



from beginners to **BIGSHOTS**

How real businesses use the Small Business Administration to grow



Mass. manufacturer retools debt with aid of business counseling

Aerospace equipment maker gets help
in weathering its cash-flow crunch

By Matt Kelly

Eric Harper, chief executive of Union Machine Co., has a passion for climbing mountains. In 1998, he scaled Kilimanjaro, Africa's highest peak. He has stood atop Mount McKinley in Alaska and Mount Aconcagua in Argentina.

In 1991, however, Harper faced a much more difficult task: he had to dig Union Machine out of a hole. A deep one.

The aerospace equipment maker had just learned that its largest customer, General Electric Co., would delay taking possession of its orders, leaving \$1 million of inventory sitting on the factory floor, possibly until 1998. Union Machine's largest creditor was breathing down Harper's neck about its \$650,000 U.S. Small Business Administration guaranteed loan.

Enter the SBA district office in Boston, which in an un-precedented move for the office, took possession of the loan from Union Machine's creditor. It dispatched its own loan specialist and three members of the Service Corps of Retired Executives to turn around the company.

Today Union Machine employs 40, has annual revenue of \$6.5 million and operates in the black. And the loan that caused so much trouble? Paid off last year, a year early.

Harper credits the SBA for seeing the vitality in Union Machine despite its liquidity crisis. The company had a solid track record in aerospace and the market was fundamentally sound.

"They looked at us and found a company that was run well," Harper says.

Union Machine had been in the aerospace business almost since its inception. Two former GE employees, Charles Weiler and Waclaw Malhowsk, founded it in 1953. They bought an aerospace research shop a year later, on a hunch that this new industry might go somewhere.

Today Union Machine makes ducts, nozzles, covers and other parts, working with everything from stainless steel to specially engineered plastics. Customers include the United States Air Force, GE, Pratt & Whitney and other aircraft manufacturers.

Nobody knows Union Machine better than Harper—he is Weiler's grandson. He started working at the company in 1965 at 16, pulling shifts on the factory floor. He was named president in 1980.

A lanky man who looks a decade younger than his 54 years, Harper needs prodding to talk about Union Machine's success; he much prefers

to gab about his mountain climbing. Still, Harper recalls those dark days in 1991 clearly. Massachusetts Business Development Corp., his largest creditor, had no choice but to collect on its \$650,000 loan.

The SBA entered the picture because it was a guarantor of the MBDC loan. MBDC sent a letter to Terry Mooers, an SBA business opportunity specialist, warning her that it might liquidate Union Machine.

"We were shocked," Mooers says. SBA officials didn't blame MBDC; it needed to cover its obligations. But Mooers felt awful about seeing Union Machine close.

"I thought to myself, 'We're the SBA. We can't just let them shut down,'" she recalls.

Mooers proposed that the SBA buy the loan from MBDC and create a counseling team: herself, Harper and three SCORE counselors, Stan Gelin, Dick Gladstone and Alec Green. Eventually, higher-ups at the SBA agreed—a gamble the SBA had never done before and has not done since.

Mooers and the counselors went to work helping Harper strengthen his balance sheet.

SCORE counselor Green, assigned to the case for his manufacturing experience, says the problem was apparent the first day he visited the company: too much capital for too little business. Green saw new equipment sitting idle and inspection processes that took too long. "It was just that the business principles were wrong," he says. "Their return on assets was awful."

The lynchpins to Union Machine's revival, Green says, were the cost-cutting recommendations Harper put into place. A SCORE real estate counselor helped him rent his old facility when he moved to leased quarters. Harper auctioned excess equipment. Green urged him to break into new lines of business rather than depend on GE.

The company dismissed some workers, scaled back revenue projections and restructured debt.

Now Union Machine is on solid financial footing. Revenue growth this year is down a bit because of the poor economy, but Harper is confident that the crisis he faced in 1991 will not return.

"Eric believed in us," Green says. "He knew we were there to help and he took advice well—you don't see clients like that too often."