

THE COMMERCIAL FACTOR

Newsletter for the Factoring Industry



Welcome to our New Board of Directors

Volume 3 Number 3
Summer 2001

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[The International Factoring Association](#)

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The International Factoring Association has just completed another successful year. Membership is growing continuously and we are proud of the fact that we are able to offer our members so many services, while still keeping their membership free. Our main focus, the IFA web site, is experiencing approximately 170 hits per week. FactorSearch, has become a huge success. We've heard from several factors that the leads they are receiving are some of the best they have seen. Circulation of The Commercial Factor continues to grow with each issue. This year we also introduced the IFA Code of Ethics.

We'd like to thank our 2000-2001 Board Members for their time and effort. Those members are: Charles Dowden from Wells Fargo Business Credit, Richard Kort from Accelerated Business Credit Corporation, Jim Lewis from Philadelphia Factors, Tobi Wilkins from Quantum Corporate Funding, and Ron Winicour from Gibraltar Financial Corporation.

Our new Board of Directors for 2001-2002 includes three returning Board Members from last year, Bert Goldberg, Tobi Wikins and Ron Winicour. In addition, we have added Wayne Coker from Advantage Business Capital, Inc. in Houston, Texas, Bert Goldberg with Distinctive Solutions in San Luis Obispo, California, Randy Ontiveros with Resource Business Partners in San Jose, California, and Debra Wilson from Vertex Financial in Dallas, Texas.

Wayne Coker is a Founding Director and President of Advantage Business Capital, Inc., formed in 2001 as a subsidiary of Central Bank, a Houston, Texas based community bank. Active in the Factoring industry for 17 years, Wayne served the last seven years as Senior Vice President and Director of Advantage Finance Corporation. Prior to entering the Factoring industry, Wayne was the owner of several companies in the Houston area. He graduated Summa Cum Laude from the University of Houston Business College.

Bert Goldberg is President of Distinctive Solutions, the nation's leading software provider for Factors. Bert has been associated with Distinctive Solutions for over 17 years. He holds an MBA degree from California

Polytechnic University-San Luis Obispo and a B.S. degree in Accounting Information Systems.

Randy Ontiveros is Vice President and founding member of Resource Business Partners, Inc. in San Jose, California, started in January 2000. Prior to this, Randy spent 30 years as a private investigator, chasing down difficult debtors and collecting bad debts, as well as locating missing persons. He has also focused on conducting nationwide internal theft investigations for banks, retail stores and manufacturing companies, turning up in excess of \$20 million in cash and stolen property for his clients. Randy has lectured at UC Berkeley in abnormal human behavior and the gentle art of interviewing, and has spent 14 years as a reserve police officer.

Tobi Wilkins joined Quantum Corporate Funding, Ltd. in 1995 as Vice President, Sales & Marketing. She is responsible for new business development as well as training brokers (via seminars) and the creation of marketing materials. Since she has been at Quantum, their annual volume has increased threefold. Tobi is a member of the Commercial Financial Association, Commercial Finance League, Professional Women in Construction, Commercial Finance Management Association, Millennium Women's Networking Group and several other like organizations. Previous to that, she was a successful financial adviser to small and mid-size businesses. Tobi is a returning IFA Board Member.

Debra Wilson is Senior Vice President of Vertex Financial Corporation. Mrs. Wilson has been in the commercial finance industry since 1980 and has a wide range of experience in management, commercial credit and collections, auditing and marketing. Prior to joining Vertex, Debra served in management positions with USA Funding, Riviera Finance and Associates Commercial Corporation. In addition to serving on the IFA Board, Mrs. Wilson is on the Board of the DFW Chapter of the National Funding Association and is active in the Women's Finance Exchange, the Commercial Finance Association and the Turnaround Management Association.

[continued on page 2](#)

Ron Winicour is currently President and CEO of Gibraltar Financial Corporation, Northbrook, IL. Ron's career in the lending industry began in 1967 when he began working for a division of Indianapolis Morris Plan where he was introduced to the art of collecting over-the-road truck paper. Ron later spent two years with Union Investment Company in Phoenix, AZ, followed by five years with Heller Financial in Chicago, IL, factoring receivables and managing an asset based loan portfolio. In 1979 Ron started his own equipment leasing company, Nationwide Financial Corporation. In 1991, Ron and his partner, Jerry Pam, purchased the stock of Gibraltar Financial and have since grown the business at a 20% annualized growth rate while experiencing almost no bad debts. Ron is also a returning IFA Board Member and is the author of the Stop The Bleeding column for The Commercial Factor.

