

BANKER & TRADESMAN

Boston Financial & Equity Corp. Buys Into High-Risk Leasing

By Michelle Forcier Anderson

While business has been slowing since the height of boom times last year, at least one local company is doing well and expects that trend to continue, particularly if the downward swing is prolonged.

Boston Financial & Equity Corp., located near the Fenway in Boston, occupies a small but lucrative niche in the leasing industry. What they do best is leasing to high-risk companies like those just starting up or those working out of bankruptcy. In other words, companies that banks often won't touch. To be successful is to strike a precarious balance.

Deal flow has been on the increase, said Deborah Monosson, president of Boston Financial & Equity. That's because there are more companies with higher credit risks and banks have been "tightening up" credit lines. Monosson's company will lease nearly every kind of equipment, from forklifts to biotech tools, but the majority of the leases center around technology, she said.

"Right now, the majority of our lessees have been a lot of venture capital-backed, start-up companies," she said, which makes traditional credit evaluations impossible. "We have to look beyond the fact that they have no revenues. We look at what industry they're in. Where they are in the life cycle of that industry - are they a 'me, too' or are they the first or second ones in? We look at who the management team is," she said. Additionally, her team speaks with investors to find out why they think the company is a

good risk. Another evaluation point is what equipment the company needs. In the worst case scenario, the company might not succeed and Monosson's firm gets the equipment back. As a secured lender, Boston Financial & Equity needs to be able to resell that equipment.

The company was among the first to lease to such firms as America Online and The Sports Authority, and can even boast NASA as its first customer, having leased a UNIVAC 1108 computer to the agency. That was under the direction of the company's founder Adolf F. "Sonny" Monosson, father of the current president.

The younger Monosson, however, did not immediately drift into the family business. First a stockbroker for seven years, then a software company executive, she entered into the family business knowing relatively little about leasing. But as a sales associate, she learned quickly.

'First Ones There'

Monosson said the key to the company's success has been sticking to its niche in high-risk leasing. "I think there are other companies that have tried to do what we do, but they're also doing good credits and they're trying to do [other things] and you can't. I don't think you can do all that. You need to be focused on your [area of] expertise," she said.

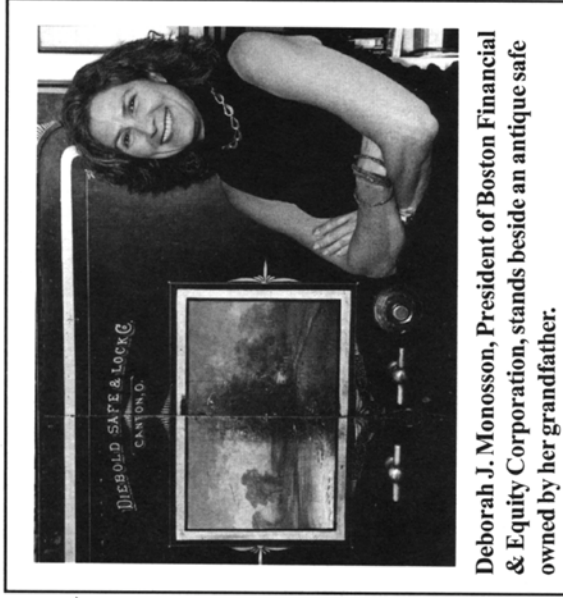
Another key to success has been resisting the urge to jump aboard every

new-trend bandwagon. As a result of such discipline, Boston Financial & Equity didn't experience any unusual losses during the recent phase of dot-com crashes and high-tech wrecks. "This, to us, is not unusual because we've always been researching these types of companies and over the years we've always had a certain number never make it," Monosson said.

Additionally, Monosson deals with companies in bankruptcies. "I would rather go in when they're in bankruptcy than right before," she said. As a creditor, if the arrangement were made beforehand, the leasing company's petition for payment could be rejected. However, once a company has filed for bankruptcy, it must get permission from the court to enter into an agreement.

"We've had a lot of companies go into bankruptcy over the term [of a lease] and we're patient because it takes five to six years to get back out of bankruptcy," she said.

While the company does acknowledge some of its high-risk lessees will not succeed, when they do, it can be rewarding. Although the AOL deal was struck before Monosson was at the company, she recently became aware of the deal and pulled out the company business plan. Back then, in 1986, the firm was called



Deborah J. Monosson, President of Boston Financial & Equity Corporation, stands beside an antique safe owned by her grandfather.

Quantum Computer Services - and they've far exceeded their original goals.

"That's the rewarding part of our business because we are leasing to a lot of companies that no one else will. Yes, we have a lot that don't make it, but there are a good number of them that have gone public. We've said 'we were the first ones in there' to ourselves. We feel that we've helped someone and made money at the same time."

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