EQUIPMENT
Leasing & Finance
NOVEMBER | DECEMBER 2020
THE MAGAZINE FOR INDUSTRY EXECUTIVES

Finding Growth After COVID

Meet the New ELFA Members

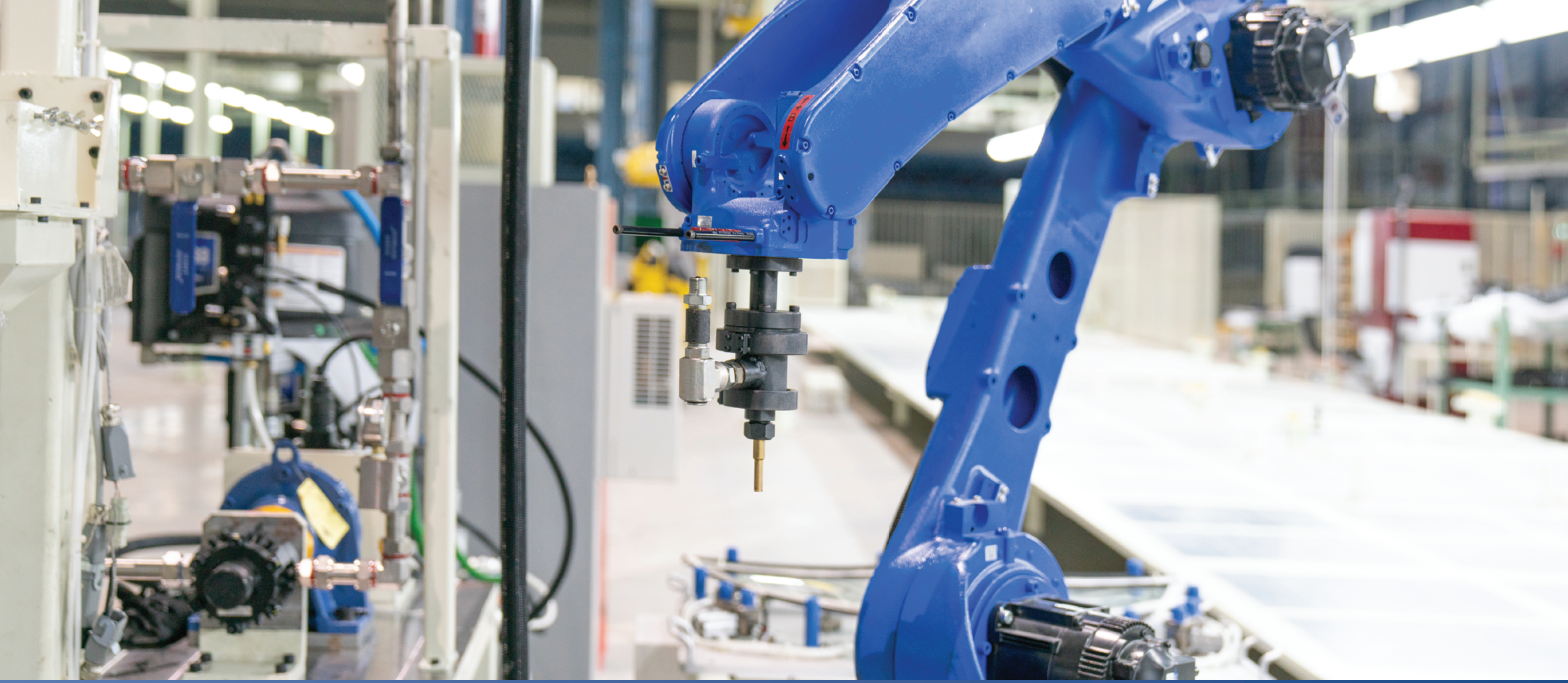
6 Ways to Build Your Tech Future

Spotlight on COVID's Impact

ELFA 2020 Business LIVE!

Tracking Industry Compensation

ELFA
EQUIPMENT LEASING AND FINANCE ASSOCIATION



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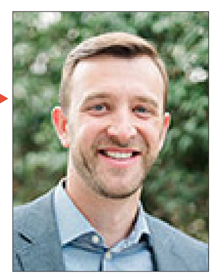

EQUIPMENT
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PUBLISHING DIRECTOR Ralph Petta

MANAGING EDITOR Amy Vogt

DESIGN & WEB PRODUCER Sandra Winkler

DIGITAL PRODUCER Shirley Bryant

ADVERTISING Steve Wafalosky
stevew@larichadv.com
440-247-1060

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With a SaaS solution such as ASPIRE, our engineers secure and maintain servers, storage, databases, and software within LTiCloud to offer faster innovation, flexible resources, and scalability. ASPIRE helps you lower operating costs, run operations more efficiently, and scale your business as it changes.

Competitive Advantages of a SaaS Solution

- Comprehensive SaaS solution
- Full origination and portfolio management solutions in one system
- Integration with third-party vendors
- Ability to support a wide array of asset classes
- Adaptable for all market types and industries
- SOC I & II compliant
- Rigorous security protocols ensure the confidentiality and integrity of your data are always maintained

By Ralph Petta

Focusing on What Matters to You

WHAT A DIFFERENCE A YEAR MAKES. When we gathered for the ELFA Annual Convention last year in Washington, D.C., the economy was humming along and the economic outlook appeared very promising. Then the COVID-19 pandemic rocked our world, upending priorities, forcing new protocols and altering life as we knew it.

Throughout this extraordinary year, ELFA members have demonstrated a resilience that has become a hallmark of the equipment finance industry. In response to a host of challenges in 2020—from the health crisis to the resulting economic impact—businesses in our industry are pivoting to meet changing customer and workforce needs.

At ELFA, we are pivoting as well. These days, the role of business membership organizations like ELFA has never been more essential. The most successful organizations are using this crisis as an opportunity to fundamentally revisit how they do business—adapting to changing realities and focusing on what really matters. ELFA is doing this.

One recent example was converting our traditional in-person Annual Convention into an interactive virtual event. Last month more than 775 equipment finance professionals gathered at ELFA 2020 Business LIVE! for our first-ever virtual conference to discover new ideas, connect with colleagues and prepare for what's ahead (see highlights on page 30).

ELFA has received an outpouring of support from the membership in response to this event. We thank everyone who helped us pull it off: The members who registered, some bringing large teams; the subject matter experts who organized and spoke at top-notch educational sessions; the exhibitors who populated our virtual exhibit hall; the sponsors who helped make the event possible; and our staff who worked around the clock to deliver an outstanding virtual experience for all attendees. We thank everyone who responded to our post-event survey—we are carefully reviewing all feedback, which will help us in planning future events.

In This Issue

Speaking of ELFA 2020 Business LIVE!, our cover story, "Finding Growth After COVID-19," draws on a session presented at that event. Discover strategies for offering new products, expanding into new origination delivery channels or entering new markets to pursue greener pastures in the current environment.

The feature story "Meet the New ELFA Members" introduces you to some of the newest members of our association community. If you're interested in getting more involved with the association, check out the tips to get started on p. 25.

Maximize your membership—see tips on p. 25

When the going gets tough, tough companies innovate. Learn how in our feature story "6 Ways to Build Your Tech Future," which spotlights the winners of the 2020 Operations & Technology Excellence Award.

Finally, I would like to thank outgoing Board Chair Martha Ahlers, the Board of Directors, all of our member volunteers and our hard-working professional staff for their contributions during this unprecedented year. The ELFA team and I look forward to working with 2021 Board Chair Kris Snow and all of you in the year ahead. Please don't hesitate to reach out and let us know how we can best serve you and your organizations. That's why we're here. ☰

Ralph

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

2021 ELFA Leadership

FOLLOWING THE 2020 ELECTION, ELFA Officers and Directors for 2021 are as follows:

OFFICERS

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

Martha Ahlers, President, United Leasing & Finance *(Immediate Past Chair)*

Michael DiCecco, President of Huntington Equipment Finance *(Chair-Elect)*

Robert Neagle, President, Merchant Finance, Ascentium Capital, LLC *(Vice Chair)*

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

Daniel Krajewski, President & CEO, Sertant Capital, LLC *(Treasurer)*

Ralph Petta, ELFA President & CEO *(Ex-officio)*

Paul Stilp, ELFA *(Secretary)*

DIRECTORS

Deborah Baker, Head of Worldwide Leasing and Financing, HP Inc.

Maureen Carr, Managing Director, Pacific Western Bank

Mark Duncan, EVP & GM, Commercial Finance and Corporate Development, Hitachi Capital America Corp.

Conrad Eimers, President, Vision Financial Group, Inc.

David Farrell, Managing Director - Head of Capital Markets, Bank of America Global Leasing

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David Normandin, President & CEO, Wintrust Specialty Finance

Deborah Reuben, Founder & CEO, TomorrowZone

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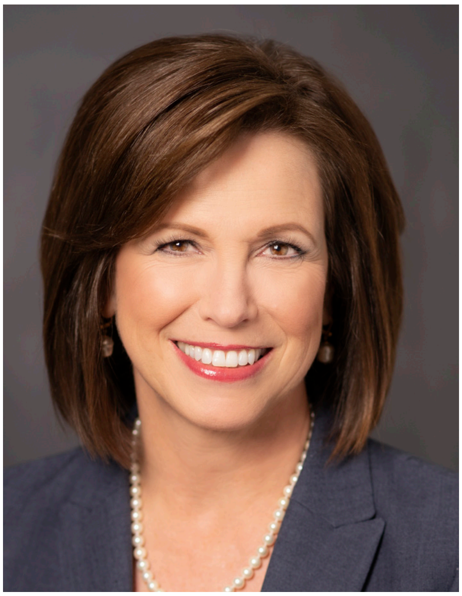
Thomas Rutherford, President, Crestmark Equipment Finance, a division of MetaBank

David Verkinderen, SVP, Office Equipment & Manufacturing Vendor Services, U.S. Bank Equipment Finance

David Walton, President & CEO, Caterpillar Financial Services Corporation



Kristine A. Snow, 2021 ELFA Board Chair

2021 Dues Renewal Season is Here!

IT'S THAT TIME OF YEAR AGAIN and the dues renewal campaign has begun. Renewal invoices for the 2021 membership year were **emailed** to the key contacts of all ELFA member companies on November 16, 2020. Hard copy invoices will not be mailed this year. Timely payment of your 2021 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 ELFA Membership at membership@elfaonline.org if you have any questions. Thank you for your continued support!

KEY DATES TO REMEMBER….

November 16, 2020 – 2021 dues invoices **emailed** to Key Contacts

December 31, 2020 – Deadline to pay 2021 dues

THROUGHOUT 2021 – Take advantage of ELFA's many benefits! Contact membership@elfaonline.org to learn more about the resources available to all ELFA members.

Jeff Elliott Receives ELFA Distinguished Service Award

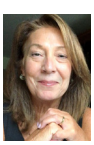
ELFA CONGRATULATES JEFFRY D. ELLIOTT, recipient of its 2020 Michael J. Fleming Distinguished Service Award. The award honors individuals who have made significant contributions to the association and the equipment finance industry. Elliott, who is Senior Managing Director of Huntington Asset Finance, a division of The Huntington National Bank, was recognized during the ELFA 2020 Business LIVE! virtual conference on Oct. 27-28.

Elliott has been an active member of ELFA for many years, contributing to the mission of the association in a number of key areas. He has served on a range of member committees, been a champion of ELFA's business and professional development programs and been a strong supporter of the association's federal advocacy programs. In addition to his work with ELFA, Elliott is active with the Equipment Leasing & Finance Foundation, including serving as Foundation Chair.

"I am appreciative and honored to receive such a prestigious award," said Elliott. "ELFA has meant so much to me professionally and personally over the years. It has been a privilege to actively engage with exceptional industry leaders and ELFA staff who dedicate themselves to the betterment of the industry. Thank you ELFA for making it possible to serve the industry that I love and build lifelong personal relationships. I look forward to many more years of service."

Ask a Leader

DON'T MISS the Emerging Talent Advisory Council's latest "Ask a Leader" interviews featuring a diverse group of ELFA members. The leaders discuss their formative professional years, their successes and challenges and their advice for future leaders in the industry. Check out recent conversations with:



Eileen Schoonmaker of DLL

Kara Miyasato of Stryker Flex Financial and Chair, Emerging Talent Advisory Council

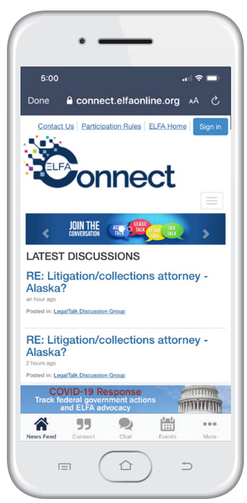
Read the interviews at www.elfaonline.org/industry-topics/emerging-talent/ask-a-leader.

ELFA NEWS

Membership Minute

CHECK OUT ELFA'S NEW PODCAST SERIES *Equipment Finance Matters* and get up close and personal with leaders in the equipment finance industry. Discover how they joined the industry, their top pieces of leadership advice and their personal stories of overcoming challenges to succeed. Brought to you by the Emerging Talent Advisory Council (ETAC) and ELFA.

Discover New Features in the ELFA Engage Mobile App



KEEPING CURRENT on industry news or staying connected has never been easier through your smart device. Share messages and photos on the new Engage wall or click the Connect icon and easily access ELFA's online discussion groups. Download the ELFA Engage mobile app today and discover new ways to connect with ELFA and your peers virtually. Visit www.elfaonline.org/app or contact mobile@elfaonline.org with questions.

Accounting Talk Happy Hour

FINANCIAL ACCOUNTING PROFESSIONALS didn't get a chance to meet at the ELFA Lease & Finance Accountants Conference earlier this year, so they joined ELFA on Oct. 15 for a networking happy hour. Attendees enjoyed the opportunity to touch base and talk shop with new and long-standing colleagues and friends.

Missed a Webinar? We've Got You Covered

MORE THAN 4,000 ATTENDEES have participated in ELFA's popular "Wednesday Webinars @1" series created to provide critical information to equipment finance professionals in the face of the global COVID-19 pandemic. The webinars have engaged experts on a series of hot topics—from e-leasing to loan modifications—and allowed attendees to ask questions during interactive Q&A sessions. If you missed a webinar, you can access the recordings and slides from more than 20 webinars presented this year at www.elfaonline.org/events/elearning/web-seminars.

ELFA WEDNESDAY WEBINARS @1

Fall Special: Save 25% in the ELFA Career Center

Are you looking for top-quality candidates to join your organization? The secret to running a successful company is hiring great people. Set up your organization for success by posting your job openings in the ELFA Career Center, the equipment finance industry's premiere online employment resource at http://careers.elfaonline.org. Special Offer: Employers save 25% using promo code **Fall2020** when you purchase your 30- or 60-day listing. Questions? Call 888-491-8833 x1814.

Introducing "Managing Up" for Emerging Talent

The Emerging Talent Advisory Council has launched a new career development series on ELFA's Emerging Talent webpage. Check out "Managing Up: How Young Professionals Obtain Better Outcomes by Managing Their Boss" for tips on maintaining a working relationship with your boss that mutually benefits you, your boss and your organization. Read more at www.elfaonline.org/industry-topics/emerging-talent.