We are all looking forward to another successful year of the IFA. Please remember, this association is here to serve you. Any suggestions and/or feedback would be greatly appreciated. E-mail us at info@factoring.org, or call 800-563-1895.

Karen Ross is editor of The Commercial Factor. She can be reached at karen@dissol.com.

The Commercial Factor Newsletter for the Factoring Industry

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Bert Goldberg
Distinctive Solutions

Randy Ontiveros
Resource Business Partners

Tobi Wilkins
Quantum Corporate Funding

Debra Wilson
Vertex Financial

Ron Winicour
Gibraltar Financial Corporation

The International Factoring Association's (IFA) goal is to assist the Factoring community by providing information, training, purchasing power and a resource for the Factors. The IFA provides a way for Commercial Factors to get together and discuss a variety of issues and concerns to the industry. Membership is open to all banks and finance companies that perform financing through the purchase of invoices or other types of accounts receivable.

The Commercial Factor invites the submission of articles of interest to the Factoring industry. For more information on submitting articles or advertisements, please e-mail info@factoring.org, or call 800-563-1895.

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Factoring Conference Review

by Karen Ross

The 7th Annual Factoring Conference took place on April 4th – 7th at the Radisson Resort in Scottsdale, Arizona. Comments

from attendees ranked this as the most successful conference yet. Attendees truly enjoyed the conference and the Radisson's and Scottsdale's southwestern hospitality. The only negative comment received was that we should have been able to stop the rain! As one attendee put it, "It's a good thing it rained, otherwise I might have been tempted to play hookey and golf! I would have missed an excellent conference."

The conference activities began on Wednesday afternoon with a golf tournament at Stonecreek Golf Club, followed by a Welcome Reception at the resort. This was the first year for the Welcome Reception and, judging by the attendance, it looks like it will become a permanent event at the Factoring Conference.

Thursday morning, Bert Goldberg and Karen Ross started off the conference with a presentation about the International Factoring Association. They discussed the past year's accomplishments, including the Code of Ethics, implemented by the Board of Directors. Throughout the conference, speakers were introduced by members of the IFA Board.

Bob Zadek, one of the conference highlights, spoke next. Bob covered getting prepared for Revised Article 9 of the UCC Code, which goes into effect on July 1st. As always, he also answered the audience's questions. His presentation was described as "colorful, knowledgeable, and full of energy."

After lunch, concurrent sessions began. Another conference favorite, attorney Mike Ullman spoke about factoring specialized industries and what factors are calling him about. As one attendee put it, "(Mike) possesses a great insight into the factoring industry, and his knowledge is evident in his presentation."

Barry Morganstern, from Glick Morganstern Capital, LLC and Reese Howell, from Celtic Investments, Inc. spoke opposite of Mr. Ullman. Their topic included information about how to value a factoring firm and the specifics of the sale of Goodman Factors, Inc., which both firms participated in.

Late afternoon sessions consisted of a choice between attorneys Stan Hammerman and Gil Weiner. Mr. Hammerman, of Hammerman & Hultgren spoke about collecting your receivables and recouping your investment when the seller has skipped. Mr. Weiner, of KPMG, spoke about how to retain top employees and providing low cost benefits packages.

A hospitality suite hosted by KBK Capital Corporation was the highlight of Thursday night. Attendees enjoyed the food, drink and time to network with other factors. Later that evening, The Credit Exchange hosted a dessert reception in the lobby of the Radisson.

Friday morning started off with Bert Goldberg of Distinctive Solutions discussing technology and factoring, and where the industry is going. His presentation included a demonstration of Factor SQL, Distinctive Solutions' new Windows-based factoring software.

Dr. Edmond Seifried, an economist from Lafayette College followed Bert's presentation. His entertaining style kept the audience interested, and his economic forecast pleased everyone. Attendees commented that Dr. Seifried is an "excellent speaker for a read on the economy. He brings complex issues to an understandable format."

Following Dr. Seifried was a Fraud Panel, which proved to be a very popular topic. The panel included Ron Winicour of Gibraltar

Financial Corporation, Wayne Coker of Advantage Business Capital, and Stephen Troy of AeroFund Financial. It was moderated by attorney Steven Kurtz of Greenberg & Bass. Since fraud is a topic all factors have to deal with, the Fraud Panel was a very popular conference session and gave some good insight.

Concurrent sessions began again after lunch with attorney Bob Buchan of the Law Offices of Robert Buchan, and Jeroen Kohnstamm, Secretary General of Factors Chain International. Mr. Buchan spoke about litigation, restraining orders, and temporary injunctions. As one attendee put it, "I hope I do not need his information, but it was extremely interesting and informative."

Mr. Kohnstamm spoke about the presence of factoring around the world. Several attendees commented that they were not aware of how extensive factoring is around the world.

