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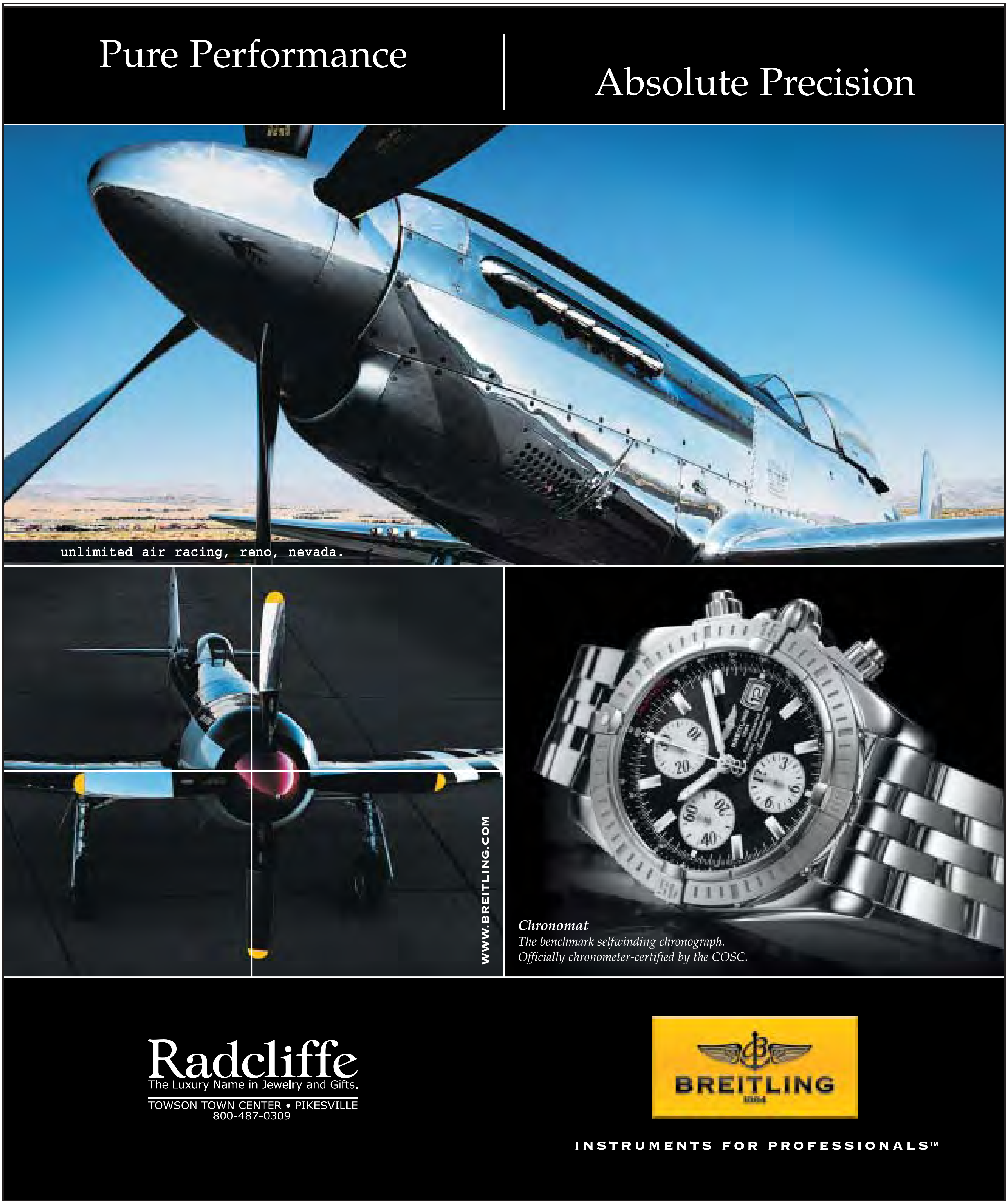
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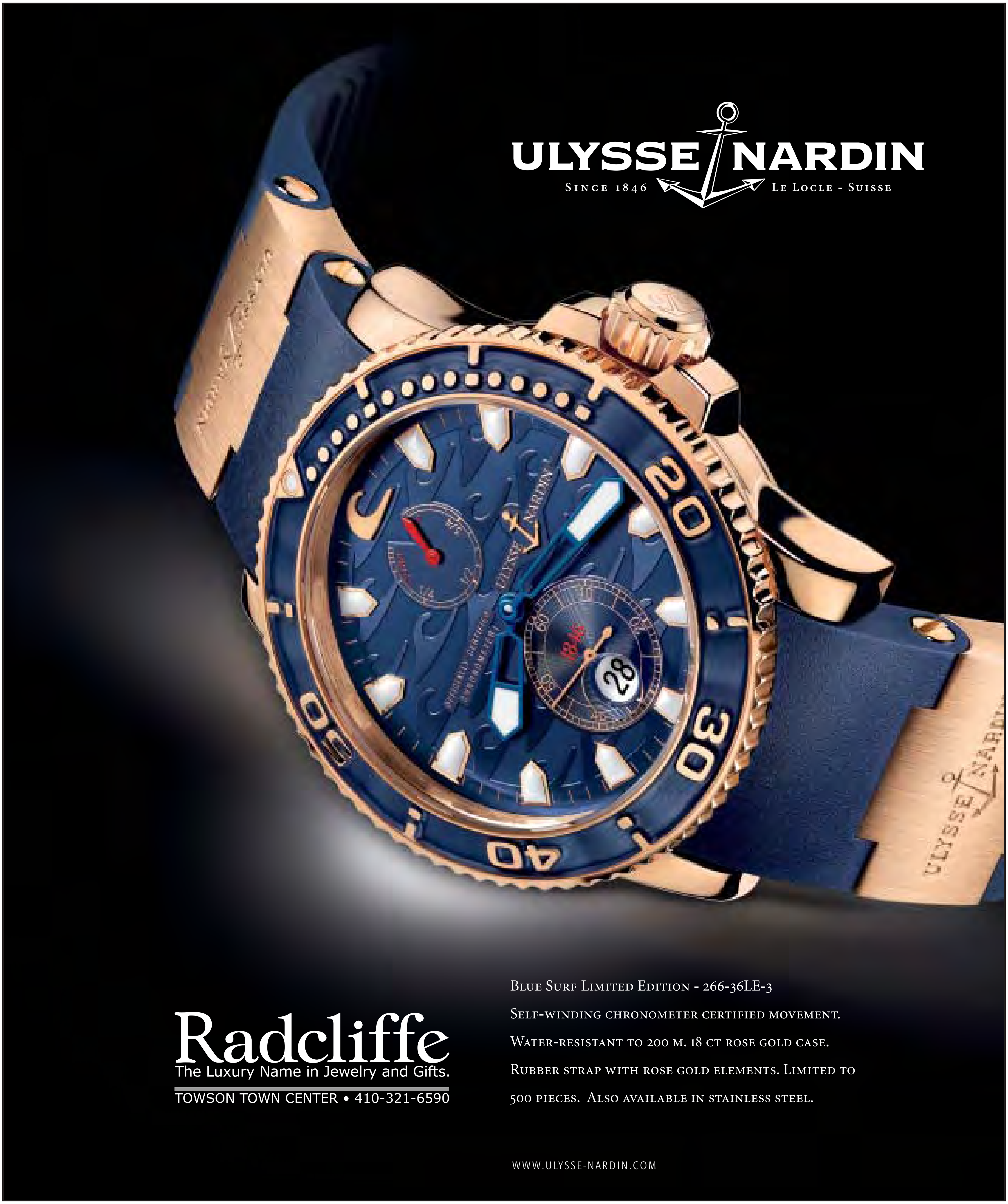
David Callahan

Chain Reaction

Close Call: Helicopters survey the damage after an enormous explosion shook the Domino Sugar plant in Tide Point on Nov. 2. None of the 175 workers on the scene were killed, though one worker sustained serious burns to his hands. The blast shook the neighborhood and damaged scores of windows, but early reports claimed that the structural integrity of the building appears to have remained. The fuel for the ignition came from energy-rich sugar dust, which when mixed with the proper amount of oxygen becomes highly explosive. In Brazil, for example, sugar-based ethanol is the country's primary source of fuel.



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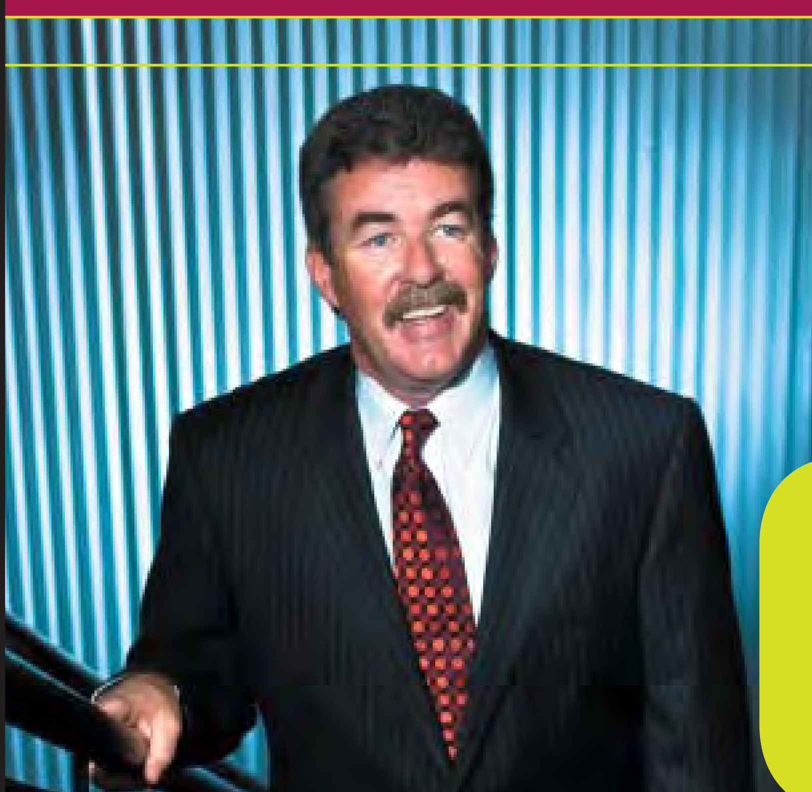


COVER STORY

Historical Value

Lessons from antique toys, art fakes and government cover-ups

My father-in-law probably thought I'd nearly lost my mind last month when I passed up tickets to the Oct. 27 Maryland-Clemson game in order to drive up to Morphy Auctions in Denver, PA, and check out the selling of a collection of mechanical banks. But then, when we re-gathered and compared notes, it was clear I'd witnessed the more interesting history.

To my surprise, I wasn't the only non-local journalist that had bitten and traveled to cover the event; among others, CBS News was filming away for its Sunday Morning show. Morphy's, which is owned by Baltimore entrepreneur Steve Geppi, broke the all-time record for toy auctions that day when it raised $7.7 million from selling the bank collection of Stephen and Marilyn Steckbeck. One bank alone, a mint condition example of a bank known as "Jonah Emerges" went for $414,000. For another bank that raised $287,500, the under-bidder was actor Leonardo DiCaprio, who was phoning in his bids and following the auction on the Web.

I spent some time at the auction sitting next to Geppi and learning about the various ploys and psychological tricks used in the dance between bidders and the auctioneer. He also explained to me why it was that several banks, which were the only known examples in the world, went for less money than some more common banks in mint condition. "Sometimes condition trumps rarity," he explained. "If you have the best known example of something and it's in great condition, if another one turns up, odds are good that it won't be in superior condition and you can make a better case for why the value of your own example should remain." And being the best example, when another bank in excellent condition turns up, helps discern whether or not the new bank is counterfeit.

Auctions are all about establishing value. The crowd roared in approval when the Jonah bank established a whale of a value for itself because it approached the high water mark for the category, establishing the second highest value of all time for a toy bank. It did so because the language of toys is all about fun and this was a near perfect example of a particularly playful and fun bank. This auction was important because it was giving new information to the world about the components of playfulness and aesthetic balance in the valuation of antique toys. The auction was creating a hierarchy for items that gave the best explanation of a small piece of a particular moment in history. This is people coming together and sorting through coded and contextual information to discern historical value.

