street Capital

**Shannon Stangl**, DLL

**Mike Wiedemer, CLFP**,  
First American Equipment Finance,  
an RBC / City National Company

*Do you know of a company that would benefit from ELFA membership? Please email your recommendation to Julie Benson, VP of Membership Marketing, at [jbenson@elfaonline.org](mailto:jbenson@elfaonline.org).*

By way of background, parent company Zealandia Holding formed in the early 2000s to develop timeshares and manage resort properties. In 2009, subsidiary Zealandia Capital began offering receivables management services to several homeowner associations managed by the organization's affiliated companies. Based on positive results, Zealandia Capital now provides collection services to some 40 associations. "Looking for additional growth opportunities and ways to add client value, ZCap created Zealandia Capital Leasing," says Simes. "We believe a market exists for a company that provides leasing to independent homeowner associations. We'd like to expand our offerings to both timeshare developers and independent timeshare homeowner associations."



Julie Simes

Today the Zealandia conglomerate comprises two property-management companies managing more than 40 homeowner associations, a timeshare-exchange company, a property-rental company and a loan-servicing and collections operation. Also included: a golf course, a catamaran sailing operation, a golf-course management firm and an IT/telephony company.

As the newest member of the group, Zealandia Capital Leasing joined ELFA "to better understand the leasing industry and learn from the experts," says Simes. She adds, "We're truly excited to be part of the association, and we look forward to participating in many events that will allow us to network, learn and share our experience as being part of a completely different industry."

## MOODY'S ANALYTICS WALTHAM, MASSACHUSETTS

A sister company of the rating agency Moody's Investors Service, Moody's Analytics focuses on non-ratings activities and is fully separate from Moody's Investors Service. "We help equipment finance companies support their funding activities by providing research consulting, training and software," says Usman Ismail, Senior Director, Product Marketing & Strategy. "We work with the leasing industry extensively and have done so for more than 30 years," he says. "We assist through the entire process of raising funds, whether a company borrows from investors, obtains warehouse lines from banks or raises their own funds through securitizations. We're involved from inception to fulfillment and through payoff."

To provide better funding execution, mitigate risk and lower the overall costs of obtaining funding, Moody's Analytics recently introduced "Ki" ([www.getki.io](http://www.getki.io)), a technology platform designed for companies in the structured-funding market. "Ki represents a paradigm shift for structured finance," says Ismail. "Its power and functionality make the selection, monitoring, reporting and management processes simple, fast, intelligent and automated."

Companies that originate, service or purchase loans or leases can use the platform to analyze data, select pools of loans,



Usman Ismail

report to warehouse lines or investors and track the performance of multiple funding vehicles. Says Ismail, "The goal is to help banks, credit unions and other non-bank financial companies overcome inefficiencies in the funding process for securitized and asset-based transactions."

Ismail says Ki's domain-specific data-analytics capabilities automate and provide controls for practices that are often performed manually, such as

the preparation of funding information required

internally and by third parties. "It incorporates funding limits, covenants and eligibility criteria for each potential source without programming, putting decision-making tools in the hands of business users," he explains. "Ki also diminishes the risk of error inherent in traditional spreadsheet processes."

Moody's Analytics joined ELFA because the company has many customers in the equipment finance industry, "and they recommended that we join and support the association," says Ismail. He expects membership to help the company stay abreast of pertinent regulations, interesting topics and challenges customers are facing. "We also want to attend trade shows, obtain leads and meet new people in the industry," Ismail says. "And because we do so much research, we hope we can contribute by providing insights into the economy and regulation, and by participating in panels."

## 2018 NEW MEMBERS

777 Equipment Finance LLC  
Accenture  
Baystone Government Finance  
KS State Bank  
Bell Bank Equipment Finance  
Bloomberg Tax Technology  
Bob Rinaldi, LLC  
Borden Ladner Gervais LLP  
Brean Capital, LLC  
Calico Financial  
Capital Guidance  
CapX Partners  
Caterpillar Financial Services Corporation  
Cross Asset Recovery Services LLC  
Dedicated Commercial Recovery, Inc.  
Dext Capital  
Duff & Phelps, LLC  
E-Funding, LLC  
Equify, LLC

EquipmentShare.Com, Inc.  
Extreme Networks, Inc.  
Fidelity Bank  
Fuel Capital Group  
Fulton Leasing Company  
Grant Thornton LLP  
Great American Group, LLC  
Houlihan Lokey  
HP Inc.  
Innovation Finance USA LLC  
Investors Bank Equipment Finance  
ITAD Plus  
Lam, Lyn & Philip PC  
Merchants Fleet Management  
McGavick Graves, P.S.  
Midland Equipment Finance  
Moody's Analytics  
MTS Software Solutions, Inc.  
Neumann Finance Company

Norman, Wood, Kendrick & Turner  
Oakmont Capital Services LLC  
On the Move, Inc.  
Presidential Bank, FSB  
Rainstar Capital Group, LLC  
RapidRatings  
Raymond James Equipment Finance  
Red Bridge Capital  
Salin Bank & Trust Co.  
SC Capital Corp XI LLC  
Strategic Funding Source, Inc.  
Technology Finance Corporation  
TriState Capital Bank  
Utica Leaseco, LLC  
Ward Greenberg Heller & Reidy LLP  
Western Alliance Bank  
Winston & Strawn LLP  
Worldfab, LLC  
Zealandia Capital Leasing, Inc.

## EQUIPMENTSHARE.COM, INC.

COLUMBIA, MISSOURI

Founded in 2014 by brothers Jabbok and Willy Schlacks, EquipmentShare.Com was created to provide contractors with an improved equipment-rental experience in the construction space. Soon afterward, however, the Schlacks realized that by



Randy Montrose

linking technology, equipment and operators, they could do more than rent equipment: They could also evaluate operator safety habits, monitor equipment conditions and gain insight into the overall value of each piece of equipment.

By developing proprietary solutions in telematics and asset tracking, as well as in equipment security hardware, job-site surveillance

tools and digital maintenance software, EquipmentShare.Com began serving contractors on a greater scale as a problem-solver as well as a renter of connected equipment.

"We now have two technology locations in two states and 10 equipment-rental facilities in four states," says Randy Montrose, Chief Financial Officer. The company is also starting an internal finance group to act as direct lender/lessor with the goal of increasing sales to retail customers. Montrose says that's an important reason EquipmentShare.Com joined ELFA. "Having been involved with ELFA since 1987, I knew the value the association could bring," Montrose says. "We needed direct access to resources around the equipment finance space from legal and tax-compliance perspectives. We also needed access to lenders and the ability to share best practices with other industry professionals."

Montrose believes membership will help the company maximize the use of its internal capital and shorten ramp-up time for its internal finance group. Another potential benefit: new relationships and work with banks and other direct lenders that will support the company's internal finance group. "I also believe that, ultimately, membership will allow us to focus our efforts on supporting our sales groups in the provision of finance solutions to our customers," Montrose says.

Montrose and others at EquipmentShare.Com look forward to sharing information about the company's telematics and asset-tracking platform with ELFA members. "We believe our solutions can aid lenders in maximizing asset values while

reducing the need for inventory spot checks," Montrose says. Continuous access and visibility "can also be a huge selling point to end users," he says, since borrowers will have fewer business interruptions caused by spot checks and potentially reduced insurance premiums. "Asset values also increase due to our digital maintenance, and our keyless keypads eliminate unauthorized use and reduce theft. We at EquipmentShare.Com believe we can help other ELFA member companies better protect and monitor their equipment in many ways." ■