The final sessions of the day consisted of Garrison Wynn of Wynn Solutions, and Robert McGee, CEO of KBK Capital Corporation. Mr. Wynn gave a presentation on sales and motivation. Mr. McGee spoke about the problems of taking a factoring firm public and securitization.

During breaks on both days, attendees visited with over 20 vendors in booths located in the exhibit hall and the ballroom foyer. Types of firms represented included UCC search firms, funding firms, fraud insurance, medical factors, software companies, and voice recording systems.

The banquet dinner at Tonto Bar & Grill was one of the conference highlights. Attendees were bussed to the restaurant in the desert town of Cave Creek, Arizona. Surrounded by beautiful desert scenery, guests enjoyed visiting with palm and tarot card readers and listening to local musician Mark Mulligan. The award-winning food was thoroughly enjoyed by all. After dinner, some chose to stay in Cave Creek and visit some of the local watering holes, while others headed back to the hotel to get ready for the Operations Roundtable on Saturday morning.

Always well-attended, the Operations Roundtable provided attendees with many new ideas about how to run their factoring operation.

Audio CD's of all conference sessions are currently available at our website at www.factoringconference.com, or you can use the Order Form in this newsletter. Also on the website, you will find PDF files of speaker handouts and photos from throughout the conference.

Plans for the 8th Annual Factoring Conference are in the works! It will be held at the Peabody Hotel in Memphis, Tennessee on April 3rd – 6th, 2002. While not all speakers have been confirmed yet, we have booked return visits from Bob Zadek and Mike Ullman. For more information about the Peabody hotel, visit their website at www.peabodymemphis.com.

Brochures and registration forms for the 2002 Factoring Conference will be mailed out in the Fall. In the meantime, keep checking the website at www.factoringconference.com for the latest information. We look forward to seeing you there!

Karen Ross is editor of The Commercial Factor. She can be reached at karen@dissol.com.

Plans for the 8th
Annual Factoring
Conference are
in the works!

FACTORING NEWS

L The volume of factoring services in Asia, excluding South Korea, grew 147% between 1995 and 2000, according to Factors Chain International. The countries which posted the highest growth were Taiwan, China, and Hong Kong. The highest ratio of international to domestic factoring was reported by Taiwan, 42.5%, and Hong Kong, 33.3%.

The Business Times Singapore, May 29, 2001

H **Greater Bay Bancorp** purchased **CAPCO Financial Company, Inc.** for \$8.5 million in cash and stock. **Greater Bay** is a financial services holding company, while **CAPCO** deals in factoring and asset-based lending in the Pacific Northwest. **Greater Bay** feels the purchase will provide them with an opportunity to expand their asset-based lending capabilities, especially in the Northwest. **Greater Bay** also has ten subsidiary banks throughout the Silicon Valley and San Francisco Bay Area.

PR Newswire, April 2, 2001

The U.S. Bankruptcy Court in Delaware approved a plan by **Berkshire Hathaway Inc.** and **Leucadia National Corp.** to bail out commercial lender **Finova Group, Inc.** The plan included approval of disclosure notices to explain the restructuring plan to creditors. The plan involves using a loan and cash generated from asset sales and other sources to pay creditors 70 cents on the dollar initially, about \$7.7 billion. The rest of the \$11 billion debit would be covered by eight-year promissory notes at 7.5% interest. The plan will be initiated by **Berkadia LLC**, an organization formed by **Berkshire Hathaway** and **Leucadia**.

AP Online, June 15, 2001

In a friendly take over, **Metropolitan Factors** has been acquired by **Close Invoice Finance**. The move was made to give two of the leading independent factoring companies a stronger base from which to compete. The chairman of **Close** commented that, "the acquisition came at a time when the factoring sector was reaching maturity."

UK Newsquest Regional Press, June 25, 2001

Alliance & Leicester has joined the growing factoring market in a partnership with the **Bibby Group**. The new company, **Alliance & Leicester Invoice Finance** will be aimed at small to medium-size businesses. It will combine the financial backing of **A&L** with the collection and sales ledger expertise of **Bibby Factors**.

UK Newsquest Regional Press, June 8, 2001

The Ninth Circuit Court of Appeals ruled that the "statutory trust" provisions of the Perishable Agricultural Commodities Act (PACA) do not apply to cases in which the receivables have been factored by a financial institution, rather than taken as security. The provisions could render valueless the agricultural accounts receivable a lender holds as collateral for a loan. The victory for financial firms should help sustain the crucial liquidity that such firms provide to agricultural brokers and growers. Under the decision, PACA cannot force a factor who sets up an agreement properly to disgorge to growers the proceeds of receivables it holds if the broker from whom it factored the receivables goes bankrupt.