Building Relationships with Members of Congress

NOW THAT THE ELECTION IS OVER, it is the perfect time to start planning on how you can build a relationship with your Member of Congress. Members of Congress are eager to spend time learning about the employers in their districts during recess weeks. If you are interested learning more, please visit: www.elfaonline.org/advocacy/grassroots-network.

Volunteers Step Up to Represent You

ELFA'S BUSINESS COUNCIL STEERING COMMITTEES (BCSCs) play an important role representing your interests. Each committee analyzes the needs of companies in the segment it represents and recommends to the ELFA Board how to meet those needs. The committee members are elected by the Business Council membership for a two-year term on a staggered basis. The association is pleased to present the following committee rosters for 2021. The asterisks indicate members who were newly elected or re-elected in the September 2020 elections. ☰

CAPTIVE AND VENDOR FINANCE BCSC

Jayma Sandquist, John Deere Financial *(Committee Chair)*

Mark Bainbridge, Caterpillar Financial Services Corporation

Jon Biorkman, GE Healthcare Financial Services (HFS)

Brian Bower, Bank of America Global Leasing

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

Todd Clegg, TCF Capital Solutions, a division of TCF National Bank

Mike Elmasry, IBM Global Financing*

Troy Graziani, Toyota Industries Commercial Finance, Inc

Dan Hathcoat, Summit Funding Group, Inc.

Dominic Janney, Canon Financial Services, Inc.

Christopher Johnson, Pitney Bowes Global Financial Services*

Sherrie Kalajian, Presidio Technology Capital LLC*

Brian Lowe, Verdant Commercial Capital LLC*

Chris Meeks, OnPoint Capital, LLC

Kara Miyasato, Stryker Flex Financial*

Vince Mollica, CIT*

Sara Palmer, Key Equipment Finance*

Larry Scherzer, Cisco Systems Capital Corporation*

Justin Tabone, TIAA Commercial Finance, Inc.*

Bruce Trachtenberg, DLL

Greg Vandewalker, GreatAmerica Financial Services*

Jeffrey Walker, CIMC Capital, Inc.*

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

Dan Willems Van Dijk, CNH Industrial Capital*

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

FINANCIAL INSTITUTIONS BCSC

Ernie Tsorvas, Fifth Third Bank *(Committee Chair)*

Chris Bucher, Hancock Whitney Equipment Finance, LLC

Maureen Carr, Pacific Western Bank *(Board Liaison)*

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

Thomas G. Forbes, Wintrust Commercial Finance

Craig George, Truist Equipment Finance Corp.*

Dale R. Kluga, Providence Equipment Finance, a Division of Providence Bank & Trust*

Svetlana Kralik, CLFP, U.S. Bank Equipment Finance *(ETAC Liaison)*

Martha McGuire, First Bank Chicago*

Jill A. McKean-Bilby, BOK Financial Equipment Finance, Inc.*

William C. Perry, III, Regions Equipment Finance Corporation

Robert Seltzer, CIT*

Marci Slagle, CLFP, BankFinancial Equipment Finance*

Charles Stackhouse, Wafra Capital Partners Inc.

Sean Svoboda, Farm Credit Leasing*

Donald A. Synborski

Stan Walker, Citizens Asset Finance, Inc.

Kenneth Walters, Investors Bank Equipment Finance*

ELFA STAFF LIAISON: Julie Benson, jbenson@elfaonline.org

INDEPENDENT MIDDLE MARKET BCSC

Ricardo Rios, Commercial Equipment Finance, Inc. *(Committee Chair)*

Kimberly Adair, Amur Equipment Finance*

Jonathan Albin, Nexseer Capital*

Connie Eimers, Vision Financial Group, Inc. *(Board Liaison)*

Roman Gajda, ENGS Commercial Finance Co.

Autumn Heseltine, Insight Investments, LLC*

Rick Matte, Encina Equipment Finance, LLC

Zoe Mitchell, Macquarie Specialized and Asset Finance*

Jennifer Sablowski, Lease Plan U.S.A., Inc.*

Mark Scardigli, Marlin Capital Solutions*

Howard Shiebler, Crossroads Equipment Lease & Finance LLC

Harrison Smith, Stonebriar Commercial Finance *(ETAC liaison)*

Bruce Winter, FSG Capital, Inc.

ELFA STAFF LIAISON: Amy Vogt, avogt@elfaonline.org

SERVICE PROVIDER BCSC

Jon Gerson, Executive Solutions for Leasing and Finance, Inc. *(Committee Chair)*

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Todd Anderson, CSC*

Jeffery Bilbrey, Leasepath*

Benjamin Court, Stinson LLP

Kelly DeCarteret, DeCarteret Transport

Joe Franco, FIS

Julia Gavrilov, Moritt Hock & Hamroff LLP

Martin Klotzman, Ivory Consulting Corporation*

Sean McKenna, Great American Insurance Group *(ETAC liaison)*

Barry Ripes, PayNet, an Equifax Company *(Board Liaison)*

Cody Sanguinetti, Great American Insurance Group

Wade Whitenburg, Ritchie Bros.

Doug Williams, JDR Solutions, Inc.*

ELFA STAFF LIAISON: Paul Stilp, pstilp@elfaonline.org and Chelsea Neil, cneil@elfaonline.org

SMALL TICKET BCSC

Brad Peterson, Channel Partners Capital *(Committee Chair)**

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

Robert Ceribelli, DLL*

Mike Coon, Hanmi Bank*

Nick Gibbens, Wintrust Specialty Finance

Brent Hall, CLFP, Alliance Funding Group*

Richard Irwin, Marlin Capital Solutions*

Chris Lerma, CLFP, Allegiant Partners Incorporated*

Brient Mills, JB&B Capital LLC

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

Ryan Schlenner, U.S. Bank Equipment Finance*

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

Todd Wainwright, Amur Equipment Finance*

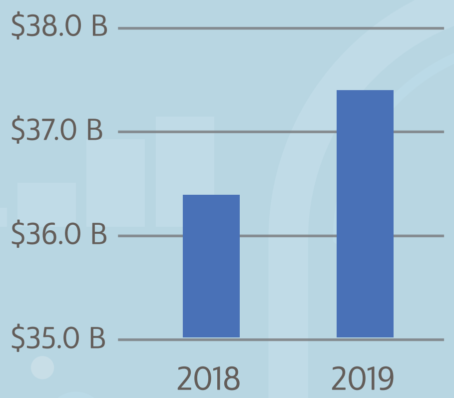
Adrian Weber, Entegra Capital LLC*

ELFA STAFF LIAISON: Ed Rosen, erosen@elfaonline.org

ELFA **INDUSTRY D**

Tax-Oriented Leases up 5.1% in 2019! NBV by Financial Product Category

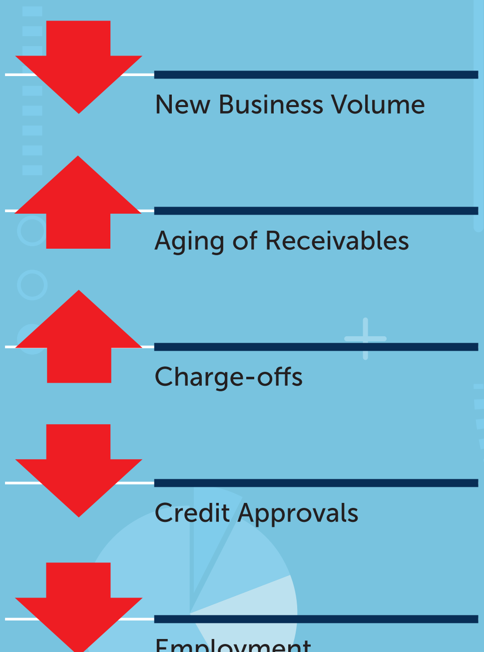
Source: 2020 Survey of Equipment Finance Activity, www.elfaonline.org/SEFA.



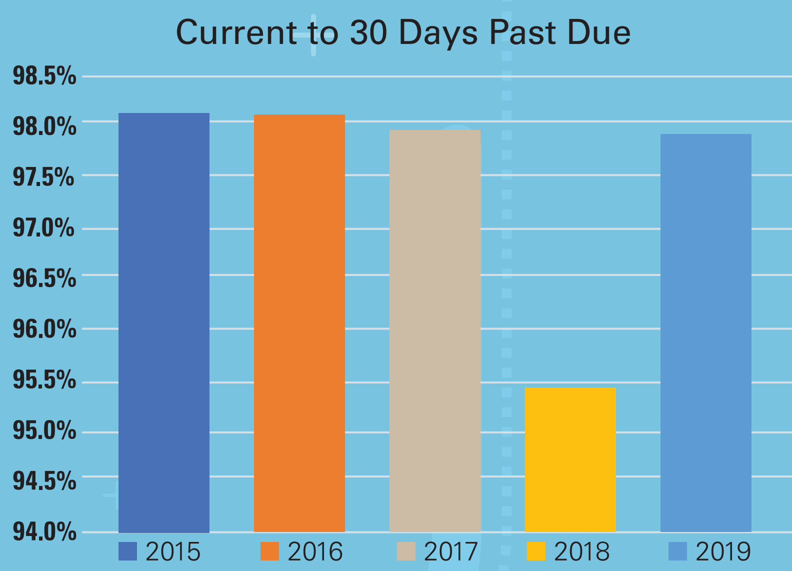
Monthly Leasing and Finance Index Products

Sept. MLFI Year-Over-Year

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



PAST DUE



According to the Survey of Equipment Finance Activity Interactive Dashboard, 2019 delinquencies normalized back to 2017 levels. There was a hiccup in 2018 and delinquencies are still slightly lower than 2017.

Source: www.elfaonline.org/SEFA.

ASHBOARD

EQUIPMENT LEASING & FINANCE **FOUNDATION** Your Eye on the Future

Will Default Rates Rise in 2020?

56% of equipment finance executives expect the default rate will be greater in 2020 than in 2019, according to 76 survey responses collected from Oct. 1-12 for the Foundation's monthly COVID-19 Impact Survey of the Equipment Finance Industry. The good news: that percentage is down from 82% in June. Access survey highlights and comments from the survey respondents at www.leasefoundation.org/industry-resources/covid-impact-survey/.

Growth on the Horizon

A number of equipment verticals show investment improving over the next 3-6 months in the Foundation's November Equipment & Software Investment Momentum Monitor. Markets eyed for investment growth include agricultural machinery, other industrial equipment, medical equipment, railroad equipment, trucks, computers and software. See the full picture at www.leasefoundation.org/industry-resources/momentum-monitor/.

A guide to identifying, assessing and entering new markets

By Susan L. Hodges

Finding *Growth* After COVID-19

FEW WOULD DENY THAT THE PANDEMIC CLAIMING MILLIONS OF LIVES HAS ALSO CUT DEEPLY INTO THE AMERICAN ECONOMY. As the hospitality, retail and travel industries suffer, demand for equipment used in these and other affected sectors has plummeted, causing growth- oriented equipment finance companies to consider new markets. "The challenge is to identify potential new markets, choose the most suitable one and enter it successfully," says Dave Wiener, Managing Director of The Alta Group. "But this calls for a practical market-entry strategy," he adds, "and not all companies have one."

To address the situation, Wiener and executives of three ELFA-member companies with successful and distinct market-entry experiences led "Finding Growth After COVID: A Search for New Green Pastures" at "ELFA Business 2020 LIVE!", the association's first virtual conference, held in October. Highlights of this dynamic and popular session follow.

Before the Fall

A look at ELFA's annual Survey of Equipment Finance Activity (SEFA) reveals a 2009-2019 total industry-volume growth of 79%, or compounded annual growth of 6%. Not bad for recovery from the worst economic backslide since the Great Depression. Then came COVID-19, a black swan that tore apart the plans, procedures and budgetary goals for many an equipment finance company. Yet, ELFA's MLFI-25 (Monthly Leasing and Finance Index of 25 companies representing a cross-section of the industry) volume for January through March of 2020 was down just 4% compared to the same period for 2019. "But this doesn't tell the whole story," warns Wiener. "MLFI new-business volume from April through September 2020 was down a full 16% compared to the same time last year."

He sees three outcomes that could result from such a fall:

1) Equipment finance companies are forced to compete for more modest transactions, thereby missing budget goals;

2) Companies go down-market in rate, credit quality or ticket size to meet budget goals; or

3) Companies find new products, expand into new origination delivery channels, or enter new markets to pursue greener pastures.

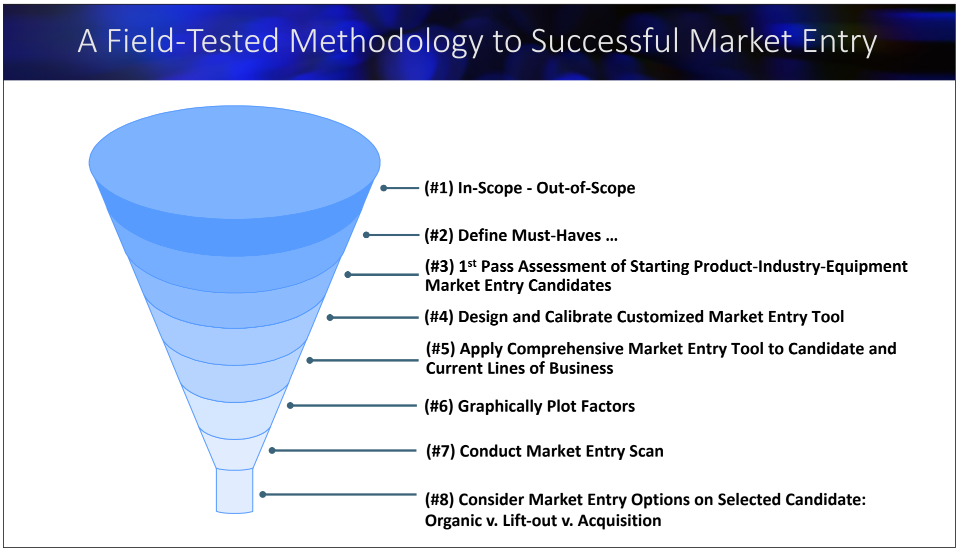
Acknowledging the third outcome as most desirable, Wiener then presented a roadmap for achieving it.

"In the midst of unrest, during economic, political and health-related crises, new growth initiatives are too often moved to the back burner."

Dave Wiener
The Alta Group

A Strategy for Optimal Market Entry

Of the $900-billion equipment finance market, leasing is used to acquire much of it, but not all. Thus, growth opportunities exist and are abundant in a number of equipment types and industry sectors. The challenge, says Wiener, is finding the time and in-house expertise to develop and deploy a sound strategy to identify and assess potential markets, then enter the one chosen, with the best possible results. Says Wiener, "Optimal entry occurs when proficiency meets profitability while also intersecting with procurement and passion. When all four requirements are in place, optimized suitability results, and the company finds a great fit."



Before developing an actionable plan, though, Wiener suggests using quantitative-based decisioning to assess growth aspirations, measure opportunities, evaluate market characteristics and provide guidance on market-entry paths. "There are significant benefits to this approach," he says. "It simplifies the initial review of opportunities and enables the rejection of options that should be quickly disqualified. It also assesses sacred cows with a scoring model used for the comparative evaluation of each of a company's current lines of business."