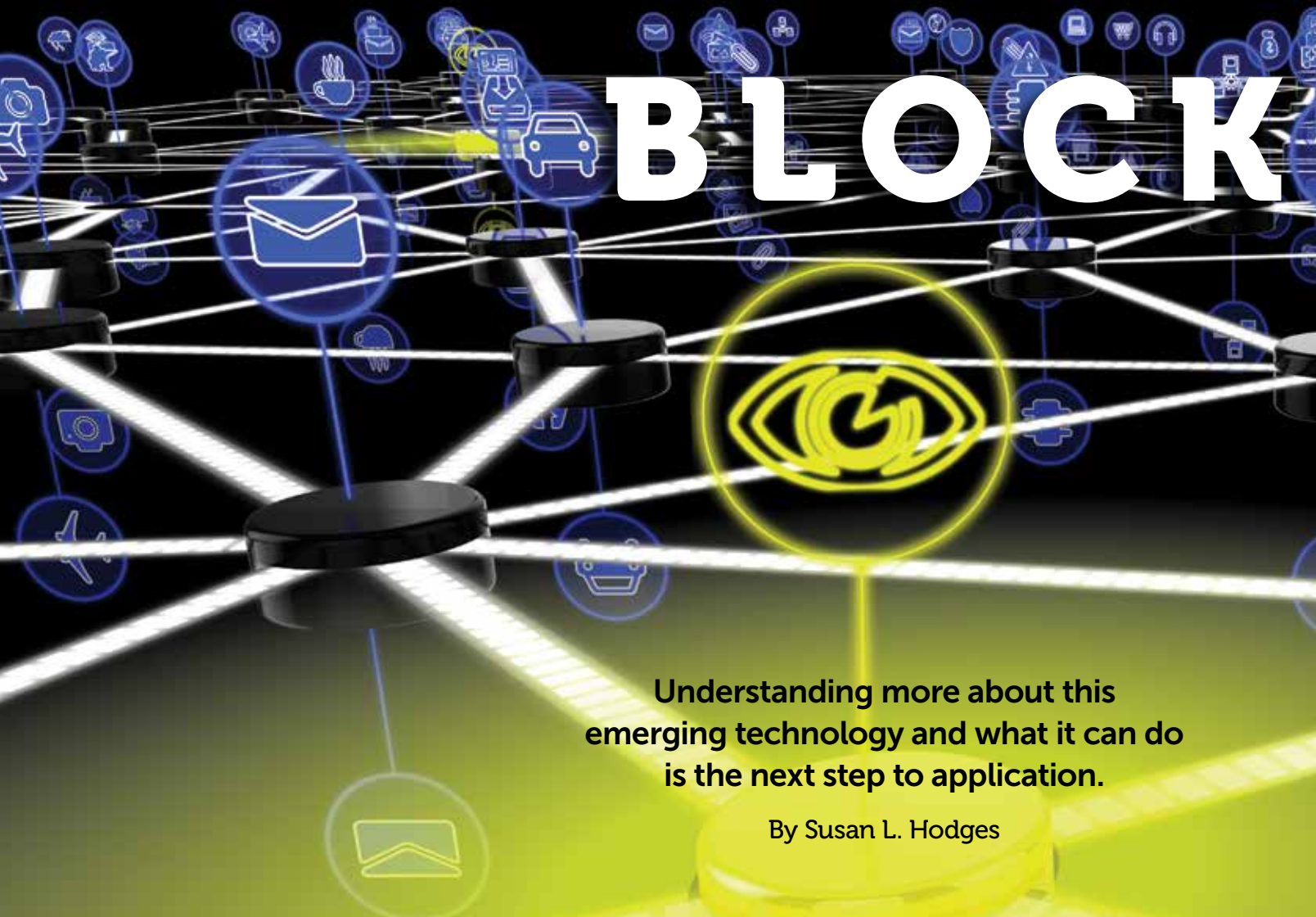
**SUSAN HODGES** writes about equipment finance and other business topics from her office in Wilmette, Ill.

## EIGHT WAYS TO MAXIMIZE YOUR ELFA MEMBERSHIP

1. If your company is an ELFA member, you may **create a member profile** from the ELFA website and gain access to valuable members-only resources.
2. Regular members may participate in the **Survey of Equipment Finance Activity (SEFA)** and receive a **free** copy of the new interactive data.
3. Subscribe to the **Washington Report**, a monthly newsletter that keeps members up-to-date on ELFA's advocacy efforts before federal policymakers, regulators and standard-setting bodies.
4. Access the **State Tax Manual**, an easily navigated reference guide designed to aid equipment finance companies in tax compliance and planning. This members-only resource provides a comprehensive state-by-state analysis of sales and property taxes.
5. Help drive the association's mission and volunteer on an **ELFA committee**.
6. Access high-quality, interactive training and resources such as the **NEW** Fundamentals of Equipment Leasing and Finance Online Course through **ELFA Academy**.
7. Subscribe to the members-only discussion groups: **LeaseTalk**, **AcctgTalk**, **LegalTalk**, and **TaxTalk** to stay connected and exchange information with your peers.
8. Invest in your staff by sending them to a new ELFA conference in 2019: **ELFA Women's Leadership Forum** (April 1–2, Washington, D.C.) or **EMERGENCE2019** (July 17–18, Washington, D.C.)

*Do you have any questions regarding the benefits of ELFA membership? Please contact the Membership Department at [membership@elfaonline.org](mailto:membership@elfaonline.org).*





**Understanding more about this emerging technology and what it can do is the next step to application.**

**By Susan L. Hodges**

**B**LOCKCHAIN IS LIKE TV IN THAT YOU DON'T HAVE TO UNDERSTAND EVERYTHING ABOUT IT TO BE ABLE TO USE IT. But a basic knowledge of what blockchain is and what it can do is vital to thinking about how it can be applied in our industry. And since few of us can rattle off a clear definition, let's start with one built from several sources that speaks to its potential application in the equipment finance industry.

Blockchain is a decentralized, shared electronic register in which transactions between two or more users belonging to the same network are stored in a secure, verifiable and permanent way. Blocks are data containers, much like files, into which can be placed transactions and documents and data associated with them. Once entered into the chain, blocks can be viewed by anyone given permission to access the chain. New blocks can be added by authorized users, but existing blocks cannot be edited, moved or changed in any way.

This past summer, ELFA, Reuben Creative, LLC and The Alta Group conducted a survey of ELFA member companies to gauge their awareness of, opinions about and current involvement with blockchain. Deb Reuben, President of Reuben Creative, and Valerie Gerard, Senior Managing Director of The Alta Group, found the results encouraging and, in some instances, surprising.

#### **Survey Says...**

Of 151 respondents, three-fourths of whom were lessors, 65% rated their level of understanding about blockchain as "novice" or "none." Yet, 69% agreed that blockchain has relevance for equipment finance, and 60% said it has potential as a competitive advantage. A whopping 78% strongly or moderately agreed that blockchain could complement their existing systems. This is key, because business-model innovation isn't about any single technology; it's about what could happen as multiple technologies and new thinking meet.

"I was surprised at how thoughtful the survey responses were," says Reuben. "Their answers tell us that companies are paying attention to the hype around this technology and have a desire to better understand it. Companies also realize that





# CHAIN 101

technology is no longer a back-office issue or the other guy's problem, but an integral part of today's business strategy."

For Gerard, the surprises were twofold: that so many respondents recognized that blockchain has direct relevance for the equipment finance industry and that more than half see it as a possible competitive advantage. "This is heartening because the industry has had somewhat of a 'wait and see' track record when it comes to adopting new technology or origination techniques," she says.

Reuben says the responses also indicate a significant need for blockchain education, since 53% said lack of skill and understanding is a possible barrier to adoption, and just 5% said they perceive moving forward with blockchain as a critical strategic priority.

"Clearly, there's a wide gap between those researching and thinking seriously about industry applicability and those who are on the sidelines at the moment," says Gerard. "Full adoption of blockchain [in our industry] may occur only after it is proven and well understood in other industries."

But Reuben is encouraged. "As Valerie notes, our industry is often a laggard when embracing newer technology," she says.

"But survey responses show that there's already some investment in blockchain, on education and discovery."

Gerard says comments provided by the survey respondents show enthusiasm for implications of blockchain pertaining to the left side of the balance sheet, such as smart contracts, portfolio performance, asset utilization and fraud mitigation. "That was expected," she says, but adds, "Where I think there's huge potential is for the right side of the balance sheet in terms of improving funding from revolvers to securitizations."

The survey also asked how companies felt about participating in a blockchain consortium with competitors, and 17% expressed interest in some level of involvement. Says Reuben, "This is promising, because we don't need the entire industry to participate to form a minimally viable network and begin testing concepts."

Reuben has been exploring the formation of a consortium of equipment finance companies willing to partner in the first industry-wide blockchain since early 2018. "There has been a lot of talk about blockchain at industry events, but not a lot of action," she says. "The power of blockchain lies in the possibilities for

## TECHNOLOGY INNOVATION WORK GROUP

**Established by the Association's Board of Directors, the work group will seek to monitor, analyze and understand the impact of new technologies on the industry and ELFA businesses. "At this point, the Group is still in its infancy," says Deb Reuben, who will serve as Chair. "But you'll be hearing from us soon."**

business-model innovation and benefits to the participants in a business network. It seems as though we have enough interest to start something in our industry now that we're beginning to surface potentially viable use cases. We saw five of these during the recent Operations and Technology Conference workshop on blockchain. And when we conducted live polling at the Conference about initiating an industry-wide project using blockchain where we all will benefit, 55% responded 'Absolutely' and 45% responded 'Possibly.' No one said no."

### Changing Expectations

Wayne Super, Managing Director, Capital Markets, for Cisco Capital Corporation in Atlanta, says he thinks many equipment finance companies are looking for concrete steps they can take with blockchain. But he believes the next task is to understand that, by itself, blockchain will have a marginal impact on industry members. "Reorienting your entire business around blockchain is not the way to start," he says. "Rather, focus on meaningful areas where inefficiencies, conflicts, provenance or authenticity issues exist, such as reconciliations, asset management, documentation, UCC filings and compliance. Then slowly build out from one or more of these points."