Business Wire, June 13, 2001

David L'Hoir, who ran the organization **PayDay Today** was arrested by the FBI in Ft. Lauderdale, Florida on suspicion of mail fraud, wire fraud and money laundering. There is also probable cause to believe he is operating a Ponzi scheme. L'Hoir's San Diego company made high-interest loans to low-income people and promising investors 3 or 4 percent a month. He told investors they would be factoring accounts receivable and initially promised to pay investors 5% a month. When investors wanted their money back, he balked.

The San Diego Union-Tribune, May 5, 2001

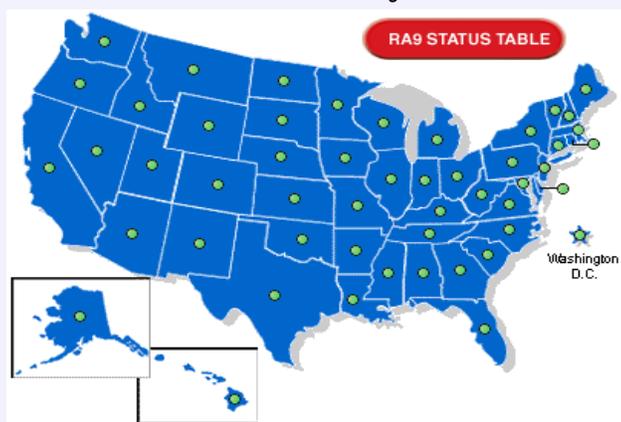
Last year **U.S. Bancorp** acquired **Spectrum Commercial Services** as part of a larger deal. Top executives at **Spectrum** assumed that was the end of their business and that they would be absorbed into an existing corporate division. However, Brian Van Nevel and Steven Lowenthal of **Spectrum**, realized almost immediately that **Spectrum** was an afterthought in the larger deal with **Lyon Financial**. They raised \$6 million in capital from investors and secured a \$30 million loan from **Foothill Capital Corp.** to purchase \$25 million of **Spectrum's** loans from **U.S. Bancorp**. They have now established **Spectrum** as a separate company and are part-owners of it, with an ability over time to increase that ownership to 15% apiece.

Citybusiness, April 27, 2001

Due to a specific increase in its loan loss allowance, totaling approximately \$6 million, **KBK Capital Corporation** announced it expects to be unprofitable in the quarter ended March 31, 2001. The loan loss allowance is related to deteriorating conditions surrounding asset-based loans to three customers, one of whom filed for bankruptcy during the first quarter. **KBK** is aggressively pursuing collection, however, the company believes it should establish an allowance equal to the maximum amount management estimates it could lose under the circumstances.

Business Wire, April 6, 2001

Revised Article 9 by State



● - All 50 states and the District of Columbia have enacted RA9.

Map and information courtesy of
Intercounty Clearance Corporation
www.intercountyclearance.com

If you have any news items you would like to include in the next issue of *The Commercial Factor*, please e-mail them to info@factoring.org.

DUHH! (HORROR STORY)

by Carlos Weil

Most of us lenders feel reassured by the certainty of logical decisions. After all, you are either in first position UCC or you are not and an account is either eligible or not. Our minds short circuit when we have to take decisions based on degrees of gray – and that is what happened to us a few weeks ago.

A Client filled out an application with us and promptly presented a very neat and professional package. Everything we asked for was there (which is kind of unusual). The only thing that was weird, was that the CEO (let's call him John Peters) was not the owner and was not the signator to anything. Other than that, they were very forthcoming and all the information jived.

"Great!" - we said – "Let's run some credit checks and get ready for funding (we actually had to pay another lender off)". At the same time our staff was running the credit checks I was trying to get more

Don't expect from any reporting agency a message at the top of the report saying "OK to Fund".

information out of this John Peters (his son was actually the 'owner', even though he lived in another state and was an employee of a company in an unrelated field).

By now you are guessing: "Don't waste my time, this is Factoring 101! The guy had a shady past...and you were going to pick it up when you got your credit reports...next!"

Not so fast. Your conclusions are "right" on the first one and "wrong!" – big time - on the second one. And that is the horror story.

At one point, I made it very clear to John Peters – a very nice guy by the way – that independent of the fact that he was only the CEO and not the owner, we needed to check him out if we were going to fund them. Big drama unfolded. The owner (son) got into a hissy fit and said they were walking. "OK" I said, "sorry we couldn't help". A day later John Peters calls, saying that he wanted to be upfront with us and 'confessed' to having been in jail for fraud (currently on probation).

(At this point, you are saying, "I told you so!")

