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Spring
2015

CLFP CIRCULAR

News for Leasing and Finance Professionals

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CLFP Foundation
P.O. Box 146
Northbrook, IL 60065
(206) 535-6281
www.CLFPfoundation.org

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2015 ANNUAL CONFERENCE
April 30 - May 2
PHOENIX, AZ

Message from the President



Brian Schonfeld, CLFP
Project & Information Manager

Pawnee Leasing Corporation

As you read this the first CLFP circular of the New Year, I think it is only appropriate to take a moment to reflect on the one that just passed. 2014 was by many measures the most successful year in the history of the CLFP Foundation. With 36 passing the exam, we now have 229 CLFPs in good standing. Additionally we worked with the NEFA in putting on four highly successful Institute for Leasing Professionals (ILP), with the gracious assistance of ECS Financial Services, Financial Pacific Leasing, Banc of California, and FSG Capital. And I would be remiss not to mention all the instructors and support staff who made these events possible.

But rest assured we're not resting on our laurels! 2015 figures to be one of the most important years the Foundation has ever seen! The first and probably most visible activity is the change in Foundation's name. As you know our industry is changing, and we see ourselves writing and funding as many equipment and working capital loans (if not more) than true equipment leases these days. As such the CLP Foundation is pleased to now be known as the Certified Lease and Finance Professional (CLFP) Foundation. All members in good standing should have received their updated certificate, and don't forget to update your signature, LinkedIn page, etc. with CLFP.

Additionally the Foundation is excited to announce that for the first time this year a preparatory course for the Exam will be offered. Titled the "Academy for Lease & Finance Professionals" (ALFP), this two-day course will cover all three of the mandatory sections of the exam in-depth and help prepare the CLFP candidate to be successful in obtaining the designation. The first ALFP is scheduled to be held in the Southern California area in May; there will also be one in Texas in June and one in Iowa in November. A fourth ALFP is also being considered.

That's not all though! We're continuing our efforts to grow and expand our relationship with the ELFA; and our Executive Director will be attending this year's annual convention courtesy of Banc of California. And of course let's not forget 2015 marks the 30th anniversary of the Certified Lease & Finance Professional Foundation! You'll see special interviews with some of the industry's first CLFPs throughout the years as well as photos from the past!

A big thank you to all those who have volunteered your time and energy over the years, we wouldn't be where we are today without the efforts from volunteers like you. And if you've never served on a committee or volunteered your time before – there's no better time! Please feel free to contact either myself or Executive Director Reid Raykovich, CLFP if you're interested in lending a hand. Together we can make 2015 a seminal year for the Foundation!

Very Humbly Yours,



Brian Schonfeld, CLFP, MBA
President, 2015 CLFP Board of Directors

Academy for Lease & Finance Professionals

The CLFP Foundation is pleased to present the Academy for Lease & Finance Professionals (ALFP). The ALFP is a new product offered by the CLFP Foundation and is a three-day event designed to fully prepare an individual to sit for the CLFP exam assuming that the candidate has read The Certified Lease & Finance Professionals' Handbook prior to attending.

On the first two days, all of the required sections of the CLFP exam are covered in-depth (see below). Study materials are also provided for the elective sections which students may use to self-study. On the third day, the exam is offered, but not mandatory.

Part I

History of Leasing
Terminology and Classification
Lessor and Vendor Relationships

Part II

Credit and Financial Statement Review
Law and Documentation
Collections

Part III

Financial and Tax Accounting
Sources of Financing for a Leasing Company
Lease Pricing and Math

The cost to attend the class is \$495 and the cost of the exam is \$550. When purchased together, the total is discounted to \$1000. Current CLFPs are offered a discounted price of \$395 to attend the class (no exam required) and this satisfies the Recertification requirement. To register, please e-mail Reid: reid@CLFPfoundation.org

Southern California

Hosted by Banc of California

May 7 - 8, 2015 Class
May 9, 2015 CLFP Exam

Recommended Hotel:

Marriott - Irvine
18000 Von Karman Ave.
Irvine, CA 92612
www.marriott.com
(949) 553-0100

Texas

Hosted by Ascentium Capital

June 18 - 19, 2015 Class
June 20, 2015 CLFP Exam

Recommended Hotel:

Marriott Courtyard Houston Kingwood
130 North Plaza Dr.
Kingwood TX 77339
www.marriott.com
(281) 973-1970

Iowa

Hosted by GreatAmerica Financial Services

November 5 - 6, 2015 Class
November 7, 2015 CLFP Exam

Recommended Hotel:

Doubletree by Hilton
350 First Ave. NE
Cedar Rapids, IA 52401
www.doubletree3.hilton.com
(319) 731-4444

One of the Originals - Russ Runnalls, 30 years as a CLFP

In April 1978, I closed an engineering company that I owned with two other partners. My intention was to get my real estate broker's license and open up a brokerage business. My good friend Bill Watkins questioned the wisdom of that decision and suggested that I go to work for him in the leasing business. So, with absolutely no idea what a lease was, in June of 1978 I went to work for Bill Watkins and Don Froomer in sales at Enterprise Leasing Corporation in Sherman Oaks, California.



