

EQUIPMENT

# Leasing & Finance

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THE MAGAZINE FOR INDUSTRY EXECUTIVES

# TRUE GRIT

Independent leasing and finance execs remain on the cutting edge.

Tech Market Heats Up

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A Tenant's Perspective on the Leases Project



50th Annual Convention Highlights

# TRUE

**C**OULD YOU RUN A START-UP IN AL CAPONE'S CHICAGO, keeping your doors open amid gunfire and the breadlines of the Great Depression? Could you carve your own success in 1968, investing in firms no one else would take a chance on? If so, maybe you've got what it takes to be an independent equipment leasing and finance executive. It's not for everyone, but it works for a gutsy few willing to shoulder the added risks for a chance to do things their way.

"Independents started the equipment leasing and finance industry, and their place continues to be on the cutting edge," says Michael Fleming, Director at The Alta Group and co-author of "The Place of the Independent Equipment Leasing & Finance Company," a study commissioned by the Equipment Leasing & Finance Foundation. "Independents have always been good at dealing with customers and vendor channel partners and good at managing risk," Fleming adds, "and both are crucial since the cost of capital for independents is always a little higher than for banks or captives."

Who are today's independents? Most are small to mid-size firms that organize themselves and operate with far greater attention to each customer than banks and captives can manage. Independents look to provide special value that meets customer needs. They're also expert at managing asset risk because of their market knowledge. "We're describing companies and personnel with very clear, disciplined focus," says Fleming. "They're small enough to closely follow what they're doing, and much of what they do is terrific. They offer value for which the customer is usually willing to pay a slightly higher price."

To learn more, *Equipment Leasing & Finance* profiled executives at four independent equipment finance firms. We think they could all outshoot John Wayne; see if you agree.

**INDEPENDENT LEASING  
AND FINANCE PROS  
ARE AS TOUGH—  
AND SUCCESSFUL—  
AS THEY COME**

**BY SUSAN L. HODGES**

# GRIT



**FRED R. SASSER**

CHAIRMAN  
CHICAGO FREIGHT CAR LEASING CO.  
ROSEMONT, ILL.

## **SASSER** | **The Way In**

South Side Chicago, 1928: Against a backdrop of clanging industry and what must have been gangland terror, Fred H. Sasser opened a modest business called Central West Refrigerator Dispatch. Sasser planned to scrap and dismantle rail cars and sell the parts. But he soon found himself knee-deep in the Great Depression. To survive, he provided wood-sheathed boxcars to railroads for the transportation of livestock.

Central West Refrigerator Dispatch has since matured into Chicago Freight Car Leasing Co. (CRDX). But the spirit and grit of those early days live on. Ask third-generation President

***“Look for new technologies that don’t yet have a proven residual. If there’s no such data, there’s an opportunity for an expert.”***

*Fred R. Sasser, Chicago Freight Car Leasing Co.*

Fred R. Sasser if there’s a rail car service this 400-employee firm doesn’t provide today, and he has to think about it. Then he says with a chuckle, “Well, we don’t actually drive the trains...”

## **Keys to Success**

North American rail cars number about 1.4 million, so CRDX narrows its focus. Since 1960 the company has specialized in “covered hoppers,” the freight cars used to carry grain and other dry bulk goods.

“We know that car as well as or better than anyone,” says Sasser. “We target the industrial shipper market, companies that want and need value-added services to move their products. They don’t know about rail cars and they don’t want to, so we find the cars, make the purchase, handle the maintenance and administration and do a three-, five- or seven-year lease.” The arrangement affords flexibility to clients, who must sometimes adjust as their business models change. It also benefits CRDX by building diversity into a niche portfolio. As for the niche itself, “It gives us a smaller, more manageable population of customers we can know better and have stronger relationships with,” says Sasser.

## **Opportunities**

Sasser expects to continue focusing on the rail car market while also looking for new opportunities. “We got into Australia about 13 years ago when they privatized their railroads, and it created a whole new market,” he says. “We were able to get in early and become a leader.”

Even so, CRDX will take a cautious approach. “We don’t want to spread ourselves too thin,” says Sasser. “It’s better to be the absolute specialist.”