The horror story begins when I received our credit report: There was absolutely nothing suspicious there! Nothing! The report didn't have incredible amounts of entries, but we certainly didn't see anything that raised our eyebrows. We lent to tons of people with worse reports!

We then asked for a criminal background check. Nothing either! Aaaaaaaah! (The worst part was the feeling of uncertainty about how many *more* ex-cons we had in our portfolio that we knew nothing about).

So here is how the issue unravels and what we learned from it: John Peters was not really John Peters, but rather Jack (also simulated name) Peters. "That shouldn't matter..." - you say - "...as long as you have the correct Social Security number". "EEEEH", wrong again. The reporting agency we use (I will not name them here but you know them and they are one of the two biggest in the country) confirmed that they don't necessarily look for consistency between name and social security number and (even worse) don't alert you if there is a lack of consistency. This means that if there is 'activity' under a certain name – independently on whether it jives with the social security number – they will report it...and you will happily walk away from the printer with your report, thinking you got the right information for the right guy.

Scary.

This close call upset me so much that I started calling friends in the trade and asking them about their credit procedures. I'd like to share with you some of what I learned:

1. There is no silver bullet. Don't expect from any reporting agency a message at the top of the report saying "OK to Fund". It will never happen.

2. Don't assume that because you have copy of the Drivers License or the Social Security number, that you are getting the report for the intended person. If there is 'activity' (meaning for example that the person got an Office Depot card with the same name), the Credit agency will report it even if it is inconsistent with other information you gave them (S.S, address, etc.).

3. Put your PI hat on; use your gut feeling: look for clues. What are the behavioral patterns? Credit cards paid late? What about Mortgages? Expensive cars?

Probably the most important lesson we learned is: as much as we thrive with numbers, A/R eligible rules and 'logical' decisions that either black or white...credit is not one of them.

Be an independent thinker. Don't delegate this issue too far down your company, assuming that checking out the credit rating code assigned by the agency is all you need to do (how many times have you heard of Credit Agencies actually going down to a \$2MM company to audit the information they provided?).

Happy underwriting!

Carlos Weil is with Capital Solutions in Ft. Myers, Florida. He can be reached at 800-499-6179.

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Listserve . . .

Another Valuable Tool Brought To You by the IFA

by Randy Ontiveros

What the heck is a Listserve? That's usually the first question asked. Simply put, a listserve is a list of people that share similar areas of interest via e-mail. Sounds like it should be called listshare. . . . I don't know how it got its name but I bet someone out there knows. That's one of the benefits of a listserve, if you have a question just post it to the listserve for all subscribers to see. My experience is within minutes you will have several subscribers respond.

The IFA listserve will be open to and comprised of all IFA members who want to share their areas of interests, ask questions and refer business back and forth.

I'm fairly new to the factoring business so I have tons of questions. Just two weeks ago I had a San Francisco based construction company come to me with \$3 million in A/R's and wanting to factor about \$1 million. While I have experience in small construction deals, I felt I was way over my head on this one.

My choices were to take the deal and lose my shirt through inexperience, tell the guy no, spend countless hours calling my factor colleagues, refer him to IFA's FactorSearch or post the query myself to FactorSearch. With the IFA's permission, I posted the query on FactorSearch. I got several quality responses and made a referral to a top-notch experienced factor. The construction company was very happy with the immediate results and I'll make lunch money on the deal.

That's kind of how a listserve works. The difference is if the new IFA listserve was up and running that day, I could have posted the information and within seconds the information would go to all the subscribed IFA members. Those that were interested could have emailed me back with suggestions on how to navigate the deal, participate in the deal or do the deal themselves. What a huge time saver!

Another benefit of the listserve is the ability to alert our IFA subscribers of fraudulent activities. IFA has a fraud alert link on their web site, however you must take an active role by logging on and navigating to the link. With the listserve, the alert will automatically come to you seconds after it's been posted. For instance, a few months ago one of my construction clients in Philadelphia sent me several invoices to factor. His buddy, the account debtor, confirmed the invoices so I factored the invoices. Six weeks later, after several collection calls, the account debtor said, "What are you talking about, I didn't confirm those invoices." I posted this to IFA's fraud link, however my sense is not many IFA members go through the process each day to log on and navigate to the link. Had I posted this to the listserve, it would have come to you within seconds.

Lastly, the listserve offers the ability to post a quick question and get several responses. Last month one of my clients, who puts on job fairs, closed his business leaving several of his customers, who pre-paid, out in the cold. I factored some of those pre-paid customers so when they got wind my client closed his business, guess who came to me with their hands out wanting refunds? I would love to have had the ability to post the scenario to the listserve. I'm sure I would have received several "how to respond" responses within minutes.

