Small leasing concern seeks money, big future

Enterprising Capital does $1.5 million offering, also helped out OneEighty

By Richard Ripley
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Enterprising Capital Partners Inc., a young Spokane leasing company, is conducting a $1.5 million offering through an affiliate to raise capital to grow.

Since last May, the company has written 110 leases for equipment that had a capital cost of $6.6 million, says Kevin Michael Cunningham, the company’s managing director.

“Business is excellent,” Cunningham says. “We’re basically hitting our projections.”

When it opened its doors in February 2003, the company projected that it might post losses for its first two years, but it had its first profitable month operationally in November, he says.

“We’re a company that’s interested in developing and doing transactions, primarily a sales and deal-making company,” Cunningham says.

Eventually, he wants to build a company here that would do $25 million to $50 million a year in gross financings.

“I see us having maybe 25 salespeople doing that,” with another 10 people in support positions, Cunningham says. He adds, “I want to build a company that offers opportunities to skilled salesmen and kids coming out of college in Spokane.”

Enterprising Capital, which is located at 1703 S. Inland Empire Way, employs three, including Cunningham and Sales Manager John Keeling here and a salesperson in Chicago, where much leasing activity occurs, Cunningham says.

Its board of directors includes Greg Green, chairman and CEO of OneEighty Networks Inc., the Spokane telecommunications provider, and Donald J. Hackney, a Spokane attorney and a co-founder of Enterprising Capital. Also on the board are Dylan Cunningham, an engineer with MW Consulting Engineers, of Spokane, who is Kevin Cunningham’s brother and another co-founder of Enterprising Capital, and John C. Bianchi Jr., a vice president of B&G Machine Inc., of Spokane.

Green says he believes the young venture has the potential to do well.

“They’ve done some work for us,” Green says. In that instance, he says, Cunningham introduced OneEighty to Aspen Capital Partners, of Portland, and Aspen helped OneEighty raise $2 million in debt and equity financing.

“They’ve actually done some pretty good-sized deals, and not just in Spokane,” Green says of Enterprising Capital. “Kevin has some strong financial and strategic relationships in the industry.”

Green says he believes that Enterprising Capital could become a significant source of employment here.

Cunningham previously worked in the Philadelphia area for Advanta Business Services Corp., the leasing arm of Advanta Bancorp., and also in San Ramon, Calif., for Union Planters Bank.

“I’ve been downsized twice and parachuted out from larger companies,” Cunningham says. He says he graduated from Gonzaga University in 1991 and returned there to earn a master’s degree in 1998. He says his wife is a member of the Washington Air National Guard who currently is on active duty, stationed at Fairchild Air Force Base here.

To seek business, Cunningham says, Enterprising Capital uses a proprietary algorithm, developed for it by Dun & Bradstreet, the national provider of company credit reports and profiles and risk-evaluation reports.

The algorithm, basically a set of predetermined instructions for solving a computational problem, identifies companies that have more than 10 employees and $1
million in sales, meet other criteria, and have certain scores on Dun & Bradstreet indexes, such as for risk and credit quality, Cunningham says. It finds companies that likely would be interested in leasing, and Enterprising Capital then sends them direct-mail solicitations.

“\[I\] pay Dun & Bradstreet to ‘data mine’ the company,” Cunningham says. “I know a lot about a company before I ever talk to them.”

Each direct-mail solicitation is a high-quality marketing piece, Cunningham says. So far, Enterprising Capital has sent out more than 4,700 of them.

The solicitations provide instructions on how to get to the Spokane company’s Web site and submit an application for lease financing, he says.

To decide whether an applicant qualifies for financing, Enterprising Capital uses credit-scoring systems that assign point values to factors such as business longevity, type of business, payment history, bank account balances, lawsuits, judgments, liens, and credit ratings, says the disclosure statement for the offering.

Enterprising Capital uses those systems to approve lease financings of up to $75,000 and employs more conventional means of evaluating credit to evaluate lease financings for larger amounts, Cunningham says.

The company buys outright the equipment that it leases, tapping bank financing and proceeds from the sale of some of its leases at a discount in the secondary market, Cunningham says. He says it will use the proceeds of the $1.5 million offering for that purpose.

The company also runs Web-based leasing programs for equipment vendors, Cunningham says. It has six such vendor accounts currently, two with machine-tool companies, two with makers of call-center equipment, and two with vendors that are involved in the market for voice communications over the Internet, or voice-over IP. He adds, “All these guys have hosted Web sites and programs that we’re running for them.” Visitors to their Web sites can’t tell that Enterprising Capital runs their leasing programs, he says.

In the $1.5 million offering, membership units in a company named Enterprising Lease Fund LLC (ELF) are being offered through a private placement to institutional and accredited individual investors. Enterprising Capital Partners will manage ELF. ELF’s offering statement says it also might invest at a discount in portfolios of equipment that already has been leased by others.

ELF expects to augment the proceeds of the offering with borrowings, including through banks, and intends to finance much of the cost of the equipment it acquires, the statement says.

If the $1.5 million offering sells out, ELF might conduct a second offering, for $3.5 million, within a couple of months, Cunningham says. By selling leasing agreements in the secondary market to bolster the proceeds from two offerings, Enterprising Capital could have a total of $20 million to $25 million a year with which to provide lease financing, he says. It also might use some of that money to make loans to middle-market companies with at least $10 million in sales.