THE TSL INTERVIEW

Jeffrey Goldrich Entrepreneurial Spirit

BY MICHELE OCEJO

Jeffrey Goldrich is president and CEO of North Mill Capital LLC. He has been in the asset-based lending and factoring business for over 40 years. He co-founded North Mill Capital LLC with its management group in 2010.

In 1995 he co-founded and was the COO of Business Alliance Capital Corp (BACC), a commercial finance company headquartered in Princeton, New Jersey. BACC was sold to Sovereign bank in 2005. Prior to that, Goldrich was a senior vice president and asset-based lending division manager at First Fidelity Bank in Newark, NJ where he was for ten years.

Here, he discusses his motivation for founding entrepreneurial finance firms, his experience as chair of CFA's Entrepreneurial Finance Committee and his perspective on what the rest of the year has in store for the industry.

How did you begin your career in ABL?
I started my career at William Iselin and Co., a New York City-based old-line factoring company owned by CIT. I started doing collections and was then promoted to the wholesale credit department. I had every intention of doing something else, but never quite figured out an alternative. I subsequently left Iselin to follow my mentor at work, Monroe Faust, who took several of us to Rusch Factors. I moved out of the credit department and into the "front office" as a loan administrator and then an account executive. Over time I moved out of factoring and into asset-based lending because I wanted experience outside of textiles and apparel, which is what we were limited to in old-line factoring at that time.

You're an experienced asset-based lender. Before co-founding North Mill you held positions at Business Alliance, Sovereign and First Fidelity. What inspired you to start North Mill in 2010? What has been your secret to success?
To explain the inspiration for starting North Mill Capital in 2010, I need to reach back to 1995 when Ted Kompa and I started Business Alliance Capital. Ted and I were at First Fidelity Bank in the asset-based department. The bank was in a significant amount of trouble in 1990 and over the course of four to five years we watched millions of dollars of otherwise acceptable loans get pushed out of the bank and go to entrepreneurial commercial finance companies. In 1994, Ted was approached by a group of private investors who wanted to start a commercial finance and factoring company. Ted and I teamed up and, with a lot of anxiety over leaving perfectly reasonable jobs with reliable income, we chose to start our own thing. We started BACC in 1995 and sold it to Sovereign Bank in 2005. We both stayed with Sovereign until 2008. The feeling of building our own business from zero was incredibly gratifying and the close bonds built with the people who joined us made it all worthwhile.

The inspiration to start North Mill Capital in 2010 was, of course, to fill what we believed was a void in the market and do what we do best: build a very profitable commercial finance and factoring company. But nothing can beat the feeling of working with people whom you trust and respect and being part of that team every day. At the risk of sounding clichéd, the secret of success is developing a passion for the business and putting together a cohesive team of strong willed people with the same passion who trust and rely on each other. We have people in our company who have worked together for 15 to 30 years. Dan Tortoriello, Betty Hernandez, Steve Carroll (our CFO), Patti Kotusky (our operations manager), and I banded together to start North Mill Capital. We have since added other team members, some of whom were part of BACC and others not. Of great significance to us was our acquisition of PrinSource, a factoring company in Minneapolis. It was a great acquisition and we are fortunate to have developed the same relationship with Rochelle Hilson, who runs that group, and the others on our Midwest team.

Are there certain industries North Mill "specializes" in, such as trucking, staffing, etc? What is it that you like about these industries?
We are industry-agnostic. Having said that, approximately 25% of our portfolio is staffing-related. We finance many manufacturing companies and wholesale distributors. Our clients include commercial printers, steel service centers, transportation companies, food manufacturing businesses, packaging manufacturers, a brewery, seafood distributors, wholesale bakeries, window manufacturers, among many other types of businesses. We like it all, I guess.

You are the chair of CFA's Entrepreneurial Finance Committee. Please tell us about your experience chairing this Committee and why you feel it's important to get involved in the Association.
The CFA is much more than a trade organization for large banks and financial institutions. The entrepreneurial events I have attended, from the Factoring & Trade Finance World Conference in Florida to the Independent Finance and Factoring Roundtable held every May and then the unique sessions at the Annual Convention all provide lots of very useful information on what is going on in our end of the market. This includes unique HR issues, current trends in how we use bank debt and other forms of leverage, open discussions of experiences with prospective buyers, portfolio trends, fraud detection, etc. Our end of the market is different than the larger institutions and, although we compete, there is a significant amount we can learn from each other. That only comes through active involvement.

What do you think the rest of 2015 has in store for entrepreneurial finance companies?
The relatively new challenge for us comes from the merchant cash advance and peer-to-peer lenders, who rely more on credit scoring or simply some form of "easy" credit process versus the protocols traditional asset-based lenders and factors use. They present challenges in a couple of ways. They provide credit to our borrowers in a seemingly easier, faster manner, though often at significantly higher cost. They can suddenly appear without notice as an additional lender to our borrowers, creating unanticipated risk issues. This is a relatively nascent industry and continuing to evolve. They are here to stay, so we have to figure out a way to co-exist. Their faster growth and more scalable models make them attractive to investors and that is yet another challenge for us. For those of us who have the wherewithal and fortitude to maintain standards, it will be another good year. We have always had various forms of competition from banks and large industrial companies entering our end of the market and now the P2P and cash advance lenders. Over time, the reckless competitors will fail and responsible ones will survive. When I started in factoring, Chase Manhattan Bank bought Shapiro Brothers Factors and the fear was that this was the beginning of the end for entrepreneurial factors and finance companies. I think for those of us who act responsibly, 2015 will be another great year for the entrepreneurial part of our industry. **TSL**

Michele Ocejo is editor-in-chief of *The Secured Lender.*