Once a company is ready to develop an actionable plan, Wiener recommends they follow an eight-step, field-tested methodology for successful market entry, as follows:

1. **Jettison out-of-scope products, industries and equipment.** Says Wiener, "For some, this may be gaming or cannabis. Today, it might also include restaurants or airline ground-service equipment."

2. **Identify the "must-haves."** These are the absolutely non-negotiable characteristics a candidate market must possess in terms of products, industries and/or equipment types.

3. **Do a first-pass assessment of starting product/industry/equipment market-entry candidates.** The SEFA offers a basic set of equipment types and end-user industries, but Wiener advises parsing those of interest into specific sub-sets, since end-user buyer behavior in each one will be distinctive.

4. **Design and calibrate a customized market entry tool.** Ask all division leaders to list factors they think are important to the company, grouping them by suitability and market conditions and classifying each as must-have or nice-to-have, and quantitative or qualitative. Then assign a numerical weight of importance to each. "A lot of this is brainstorming," says Wiener. "But you'll probably end up with 20 to 40 factors in each group, customized according to the capabilities, values, guardrails and objectives of the organization."

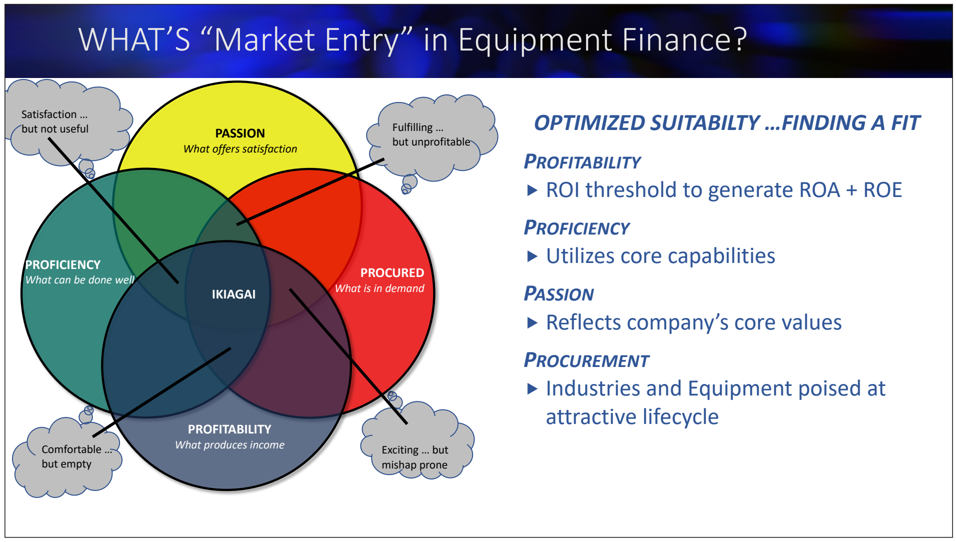
5. **Apply the tool to candidate *and* current lines of business.** "At some point in many companies, every line of business becomes a sacred cow," says Wiener. "Maybe you started by financing copiers, but how is that business doing today? Look at your current markets and ask if you're doing what you're really good at. Maybe you need to step back and re-examine. Maybe you should exit some markets."

"Just as social isolation has turbo-charged on-line shopping and demand for immediate delivery, innovation in freight-hauling and package delivery is evolving faster than ever."

Adam Ramirez
Tokyo Century (USA) Inc.

6. **Graphically plot each factor.** Chart each factor on a coordinate plane, plotting Quantitative factors on the X axis and Qualitative on the Y axis. "This get interesting, because graphical depiction pinpoints a promising new-market candidate that warrants further research. It also reveals candidates that make no sense to pursue and should be dismissed," says Wiener. But additional outcomes may be unexpected, because the chart will validate current lines of business that make sense and should be nurtured and grown, and reveal current lines that need attention to remain relevant. Finally, the chart may

reveal current lines that aren't working and should be exited. "These may well be legacy businesses that launched the company," says Wiener. "But keeping them for sentimental reasons can hold your company back by siphoning off resources that could be better deployed."



7. **Conduct a market-entry scan of one or two top candidates.** This step will demand the most time and concentration, because for each candidate it should answer questions such as:
   - How much market-segment growth can be expected in the next 1-5 years?
   - What is the annual dollar amount of financing for the studied industry or equipment as a whole?
   - Are there barriers to entry that may limit the encroachment of additional competitors?
   - Is there a residual opportunity for upside?
   - What is the profile of the underlying end-user borrower/lessee?
   - How does channel integration play into the sales and financing process?
   - What are the implications of new offerings in this space?

"Be open to serendipity, because you never know how an opportunity will come. Be open and be widely networked."

Michael Fanger
Eastern Funding LLC

8. **Consider market-entry options (Organic vs. Lift-Out vs. Acquisition) for the selected candidate(s).** To do this, Wiener suggests using a multi-factor "radar chart" that weighs each entry option. The option with the highest score, or largest percentage area in the chart, should be the most suitable entry option to pursue. Yet, scores will be dynamic and can change based on market conditions, the industry and its equipment, opportunities that develop, and the appearance of unique "black swans," such as COVID-19.

Sharing examples of market-entry options were Adam Ramirez, Chief Risk Officer at Tokyo Century (USA) Inc.; Michael Fanger, President of Eastern Funding LLC; and Jonathan Fales, President of VAR Technology Finance.

Growth Through Acquisition: Tokyo Century (USA) Inc. (TCUSA)

"We are a Japanese-owned company, our parent a financial services leader publicly traded on the Tokyo Stock Exchange," says Ramirez. Opening for business in 1985 and putting down roots in the New York City area, TCUSA studied the office-equipment and small-business equipment markets and built a portfolio over time, buying transactions from other companies throughout the U.S., Mexico, and Central and South America. "We had a particular appetite for Japanese customers doing business in these regions, because we are uniquely suited to serve their needs," says Ramirez. "Our preferred collateral is manufacturing equipment, industrial equipment, office and other equipment, and the financing of aircraft and commercial real estate."

Over the years, TCUSA built relationships with small-to-medium enterprises and large corporations growing its experience and knowledge base and buying portfolios and deals in hopes of generating revenue. "But we were also looking for joint ventures, partnerships that would generate expertise over the long term. For us, a medium-term plan is 10 years, and qualitative is just as important as quantitative. We believe any investment we make should benefit both parties."

Twelve years after opening its doors, TCUSA entered a joint venture with Itochu Corporation to start Isuzu Finance of America, the dedicated finance company supporting the sale of Isuzu commercial trucks in the US. TCUSA entered a joint venture with Isuzu to finance its cars sold in the U.S. Then came a partnership with GA Telesis to finance its aircraft and engines for sale or lease. Next came the acquisition of CSI Leasing, bringing TCUSA into the IT space. Most recently, TCUSA acquired AP Equipment Financing, a specialist in material-handling equipment and trucking, and Aviation Capital Group, both in 2019.

"In each instance, we considered organic growth, portfolio purchase, acquisition and lift-out as market-entry options," says Ramirez. "Each time, we decided to stay in the family footprint, but try on new shoes by acquiring companies in our areas of expertise."

To find new green pastures during the pandemic, Ramirez suggests looking at industries experiencing compressed evolution. "Just as social isolation has turbo-charged on-line shopping and demand for immediate delivery, innovation in freight-hauling and package delivery is evolving faster than ever," he says as an example. "There simply aren't enough trucks and trailers to do the two-day delivery that consumers once enjoyed, and that's an opportunity on many levels."

Growth Through Lift-Out: Eastern Funding

Eastern Funding LLC needed a new niche market after the 2008-2009 recession softened dry cleaning, a specialty that had performed well for Eastern since 1997. Michael Fanger, President, says that Eastern had examined numerous markets over many years before serendipity struck. "One of our employees had worked for a team that financed specialty vehicles, and he suggested we talk with members of the team," says Fanger. "We did, and it changed our future dramatically. The team leader had a history of success in the space and was credible. There was also a fit with our credit culture in that the niche had a small-business borrower profile, was mostly owner-operated, low-tech and had essential-use equipment."

"We knew that future growth hinged on our ability to lock in more reliable funding at a lower cost."

Jonathan Fales
VAR Technology Finance

What's more, several senior managers at Eastern's parent company, Brookline Bank, had worked at the same organization as the specialty vehicles team. "Be open to serendipity, because you never know how an opportunity will come," Fanger suggests. "Be open and be widely networked."

Because the market was new to Eastern, Fanger says much study was necessary. "We planned the market entry over a period of 18 months after learning about it," he says. And because the opportunity came with expert personnel, Eastern hired the specialty-vehicle team leader to write the compensation plan. "He convinced the team to join us, and he was there for the launch and afterwards," says Fanger. "We opened an office near where the team lived, we agreed to a credit box and pricing, and we set up a workflow on our system to accommodate the business. We adapted our business to them—not the other way around."

Prior to launch, Eastern's executive team met frequently to document the new line of business in a series of memos and produce a multi-year financial projection. The memos set out credit criteria, pricing, an organization chart, competition, servicing, collections and workout procedures. "From the start, we segmented the portfolio so that we can produce divisional financial statements, static pool, collection and work out information," says Fanger. "We have clear divisional leadership that is accountable for performance."

In the eight years since Eastern acquired the specialty vehicles team, the company's portfolio has quadrupled in size and profits have risen significantly. "We respected and maintained intact the lift-out team's well-functioning core-competencies," says Fanger. "For them, it was a restart with little interruption. For us, it was a thoughtful decision made with a lot of documentation along the way, and my only regret is not growing this way more often."

Growth Through Being Acquired: VAR Technology Finance

A provider of innovative financing solutions to end-users through close relationships with hardware and software manufacturers, captives, distributors, and resellers, VAR Technology Finance had grown successfully since its founding 30 years ago. "But the company had reached the point that its multi-funder business model still offered flexibility but came with a high cost of funds, restraining growth," says Jonathan Fales, Divisional President. "We knew that future growth hinged on our ability to lock in more reliable funding at a lower cost, so our Founder, Gary Sutton, was looking for a buyer."

At the same time, LEAF Commercial Capital, Inc. was looking to grow through acquisition. Itself acquired by People's United Bank in 2017, LEAF was seeking potential acquisition candidates to further develop its technology capability and experience accretive growth that would complement its organic portfolio growth. LEAF was also searching for intellectual property and risk mitigation through asset diversification.

"Through VAR, LEAF could accomplish all of these goals," says Fales. "Through LEAF, VAR would gain a reliable, lower cost of funds and an infrastructure to support bigger expansion. VAR would also benefit from LEAF's state-of-the-art marketing, and VAR clients would benefit from LEAF's additional back-end services, online portal capabilities."

No one rushed into the deal, however. Fales says the due diligence done by both parties was rigorous and key to the acquisition's success. "You think about due diligence occurring from the top down, as LEAF would do to explore VAR," he says. "But VAR was very concerned that the acquisition be a good fit for its people. So Sutton spent as much time learning about LEAF as LEAF spent learning about VAR. He wanted to make sure that LEAF's culture wouldn't change. And I think LEAF has benefited from the personnel that came with the transaction."

Wiener waxes philosophical in conclusion, saying, "In the midst of unrest, during economic, political and health-related crises, new growth initiatives are too often moved to the back burner. But GE, IBM and Google are only a few of the well-known companies that debuted during some of the darkest economic points in U.S. history. New growth can happen now, and some companies will achieve it. The question is, will yours be one of them?" ☰

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

Meet the New ELFA Members

From seasoned financing pros to successful members of other industries, ELFA's new members bring big ideas and fresh thinking to the organization

By Gwen Moran

TO SAY THAT 2020 HAS BROUGHT CHANGE TO ELFA and its members is an understatement. But, like every tumultuous time since the organization was founded, members have shown themselves to be remarkably resilient and adaptive. These five new ELFA member companies span industry sectors and financing experience, but they all bring valuable attributes and insight to the organization. Here are their stories.

Kelly DeCarteret
DeCarteret Transport, LLC

Coordinating the logistics and transportation of trucks, trailers and heavy equipment around the country is challenging enough on its own. But add in the global pandemic and its impact on the supply chain and resources and you've got a next-level challenge. Houston-based DeCarteret Transport (KDT) incorporates "failure is not an option" into its daily work ethic. The company, which launched just four years ago, is a certified Woman-Owned Business and has grown to $12 million in annual revenue, executing over 1,000 transports per month.

Founder Kelly DeCarteret got her start in the industry more than 12 years ago, when she discovered her service skills were something that set her apart. To this day, KDT is a repeat and referral-based company, where business is grown organically. "It's truly about doing the right thing. Treating people with respect, communicating the variables and following through with what you say," DeCarteret says. The company's team of 13 employees are dedicated to the KDT culture of hard work and problem-solving service. "Every transport is unique with its own set of circumstances. It takes people, not automation, to be engaged and to work through situations with everyone involved," she says.

DeCarteret was referred to ELFA through one of her customers, who encouraged her to attend the Equipment Management Conference in Orlando in February 2020. Joining ELFA has helped her to network and to explore market trends in the equipment finance industry. While she hasn't been able to take advantage of many other ELFA offerings yet, she looks forward to getting more involved in 2021 once the pandemic is no longer a threat.

"ELFA has given me the information and insight into what our customers are up against, which enables KDT to better serve their needs," she says.

Joseph Risberg
Diesel Leasing & Financial Services

If you can't find what you need, build it. That's how Doggett Equipment Services Group became one of North America's leading equipment dealership groups. The company includes 16 John Deere construction and forestry equipment dealerships, seven Toyota material handling equipment dealerships and eight Freightliner truck and trailer dealerships, among other manufacturers. The company prides itself on its commitment to service. So, the next step was evident: create an equipment financing arm that would provide a similar level of service across its dealerships and brands.

That's how Diesel Leasing & Financial Services came to be in 2019. Joseph Risberg, Vice President, says that the new captive entity dovetails nicely into the Doggett family business and gives the entire entity more opportunities to service customers. "It improves our ability to be a 'one-stop shop' for someone who needs everything from heavy-duty construction equipment to a Ford F-150," he says.

When you've been in the credit and financing sector for nearly a quarter-century, as Risberg has, you know what's going to help your business. So, shortly after Diesel Leasing & Financial Services was formed, Risberg joined ELFA for both the resources it provides and the organization's leadership.

"ELFA has been the 'spokes group' for what our industry needs," he says. "I really appreciate how they champion our causes through Congress and create a forum where finance entities can interact. Knowing we have a unified voice out there to promote and represent our interests is fantastic."

As the pandemic has hit many businesses hard, Risberg says the personalized service Diesel provides

2020 Membership Milestones

Celebrating 45 Years
Daimler Truck Financial
GFC Leasing-A Division of the Gordon Flesch Company, Inc.
Pitney Bowes Global Financial Services LLC

Celebrating 40 Years
Buchalter
CSI Leasing, Inc.