**In a recent survey of ELFA members, 69% agreed that blockchain has relevance for equipment finance and 60% said it has potential as a competitive advantage.**

Super also believes tech leaders are combining three technologies to profound effect. "There is a confluence of technologies happening—blockchain, machine learning and the Internet of Things, or IoT—and it's the convergence of these technologies that will have a meaningful impact," he says. "For financial services particularly, the union of these three is what will drive change."

He provides this example: "Think about supply chain production and financing applying IoT, machine learning and blockchain all along the way," he suggests. "Data is gathered from production sensors monitoring material and labor usage. Machine learning is employed for predictive supply and demand analytics, providing feedback into production capacity and utilization. Blockchain would allow for efficient materials and asset management and transfer using embedded smart contracts, electronic signatures, payments, record keeping and reconciliation in the production ecosystem. Along the way, just-in-time financing in the right amount is deployed across the production process from raw material acquisition to finished goods using a blockchain network and smart contracts with a banking, insurance and logistics ecosystem. Everyone involved would have the same immutable information at the same time. Eventually using

an end-to-end blockchain will ensure provenance and authenticity and reduce administrative time, improve production cost, increase security and cut financing cost."

Drew Martin, Chief Technology Officer at Channel Partners Capital in Minnetonka, Minnesota, provides a second example involving a provider of business credit data. "Let's say we submit our billing history to this company to aggregate so others can evaluate it as part of their risk evaluation strategy," he posits. "This company then begins using blockchain and requests that everyone using their services place their lease/loan contracts on the blockchain, too. Then additional documents are added so that the blockchain grows gradually and users can see that because they contribute data, they have access to the data of others. Blockchain needs the participation of enough cohorts to make it worthwhile," says Martin. "Once that happens, the benefits snowball, because it's such a robust technology and can be used for so many purposes."

Martin notes that very large organizations already using blockchain are on-boarding their customers and partners so that they, too, can continue working with these organizations. "But in our industry, no large organization has stepped forward to sponsor a blockchain and ask others to cooperate," he says. "I think at this point, that's our biggest barrier."

### The Power of Use Cases

As at other companies, actual blockchain initiatives underway at IBM have nondisclosure agreements preventing outside discussion. But Bart Cant, Partner, Blockchain Services, says hypothetical use cases such as those created at ELFA's Operations & Technology Conference illustrate how blockchain could be applied in equipment finance. Good use cases, says Cant, have the following components:

- A network of business participants, each of whom generates transactions impacting the data, which is maintained by multiple participants
- Stakeholders who independently maintain similar data sets that document their own version of events
- An environment of minimal trust in which each participant acts independently but looks to impose new layers of verification or requirements, and

- Dependency on or interaction with intermediaries to complete the transaction.

"The traceability of assets as they move through their life cycle is a very good use case for equipment leasing, as it provides historical data about the asset that could be useful," says Cant. "Documenting the life cycle of an airplane, for example, would mean that all servicing records and information on parts, including their origin, would be stored in the blockchain, providing a much more comprehensive view of all equipment components. This would be important when the plane is remarked, because instead of undertaking a large data-gathering process at that time, you'd already have a much better data set, built over the life cycle of the asset, that cannot be tampered with."

Cant says two more equipment finance areas with blockchain potential are the syndication of large projects and the securitization of leases and loans. He observes, "All three could be fodder for new business models that better align the costs and usage terms in a lease with the underlying asset."

Like Reuben, Cant sees value in key members of the industry coming together to launch blockchain, particularly to document processes end to end. "Similar initiatives are already occurring in the mortgage industry, and I see a great opportunity to bring large and small equipment finance companies together to provide an end-to-end view of assets," he says. "As we're doing with other industries, we want to get involved in real business problems of equipment finance."

## Happening Now

Keith Letourneau, Partner at Blank Rome LLP in Houston, has a similar aim. Letourneau is a maritime attorney who became involved with blockchain through a client query. "It's such an interesting topic that we developed a working group on blockchain and crypto-currencies at our firm," he says. Letourneau participated in a panel discussion on technology innovations and disruptions at ELFA's Annual Convention in October.

As software becomes more sophisticated and able to handle more aspects of blockchain, he expects major advances in many industries. "The maritime industry is already implementing it to track containers aboard ships," he says. "A major player made a decision to invest in blockchain and then began talking to its vendors, suggesting that they participate. That's how it gets going."

Letourneau views blockchain as the overlay that will eventually connect equipment finance companies, service providers and regulatory agencies in a secure network. "I think the potential applications in equipment finance are profound," he says. "Big data produced by the Internet of Things and placed on blockchain will alter how warranties are applied and when they expire. It will change when goods are ordered and how people contract for things, such as by hourly usage. It will bring so much transparency

to the equipment life cycle that people will be able to know the exact condition of every piece of equipment on the blockchain."

Lawyers will handle disputes arising over laws and agreements governing the use of blockchain, Letourneau thinks. "But I believe in equipment finance, the emphasis will eventually be on rewriting warranties and structuring payments," he says. "It won't solve problems where disputes arise between parties, but it will have great utility to tighten processes and eliminate certain intermediaries."

Because blockchain requires more than one player to be most effective, Reuben thinks the equipment finance industry as a whole needs to change the way it approaches problem-solving. "We're already a network of networks, if you think about it, and we need to begin collaborating across those networks," she says. "We need to be looking at business models and upper-level issues together instead of only at our own companies. In this way, we can further explore use cases to identify opportunities to form minimum viable networks of participants."

Drew Martin echoes the theme. "Applying blockchain internally won't add much value," he says. "It's a community component that requires bringing five or six equipment finance companies together to start sharing data." He pauses and then adds, "You know, even two companies could do it. We have to start somewhere." ☰

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

## RELATED RESOURCES

For more on blockchain, access these resources from the Equipment Leasing & Finance Foundation:

- **New Technologies Video**— A comprehensive visualization for how artificial intelligence, blockchain and smart contracts will impact the equipment finance model over the next five years. <http://bit.ly/2PcoZ1i>
- **Blockchain: Staying Ahead of Tomorrow**— This article from the Spring 2017 *Journal of Equipment Lease Financing* offers an overview of how blockchain works, implementation hurdles, the implications for smart contracts and more. <http://bit.ly/2Ni41wm>
- **Three New Technologies Whose Time Has Come in Equipment Finance**— This article from the Winter 2018 *Journal of Equipment Lease Financing* illustrates how both equipment finance companies and their customers will benefit from early adoption of artificial intelligence, blockchain and smart contracts. <http://bit.ly/2DSj6FB>





# *Evolve, Emerge, Excel!*

**TO STAY RELEVANT AND THRIVE** in today's fast-changing world, ELFA leaders must be ready to evolve. That's the message that resounded throughout the 57th ELFA Annual Convention, which drew 1,025 equipment leasing and finance executives to Phoenix last month. In keeping with the Convention theme, "Evolve, Emerge, Excel!" attendees focused on positioning their companies for success by *evolving* their business operations, *emerging* stronger than ever and *excelling* at achieving their goals.

Over three days, industry leaders challenged old assumptions and considered new strategies for success. From the breakout sessions to the networking receptions, attendees took advantage of multiple opportunities to build their networks, exchange ideas and best practices with other industry leaders and get up-to-speed on critical issues and trends affecting the industry and their businesses.

Keynote speakers shared timely insights on a range of issues relevant to the industry. Technologist Linda Bernardi kicked off the Monday General Session with an inspirational keynote on innovation and disruption and how they will impact the future—from the Internet of Things to artificial intelligence. Following Bernardi's remarks, outgoing ELFA Chairman Dave Schaefer



Linda Bernardi

joined her on-stage for a Q&A session. At the Equipment Leasing & Finance

Foundation luncheon, economist Dr. Mark Zandi reported on the state of the economy and the future forecast, followed by a Q&A with Foundation Chairman Jeff Elliott. At the Tuesday General Session, election analyst Dr. Larry Sabato handicapped the mid-term elections and answered audience questions facilitated by incoming ELFA Chairman Jud Snyder.

Nearly 70 equipment leasing and finance professionals spoke at 20 concurrent breakout sessions and Business Council luncheons on a wide range of topics, including changing customer expectations, technology trends, rising interest rates, tax reform implications and attracting and retaining emerging talent.

Members also participated in community service projects (see p. 32).





## Perseverance Is Key, says Schaefer

In his "State of the Industry" Convention address, Dave Schaefer, CEO of Mintaka Financial and Founder and CEO of Orion First Financial, LLC, opened his remarks with an interactive timeline illustrating the evolution of equipment finance. From the repeal of the investment tax credit to the Great Recession of 2007-2009, Schaefer observed that even in the most difficult times, the industry has remained resilient.

He highlighted the association's influence on a number of industry milestones. For example, a major advocacy effort by ELFA positively impacted the direction of the new lease accounting standard, and the association's advocacy on recent tax reform legislation benefited members. "Thanks to ELFA's advocacy efforts, the tax measure preserves important incentives designed to promote equipment acquisition," he noted.