This was all on my mind a few days later when I attended a presentation at the Center Club in Baltimore on fraud in art. Local attorney Steven Batoff noted that somewhere between 15 and 40 percent of all art is fraudulent, an estimate that was quite a surprise to me, but is unsurprising to those immersed in the field. One of those people, Gary Vikan, who directs the Walters Art Museum, next gave a talk about how counterfeit art is spotted. He spoke about how financial and social pressures sometimes cause people's minds to close to the possibility of fraud. They don't want to believe it is even possible and instead decide to live in the land of willful ignorance. But the enlightened mind must always be open to the possibility of fraud, while retaining the proper balance of discernment so as not to disparage the genuine. Again, the key components are experience, context and human intuition.

>>EDITOR'S DESK

Some would say that rooting out art fakes is unimportant, but Vikan strongly disagrees, because, he says, art is studied and is valuable because of what it tells us about a moment in time. Art is information, and history, he explains, is inextricably linked to art. The past informs the present.

I know very little about discerning authentic value in toys or art, but history itself is of keen interest to me, especially the process of teasing out all the fake history that surrounds us. Batoff says forgeries are highly prevalent in the art world, but I contend that when it comes to history, especially the first drafts of it, fraud is even more common. And just as money and ego are the roots of fraud in art, it is the vanity and greed of moneyed interests behind most historical deceptions.

When really big frauds are exposed, the initial people who blow the whistle often are ridiculed as kooks, conspiracy theorists or disgruntled malcontents. If the fraud challenges the preferred assumptions of a willfully ignorant majority, even solid evidence may not be enough to get people's attention. As Twain said, "A lie can travel halfway around the world while the truth is still putting on its shoes."

On Oct. 2, the *Chicago Tribune* published new details about one of the most rancid piles of spin in modern times. It has now been 40 years since the 1967 attack on the USS Liberty that left 34 men dead, and the *Tribune* went hunting for newly declassified NSA intercepts relating to the matter (and also interviewed numerous survivors and experts). What the *Tribune* discovered is chilling.

The USS Liberty, you may recall, is the most highly decorated warship in U.S. history. On June 6, 1967, the mostly unarmed spy ship was in the international waters of the eastern Mediterranean Sea gathering intelligence on what was happening during what is now called the Six-Day War. Over the course of nearly two hours, the ship was relentlessly attacked "accidentally" by Israeli Mirage III fighter jets, Dassault Mysteres bombers and patrol boats, which landed one torpedo (between two and five were fired) and 840 large-caliber strikes on the ship, including napalm strikes that instantly destroyed all the rubber life rafts. There were well over 3,000 50-caliber machine gun holes in the ship after the smoke cleared.

According to Bryce Lockwood, a Marine staff sergeant aboard the ship that day, all the transmitting antennae on the ship were destroyed very quickly in the first wave of attacks. Finally, two men went topside while the boat was being riddled with machine gun fire and strung a long-wire enabling the radio room to get off a mayday transmission to the USS Saratoga. "And as soon as the Saratoga acknowledged it and said that help was on the way, the shooting stopped," Lockwood claims.

Once the attack was called off, Israel officially explained that the entire incident was a case of mistaken identity, claiming that it had believed that the ship was Egyptian. But the American flag was clearly raised and during the attack, the substantially larger "holiday flag" was run up.

In 2003, journalist Peter Hounam wrote a book, *Operation Cyanide: How the Bombing of the USS Liberty Nearly Caused World War III*. Hounam claims that Israel and President Lyndon Johnson had hatched a plan to sink the Liberty with no survivors. The sinking would be blamed upon Egypt, giving the U.S. reason to be brought into the war. A 2002 BBC documentary called "Dead in the Water" claims that nuclear-armed American planes were already in the air and targeting Cairo, but Johnson recalled them only after it became clear the boat did not sink and that Israel was revealed to be the aggressor.

According to the *Tribune*, an intelligence analyst named Steve Forslund who read damning intercepts has come forward on the record: "'The [Israeli] ground control station stated that the target was American and for the aircraft to confirm it,' Forslund recalled. 'The aircraft did confirm the identity of the target as American, by the American flag.' The ground control station ordered the aircraft to attack and sink the target and ensure they left no survivors.'"

Forslund said he clearly recalled 'the obvious frustration of the controller over the inability of the pilots to sink the target quickly and completely.'"

The emergence last month of these newly declassified intercepts and testimony seem to strengthen Hounan's contention that a conspiracy was indeed afoot. The story of the USS Liberty appears to represent a historical fraud and betrayal of mind-boggling proportions. It offers the possibility that were it not for the bravery and quick-thinking of an American crew on June 6, 1967, a nuclear engagement in the Middle East might have occurred. I like the metaphor of a boat named Liberty that refuses to sink despite a 39-foot hole in its side and despite withering attacks apparently disguising a monstrous stab in the back. But what does new information about this extraordinary event teach us about other events in history?

It certainly adds a lot of color to our understanding of the Gulf of Tonkin incident that led the country into the war in Vietnam. Doubters of the official explanation of the Kennedy assassination surely find nothing inconsistent about their impressions of Johnson here. Perhaps even the events surrounding the sinking of the Lusitania are somehow better understood given this new historical example. And certainly, shedding light on the events in the Middle East four decades ago serves to illuminate modern events there.

But overall, the modern mainstream media are clearly not very interested in exploring the possibilities of newfound fraud or duplicity in such large historical events. The veteran survivors of the Liberty attack have been complaining vociferously about their incident for 40 years now. It is abundantly clear that most of them believe their own government betrayed them with a massive whitewash. And yet, the week that the *Tribune*'s new details emerged, the television news networks promptly ignored the story entirely and instead chose to spend several days breathlessly discussing a "scandal" caused by a spat between Rush Limbaugh and Senate Majority Leader Harry Reid. They tried mightily to convince me that it was important news, but at least in that arena it's still easy to spot a fake agenda of no real value.

-David Callahan

newswatch

By David Callahan

Observations and lessons from the news headlines

HAZARDOUS WATERS

If there's any news I especially don't like to hear about, it's banks in trouble. Merrill Lynch, Citigroup and 1st Mariner were among the financial institutions delivering negative headlines last month. All of them suffered big losses due to the "sub-prime mortgage mess" or "credit crunch" as it is being labeled. The most troubling of these three stories is clearly Citibank, which is the largest bank in the country with assets of $2.35 trillion.

> Global confidence in the dollar may be tested like never before in the last 50 years.

The reason I don't like hearing even hints about failing banks is because it reminds me that when it comes to banking, the game of capitalism gets suspended. Failed banks don't get punished by the market – they instead get bailed out by taxpayers. This is partly what Congressman Ron Paul was arguing about with Fed chairman Ben Bernanke at a recent hearing. Paul brought up the concept of "Moral Hazard." A moral hazard is the problem you run into when you interfere with market mechanisms, as the Fed constantly does when it offers money to banks at interest rates well below what the market would set. The result? Stupid loans.

Another moral hazard in banking comes from the use of FDIC insurance. The problem is, it isn't really insurance. Insurance would charge adjustable rates, punishing banks that have absurdly high levels of stupid loans in their portfolios. FDIC is flat rate and is paid for by depositors in the form of banking fees.

The problem is, there is little more than $1 available for every $100 of insured money, so the government guarantees the rest. In other words, bad banking decisions are covered first by depositors and then by taxpayers, if a bailout is necessary, and then finally everyone pays via inflation from all the extra liquidity. You may have thought you lived under a sane market-driven system, but unfortunately, the current system short circuits the free market and encourages debt – stupid debt, at that.

TAX AND SPEND

If California Governor Arnold Schwarzenegger called a special session in order to raise taxes in California, it would be a top story on the BBC. When it happens in Maryland, American news channels aren't even interested. The taxpayers of Maryland are interested, though they may be having some trouble figuring out exactly how they are about to get hosed. There are so many new tax proposals flying around in the legislature as of this writing that it's becoming nearly impossible to track them all, much less handicap their chances for passage. Cigarettes, gas, slots, income taxes, corporate taxes, sales taxes – you name it and they're discussing it.

But here's what they're not discussing – how Gov. Bob Ehrlich managed to come into office with a $1.8 billion budget shortfall and solved that problem without raising taxes. He did something incomprehensible to Annapolis – he cut spending instead.

BELOW THE BELT

Gov. Martin O'Malley enjoys a number of advantages for passing his agenda that his predecessor did not, but he also suffers at least one obstacle that is new – a Web site dedicated to tripping him up and being a thorn in his side. The mysterious forces behind www.omalleywatch.com have been hammering the governor for months on tax issues and apparently decided that the one pickpocket deserves another. The Web site published O'Malley's personal BlackBerry address and encouraged its audience to compose e-mails for the governor describing how they felt about his tax plan. According to the site, the address was shut down within four hours.

THE GOLDEN AGE

While people who sell paper assets are walking around on pins and needles right now, for the sellers of hard assets, these are good times. The art market is on fire and gold is reaching highs not seen in decades. But the question being asked is the question that is always asked – is this another bubble in the making? The one hard asset going backwards is real estate, but that bubble was created by cheap credit (see above). Other hard commodities are less prone to elaborate borrowing schemes and need not worry as much about the shakeout from loan defaults.

Hard assets are where investors flock when they see a currency devaluing, and the dollar has sure been doing a lot of that. For years a small but vocal minority has been screaming that leaving the gold standard was akin to a long drawn out national suicide, but inflation has been held in check so far. In 2008, global confidence in the dollar may be tested like never before in the last 50 years. People who think it will fail that test can likely be found at the coin show.

different strokes for different folks

HOW TO BUILD A SUCCESSFUL ORGANIZATION BY BALANCING STRENGTHS

QUESTION:

I am trying to grow my technology company and have started to hire more people. Many of my latest hires have not worked out so well. I have been told to hire for attitude and train for skill. I have also read that organizations need different kinds of people and that the tendency is to hire people that are like us. Any suggestions?

RESPONSE:

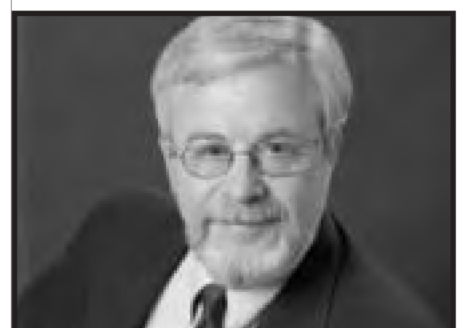
For almost 100 years, researchers and consultants have tried to apply the behavioral sciences to business. Many of the principles these people have espoused are beginning to gain wide acceptance in large and small companies.

The purpose of this column is to alert you to some of these ideas and to urge you to find out more from experts who can help you put them into practice. A key assumption of this column is that the role of leading an organization is to create an environment in which your people can succeed in their jobs. This goes beyond the old definition of management's role: to plan, organize and control.

Different people have different styles, all of which are valid. Some of the oldest research in the field resulted in the Myers-Briggs Type Indicator (MBTI), which has spawned a number of enhancements such as DiSC and Profiles. The MBTI tells a person how they prefer to receive information, process it and communicate to others.

It is an excellent introduction to how personality assessments can help people validate who they are and find the right place in their work. MBTI and other assessments can be excellent guides in building teams. They can also help you understand how you relate to others and how they relate to you. For an introduction to the subject, read *Please Understand Me: Character and Temperament Types* by David Keirsey and Marylin Bates.

Different generations have different attitudes on work. One can guess that this has always been so. But the definitive work on describing the differences in work attitudes and styles in today's work environment (and how to deal with those differences) is *Generations at Work: Managing the Clash of Veterans, Boomers, Xers and Nexters in Your Workplace*, by Ron Zemke, Claire Raines and Bob Filipczak. Understanding generational differences is the key to dealing with them.



Paul*Riecks*

> You don't completely ignore weaknesses but you build your staff by filling in all the strengths that the company needs to succeed by hiring the people who have them.

Different people have different strengths. Conventional wisdom and training has always focused on identifying weaknesses and correcting them. There is new thinking that has leaders focused on identifying people's strengths and nurturing them. You don't completely ignore weaknesses but you build your staff by filling in all the strengths that the company needs to succeed by hiring the people who have them. David Cooperrider, a professor at Case Western Reserve University, is the leading academic on the subject of appreciative inquiry, a process for helping organizations document their strengths so they can build on them. *Appreciative Inquiry: Foundations in Positive Organizational Development* is one of several of his books available on the subject.

A more widely known book, *Now Discover Your Strengths*, by Marcus Buckingham and Donald Clifton, documents research based on 2 million interviews about human strengths. If you buy the book new, you can take a free test to show you what your own strengths are.

Hire who you need, not just people like you. If you accept that a fully functional team needs different kinds of people, then you can't just hire the people you naturally like and the people who are like you. This is most certainly not an easy step to take, but a necessary one to build the right team.

