

For SBA loans, let the business plan do the talking

BY KEITH REGAN
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Even with recent federal efforts to boost lending, getting an SBA loan is not a simple task. But experts say with the right amount of homework and research, a business can find a bank to help secure the financing it needs to build a solid foundation for future success.

"In the right situation, some SBA programs can be very attractive for both the lender and the business," said **Mark Miller**, a senior vice president in the small business lending division at **Boston Private Bank & Trust Co.** "When a client is a fit for the program, we see them as a nice enhancement and we've used them pretty steadily over the years."

For businesses looking to seek such funding, the SBA Web site (www.sba.gov) is packed with tips and procedural advice, most of it centered around the idea of preparing a solid business plan before approaching a bank that works with the SBA.

"The key building block is the business plan," Miller added. "There's no magic template for it, but the key is having a plan that tells the story, gives background, summarizes financial information and explains what's behind

the funding request."

The more specific a business owner can be about how any SBA-underwritten funds will be used, the better, said **Janice DiPietro**, New England Practice leader with **Tatum LLC**, an executive search and consulting firm that works regularly with businesses that have either received SBA funding in the past or remain eligible.

"A business with tangible assets, that is going to buy trucks or equipment with that SBA money might have a little leg up because those items can be used to secure part of the loan," DiPietro noted.

To satisfy both the SBA and the bank, a business owner will need to open up not only the business's books but their personal financials as well, DiPietro said. The business owner also will be expected to demonstrate that they have put their own money at risk to get the business started.

One challenge businesses may face in trying to obtain an SBA-backed loan in this market is that many banks that were forced to trim expenses did so by reducing staff in their small-business practices.

"A lot of banks lost their SBA expertise in the turmoil," said **Grafton Wiley**, a partner with Cambridge-based ac-

LIKELY LINKS

- The Small Business Administration has an easy-to-follow primer on its loan programs that includes outlines of different funding mechanisms and steps for applying: www.sba.gov/services/financialassistance/index.html
- The Association of Small Business Development Centers represents a network of nearly 1,000 centers nationwide that offer free consulting and low-cost training. www.asbdc-us.org
- The SBA's Boston district office can provide information on local institutions with the Preferred Lender designation, which enables them to handle all aspects of the loan, from making credit decisions to funding the loan. www.sba.gov/local-resources/district/ma/index.html

counting firm **CBIZ Tofias PC**. Wiley, who is also former chairman of the SBA, said long-term trends dating back to the Reagan administration have been for the SBA programs to be downsized, with the financial system crisis all but seizing up the market during 2008.

SBA lending activity has decreased steadily over the past several years, and **Small Business Administration** re-

cently announced temporary changes to its flagship 7(a) loan program meant to bolster lending activity, including temporarily waiving 7(a) loan guaranty fees, and temporarily increasing the loan guaranty to 80 percent from the previous 75 percent to 85 percent on certain loans.

The SBA has also introduced new programs that it is eager to see businesses tap into. For instance, the American Recovery Capital (ARC) loan program offers interest-free micro loans — up to \$35,000 — with a 100 percent guarantee from the SBA, using federal stimulus bill funds. That program may be ideal for a business that was growing and profitable before the downturn hit but are struggling in the recession.

Similarly, the agency is eager to see businesses tap into its Patriot Express program, aimed at helping military veterans start or grow companies.

The best ally in the search for an SBA loan is often a banker that knows a business and its owners and can help steer it in the right direction.

"A good banking partner can help a business navigate the SBA landscape," Wiley said. "If a business finds a bank that has this expertise and experience, that can be a valuable relationship."

GROWTH TOOLS

EXTRA INNINGS: Franchising program is helping to propel growth

CONTINUED FROM PAGE 24

standard ranges from \$195 for "Future All-Stars," a six-month program for kids ages 3-6, to \$495 for a year-long program that includes a summer camp and five private lessons.

The business currently derives about 57 percent of its revenue, on average, from its on-site pro shops, which sell a wide range of gear from the likes of **Nike**, **Easton** and **Louisville Slugger**.

Nash, 41, says, "It doesn't make sense for our customers to go elsewhere for their equipment. And, we want to provide more revenue streams to ensure the success of the franchisees and further grow the system."

To complement the retail component, Luis and Nash launched an e-commerce site, **ShopExtralinnings.com**, in May. The expectation, says Nash, is that the site will generate more than \$1 million in sales in 2010.

In addition to acting as a wholesale distributor to the company's franchisees, Nash says the site is also meeting consumer demand.

"We found that about 20 percent of our customers who came into the pro shops in our facilities on a regular basis were still buying additional stuff

FAST FACTS

Joe Luis and Rob Nash founded Extra Innings, a provider of indoor baseball/softball training centers, in 1996.

The company launched a franchising operation in 2004.

Extra Innings currently has 38 locations in 16 states.



(elsewhere) online. So, we wanted to capture that market," he said.

Before they launched the business in 1996, Luis and Nash were minor league ballplayers.

After they stopped playing professionally in the early '90s, they began running baseball training camps and clinics.

Recalls Luis, 42, "Our camps and clinics grew too big to be operated as

a home-based business. We needed a main facility for people to come to, so we could grow the business year-round."

With about \$50,000 in seed money, mostly from friends and family, Luis and Nash initially opened a 10,000-square-foot location in Danvers. They built a larger location in Middleton in 1998 and closed the Danvers site.

With an eye on further expansion, the company ultimately launched its own franchising operation in 2004.

Says Nash, "We had friends and customers coming in to Middleton all the time, saying, 'What a great idea. Teach me how to do this.' So we thought, we could probably teach people how to do this and develop some buying power with vendors and further develop our operational systems."

Said **Jim Wolff**, a franchisee from Indianapolis: "From the build-out of the facility to opening day, they have given us the support and tools we need to succeed every step of the way."

According to Nash and Luis, the estimated initial investment to open an Extra Innings franchise location ranges from \$239,000 to \$650,000, including an initial franchise fee of \$25,000. Royalty fees start at \$1,000 per month

for the first 12,000 square feet of the facility.

"We frequently audit the facilities," says Luis. "So, we're always checking each location to make sure the brand is being used the right way."

Bob Pirtle, principal of Asheville, N.C.-based **International Expansion Consultants**, an outside consultant who has worked with Luis and Nash, attributes their success to the fact that "they have a niche market. They also have strong management skills. And, they have multiple sources of revenue."

Still, Nash and Luis acknowledge their business is not completely immune to the effects of the recession. Originally, they had planned to have close to 100 locations in operation by the end of 2010; now, Nash says he'd be happy with about 60.

"Things have drastically changed, just because of the credit market changing," he says. "We've got some very qualified people who want to own franchises that are having trouble getting the money. ... So, we're trying to be patient and move forward as best we can."

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