2018 Chairman Dave Schaefer reported on the state of the industry.



Dr. Mark Zandi



Dr. Larry Sabato



Schaefer passed the leadership torch to incoming Chairman Jud Snyder.



Schaefer and Petta presented the Michael J. Fleming Distinguished Service Award to Deb Reuben.

In recounting the history and resilience of the industry, Schaefer shared some of his own personal history. He revealed that in the late 1970s his father was taken hostage by Iran and held for 444 days. "This shaped me forever as a person," he said. "I don't allow myself to have a bad day because I know that people deal with really bad situations and I appreciate

every day of my life. I also learned to appreciate perseverance."

Schaefer said his appreciation of perseverance reappeared two decades later he launched his company Orion First Financial on Oct. 1, 2001, in the wake of 9/11 terrorist attacks. "It felt like the economy was crumbling down around us, and here I was launching a new business!" he

## Evolve, Emerge, Excel!

recalled. "This was another lesson in perseverance. When we are faced with a great challenge, our determination and grit can be our most important assets."

He acknowledged that many in the industry have faced challenges with grit. "I know many of you in the audience have faced adversity in your businesses and persevered to be here today. When we talk about our industry emerging and excelling, it is a testament to our ability to face challenges head on, adapt to change and discover new opportunities and solutions."

After reviewing the *evolution* of the industry, Schaefer moved on to the second prong in the Convention theme: What's *emerging* in the industry.

He spotlighted the changing customer experience, pointing to customers' new mindset toward usage rather than ownership of equipment; the "uberization" of assets, or utilizing assets by sharing them; and increased demand for bundled services and enhancements. He observed, "For consumers it's all about convenience: their desire to have access to what they want, when they want it."

At the same time, equipment finance organizations are becoming more flexible,



Ralph Petta shared association highlights.

with employees working remotely, so they are attracting talent without geographic restrictions. "This digital age—of connecting people to your company—is where change is coming from and where the value is."

Finally, Schaefer examined the third prong of the convention theme: What it means to *excel* for your employees, your companies and your customers.

He stressed that continuous improvement should be the top priority. "As individuals we should be constantly learning, looking for other successful people and watching what they've done," he advised. He added that leaders need to learn how to get out of the way, to delegate and to allow others to grow.

Focusing on the customer is key, said Schaefer, emphasizing that companies need to offer quality products, deliver a great customer experience, provide value and anticipate the customers' needs. "We have to be thinking about new products and solutions in advance of the customer even knowing he or she needs them," he said.

He concluded by noting that the equipment finance industry touches every aspect of the economy. "We provide the cap-

ital that drives supply chains across every industry. We enable companies to acquire equipment and employ individuals, so they can support their families and their communities. The healthy flow of commerce and capitalism is good for our communities—and it's good for our country. I hope you think about the value we create, and that you're proud to be a part of that."

### Petta Spotlights Major Initiatives

In his "State of the Association" address, ELFA President and CEO Ralph Petta highlighted some of the major initiatives underway at the association. First, he previewed several new digital tools designed to help members succeed:

- The revamped Fundamentals of Equipment Leasing and Finance online training course delivers "virtual" hands-on experience and training in the fundamentals of our business.
- The Survey of Equipment Finance Activity Interactive Dashboard lets members explore a decade of key findings from the survey, from originations to performance and efficiency metrics to market data.
- New online communities will debut this Winter, giving members a new place online to interact, share ideas, answer questions and stay connected.

Petta also spotlighted a few of the many volunteer member committees that



The Women's Council Reception drew a large crowd.





## Thank you to our Exhibitors

*Thank you to the following companies for supporting the  
ELFA 57th Annual Convention in Phoenix.*

Alfa	FIS
American Lease Insurance	Fleet Evaluator
Asset Recovery Services LLC	Garnet Capital Advisors, LLC
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Centurion Service Group, LLC	International Decision Systems
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EDA by Randall-Reilly	Sword Apak
eOriginal Inc.	



## Evolve, Emerge, Excel!



In the exhibit hall, more than 30 exhibitors showcased the latest products and services for the industry.



Breakout sessions covered a variety of hot topics.



Emerging talent attendees gathered at the ELFA exhibit booth. A record number of emerging leaders attended the Convention this year.

are doing critical work on behalf of the association.

■ A new Technology Innovation Working Group has been formed to monitor and analyze technology developments. “We are in a time of rapid change, and our industry is being challenged to innovate to compete in a new world in which disruption—from automation to blockchain to artificial intelligence—feels like the norm,” said Petta, who promised to report on the findings of this new Working Group at next year’s Convention.

■ The ELFA Women’s Council has been working to increase the engagement and leadership of women in the association and the equipment finance industry. “I am pleased to report that this important initiative to achieve gender balance is paying off,” reported Petta, sharing data showing increased engagement by women across the association’s volunteer bodies. In 2019 the Council will host the second annual Women’s Leadership Forum, April 1-2 in Washington, D.C.

■ The Emerging Talent Advisory Council



At the LeasePAC booth, members forecast the outcome of the midterm elections.

(ETAC), a group of up-and-coming employees from member companies, is working to encourage industry professionals to get involved in the association early in their careers and attract the best and brightest to the industry. Petta encouraged members to check out the Emerging Talent webpage for information about upcoming events and activities, including Emergence2019, July 17-18 in Washington, D.C.

Petta also reported that the Board of Directors recently updated the association’s Mission Statement and Strategic Objectives to include language embracing diversity and inclusion (see more, page 5).



For recordings of Convention sessions, visit the Conference Resource Center at [www.elfaonline.org/events/conference-resource-center](http://www.elfaonline.org/events/conference-resource-center)





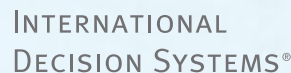
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## Members Give Back

Convention attendees participated in three charitable activities. At “Lending a Hand to Arizona Helping Hands,” ELFA volunteers built 16 bikes and decorated 250 boxes that will be used to distribute more than 30,000 toys serving 17,000 foster children. At the Build a Bed project, volunteers built beds, dressers and cribs for 16 children—and their efforts were highlighted on the local Fox 10 Phoenix news station, which reported on the project. Members also participated in the Jim McGrane Charity Bicycle Ride. Thanks to the generosity of the sponsors listed on p. 31, ELFA donated \$25,000 to Arizona Helping Hands, which assists foster families who have stepped up to provide a safe, loving environment for children in the Department of Child Safety system.



## Evolve, Emerge, Excel!

Finally, Petta reported that thanks to the efforts of member volunteers, ELFA has been extremely active in a number of important advocacy areas.

- In the federal advocacy arena, the association is keeping a close watch on the impact of tax reform legislation on our industry and monitoring developments at the Consumer Financial Protection Bureau to make sure section 1071 of Dodd-Frank doesn't make it more burdensome for members and their customers to do business together.
- ELFA's state advocacy team has been effective this year in ensuring that legislative and regulatory proposals in states from California to Louisiana to Illinois—and almost every other

state—do not make doing business in these jurisdictions more difficult or costly for member companies.

- And, with the effective date of new lease accounting rules just around the corner, the association's Lease Accounting Resource Group continues to review questions and implementation issues related to the new standard and is working to ensure that members' concerns are communicated to and addressed by the FASB.

“ELFA is fortunate to be blessed with an unbelievable group of volunteer members who inspire the Board and ELFA staff every day,” said Petta. “As you and your businesses continue to ‘Evolve, Emerge and Excel,’ we are here to support you. That’s our singular goal. Thank you for your participation!”



## Day in the Life of a First-Time Attendee

What's the Convention like for a first-timer? ELFA's camera crew shadowed Carlie Yeandle, CPA, of BMO Harris Equipment Finance Company throughout the convention, and she shared her event experience in a video. To view this and other Convention videos, go to [www.elfaonline.org/AC](http://www.elfaonline.org/AC) and click on Media.





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# Executive Roundtable

## March 10-12, 2019

**The Ritz-Carlton Golf Resort, Naples • Naples, FL**

Discuss the issues of the day, strategize about the future and create lasting business relationships.

Roundtable is open only to executives from ELFA member companies, including Service Provider member companies.

**Complete details and registration information coming soon.**

Contact Lisa Ramirez at [lr Ramirez@elfaonline.org](mailto:lr Ramirez@elfaonline.org)  
to receive information about this roundtable.