Help everyone understand one another's styles and strengths and accept them. Acceptance does not eliminate disagreements, but it can smooth things out.

Don't eliminate contention – harness it. People's differences naturally create contention. Badly managed contention can ruin a relationship and a company. Harness the contention by teaching people to keep discussing disagreements until they are driven down to a level of detail where they can be resolved or at least accepted. Every time someone utters a vague negative statement, the magic question to ask is, "What do you mean by that," and keep asking it until the understanding is reached.

Disagreements and their subsequent properly managed discussions can lead to clarification of a hitherto insoluble problem and then its solution or to a work process improvement or even to a new product.

Keep communicating the company vision and the progress toward it. Use the tools outlined above to help you build the right team. Make sure everyone knows where the company is going. Enjoy the ride.

Paul Riecks is president of the Inner Circle of Baltimore, which forms and facilitates peer groups of business owners/CEOs. www.innercircleofbaltimore.com.

>>THE GROWTH GUY

no more problems, please!

A DIFFERENT APPROACH TO STRATEGY PLANNING

First, my public apology to all the companies I've misguided over the past 25 years, as well as an apology to my employees. And while I'm at it, let me add a public apology to my family and friends.

I apologize for dredging up all their problems, for focusing on what is wrong instead of on what is right. I apologize for focusing on the F's instead of the A's. I just didn't know any better until I read a thin, 70-page book called the *Thin Book of Appreciative Inquiry*.

Quick summary – Focus on what's working instead of on what's not working. Period.

Here's the rub. During quarterly planning and consulting sessions the tendency is to make a list of problems and then spend the bulk of the time discussing these problems and trying to solve them. No wonder people dread the process.

This was brought home to me recently when a client introduced me, his new consultant, to some of the people in his accounting department. One of the women quipped, "I suppose you're here to point out everything we're doing wrong." Ouch! Yet, this is an accurate description of the role of most consultants.

As a leader of my own firm, I've fallen into this same "problem analysis" approach to solving my growth company challenges. And as a father, during a recent teacher-parent conference, I caught myself focusing more on the B's than the A's. Even though I now know better, these are difficult habits to break.

DRIVING REVENUES

So what's the alternative? Let me go back to my latest planning session with the client previously mentioned. Their main challenge was driving revenue. Rather than analyze all the reasons why revenues were not growing as rapidly as they would like, we took a different tact. Instead, we explored a time when revenues were exploding – when things were going great.

Back in 2004, one of their divisions

Verne*Harnish*

had driven revenues from $2 million to just over $9 million in the span of 12 months. Since then, that division's revenues have gone flat. So we brought in the head of that division and rather than spend an hour analyzing why revenues had gone flat, instead we asked "what were you doing right in 2004 that caused revenues to explode?"

First, the head of the division was getting to re-live a positive time, rather than hash through a bunch of negatives. More importantly, about an hour into the conversation, as we continued to explore what worked in 2004, the head of the division had a major insight.

Back in 2004, he was spending about a week a month out in the field visiting with his main distributors and customers. However, after experiencing the sharp jump in revenues, he was sucked into all the challenges of running a much larger operation, which had reduced his field time to less than a week every quarter. The minute he said it, the CEO, his head of operations, the division head and I knew we'd found our answer. We then spent the next hour figuring out how to get some activities off the division head's plate so he could get back out in the field.

Results? When I checked back three months later, though the division head had not yet achieved a week per month of field time, he had managed to get out a lot more than he had been, and in the process, had found a new product that may likely add $10 million in revenue in 2008. Now the company is faced with finding the cash to support the added inventory, and again, they explored how they had successfully accomplished this in the past.

ANTICIPATING A RECESSION

A close entrepreneurial friend of mine had a similar result focusing on appreciative inquiry. During his second quarter planning session, his team discussed the possibilities of a recession and what they might do to prepare for it. Since their IT services firm had survived the 2001 downturn, they spent the bulk of their time discussing what they did right (or by accident) that helped them survive.

What they concluded was that the 30 percent in revenue they had from federal government contracts had helped them weather the storm. Since 2001, they had ramped up their corporate business to a point where their federal government work was now just 10 percent of their revenue. Getting the mix back up to 30 percent became their strategic focus and they expect to achieve it by the end of the year.

Another friend who turns around businesses said he uses a similar process. In one recent turnaround, he found seven distinct activities the firm was doing during the boom times that they weren't doing now, and he simply focused the firm on doing those activities again, even though the market and products had shifted over time. Results? Another successful turnaround.

FOCUS ON STRENGTHS

Marcus Buckingham, the strengths movement guru (*Go Put Your Strengths to Work*), notes that if you want to help your children with their F's, ask them about their A's – what did they do to get their A's, why they like that subject more than the other or what the teacher does. You don't ignore F's, but you must study the A's, not dwell on the F's, if you have any hope of supporting your child in a positive way.

The same with your company. You don't ignore your problems, but it's far more productive to study what's working.

Verne Harnish is the CEO of Gazelles and founder of Entrepreneurs Organization (EO). www.gazelles.com.

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Life in business is full of wins and losses. But whatever else is going on in your world, you are undefeated in Fantasy Sales, at 2-0 for the season. Let's quickly review your successes; then, we'll jump right into the next challenge.

In your first game, as CEO of a struggling sub prime mortgage banking firm, you embraced the strategy of the unstoppable mindset and guided your sales force in creating larger sales.

In game two, you were the president of a Web design firm whose services had been commoditized by the Internet, making it impossible to compete on price. You coached your way out of the crisis by focusing your team on building a deeper level of trust with customers.

This month, let's go back in time. You are in the oil business.

WHALE BLUBBER

With new oil geysers shooting higher than steeples throughout the drilling region, business is booming. The year is 1873. The Civil War ended 10 years ago. New oil fields are being discovered almost daily in Ohio and Pennsylvania – the first in the world – and millionaires are made every day. Your niche is refinery. You turn crude oil into kerosene. Kerosene is the revolutionary new lamp lighting fuel, replacing whale blubber at a fraction of the cost. Profits are soaring.

Your Cleveland-based company, Regional Oil, has enjoyed substantial growth. Unfortunately, so has your biggest competitor, Standard Oil, which has been aggressively acquiring refineries like yours. In a period of six weeks, Standard Oil absorbed 22 of its 26 Cleveland competitors. And now John D. Rockefeller himself has come to you with an offer to buy you out.

You're an entrepreneur. Your ego tells you to fight like hell. But your instincts tell you to listen. You have long suspected that, while you are ostensibly in the oil business, your real work is in something else: recruiting and developing top sales talent.

THE MIDDLEMAN

In your private thoughts, as you've struggled with shaping your life's mission and goals, you have seen yourself at the front of a great business trend. You call it the March of American Middleman. These dynamic, enthusiastic young brokers are trading, refining or distributing products in the widening chasm that separates the raw-material producers in the countryside from their urban consumers. They are fuel for the industrial economy. And they need a leader.

Jason*Pappas*

While Rockefeller's eye is on the oil, yours is on the people.

"If you refuse, you leave me no choice but to run you into bankruptcy," Rockefeller coolly informs you. "Standard Oil will buy up your assets cheaply at auction. I will get what I want, and you will get a deficit. Good day to you."

"Hold on a second, Rockefeller."

Afterward, you return to your office, where a sales meeting has been waiting to start.

As the leader of the company, it is your responsibility not just to hire the right people, but to establish a winning environment for your team. Creating a winning environment takes the right talent and the right structure to support them.

You've done a good job in identifying the specific roles you wanted to fill, and found talented salespeople to fill them. But you know that training, mentoring and coaching are what makes or breaks the team. And nothing inspires like a fresh challenge.

TO THE PATENT OFFICE

"OK, fellows," you tell the group, closing the door firmly behind you. "Here's the deal. I just sold the refinery to Rockefeller. I've got to re-create the company, and I need your help. Now, here's my thought. Let's all go down to the patent office and pull names of anyone making anything in this state. Then I want you to get appointments with every one of them, to talk about what they need."

"But how will we know what to sell them?" Andrews asks.

"Think back on your training here; what have you learned that applies?"

"Well," Smith answers, "we learned that you must identify the ends need – as opposed to just the means need – before you can identify the solution."

"I agree," Peters puts in. "We will know what to help them get, based on what they really need."

"Exactly," you say. "And how do you identify what they really need?"

"There are three types of enrolling questions. We need to ask open-ended, directed and deficit questions," Phillips says. "Find out their missions and goals and we'll see if we have a solution that can help them get there."

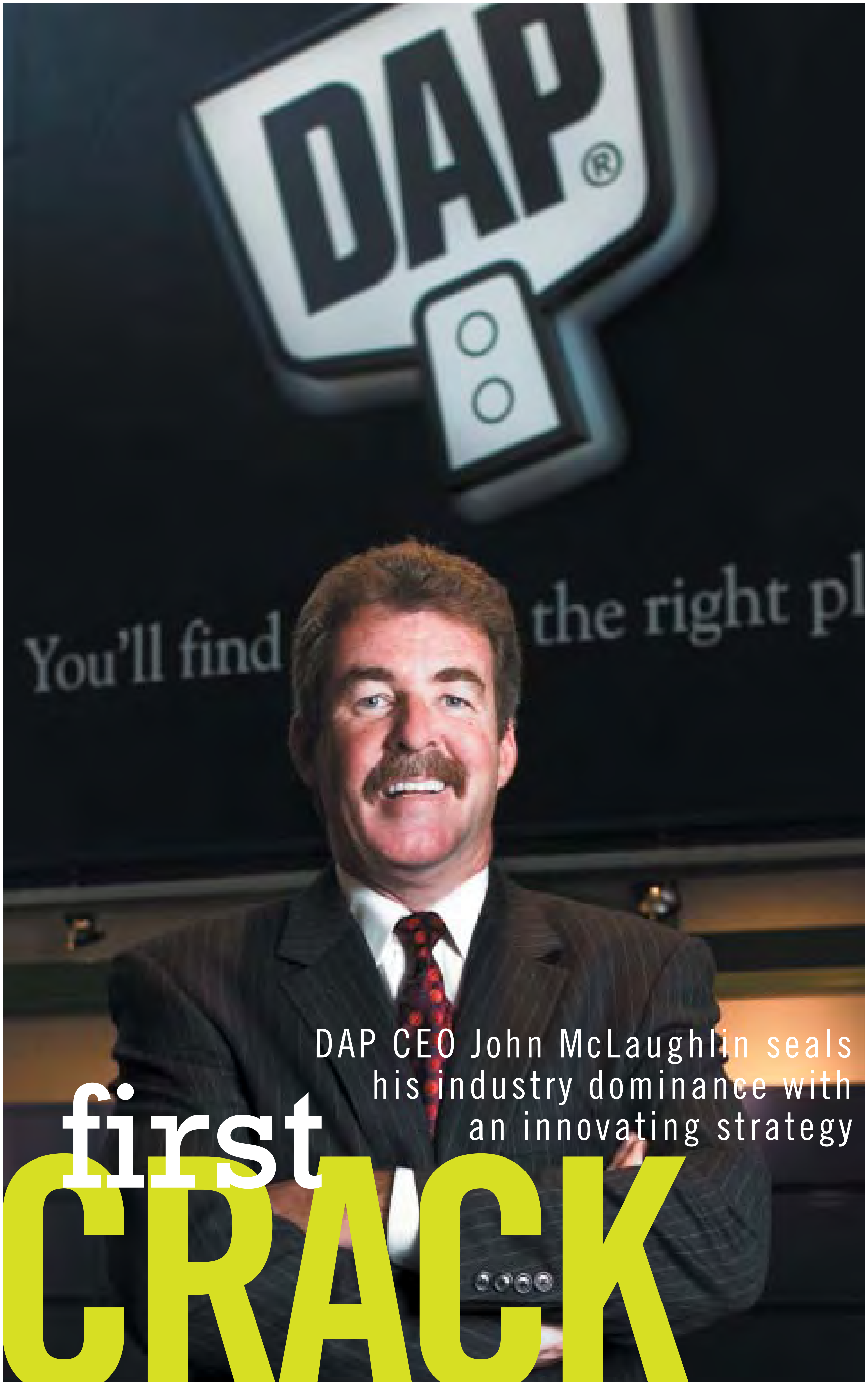
"Precisely," you say. "Be a partner, not a flimflam man."

