

# monitor

LEASING & FINANCIAL SERVICES

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## How Did I Ever Get Into the High Risk Leasing Business?

People, including **The Monitor**, would continue to ask me, "Sonny, how did you get into the high risk leasing business? Couldn't you get into the normal leasing business like all the rest of us?" I had never thought of this approach, but unfortunately my path to the Money Market has always been high risk, and therefore, I don't know any other path.

This goes back to when I first entered the Commercial Finance Business when I was in my mid-twenties. Twenty of us formed a company called "The Twenty Corporation." The purpose of The Twenty Corporation was to invest in the Stock Market. We each put a hundred dollars in, because at that point in time in our lives, a hundred dollars was a lot of money for us. We had by-laws drawn up so that the twenty of us would make sure we administered the \$2,000 properly. Months went by - finally six months went by - and by our eighth month we had not invested one cent in the Stock Market. Why? Basically, because our by-laws said that we must have a majority vote of the 20 stockholders in order to invest in a stock, and during those eight months we were never able to have a majority vote for any single stock, not even IBM!!

About that time, one of our 20 investor's brother-in-law had graduated from dental school and was in the process of opening an office. He didn't have enough money to fund all the equipment, and he had no credit to speak of, so he turned to his brother-in-law and said, "What shall I do?" His brother-in-law came to our meeting, and after we had voted down our last stock, he said, "I have an investment for us - how about lending money to my brother-in-law, the dentist! We all know that dentists make good money, and he should be able to pay it back." Well, believe it or not, this was a 90% "for" vote, and we lent the \$2,000 to the brother-in-law dentist.

Within 8 months, we were fully paid off, and not knowing much about the lending business, we naturally took the full charge of the interest out at the beginning, and therefore, being paid off in such a short time, brought our yield up very high! - so high, I don't want to repeat what it was. I don't think at the time we realized it,

but we did realize that it is not a bad business for small businessmen who have problems getting money. So The Twenty Corporation changed its focus from investing in the Stock Market to lending money to small businesses.

In order to grow, we had all types of loans . . . flagpole makers, handbag makers, small lumberyards - we even had a banana peddler - no kidding! This was a guy who had a pushcart down in the market in Boston, and we used to advance him money to buy his load of bananas, and at the end of the day, he would wheel by the law office of one of our members who was closest to him, and turn in the cash and write another note for the next day. He was a terrific credit - it worked fine for about 3 months, and then one day he didn't show up.

Well, we thought he was sick and we waited another day, and another day, and finally on the fifth day I was designated to go find him. We did know who his brother was, because that was part of the information we collected, and I went over to his brother's house in the evening and knocked on the door and asked for our banana peddler. The gentlemen who answered the door said, "Well, I'm him." I said, "No, you're not him - he looks different than you." He said, "Is his name the one that you asked me? - that's me - I have a brother who occasionally gives out my name for credit references, and also gives out my address." I asked him when he last saw his brother and he said, "Oh, about 2 or 3 days ago, and he told me he was going to Florida." I asked him what part, and he replied, "Miami."

I reported this information back to our committee, and we were all amazed. How could anyone do such a thing? How could anyone leave with our money, after he made so many payments? Well, you have to remember that we were in our twenties, and the investment wasn't very many dollars, but it was a good experience. Well, by this time, we all had a picture of him that we were able to get from his brother, and we gave it to all of our friends - anyone going to Florida. Believe it or not, about a month later, we got a call



By Adolf F. "Sonny" Monosson

from Miami Beach that they saw a grapefruit peddler that looked just like our banana peddler. I called a lawyer I knew in Miami, who promptly visited our ex-banana peddler and he got our money with interest. We had our money, and we were back whole, but we had a good lesson . . . never believe a person who is telling you who he is, is the real person, and if you can verify that he is the real person, make sure you know where he lives, his telephone number, and what he really does.

With these lessons in our mind, we expanded The Twenty Corporation and it took a little work - we raised more money - we got bank lines and pretty soon we had about \$500,000 outstanding in loans. This was not bad considering that we didn't know how to charge interest and consequently, we were getting a very good return.

