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Boston firm fills niche as the 'lessor of last resort'

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SPECIAL TO THE JOURNAL

Ian Chan, co-founder of U.S. Genomics Inc. in Woburn, a biotech startup working on developing the next generation of tools for the genomics industry, knows the value of leasing over buying equipment, particularly for young, high-risk companies.

"Leasing gives you greater flexibility to leverage the equity capital you've raised," Chan said.

In 1998, when U.S. Genomics incorporated, Chan was able to take the \$1 million in venture and angel funding the company had raised and add to that another \$300,000 in lease credit.

"That extra credit is a great advantage for a young company because you don't have to spend dollar for dollar for equipment," Chan said. "You can pay for equipment over terms of three to five years, reduce your cash flow for daily operations and increase your runway for operations."

But with major manufacturers and other leasing vendors increasingly conservative in the wake of the dot-com meltdown and economic slowdown, finding lease credit for a young startup or other high-risk company can be difficult.

"The major vendors own leasing companies but don't want to take the risk of leasing to a high-risk company," said Deborah Monosson, president of Boston Financial & Equity Corp. of Boston. "Just because it's their own equipment they're leasing, the major manufacturers still don't necessarily want to take the risk of putting a lease on. They want to lease to good credits."

But what if you're a company with bad credit? Or no credit? That's where Boston Financial & Equity comes in. As one popular commercial goes: When the major leasing vendors say no, Boston Financial says yes.

"We're the lessor of last resort," Monosson said. "Our niche is high-risk companies. We don't compete with the major vendors at all."

In fact, many of the major leasing vendors refer clients to Boston Financial. Chan says he talked to 50 or 60 leasing companies before Boston Financial agreed to take on his company. Today, U.S. Genomics has raised a total of \$25 million in funding and extended its lease line to \$2 million.

"We were very fortunate to have met the folks at Boston Financial," Chan said. "Their expertise is finding extremely promising companies at the seed or first-round stage and leasing to them. Once you grow out of that category, there are many other leasing options for mature or larger companies. That's where we are now."

Boston Financial & Equity was founded by Monosson's father, Sonny, in 1982. The company evolved out of a long series of companies that Sonny started, including a commercial-loan company and one of the first used-computer-equipment companies.

"Out of these experiences, he realized that he could lease computer equipment to companies that were very high risk, because he could take back and sell the equipment," Monosson said.

Monosson, a former commodities futures trader, earned an

Equipment leasing continues to grow, and that's good for Deborah Monosson's firm.



MBA from Boston University before joining Boston Financial in 1989. She succeeded her father as president in September 2000. The company, which is privately held, has 16 employees.

Although Boston Financial continues to lease primarily computer-hardware equipment, over the years it has leased everything from forklifts to semiconductor-manufacturing equipment to office furniture to restaurant equipment.

Leasing as an option to purchasing continues to grow among U.S. companies. According to the Arlington, Va.-based Equipment Leasing Association, U.S. companies last year leased more than \$244 billion worth of equipment, not counting automobiles and buildings. That figure is up 1.6 percent over 2000, but off the 6.4 percent increase the industry recorded in 2000 and the 17 percent increase in 1999 at the height of the dot-com explosion.

"There have been a lot of mergers and acquisitions within the leasing industry the last couple of years, which reflects the general downturn in the economy," said Amy Miller, vice president of communications at ELA. "The industry in general has gotten more conservative."

And a conservative leasing environment fits Monosson's game plan exactly. Because her clients have few other lease options, she can charge higher rates. And as an independent lessor, she does not have to carry large quantities of inventory — she buys equipment only according to clients' needs.

In addition to startups, Boston Financial will also consider leasing equipment to failing or already bankrupt companies.

"I actually prefer companies already in

bankruptcy," Monosson said. "If a company goes into bankruptcy after it signs a lease, it has 60 days after filing bankruptcy to reject the lease and give back the equipment. If they're already in bankruptcy, they have to get the bank's approval to put a lease on — so we become, in effect, almost a preferred creditor."

She admits that Boston Financial took its share of hits when the bubble burst on technology companies, but in some ways, it expects such licks.

"That's part of our business model," she said. "We don't expect all of our lessees to stay in business. We get the equipment back and sell it and make up the money on the back end."

Selling used technology equipment, however, has gotten less profitable since the dot-com meltdown.

"There's a ton of used equipment out there," Monosson said. "You can still find buyers for it, but you don't get as much for it as you used to."

Some items, like high-end television cameras and video-editing equipment that Boston Financial had to take back from a company in Texas that failed, sell quickly. And sometimes, it's more a matter of timing.

"We just got a bunch of laptops back that we sold to returning students at Boston University," Monosson said.

Depending on the equipment, Boston Financial will advertise in trade journals or on the Internet, send out mailings, auction it, or — as in the case of the laptops — simply put up a notice on a bulletin board.

"You have to be creative in this business," Monosson said.

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