### Challenges

Compared to banks and captives, Sasser says independents “always have funding challenges.” But changes in regulation and the cost of capital for banks may alter banks’ competitiveness, he believes. What probably won’t change is visibility. “For independents, visibility is always a challenge,” he says, “to lenders and to customers.”

### Insights

“Look for new technologies that don’t yet have a proven residual,” says Sasser. “If there’s no such data, there’s an opportunity for an expert. [And] don’t compete on price. Be the expert in the market you’re in.”

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### MONOSSON | The Way In

Debbie Monosson’s father, Sonny Monosson, started Boston Financial & Equity Corp. (BFEC) in 1968 to fill a need that interested few others: He hoped to lease capital equipment to startups backed by angel funding and venture capital. Emerging growth companies and turnarounds were also



**DEBORAH “DEBBIE” MONOSSON**

PRESIDENT  
BOSTON FINANCIAL & EQUITY CORP.  
BOSTON

## ELFA Resources for Independents

### INDEPENDENT MIDDLE MARKET BUSINESS COUNCIL—

ELFA’s five Business Councils are an integral part of ELFA operations, providing a critical link between the membership and the Board of Directors and staff. The Independent Middle Market Business Council represents independent finance and multiline finance companies involved in transactions between \$250,000 and \$5 million, either individually or through lines. Learn more at [www.elfaonline.org/ind/YourELFA/Mbrs/committees/BCSC/](http://www.elfaonline.org/ind/YourELFA/Mbrs/committees/BCSC/).

### INDEPENDENT BEST PRACTICES ROUNDTABLE—

This event, April 17, 2012, in Chicago, brings presidents and senior executives from small and mid-sized independent leasing and finance companies together for information sharing and critical thinking about the issues facing you each day as leaders of your organization.

## ***“I think everyone is still holding back, but there are opportunities. The challenge is getting them.”***

*Debbie Monosson, Boston Financial & Equity Corp.*

targets, and the plan worked. Early BFEC customers were Sports Authority\*, AOL, Rite Aid\* and others that today are major U.S. corporations. “We’ve had the same niche for over 40 years and we haven’t wavered from it,” says Debbie, a second-generation owner. “The majority of our clients are early-stage companies that have raised equity, so they may not have revenues—but they have a cash runway.”

### **Keys to Success**

Monosson works to provide the creative structuring and quick response that first made BFEC a success. That doesn’t mean she writes every piece of business that comes her way. “We’re not greedy,” she says. “If we haven’t had a good year, we don’t put deals on (the books) to make it a good year.”

Nonetheless, BFEC has a history of picking winners. Three years ago a New York startup that was growing but not profitable came to BFEC to finance information technology (IT) servers. “We liked their model,” recalls Monosson. “They were the only ones at the time in their niche, and they had some very good customers. So we put the deal on—I think we

started with a \$250,000 lease—and we have over \$1.2 million with them now. Just today they called us for more equipment.”

What’s BFEC’s secret? “If it’s something I just don’t understand, I stay out of it,” says Monosson. “If I don’t get it, I don’t want to be lending money to that company or that industry.”

### **Opportunities**

Monosson doesn’t see banks doing many transactions for small and mid-size businesses. As a result, opportunities exist for companies like hers. “Our economy isn’t as bad as people make it sound,” she says. “The automobile industry is doing well, as are companies feeding into it. Medical devices and the health care industry, as well as alternative energy, are all growing sectors. I think there are some great opportunities for independents now.”

### **Challenges**

Firms take longer than they once did to make decisions about spending money. Thus, closing a deal requires more patience than ever. “I think everyone is still holding back,”

says Monosson, “but there are opportunities. The challenge is getting them.”

To help make that happen, BFEC works directly and with intermediaries. “I think a lot of independents go direct because they don’t like dealing with brokers,” says Monosson. “But we do our own due diligence and do everything on our own paper, so it doesn’t matter who’s sent something to us, as long as it’s the kind of deal we like.”

## Insights

“I’ve seen a lot of companies go down because of fraud caused by greed,” says Monosson. “It’s important to really understand your collateral; your collateral is your deal. We all have to lease soft costs, but what we do is weigh the credit versus the collateral, and structure differently for soft costs. You need to get creative and price accordingly.”