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# The Run-Up to the New Leases Standard

By John Bober

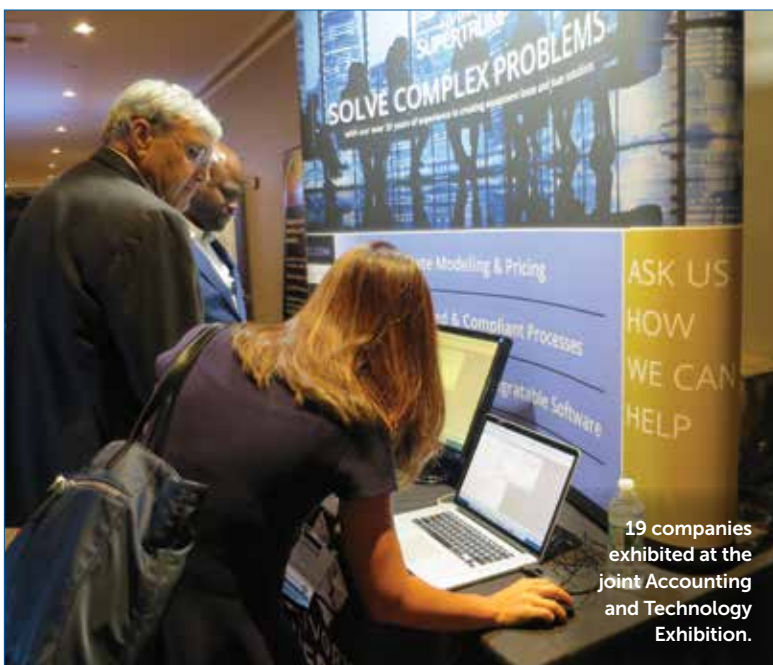
## Takeaways from the Lease and Finance Accountants Conference

**The 2018 ELFA Lease and Finance Accountants Conference**, held in Philadelphia in September, was well timed as most public companies are in the final stages of preparing to adopt the new leases standard. The conference focused on the new standard and provided attendees with the opportunity to learn more about ASC 842 and related emerging issues. The topics covered included:

- What is a lease for purposes of the standard and how to determine a lease versus a service transaction;
- Determining the payments that are included in lease accounting and the implications that has for lessors and lessees;
- The changes that have been made to the standard since its release in 2016;
- How the IFRS leases standard differs from the US standard; and
- The various ways companies may choose to adopt the standard along with the related lease disclosures.



John Bober welcomed attendees.



19 companies exhibited at the joint Accounting and Technology Exhibition.

The conference also provided the opportunity for the audience to hear directly from the foremost lease experts at the large accounting firms. The topics discussed by the experts included: unique considerations related to the determination of the lease term; lessor classification questions that arise under the new standard; lessee discount rates and the challenges that companies may face when determining that rate; the importance of materiality and judgments when applying the standard; and lease and non-lease components in the accounting for leases. On the second day of the conference, attendees also had the opportunity to hear from the Vice Chair of the Financial Accounting Standards Board, James Kroeker.



The Financial Accounting Committee gathered before the conference. The committee's Lease Accounting Resource Group is identifying technical accounting issues related to the implementation of ASC 842.




His presentation covered how the Board functions and what the Board has been doing to answer implementation questions. The recent exposure draft on lessor accounting, which ELFA has commented on, was also covered during the presentation.

While the conference focused on lease accounting and the new leases standard, that was not the only subject covered. There were sessions on lease pricing, both introductory and advanced; the new credit loss accounting standard; and several pre-conference workshops. There was also a thought-provoking joint session with the Operations & Technology Conference that featured a presentation by Dr. Robert Wescott, President of Keybridge LLC, on the future of work and employment. If you missed the conference and wish to learn more about the topics that were covered, copies of the session handouts and audio



Educational sessions drew a large crowd.

recordings are available on the ELFA's website at [www.elfaonline.org/events/conference-resource-center](http://www.elfaonline.org/events/conference-resource-center). Save the date: The 2019 Lease and Finance Accountants Conference will be held Sept. 16–18 in Chicago. 

**JOHN BOBER** is Managing Member of IXL Lease Advisory, LLC and Chair of the ELFA Financial Accounting Committee.

# Preparing for the Rapid Pace of Change

by Andrew Cotter

Insights from the Operations and Technology Conference

## **In an era of technology and machines, people are more important than ever.**

During his keynote address at ELFA's Operations and Technology Conference in Philadelphia in September, Dr. Robert Wescott of Keybridge LLC discussed the future of work. He put forward that in the next 20 years, 47% of all jobs could be replaced by machines. That may or may not come to fruition, but attendees were given the opportunity to consider that shift.

The conference immersed attendees in topics spanning from blockchain and cybersecurity to compliance and personal strengths during two-and-a-half days of learning, participating and networking.

In a survey sent out to the industry prior to the conference, 69% of respondents stated that blockchain has moderate to strong relevance for the equipment finance industry (see story, p. 22). We kicked off the conference with an informative deep dive into this



emerging area. Participants in this session worked in a collaborative fashion to envision various use cases within the equipment finance space. Using design thinking, scenarios played out that could impact every equipment finance company.

During the many interactive sessions, attendees were able to not only hear from experienced leaders, but also discuss and share best practices with regard to outsourcing, employee engagement and purchase money security interest (PMSI).

Fresh ways to gain insights from data were introduced by using visualization to help answer questions that may arise. As John Hurt from the Alta Group put it, "While the questions may not have changed, the tools available to answer those questions have."





The 2018 Operations & Technology Excellence Award was presented to CWB National Leasing Inc. Pictured L-R: ELFA President and CEO Ralph Petta, Operations & Technology Committee Chair Andrew Cotter, Todd Neil of CWB National Leasing Inc., Award Subcommittee Chair Jen Martin and ELFA Immediate Past Chairman Dave Schaefer.

Not shying away from heavier topics such as cybersecurity, risk management and compliance, multiple sessions made an impact on the audience. As we address the gaps that exist between technology, individuals, businesses and public policy, a competitive advantage may emerge. Be on the lookout in your organization!

Exhibitors were given a chance to participate in a lightning-round format to present their elevator pitches. Both exhibitors and attendees alike enjoyed this fast-paced and fun introduction to what the vendors have to offer the industry.

We took a break from traditional operations and technology to explore a more personal side. Heather Kay from member company FIS shared insights and tools on how to assess your strengths as a person and what impact that

may have on your team, organization and life.

This conference also addressed the highly relevant accounting changes. Topic 842 has implications for multiple facets of equipment leasing and finance organizations. Are you prepared?

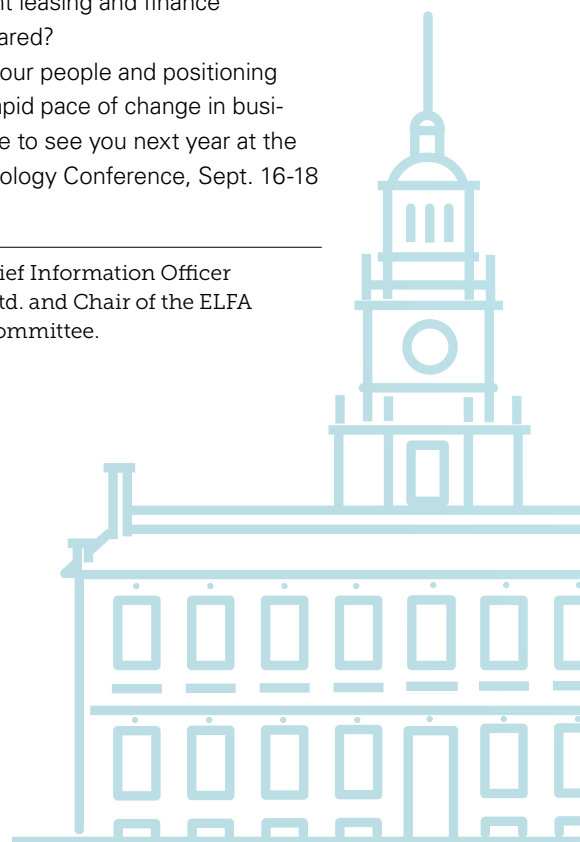
How are you preparing your people and positioning your organizations for the rapid pace of change in business and technology? I hope to see you next year at the 2019 Operations and Technology Conference, Sept. 16-18 in Chicago. [E](#)

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**ANDREW COTTER** is EVP, Chief Information Officer at Somerset Capital Group, Ltd. and Chair of the ELFA Operations & Technology Committee.



Interactive sessions engaged attendees.



## Additional Risk in Financing Usage-Based Transactions Subject to Non-Appropriation

**THIS ARTICLE** discusses a unique issue and an additional credit risk related to usage-based leases and loans, more particularly in transactions with state and local governmental entities (collectively referred to as “SLGs” and singularly, as an “SLG”) when such entities must obtain various approvals to appropriate funds necessary to fulfill its obligations under a lease or loan.

Banks and commercial finance companies (collectively referred to herein as “lenders” and singularly as a “lender”) active in the equipment finance industry routinely extend financing to SLGs that use tax generated, governmental funds for lease payments. When documenting these types of transactions, a lender often will require the SLG to execute a municipal addendum, which outlines the SLG’s unique payment obligations to the lender. In executing the municipal addendum, the SLG acknowledges a number of items that include, but may not be limited to: (a) the availability of funds to repay obligations for the current fiscal year, as well as the reasonable belief that such funds will continue to be available throughout the duration of the finance term; (b) the essential use of the equipment to facilitate the SLG’s operation and ability to properly function; (c) the SLG’s compliance with any and all applicable bidding and signature requirements; and (d) compliance with a designated notice period and termination in the event funds fail to be appropriated by the SLG for a subsequent fiscal year.