WHY ROCKEFELLER WENT BALD

So you lost your business. But did you lose the game? Hardly. Your army of brokers went on to serve a broader range of industries, with a broader range of solutions. Thirty years later, your brokerage was worth millions. You enjoyed a golden reputation for fairness and integrity, while Standard Oil stood trial in federal court on charges of monopolistic policies. What's more, you kept your hair, while Rockefeller went bald. And when you finally chose to retire, you passed on your thriving fantasy company to the next generation.

Chalk up another win, partner. We'll see you next month.

Jason Pappas is a principal of EntreQuest, a Baltimore-based sales and leadership development firm focused on productivity and profitability. www.entrequest.com.



first CRACK

DAP CEO John McLaughlin seals his industry dominance with an innovating strategy

BY
JEANINE GAJEWSKI

PHOTOS BY
BRYAN BURRIS

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Health
Dental
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Life

John McLaughlin grabs an unremarkable item from his desk and holds it up for me to examine. The common plastic tube looks like every other tube of caulk I've seen. But to the CEO of DAP, Inc., this product represents the reason his company dominates the caulk and sealant industry with 75 percent of the market share: it's the first of its kind.

Unlike every caulk before it – including many formulas that DAP invented – Kwik Seal 3.0 dries in three hours, down from the normal 24 to 48 hours. That means if a homeowner wants to caulk his tub and be singing in the shower shortly afterward, he'll have to buy DAP. Because today, according to McLaughlin, the competitors are nowhere close.

"Innovation is a big deal to us," McLaughlin says. "We are a first-to-market company. Having new product is important to our business every single year."

It's a strategy McLaughlin cemented after taking on the role of CEO in 1994. And in an industry where success is so closely linked to the nation's housing market, it's a strategy that has helped to shield the company from the recent economic slow-down and the drop in new housing construction.

"In a down economy like it is, innovation is one way you can fight back," says Dave Fuller, DAP's vice president of marketing. "Those other things, you don't have a lot of control over them. So the one thing you do have control over is what you bring to market."

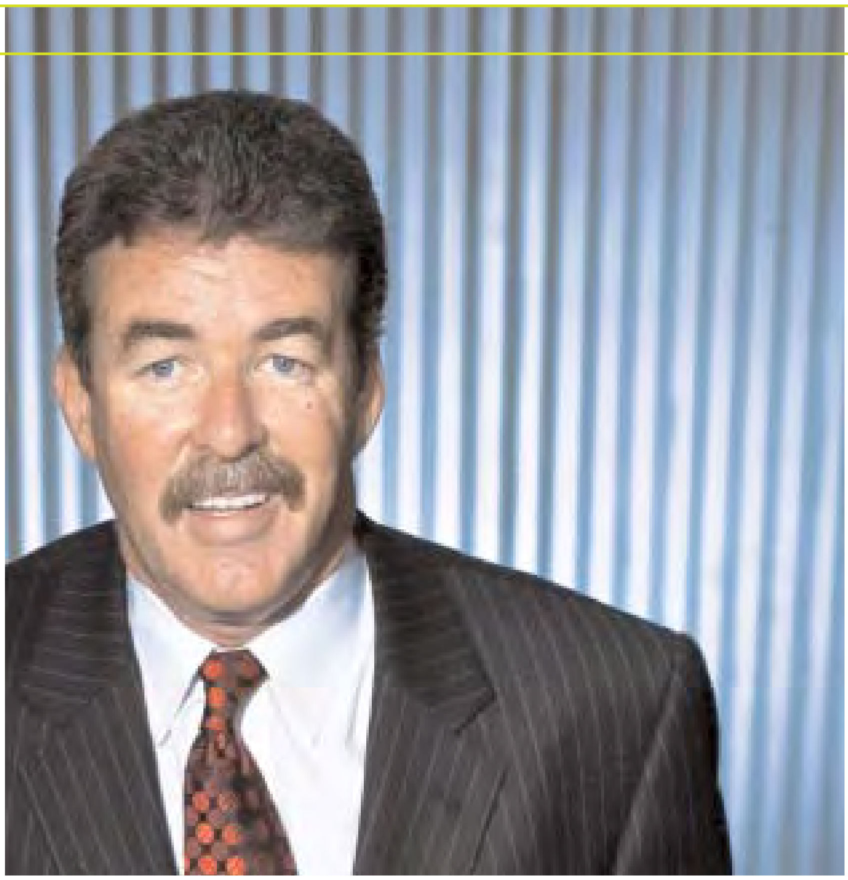
With about 800 products, from caulks and sealants to adhesives and spackling, DAP adds to the list each year with new formulas and innovative packaging cooked up in its research and development department, part of its 600-person team that includes manufacturing facilities in Maryland, Ohio and Texas.

"Is it an industry that is demanding innovation? No, but it's a big deal to us," McLaughlin says. "We try to find an unmet need in the contractor or consumer's mind that we can meet." DAP was first to introduce a latex insulating foam that washes off hands and clothes and doesn't over-expand, unlike traditional polyurethane products. And then there's DryDex spackle, which goes on pink and dries white, so even the most amateur handyman knows when it's time to paint. Now you can add Kwik Seal 3.0 to the growing list.

"Setting the standard in terms of innovation is extremely important to DAP," Fuller says. "It clearly differentiates us from our competition. That's something we are proud of."

More than a source of pride, McLaughlin says that by being first to market with a product, DAP can win over new users and sell its products for a higher price than the late-to-the-game competitors. "Being first to market allows us to insulate against competition. And we can make a better margin on it than by being second or third," he says. "If I make bottles of water and sell them for 10 cents, and you make one that looks just like it and want to sell it for 10 cents, people are going to say, 'I already have this one.'

"I don't want to be a 'me too' person," McLaughlin says.



BRAND POWER

First-to-market is not without its vulnerabilities. While innovations earn early profits, without DAP's high R&D costs, competitors can learn from DAP's successes and introduce similar products at a lower price.

Changing consumer tastes, technology and competition dictate that long-term leadership requires constant innovation, but despite that fact, companies are often reluctant to cannibalize their own products with innovation. For example, after Gillette introduced a safety razor with low-priced blades, it dominated the market for half a century, peaking in 1962 with 72 percent of the market. But that year, U.K. company Wilkinson Sword introduced a superior stainless steel blade, cutting Gillette's share to 50 percent in little over a year. The rub was that Gillette was not only aware of the stainless steel technology, Gillette held the patents for it – the company was simply unwilling to render obsolete its carbon steel blades.

The experience galvanized Gillette to innovate even at the cost of cannibalizing its own products, as anyone who has replaced his four-blade razor for a snazzy new five-blade model with "micro-pulses" can attest. The company continues to invest substantial resources into R&D, employing a small army of testers and researchers who study hair follicles and skin chemistry. And the emphasis on relentless research and innovation is paying off: By 2005 Gillette still held 70 percent of the $5 billion global razor market, far outpacing its runner-up rival, Schick, with 20 percent.

As with Gillette's razors, DAP believes its R&D efforts ensure that not all caulks are created equal, and more importantly, research shows that its customers agree.

"It's a strong brand," McLaughlin says. "We do a lot of research work in terms of the market and brand and consumers, and the brand has a high awareness level – in the high 90s across consumers. It takes one prompt usually. If you say the word 'DAP,' people might look at you funny. But when you say 'caulk and sealant' or 'spackle,' they say, 'Oh yeah, I know that company.'"

DAP reinforces that awareness with high-profile advertising and public relations campaigns. Orioles fans have no doubt seen DAP's banner at Camden Yards.

"Everyone seems to see our behind home plate sign," McLaughlin says. "It actually gets amazing coverage because even though the Orioles aren't the best in baseball by far, if there is a good play when your sign is up, it gets carried later on ESPN."

"It is more of a brand advertising initiative," Fuller says. "And the venue, if you think about it, it's perfect for that. Your eye contact to the sign at any one time is not a long period at all, so you can't really drill down with a lot of verbiage; you have to

“IN A DOWN ECONOMY LIKE IT IS, INNOVATION IS ONE WAY YOU CAN FIGHT BACK.”

get your message out really fast. And the strength of the brand allows you to do that. Plus, the logo is pretty photogenic.”

The DAP brand goes back to 1865, when Robert H. Dicks and Elmer Wiggim began producing sealing wax in Dayton, Ohio. In 1906, Dicks joined with George Pontius and incorporated their partnership in 1913 as the Dicks-Pontius Company. In the 1950s, the company merged with the Chicago-based Armstrong Company. The resulting entity was renamed Dicks-Armstrong-Pontius, which was shortened to the brand name DAP. In 1999, DAP was acquired for $290 million by Ohio-based RPM International, Inc., a publicly traded multinational holding company whose fiscal year 2007 sales were $3.3 billion.

“When we do research on the DAP brand, it comes back as a trusted, quality brand,” McLaughlin says. “The name has been around a long time, so people know it works the first time.”

More than being aware of the brand, customers clearly are willing to spend more for a caulk tube bearing the DAP logo.

“Because it is a branded product, it is not the lowest price,” McLaughlin says. “There is always somebody lower. But quality is a huge thing, and you never want to compromise it by trying to save pennies.”

DAP fends off copycats by trademarking and patenting its products whenever possible. “Some examples would be our pink spackling and latex insulating foam. Those are two items that do have patents pertaining to the formulations,” says Fuller, who has worked at DAP for 28 years. “Both those instances were first-to-market initiatives by DAP. No one had ever approached those categories in that way, so they were totally unique to us. And in today’s world where people have a tendency to copycat you, we’ll take every measure we can to make it hard. It is not always preventable, but you can make it a lot harder for someone else to do it.”

And DAP is not without its competitors, with which it vies for ever-important shelf space of the 60,000 retailers who sell DAP products. While many are small or regional companies, larger competitors include GE and Düsseldorf, Germany-based Henkel Corporation.

McLaughlin says DAP’s first-to-market strategy allows it to dominate the shelf.

“We have been in the business a long time,” he says. “We literally do business with all of the major retailers and independent hardware and paint stores. You can find out product just as easily in Home Depot or Lowe’s or Lombard Hardware on Lombard Street. But because it is a nationally branded product, we really don’t have a lot of difficulty getting shelf space for the product. And retailers today, we are codependent on each other. They have a large box people shop in, and we have a large brand that people want. So it is a pretty good marriage between the two.”

To prove to retailers that DAP products are in high demand, the company tracks point-of-sale information for each of its products. “We can tell you what retail sales were by SKU last week in any part of the country,” Fuller says. “By developing the expertise to manage that information and convey the performance of those SKUs to the retailers, we’ve gained the trust of the retailer in terms of managing our business.

“Our innovation encourages retailers to do business with us because they want to be different and new and fresh and have the right products on the shelf,” Fuller says, “but it also compliments our control-the-shelf strategy because once we do innovate, we have the ability to get the products on the shelf. First to market is critical, especially in our case where we have a very strong brand. You’re proven to be successful and there is no reason to take you off the shelf. You never want to be second to market, ever.”

DO IT YOURSELF

DAP has been successful at tailoring and pitching its new products to the growing do-it-yourself market, which fuels an estimated 50 percent of the company’s business.

The phrase “do-it-yourself” has been around for nearly a century since *Suburban Life* magazine first coined the term in 1912 to encourage men to do their own interior painting, according to the National Building Museum.

“Painting is a big DIY project because it’s kind of easy and almost anyone can do it,” McLaughlin says. “And the paint is latex-based, so if something’s wrong, you can wipe it off.” For those do-it-yourself painters, DAP dreamed up its pink spackling, which is pretty easy to understand, even if you aren’t a painting guru.

The celebration of home improvement secured its place in mainstream culture with the 1979 launch of *This Old House* on PBS. Since then, do-it-yourself shows have multiplied prolifically, with 24/7 cable channels HGTV and the DIY Network devoted to helping novices tackle ever more complex home improvement projects.

“More and more people are becoming do-it-yourself consumers,” McLaughlin says. “There is a plethora of shows on television – I shudder to think how many – that are teaching people how to do this stuff. American consumers still value owning their own home; it’s their biggest asset. Then when they buy it, they don’t like what the last person did, so they want to change it, and all of that patch, paint and repair plays well for our products.”

McLaughlin says that the DIY trend has increased with the dominance of big box home repair retailers like Home Depot and Lowe’s. “They do a lot of clinics on Saturdays to show people how to tile their bathrooms or how to change out their windows,” he says. “And retailers have made it increasingly easy for people to learn DIY in steps and to take on more challenging jobs all the time.”

DAP’s products target users at all ends of the sophistication spectrum. “We make products that come in a regular cartridge, and then we make products that come in just a squeeze tube,” he says. “We make products that come in an aerosol can like a can of Cheez Wiz. If you can squirt Cheez Wiz, you can squirt caulk out of a can. So we try to make it easier for people to enter the business.”

