

DAILY NEWS

Spinning in circles: NYC fashion start-up has customers but struggles to find money to build factory

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They have the support of some big name fashion designers. They want to hire more than 80 people for jobs in the Garment District. They have years of experience working for prominent fashion companies like Anne Klein, Tse and Express.

Business partners Ann Kearns and Francoise Vianin, who run a small knitwear manufacturing company called Elanis, say they have all the essentials needed for crafting a successful garment business except for one thing: money.

After months of knocking on doors seeking \$2.5 million to build a sweater factory, the fashion duo are still spinning in circles.

"I am frustrated," Vianin said. "We have the boat, we just need the water."

In a difficult lending environment, as banks focus on limiting their risk, countless startups like Elanis are facing even tougher hurdles than they have in the past.

"It's a challenging market," acknowledged Cristina Shapiro, assistant commissioner at NYC Business Solutions, part of the Department of Small Business Services. The agency provides free services and advice for local entrepreneurs and has advised Kearns and Vianin.

"There are fewer lenders willing to lend to startups and their criteria for eligibility is higher," Shapiro said.

While they were well aware of the challenges, Kearns and Vianin thought they would do better.

The entrepreneurs, who started Elanis three years ago and run it out of Kearns' Upper East Side

apartment, help local designers manufacture their knitwear overseas. Revenues for 2009 totaled \$300,000.

Last year, they noticed that many of their high-end designer customers were increasingly interested in moving production to New York City.

Hoping to capitalize on the trend, Kearns and Vianin came up with a plan last May to open a 30,000-square-foot knitwear factory that could offer quick turnaround, high quality and smaller production runs.

"The goal was to bring back Made in the USA," Vianin said. "We saw a demand for it."

Their customers signed on to the idea. Elanis is working on creating samples for a number of local fashion houses, including John Bartlett and Yoehlee Teng. Both designers said they would use a Manhattan factory run by Elanis if it was built.

"There is a huge need for domestic manufacturing," said Bartlett, who moved much of his manufacturing to New York.

"The concept is excellent," Teng added. "There is a real need. I want them to succeed."

Emboldened by their customers, Kearns and Vianin were determined to tap every resource possible. They met with counselors at the city's Business Solutions centers and were told the city would provide free help in recruiting factory employees. "They have talked to nearly everyone on my team," Shapiro said.

NYC Business Solutions referred them to the city's Economic Development Corp., where the duo learned they might be eligible for so-called Nimble bonds, small issuance, tax-exempt industrial development bonds that could reduce borrowing

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costs for purchasing equipment.

The Garment Industry Development Corp., a nonprofit that aims to keep apparel jobs in the city, agreed to train Elanis' workers at little to no cost, said the group's acting executive director, Andy Ward.

Despite the enthusiasm from city officials and agencies, they haven't been able to get the necessary financing.

The fashion duo has met with a dozen banks and other financiers. They've heard a chorus of "No" amid worries about risks and growth potential.

"We are not sexy," Vianin said. "We are not biotech, we are not technology. They hear fashion, they shut down."

Banks often require that entrepreneurs invest their own money in startups, generally 20%, and neither Kearns nor Vianin has enough available cash or collateral.

One investment firm approached by the partners expressed doubts about their business plan. "Made in America hasn't worked. They won't be able to deliver," said an executive briefed on Elanis' plans.

Kearns and Vianin countered that their growth prospects are strong and that they will broaden their customer base by pursuing government contracts. They project first-year sales of \$10 million.

Several months ago, a banker at Citigroup introduced them to Claudia Machaver, a founding partner of True Course Capital, an investment advisory firm in Morningside Heights, that's now leading their search for funding. Under their arrangement, True Course will get paid only if it's successful.

There are glimmers of hope. With Machaver's help, Kearns and Vianin have sharpened their business plan and widened their search for money. In addition to U.S. Small Business Administration-backed loans, they'll look to additional investment firms and even individual investors with experience in the apparel industry.

"It's a tough time and it's a tough industry," Machaver said. "On the other hand, these are two women with a vision and a track record."

One prospective lender, JPMorgan Chase, said it will continue to review the company, but made no commitment.

"Elanis presented a strong business plan and we will follow our disciplined underwriting standards to determine if the business can afford the financing over the long term," JPMorgan Chase spokesman Michael Fusco said.

Kearns and Vianin will continue their search for money.

"We know this is the right time and the right industry," Kearns said. "There will be an individual who will get it. It will happen."