



Founders Court

A Letter from Dev Pathik



As Co-Founders & Co-CEOs, Bryan and I use the team skills we learned through sports on a daily basis. We rely on one another's perspective to identify key strategies and our most important customer solutions. Luckily, we also happen to share complimentary business skills. Yet, for whatever amount of business acumen we might bring to our daily discussions, it is our common core values that form the basis for our most important decisions. We both started working from a young age and each of us followed our passion for sports and personal challenge to find our current career paths. These important experiences, our families, and the mentors we had as young people formed our values. Our ultimate desire – to impact lives and to serve a purpose greater than ourselves – led us to our partnership. Today, we use these values in every area of our business, from selecting staff to advising clients.

When Jason Clement joined SFA as our Chief Operations Officer and partner, the importance of teamwork and shared values became even more evident. Jason has also been transformed through sports, so much so that he became a sports facility architect to create environments for millions of others to experience sports and teamwork. Perhaps more importantly, Jason brings his deeply held values to his work and he models those values to the benefit of our entire team.

Thankfully, Nora, Eric, Shawn, Scott, Carl, Elaine, Mike, Hac, Gary, and the rest of our team share our core values, and they are equally committed to the proliferation of individual and community growth through sports and the development of sports facilities. Through their diligence and dedication, they have bolstered our team and our commitment to serve millions of people through the power of team sports and community recreation.

This issue addresses:

- The Value of Sport
- SFA Announcements
- Selecting Business Partners, Alliances, Staff, & Advisors
- Hiring Staff
- Raising Capital
- Recently Reported Trends In Industry Studies

The Value of Sport

What has sport done for you? If you take a few minutes to consider this question you will probably identify life lessons that lie at the foundations of many of your most important characteristics. We asked a few of our clients to tell us what sport has done for them. Here is what they said:

"Sport has taught me to lead by example. It has reinforced my understanding that you miss every shot you don't take. And, that in everything we do, we rise to our own level of incompetence. When we reach that level, most will quit. The real winners push themselves outside their comfort zone and learn what it takes to rise to the next level, and then the levels beyond. Sport has taught me that you can change without improving, but you can't improve without changing."

Greg Stingerie,
Founder, Stadium of Stars

[Greg is currently in the land-negotiation stage of a multi-sport indoor facility in Fountain, Colo.]

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SFA Announcements

There is a lot happening at SFA. Here are just a few of our most recent announcements:

- SFA wins bid for feasibility study on basketball arena in Dominican Republic
- Denver Colorado - SFA Executive Team presents at US Indoor Soccer Association Annual Conference. This year's conference included multiple sessions and expert panels featuring SFA executive team members, Bryan Finnerty, Dev Pathik, and Jason Clement. Sessions included:
 - The opening panel discussion for new facility start ups
 - The architecture of sport
 - Alternative and day time revenue
 - How to have a life as a facility owner

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SFA on Selecting Business Partners, Alliances, Employees & Key Advisors

While shared values are critical components to successful business partnerships, it is also true that differences matter. Rarely do two or more strategic partners with identical skill-sets succeed at the level of those that possess a range of differing skill-sets and abilities. We advise clients to evaluate potential business partners, alliances, staff, and advisors based on eight (8) key character and skill-sets. They are listed in order of priority.

- 1. Integrity First** – Good people make good partners.
- 2. Humility** – This translates into a willingness to accept and offer feedback and to continually grow and learn.
- 3. Long-Term Thinkers** – Good strategic partners make decisions based on the benefit of investing themselves and their resources for a long-term gain. Short-term thinkers often build short-term relationships.
- 4. Getting Things Done** – Good partners do what they say they will do and they make good things happen in your business
- 5. Complimentary Skills** – It should be clear that new partners possess talents or financial resources that enhance your own.
- 6. Proven Track Record** – Seek partners and close advisors who have long-term relationships with friends, business associates, family, and/or other contacts. Inconsistent individuals do not tend to keep high-quality relationships. Next, make sure that their accomplishments are proven and not simply stated.
- 7. Appropriate Availability** – Clarify your expectations early on. Partners do not need to meet any particular criteria for time or availability, but you will want to be in agreement in this area or risk being disappointed or put upon.
- 8. Financially Responsible** – This is critical! Discuss expectations, compensation, distributions, and other critical financial issues early on and before you finalize agreements.

SFA on Researching Potential Partners, Advisors & Alliances

In regards to a client performing his/her due diligence in researching people with whom to align, SFA has identified five (5) keys:

1. Talk with their customers, co-workers, former partners, and others who have known them for five or more years.
2. Do a background check and allow a reciprocal check to be completed on yourself and/or your company.
3. Conduct an informal life interview – Ask potential strategic partners to tell you their story. Where did they grow up? How did they get to their current position in life? What were some of their most influential events, mentors, mistakes, and goals?
4. Trust your gut – Be sure to listen deeply to your instincts. If something does not feel quite right, now is the time to investigate.
5. Seek independent council – Any actual operating agreement, partnership agreement, or business acquisition requires experienced legal council. Each party should be independently represented.

Jason Clement, SFA COO, on Hiring Staff

As the person most directly responsible for the quality of SFA's services, building the right team is an important part of my job. Thankfully, I have the assistance and perspective of my two business partners. We have developed a systematic and simple set of procedures that we use internally at SFA and that we employ with all upcoming facility openings. Those steps are outlined below:

Step 1 – Continually Refine the Organization Chart

Building a team requires an on-going analysis of the roles and responsibilities that need to be fulfilled. This is driven by customer need and market demand.