Professional contractors comprise the remainder of DAP’s business, although McLaughlin says the line between novice and professional is often hard to distinguish.

“Products have to go through some distributor, wholesaler or retail outlet, so it is a difficult number to measure,” he says. “If you drive over to the local Home Depot and just count the cars and trucks in the parking lot, you’ll see there are a lot of contractors who shop there. You might think of Home Depot as a DIY store, but it’s really not. It has a contractor following. A lot of them shop there because it is convenient, they are in stock, they are open a lot of hours.”

The strong research arm of DAP's R&D department has allowed the company to anticipate consumer needs and to be the first to bring those products to market. And DAP's in-house 15-person marketing department makes sure customers know how valuable the company's products are to their personal bottom lines.

Hardly a day goes by without a news story about energy efficiency and "green" initiatives, and DAP has latched on to the media buzz, earning plugs on CBS's Early Show, The Weather Channel and even from Martha Stewart.

"People are more conscious about energy now then they ever have been, mostly because it's costing everyone more – especially it feels that way here in Maryland," McLaughlin says. "It all has to do with the pocketbook. I don't believe there is going to be a time when energy will ever cost less. No one is going to cut the cost of gas or heat by 50 percent just to be nice. I think people are more and more conscious about it and they are driven to be conscious about it because of their own spending."

Fuller says DAP has worked with the EPA and utility companies to get the "seal and save" message out, and also has bought some high-profile advertising in publications like *USA Today*. "Home sealing has been and will continue to be an important aspect of our outreach marketing – seal your home and you'll save money," he says. "That just leads us back to why it is so important to control the shelf. If you are effectively getting the message across, consumers are going to go to the store and buy the sealant, and when you control the shelf, you stand a much better chance of them buying your brand instead of someone else's brand."

Saving energy means saving the earth, and being green is all the rage. So DAP's homepage asks visitors, "Are you building green, living green? DAP is, and you can too."

"Green is a trend that people have tried to push from time to time, and it appears to me that it has now finally arrived and it's here to stay," McLaughlin says. "I think that's a big, long educational process. People have traditionally not been willing to pay more for green, but I think that is starting to change. Like the organic food market, it's growing like crazy."

Because professional builders are required to use certain environmentally friendly products for their work to be labeled "green," DAP's Web site offers information and certification on products that have low levels of volatile organic compounds (VOC). "Part of that is due to regulations in the western United States, but we rolled out our low-VOC products across the country that are safer, greener products with less off-gassing."

"THERE IS ALWAYS SOMEBODY LOWER. BUT QUALITY IS A HUGE THING, A

MOVE TO BALTIMORE

McLaughlin's desire to marry DAP's corporate and R&D efforts ultimately drove the company's move from its long-time home near Dayton, OH, to its current headquarters in Canton. In the late '90s, DAP closed its Dayton research facility, which had been located 15 miles from its corporate headquarters.

"We thought, 'Well, we can add on to the corporate office and have R&D and corporate all in one site,' and that made us really start thinking about the market we were in and should we stay or should we go," McLaughlin says. Dayton's small size made it difficult to recruit outside talent to the area, and airline service in and out of Dayton was on the decline. So McLaughlin started canvassing the East Coast for a suitable location.

"The cost of living [in Baltimore] at the time was fairly equal to the greater Dayton market, so the people we wanted to move with us would have an easier adjustment, financially," McLaughlin says. "Plus there is a good workforce to pull from in this marketplace and a great location. So we thought about the business of moving."

DAP announced its intention to move in August 1997 and by January 2008, had a small customer service team in Baltimore to run parallel with its Dayton operation. "While we were doing that, we were hiring all our other positions," McLaughlin says.

DAP chose to become the first tenants of newly renovated Can Company building, once the site of a metal-can manufacturing facility, which had lain vacant since the late 1980s. Developer Struever Brothers, Eccles & Rouse's $21 million adaptive reuse transformed the empty factory into a 289,500-square-foot retail and office center.

On March 1, 1998, DAP closed its Dayton office and officially opened its Baltimore site. Two months later, DAP opened its state-of-the art R&D facility on the same the same floor as its corporate office. "So we accomplished our mission of putting corporate and R&D together in what we think is a better market, and it has worked well," McLaughlin says.

In the 10 years since its move, real estate prices in Baltimore have far outpaced those in Dayton, canceling out the financial similarities between the two markets. "It hasn't stopped us yet," McLaughlin says, "but we have to swallow hard when we look at real estate prices."

OPEN ENVIRONMENT

The Can Company's high ceilings, exposed brick and industrial finishes serve as an appropriate backdrop to what McLaughlin calls an open work atmosphere.

"As a company, you'll find that we are an extremely open environment in the way we do business and even in the physical way we are set up in our office," says McLaughlin, a Boston native who brought his sales and marketing expertise to DAP in 1986 after working with Clairol division of Bristol Myers and Proctor & Gamble's Vidal Sassoon. Since assuming leadership 13 years ago, the company has doubled in size.

McLaughlin is quick to attribute DAP's sustained growth and profitability to its people. "Without good people you are dead in the water," says McLaughlin, whose glass-walled office looks out onto an open floor plan designed to promote collaboration among the headquarters' 125 employees. "People make your company flourish or die. And we have been lucky here."

Fuller credits McLaughlin with building the type of atmosphere that encourages personal and professional growth. "If you want to rise to the top and you want to perform and make the difference, the opportunities will always be there to be the difference," he says.

Although DAP's employees hold standard hierarchical titles, McLaughlin says the designations are designed to appease customers who would feel the need to speak with a "vice president," rather than a "director." "Because of that, we have those titles, but really internally, we don't have a huge pecking order," McLaughlin says. "Titles aren't a big deal; anyone can come talk to me. A lot of companies, when they get too big or too old or too fat, they get very political. Everyone is just working hard to accomplish the goals for the year and grow the business. It's a friendly atmosphere, cooperative, collaborative between the departments, and you don't always find that in a large company."

But the heavily secured door behind which lies the R&D department that cooked up pink spackle, latex foam and fast-drying sealant reminds any visitor that DAP is proud to have many secrets. **CEO**

ND YOU NEVER WANT TO COMPROMISE IT BY TRYING TO SAVE PENNIES."

The *Delicious Rewards* of *Experimentation*

Conventional wisdom in the restaurant biz tells CEOs to find a successful and repeatable operating formula and export it to new towns. Baltimore's top restaurateur couldn't disagree more.

By Martha Thomas
Photo by Bryan Burris

The blue sneakers may sum it up: they are a quirky, but characteristically precise, touch. "At first I was like, you're crazy," Felicia Gibbs recalls telling her boss, Tony Foreman. He had dictated that the staff on the floor of his latest enterprise, Cinghiale, dresses in jeans and blue trainers. Gibbs, the restaurant's general manager, has been to Italy, and she's seen the sneakers in context – generally Pumas worn by hip young men on the streets of Rome or Milan. "But never in a restaurant, no way."

Soon enough, however, she found herself defending the footwear to restaurant guests. Two months ago, working day and night, "I knew we were going for an atmosphere" Gibbs said during Cinghiale's opening week in late September, "But I didn't really see it all put together until the night we opened."

The blue sneakers – on both male and female servers in the "Enoteca," or wine bar, section of the restaurant – speak volumes about Tony Foreman's attention to detail and his approach to running a business. There's precision in everything he does, and at the same time, he seems unconcerned with others' opinions. As his friend and fellow restaurateur, Corks' Jerry Pellegrino says, "Tony doesn't give a shit about what anybody thinks."

That doesn't mean he isn't interested in pleasing his "guests" as he consistently refers to customers. Cindy Wolf's Charleston, recently re-branded with the chef's expressive signature as part of the logo, to emphasize – and capitalize on – her reputation, is the flagship of the restaurant group that Foreman and Wolf, who are married, operate. Charleston, which has gained a national reputation, recognized by *Gourmet*, *The New York Times*, Robert Parker, and virtually every "best of" list produced about Baltimore's restaurant scene, is known as much for its service as Wolf's low country, French-inspired cuisine.

Devil in the details

The question of whether Foreman's seemingly cavalier approach represents savvy management can be answered by a visit to any of the busy restaurants. The four eateries in the Charleston Group's portfolio are leaders in the Baltimore restaurant scene and have helped to put the city on the culinary map.

Nancy Hinds, vice president of public affairs at the Baltimore Area Convention and Visitors Association, says that when she started there 10 years ago, "there were very few cool, creative restaurants in town." In August, she invited Foreman and Wolf to present a meal for a meeting of convention planners. “When people found out it was Cindy Wolf cooking, everybody wanted to attend,” Hinds says. The couple, she says, has helped Baltimore “evolve into a culinary destination.”

Cinghiale (pronounced Chin-GYAH-lay, Italian for “wild boar”) is a 9,000-square-foot space that opened its doors quietly, its only fanfare generated by word-of-mouth. The restaurant, which specializes in rustic northern Italian comfort food, joins Charleston as well as Petit Louis, a French bistro in the residential neighborhood of Roland Park, and Pazo, a cavernous Mediterranean-inspired place that, like Cinghiale, divides its attentions between dining and a hip bar scene. The Charleston Group also owns Bin 604, a wine shop just down the street from Charleston restaurant, in the neighborhood recently known as Harbor East.

The four restaurants have little in common, exceptions being the daily bread (600 per day on weekends, different recipes for each restaurant, of course) prepared by Dale Dugan and the delivery of an experience possessed of authenticity that borders on the obsessive. Patrick Sutton, the architect and designer who worked on Pazo, the 2005 redesign of Charleston, and Cinghiale, has traveled to Europe with Foreman to study metal work and color, the way light falls on tile floors, and the cracks in plaster walls. If you examine the walnut-stained mahogany throughout Cinghiale, says Sutton, “you’ll notice drips in the paint, and sloppy finish work,” contrived to look authentic. “We didn’t want it to look all shiny and new.”

The restaurant was built from scratch on the street level of 822 Lancaster St., part of the Harbor East development. But you’d never know it’s a brand new place if you examine the floor. The “Opus Sectile” pattern was created with re-claimed colored marble by stone workers in Italy, who fused the material to limestone tiles before shipping all 50,000 pounds to the United States. Some of the pieces cracked during shipping and installation, a detail that delights Foreman for its old-world appearance.

In the same vein, Foreman hand-picked the wines from growers in Tuscany and Piemonte, and orders olive oil – a redolent variety served for dipping bread – direct from Umbria; it’s a variety he claims is available nowhere else outside of that region.

'A movie in my head'

The Foreman/Wolf partnership is formidable. While responsibilities are clearly delineated – Wolf is the creative hand behind the food that comes out of the kitchens as well as the designs and staffing of those kitchens, and Foreman handles the "front of the house," the wine cellars and the business side – the two rarely use the first person singular. They always refer to their plans and decisions in the "we." But when it comes to the spirit of each place, it's Foreman who is best able to articulate the intention. Sutton gives Foreman credit for the overarching visions of the restaurants. "He gets an idea in his head – at Pazo it was the idea of a Mediterranean vacation, at Charleston it was a gilded age dinner party with design elements from the 1930s and '40s – and goes after it."

Sutton describes the due diligence trips to Spain and Italy as "a full-on blitz." Foreman, he notes, played linebacker in college (at Texas Christian), which may have contributed to his tenacity, as well as his physical endurance as an eater and drinker. "He has epicurean machismo," Sutton says. "I've been to dinners in Italy where he's ordered four bottles of wine for the two of us – just to try." It's clearly more than business. "I've never seen him more gleeful than when he was hunting down the 400 bottles of wine for Cinghiale," Sutton says of his client.

For Foreman, each restaurant concept begins with "a movie playing in my head." The inspiration for Cinghiale came from Federico Fellini: "There's a scene in La Dolce Vita where this red-headed guy is dancing at a party. People are dressed up, and there's an elegant and grown-up feeling, but it's still carefree," Foreman says. "That's what I wanted people to get out of the restaurant."

The vision for this "sweet life" scenario began to take shape when Foreman met Stefano Frigerio, the sous chef at the Tyson's Corner Ritz Carlton restaurant Maestro. Frigerio, who trained formally at the Caterer Hotel School in Lecco, Italy and informally in his grandmother's kitchen in the Lombardy region of Italy, uses many recipes from his childhood – as well as techniques learned in his hometown, Cassago Brianza. "When I was 19, the town butcher broke his hand," Frigero says. "My mother offered me to take over for a while." One of the shop's specialties was wild boar. And that beast is a staple at the Baltimore restaurant bearing its name. Along with the seared wild boar with juniper on the menu, there's boar prosciutto, which Frigerio prepares by hand, offered at Cinghiale's "salumeria" or salami bar. Foreman orders the boar from a supplier in Ontario, but tries to get most other foodstuffs – Umbrian oil excepted – close to home. He shops for meats and produce at local farms and arranges pick-ups at the downtown Farmer's Market on Sundays.