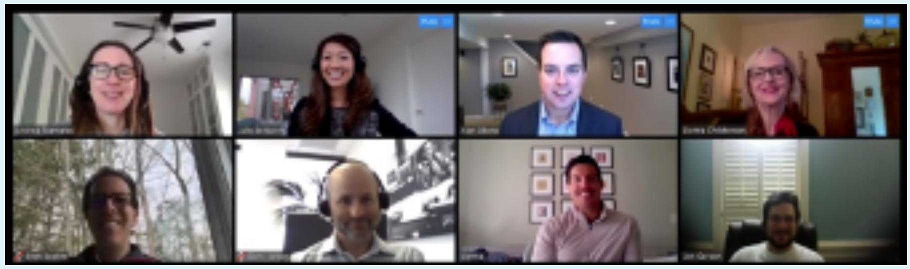
Celebrating 35 Years
ADP Commercial Leasing, LLC
AT&T Capital Services, Inc.
BNY Capital Resources Corporation
Boston Financial & Equity Corporation
NEC Financial Services, LLC
Raymond Leasing Corporation
Siemens Financial Services, Inc.
White & Case LLP

Celebrating 30 Years
Blank Rome LLP
CWB National Leasing
Frandzel Robins Bloom & Csato, L.C.
GreatAmerica Financial Services
Hitachi Capital America Corp.
Ivory Consulting Corporation
North Mill Equipment Finance
Webster Capital Finance, Inc.

Celebrating 25 Years
California First National Bank
Dexter Financial Services, Inc.
Jaffe Raitt Heuer & Weiss, P.C.
Messerli Kramer
Union Bank- Leasing & Asset Finance Division
Volvo Financial Services
Wallwork Financial

Celebrating 20 Years
AP Equipment Financing
Brandywine Capital Associates, Inc.
Capital One N/A
Compeer Financial
Crestmark Equipment Finance, a division of MetaBank
Ernst & Young LLP
Executive Solutions for Leasing and Finance, Inc.
Jenkins & Kling, P.C.
PayNet, an Equifax Company
Rockwell Financial Group
Société Generale Equipment Finance
VFI Corporate Finance
Wafra Capital Partners Inc.

Kudos to the ELFA Membership Committee!



In 2020, the Membership Committee 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 2020 committee for their dedication and participation:

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

Julie Benson, ELFA

Brett Boehm, TBF Financial, LLC

Donna Christensen, CSC

Mike Coon, Hanmi Bank

Tom Forbes, Wintrust Commercial Finance

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

Don Hansen, Regents Capital Corporation

Martin Klotzman, CLFP, Ivory Consulting Corp.

Chris Lerma, CLFP, AP Equipment Financing

Tom Mariani, CNH Industrial Capital LLC

Rick Matte, Encina Equipment Finance, LLC

Thomas Pericak, Hancock Whitney Equipment Finance, LLC

Nathan Petrie, PayNet, an Equifax Company

Marci Slagle, CLFP, BankFinancial, NA

Andrea Tzamaras, ELFA

Jeff Walker, CIMC Capital, Inc.

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.

is more important than ever. His team can work with business owners to understand their unique circumstances and craft solutions that are right for them. He is hopeful that this differentiator will help the organization as a whole expand its already considerable footprint throughout the south and beyond.

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

Dale Kluga had a long and storied history in banking and then in finance when he founded Cobra Capital in 2000. And that experience helped the company spot a good opportunity when it came about. So, when the McDonald's Ventures team called Kluga about a movie-rental startup in 2003 and suggested his team consider extending financing, Cobra stepped up. What started with a half-million-dollar line for Redbox, which can now be found in many of America's supermarket lobbies, became a $65 million equipment finance endeavor. "We at Cobra were the only creditors and lenders in the nation to finance the rollout of Redbox machines during that time period," Kluga says.

In 2016, Providence Bank & Trust acquired the company and rebranded it. But the goal was the same: earnings growth through cultivating a specialty in small business equipment financing. Providence Equipment Finance, as the Villa Park, Illinois-based equipment financing division of Providence Bank is now called, specializes in funding equipment in the mid six-figure to low seven-figure range. Many banks can't do such small deals efficiently or profitably, but it's Providence's specialty. "We're really unusual in that we're a niche-oriented funder that's had tremendous success in financing emerging growth businesses," he says.

Providence has enjoyed less than a 1% cumulative loss history over 20 consecutive years, including in its previous incarnation. "This is not a model that you can scale to do $500 million in volume. This is a boutique model, that you can maybe get up to $100 million in volume, but it has tremendous profit potential," Kluga says. As part of a local community bank focused on creating a viable business model that adds value to the small business community, the model works. And Kluga will never lose his enthusiasm for the potential of small businesses—even in uncertain economic times.

"Even if we have some contraction in the small business market, I'm ready, willing and able to help those entrepreneurs that come back into the business with their existing networks and reestablish them in the financing marketplace," he says.

Evan Lang
TopMark Funding

If there's a word that comes to mind when you mention TopMark Funding, it's probably "trucks." The financing company specializes in commercial vehicles—whether it's large, commercial-class eight-wheelers, dump trucks, tow trucks and virtually any other kind of truck, TopMark has probably financed it. The company partners with dealerships and helps vehicle buyers grow their fleets. That specialization "is something that lives deep in our entire company," says Evan Lang, Managing Partner.

And while the COVID-19 pandemic hit many sectors hard, the increased demand on the supply chain, shipping and freight sectors gave the sector traction again, Lang says. TopMark's deep understanding of the trucking sector helps customers make decisions about the number of vehicles they need on the road to help meet demand and the technology they need to ensure seamless operations. With its knowledge of building fleets, TopMark helps the customer map out a growth plan and better understand its financing options over time. This both limits exposure and helps vehicle buyers maximize their potential for growth.

Lang is looking forward to the time when he can attend ELFA meetings and conferences in person, both for the networking opportunities and for the education opportunities. Although TopMark's ELFA membership is new, the company has already benefitted from contacts made, including funding sources.

"We knew that if everybody at our company had that kind of institutional knowledge, it would make us better at what we do and we've certainly seen the benefits of that," he says.

That's important, as the firm is on a growth trajectory. Plans to penetrate the dealer market with extensive knowledge and a high level of service are working. The company expects revenue to increase by roughly 70% next year and roughly 50% the year after that. The company, which currently has 40 employees, also expects its headcount will continue to grow.

Christopher Lyle
Equipment Finance Group

When customers work with Cincinnati-based Equipment Finance Group, they not only get a partner to help them fund their equipment. They get the benefit of decades of experience in business and finance. Essentially, they get the

2020 New Members

Auxilior Capital Partners, Inc
Black Star ACA, LLC
Burnham Sterling & Company LLC
Chain Asset Management Solutions
DeCarteret Transport, LLC
Diesel Leasing and Financial Services
Equipment Finance Group LLC
Farm Credit Canada (FCC)
First Citizens Bank & Trust Co.
Gaelic Leasing Inc
Kubota Credit Corporation, U.S.A.
KWIPPED, Inc.
Lion Capital, LLC
MachineryMax Auctions
Meridian Equipment Finance
Midwest Equipment Funding, Inc
Nationwide Equipment Leasing, LLC
Northteq
Palo Alto Networks, Inc.
Perfection Global, LLC
Providence Equipment Finance, A Division of Providence Bank & Trust
Resolvion, LLC
Rimon, P.C.
Skyjack Financial Services
South State Bank
Star Hill Financial LLC
TopMark Funding, LLC
UMB Bank, N.A.
White Oak Equipment Finance 1, LLC

advisory benefits that might typically come with a venture capital deal without giving up any equity.

Founder Christopher Lyle's roots in equipment finance extend back to his first firm, which he founded in 1995. He joined the association when it was called ELA to learn best practices and benefit from networking for his fledgling business. He grew Landegger Capital Services into a successful global finance company serving firms in the industrial sector. After that subsidiary was dissolved, he went to work for equipment manufacturer Makino, where he built another successful captive finance entity for the company.

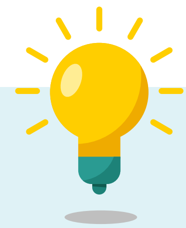
In 2010, Lyle launched EFG, which delivers a complete global captive finance solution to its customers in the plastics, machine tool and automation sectors. In addition to equipment funding solutions, EFG provides marketing and data solutions. The company has focused on developing its technology capabilities, which gives it an edge in how quickly it can turn deals around. "In many cases, where applications are only up to $500,000 per asset, we can do multiple assets, and we can turn those deals from a lead into funding in less than 24 hours," he says.

And while Lyle didn't realize he was founding a family business when he launched the company, two of his sons now work in the business as he runs part of it from his home base in Puerto Rico. They've largely spearheaded the conversion to becoming an entirely cloud-based company, which has allowed them to serve more customers with a leaner operation. Salesforce-powered data solutions let EFG quickly find past buyers of particular equipment and give banks remarketing capabilities.

"Through our database, we provide information to our vendors, not only for their customers, but their competitors' customers and what their competitors are selling to them," he says. "I don't know a bank that's doing what we're doing." ☰

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

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.

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** *Equipment Finance Transaction Lifecycle* through **ELFA Academy**.

7. Subscribe to the members-only, online discussion groups: ***LeaseTalk***, ***AcctgTalk***, ***LegalTalk***, and ***TaxTalk*** to stay connected and exchange information with your peers.

8. Take advantage of ELFA's ***NEW*** online and interactive tools including our **Wednesday Webinars @1 series**, the **ELFA Engage Mobile App** and the **Equipment Finance Matters Podcast**.

Do you have any questions regarding the benefits of ELFA membership? Please contact the Membership Department at membership@elfaonline.org.

6 Ways to Build Your Tech Future

Winners of ELFA's 2020 Operations & Technology Award share lessons learned

By Susan L. Hodges

WHEN THE GOING GETS TOUGH, TOUGH COMPANIES INNOVATE. Think of Volvo Financial Services (VFS), which applied its still-new Agile structure to handle an explosion of customer requests for payment relief—at the same time up-ending the company's day-to-day operations to safeguard against the COVID-19 pandemic.

Or consider TIAA Commercial Finance Inc., whose IT department switched from a project mindset to a product mindset to help achieve digital transformation and then engaged everyone to change the culture from finance company to digital company.

Wishing to recognize excellence in COVID-19 response as well as in operations and technology, ELFA's Operations and Technology Committee added a new category to its award program this year. Volvo Financial Services (VFS) won the Operations and Technology Excellence Award COVID-19 Project, while TIAA Commercial Finance won the 2020 Operations & Technology Excellence Award.

Below, leaders of each project share lessons learned in the hope that these will benefit other equipment finance companies pondering changes in operations and/or technology. So grab a seat and feast your eyes on some fresh ideas and food for thought from these winners.

1 Think Differently About Technology

Denis Stypulkoski says that in the past, TIAA Commercial Finance invested in technology to make incremental business improvements through a series of finite projects. "But when we began thinking about where our industry needs to go and where we should go, we realized we needed not to think about technology by itself, but as it relates to our marketplace," says Stypulkoski, Senior Vice President and Chief Information Officer. "That meant we needed to become a digital-product company delivering financing to its clients through a digital experience. To do that, we'd have to shift from a project mindset to a product mindset. And instead of seeking funds for one project and returning later for more money to fund another project, we'd have to obtain continuous funding for continual digital engagement."

Stypulkoski and Justin Tabone, Senior Vice President, Originations, led the leasing team in presenting a business case to TIAA Bank's executive leadership and won approval. They also changed the internal identity of the entire company so that employees no longer saw it as a finance company but as a digital company that provides financing to its clients. Says Tabone, "Don't think of your project as a technology project for your business. Use technology to disrupt your business, or you'll have to respond to disruption by others. Abandon the old way of thinking and become the experiment you deliver to clients."

Jennifer Martin, Vice President, Leasing and Vendor Program Support at Key Equipment Finance and Chair of ELFA's Operations & Technology Committee, says TIAA's project was both timely and futuristic. "TIAA didn't win for implementation of a project," she says. "They won because they found a way to look at their business from an entirely different angle. They found a modern way to meet the modern needs of their customers, shifting the entire company's mindset to become a digital product company first and foremost, and then centering that renewed focus on their customers' journey. This is the kind of big thinking and change that's necessary to move forward in our industry."

Tawnya Stone, Vice President, Strategic Technology at GreatAmerica Financial Services and Subcommittee Chair for the award, says TIAA viewed its task not so much as a technology project, but as a way to move the company forward using technology. "This was true in most of the 21 submissions we received," she observes. "Companies looked at their challenges from a process perspective and then used technology to resolve them. It wasn't that they wanted to do a cool project; they wanted to solve a problem—and they used technology to help do that."

"COVID-19 has helped companies identify the pitfalls in their client experience, and that's where innovation starts."

Jennifer Martin
Key Equipment Finance

2 Adopt an Agile Approach

When customer requests for payment relief at VFS dramatically increased from three or four a week to hundreds at the peak of the pandemic, Chris French and Greg Snipes knew the company's manual process and solutions for handling the requests were not sufficient. "At the onset of the COVID pandemic, business dropped off for many of our customers and they were left without their full revenue stream," says French, Business Product Owner. "Our primary focus was to help our customers, but due to the unprecedented volume of payment relief requests, we knew the old way of handling customer payment relief requests was not going to work."

VFS had limited experience using the Agile approach to project management prior to the COVID pandemic. "We had an Agile structure in place, but we hadn't fully converted to using it," explains Snipes, Business Project Manager, Digital Solutions & IT. Nonetheless, Snipes and French leveraged their existing product-owner structure and formed a cross-functional team that began documenting pain points and mapping out solutions.

Then a steering committee member emphasized that time was of the essence. "So we took an iterative approach, delivering small, quick wins and refining them while we worked on the next task," says Snipes. "And the results were immediate. Customer call volume went down 90% as soon we put up a website where customers could submit requests."

For others contemplating operations and/or technology projects, French has this advice: "Don't look to provide a total solution from day one. Break the project up into stages that allow you to make improvements with each release and continuously identify and address customer pain points."

Stone says that by using an Agile approach, both companies trended away from simply automating a process to doing it in a way that pleased their customers. "This is significant because customer experience was a primary consideration," she says. "Companies designed for ease of use, reducing the need for training and a heavy onboarding process."

Award submissions also revealed another trend: movement toward broader visibility. "We saw several references to companies giving their partners or customers access to more information so they could make better decisions," notes Stone. "Depending on the problem they were trying to solve, companies may have provided access to certain project information, sales information, or tools. There was quite a bit of focus on providing better visibility."

3 Empower by Involving the Right Resources

Stone further observed from submissions that projects whose teams were empowered progressed more quickly. "If a team had to talk frequently with a steering team, things slowed down considerably," she says, adding, "Make sure you have the right people involved to make empowerment possible."

"Don't look to provide a total solution from day one. Break the project up into stages that allow you to make improvements with each release and continuously identify and address customer pain points."

Chris French, Volvo Financial Services

French agrees. "We had a steering committee, but our cross-functional team was empowered to make decisions and implement improvements," he says. "Some of the stakeholders were intimately familiar with how payment relief modifications were done, and some weren't. The combination was invaluable for producing creative ideas that we could move forward with in real time, making our work successful and impactful for the customer."

Snipes adds that the team's ability to develop, test and deliver simultaneously made turnarounds even faster. "We were continuously addressing customer pain points, and our quick turnarounds made an immediate impact," he says. "Bringing together a team that had development resources, knowledge of the business process, and familiarity with systems was key to a successful project. There was alignment from day one on what we needed to deliver—and that was assistance to our customers."