Another benefit of the listserve is the ability to alert our IFA subscribers of fraudulent activities.

My background is 30 years as a licensed private investigator. If a subscriber posts a question about how to find missing clients and their assets, what's the benefit of a pre-litigation financial investigation or how do you collect those really hard to collect bad debts, I can answer them. I'm a subscriber to an investigation listserve and have assisted other investigators and been assisted by them many times over the years. This is a very powerful tool !

So, in my opinion, the listserve adds tremendous value to our business. The IFA has very generously offered to host the listserve and membership is free. The IFA is going to be the gatekeeper, confirming those who want to subscribe are actually IFA members and giving the boot to anyone who abuses the listserve.

To subscribe go to your email program and in the "to" field type: factoring_assoc-subscribe@yahoogroups.com

Then hit send just like you would send a normal email. This will go back to Yahoo! Groups and they will send you a message confirming that you would like to become a member. When you reply to this message, it will get sent to the IFA where they will confirm that you are an IFA member and send you back a confirmation. Once you get the confirmation, hit reply just like you would reply to a normal email.

That's it, you're on !!!

Important to note. When you subscribe and reply, do not type anything in the subject or text part of the email. Leave that part blank.

If you have any questions please email at randgrp@pacbell.net or call me at 510 223-1280.

Randy Ontiveros is Vice President of Resource Business Partners in San Jose, CA. He is also a current Board Member of the IFA.

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Gil Weiner, Esq., KPMG

- How to retain top employees
- Low cost benefits packages

Dr. Edmond Seifried, Lafayette College

- Economic analysis & projections

Fraud Panel

- Discussion of fraud
Ron Winicour - Gibraltar Financial Corporation
Wayne Coker - Advantage Business Capital
Stephen Troy - AeroFund Financial, Inc.
Steven Kurtz (moderator) - Greenberg & Bass

Bob Buchan, Esq., Law Offices of Robert Buchan

- Litigation
- Restraining orders & temporary injunctions

Jeroen Kohnstamm, Factors Chain International

- Factoring - Spreading it's wings around the world

Garrison Wynn, Wynn Solutions

- Sales
- Motivation

Robert McGee, KBK Capital Corporation

- The problems of taking a Factoring firm public
- Securitization

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Stop The Bleeding

By Dr. Ron



A consensus seems to be taking place among many of us as far as new business applications are concerned. Since year end, most of us have been seeing more and larger applications than we have seen in the past several years. The bad news is that these recent applications have been somewhat less than appealing. To be honest, they have been rather dreadful. The good news is that quite a few of my cronies have been predicting that a change for the better as far as quality of new business applications will be taking place in the third but especially in the fourth quarter of this year. Recent weeks, at least in our shop, have proven that prediction true, as we have seen some change for the better in the quality of applications. Our pipeline is filling up and some of the deals appear to be doable. But, as we all know, none of this means anything until the deals are funded.

Since we may be booking some new, hopefully good business, and since we all remain susceptible not only to those desperate clients remaining in our portfolios but to the new desperados as well, I thought this to be a good time to share with you some of the outside sources we can use to protect ourselves.

A subscription to what is being billed as "The Nation's Only Daily E-Newspaper", the CREDITOR'S EDGE, is an excellent way to keep track of potential credit problems for both existing and potential clients. Published daily, it focuses on financial changes to public and private companies you may have a financial interest in as account debtors. The paper has a section on bankrupt companies as well as a section on financially distressed companies. (As an aside, the June 8, 2001 edition states that commercial bank write offs were \$7 billion for the first quarter of 2001, a 38% increase over the same period last year. Wells Fargo alone accounted for \$1.1 billion, or 15% of these losses!). A sample of this electronic newspaper can be found at www.creditnews.com, or you may call toll free at 800-407-9044.

Another web site that can be useful is www.knowx.com. On this site you can find information on UCC filings, tax liens, suits, judgments, etc. While this information may not be as reliable as, nor as current as, a formal search, it is instant information that can be used during the application and due diligence process to screen out unwanted applicants thereby saving valuable time and money. www.iqdata.com is another useful web site and is similar to knowx. Iqdata features assumed name searches, professional license searches, state and federal criminal background checks, and a few others not found at knowx.

Remember the "Revision"? I am speaking of the revision to Article 9 to the Uniform Commercial Code, which takes effect on July 1, 2001 in all states but eleven. This means that you should be using factoring (security) agreements with the new collateral descriptions and observing the new UCC filing and UCC renewal procedures. A list of states that have not yet enacted the new laws can be found at www.cfa.com and clicking on Revised Article 9 and then clicking on Enactment by States.