"I've never seen anyone so hands-on," says Doug Becker, CEO of Laureate Education and an investor in the Charleston Group as well as a friend of Foreman's. "He wants to talk to every vendor, go over every architectural drawing and oversee every single aspect of the business."

Foreman's doggedness is apparent in the way he trains – and treats – his staff. Standards of service are high: you can practically hear his teeth clench as he corrects a newly hired server on placement of a fork. "You were lucky you didn't hear me yell," he later admits. But for those who survive the extensive training, which involves knowing every ingredient of every dish and becoming conversant in wines – beyond merely those on the wine list – there are rewards. In the past few years, Foreman, often with Wolf, has taken groups of staff to Europe, eight or nine trips in all, to learn about food, wine and service. In January, the couple is planning to take Petit Louis servers and wine staff to France.

> "He gets an idea in his head – at Pazo it was the idea of a Mediterranean vacation – and goes after it."

Solid investment

Foreman's extravagant tastes and business practices don't seem to faze his investors. While he won't disclose details, Becker, a former high school classmate of Foreman at Gilman, says he is "very pleased" with his financial dealings with the Charleston Group. "We all went into this knowing that it's a difficult business and most people don't do well," says Becker of the small group of investors. "But everyone had seen him operate at Savannah and we had faith."

Becker and Foreman became reacquainted when Becker, then CEO of Sylvan Learning Systems (which became Laureate in 2004 CK), took a business associate to dinner at Foreman and Wolf's first Baltimore restaurant, part of the Admiral Fell Inn. "I was amazed to see this guy I knew from high school running a restaurant," Becker says. But Becker was also impressed. Some time later, he recalls, "I was sitting at Savannah with another CEO. We were commenting about how you could learn a lot about management by watching the way Tony ran his restaurant: empowering the staff to solve problems, attention to the customer and the consistency of the product."

When Foreman and Wolf decided to open their own place, Becker was only too happy to help. As well as investing his own money, he worked with them to arrange a lease in the building at the time occupied by Sylvan, on Lancaster Street in the neighborhood now known as Harbor East. (Sylvan subsequently outgrew that space and moved to nearby Fleet Street).

Charleston opened in 1997 when the district between Fells Point and the Inner Harbor didn't really have a name, but did have a future, though the cacophony of high-rise condominium construction was still several years away. Most of the real estate was owned – and still is – by John Paterakis of H&S Properties.

The Marriott Waterfront, which opened in 2001 just a few blocks from Charleston, re-drew the boundaries of Inner Harbor activity a bit north and east of downtown, and on the other side, Pazo, which Foreman and Wolf opened in 2004, and the adjoining Gaines McHale furniture showroom brought Fells Point a little closer. These days Charleston, once a "thank-goodness-for-the-free-valet-parking" kind of place, finds itself in the middle of one of Baltimore's most prosperous and rapidly growing neighborhoods.

"Charleston brought people into the area before there was much there," says Mike Evitts, a spokesperson for the Downtown Partnership. "And in some ways, it helped set the tone for future expansion." With more than 37,000 residents within a mile of the Inner Harbor, downtown Baltimore ranks eighth in the nation in downtown density and holds the same spot for average household income, $75,000 and growing, says Evitts. "Those high-end condos and apartments are occupied as quickly as they can be built by people who can afford have a place like Cinghiale as their neighborhood restaurant."

The same painting twice

But even while neighborhoods like Harbor East can turn restaurants like Cinghiale, Pazo and Charleston into neighborhood restaurants, in the grand scheme, where fast food meals comprise 75 percent of meals eaten out, this kind of eating happens rarely. Fine dining represents only 1 percent of the total, says Harry Balzer, vice president of the NPD group, a consumer marketing research company that follows restaurants, and that figure doesn't seem to be going anywhere. "People are looking for a unique experience, and if they don't get it, they won't go back."

The Charleston Group provides four unique experiences, and there's no duplication. While restaurants like Wolfgang Puck's Spago have marketed their success – not to mention the celebrity status of their chefs – to great financial success, you aren't likely to find Cindy Wolf's Charleston in Las Vegas anytime soon, or her name on fast food stands at airports. The economy of scale in distribution and marketing that comes with repetition doesn't appear to be in the Charleston Group's business plan. As Olivia Boru, wine controller and sommelier for the Charleston Group puts it, "why would an artist want to paint the same painting twice?"

Wolf says, "We're not of a chain mentality. What we do is individual, and we're inspired by very specific things." A version of Cindy Wolf's Charleston in another city, she said, "wouldn't be quite the same," and not just because she can't be in two places at once. "Tony and I are very committed to Baltimore," she points out. "He grew up here." Another reason is the dependence on local products. "The menu is driven by product quality, what's in season, and what I can get locally," says Wolf.

"Diners can sense when a restaurateur is intimately involved," says Richard Martin, executive editor of Nation's Restaurant News. "If you are doing what makes you happy, that translates into customers' perception of quality. They may not realize that you canned all the tomatoes by hand, but they will sense an attitude of pride." And even if the minutiae are lost on the average diner, the overall experience is not. "When people go to dine in a restaurant like that, it's the next best thing to going to Italy," Martin says.

Designer Patrick Sutton is the first to admit that you'd be hard-pressed to find a restaurant just like Cinghiale in Italy. The 225-seat restaurant is enormous compared to the trattorias that inspired it. "We boiled the consistent elements you see there: classical detailing, materials like leather, linen, dark wood, colors from nature – sage, pumpkin, terra cotta. Maybe this restaurant doesn't exist over there, but you can extrapolate the experience."

Foreman's and Wolf's insistence on elaborate reinvention for every new place is not without precedent. One obvious comparison for the 42-year-old Foreman would be to Danny Meyer, who opened the Union Square Café in 1985, when he was 27 years old. At the time, Union Square was a neglected Manhattan neighborhood, though home to several publishing companies, which provided a power lunch crowd. Since then, Meyer has opened such revered establishments as Gramercy Tavern, Tabla, Blue Smoke and the Modern at the Museum of Modern Art. Each offers a different experience, but all share a consistent attention to food and service. In addition, the Union Square Hospitality Group has expanded along with the incomes and prestige of its neighborhood.

A perfect match

Foreman and Meyer, both "front of the house" restaurateurs, also share a unique attentiveness to their staff. Meyer is known for placing his staff above "the bottom line" in his list of priorities, and jobs at his restaurants are coveted by struggling actors in New York, who appreciate the accommodations made for their unpredictable schedules.

Olivia Boru has a 4-year-old and does much of her work from a home office. But it's not just the schedule she appreciates (she has yet to go to Europe with Foreman). It's the potential for growth within the company. Foreman likes to point out that most of his upper management team started as hourly workers, and Boru is an example. She began as a server at Savannah in 1995, but her curiosity and perspicacity about wine soon led to a position as wine steward. She left the company for a while and returned two years ago as sommelier at Charleston, before taking over the management duties.

In the intervening years, Boru worked at other prestigious restaurants, such as The Compound in Santa Fe and Philadelphia's Striped Bass, but she credits Foreman with her education in wines. "I didn't go to school for this, but I'd be hard-pressed to find someone who knows more," she says of Foreman, describing his knowledge as "encyclopedic." Foreman, she says, "recommended books and opened up bottles once he realized I was serious. He taught me to taste professionally."

Boru and Foreman conduct a wine lesson in one of Cinghiale's private dining rooms during opening week. It's one of many meetings in which staff goes over menu offerings and wines, tasting, discussing, suggesting pairs. About 10 servers, most in their uniforms (white shirts, long black aprons, some in blue sneakers) between lunch and dinner hours, sit with notebooks open to maps of Tuscany. A wine steward pours a bit of red wine in each glass and the discussion begins.

They discuss the color and smell of the wine: dark, dried fruit, and refer to the map to look for a corner of Tuscany that might have arid weather. "I taste black raspberry and jam," Boru offers to the group. Foreman wants to know if anyone notices the "chunky tannins." Someone says the taste is reminiscent of a cooking spice. Cardamom? Another waiter asks for a refresher course on these spices.

Foreman asks the big question: "What would you suggest with this food-wise?" Someone comes up with duck, for the warm, spicy, richness of the wine. Foreman raises his eyebrows, impressed: "You're dead-on with duck," he says, summing up this bottle of 2004 Sangiovese I Perazzi produced by La Mozza in the warm sunny region of Morellino di Scansano: "not life-changing, but pretty darn satisfying."

Most of the wines served at Charleston Group restaurants can be purchased at Bin 604 or special ordered. But this wine, presented in a Reidel glass specially designed for aromatic reds, left me craving its enveloping aroma, spicy taste and velvety texture, perhaps with a hunk of juicy Cinghiale, slathered in juniper sauce. Or maybe there's a better dish for the wine, or a better wine for the dish. Somehow, like hip blue sneakers padding across centuries-old marble, there's perfect match out there. **CEO**

Baltimore smartCEO version 6.0

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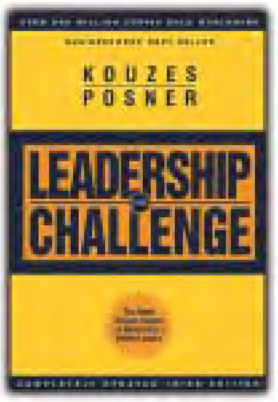
THE LEADER'S TOOLKIT

Guiding companies in a brave new world

BOOKSHELF
by Doug Davidoff



The Leadership Challenge

By James M. Kouzes
& Barry Z. Posner
Jossey-Bass Publishing
416 Pages

★★★☆☆

There is no topic that gets more conversation in business circles than leadership. Conversations span everything from defining leadership, to differentiating leadership from management, to determining how to develop leadership capabilities. Some people say leaders are made, while others say leadership is a natural talent.

While I certainly can't say which camp is correct, I can vouch for the importance leadership plays in the ongoing success of any organization. Equally important is balancing the concept of leadership with the effectiveness of management. An old Japanese proverb says: "Vision without action is a daydream. Action without vision is a nightmare." The same can certainly be said for leadership and management.

Two recently released books promise to help busy, growth executives take on the leadership and management challenge. *The Leadership Challenge*, by James Kouzes and Barry Posner, just released and updated in its fourth version, provides research and case studies on how leadership has changed in a globalized and smaller world. While citing tremendous changes in the world, Kouzes and Posner believe that the fundamental concepts of great leadership have stood and will stand the test of time.

Lessons on Leadership: The 7 Fundamental Management Skills for Leaders At All Levels, by Jack Stahl, the former president of Coca-Cola and CEO of Revlon, provides more of a structure for managers of any company to focus on. Stahl uses "frameworks" as the way to introduce his concepts. The book is a comfortable read, filled with real-world application. The fault in both books is that the focus is on the experiences and analysis of leadership in larger – typically global – organizations. This leaves the manager or leader of a smaller organization in the position of translating the information to their situation.

Both *Leadership Challenge* and *Lessons on Leadership* define leadership as the ability to build capabilities within an organization, enabling others to do better work and accomplish more than they could on their own. It is through the prism of building capabilities that both books prove valuable. Globalization, and the outsourcing revolution that seems to have accompanied it, has fundamentally changed the way businesses need to look at deploying talent within their companies – and further, how they manage the critical results they are attempting to achieve.

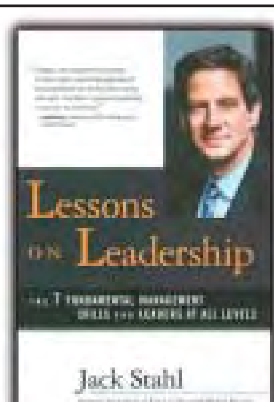
In the industrial age, when geography was a limiting factor to business growth, leadership was focused on finding and developing employees, while management was responsible for deploying the talent. As companies grew, technologies progressed and the business environment became more complex; specialization became increasingly important. Business strategists then created the concept of core competencies – the idea that companies should focus a disproportionate amount of their resources toward those things in which they were best at and would have the most impact on benefiting their customers. Business leaders, like Jack Welch of GE, took the core competency idea and applied the logic that one company's "back office" – non core competency – was another company's "front office" – core competency – and the outsourcing revolution was sparked.