W. Russell Runnalls, CLFP

Leasing was not a concept that came quickly to me. However, with the patience I received from Bill, and the intense and lengthy tutoring that I got from Don, one day, about six months later, all the lights came on, I got it, and the career path for the rest of my life had been set. I stayed at Enterprise until 1982. During that time at Enterprise, I took over the sales department, eventually became EVP, met Tamara Quinn who eventually became my wife, and got quite involved in the Western Association of Equipment Lessors (WAEL).

In January 1982, I left Enterprise and became a 40% partner in Markay Equipment Leasing, Inc. (later changed to Markay Financial Corporation when I owned 100%). My involvement in WAEL continued and intensified due to the desire of the association to establish a method of increasing and recognizing professionalism within the industry through training and testing. This was something I was very interested in and very much in favor. The Certified Lease Professional (CLP) program and designation was established in 1985. It was determined that the first testing for the first group of CLP's would be late 1985. At that time, the only material available for preparing for the exam was experience and a leasing manual produced by Ted Parker. I had a copy and studied for the exam. On November 25, 1985, 10 members took the test, 8 passed the test, and I'm proud to say that I was one of those who passed, along with Raymond Corob, Peter Davis, Leon Frick, Hal Horowitz, Bob Jacobson, Patrick O'Rourke, and Jim Swander.

Since that time, I still own Markay (run by my wife), and I have worked for or consulted for Charter Leasing, Capital Network and presently TEQlease Capital. I was a contributor to the original *Certified Lease Professionals' Handbook*, and in 1991 I served as the Certification Committee Chairman. I am proud to have been involved in and part of the beginning of the CLP program. It has developed over the years into the great and valuable program that it is today. Its training programs have raised the sophistication and knowledge of all the players in our industry, and it has elevated the legitimacy of, and respect for our industry. I believe the CLFP designation gave me a beneficial and invaluable recognition with my peers in the leasing industry, as I do with other CLFP's.

Incorporating Electronic Documents Into Your Business: What, How and Why?

Part One of Three: What to Know About Electronic Documents

By Brian Schonfeld, CLFP

Although electronic documents have been around for well over a decade, most notably in the automotive finance industry, they have only recently gained mainstream acceptance in the equipment finance industry. One of the primary challenges facing early adopters of this technology was concerns about the legitimacy and enforceability of electronic signatures and subsequent control of the chattel paper. With advances in technology and reputable firms such as DocuSign, eOriginal, and Adobe EchoSign entering the marketplace, these issues have generally acknowledged to have been resolved. Potential benefits of adopting electronic documents include decreased costs, increased document accuracy, and decreased turnaround time.

As a reminder, security interest in chattel paper may be perfected by filing an effective financing statement (UCC § 9-310); however this can be superseded by UCC § 9-330 which dictates that superior rights can be obtained by the possessor of the original chattel paper. To this effect, UCC Article 9 was updated in 1999 to permit the creation, and more importantly to define the control of, Electronic Chattel Paper (“ECP”). UCC § 9-105 established new forms of control over ECP that would enable it to be treated as equivalent to possession of traditional chattel paper¹. This revised section creates a method by which the purchaser of electronic chattel paper can acquire the same bundle of rights and benefits as a purchaser who takes possession of tangible chattel paper. In other words, “Revised Article 9 permitted chattel paper financiers using electronic documents to maintain the super-priority status they had been granted in the original Article 9, provided that they could take “control” of the ECP².

It is important to note that while UCC § 9-105 has a high threshold from a technological standpoint for control of the electronic chattel paper, it does not specify any technical or process solutions to this requirement. Accordingly, third party providers have been given the flexibility to create their own systems as long as they meet the requirements of UCC § 9-105.