4 Deploy Change Management Techniques Early and Often

Tabone says the idea of shifting from a finance business to a tech business that provides financing was so jarring for some that project leaders deployed every change-management technique at their disposal to get everyone on board. "We communicated often with the entire company and asked everyone on the leadership team to adopt the terminology we were using to show that this was a new direction," he says. "We also involved employees in every discipline, looking for digital natives and first thinkers who would look for ideas in other industries and bring them as ideas and possible products. We engaged them to help create a groundswell of enthusiasm and ultimately, it became a self-fulfilling prophecy. As we continued, more people realized we were listening and acting on their ideas. They got excited and their enthusiasm spread."

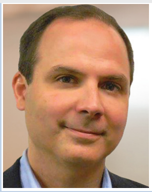
5 Plan to Fail in Small Ways

TIAA's project met with success, but Stypulkoski says several negative results occurred along the way. One involved the digital quote tools developed for the sales force and clients. "We worked with the bank security team and embedded security capabilities that seemed perfect," he recalls. "Then we gave the tools to our sales force, and their feedback was loud and clear: they said the level of security we built in totally took us out of the market. It made the tool too hard to use."

"When you take this approach, you have to plan to fail," adds Tabone. "You're experimenting and rolling out small changes, and you know some of them will be small failures." The quote tool was quickly changed and its next iteration was well accepted. Says Stypulkoski, "Agile methodology creates a continuous delivery pipeline, so even when we failed, we were taking in more information and ideas that helped us make changes and deliver again. Our business agility framework helped us pivot."

Martin says that too often, a fear of failure can stand in the way of innovation. But she's optimistic about the direction in which forward-thinking companies are headed. "Just five years ago, award submissions were focused on gutting the infrastructure," she says. "Now the focus has moved to agile eco-systems and digitization of the leasing industry. Major initiatives like these will help drive the entire industry forward, but there are bound to be lessons learned along the way."

Martin also believes the bigger, outside-the-box



"Focus on your customer journey and your associate journey and put them at the forefront of your design."

Justin Tabone, TIAA Bank

thinking demonstrated by TIAA is shrewd, given the rapid increase in client expectations. "It's all about that Amazon experience," she posits. "You can search for anything online, buy it, and it's there in two days. Leasing has been challenged to get to that point of innovation, and now we're playing a game of catchup. COVID-19 has helped companies identify the pitfalls in their client experience, and that's where innovation starts. Now companies are going to do everything necessary to boost client satisfaction."

6 Bring Your Partners Along

Tabone says an integral part of TIAA's repositioning was launching tools that provided "wing-to-wing solutions" to company partners. "We enabled processes so they could choose a financing program, digitally sign documents and acquire technology at their fingertips," he says.

TIAA also made enhancements to its dealer portal, providing instant access to all portfolio information, from renewal maturity information to instant quotes and the ability to submit applications through the portal. "Our dealers are thrilled and so are the manufacturers, software providers and vendors we engage with," says Tabone. "They all can see and manage everything in their portfolios."

By understanding the needs of partners and developing digital solutions that benefit clients, Tabone says everyone wins. "Focus on your customer journey and your associate journey and put them at the forefront of your design," he suggests. "At the end of the day, it has to be great for partners so they have a wow experience. But it also has to be great for your associates so they can deliver that experience. Then, great results are likely to follow." ☰

Susan Hodges writes about equipment finance from her office in Albuquerque, New Mexico.

Virtual Reality

THE EQUIPMENT FINANCE INDUSTRY CAME TOGETHER LIKE NEVER BEFORE AT ELFA 2020 BUSINESS LIVE!, the association's first-ever virtual conference. More than 775 equipment finance professionals convened online on Oct. 27-28 to learn, network and discuss critical issues and trends affecting the industry and their businesses.

Due to the ongoing COVID-19 pandemic, the virtual conference replaced the in-person 59th ELFA Annual Convention originally scheduled to take place in Austin in October. The one-of-a-kind online gathering, held during an extraordinary year, proved to be a memorable event.

The conference kicked off with a rousing musical performance. A diverse group of ELFA members wowed attendees with their song "Take the Load off FASB" performed remotely from across the United States. As attendees listened to the song, they filled the chat screen with positive comments, from "This is awesome!" to "Love it!" The idea that eight industry leaders in different geographic areas could use technology to make music together underscored that although members were apart, they were ready to network and learn together.

"It's amazing what we can create, even when we can't be together," observed ELFA President and CEO Ralph Petta, who lent his keyboard skills to the performance.

Chair Martha Ahlers agreed. "What a great way to kick off our first virtual conference! This has been an unprecedented year for all of us," she added. "But our industry is once again showing that we are resilient and we are ready to move forward!"

And move forward they did. The two-day conference flew by in a blur of educational sessions and

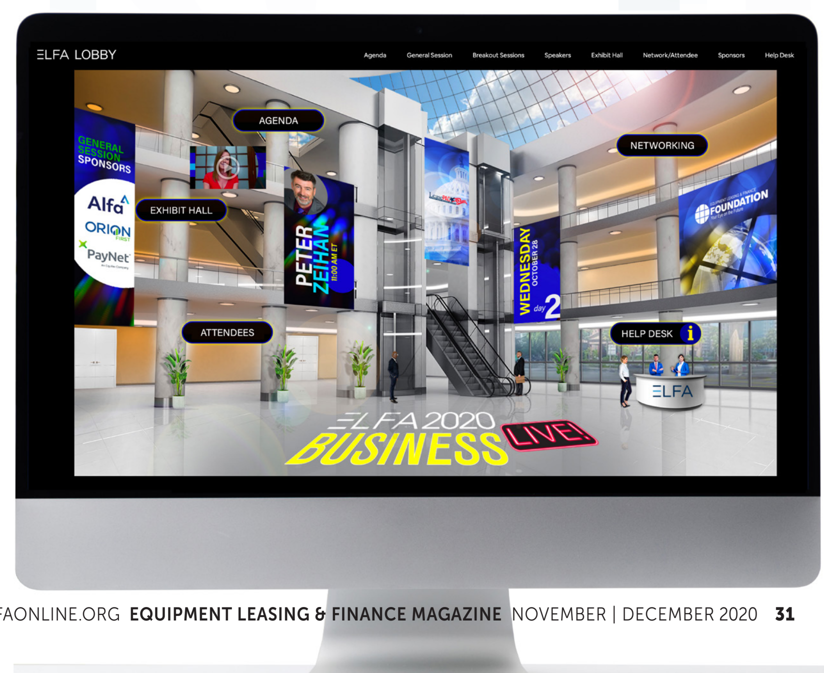
The equipment finance industry prepares for the future at ELFA 2020 Business LIVE!

By Amy Vogt

online networking, and by the end, many were relieved the sessions were recorded, so they could watch what they missed. "I missed a lot because there was so much condensed into the timeframe," said one impressed attendee, adding that joining the event from her home office conveyed a benefit: "I am virtually tired from all of the networking, but at least my feet don't ache!"

Members Show Their Support

During ELFA 2020 Business LIVE! three keynote speakers shared their perspectives on a range of important issues and attendees shared real-time feedback using the chat feature. At the Opening General Session, political strategist and media commentator Donna Brazile handicapped the fall elections and the view from Washington a week before Election Day. Following her remarks, Ralph Petta joined her for a Q&A session. At the Equipment Leasing & Finance Foundation General Session, economic forecaster Marci Rossell shared her insights on global economic issues, followed by a Q&A session with Foundation Chair Scott Thacker. And at the Wednesday General Session, geopolitical analyst Peter Zeihan assessed



Making Music Together: Members from around the country kicked off the conference with a remote musical performance.

Ralph Petta and Donna Brazile

Chair Martha Ahlers

Jeffry Elliott received the 2020 Michael J. Fleming Distinguished Service Award.

how trends in demography, economics, energy, politics, technology and more are shaping our future, followed by a Q&A session with Martha Ahlers.

ELFA members showed their support for and contributed to the success of ELFA 2020 Business LIVE! in multiple ways. More than 75 industry subject matter experts spoke at 19 concurrent breakout sessions on a diverse set of hot topics, including financing alternatives, technology and innovation, the customer experience, growth after COVID-19, legal issues, data analytics, diversity & inclusion, credit and risk and more. In addition, sector-specific sessions focused on banks, independents and captive and vendor equipment finance organizations.

Attendees participated in a variety of virtual networking opportunities. They used the session chat feature to greet colleagues, share real-time feedback and pose questions. They joined Zoom sessions in the Equality Leadership, Emerging Talent and Women's Leadership Networking Lounges, engaging with peers on industry issues and continuing the dialogue from breakout sessions. And at the end-of-day receptions—including the Newcomer and First-Time Attendee Reception, the Women's Council Reception and the Opening and Closing Receptions—attendees joined a novel virtual networking platform to connect with each other and exchange best practices for surviving and thriving in the new normal.

A robust 29 companies showcased the latest business solutions in the multimedia exhibit hall and 11 companies supported the event through sponsorships. An impressive 18 companies took advantage of the bulk registration discount, each registering 10 or more employees for the conference.

Drastically discounted registration fees and expanded content were designed to make it easier for industry members representing a wide range of job responsibilities and experience levels to attend. In addition to those who had traditionally attended the ELFA Annual Convention, the conference drew new faces, including those who planned to attend other association events that were cancelled this year, and those who had never attended an ELFA Convention.

Look to the Future, Says Ahlers

In her conference address, Outgoing Chair Martha Ahlers, President of United Leasing & Finance, recognized the remarkable efforts of ELFA members and staff during this challenging year.

"Working from home or office, meeting virtually to share ideas and make decisions, ELFA volunteers and

Attendees participated in a multiple virtual networking opportunities.

staff professionals have pivoted every day, innovating and working harder than ever to bring members the resources they need to deal with enormous change," said Ahlers.

She noted that the ELFA community is no stranger to overcoming challenges. "Dealing with change—and leading our industry through it—are hallmarks of this organization. We are leaders, entrepreneurs and creative people who survive adversity—and emerge from it to clear new paths to the future."

One of those paths to the future, said Ahlers, is being paved by the association's diversity and inclusion initiatives. She highlighted the ELFA Women's Council, which is working to advance gender diversity and inclusion throughout the association and the industry, and the Equality Steering Committee, which is working to advance efforts to foster equality, diversity and inclusion across the association and the industry. She shared moving comments from members who participated in the webinar "Bold Conversations to Effect Positive Change: Striving for Equality" organized by the Equality Committee this summer.

Ahlers closed her remarks by issuing a challenge to the membership: "I challenge all of us to look to the future now, and think about what we want it to hold—for ourselves, for our companies and industry, and for our world. Then take a step outside your comfort zone, share your ideas with others, and have the bold conversations that lead to positive change."

She noted that while ELFA lays the groundwork for member companies to meet and make decisions that advance the industry, the rest is up to the members.

"The transformations I've seen within ELFA wouldn't have happened without the introspection and honesty that individual members have been willing to bring," she said. "Let's reach out and engage with each other, because together, we can work toward a tomorrow that's bright with equality and opportunity for every one of us."

ELFA Never Stands Still, Says Petta

ELFA President and CEO Ralph Petta began his conference remarks by reflecting on how the COVID-19 pandemic has altered life and business over the past year and challenged all of us to find new ways to keep going at our companies as well as at home.

"You, our members, have done it, working long hours and innovating to solve problems that didn't exist only days before," said Petta. He noted that ELFA

Scott Thacker and Marci Rossell

Peter Zeihan and Martha Ahlers

Interactive breakout sessions covered a variety of hot topics.

The Women's Council hosted a networking lounge, a welcome reception and a session featuring speaker Grace Killelea. The Equality Committee and ETAC also hosted popular sessions and networking events.

Ahlers passed the leadership torch to incoming Board Chair Kris Snow, noting it was a historic moment. "As the second female Board Chair of ELFA, I am thrilled to be passing the gavel to you," she told Snow.

has pivoted as well, adapting to changing realities and focusing on what matters most to the membership.

He shared several examples, such as how ELFA transitioned from in-person conference programming to online events this year, developing the popular "Wednesday Webinars at 1" series and converting the ELFA Annual Convention into ELFA 2020 Business LIVE!

Despite not being able to meet in person, Petta reported that the ELFA community has been more engaged than ever this year. Through committees, task forces and work groups, members have been meeting virtually to discuss hot topics and exchange best practices, contributing to and downloading industry data in record numbers, engaging in online community discussions, connecting on the ELFA Engage mobile app, planning virtual events and sharing on social media.

Petta said a key initiative for ELFA is building out its diversity and inclusion initiative. "Growing our diversity and inclusion is part of ELFA's mission, and our work is nowhere near done," he said.

On the advocacy front, the association's federal and state government relations teams have been working overtime to protect member interests, reported Petta. Staff and member volunteers continue to make sure the industry's voice is heard on Capitol Hill and in the states as elected officials develop regulatory and legislative initiatives and pandemic response programs that impact the industry and member businesses.

"ELFA never stands still," said Petta. "Today's pace of change is a stampede, and we know that if we remain stagnant and stand still, we'll get run over. ELFA will continue to evolve as you—our members—go where you need to go with your businesses. We will do all we can to support you. It's about focus and leadership—and together, as a community, we will succeed."

Looking Ahead to 2021

As the conference drew to a close, Ahlers introduced incoming ELFA Chair Kris Snow, who presented the 2021 ELFA officers and directors. "No matter what 2021 brings, I know these individuals will help make it a successful year," said Snow.

She added a hopeful note. "I look forward to seeing you *in-person* at our 60th ELFA Annual Convention, Oct. 24-26, 2021 in San Antonio, Texas!"

Amy Vogt is Vice President of Communications and Marketing at ELFA.

All presentations recorded during ELFA 2020 Business LIVE! are available to registered attendees on demand for replay. The platform will remain active for 90 days (expiring Jan. 22), while the keynote presentations will be removed after 30 days (expiring Nov. 23). Questions? Please contact meetings@elfaonline.org.

Twitter Contest Winners Announced

Everyone who tweeted the conference hashtag **#ELFA2020BusinessLIVE** was eligible to win ELFA's Twitter contest. Congratulations to winners **Constellation Financial Software** (@Constellationfs) and **Susan Carol** (@SCAPR), CEO of Susan Carol Creative.

ELFA 2020 BUSINESS LIVE!

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http://apps.elfaonline.org/events/2020/2020buslive/exhiblist.cfm

Spotlight on COVID’s Impact

New Foundation report examines the state of equipment finance

By Anneliese DeDiemar

THE EQUIPMENT LEASING & FINANCE FOUNDATION presents *Equipment Finance in 2020: Special COVID-19 Impact issue, a special issue of the annual Equipment Leasing & Finance Industry Horizon Report*. This new resource contains forward-looking economic and industry insights related to the U.S. economy—including near- and medium-term economic risks and emerging industry trends—-based on data provided by a wide range of equipment finance industry leaders and Keybridge, the Foundation’s economic researchers. This year, the report focuses on the impacts of the COVID-19 pandemic and recession.

Key findings include:

- Despite weakness in the economy’s industrial core, new business volume growth accelerated to 4.7% in 2019, the strongest annual growth since 2014. The faster growth came despite relatively weak growth in nominal equipment and software investment in 2019, which slowed to 3.5% in 2019 after 8.5% growth the previous year (which was likely boosted by tax cuts). The difference can be explained by the propensity to finance, which rose in 2019 as long-term interest rates fell sharply in the latter half of the year. Based on Foundation estimates, the industry’s size was approximately $992 billion in 2019.