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### **CANKARDES** | **The Way In**

Eighty-two days into a 90-day probationary sales period, Aylin Cankardes hadn’t brought in a dime. But over the next eight days, she landed a deal worth \$3.1 million. That was 23 years ago. Since then Cankardes has run a vendor finance group, headed an acquisitions group and led a bank’s leas-

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## AYLIN CANKARDES

PRESIDENT AND FOUNDER  
ROCKWELL FINANCIAL GROUP  
CENTENNIAL, COLO.

ing efforts. When the dot-com bust hurt the bank she was working for, she decided to be her own boss. Today Rockwell Financial is a boutique financial services provider with \$150 million in annual funding capability.

## Keys to Success

“At the end of the day, you have to be profitable so you’re still here tomorrow,” says Cankardes. Rockwell Financial has selected market niches based on its ability to add value, make a profit and do transactions for its own portfolio as well and tap into the capital markets when necessary. The company adds value by making decisions quickly and doing deals both large and small, simple and complex. Products range from off-balance-sheet financing to solar host agreements, and Cankardes says the firm knows solar and niche distribution channels so well that it also consults in both spaces.

But what really shines is the quality of Rockwell Financial’s relationships. Following a customer’s inadvertent failure to return equipment on time and his expressed fear that he’d lose his job as a result, Rockwell executives sat down, met the customer half way on price and offered a purchase over time that would satisfy his superiors. “It’s about understanding the customer’s pain,” says Cankardes. “Big companies don’t have the ability to focus on individual

***“It’s about understanding the customer’s pain. Big companies don’t have the ability to focus on individual situations at the same level because they have a larger group of customers to serve.”***

*Aylin Cankardes, Rockwell Financial Group*

situations at the same level because they have a larger group of customers to serve.”

### **Opportunities**

Markets are still slow, and lenders still cautious. But Cankardes sees opportunities in certain segments, partly because a number of competitors no longer exist. “The middle market is one that people haven’t tapped back into,” she says. “Lenders aren’t that interested. But those of us who

are still here and have maintained relationships with these companies and their vendors are the ones who’ll get the call when they’re ready.” Software and IT are two markets starting to turn around. Manufacturing is turning more slowly, Cankardes says, but movement can be detected in this sector, too.

### **Challenges**

Hesitation on the part of customers and the lending market is the company’s biggest challenge. Add formidable competition imposed by banks’ pricing, and Cankardes says her firm’s best antidotes are its ability to finance deals internally and its relationship with established lenders. “There has to be a tremendous amount of trust there because these are long-term partnerships,” she says. “We don’t go to 10 banks and try to get the lowest rate.”

In fact, if Rockwell Financial has room in the debt side of the transaction, the company often extends the benefit to its lending partner for more than what was agreed to. “There are times we’ve had to go back and say we couldn’t quite get to the number originally quoted,” says Cankardes. “So when we can, we like to give back more than the agreed pricing, as we also are invested in the transaction and see it as a long-term relationship.”

## Insights

Each year Rockwell Financial selects a new business sector to research. “Considering different market segments keeps us alert,” says Cankardes, “and when you focus on four or five different sectors like we do, one or two may fall off due to market changes.” Questions they ask when looking: What’s new and what interests us? How do we translate what we know in the material-handling or energy markets that we can tap into, and what other items are there that we’re not thinking about?

The company also continues fine-tuning its approach to service and value, examining successes with customers, assets and processes. “You have to solve inefficiencies for your lenders, vendors and customers,” says Cankardes. “If we can do that for every one of them, we know we are on the right track.”

***“Independents like ATEL will perpetually compete against larger, well-financed peers, so it’s essential that we offer a product that differentiates us and offers better value to the customer.”***

*Bill Bullock, ATEL Capital Group*

## **BULLOCK** | The Way In

Bill Bullock found his first job in the industry at ELLCO Leasing, negotiating expiring fair market value small-ticket leases. He was hooked. “It was really exciting,” he says. “If you negotiated a good outcome, it was pure profit for the company.” Subsequently, Bullock moved to positions at McDonnell-Douglas Finance and ATEL before changing direction and becoming a direct-sales originator at Mellon US Leasing. He succeeded there through “pure fear, luck, hard work and not knowing how to accept no as an answer.” After stops at Wells Fargo and Key Equipment Finance, he was lured back to ATEL in 2006 to manage the Direct Sales and Capital Markets groups.