In addition to the municipal addendum, many lenders also require an opinion of counsel letter from the SLG’s attorney. This letter serves to confirm the validity and enforceability of the transaction with the SLG along with express confirmation of salient terms. Of particular importance, the opinion of counsel letter contains a representation from counsel that the SLG has no authority (statutory or otherwise) to terminate the transaction prior to the end of its term for any reason other than the non-appropriation of funds.

Most transactions financed are structured with a fixed monthly payment (plus taxes, if applicable) because the SLG is only permitted to remit the

amount of funds approved (i.e., appropriated) by its governing board. In some instances, if the lender extends financing for certain equipment, such as copiers or X-ray machines, the transaction may be structured with a usage-based billing component. In a usage-based structure, the SLG contractually agrees to remit a combined payment comprised of (i) the equipment rental with a specified threshold number of allotted copies or images processed on the equipment for the month (the “Base Monthly Amount”), plus (ii) a variable amount for copies or images processed on the equipment in excess of the predetermined allotment. With this type of arrangement, the SLG is free to process as many copies or images as it desires each month, but will be billed for each copy or image in excess of the Base Monthly Amount. Any additional overage charges are included on the monthly invoice. There is no cap on the amount that can be billed for such excess usage, and the funds collected for the excess usage are passed on to the equipment vendor. Consequently, the SLG may be required to remit funds greater than the fixed monthly payment because of copies or images processed in excess of the contractually permitted allotment.

This common, usage-based structure thus may present a unique problem for an SLG and its lender since the SLG can only agree to remit a designated amount of funds during each fiscal year in connection with the transaction. If the SLG agrees to a five-year term with a fixed payment *plus* potential overage charges, the lender assumes a risk that the SLG will “over use” the equipment and accumulate enough overage charges that all funds appropriated for the equipment financing are expended prior to the conclusion of the fiscal year.

**Beware  
the risks of  
these usage-  
based leases  
and loans.**



For example, what if a lender extends five-year financing for equipment subject to usage-based billing and the SLG exhausts all appropriated funds six months into year three due to overage charges? The lender assumes the risk of both credit and non-appropriation when financing these types of SLG transactions, but the aforementioned scenario is not what most lenders consider to be the standard non-appropriation risk. In the absence of an express agreement between the vendor and lender to account for the additional risk of non-appropriation, the lender may face a loss upon return of the equipment, particularly if returned prior to the scheduled maturity date. Although most municipal addenda provide for non-appropriation of funds only at the termination of a fiscal year, an attempt by the lender to enforce payment obligations for the duration of the fiscal year in which overages prematurely exhaust all of the SLG's funds could be met with resistance or refusal by the vendor depending upon the contractual arrangements between the lender and vendor. Non-appropriation may be uncommon; however, the possibility of an occurrence increases when financing a transaction pursuant to a usage-based billing structure. Such additional risk should be considered by credit underwriters when they first analyze the transaction. Ideally, the

SLG would have additional funds appropriated as insurance in the event that usage exceeds the monthly payment.

The lender could undertake an alternative approach to protect itself from the additional risk occasioned by usage-based transactions with SLGs. The lender may want to consider incorporating an indemnification or recourse clause into its agreement with the vendor to address the problems created by the usage-based transaction or require a separate transaction-specific indemnification or recourse agreement in order to ensure protection when financing usage-based transactions that are subject to non-appropriation.

A usage-based transaction creates additional risk for a lender when it has to consider the risk of non-appropriation by an SLG. As such, the lender should be keenly aware of all such risks when it negotiates the pricing and documents the transaction in order to avoid the risk of losing money in the transaction. ■



**AMANDA COOK** is V.P. and Counsel at TIAA Commercial Finance, Inc. **ANDREW ALPER** is VP and Shareholder at Frandzel Robins Bloom & Csato, L.C. Both are members of the ELFA Legal Committee.

## STAND APART FROM YOUR COMPETITORS

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# The Effect of Tax Law Changes on Leasing

**AT THE END OF 2017**, Congress passed H.R. 1, also known as the Tax Cuts and Jobs Act (TCJA). TCJA introduced many changes that will affect the equipment leasing and finance industry, including many that may create new opportunities for tax-oriented financing transactions.

This article will summarize some of those changes and point out where the opportunities may arise. Several of these changes were modeled in pro forma lease pricing transactions and presented at the 2018 ELFA Lease and Finance Accountants Conference in Philadelphia. If you did not have the opportunity to attend the conference, you may want to download the presentations and/or listen to the Tax Sessions as well as Advanced Pricing in the ELFA Conference Resource Center.

## Significant Tax Law Changes Affecting the Leasing Industry

**1. Federal Income Tax Rate** – For the purposes of calendar-year corporations, the federal income tax rate dropped from 35% to 21% effective for tax years beginning after Dec. 31, 2017. For any fiscal year taxpayer, the tax rate for the remaining period of their fiscal year will be an annualized pro-rata tax rate consisting of the current 35% and the new 21%.

*Tax-exempt borrowers may now consider tax leasing because their tax-exempt borrowing rates will increase as lenders' interest expense tax deductions are now worth less than before.*

**2. Bonus Depreciation** – Bonus depreciation was increased from 50% to 100% and is available now for both *new and used* equipment commencing after Sept. 27, 2017 (subject to certain limitations). Equipment that was acquired subject to a *binding written contract* dated Sept. 27, 2017, or prior remains subject to the then-existing depreciation rules. Bonus depreciation phases down 20% per year starting in 2023 for most equipment and is scheduled to be eliminated on Jan. 1, 2027, absent action by a future Congress. (Special rules apply for certain property with longer production periods.)

*Specific scenarios can present an improvement in the benefit from leasing-versus-owning an asset. For instance, a lessor may be entitled to claim 100% bonus depreciation while a lessee may not. Lessees may reap a benefit by entering into a sale-leaseback for an asset they expensed 100% in 2017 at a 35% tax rate.*

### 3. Limitation of deductibility of interest expense

– With certain exceptions, interest expense deductibility is limited to 30% of “tax EBITDA.” Interest expense in excess of 30% is not deductible in the current year and is carried forward. Commencing in January 2022, interest expense is further limited to 30% of tax EBIT.

*Companies may desire to lease more frequently as a replacement to debt financing since rents are not limited as to deductibility while interest expense is.*

**4. Net Operating Loss Carryforward** – Starting in January 2018, newly created NOLs can no longer be carried back and can only be carried forward indefinitely and act to offset only 80% of the taxable income of any given year.

*A delayed utilization of NOLs may again make leasing more attractive.*

**5. Elimination of New Like-Kind Exchanges for Equipment** – Starting Jan. 1, 2018, LKEs will only be available for real estate property. Outstanding or in-process LKEs for equipment will be given a chance to be completed by a pre-determined date.

*Leasing may act as an alternative to managing tax gains from equipment turnover.*



**6. Renewable Energy Tax Credits** – Solar energy ITC continues at 30% with a phase down from 2019 to 2023 and is now based on the “*start of construction date*” rather than the “*placed in service date*.” The solar tax credit will phase down to a “permanent” 10% by 2023. The previously expired 10% cogeneration energy tax credit was reinstituted. For projects the construction of which commenced in 2017, the Production Tax Credit rate was reduced to 80% of its current 2.4 cents per kilowatt hour and will decrease 20% per year until it expires in 2021 (unless of course a further tax law amendment reinstitutes it).

*With the phase-down in place, entities desiring alternative energy solutions may seek them through other structured financing mechanisms.*

**7. Elimination of Corporate Alternative Minimum Tax (AMT)** – AMT was a means of ensuring that most taxpayers pay some amount of tax even if their taxable income otherwise was a tax loss as a result of AMT tax-preference items. AMT credits will be refunded by the IRS if not utilized by 2021.

*Elimination of corporate AMT removes some of the benefits of leasing for those taxpayers previously subject to it.*


**8. Base Erosion Anti-Abuse Tax (BEAT)** – TCJA introduced BEAT as a form of AMT targeted at U.S. subsidiaries of foreign entities that transfer taxable income out of the U.S. to lower taxing jurisdictions by means such as intercompany cross border loans and royalty payments.

Basically, a taxpayer calculates their U.S. taxable income and tax liability and then calculates their BEAT

taxable income through a series of adjustments, including but not limited to adding back intercompany cross-border interest expenses and royalties. Certain tax credits are substantially reduced when calculating BEAT. The higher of BEAT or the regular tax liability is then due. In contrast to AMT, that excess is NOT creditable in the future. BEAT starts at 5% in 2018, increases to 10% for 2019 through 2025 and tops out (for now) at 12.5% thereafter. After Dec. 31, 2025, 100% of those selected tax credits are *unusable* to reduce the BEAT tax liability.

