

Financing firm expands as income climbs

The Perinton company financed \$155 million in equipment in 2009

By THOMAS ADAMS

Perinton-based First American Equipment Finance launched a vendor finance business in Chicago last week and plans to expand its space at Woodcliff Office Park and increase employment by some 50 percent over six years.

The 14-year-old company coordinates financing for businesses nationwide that lease capital equipment. It also leases capital equipment. It employs 80 people at Woodcliff and 94 companywide, and it wants to add as many as 40 more locally.

First American financed \$155 million in equipment in 2009, up 2.7 percent from \$151 million in 2008, CEO William Verhelle said. It had record income of \$7 million in 2009 and loans totaling \$311 million at the end of the year.

"We may be the only company in the commercial finance space that grew last year, just because of the huge recession," Verhelle said.

"We focus on up-market borrowers. We've not had any of the portfolio problems and credit losses that these other big companies have had. As a result of that, we've been able to grow in a very difficult year."

Verhelle moved First American's operations office, then with six employees, from Ithaca to Woodcliff in 1999 after he graduated from Cornell Law School. Co-founder Guy Klingler continues to run First American's sales office in Orange County, Calif.

First American has added nine staffers to its Perinton work force and two at other offices since the first of the year.

"The one thing that I think people sometimes miss about our business in Rochester is the employees we have in Rochester are very highly compensated professionals," Verhelle said. "We have a lot of CPAs and MBAs. We have a program with a number



File photo by Kimberly McKinzie

CEO William Verhelle says a new line of business involves partnering with vendors to provide financing for their customers.

of our younger folks going to the Simon School. I think we have some of the highest-paying jobs in the community."

The company is renewing its lease at Woodcliff, having grown from 3,000 square feet in 1999 to 15,000 square feet. It wants to increase to 34,000 square feet and boost total employment to 140 within seven years, Verhelle said.

First American's vendor finance business, employing three in Chicago, gives the company a new direction, Verhelle said.

The company typically seeks business by calling chief financial officers, controllers and treasurers about companies' upcoming capital projects, he said. It often bids against local banks and sector financing firms for those projects.

Vendor financing involves partnerships with vendors and with the buyers of those products, Verhelle said.

"For example, you partner with a vendor that sells widgets, and every time they

sell a widget you're there to help provide financing for those specific widgets to that vendor's customers," he said.

"In that case, you're putting a program together with the vendor partner up front. We've done 100 percent of our business on the direct channel, working directly with customers. So this is a new distribution model for us. It's a proven one. It's used by a lot of our competitors. But it's one we didn't have before."

Daniel Krajewski, formerly with GE Commercial Finance and general manager of technology and office equipment finance at CIT Group Inc., is senior vice president and general manager of vendor financial services for First American in Chicago.

"Embedding First American's financial solutions into a manufacturer's business model can help them sell additional equipment and software solutions," Krajewski said in a statement last week.

First American previously had a small

office in Chicago. In addition to its southern California office, which employs six, the company has satellite offices in Arizona and Florida.

"We have customers in all 50 states," Verhelle said. "We process all the business for all of our customers through Rochester. All the business we do with this new vendor unit in Chicago will be processed and serviced through Rochester. For every person we hire in Chicago, we will probably hire several people in Rochester."

First American was started only after Verhelle was prodded by Klingler while Verhelle was in law school.

"He actually convinced me that I could do both," Verhelle said. "We opened a little office down in Ithaca."

"After I finished law school and passed the bar—I never actually practiced law—we knew that would be a difficult business community to build a larger company.

We looked around the area and came upon southeast Rochester."

First American is ranked sixth nationally among independent leasing companies by the Monitor, an equipment leasing and finance publication. It was ranked eighth in 2008.

Independent leasing companies are not affiliated with commercial banks as equipment finance divisions and are not units of larger corporations such as Dell Inc., IBM and Hewlett Packard Co.

"The industry used to be characterized by independent equipment finance companies," Verhelle said. "Most of those have gone one of two ways. Either they've not been run professionally or tightly and a lot of them have gone out of business, or the better ones have been acquired by banks or by some of the manufacturers."

Independent leasing companies offer the advantage of not being aligned with

a particular vendor, Verhelle said. Dell, for instance, is inclined to sell its brand of computer equipment.

"We're very committed to being independent," he said. "We have a different business model than some of our competitors."

"I sometimes liken it to the discount airline carriers. They fly the same planes, and the business is really not a lot different, but the business model is fundamentally different. We have a very automated telephone technology-based distribution model. Most of our competitors use an old-fashioned branch model."

First American also ranks among the top 100 on the annual Monitor list of the largest leasing companies, based on net assets and volume of new business. There are 4,200 such companies in the United States.

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