- The equipment finance sector has managed to hold its own in the face of the pandemic and ensuing recession. As of August, year-to-date cumulative new business volume was down just 4% compared to 2019. However, despite the "strong on paper" rebound in the third quarter as the economy began to reopen, there remains substantial underlying weakness in the U.S. economy that will present challenges next year.

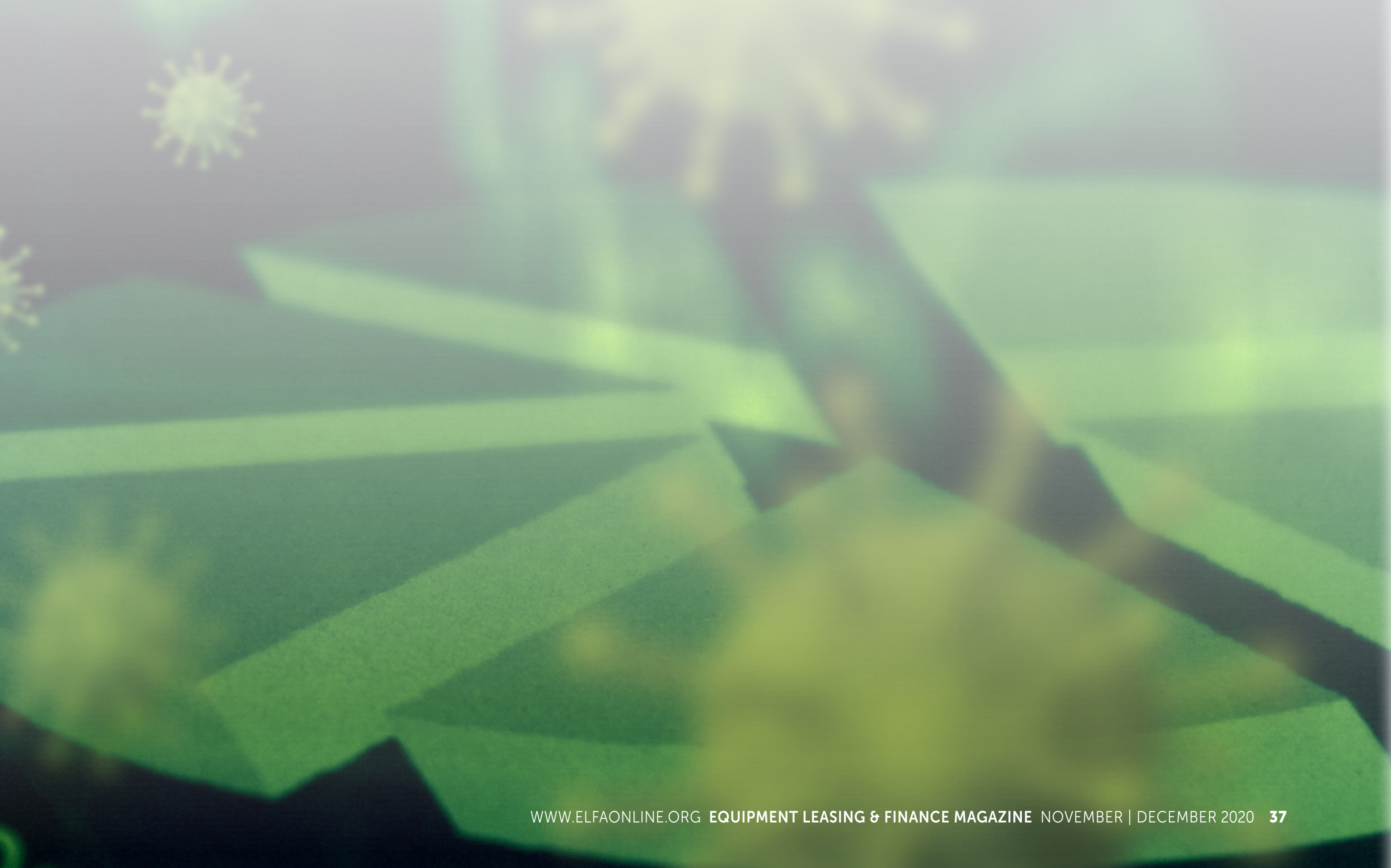
- Overall, the lending environment is expected to be favorable to equipment finance firms in 2021. Though the U.S. in 2020 will have suffered its largest annual decline in GDP since 1946, the quick bounce-back for equipment and software investment has acted as a cushion for those in the industry.

Prepared by Keybridge Research through a commissioned grant by the Foundation, this limited-edition report begins by summarizing the state of the economy heading into the pandemic. It provides key metrics, including an industry sizing estimate and the propensity to finance equipment and software acquisitions. It also examines COVID-19 and the pandemic-induced recession, with a focus on the equipment leasing and finance industry.

The report concludes with a sneak peek at 2021, suggesting that while the economy still faces substantial headwinds and heightened uncertainty, severe disruptions also bring opportunity for equipment finance as it adapts to current economic challenges.

The complete report is now available for free download. Visit www.leasefoundation.org to access this indispensable planning resource. ☰

Anneliese DeDiemar is the Equipment Leasing & Finance Foundation's Director of Marketing and Communications.



The *Handoush* Case

An additional California legal minefield for finance Companies

By Brittany Ogden and Debbie Devassy Babu

AMICUS CURIAE, Latin for "friend of the court," is a non-party who files a brief with the appellate court to provide information, expertise or insight on the issues presented in an underlying appeal. ELFA recently agreed to file an Amicus Curiae brief with the California Supreme Court in the appeal of *Handoush v. Lease Fin. Grp., LLC,* 41 Cal. App. 5th 729 (2019). Due to an unexpected and unrelated twist in the case, ELFA's brief never made it to the California Supreme Court; however, the issues presented in the case are worthy of discussion.

Small but Mighty (Important).

ELFA supports a wide range of member volunteer committees and subcommittees, including the Amicus Curiae Subcommittee. This group, housed under the Legal Committee, does not receive a lot of attention, and over the past several years, has received only a smattering of requests for Amicus Curiae briefs. Nevertheless, it plays an important role to ELFA and the equipment finance industry, as it is a receptacle for legal issues working their way up through the court system.

How Does ELFA Become Involved in an Amicus Brief?

ELFA learns about amicus opportunities through its active and educated membership. Its members are the boots on the ground, experiencing legal challenges and appealing issues that impact the industry.

When an organization or member seeks ELFA's support, ELFA follows a process and guidelines to determine whether it will accept a request to file an Amicus brief. The official guidance is provided on ELFA's website, but below is an overview of the important standards to accept such a request:

- Except in extraordinary situations, ELFA considers participation only for appeals;
- The request must be made in writing to the ELFA President &CEO's office and it must be made with sufficient time to analyze the request, including any applicable deadlines;
- The request must relate to a legal issue that has national significance and is directly important to the industry; and
- There must be factual basis for the case and a reasonable expectation of success.

Upon an Amicus request meeting these standards, the request is passed along to the Amicus Curiae Subcommittee. Any recommendation by this Subcommittee is passed on to ELFA's President & CEO, who consults with the ELFA Board of Directors before granting final approval.

Who Handles the Amicus Brief?

Once ELFA determines that it will move forward as an Amicus Curiae party, it must choose the law firm that will provide legal services and coordinate the overall strategy of the brief. One particular firm does not represent ELFA for such matters, and the decision is dependent on the issues and jurisdiction of the appeal. Most recently, the Subcommittee established an RFP process for Amicus work, requesting that any applying firm meet the following criteria:

- Membership of ELFA or otherwise illustrated dedication to the representation of ELFA's interests;
- Experience with the applicable court jurisdiction and issue(s) raised;
- Experience with Amicus briefs;
- Description of staffing, availability, fees and costs.

Once selected, the firm works with ELFA and the Subcommittee members on the strategy and issues to the case at hand.

What Happened in the *Handoush* case?

In *Handoush*, a California lessee of credit card processing equipment brought suit against lessor Lease Finance Group, LLC (LFG) in California, alleging claims for fraud, rescission, injunctive relief and violation of unfair competition laws. LFG moved to dismiss the case based upon the New York forum selection clause in the lease agreement, which provided that any disputes between the parties *must* be brought in the State of New York. The trial court agreed with LFG and dismissed the case, and the lessee appealed to the California Court of Appeals.

The California Court of Appeals reversed the trial court and sided with the lessee, holding that the New York forum selection clause was unenforceable. In addition to the forum selection clause, the lease contract provided that New York law governed the lease, and that the lessee waived the right to jury trial. Notably, pre-dispute contractual jury waivers are unenforceable under California law.

The California Court of Appeals reasoned that enforcing the New York forum selection clause would be contrary to California's fundamental public policy protecting the right to jury trial and prohibiting courts from enforcing pre-dispute jury trial waivers. The California Court of Appeals refused to enforce the New York forum selection clause, because doing so would have deprived the lessee of his right to a jury trial. Reversing the trial court's decision, the California Court of Appeals held that the lessee's case against LFG in California should not have been dismissed.

LFG then appealed to the California Supreme Court and requested that ELFA file an Amicus Curiae brief in support of LFG's appeal. The California Supreme Court's acceptance of appeals is discretionary, and it usually takes only a fraction of all of the cases appealed to it. When the California Supreme Court agreed to accept the appeal—signaling its interest in the issue—ELFA decided to participate and submit an Amicus Curiae brief.

Why Did ELFA Decide to Participate in the *Handoush* Case?

As mentioned above, ELFA rarely gets involved in litigation as an Amicus Curiae party. However, ELFA felt that the *Handoush* appeal to the California Supreme Court warranted involvement, because of the clear negative impact of the case on the equipment finance industry. Contractual jury waivers are universally used by leasing companies to avoid costly and risky jury trials. Leasing companies also often include choice of law provisions and forum selection clauses that specify a different state, usually the lessor's home state and one that enforces contractual jury waivers. If, like in *Handoush*, a lessee brought suit in his home state, rather than in the forum set forth in the contract, the lessor could move to dismiss the case or change venue. However, under the California Court of Appeals' opinion in *Handoush*, that approach would no longer be successful. *Handoush* opened the door to lessors having to litigate jury trials in California, rather than in their home states, increasing the cost of lessors doing business with California customers. *Handoush* also injected uncertainty into California transactions and had the potential to lead to inconsistent rulings from courts, since lessors could not necessarily rely on their choice of law and forum selection clauses being enforced in California. Because of the *Handoush* opinion's impact, ELFA felt it should implore the California Supreme Court to reverse the California Court of Appeals' decision.

However, the appeal to the California Supreme Court took a very unexpected turn. In late May 2020, in the case of *New York v. Northern Leasing Systems, Inc., et al.* (Index No. 450460/2016), a New York trial court entered an order against LFG, Northern Leasing Systems, Inc., and other related companies, purporting to void potentially hundreds of thousands of credit card equipment leases that were allegedly fraudulently induced. The New York trial court entered a permanent injunction against LFG and its related companies from "conducting the business of equipment finance leasing or collection of debts under equipment finance leases and from purchasing, financing, transferring, servicing, or enforcing equipment finance leases." Though LFG appealed the New York order, LFG's California counsel was instructed not to work on the appeal any further, in light of the injunction. As a result of LFG's failure to prosecute the appeal, in August 2020, the California Supreme Court dismissed the appeal before the case was briefed by the parties and ELFA submitted its Amicus Curiae brief.

How Should ELFA Members Go Forward After *Handoush*?

Unfortunately, the California Court of Appeals' decision in *Handoush* remains on the books. Attorneys often get around California's refusal to enforce contractual jury waivers by including binding arbitration clauses or judicial reference provisions. To prevent further California decisions invalidating out-of-state forum selection clauses, lawyers will need to get creative when drafting contracts with California customers. One suggestion would be to include a provision that, with respect to the forum selection clause and choice of law provision, the contractual jury waiver is unenforceable, if the jury waiver would be unenforceable in the home state of the lessor or lessee. That provision may hinder a California court from invalidating an out-of-state choice of law or forum selection clause on the basis that the contract contains a jury waiver. Unless or until *Handoush* is overturned in the future by the California Supreme Court, the industry should plan to adapt to *Handoush* and proceed with vigilance when documenting California transactions. ☰

Debbie Devassy Babu is Shareholder at Askounis & Darcy, PC and **Brittany Ogden** is Attorney, Partner at Quarles & Brady LLP. They are Co-Chairs of the Amicus Curiae Subcommittee of the ELFA Legal Committee.

Tracking Industry Compensation

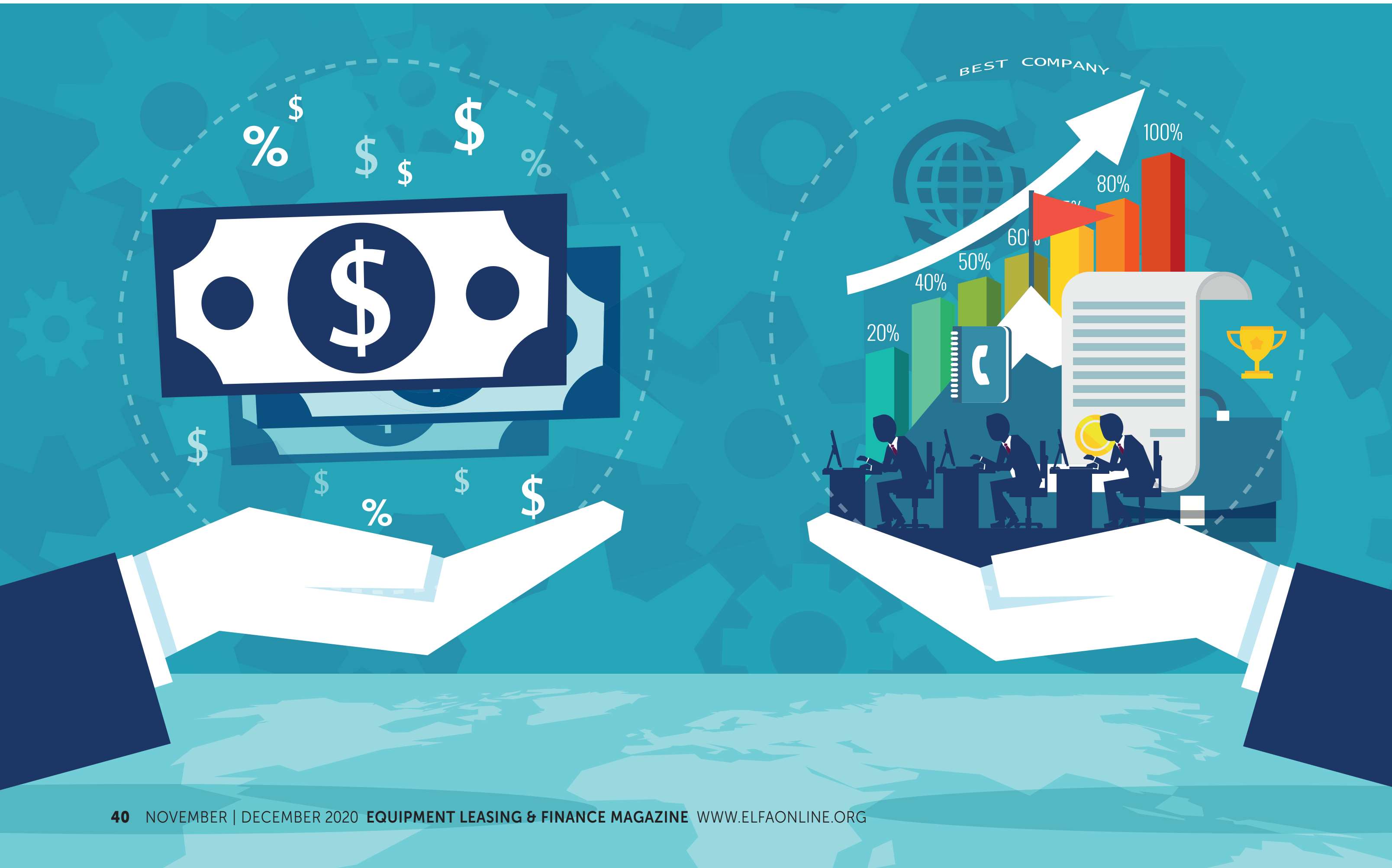
COMPENSATION in the equipment finance industry increased moderately in 2019, according to ELFA's 2020 Equipment Leasing and Finance Compensation Survey. Highlights from the survey include:

- **Total Compensation:** Total compensation was up on a year-over-year basis for most functions and levels. On a "same store" basis (constant incumbents in multiple survey years), total compensation was up modestly (~3–5%) at median for key revenue-generating functions from 2018 to 2019.
- **Salary:** Salaries were up on a year-over-year basis. On a "same store" basis, origination roles tended to have increases around 1% at the median and 3% at the 75th percentile. Salaries were up by 4% on average across all levels.
- **Differences by Level:** Total comp increases were seen across all levels from the Entry through Managing Expert levels at the median. There were modest (~2%) salary increases seen at the median from Entry through Expert levels.
- **Leadership:** At the executive level, cash bonuses for the 2019 performance year accounted for 44% of executive compensation while long-term awards accounted for 24%. Total incentives as a percent of salary—both cash bonuses and long-term awards—were 224% at the median.