*U.S. subsidiaries of foreign entities likely subject to BEAT may seek to replace some intercompany borrowings with tax lease financing.*

## Conclusion

TCJA provides more reasons now for leasing or financing property using tax-oriented financing structures. The pure complexity of the interrelated rules in TCJA by themselves may drive some entities to lease. However, to understand the benefit of leasing and to demonstrate this, one should be proficient at calculating lease-versus-own analyses. *Start honing those skills!* 



**JOSEPH P. SEBI, CPA** is Director of Tax at Siemens Financial Services, Inc., Chair of the ELFA Federal Tax Committee and a member of the ELFA Financial Accounting Committee.

*Disclaimer: This article represents the views and interpretations of the author and does not reflect any of the positions, views or opinions of the company for which the author works. None of this information should be viewed as providing of tax or business planning advice. In all cases you should consult with your own tax counsel regarding any actions or positions you take.*

# ELFA Submits Comments to the Treasury Department

**ON AUG. 8**, the Treasury Department and the Internal Revenue Service published proposed rules regarding the application of new depreciation rules in the Federal Register. The proposed rules can be found at <http://bit.ly/2OiTbed>.

Earlier this spring ELFA requested guidance in three different areas: the application of 100% expensing to used equipment at the end of a lease; how the new rules apply to syndications; and record-keeping requirements. ELFA's initial request for guidance can be found at <http://bit.ly/2ImWrzT>. The good news is that, based on our initial analysis, ELFA's preferred outcome is enshrined in the proposed rules for the first two areas, and the third issue was left open.

In October, ELFA submitted comments on the draft rules. ELFA's comments focused on several areas:

- Requesting a change in the regulations' proposed treatment of sale-leasebacks when a lessee exercises an end-of-lease purchase option.
- Requesting guidance on how bonus depreciation is treated when leasing to several types of businesses that are prohibited from utilizing bonus depreciation.
- The Treasury request for input regarding a safe harbor.

ELFA's comments can be found at [www.elfaonline.org/advocacy/federal-issues](http://www.elfaonline.org/advocacy/federal-issues).

## End-of-Lease Treatment


The proposed regulations appear to appropriately address true leases by allowing a lessee to utilize 100% expensing, as long as they have never held a depreciable interest in that asset. Given the definition of "use" in the law, there was concern that a lessee that purchased equipment it had leased (i.e., equipment it had "used") would not be able to claim bonus depreciation with respect to that equipment. Such a restriction would motivate lessees to purchase comparable used equipment from a third party, rather than the equipment they had leased. The regulations avoid that result by providing that a lessee is only deemed to have "used" leased equipment if the lessee had a depreciable interest in the equipment (which would not be the case under an ordinary true lease). This approach is consistent with the request for guidance submitted by ELFA. However, it does appear that a lessee exercising an end-of lease purchase option at the end of the lease portion of a sale-leaseback may not be eligible for bonus depreciation. ELFA has commented on this provision recommending an alternative path.

## Leasing to Parties Ineligible for Bonus Depreciation

ELFA requested guidance from the Treasury Department regarding leasing to several categories of customers. These are customers that are specifically precluded from utilizing bonus depreciation themselves because they are certain public utilities, certain electing farms or certain companies that utilize floor-plan financing. ELFA noted that the exclusion from 100% bonus eligibility in the direct hands of a public utility was a clear trade-off for exclusion from the net interest expense limitations; however, lessors in all of these situations are subject to that net interest expense limitation, so the taxpayer claiming the 100% bonus would be subject to that related limitation. Accordingly, ELFA believes that guidance is warranted, making it clear that the owner of real property—the lessor in our member companies' cases—is eligible for additional first-year depreciation absent a reason that the owner of the real property—the lessor—is otherwise exempted.

## Record Keeping

Another issue that impacts leasing companies is tracking of property they owned previously, as previously-owned property is not bonus eligible. The proposed regulations did not answer that question, but the Treasury decision did request comments with respect to it. ELFA asks for a three-year limit on how far back in time a leasing company would have to track whether it owned an item of equipment.

The Treasury Department is likely in the process of reviewing all of the comments as this magazine hits your mailbox. It is unclear exactly when the final rules will be issued, but ELFA will stay on top of it and let members know when they are. 



For more information, contact **ANDY FISHBURN**, ELFA Vice President of Federal Government Relations, at [afishburn@elfaonline.org](mailto:afishburn@elfaonline.org).



# The 18<sup>th</sup> Annual Investors' Conference on Equipment Finance

March 20, 2019 | New York, NY

IMN, along with the Equipment Leasing and Finance Association (ELFA), will host the Annual Investors' Conference on Equipment Finance on March 20, 2019 in New York City. This one-day event focuses on educating investors and equipment finance companies about the latest industry trends and developments.

As the global leader in structured finance conferences with contacts in the fixed income investor and issuer community, we are able to attract a unique audience representing institutional and private investors, alongside key decision makers at the highest level at leasing finance companies.

As many companies broaden their focus to include all kinds of equipment finance and related services that present strong opportunities for sustained growth, there has never been a better time to hear from expert speakers in the equipment finance sector. The 2019 event will include extensive coverage on outlook for the year ahead, structural and legal challenges, risk management, capital markets and transportation finance.

## Who Should Attend

---

- CEO/CFO/Finance Directors of Equipment Finance Companies
- Investors and Providers of Private Capital (Private Equity and Hedge Funds)
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- Investment Bankers
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- Financial Advisors
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# California Legislation With ELFA Exemption Signed Into Law

## Law Signed by California Governor Would Require Interest Rate Disclosure

**CALIFORNIA SENATE BILL 1235** was signed into law by Gov. Jerry Brown on Sept. 30. The bill passed the Assembly 72-3 and the Senate by a vote of 28-6.


ELFA began working to oppose, kill, amend or render harmless this legislation from the time it was introduced in February. In response to considerable advocacy and education by ELFA, Sen. Steve Glazer (D), the bill sponsor, was convinced to exempt the equipment leasing and finance industry and in doing so made repeated public statements indicating he did not want his bill to apply to equipment leasing. You can hear these comments offered by the sponsor on the Senate floor by visiting: <http://bit.ly/2ymPPg9>.

Amending this legislation was easier said than done. ELFA went back and forth with the sponsor's staff attempting to reach agreement on amending language that would provide the industry the protection we desired, and that the sponsor promised. Highlighting this difficulty was the fact that the bill was amended eight times, the last time following 48 hours of tense negotiations between ELFA, the sponsor and the California Department of Business Oversight (DBO) that finally secured a certain level of protection for our industry.

The amending language secured by ELFA highlighted below is not perfect but was considered the very best we could do to protect as many as possible on a bill that showed little chance of being defeated. It also represents considerable movement by the sponsor and DBO to our position. While the California Bankers Association remained neutral on the bill, the National Association of Independent Businesses was in favor of the bill.

ELFA would like to express our sincere appreciation to the ELFA Legislative and Regulatory Subcommittee, whose members spent countless hours during this process providing ELFA analysis and counsel. Specific thanks go to Subcommittee Chairman Mark Kohler of Baker Donelson and Moorari Shah of Buckley Sandler, who stepped up as team leaders available on short notice, provided critically needed technical expertise and joined ELFA state government relations staff during all negotiations.

The following depicts the final ELFA amendment language agreed upon with the sponsor that removed ELFA opposition from SB 1235.

1. "Lease financing" means providing a lease for goods if the lease **includes** a purchase option that creates a security interest in the goods leased, as defined in paragraph (35) of subdivision (b) of Section 1201 and Section 1203 of the California Commercial Code.
  2. **The definition of lease financing in this Division shall not be construed to repeal or otherwise amend existing law related to the definition of leases and security interests under the California Commercial Code.**
  3. **The new law will require consumer-like disclosures to be made on certain commercial finance products under \$500,000, including small business loans, merchant cash advances and leases with nominal purchase options, among other things. It does not cover true leases.** This law takes effect Jan. 1, 2019; however, the DBO is required to adopt regulations addressing details such as the methods of calculation, the format, the time and the manner of the new disclosures. The DBO will specify the date by which finance companies are required to comply. It is unlikely that compliance with the new law will be required before well into 2019.  
ELFA has developed a DBO Working Group that will work closely with the DBO to make sure any and all implementing regulations agree with the legislature's and sponsor's intent to exempt leasing.
- The new law requires that the following be included in qualifying commercial loans (including leases with nominal purchase options):**
1. The total amount of funds provided.
  2. The total dollar cost of the financing.
  3. The term or estimated term.
  4. The method, frequency and amount of payments.
  5. A description of prepayment policies.
  6. The total cost of the financing expressed as an annualized rate. 

For more information, please contact ELFA Vice President of State Government Relations **SCOTT RIEHL** at [sriehl@elfaonline.org](mailto:sriehl@elfaonline.org).