Step 2 – Define the Position

Each position for which you hire should be based on well-defined job descriptions.

Step 3 – Place Online Advertisements

There are a number of high-quality online resources for job postings

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National Trends

SFA keeps tabs on major industry trends/factors which influence new construction costs. Overall the industry of single-field owner/operator facilities that operate during evening and week-end hours is changing rapidly. In the face of rising steel costs and overall industry innovations, the new trend is toward larger multi-sport facilities that generate revenue as many as 18 hours per day. Additionally, the economic impact and foot traffic created by newer larger facilities has attracted the attention of land developers seeking an anchor tenant or the launch to a larger mixed use development.

Several of these factors are listed below:

Steel prices continue to rise, increasing the construction cost of steel buildings. Between January 2006 and April 2007 the price of sectional steel increased by 24.7%.

Daytime revenue – Across the industry, daytime revenue through programming such as teambuilding, senior programs, corporate events, facility rentals, and advertising has become critical to the success of indoor sports facilities. One current trend is the need for facilities to develop community oriented outcome-based curriculum. Programs in sports leadership, anti bullying, health and wellness, and after-school programs are among these emerging service options. SFA is producing leading-edge programs for each of these and other topic areas.

Sophisticated feasibility studies no longer rely on basic demographics, census bureau data, on-site traffic counts, or surveys. Today's larger developments require comprehensive feasibility studies which use a wide range of data sources and analysis of covenant ratios, loan terms, cash flow, ROI, real estate costs, Cap rates, management team experience, resource/start up cost ratios, and many other factors. Additionally, on-site traffic counts are not adequate to determine the location of a prospective facility. SFA's proprietary feasibility study models and data bases have elevated the playing field.

Strategic alliances are increasingly important to the success of indoor sports facilities. These alliances range from schools and advertisers to municipalities and corporations. Forming these alliances is a critical pre-opening process.

Large developers and funding sources are getting involved in the industry. From facilities that improve the value or foot traffic to surrounding real estate to multi-facility developments, we are seeing a trend toward larger real estate developments.

Private public partnerships – SFA has also noticed a significant increase in the collaboration and range of options for private/public sports and recreation centers that offer great value to entrepreneurs and communities.

Hiring Staff

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Step 4 – Resume Review Session

As resumes arrive, we use a group roundtable to review and screen them into 'Yes'/'No' piles. ('No's receive an email, whereas 'Yes' candidates are scheduled for a phone-based interview.)

Step 5 – Phone Interviews

Next, we conduct 10-minute screening interviews by phone. 'Yes' candidates are invited in for a live interview, whereas 'No's are sent a follow-up email.

Step 6 – In-person Multiple Decision-Maker Interview

Key candidates are interviewed by no fewer than two of our top level interviewers. Within SFA, all key employees are interviewed by our three-person executive team.

Step 7 – Make offers

This stage should be well thought out and driven by the financial reality of your company.

SFA Announcements

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- **SFA welcomes Shawn Hatem – Research/Document Department Director**
The stats: Shawn is a former collegiate baseball player, high school coach, and a journalist covering NBA, NFL, MLB, and a variety of other sports
- **SFA welcomes Carl Reschke – Research/Document Department Director**
The stats: Carl earned his MBA at the John Sykes College of Business, University of Tampa. He is a former collegiate-level baseball player
- **SFA welcomes Scott Himes – Research/Document Department Director**
The stats: Scott came to SFA from Neilson Media Research, and he also has experience working at Franklin Templeton Investments, the Clearwater Phillies organization, and the Washington Redskins organization

SFA on Raising Capital

Opening day and financial success depend upon the approach, structure, terms, and total amount of capital you raise. Banks tend to look favorably on these real estate developments, provided that the management team skills, initial down-stroke, source of down-stroke funding, and financial projections have been well presented and analyzed. For most of SFA's clients, the capital acquisition is the most challenging and often most exciting part of the early start up journey. After all, it is the phase that earns our clients the right to wear a hard hat as they watch their facilities come to life.

Here are few high level tips for those preparing for the Capital Acquisition Phase:

1. Schedule your CAP training as soon as you have moved to "Feasibility: Yes"
2. Build your network – Your CAP organizer and SFA Account Manager will help, but you will need to take action to meet each deadline set with your Account Manager
3. Present your opportunity as a real estate development first and a sports facility operation second

The Value of Sport

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"Sports have such a profound way of touching people. Sports teach so many different lessons about life and can provide great 'balance.' This is true for young people as well as adults. As lifelong residents of the greater Middletown area, Maureen and I intend to build a facility that positively impacts the lives of our community's residents through sports and the lessons they teach. We intend to foster leadership and excellence through sports and will work to provide a healthy atmosphere for our customers. We endeavor to always meet the needs of our community and to provide an indoor sports facility Middletown can rally behind ... a place the city and its residents can be proud to call their own."

Joe DeRing
U.S. Special Services

[Joe is currently completing a tour of duty in Afghanistan and is expected home in August of 2007. Just before his deployment, Joe and his wife, Maureen, engaged SFA to complete a feasibility study on a multi-sport facility to be located in Connecticut.]

'More than any other aspect of my life experience, sports has played an integral role in my career, friendships and personal relationships. The lessons of teamwork, competing, fair play, and striving to achieve goals are invaluable lessons. Also, learning how to win – as well as lose – while giving your best effort for a goal that is greater than your individual success is applicable in many aspects of everyone's life.'

Steve Black
Concept Stage

[Steve worked with SFA on a "soup-to-nuts" assessment during facility acquisition.]