The 2020 Equipment Leasing and Finance Compensation Survey measures compensation rates for the 2019 fiscal year as reported by more than 75 equipment finance companies representing a cross section of the equipment finance sector, including independent, bank and captive equipment finance companies. Firms provided data for more than 20 executive, front-office and support positions and 10 levels of seniority, including a breakdown of salary (for 2019 and 2020), incentives (including cash bonuses and commissions), long-term awards and total compensation by company type. The survey is a collaborative initiative between ELFA and McLagan, a performance/reward consulting and benchmarking firm for the financial services industry.

Learn More

The survey is available to order from the ELFA website at https://bit.ly/3lH0pGh. For more information, please contact Bill Choi at bchoi@elfaonline.org or 202-238-3413.



By Bob Goldberg, Edward Gross, Marjorie Krumholz and Melissa Kopit

Air, Rail and Marine Legal Update

THIS LEGAL UPDATE HIGHLIGHTS the most relevant recent regulatory initiatives, new implications of long-standing legislation and published commercial law opinions, all relating to rail, marine or aircraft financings during the past year. Among other things, this article discusses a controversial new rule authorizing the use of certain rail assets, bankruptcy restructuring considerations for vessel financiers, and regulatory and case law developments that should be of interest to aircraft financing providers.

RAIL FINANCE UPDATE

Liquified Natural Gas Transportation

The U.S. Department of Transportation and U.S. Pipeline and Hazardous Material Safety Administration, in consultation with the Federal Railroad Administration, authorized rail shipping of liquefied natural gas (LNG), effective as of Aug. 24, 2020. Previously, federal hazardous materials regulations allowed shipments of LNG by truck, but not by rail, except with a special permit. The rule had been opposed by environmental groups and 15 states, because of the risks of derailment, spill and explosion.

The new rule requires enhanced outer tank requirements (thicker steel outer tanks with greater puncture resistance) and additional operational controls for carrying LNG, such as remote monitoring of pressure and location of LNG tank cars.

On Aug. 18, 2020, 14 states and the District of Columbia filed a lawsuit against the DOT in the Court of Appeals for the District of Columbia Circuit challenging the new rule.

VESSEL FINANCE UPDATE

Jones Act and Maritime Bankruptcies

Recent bankruptcies of U.S. maritime companies, especially in the offshore sector, have transformed some lenders and lessors from creditors to holders of equity in the reorganized companies. This change of status potentially subjects these financial institution former creditors to the comprehensive citizenship requirements of the Jones Act—the laws regarding the operation of vessels in the United States.

The Jones Act requires that owners and operators of vessels (but not lenders or so-called foreign lessors) have at least 75% of their equity owned and controlled by "U.S. citizens." In this context, "U.S. citizens" generally means entities that are organized in the U.S., have certain officers and directors who are U.S. citizens, and have 75% of their equity owned and controlled by U.S. citizens. When Jones Act vessel owners and operators are reorganized in bankruptcy, the reorganized entity needs enough U.S. citizen creditors to become shareholders to ensure compliance with the 75% test. Creditors that either do not qualify as Jones Act citizens or cannot substantiate their U.S. citizenship to the satisfaction of the reorganized company may, nonetheless, receive a portion of their allowed claim in (a) shares in the reorganized company, as long as all shares held by non-citizens do not exceed 25% of the reorganized entity's shares, or (b) warrants in the reorganized company. While warrants give the holder the right to purchase shares, the U.S. maritime regulatory agencies, namely the Coast Guard and the Maritime Administration, do not treat warrants as equity prior to conversion into shares as long as the holders of warrants do not have shareholder rights, such as voting rights and receipt of dividends.

Reorganized Jones Act companies usually require detailed evidence of citizenship before allowing creditors to hold shares as U.S. citizens. This can be a burdensome process for public companies.

In addition, companies reorganized in bankruptcy typically restate their organizational documents to include provisions to ensure continued compliance with the Jones Act, including restrictions on the transfer of shares to non-citizens and provisions to safeguard the company's Jones Act eligibility should the percentage of shares held by U.S. citizens fall below the required 75%, including voiding transfers or not treating transferees as shareholders.

The Jones Act requirements are always in effect. Creditors that decide to take shares as U.S. citizens should periodically diligence their citizenship status to ensure continued eligibility.

AIRCRAFT FINANCE UPDATE

FAA Registry Risks: Addressed or Created?

The U.S. Government Accountability Office issued a report in May 2020 recommending changes to FAA Registry practices to address law enforcement, sanction compliance, anti-terrorism, and safety risks. Among the recommendations are that the FAA collect, record, verify and make accessible in electronic format, much more detailed information regarding individual and certain private legal entity registrants, and subject to greater scrutiny "*opaque*" structural devices such as SPEs and trusts, as primary risk indicators of Registry fraud and abuse. ***These recommendations, if implemented, could cause Registry use to be more laborious, protracted and expensive, create certain privacy and security risks, unduly restrict common transaction structures and result in registration validity challenges.***

OFAC Sanctions: Great Expectations. An aircraft lessor paid a civil penalty to OFAC for alleged sanctions violations related to two engines that were leased to a UAE lessee, subleased to a Ukrainian airline and then wet leased to Sudan Airways. Because Sudan Airways was on OFAC's Specially Designated Nationals and Blocked Persons List, OFAC deemed the lessor to have violated the sanctions regulations by dealing in property or interests of the Sudanese government, and exporting goods to Sudan. OFAC levied the sanction even though the lease prohibited this conduct, and the lessor terminated the leases, noting that it is important that "companies operating in high-risk industries implement effective, thorough and on-going, risk-based compliance measures, especially when engaging in transactions concerning the aviation industry." ***Essentially, the lessor was held strictly accountable for not ensuring compliance by its lessees and sublessees, so lessors must take active ongoing measures to detect and avoid violations.***

A few cases. Reish, et al., v. Mukai, No. CV-19-00400-PHX-DLR, 2019 BL 456414 (D. Ariz. Nov. 25, 2019). An appellate court upheld a bankruptcy court's conclusion that the purchase of a helicopter was avoidable under the Bankruptcy Code because the buyer failed to record its interest on the FAA Registry prior to the seller declaring bankruptcy, and federal law preempts state commercial law regarding recognition of interests in the context of a bankruptcy ***Federal law takes precedent over state law regarding title and lien issues relative to 3rd parties.***

Wells Fargo Tr. Co., N.A. v. Synergy Grp. Corp., **18 Civ. 11151 (LGS), 2020 U.S. Dist. LEXIS 100751 (S.D.N.Y. June 9, 2020).** The Court ruled that a liquidated damages formula in a commercial aircraft lease providing for payment of the present value of future payments, reduced by disposition proceeds, was not punitive to the lessee but instead allowed the engine lessor to achieve the benefit of its bargain, and that return deficiency damages were an appropriate "risk allocation" because they were expressly *agreed* to. ***Unlike the Republic decision (In re Republic Airways Holdings Inc., 598 B.R. 118 (Bankr. S.D.N.Y. Feb. 14, 2019)), this Court cited post-UCC § 2A-504 and current guaranty precedent, respecting freedom of contract principles, especially the ability of sophisticated parties to allocate risks and adjust pricing to reflect that allocation.***

Peyton Holdings, LLC v. Clover Aviation Co., 2020 U.S. Dist. LEXIS 131527 (S.D.N.Y. July 24, 2020). The Court upheld lease "hell or high water" clause and lessor's unpaid rent claim, but not its claim for accelerated damages, because the lease failed to include an acceleration remedy. ***Lessor could still have pursued accelerated rent damages under the statutory remedies in UCC 2A, but failed to do so; but EL&F readers know better.***

Conclusion

Given the wide spectrum of state, federal and international legal considerations when financing rail, marine and aircraft assets, participants in those financings must not only be and remain aware of prospective or existing changes in those laws, but also must consider how best to conform their transactional practices and policies when entering into and managing rail, marine and aircraft financings. ☰

Bob Goldberg is a Senior Company Counsel with Wells Fargo Bank, N.A. **Edward Gross** is a shareholder at Vedder Price in Washington, DC. **Marjorie Krumholz** is a partner in the Washington, DC office of Thompson Coburn LLP. **Melissa Kopit** is an associate at Vedder Price in Washington, DC. All are members of the Air, Rail and Marine Subcommittee of the ELFA Legal Committee.

By John Bober

FASB Leases Roundtable: What's on the Table

EARLY IN 2020 the Financial Accounting Standards Board announced their intention to hold a leases roundtable meeting with stakeholders to have open discussion of matters related to Topic 842, *Leases*. In the FASB's press release the FASB Chairman stated the purpose of the roundtable would be to:

> *. . . provide select stakeholders, many of whom have already implemented the leases standard, a forum to share feedback about their challenges and successes. What we learn at the roundtable will help the FASB understand and address ongoing implementation issues, which we hope will facilitate a smoother transition to the standard for private companies.*

The roundtable was originally scheduled for the start of the second quarter, but it was delayed by the COVID-19 related business disruptions. The session was ultimately rescheduled to Sept. 18. Participants included the large accounting firms, users of financial statements, companies and trade associations.

This column will review the topics to be discussed at the roundtable. Future columns will provide an update on the meeting and the impact of the discussions on the *Leases* standard in the coming months.

As the FASB's press release indicates, this discussion of ASC 842 is more than a rearview mirror look at the standard. With the recent issuance of ASU 2020-05, the mandatory adoption date of *Leases* by many private companies is now pushed back to 2022. As a result, it is possible that any simplifications discussed during the meeting might make their way into a new Accounting Standards Update. It is also possible comments or suggestions raised during the meeting will impact companies who have already adopted ASC 842.

What's on the Agenda?

The topics up for discussion in the roundtable have been announced and the FASB Staff have posted the related papers to the FASB's website. The issues in the papers will be introduced by the FASB Staff and we expect there will be an open discussion of the issues surrounding each topic. The topics reflect the major challenges companies, primarily lessees, have faced as they adopted the *Leases* standard, and they include:

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

The specific questions to be addressed related to these broad topics are as follows:

Lessee application of the rate implicit in the lease

Under ASC 842 a lessee needs to classify and measure it lease obligations using a discount rate. The discount rate guidance in the standard requires lessees to use the rate implicit in the lease, if it is readily determinable. If the lessor implicit rate is not *readily determinable* the lessee defaults to their incremental borrowing rate as defined in the standard. The question in this topic partially revolves around the circumstances when and if the lessor's implicit rate is *readily determinable* by the lessee. A lessee may know the asset's fair value—and the payments they are making under the lease—but they probably do not know for certain what the lessor's residual assumption is. Absent that knowledge, some lessees wish to estimate the residual based on public information and use this estimate residual to determine the lessor's implicit rate. To date, the general view is that this approach would not meet the readily determinable threshold in the standard.

The Staff paper suggest three possible approaches to resolving this issue:

1. Leave the standard as is,
2. Eliminate the requirement in the standard for the lessee to consider the implicit rate, or
3. Provide lessee's the option of using the implicit rate.

Lessee application of the incremental borrowing rate

The definition of the incremental borrowing rate or IBR proved to be challenging for many lessees during the adoption. The rate has to be imputed and there were approaches that were turning the development of the IBR into what one Board member termed "a science project." The Staff paper suggests two alternatives approaches to the IBR question:

1. Leaving the standard as is, or
2. Provide lessees with the option of using a specific rate rather than an entity specific rate.

The specific rate does have some precedence in generally accepted accounting principles, e.g. insurance accounting and employee benefit accounting. Whether such an approach will be appealing in lease accounting is another question.

Embedded leases

The question of when to separate a lease embedded in a service contract from the service itself is one of the most difficult questions in lease accounting. The need for this accounting judgement often arises in power generation, transportation arrangements, logistics contracts, contract manufacturing and IT services. If there is a simplification that could be made here it would greatly reduce the compliance burden of the standard, as both the process of identifying embedded leases and the accounting for the arrangement are time consuming.

The Staff paper proposes three alternative approaches to the topic:

1. Leave the standard as is,
2. Establish an option to not separate leases embedded in service arrangements on the basis of a *qualitative* threshold, or
3. Establish an option to not separate leases embedded in service arrangements on the basis of a *quantitative* threshold.

When it comes to option two, the paper explores the possibility of an approach that would allow lessees to exclude embedded leases if, for example:

- The lease component is "immaterial in the context of the contract" or not "more than insignificant," or
- The nonlease component is "significant", "predominant" or is "substantially all" of the contract.

The third option would approach the issue of significance by establishing dollar threshold for insignificance similar to the low dollar threshold that exists in IFRS 16.

Lease modifications

The question of what changes to a lease result in an accounting modification is not always straight forward and the accounting for the change may be time intensive and not readily subject to automation. The paper discusses some questions that have arisen and then asks the participants to discuss issues related to:

- Certain reductions within the scope of the lease contract, including the master lease agreement,
- Reassessment of lease classification on modification, including the updating of assumptions on fair value, economic life and discount rate,
- The accounting for termination penalties, and
- Minor modification.

The paper also notes that the reassessment of lease classification as a result of a modification also impacts lessors. If a lease is modified and needs to be reassessed it is possible -- that only due to the passage of time—a lessor may have a sales-type or direct finance lease become an operating lease at the date of a modification.