While significant attention has been paid to the cost savings and displacement issues that this information has caused, very little attention has been paid to how companies need to retool and refocus their fundamental talent management and leadership philosophies to compete effectively in a "boundary-less world." Stahl's frameworks, while not new, per se, do an effective job of outlining the totality of a company's success factors and relates how leaders need to lead. His focuses on "creating a high-capability organization" and "developing people" are especially useful. Both *Lesson on Leadership* and *The Leadership Challenge* emphasize the importance of communicating a clear, concise vision that focuses on the critical objectives of the company and the intent of a plan.

Today, companies must maniacally focus on their critical results and worry less about determining the tactics they are going to use to achieve those results. Leadership is all about challenging the status quo and finding more effective ways to accomplish things and empower people. Leaders today must marshal their people internally, with the outside capabilities they've built to achieve results.

Where *Lessons on Leadership* provides more of a manual for aspiring and growing leaders, *The Leadership Challenge* provides more of a field guide for leading an organization and communicating clearly. The focus on intent is especially important in the world today. As soon as a company has completed its strategic planning sessions and translated the meeting minutes into a document to be shared, the underlying assumptions that led to the plan have changed. Clearly communicating the intent of a company's initiative frees up a company's internal capabilities.

Whether you are a new, growing leader or a veteran, both of these books belong on the bookshelf of any effective executive.



Lessons on Leadership

By Jack Stahl
Kaplan Publishing
240 pages

★★★☆☆

PROJECT

Mondawmin Mall

Fifty years ago, Mondawmin Mall was a pioneer in urban retail development, its enclosed shopping area the first of its kind in a residential center of a major city. Today, the mall is poised to regain some of its former glory owing to Chicago-based General Growth Properties' $70 million redevelopment that will renovate the existing mall and bring more than 230,000 square feet of additional commercial space.

"We are trying to get back to having that mall mean what it meant 50 years ago," says Will L. Beckford, managing director of commercial revitalization for the Baltimore Development Corp., which provided a $15 million gross TIF to cover demolition, site preparation and infrastructure upgrades. The state also contributed approximately $2 million toward the redevelopment, according to Beckford.

Plans for the shopping center, which is located at the junction of Gwynns Falls Parkway and Reisterstown Road in Northwest Baltimore, call for 70,000 square feet of the mall's current 360,000 square feet to be demolished. The remaining space will receive a complete overhaul, including improved parking, reconfigured landscaping and better pedestrian access.

"Basically the whole interior of the mall is being redone, including new flooring, lighting, painting, signage – the whole nine," Beckford says. "It won't look like it was done in the '50s."

Address: 2401 Liberty Heights Ave. at the junction of Gwynns Falls Parkway and Reisterstown Road in Northwest Baltimore

Web Site: www.mondawmin.com

Description: Urban shopping mall redevelopment

Total Square footage: 46-acre site with 500,000 square feet of retail

Estimated Cost: $70 million

Developer and Lease Agent: General Growth Properties

Architect: Cho, Benn, Holback & Associates

Groundbreaking Date: September 2006

Completion Date: July 2008

Signed Tenants: Target and Shoppers Food Warehouse

Interesting Fact: Prior to the development of the mall, the land as the largest tract of undeveloped land within three miles of the center of Baltimore City.

Photos courtesy of Mondawmin Mall

to WATCH

An urban pioneer regains its former glory

General Growth will also bring new retailers to site, including a 67,000-square-foot Shoppers Food Warehouse, a 20,000 square foot junior box retailer and a 127,000-square-foot Target department store.

"This will be the first Target in the city of Baltimore. That's huge," says Lyneir Richardson, vice president of urban land development for General Growth Properties. "There will be a full-service grocery store before the end of the year. Two very big positives for the site and for the city of Baltimore."

Beckford says that while two sit-down restaurants and several new retail stores will be added, some of the existing tenants, including the Stop, Shop and Save, will relocate elsewhere. "If you liken it to The Gallery downtown, they have slowly and quietly changed some of the retail mix down there," Beckford says. "Not to take anything away from what's currently there (at Mondawmin Mall), but people want other types of retail."

The mall's location at the convergence of three major thoroughfares, with access to a subway stop, transit options and a neighborhood shuttle, make it a prime location for reinvestment. "If you measure it from a purely cash transaction basis, it is one of the best performing malls in the nation, even though revenues may fall short of what could be achieved from a major retail center," Beckford says.

Richardson says that when his company acquired the property in 2004 with the purchase of the Rouse Company's portfolio, General Growth targeted Mondawmin Mall as an opportunity for redevelopment.

He says that if the redevelopment proves successful over the next 12 to 24 months, Mondawmin will serve as a blueprint for other inner city mall redevelopments. "The more successes we have, it will be easier across the country in other communities, like west Baltimore, that are underserved by national retailers and restaurants," he says.

The mall's success will have a residual effect on the surrounding community and attract other businesses to the area, Richardson says. "Our company is showing confidence in the city of Baltimore, and this investment, along with other investments in the city and region, is showing our view that we have a positive outlook on the city of Baltimore. Hopefully other businesses will follow," Richardson says.

"Too often there is a perception that economic development in Baltimore only occurs in communities that border the harbor, and I see that that is far from the truth," Beckford says. "Baltimore has many vibrant neighborhoods that are ripe for development, and greater Mondawmin is one example of what can happen if we put our collective efforts into it. The business community and the community at large needs to stand up and take a look at this project and say, whoa, you can do that in west Baltimore. This is a prime example of using some of our economic tools in our inner city, in our communities, instead of just on the water."

SmartCEO i3

TOPICS **iNDIVIDUALS. iDEAS. iNFORMATION.**

Growth

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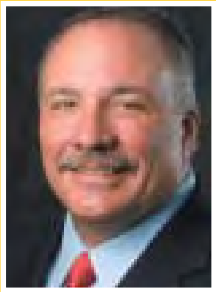
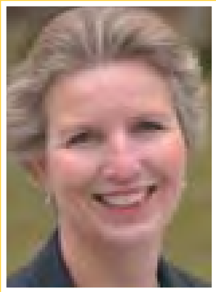





Grow or die. It is the sentiment that drives CEOs to look for the next key geographic location or the next big service or product. But the blessings of growth bring their own curses. If CEOs cannot properly manage growth, it can be the death of their business.

In this month's i3, *SmartCEO* speaks to dozens of CEOs who share their strategies and philosophies on business expansion. Having survived tumultuous times of fast growth, these CEOs of companies large and small share advice and best practices gained through first-hand experience.

This month's i3 also examines two ways to use the Internet to your company's benefit. Your Web site can be a powerful tool to convert prospects into clients, but in order for that to happen, you have to drive them to your site, give them a call to action and ensure the mechanisms are in place to seal the deal.

SmartCEO invites you to share your ideas and experiences. Tell us how you continue to generate success for your company through innovative techniques, philosophies and lessons learned. Submit ideas by visiting our Web site, www.smartceo.com, or by e-mailing jeanine@smartceo.com.

Thank you for your continued readership and enjoy SmartCEO i3!

deathbed businesses

WHEN A BUSINESS STOPS GROWING, IT STARTS DYING.

BY JOHN M. COLLARD

Too often, companies die unnecessarily because most business leaders haven't learned to recognize the symptoms of oncoming illness in their business. Leadership hasn't had to deal with it in the past and is ill equipped when trouble sets in. • The obvious signs of business trouble are rarely its root causes. Losing money, for example, isn't the problem; losing money is the result of other problems. The astute CEO recognizes his fallibility and has the foresight to ask for help – before serious trouble sets in. • If you can answer yes to some of these questions, it is time to take decisive action.

ARE YOU OVER EXTENDED?

Whose work are you doing? When the CEO continues to perform functions that should be done by others (once the business has grown to a more complex level), you are over extended. CEOs need to delegate work appropriately. Define the owner's and key managers' jobs to clarify role responsibility. Assess subordinates' competence; retain them if appropriate and replace them if not. Monitor key metrics so you'll remain informed about conditions, without being immersed in them.

IS TURNOVER EXCESSIVE?

A sure sign of underlying problems is rapid employee turnover. Employees know when problems exist, and the good ones will leave early. The price for ignoring this problem is high: low morale, lost wages, recruiting costs, lack of productivity and ultimately, forfeited business.

Uncover the real causes early on and rectify them. Solutions include clearly defined job responsibilities, performance expectations, rewards and scope of authority. Several levels of management attention should be devoted to new key employees (and those moving to new positions) during the initial days of their assignment.

ARE GOALS UNCLEAR?

Chronic failure to achieve stated business goals suggests a problem far more serious than a lack of performance. Often, it implies a lack of clarity regarding your goals, and usually indicates a failure to secure management team buy in.

Take a long, hard look at the goal setting process. Set goals and hold managers accountable for success.

ARE INCENTIVE PROGRAMS YIELDING POOR RESULTS?

While it seems obvious that programs should clearly and directly reward successful job performance, it's remarkable that many companies unwittingly set up compensation structures that reward performance altogether different from that outlined in the job description. A word of warning if this is your practice: be careful what you pay for – you might just get it.

IS NEW BUSINESS WANING?

If so, you are out of touch with the marketplace. High prices, unresponsive proposals and giving more than is required of you are the typical reason companies lose bids. Commitment to winning new business is essential to success, so identify targets early on, always keeping a close eye on the customer's special needs. Bid to win, and then manage for profit and growth.

ARE KEY CLIENT RELATIONSHIPS DETERIORATING?

Determine if a decrease in business from long-time customers is due to poor market conditions in their industry, or poor service from your company. If it's you, you're probably no longer meeting the customer's needs. Worse, you may not know.

Manage customer relationships carefully. Customer needs, like your own, change. Assign specific responsibility for nurturing customer relationships to all levels of management, not just to those within the sales force.

DO YOU CREATE PRODUCTS IN SEARCH OF MARKETS?

Products developed before market needs are assessed can waste resources and be difficult to sell. It is less expensive to create awareness of a product or service that meets an existing demand than to develop a new market for existing products or services that doesn't exist.

DO YOU HAVE FAILED EXPANSION PLANS?

Setbacks drain businesses of cash, time and morale. When companies fail in one effort, management tends to pull in its horns the next time out. The result? Suppressed hopes for growth or expansion. Efforts fail because of inadequate cash, poor management, lack of thorough market analysis or improper control systems.

ARE COMMUNICATIONS INEFFECTIVE?

Ineffective meetings, management information or inter departmental coordination can destroy a business from the inside out, even as it is growing.

If all that you accomplish during "bull sessions" is a lot of "bull" it is clearly the fault of the leader. It's a leader's duty to limit the scope of participants and topics discussed and to establish an agenda – with specific begin and adjourn times – and stick to it. Demonstrate organization by managing your meetings and your team will demonstrate that organization by managing your company.

John M. Collard is Chairman of Annapolis, Maryland-based Strategic Management Partners, Inc. www.StrategicMgtPartners.com.

The Second Store Phenomenon

When Rockville, MD, started inviting retailers to open shop in its newly revamped Rockville Town Center, Lynne Benzion, associate director for Rockville Economic Development, began noticing a trend, what she calls the "second store phenomenon." • "We didn't want it to be all national chain stores," Benzoin says. "We wanted someone to be able to look around at the retail mix and say, 'must be Rockville.' We wanted unique, regional stores." • Regional, yes, but many are not unique. Alongside the public library that anchors the 15-acre town center, business owners setting up shop for the second time flocked to its 180,000 square feet of retail space. • *SmartCEO* spoke with three "second-store" owners to find out how they made the leap that doubled their business presence.

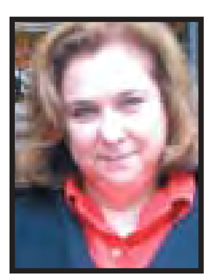
LOCATION, PEOPLE AND GUTS

Rockville might not immediately seem the most logical choice for a trendy New York City sushi bar's second location, but to **Karyl Chong**, it was more than a business choice. "If I were thinking just business, I would have opened my second store in SoHo, but I have children," she says. "The only time I saw my son was when he was sleeping. We were ready to open a second location, but if we did that in New York City, I'd lose touch with my family."

Chong says after seven years in New York, she and her husband knew the timing was right to open a second Sushi Damo. "When you open your first restaurant, you hare juggling 10 different balls. It's exciting, but you're never satisfied," she says. "In New York, I finally felt like I was juggling three balls and that gave me time to look around and to feel comfortable. It's like when you are learning a new piece of music: you enjoy playing the piece and perfecting the piece, and once you have mastered it, now you can go on to the next sonata or concerto."