Having trouble getting the new UCC forms that conform to the Revision of Article 9? They can be obtained at www.incspot.com, a UCC search firm, which offers much more than just forms. First, enroll and log in. Then use the pull down menu at the top and click on Revised Article 9 Library and look for the forms at the bottom.

On line UCC and corporate record information is available in the following states:

California: www.ca.gov
Florida: www.sunbiz.org
New Jersey: www.thesopranos.com
Ohio: www.state.oh.us
Texas: www.sos.state.tx.us

For those of you paying attention, the real URL for New Jersey is www.state.nj.us. If anyone knows of additional states that are on line, or of any web sites that can be useful to us in the industry, please let me know and I will offer the information in the next Dr. Ron column. By the way, I am not endorsing any web site or product by sharing this information. Some of the above sites I use, some I do not. But, as long as I am giving away secrets for free, I find that www.qixo.com provides the best combination of price and flight times of any airline ticket web site.

At this writing, June 12, 2001, the market had been heading down for several sessions due in large part to poor earnings expectations for the second quarter and even worse expectations for the third quarter. I think that this increases the odds that our new business activity will indeed get better, but at the same time cautious operational practices remain as important as ever.

All of which brings to mind one of our worst enemies, dilution. I define dilution as follows. Dilution is the difference between the original invoice amount and the amount collected in cash against that invoice, all divided by the original invoice amount. Find a way to monitor dilution of each client in your portfolio and also find a way to monitor each concentrated account debtor in each client portfolio. You may find it prudent to lower a client's overall advance rate. Or you may find it prudent to lower the advance rate and/or credit limit for a particular account debtor.

Specifically, do not reach for new business. The economy remains too weak. Also, keep a "hands on" approach towards all clients with concentrations. Do not allow lower echelon employees to have all the contact with these clients. Stay involved.

Have a great summer. Remember to stop and smell the roses. I'll speak with you all again this fall.

To share your experiences or to seek the advice of the author, Ron Winicour can be reached by email to ron@gibraltarfinancial.com or by snail mail to Gibraltar's corporate address at 60 Revere Drive, Suite 840, Northbrook, IL 60062.

Upcoming Events

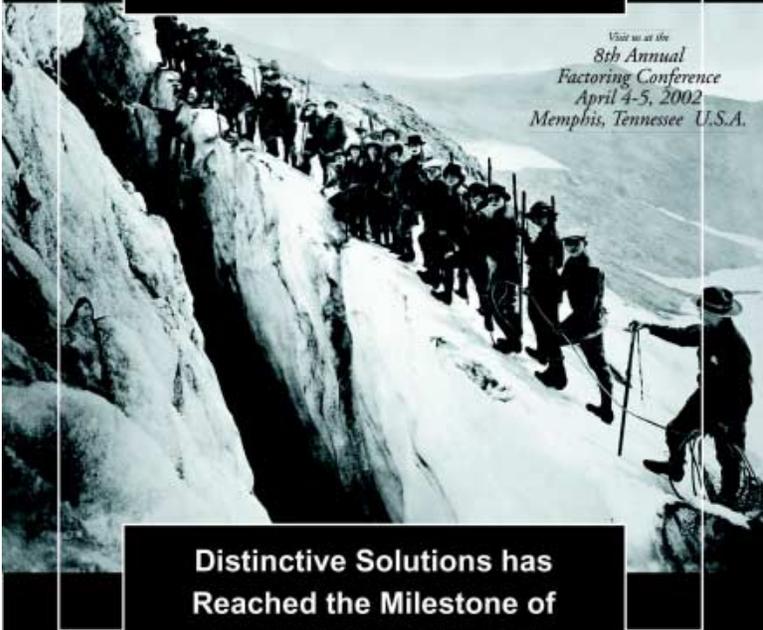
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Steven Kurtz, Esq.
from Greenberg & Bass
Thursday, July 19th at 1:00pm, PST
Revised Article 9 is here!!
What should you be doing?
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Foreign Credit Reports

Owen's OnLine, Inc. is a worldwide credit reporting agency, providing credit reports on foreign companies and individuals. They also provide company directories. The following is a selection of two of the many countries they provide information on, Australia and Japan. Should you have any questions, you may contact Mark Owens at (800) 745-4656, (813) 877-2008 (9-5 EST) or at: email@owens.com. Their website is at: <http://www.owens.com>.