Lessee allocation of fixed and variable payments

The *Leases* standard requires a lessee to separate payments under the lease into lease and nonlease components and the allocate the payments between the two buckets. This allocation becomes more difficult if the contract is a service contract containing an embedded lease and the payments are both fixed and variable. The allocation is not only difficult, but the Staff have heard the results of the allocation may not reflect the economics of the arrangement.

The Staff paper lists two alternatives for discussion:

1. Leave the standard as is, or
2. Amend the lessee allocation guidance to require the allocation of fixed and variable payments solely to the lease or nonlease component under certain circumstances.

Next Steps

The Financial Watch column will provide an update on the meeting and the impact of the discussions on the *Leases* standard in the coming months. ☰

John Bober is the Chair of the ELFA Financial Accounting Committee and Managing Member of IXL Lease Advisory Services, LLC.

By Andy Fishburn

Looking Forward to 2021

AS OF PRESS TIME FOR THIS ARTICLE, the outcome of the election is unclear, but the implications for the equipment finance industry are clear. 2021 will not be a year of dramatic change in fiscal policy. Instead, from an economic perspective, the likely outcomes range from incremental change to the status quo. There will be no dramatic change to the tax code and there are unlikely to be any major changes to the health care system. The largest bills to come out of Congress for the rest of 2020 and 2021 will likely be basic funding of government operations and responses to the ongoing pandemic.

When looking forward to 2021—and let's face it, most of us are ready for 2020 to be over—it's illustrative to think about what the most likely developments will be for the equipment finance industry.

Section 1071

Section 1071 of Dodd Frank has hung over the commercial finance industry for more than a decade now and may soon surpass the lease accounting project as the longest spinning broken record for our industry. However, the CFPB has advanced this rule significantly in 2020 and that pace is likely to continue in 2021.

As a reminder, once in force, Section 1071 will require certain commercial finance providers to inquire of, and collect from, their small business customers certain demographic information. If the recent proposal by the CFPB resembles any future final rule, the regulations will be more expansive that the original statute envisioned and could require the disclosure of pricing information for transactions subject to reporting. While true leases appear to be headed for an exemption, and ELFA is still advocating for many other changes in the proposal, there is no doubt that this rule, once in place, will dramatically change the normal course of business for small business finance. ELFA members should be reviewing these proposals as they are issued and contemplating how they will adapt. Many of these changes will require software changes and application process changes that may take time to implement.

Tax Policy

During the process of developing the Tax Cuts and Jobs Act passed in 2017, many provisions had to be phased out to fit the size 13 ambitions of the tax writers into a size 10 budget window. As a result, many provisions phase out or change in the coming years. The two most impactful for our industry are likely to be the change in the methodology for calculating the limitation on business interest to no longer account for depreciation and amortization, and the phase down of 100% expensing. There will be much discussion about extending these provisions but that's no sure bet. Now is the time to let ELFA know if you have concerns about either of these provisions changing.

With regard to the interest deductibility standard going from an EBITDA standard to an EBIT standard, this has been somewhat surprising in its lack of impact to date, and it will be interesting to hear from members what the impact of the further change would be. 100% expensing has, especially when combined with the corporate rate reduction, caused the propensity to finance to go down somewhat so this has been a mixed bag for the industry.

Infrastructure

No article about the legislative outlook for Washington would be complete without a tip of the hat to infrastructure. It is a running joke in Washington that every week is infrastructure week and 2021 will be no different. Whether or not the stars align for this to come together in 2021 and the size of any legislation both remain to be seen, but infrastructure will definitely be an area that will get a lot of discussion and attention as an area for potential bipartisan compromise. ☰

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

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By Scott Riehl

ELFA Active on Financial Disclosure Legislation

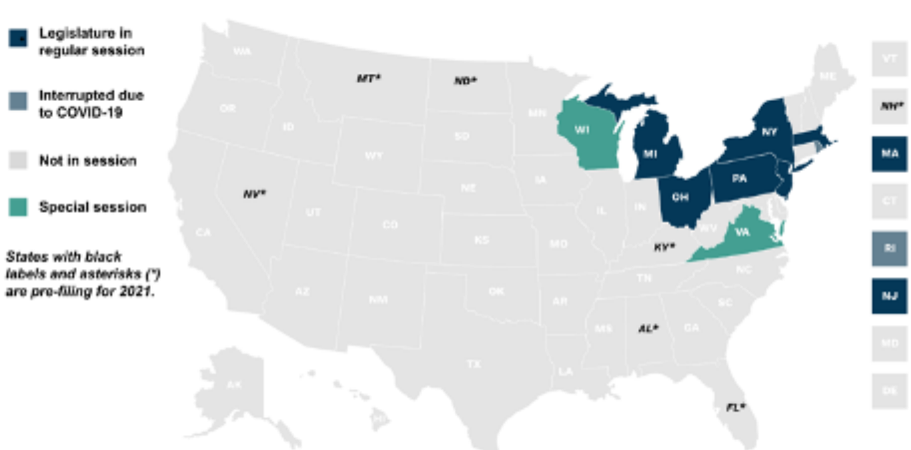
WITH SIX STATES CURRENTLY IN SESSION, your team at ELFA is working to review and, where needed, to address all legislation filed that impacts your interests. ELFA's efforts are focused on identifying any and all measures that would wrongly infringe on the operations of ELFA members in the commercial sector, addressing those bills that require our attention and conversely promoting legislation that addresses industry needs. Of the 180,000 expected state legislative bills filed across the 50 states in 2020, ELFA estimates there will be in excess of 2,000 bills introduced this year that may impact our members' interests.

State Legislative Sessions: COVID-19 Impact

The COVID-19 crisis threatens multiple and unprecedented special sessions in states across the country. The prospect of full and part-time legislatures in session late into the year along with the unprecedented spread of gubernatorial executive orders only creates additional uncertainty in these already uncertain times.

Currently:

- 6 state legislatures are in regular session (MA, MI, NJ, NY, OH, PA)
- 1 session is interrupted due to COVID-19 (RI)
- 41 states are not in session
- 2 states are in special session (VA, WI)
- 7 states are pre-filing for 2021 (AL, FL, KY, MT, ND, NH, NV)



Data as of October 30, 2020. "Not in session" states are either adjourned or don't hold a regular session in 2020 (Montana, Nevada, North Dakota, Texas).

ELFA Files Comments on California SB 1235

On Oct. 28, 2020 ELFA filed our [third and final] comments to the California Department of Financial Protection and Innovation's (DFPI) last draft rules implementing SB 1235, the California enhanced financial disclosure law. ELFA's hard-fought-for exemption for trues leases is protected. As the rule promulgation process continues and even if the department finalizes the regulations by Jan. 1, ELFA does not expect those regulations will be enforceable until July 1, 2021, to give lenders or "providers" the opportunity to get their forms in place and to comply with the new law. ELFA continues to monitor this closely and will certainly alert the membership as soon as we learn the date of implementation.

The DFPI provided notice that they would be holding a hearing on Nov. 9, 2020. ELFA testified at this hearing in support of our most recent comments highlighted above. Please provide your thoughts and overall observations to ELFA Vice President, State Government Relations, Scott Riehl.

New York Assembly and Senate Pass Financial Disclosure Legislation

On July 23, the New York Senate and Assembly passed New York Senate Bill 5470B / New York Assembly Bill 10118A, enhanced financial disclosure legislation significantly amended at the urging of ELFA to exempt from all requirements "a lease as defined in section 2-a-103 of the Uniform Commercial Code." The legislation remains with the Senate and has not been transmitted yet to the Governor. The Senate has until the end of the year to transmit to the Governor or to hold. ELFA will continue to monitor this measure closely and report any movement.

New York Senate Bill 5470B and companion New York Assembly Bill 10118A were introduced in March "to require greater transparency from commercial financing providers consistently across financing products" with emphasis on commercial financing disclosures for recipients that do not intend to use the financing primarily for personal, family or household purposes. Recent amendments include exempting individual transactions over $500,000 wherein §802 Exemptions declares it shall not apply to, and shall not place any additional requirements or obligations upon, "(e) a lease as defined in section 2-A-103 of the uniform commercial code" and "(g) an individual commercial financing transaction in an amount over five hundred thousand dollars."

ELFA's exemption language, which was sought over two years, was certainly not everything we asked for; it was, however, one of the few exemptions permitted and passed. ELFA would like to express our thanks for collective input and guidance of the ELFA Legislative and Regulatory Subcommittee of the Legal Committee. Your insights on the revised scope of this legislation are welcomed in assessments sent to Scott Riehl, ELFA Vice President, State Government Relations.

New York Legislation Requiring Financial Licensing Filed

New York Assembly Bill 10878 has been filed as companion legislation identical to New York Senate Bill 6688, a bill that has been the topic of ongoing discussions between ELFA and the sponsor and staff of the Senate Committee on Banks, State Senator James Sanders (D-Rochdale Village, Far Rockaway). AB 10878 is sponsored by Assembly Committee on Banks member Assemblywoman Kimberly Jean-Pierre (D-Lindenhurst), who serves as Chairman of the Assembly Subcommittee on Lending in Underserved Communities. The exemptions listed in §363-b of each bill are the same and do not include an exemption favorable to ELFA members. AB 10878 has been referred to the Assembly Committee on Banks and SB 6688 remains in the Senate Committee on Banks. ELFA is currently in discussions with the sponsors and committee staff, expressing our concerns and requesting critical changes to the legislation. Your views of this development can be shared with ELFA Vice President, State Government Relations, Scott Riehl.

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

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

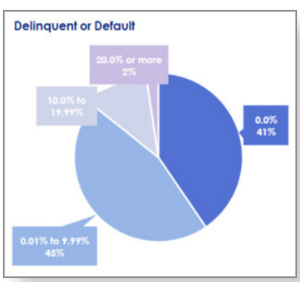
By Anneliese DeDiemar

EQUIPMENT LEASING & FINANCE **FOUNDATION** Your Eye on the Future

Make a Lasting Impact

AS *YOUR* EYE ON THE FUTURE, the Equipment Leasing & Finance Foundation continues to publish reports focused on the impact of the coronavirus on equipment finance. Produced to help you and your business navigate these uncertain times, the following resources and more are available via our website.

Economic Outlook Q4 Update - After severe declines in equipment and software investment in Q1 and Q2 due to the effects of COVID-19 and the impact of social distancing measures, investment in equipment and software bounced back in Q3 as the U.S. economy began to reopen. The forecast for the broader U.S. economy in Q4 is less certain, though annual U.S. GDP growth for 2020 is forecast between -3.8 and -4.8%, according to the Q4 update to the 2020 Equipment Leasing & Finance U.S. Economic Outlook. Access the full report.



COVID-19 Impact Survey - In order to track industry response to the pandemic, the Foundation has developed a monthly COVID-19 Impact Survey. Survey responses are limited to one per company. If you did not receive a survey and would like to participate, please contact Stephanie Fisher, sfisher@leasefoundation.org, to determine your eligibility for inclusion in the survey. Access recent chart highlights and comments from survey recipients.

Podcast - The Equipment Leasing & Finance Foundation podcast spotlights Foundation resources and programs, including interviews with researchers, Board of Trustees members and more. Two recent episodes focused on the effects of COVID-19 on equipment finance, including Episode 3: A Deep Dive Into the COVID-19 Impact Survey and Episode 4: Have the Capital Markets Recovered from COVID-19? Listen to these episodes and others.

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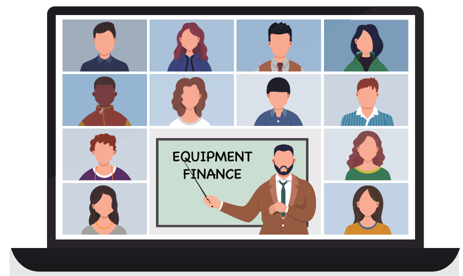

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Scholarship Program

The Foundation is dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. As part of our academic outreach efforts, we seek to assist students interested in the equipment finance industry to defray the cost of college expenses. Scholarships are offered each year for students at an accredited institution of the student's choice. The application period for 2021 will begin in early 2021. Learn more at www.leasefoundation.org. ☰

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

By Brad Buhrow

Deal or No Deal?

Balancing demand for tax-exempt leases with concerns about non-appropriation

WHILE TAX-EXEMPT LEASING offers benefits for state and local governments in any economy, some municipalities are turning to it for cost savings during the pandemic. School technology for distance learning has been a particularly strong driver of recent demand.

The question is, how are finance companies balancing the risk of non-appropriation in these leases with the legitimate concern over decreased tax revenues facing eligible entities? While the rates of actual non-appropriation have historically been quite low, there is a real concern that risks may go up due to COVID-19's impact on government budgets.

The answer? Essentiality. How essential is the asset to the basic functions of the entity? The more "essential" the asset, the more likely the equipment lease is to survive potential budget cuts.

KS StateBank has long offered tax-exempt leases through our state and local government financing arm, Baystone Government Finance, which often partners with independent leasing companies on these deals. We've had to get comfortable with non-appropriation clauses that give governments the right to terminate tax-exempt leases if the money is not appropriated in their annual budgets.

When reviewing potential deals, we have always considered the lessee's finances and repayment history, of course. But in this era of uncertainty we are underwriting deals a bit differently based on the collateral we are willing to finance. Factors we consider include the following:

- How essential is the equipment in responding to the pandemic or to the basic functions of the entity;
- Is the equipment expendable if government budgets tighten due to decreased tax revenues and/or rising costs;
- What is the availability of cash at the time of procurement;
- What are the competing demands on capital resources, especially in responding to the pandemic;
- What affect will a COVID-19 vaccine, or lack thereof, have on demand for the equipment.

Good Bets

While every deal is different, tablets, laptop computers and software that enable distance learning have been good bets for tax-exempt leases in the current climate. Given the cost savings, we have seen an increased demand for lease purchase financing among K-12 schools and secondary institutions because of budgetary concerns and COVID-19 precautions. In general, we find this an attractive category for tax-exempt financing.

One of the largest tax-exempt leasing deals we financed this year, in partnership with an ELFA origination partner, involved a district-wide technology overhaul for a school district responsible for educating over 12,000 students. This transaction involved the placement of hundreds of tablets and laptops, and the accompanying software. While typically financed using a traditional lease product, the district found the tax-exempt lease product appealing in this instance given the substantial cost savings they could experience on such a large transaction.

In my opinion there are other asset classes that remain strong during the ongoing pandemic and economic uncertainty. These include emergency services equipment; hard collateral such as vehicles, fire trucks and yellow iron; energy management systems; and infrastructure improvements.

Unfortunately, we have also had to turn down tax-exempt leasing opportunities due to the risk posed by the ongoing pandemic. For example, office equipment presents unique risks given that many employees are working remotely and may continue to work remotely if operating models change in response to COVID-19. Another deal we declined to fund involved non-emergency municipal equipment in a locality where the local college's remote learning had greatly reduced the need for the equipment in the first place.

Thinking Ahead

Many medical experts in the U.S. believe COVID-19 will be with us well into 2021 before a vaccine and treatments significantly improve management of the disease. Even then there will be longer-term economic impacts.

As finance companies, we are playing an important role helping governments acquire the equipment they need to serve their communities. Tax-exempt leases can be a win-win for governments and leasing companies alike if finance executives understand the right deals to consider for them. ☰

Bradley Buhrow is an Assistant Vice President of Baystone Government Finance, a division of KS StateBank.

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Questions?

Contact *membership@elfaonline.org*

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