At this point in time, I had decided that I should go into my own finance business because meeting in the back of a Chinese restaurant for 10:00 a.m. meetings every week and making audits with my young children on Saturday mornings, did not seem the proper way to handle a finance business. So, I started my own company in conjunction with a New York financial institution. The company grew rapidly and was very successful - in fact, it was the first automated finance company in the United States. I attribute this to being an "obsolete" electrical engineer.

At the time I was building this company, there were not very many Venture Capitalists in existence. There were some, but not many. Route 128 was developing very fast around Boston, and I had decided that most of these people needed financing, and I would advance money to technology companies that were growing, that were not venture finance, that were bootstrapped financed, and I learned a lot more about the finance business.

My record run was one fraud, one bankruptcy every month for 16 years. I got to know all the bankruptcy lawyers, I got to know how to handle fraud and I must say I learned an awful lot, and believe it or not, even though I had losses, the interest rates I was charging along with my recovery was such that I was running a profit every year!

I finally sold that Finance Business and went into the Consulting Business - the Computer Consulting Business; namely, because of the exposure that I had with my own computer system. I started another Commercial Finance company, and I was running both.

One day, one of my friends in the Commercial Finance business came up to me and asked me what a DEC PDP-10 was worth - he had to make a loan against it. To cut the story short, I ended up taking over the situation, paying the owner a fair price for it, and ended up leasing a DEC PDP-10 to a company that was pretty shaky. Sure enough, it went bankrupt.

It took us awhile to get our equipment back, and it took us a long time to learn how to sell it, but we finally sold it and we got all of our money back!

Well, this didn't seem like such a bad business - leasing to high risk credits - and Boston Financial & Equity converted itself from a Commercial Finance company to a leasing company, handling only high risk credits. It was just like I was back in my early days - I had a great deal of bankruptcies - not quite as many frauds,

in fact, very few frauds - but the bankruptcies had increased. I did have an advantage that I owned the equipment and my real tough job was disposing of it, since it was so diverse. In some cases it was gaseous reactors, in other cases it was computers, milling machines, laminating machines, but I did learn that anything can be sold - not necessarily for the price I wanted to sell it for, but it can be sold if you work hard enough at it, and Boston Financial & Equity began to grow in the high risk leasing business.

Naturally, since I had a bent for computers and greater understanding of computers, I handled more computer high risk deals than any other type of high risk deal, but others were not eliminated from my portfolio. In fact, if anyone today wants to buy some automated gas pumps, they are for sale - just give me a call!

You know, it is often said that "what goes around, comes around," and if you now look at Boston Financial & Equity Corporation, you will find that besides the high risk leasing that it is doing, it now does high risk Accounts Receivable and Inventory financing. This is almost in the area that I started way back when I was in my early twenties. The only difference is the people that I work with now are venture capital start-up backed, and are looking for receivable loans to bridge finance to their next round, or they are leveraged buyouts who need additional money when all of the sources won't give it to them, and this is back in Sonny Monosson's days of the twenties - my twenties - not "the twenties." Our new high risk finance business is growing nicely.

Gosh, what would I do without high risk? It would be an awful boring world to someone who is used to at least a bankruptcy or fraud every month - year in and year out. You can send me - no, don't send me any bankruptcy or fraud - they seem to migrate towards me automatically. Maybe you out there can send me some ideas of high risk businesses that I am not yet in that I would enjoy. It really keeps me on the ball and provides a service to the community.

Believe it or not, some of our very high risk leasing deals have become public companies, and very large public companies, at that. It gives us here at Boston Financial & Equity Corporation a great deal of satisfaction and a great deal of pleasure when we see the name of our client in The Wall Street Journal either acquiring another company or expanding another division.

If any of you readers are left with questions as to how Boston Financial & Equity Corporation handles its high risk clients, feel free to lift the phone and give me a call, and I will fill them in. My telephone number in Boston is (617) 267-2900.

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