

A word with Jerry Dunn of A10 Capital

By: Anne Wallace Allen August 17, 2015 0



Photo by Pete Grady

Jerry Dunn is principal and CEO at A10 Capital, a nationwide commercial real estate lender that is based in Boise and has offices around the country.

A10 Capital, which Dunn created with longtime business partners in 2007, is seated firmly in middle-market commercial real estate lending. Its loans range from \$1 million to \$20 million. The company, which has a secondary headquarters in Dallas, employs 60 people in Boise and another 30 around the country.

Those employment figures are expected to change in the wake of a deal made in mid-August with the investment giant BlackRock and with the publicly traded investment company THL Credit to support A10's loan portfolio. BlackRock is the world's largest investment firm, with over \$4.7 trillion under management. THL Credit is a \$5.6 billion alternative credit investment manager. Dunn wouldn't say exactly how much the two firms invested in A10's platform, only that it was the second round of funding and would result in significant hiring at the Boise office.

Dunn spent some time with Idaho Business Review talking about commercial lending and A10's place in it. The interview has been edited for length and clarity.

How did you get into this line of work?

I started my career on Wall Street in an investment banker training program with Dean Witter, a predecessor of Morgan Stanley. It was a terrific way to start a career. I was exposed to all sorts of high-level corporate finance. At that time, in the early 1990s, there was a recession going on.

I moved to Boise and got involved in the startup of three specialty finance companies, with A10 the third. With the first, I was in early at a company that specialized in small business and franchise lending called Commercial Lending Corp. It's been sold a couple of times. Then, I co-founded a company called Aviation Finance Group that specialized in financing corporate jets on a nationwide basis. We built it up from a startup to one of the industry-leading finance companies for that niche. PNC Bank acquired the business in 2004 and it's still here in town, renamed PNC Aviation Finance.

The third was A10 Capital.

Why did you start A10 Capital?

I worked with Bank of the West in San Francisco for a couple of years.

I was seeing a pretty significant bubble happening in the commercial real estate side of things, where conduit lenders and bank lenders making very aggressive loans. Talking with some of the folks in Boise I had started some of these other businesses with, we felt like there was going to be some sort of hiccup for the banks when the bubble burst.

We actually set up A10 Capital in anticipation of the credit crisis. The thesis was that a lot of the smaller banks were going to get hurt when commercial real estate values dropped, and therefore be unwilling to lend. A10 was basically formed to fill the void that we thought was going to be created by the small community banks being put in the penalty box. And that's exactly what happened, and then some.

So what does A10 do that's different?

We specialize in middle-market commercial real estate finance. That's the market that's principally served by smaller commercial banks and community banks, so we just provide a competitive product as an alternative to a bank.

The middle market is the largest part of the market, and it's an area that's more difficult for Wall Street banks to service, because they want to do very large transactions. Even though \$20 million seems like a lot, in the

commercial real estate world it's actually somewhat small.

Who are your customers?

We do most of our business outside Boise. The largest loan we've done was only two or three months ago. We closed a \$114 million loan to finance a portfolio of nine commercial properties in Los Angeles, Denver, Kansas City, Atlanta, and Chicago for a multi-billion-dollar real estate investor.

Our typical customer ranges from multi-billion-dollar institutional real estate investors to half a billion dollars medium-sized institutional investors down to local real estate sponsors who raise capital through friends and family.

But we're based here. That to me that's probably the most interesting thing about us: We're doing really sophisticated high-tech commercial real estate finance nationwide, we're backed by the largest institution in the world, BlackRock), and we're based in Boise.

Why did that multi-state investor choose A10?

They have access to all sorts of financing, but they came to us primarily because of our ability to actually get it done on time. They had a deadline, they had a maturing loan coming due, and they basically had to have it closed for sure on May 1. We were one of the only lenders they could rely on to get it done. And we have a very competitive product offering that's non-recourse, meaning the principal owners of the property don't have to personally guarantee the loan. Most banks require that.

Why are you faster?

Because we specialize in doing only commercial real estate. We've done so much of it that we've got a streamlined system in place.

Do you work on financing?

I see every transaction we do. On a loan that size, I was definitely involved in meeting with the client. I try to stay involved as much as I possibly can; that's the fun part of the business.

What's ahead for A10 Capital?

We'll be announcing a new product for A10 that will basically make us a one-stop balance sheet lender to serve the needs of the middle market, with low fixed rates up to 20 years.

That's a very significant addition to the company that could cause our business to get twice as big, easily.

ABOUT ANNE WALLACE ALLEN



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