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*Equipping Business for Success*



## Prepare for the New Year with Foundation Resources

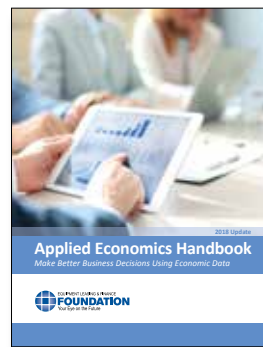
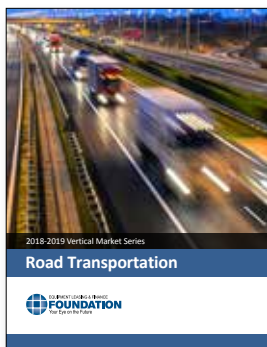
**WITH THE SUPPORT** of and contributions from generous donors, the Equipment Leasing & Finance Foundation released 30 new publications and increased individual donors by 49% this past year to-date. In fact, 2018 marked a record number of donors for the Foundation in a single year—and we're not yet done! Your contributions resulted in a record number of data-driven studies including the following:

- 2018 Equipment Leasing & Finance U.S. Economic Outlook and corresponding quarterly updates
- Reports on fintech, credit quality and inflationary pressures
- Six articles in three issues of the *Journal of Equipment Lease Financing*
- A new Vertical Market Series highlighting construction and road transportation
- An updated *Applied Economics Handbook*
- A new *Equipment Leasing & Finance Industry Horizon Report*, a hybrid of the popular State of the Equipment Finance Industry Report and high-level market-sizing data from a new end-user survey
- The highly anticipated 2019 Equipment Leasing & Finance U.S. Economic Outlook will be released this December.

These resources—all free to access—help you navigate critical issues and stay up-to-date on current trends. Prepare for the new year by visiting the Foundation's online Research Library at [www.LeaseFoundation.org](http://www.LeaseFoundation.org). The end of this year and early 2019 will bring new data intelligence studies on banking on non-banks, new energy technologies, driverless vehicles/robotic technologies and more!

Our current and future data intelligence resources and academic outreach program are possible due to generous financial support from our community of corporate and individual contributors, as well as the unparalleled efforts of our National Development Committee. We sincerely appreciate your valuable input to participate in our surveys and welcome your ideas for new topics to explore. The Board of Trustees meets in November to elect 2019 officers, approve the 2019 budget and set programming plans for the upcoming year. ☐

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



### Become a Foundation Ambassador

The Foundation is committed to working with industry experts and academics just like you. We offer a variety of ways for you to be an ambassador for the equipment finance industry, including giving a Guest Lecture at your local university, as well as posting internship opportunities to our digital Internship Center.

### Participate in the Guest Lecture Program

The Foundation's Guest Lecture Program is an opportunity designed for industry professionals to visit colleges and universities to increase awareness of equipment leasing and finance and attract new talent to the industry.

The Guest Lecture Program:

- Provides a ready-made presentation developed by industry experts
- Is customizable, allowing you to share your own experiences
- Is designed to provide the basics of the equipment finance industry.

To download the refreshed Guest Lecture Program slide deck and to post your internship opportunities, visit [www.LeaseFoundation.org](http://www.LeaseFoundation.org).

### Post Your Internship Opportunities

The Internship Center provides a platform for students seeking internships and organizations with opportunities to find each other and make connections. Plan ahead for 2019 and post your opportunities today!

# 2019 ELFA Annual Calendar of Conferences, Workshops and e-Learning Opportunities

## FEBRUARY

February 24-26

### EQUIPMENT MANAGEMENT CONFERENCE & EXHIBITION

Omni La Costa Resort • Carlsbad, CA

## MARCH

March 10-12

### EXECUTIVE ROUNDTABLE

The Ritz-Carlton Golf Resort, Naples  
Naples, FL

March 20

### 18<sup>TH</sup> ANNUAL IMN/ELFA INVESTORS CONFERENCE

Union League Club • New York, NY

## APRIL

April 1-2

### ELFA WOMEN'S LEADERSHIP FORUM

Conrad Washington, DC • Washington, DC

April 9-11

### 31<sup>ST</sup> ANNUAL NATIONAL FUNDING CONFERENCE

Swissôtel Chicago • Chicago, IL

April 9

### BANK BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 9

### INDEPENDENT BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 9

### CAPTIVE AND VENDOR FINANCE BEST PRACTICES ROUNDTABLE

Swissôtel Chicago • Chicago, IL

April 9

### EMERGING TALENT NETWORKING EVENT

Swissôtel Chicago • Chicago, IL

April 28-30

### LEGAL FORUM

Omni San Diego Hotel • San Diego, CA

## MAY

May 15

### CAPITOL CONNECTIONS

The Washington Court Hotel • Washington, DC

## JUNE

June 3-5

### CREDIT AND COLLECTIONS MANAGEMENT CONFERENCE & EXHIBITION

Hilton St. Petersburg Bayfront  
St. Petersburg, FL

June 11-12

### TAX BEST PRACTICES ROUNDTABLE

Offices of CoBank • Denver, CO

## JULY

July 17

### EMERGING TALENT NETWORKING EVENT

Grand Hyatt Washington • Washington, DC

July 17-18

### EMERGENCE2019

Grand Hyatt Washington • Washington, DC

## SEPTEMBER

September 16-18

### OPERATIONS & TECHNOLOGY CONFERENCE AND EXHIBITION

Hilton Chicago • Chicago, IL

September 16-18

### LEASE AND FINANCE ACCOUNTANTS CONFERENCE

Hilton Chicago • Chicago, IL

September 16

### EMERGING TALENT NETWORKING EVENT

Hilton Chicago • Chicago, IL

## OCTOBER

October 27-29

### ELFA 58<sup>TH</sup> ANNUAL CONVENTION

Marriott Marquis Washington, DC  
Washington, DC



## ELFA MOBILE EVENTS APP

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



## CONFERENCE RESOURCE CENTER

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



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

## PRINCIPLES OF LEASING AND FINANCE WORKSHOP

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

Dates and locations for Public Workshops

April 24-26 – Milwaukee, WI

June 17-19 – Washington, DC

September TBD

If the 2019 dates and locations do not fit your schedule and you have 10 or more employees you would like to send to the workshop, ELFA can bring the workshop to you. Contact Alexa Carnibella for further details and pricing, 202-238-3416 or [acarnibella@elfaonline.org](mailto:acarnibella@elfaonline.org).

For the latest information and updates go to:  
[www.elfaonline.org/events/calendar/](http://www.elfaonline.org/events/calendar/)

## Diversifying Our Workforce: Hire Like a Tech Company

**FOR MORE THAN A DECADE**, leaders within Key Equipment Finance—and within the entire industry—have been looking for ways to attract younger, more diverse applicants to careers in equipment finance. We have formed committees, held meetings and conducted research, and still we find that equipment finance just isn't in the hearts or on the minds of recent college graduates or young professionals in search of a career change.

As I have sought to fill some open positions on my own team recently, it occurs to me that perhaps we need a paradigm shift when it comes to hiring. Can we shift how we think about what the workforce of the future looks like, from where we pull talent and, importantly, how we train and retain our employees to build a more diverse and entrepreneurial industry?

### Think Like a Tech Company

These days, every company is a tech company. With the digitization of banking, equipment finance companies are more entrenched in technology than we've ever been before, and so are the clients we serve in health care, energy, government and manufacturing. So why aren't we recruiting our next generation of workers from technology companies, or from companies in the markets where we do the most business? Perhaps we are too focused on looking for people who know leasing, and not focused enough on looking for strong leaders with transferrable skill sets, outside of our industry. We could build on skills such as financial acumen or relationship building and train them on the ins and outs of equipment finance.

### Develop a Deeper Bench

Developing the workforce of the future calls for top-down and bottom-up thinking in the present. To attract



and retain younger and more diverse workers, our industry needs leaders with open minds—those who are open to new ideas and able to think differently. At the same time, we need to try to fill open positions with people who have different experiences, come from different backgrounds and bring different perspectives.

### Be Deliberate About Diversity and Inclusion

We must be uncompromising when it comes to welcoming new and different talent within our companies and within our industry. Thinking driven by a diversity and inclusion mindset

could also help open our eyes to new places to look for talent. Perhaps the next new hire will be found through networking with organizations that represent people with different cultural backgrounds, or at a conference or event held for an industry outside of our own.

The time for hiring tomorrow's workforce is now. I believe as an industry we should challenge ourselves to develop that workforce to be more representative of what our clients—and the world around us—looks like. The people we hire today will be the future of our organizations and of our industry. We need to hire people who approach challenges differently than we do, and then train and retain them with conviction. ■

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**AMY GROSS** is Senior Vice President of Key Government Finance.





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Note: Rank excludes banks with high non-loan asset concentrations: Goldman Sachs, Morgan Stanley, BONY, State Street, Charles Schwab. Ranks as of 3/31/2018. Based upon total gross loans and total aggregated domestic deposits for bank holding company. Sources: SNL, FDIC, company reports. Subject to credit approval. Additional terms and conditions apply. Products and services offered by Capital One, N.A., Member FDIC. © 2018 Capital One.



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