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money

RAISING MONEY DARE TO VENTURE

NEED A CASH INFUSION? TRY VENTURE
MERCHANT BANK FINANCING TO GET
YOUR BUSINESS BACK ON TRACK.

BY CRYSTAL DETAMORE-RODMAN

Just over a year ago, jewelry design business D'Annunzio Group International was chugging along at a steady and predictable pace. But things took a dramatic turn in 2006 when DGI, in partnership with Warner Bros., launched a jewelry collection inspired by Tweety. Sales went through the roof. As the orders poured in, the company found itself facing a shortage of capital and a backlog of unfilled orders. "We were in jeopardy of losing major business," recalls Arthur D'Annunzio, 41, CEO of the \$10 million Totowa, New Jersey, company. His banker suggested venture merchant bank financing.

Venture merchant banks help entrepreneurs bridge the capital gap in several ways, including through trade and accounts receivable financing or factoring. But unlike factors, they may also offer purchase order financing. It isn't the cheapest form of financing, with fees for financing and advisory services running as high as \$100,000 annually for some firms. "I'm not going to say we don't feel it," says D'Annunzio, whose \$19.2 million financing arrangement with venture merchant bank Capstone Business Credit includes factoring and purchase order financing, "but you're able to make a margin of profit on a much larger scale."

D'Annunzio's company was an ideal candidate for a venture merchant bank. It had a strong management team, an established product and exceptional growth potential. The company was also open to Capstone taking a strong advisory role.

That's a major difference between a venture merchant bank and the typical

asset-based lender. "We're pushing [our clients], [saying,] 'Look, you have all the money you need to finance sales; let's see some sales growth,'" explains Joseph Ingrassia, managing member of Capstone. "We teach them budgeting, we teach them cost accounting, and we hold their feet to the fire if they miss their budgeted numbers."

D'Annunzio, who got help filling key management positions and developing a less cumbersome payment system for suppliers, says he appreciates Capstone taking his business under its wing. Since teaming up with Capstone, DGI has also created its own in-house advertising department as well as in-store boutiques to better showcase its products. The company has leveraged its momentum by finalizing deals to design and manufacture jewelry lines for Betty Boop, DC Comics and Looney Tunes. Says D'Annunzio, "Capstone has allowed us to put our hat in the ring."

CRYSTAL DETAMORE-RODMAN is a Charlottesville, Virginia, writer who covers the small-business finance market.