## Keys to Success

ATEL is a “good old-fashioned equipment lessor,” says Bullock. “Banks and traditional lenders are great at lending money, but we’re great at leasing equipment.” Tax leases have always enticed lenders for their tax benefits and relatively high ROE—so much so that leasing has shifted into debt finance. But true leases convey residual risk, and the residual disposi-



## **BILL BULLOCK**

SENIOR VICE PRESIDENT  
ATEL CAPITAL GROUP  
SAN FRANCISCO  
CHAIR, ELFA INDEPENDENT MIDDLE MARKET  
BUSINESS COUNCIL STEERING COMMITTEE

tion process is not a core competency for everyone. Thus, lessors that accurately assess residual risk can take advantage in the right situation. “Our emphasis is to distinguish the hidden value of certain asset plays,” says Bullock. “We commit a lot of resources to our asset management infrastructure, affording us the ability to offer extremely competitive front-end pricing to the customer. Lease pricing is commoditized, so knowledge is critical.”

## Opportunities

Until the credit crisis, not being in a prospect’s “bank group” was an obstacle to writing new business. Banks applied pressure for cross-selling opportunities, especially equipment leasing. “The credit crash opened up the market for independents,” says Bullock. “Lenders reduced their focus to ‘footprint’ customers with depository relationships and multiple products. As a result, many lenders exited noncore customers’ lines of credit. For independents, it’s a broad-based opportunity to work with customer bases formerly reliant on their bank group.”

## Challenges

If Bullock sees challenges in today’s business environment, he doesn’t seem worried. He talks about each aspect of equip-

## Independents' Keys to Success

There is no generic model of an independent, but there are several characteristics that have been key to their success, according to the Equipment Leasing & Finance Foundation's study "The Place of the Independent Equipment Leasing and Finance Company." Keys to success include:

■ **SELECTING A MARKET NICHE:** Independents tend to avoid markets defined by low pricing and focus instead on those markets where premium knowledge and experience are valued.

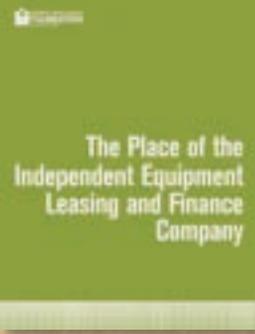
■ **DELIVERING VALUE TO THE CUSTOMER:** Independents generally agree that they cannot, and do not want to, compete on price. They choose instead to compete by meeting other customer needs with value-added services.

■ **OPERATIONAL SAVVY:** Successful independents have a "startup" state of mind that includes customer focus, flexibility, innovation and quickness.

■ **ENTREPRENEURIAL LEADERSHIP:** High-quality leadership and management are a critical component of the successful independent. Independents tend to reflect more entrepreneurship in their leadership and management.



Visit the Foundation's store at [www.store.leasefoundation.org](http://www.store.leasefoundation.org) to download the study, co-authored by Michael Fleming and David Wiener of The Alta Group.



ment leasing as an opportunity, and it's clear this is truly the way he thinks. "Independents like ATEL will perpetually compete against larger, well-financed peers," he says, "so it's essential that we offer a product that differentiates us and offers better value to the customer."

### Insights

ATEL's investment model has always focused on credit and equipment quality. Emphasis is on long-lived, low-obsolescence assets, leased predominantly to investment-grade companies. "Our investors desire steady cash flow and prefer a conservative methodology," says Bullock. "A portfolio of lessees with BBB+/Baa1 credit has translated into a microscopic delinquency and default rate." ATEL operates like a private equity fund and investment boutique, conducting extensive research on each transaction. "A potential forklift lease may look good on paper, but a closer look may show the application is a chicken farm where the usage environment is corrosive—and pungent," says Bullock, adding, "We try to invest only in deals where we come out smelling good." ■

**Susan Hodges** writes about equipment finance and other business topics from her office in Evanston, Ill.