Australia Credit Grantor's Fact Sheet

Information Available on Companies and Individuals in Australia

Background: The approximate geographical size of the continental US, Australia has a population of only 18.3 million. Europeans dominate the populace, over half of which participates in the work force. The service sector accounts for 69 percent of the economy, followed by mining, manufacturing, and utilities (22 percent); agriculture (5 percent); and public administration and defense (4 percent). Imports exceed Aus. \$60 billion with US products accounting for nearly one-fourth that total. Major imports include machinery and transportation equipment, computers, crude oil and petroleum products, and telecommunications equipment. Manufacturing is limited to a small domestic market and high labor costs is fostered by strong unions.

Business Structures: Sole proprietorships and partnerships have unlimited liabilities, while the over one million private companies (Pty. Ltd.) and public limited companies (Ltd.) have limited liability.

Banking Information: Banks provide references on their clients for a fee of Aus. \$20, but requests must be made in writing and submitted through the inquirer's own bank. The information provided, however, is very general, so it is advisable to request a reference for a specific credit amount.

Public Records: All Pty. Ltd. and Ltd. Companies are incorporated with the Australian Securities Commission and must file an annual return. Most small and medium companies file by January 31. Registered businesses, partnerships and sole traders must re-register with the Department of Fair Trading every three years. Liens, judges, and Wind Up Notices (claims against companies that have filed for bankruptcy or liquidation) are published and easily searched. All Petitions to Wind Up, Subsequent Dismissals and Withdrawals are published in the weekly *Prime Reporting Early Warning Report*.

Financial Information: Financial data is publicly available from the Australian Securities Commission on all large Pty Ltd. and Ltd. companies. Small to medium Pty. Ltd. companies are not required to file, so when possible allow your credit-reporting agency to divulge your name. The Australian financial year runs from July 1 to June 30 for most companies, though there are exceptions.

Personal Information: Information on past finance, credit applications, and electoral rolls is available on-line to credit agencies and credit grantors. Permission is not required from the individual subjects. Credit card payment histories are not available. Details on judgments can be obtained through court records.

Trade Payment Histories: No trade payments databases exist. Agencies rely on written trade references inquiries- a slow process. Credit agencies do random surveys on known suppliers or large companies.

Standard Terms: Normal trading terms are thirty days, but can be extended to forty-five or sixty days.

Collections: The use of collection agencies in Australia is similar to the US practice. Legal actions add to costs and are usually paid up front by the client.

Japan Credit Grantor's Fact Sheet

Information Available on Companies and Individuals in Japan

Background: Japanese business culture thrives on personal relationships and physical contact. Credit agencies with a nationwide agent network solicit credit information through personal interviews - the most effective way to get information from smaller companies. Public records or commercial database/directories provide scant information for an agency to build on, so this reliance on personal interviews also means reports in Japan take longer than you would expect from such an efficient society. Knowing something about Japanese culture also helps you read between the lines when reviewing credit reports.

Banking Information: This kind of information is very restricted, and cannot be disclosed to third parties even if an account number and contact person are known. Credit reporting agencies can sometimes get summarized loan histories, but balance information is generally not available.

Financial Information: Information on private companies with capital excess of 500 million yen or liability in excess of 20 billion yen is publicized just as for publicly traded companies. Small and medium sized companies are not obligated to disclose information, though aggressively expanding companies usually cooperate with credit agencies. Most private companies resist giving financial information, but allowing a credit agency to reveal your identity helps.

Public Records: Company profiles are available at the Bureau of Justice. The Commercial Register shows type of entity, date of establishment, address, capital transaction, officer and shareholders, etc. The Real Estate Registry shows owner, officer, transaction, mortgage, and so forth. Government agencies requiring trade licenses provide company histories and basic sales data. Details of Liens and Judgments are not usually released.

Personal Information: Japanese law does not allow disclosure of personal financial data unless an individual's income exceeds 10 million yen. Then names and annual incomes are made public. Credit card histories are only available to credit card companies through the Credit Information Center, organized by major financial institutions. With database information minimal, personal credit reports are freshly prepared from public record searches and verification of employment, residence, and other personal information.

Trade Payment History: Trade payment histories are almost non-existent since there is no commercial repository of this data. Agencies rely on trade references supplied by the company, but asset evaluation is the more important analysis factor in Japan.

Standard Terms: Terms are normally 30 to 60 days. The use of promissory notes with terms of 150 to 200 days is common. The higher the reliability of a company, the longer the terms. Promissory notes are printed by commercial banks much like a bank check in the US. Collection and exchange of promissory notes are governed by the Official Exchange under the Bill of Exchange Law.

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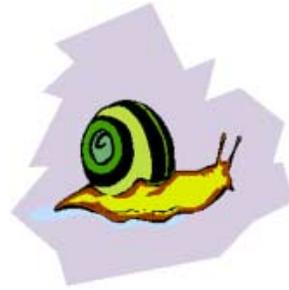
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