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INNOVATION

BDCRI provides loan to Item to prepare for growth

By Natalie Myers

Item Group's revenue has grown by more than 50 percent annually for the last two years, and company executives expect the growth to continue at that pace this year.

As a result, they decided they need to re-evaluate Item's capital structure, said Darren Abrams, chief operating officer of the Providence-based product design and development firm.

"We have tremendous amounts of opportunity ahead of us," he said. "We want to make sure we are well positioned to capitalize on it."

So, Item Group called the Business Development Company of Rhode Island and requested bridge financing. In a news release, Stephen Lane, Item co-founder and CEO, said the goal was to allow the company "to continue on its rapid growth path while we prepare to transition to permanent capital funding."

The BDCRI was able to provide a \$500,000 bridge loan in less than 30 days because of the relationship the two entities have established over the years, said Peter Dorsey, senior vice president of the BDCRI.

"Their design experience goes back 20 years," Dorsey said. "And they've morphed that into opportunities in other markets, such as the medical market, which is an attractive growing industry."

The BDCRI also knew the company has created more than 100 high-paying jobs in Providence and hopes to expand employment by 25 percent during the next year. That appeals to the non-bank lender because its public mission requires it to finance companies that create and retain jobs in Rhode Island's regional economy, Dorsey said.

"We're often more involved in longer-term loans," he said, adding that bridge loans usually have a six- to 18-month term.

The BDCRI provides direct and gap financing for working capital, product development, fixed asset purchases and business acquisitions.

"We have \$10 million to invest," Dorsey said. "The investment capital we have is largely given to us by the banks ... because they're interested in improving the economic climate in the state."

Item Group plans to use the bridge financing to build out lab and manufacturing space at the 80,000-square-foot facility it moved into earlier this year, Abrams said.

The manufacturing space is needed particularly for Item's medical device company, Ximedica, because it is the fastest growing of the three standalone companies under the Item Group umbrella.

"We have a number of new medical device products going into manufacturing,"



Photo courtesy Item Group

Aidan Petrie, left, and Stephen Lane, co-founders of Item Group, have grown the company so much that a new financial structure is now needed.

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Abrams said. "It's beyond prototyping. The economics of that business are such that many of the devices are relatively high cost to produce."

The products also require a high level of quality control, which justifies the manufacturing taking place in the facility instead of being outsourced overseas, he said.

Abrams said Item is thankful the BDCRI was able to close the loan in such a short period of time. "The BDCRI was incredibly easy to work with," Abrams said. "They've certainly been watching us. ... It was a matter of picking up the phone."

Lower interest rates were another plus to working with the non-bank lender.

"Our rates are below what a purely private investor would have for rates," Dorsey said. "But our pricing is still high enough to reflect the risk we're taking ... a private investor might look for a 25-percent return, whereas we'd look for a 20-percent return."

The BDCRI does not cater to any one industry in its lending.

"You give us a good team, a good idea, a good market, and we'll find a way to put it together, whatever the structure it needs to take," he said. "We look for dynamic management teams that have business models that identify strengths they can capitalize on to be successful." •

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