

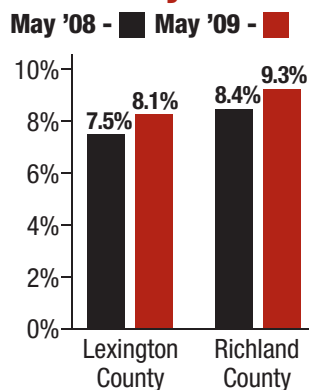
COLUMBIA REGIONAL BUSINESS REPORT

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Unemployment rate - May



Campaign trail

The Columbia mayoral race is taking off; Coble seeks sixth term. **Page 8**

In Focus: Higher education

Tech colleges and national private schools are seeing local growth. **Page 11**



Building blocks

USC athletics keeps building even in tough times. **Page 12**



Law of economics

The tight job market leaves new law school grads seeking work. **Page 14**

Despite incentives, SBA loan volume still down

Banks say government sending conflicting messages about lending

BY ASHLEY FLETCHER FRAMPTON
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Generous incentives for U.S. Small Business Administration loans included in this year's stimulus act, billed as help for struggling small companies, sound like a slam dunk for banks and businesses alike.

What bank wouldn't want to make loans with a government guarantee that's been raised to 90%, for example? Ditto for a new program that helps businesses pay existing debt with small loans backed 100%.

But banks are cautious about making those loans for the very reason the SBA is pushing them — because the businesses could collapse. Even a low risk of loss concerns banks at a time when most can't afford more losses.

"Banks in general are getting pressure from two sides," said Barry Stogner, senior vice president and head of small business underwriting at First Citizens bank. "The federal government, through the stimulus program, wants credit to flow, but on the regulatory side there's a lot of

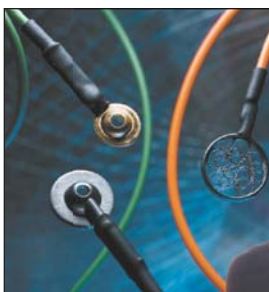
See SBA LENDERS, Page 6 ➤



RhythmLink keeps beat

Inside: Company trying to keep up with growing demand. **Page 9**

Owners of a local company say they started their business at the right time, with the right products. Now, they are looking at ways to handle the business that's out there and to continue to grow.



RhythmLink designs and manufactures more than 100 types of electrodes, including cup and spider styles (top). Owners Shawn Regan (left) and Michael O'Leary are looking at ways to keep the company growing. (Photos/courtesy RhythmLink)



Commerce's budget gets slashed again

BY MIKE FITTS
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The S.C. Department of Commerce's state budget allocation has been cut by more than half at a time when South Carolina has one of the highest unemployment rates in the country.

The agency's budget has been cut 58% from the level approved one year ago, marketing and communications manager Kara Borie said.

The budget approved for the fiscal year beginning July 1 includes \$5.88 million for the agency. Last

EXECUTIVE SUMMARY

The S.C. Commerce Department is struggling with deep cuts, even as other Southern states are recruiting new business.

See COMMERCE, Page 10 ➤

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INSIDE

Upfront	2	At Work	19
In Focus:		People in the News.....	21
Higher Education	11	Business Digest.....	21
List: Colleges &		Leads	22
Universities	17	Calendar	22
List: Private Schools.....	18	Viewpoint.....	23



At Work

Mary Mazzola Spivey was given the gift of education by her parents. **Page 19**

Local company trying to keep up with growing demand

BY BOB BOUYEA

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Seven years ago, three men started a business in the kitchen of one of the partners while holding down full-time jobs. In less than 18 months, all three were working for their new business full time.

Since then, Rhythmink International LLC, an SC Launch company, has rarely missed a beat. In the past three years, revenue has grown 87% to nearly \$5 million, and the company was listed among *Inc.* magazine's 5,000 fastest-growing private companies.

Located in a new building on First Street South in Columbia, Rhythmink designs, engineers and manufactures electrodes used in surgeries, diagnoses and sleep studies, said Michael O'Leary, the company's chief operating officer.

"We connect patients to machines," CEO Shawn Regan said, holding up a thin wire. The wires transmit information from the patient to the machine, where the information is turned into useful data, he said.

The company currently manufactures more than 118 electrodes in an array of color and lengths. It also provides multiple ways to attach the electrodes to patients — sticky pads, corkscrews, cups, spiders and needles.

The company has two lines of business: commercial, improving upon existing products already in the marketplace; and custom, working with other companies to design and build custom electrodes.

The beginning

Rhythmink began at the kitchen table of Brett Netherton, who has since left the company. He and Regan worked together at a Chicago company and started planning their business.



Rhythmink recently celebrated the grand opening of its new 20,000-square-foot facility on First Street South. (Photo/courtesy Rhythmink)

As they investigated the startup and were looking for expertise in manufacturing, people kept telling them they needed to contact O'Leary, who was an adjunct professor at the University of South Carolina teaching graduate-level courses on export marketing.

In July 2002, they started the company. By December of that year, they had received approval from the Food and Drug Administration. And by April 2003, they had made their first sale.

A few years later, O'Leary and Regan bought out Netherton because they had a "different vision for the company."

When the company started looking at manufacturing options, the partners looked to China. They worked with Mike Bellamy, a consultant and former student of O'Leary's, who developed partnerships with Chinese manufacturers and helped find workers.

After a bad experience with a Chinese manufacturer who tried to take over Rhythmink's design, Regan and O'Leary decided in the summer of 2006 that they would operate their own manufacturer in China. So they created Pine Moon.

The company currently employs about 70 people in China and 23 people in the United States — all but three in Columbia. And the partners are looking to add eight engineers in the Columbia office.

When they moved to South Carolina, they leased half the space in a 5,000-square-foot building, but they soon grew into the remaining area. Growth kept occurring, so the company moved into a 12,000-square-foot building. They stayed there four years.

In June, the company moved into a 20,000-square-foot building. O'Leary and Regan partnered with Cohn Construction in a new company that built two commercial buildings on the lot.

The growth

The reason for the growth was that the company launched at the right time with the right product, O'Leary said.

Regan agreed.

"Our advantage is it's a disposable product. Clients buy it once a month, so there is a steady flow of cash," he said.

When they started the business, the industry was transitioning from the use

of reusable electrodes to disposable, Regan said.

Though hospitals, doctors and laboratories buy electrodes frequently, they are less expensive in the long run, because a lot of time was spent cleaning the reusable electrodes, Regan said.

And though the medical industry is not recession-proof, Rhythmink has not felt any impact from the economic downturn. So far this year, the company has launched a few new products and has plans to launch six more.

"Our problem is handling the business that is out there," Regan said.

The future

To handle more business and keep the business growing, the company is talking to two capital investor groups.

An infusion of cash would allow the company to develop new products and look at reducing inventory levels. But that would require a change in manufacturing.

"We are contemplating moving our manufacturing from China to North America — possibly Mexico — to bring the products closer to home," Regan said, adding that keeping excess inventory on hand ties up cash flow.

The company also is exploring the possibility of automation in its manufacturing processes.

"We are exploring partnering with groups to allow us to do some, or all, of this," Regan said. "The problem is a lot of the groups don't want to talk to you unless you need \$20 to \$40 million. We don't need \$40 million."

But if they don't find an investor, they said they will continue to grow the company organically. ■

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