¹See Working Group on Transferability of Electronic Records, a Joint Working Group of the Committee on Cyberspace Law and the Committee on the Uniform Commercial Code of the ABA Section of Business Law and The Open Group Security Forum, “Framework for Control over Electronic Chattel Paper – Compliance with UCC § 9-105.” *The Business Lawyer*, 61.2 (2006): 721-744

²See Winn, Jane K. “Electronic Chattel Paper: Invitation Accepted.” *Gonzaga Law Review*; 46:2 (2010/11).



There are three main elements of electronic documents that one needs to concern themselves with: signatures, control, and vaulting.

Signatures: Under common law, a signature can be any sort of symbol if adopted by a competent signer with intent to sign a record – even an “x” for example. However, as electronic commerce increased in popularity, concern grew that signatures obtained through electronic means would not be valid. To combat these concerns, two laws were passed:

- The Uniform Electronic Transactions Act (UETA)³ at the state level; and
- The Electronic Signatures in Global and National Commerce Act (ESIGN)⁴ at the federal level.

The above statutes cover consumer and commercial transactions; both are designed to put electronic records and signatures on par with their paper counterparts – in other words a document or signature cannot be denied legal effect simply because it’s in electronic form. These Ecommerce laws dictate that one can do business electronically, however they do not offer much in the way of guidance on going about business electronically.

To that end, the Standards and Procedures for electronic Records and Signatures (SPeRS) was formed by the financial service industry. SPeRS provides a map for companies to follow when creating electronic records and signature platforms, and includes such notable members as Wells Fargo, Citigroup, AIG, and Genworth Financial. There are four SPeRS standards that address the authenticity of an electronic signature:⁵

1. Identifying and evaluating the proper authentication strategy when creating a relationship
2. Identifying and evaluating the appropriate authentication strategy when selecting a credential method
3. Providing consumers information concerning the distribution of risk of unauthorized transactions
4. Establishing the authority of representatives to act electronically

³ <http://www.ncsl.org/research/telecommunications-and-information-technology/uniform-electronic-transactions-acts.aspx>

⁴ <http://www.gpo.gov/fdsys/pkg/PLAW-106publ229/pdf/PLAW-106publ229.pdf>

⁵ See Buckley, Jeremiah S. *Implementing Electronic Record and Signatures...* (2004)



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Control: The theory of the “Authoritative Copy” came from UCC § 9-105, which was intended to address the problem of electronic chattel paper. Anticipating that there may someday be a technological means for identifying or controlling an electronic “original”, the authors of § 9-105 determined that a secured party/purchaser has *control* of electronic chattel paper if the record or records comprising the chattel paper are created, stored, and assigned in such a manner that:

1. A single authoritative copy of the record or records exists which is unique, identifiable, and, except as otherwise provided in numbers 4, 5 and 6 below, unalterable
2. The authoritative copy identifies the secured party as the assignee of the record or records
3. The authoritative copy is communicated to and maintained by the secured party or its designated custodian
4. Copies or revisions that add or change an identified assignee of the authoritative copy can be made only with the participation of the secured party
5. Each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy, and
6. Any revision of the authoritative copy is readily identifiable as an authorized or unauthorized revision⁶

As long as these steps are followed, the secured party of the authoritative copy maintains super-priority status per § 9-330.

Vaulting: Revised Article 9 recognizes Electronic Chattel Paper and replaces perfection by possession with perfection by control. The authorized copy is created and stored in a secure electronic environment (the e-vault), and every party requiring access (originator, broker, owner, etc.) gains access through the said vault. E-vaults employ a secure methodology to keep track of the identity of the control party for each electronic record; and the unique characteristics of the authoritative copy are established within the controlled system storing the record. This system is designed so the record cannot be copied without being branded a copy, whether this copy is in electronic or printed form.

Next Issue - Part Two: Incorporating Electronic Documents In Your Operations

⁶ See “Paperless Transactions: The Competitive Edge.” Equipment Leasing & Finance Foundation, 2007.



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Save the Date

NEFA Spring Finance Summit
March 18 - 20 - Long Beach, CA

NAELB Annual Conference
April 30 - May 2 - Phoenix, AZ

Academy for Lease & Finance Professionals
May 7 - 8 - Irvine, CA

CLFP Exam
May 9 - Irvine, CA

CLFP exams may be taken through a proctor at a time and location that is convenient for you. Please contact reid@CLFPfoundation.org or call: (206) 535-6281 to schedule your exam today.

Recertifications

Every four years, all CLFPs in Good Standing must recertify. Recertification notices will be sent out shortly, so please don't wait and recertify today!

If you received your designation in: 1991, 1995, 1999, 2003, 2007, 2011, you will need to recertify this year!

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Teresa Billick, CLFP
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Fun Fact

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