So Chong began scouting out a family-friendly location and found her match in Rockville. But for Chong, location is just one part of the equation for success. "If you want to open another location, it takes location, people and guts. Those are the three things. You can have everything going for you, but if you don't have the guts, you will lose that sliver of opportunity. In another seven years, we'll go for another location."

A BIGGER AUDIENCE



It may have taken **Joan Barmat** 14 years to perfect her mix of dishware, bed linens, furniture and fine stationary at her Bedheaders store in Great Falls, VA, but once she got the formula right, it was time to widen her reach.

"In Great Falls there are a lot of big houses on big properties – not a lot of people. I wanted a bigger audience, so I took it on the road," says Barmat, who opened her Rockville store in July. "I grew up in Potomac, so when Rockville said it was building a town center, I thought it was a good idea."

Barmat opened her first store after 20 years of investment banking in New York. "I realized that I had an over-decorated New York apartment," she says. "I thought, 'I should get to doing what I love before it's too late.'"

She began by selling bed hangings modeled after those she saw while staying at fine hotels in Geneva and San Francisco. But the mix wasn't immediately profitable. "The shop become a showroom," she says. "It was not something that everyone wants or that they would give me money for, so I added soaps and accessories." When Bedheaders added dishes and dining items, it became the go-to place for hostess gifts.

While adding another store leaves Barmat feeling a bit stretched at times, she is beginning to realize the economic benefits.

"It is easier to manage the inventory with two stores because you can by greater quantities from the wholesalers and divide it between the stores and have more back and forth," Barmat says. "The big bucks in this business is the inventory and there is a fair amount of overlap."

THE SECOND SECOND STORE

Technically, **Kennedy Casperone**'s Primo Italiano in Rockville is her *second* second store. Her first foray into expanding her father's Reston deli was a 400-square-foot satellite location in a Reston ice skating rink.

"The owner of the rink started making demands, like being open for coffee in the morning or staying open late at night. I wanted a business where I could set my own hours," Casperone says. So when the Rockville opportunity presented itself, she took it.

"I wouldn't have opened a store except that I had faith in my father's store and knew he had a great product," she says.

Having a great product as a model did not mean that the expansion was without obstacles. "We thought everything would translate, but found out that people here like different things," she says. "This is a salad area. Reston was more meat. The prime rib didn't sell well. In Reston, we called out your ticket number. That didn't work here, so instead we give you a table number. We tried to keep it the old way but it was beating a dead horse."

Casperone says that she will buy out her father's Reston location in the next few years, but don't expect to see a chain of Primo Italianos anytime soon. For Casperone, two stores are enough. "If you expand too much, you lose that personal touch," she says. "You just have to be there."

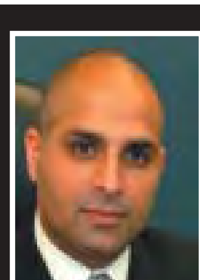
WHAT ADVICE DO YOU HAVE TO CEOS OF GROWING COMPANIES WHO ARE LOOKING TO EXPAND?

During a period of fast growth, leaders must radiate confidence, possess a sense of calmness and control and demonstrate an ability to be clear in decisions and direction. The abundance of work, pace of activity needed to respond to the workload and stress on personnel and intercommunication can be daunting to a team. But with a leader who demonstrates a vision, a strategy and a plan, the team is able to partition what seems overwhelming, focus on their individual contributions and trust the insight of their leadership to create success out of their collective efforts.

Teresa M. Taylor, president and CEO, Proteus Technologies, LLC
Growth Stat: 2007 *SmartCEO* Future 50 winner

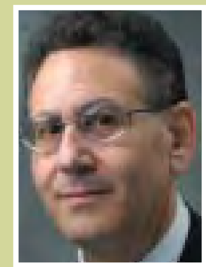
Treat your associates well, provide excellent benefits, manage your cash, form a great relationship with your bank, pay down your debt and invest in a good accounting firm. Audited financials bring a tremendous amount of credibility to your organization as you begin to grow and bring on larger clients.

Dr. Ellen H. Yankellow,
president and CEO, Correct Rx Pharmacy Services, Inc.
Growth Stat: 2007 *SmartCEO* Future 50 winner



My advice is to have perseverance. The battle is ongoing. You will definitely run into unexpected challenges and may make mistakes. Remain determined and maintain a "can do" attitude. It is important to also be flexible and open to change when it comes to your company's internal policies and practices. Fast-growing companies change very rapidly, and if you're not open to change, you can get in the way of future growth. Take a step back and consider whether the company is still doing things in a way that makes sense. Look at your business with "new eyes."

B. Chatterjee, president, CNSI
Growth Stat: 2007 *SmartCEO* Future 50 winner; regular inclusion in the Inc. 500 and Deloitte Fast 50 lists for high revenue growth

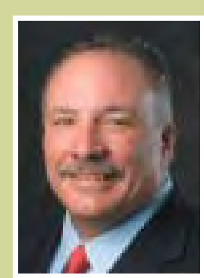


The most important skill is to know the operational and economic drivers behind your particular businesses. You have to know the technology, the market opportunity and the selling proposition. What is your value proposition and how can you differentiate yourself from the competitors? Then you need to remain focused and not get distracted by secondary opportunities that arise once you start your business. Trying to be too many things to too many different people tends to be a common mistake that causes start-ups to fail.

Dave Schaeffer, CEO, Cogent Communications
Growth Stat: 2007 *SmartCEO* Future 50 winner; traffic on Cogent's networks has grown 75 percent per year

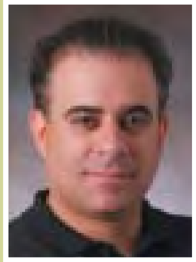
You have to have organic growth mastered before you can grow through acquisitions. There is no such thing as integration. Only collisions. I've heard people say, we really failed because the culture was a mismatch. We'll look at 100 companies before buying one. It's all about the people. It's never about the technology or getting that next great new customer. The only sustainable growth model is getting the right people.

Raymond Roberts CEO, Citizant
Growth Stat: Grown from two employees and $100,000 in revenue in 1999 to $16 million in 2007



The first thing I would say is build the foundation. The first couple of hires are very important. They are going to embody the personality of the company. And your first few offices are very important. I went after people who I knew in the industry that I knew had great talent and could teach that talent to others. I didn't leave any of that to chance. Make sure that they want to do the business exactly the way you want to do the business.

Carl Wright, CEO, Stephen James Associates
Growth Stat: Since January 2006, has grown to more than a dozen markets with a goal of 50 cities in 10 years

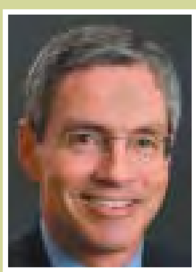


Don't take your eye off your home market. You need to be prepared to take a small setback in the home market when expanding because it is very rare that you can do both at the same time. Success breeds expansion. If you are stable in your core market, you are in a better position to expand. Ideally you would want to leverage operational efficiencies in one location for another. For example, we've leveraged our fulfillment, accounting and customer service functions, so we've been able to be lightweight in those expansions.

David Eisner, CEO, Dataprise
Growth Stat: 2007 *SmartCEO* Future 50 winner; started business in 1995 out of an apartment in Rockville and has grown to six offices along the East Coast

When looking to expand overseas, don't feel like you need to recreate the wheel. There is a vast network of people who have done this before who have maybe made the mistakes you're making, who can provide helpful insight. I tend to believe that almost every business has to have some sort of global strategy because if you don't, your competitors do. It is a little more expensive and frustrating at times. It won't be the smoothest ride. But it certainly isn't a market you would ever think of ignoring.

Larry Harding, president, High Street Partners
Growth Stat: Since 2003 has grown to six offices; High Street Partners helps businesses expand overseas



When you're growing, it has to be strategic. Cautious urgency is the expression I came up with. It's a push-pull philosophy. You might think you're doing the right thing by "growing" to grow, but if you're not careful and disciplined, it can kill you. You have to have that urgency, you have to have that ache in your stomach every day to say I have to keep going, but you have to have that discipline that pulls you back that says be smart and pragmatic as you take that step.

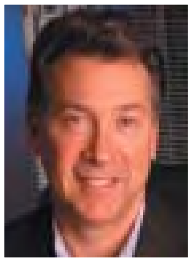
Mike Fitzgerald, president and CEO, Bank of Georgetown
Growth Stat: Opened four branches since May 2005

My advice would be very clear about why you are doing things. Be very very very very clear. Too much information can be a problem because people can twist words. When you are splitting things within a company, you are dividing things and you are essentially creating a different culture and environment. Be clear about who is doing what and about the timeline and expectations of success and what will be tolerated in terms of people not being accountable.

Mark Michael, CEO, Occasions Catering
Growth Stat: Launched new drop-off catering division in September; added 30 percent new business in first weeks

i3 on GROWTH

SHOULD A BUSINESS EVER STOP LOOKING TO GROW?



As a sales and marketing guy, I see the whole world as opportunity, but sometimes people put the reigns on me and say hold back just a bit. If my director of operations says slow down, which they've done once or twice, I slow down just a tad, but I do believe my job is to push operations to catch up to us as well. I also believe in windows of opportunity. That window is wide open right now, but windows slowly close, so my focus is to seize the opportunity as rapidly as possible but respectfully listen to our operations people. Growth is the exciting part and managing that growth is the challenge.

Michael Teitelbaum, president, TruePresence
Growth Stat: Since 2004 has grown revenue 200 percent will exceed goal of expanding to 25 markets by year's end

We have processes in place so that we grow. My philosophy is if the business doesn't grow, it dies, so we have to continuously grow and be profitable. And our growth rate has to be at least the industry average every year. If we don't meet that it means something is wrong. There is no question of status quo or that we have reached an optimum level. No, that's not the way. We have big plans and we want to grow to $100 million in the next couple of years, for that to happen, we have to have all those processes and procedures in place.

Karlu Rambhala, president and CEO, Avineon
Growth Stat: 2007 *SmartCEO* Future 50 winner; new contracts will require the company to hire 200 to 300 new employees by year's end

Optimal size is something our leadership team has diligently considered. It is always a mandate of being focused in your core business and not allowing yourself to become overly diversified. From our perspective, we are currently aligned and organized with the right client base, so I do not see any inherent problem in size. However, a business should never stop seeking positive growth but should always focus on successful innovation and aspire to be a world-class company.

Debasish Hota, CEO, CompuGain
Growth Stat: Expanded to offices in New York and overseas since 2000

Our business plan is like a game plan for a football game. We know our strengths and weaknesses and we have our playbook. But we don't say we're going to stop after three touchdowns. We're in it to score and keep scoring. It's the pursuit that's fun.

Monty Hoffman, president and CEO, PN Hoffman, Inc.
Growth Stat: 2007 *SmartCEO* Future 50 winner

We have an unbounded appetite for growing the firm. At the very heart of it is the fear that to not grow is to atrophy over time. And that kind of constructive paranoia is what we use to propel the culture of the firm. I like to tell people if you are not moving forward, if you are at a standstill, it really means that you are going to start slipping backwards.

Anirudh Kulkarni, CEO, Customer Value Partners
Growth Stat: Grew from two to 120 employees over four years

I don't set a limit. I really like big things and big numbers; I have very little fear in that area. There is no limit on how big I should be or stop when I get to a certain number. In a business, if there is no risk, there is no gain.

Michelle Lee, CEO, STG International, Inc.
Growth Stat: 2007 *SmartCEO* Future 50 winner; grew from $76 million in 2006 to an estimated $100 million in 2007

I believe a business should be growing or changing, and that change should be focused on future growth. Medifast is in the business of weight loss and healthy lifestyle. Currently over two thirds of the U.S. population is overweight or obese; therefore I feel we have a long way to go before we reach optimal size.

Michael S. McDevitt, CEO, Medifast, Inc.
Growth Stat: 2007 *SmartCEO* Future 50 winner; grown from $12 million to $72 million in four years

We always had in our mind that we wanted to get to that second location, but even when we were deciding, you almost feel like you are not ready. I can't say you always have everything 100 percent ready, otherwise you'd never change. Everyone is continually fine-tuning and that's what contributes to the success. I don't know if there is a time when you say, OK, everything is set; we're ready.

Luke and Lori Golueke, owners, Aruba Tanning
Growth Stat: From 2002 have opened two locations and are franchising

the search is on

7 TIPS TO MANAGE YOUR PAID SEARCH CAMPAIGN

BY HOLLIS THOMASES

Research has shown that pay-per-click (PPC) search engine advertising is one of, if not the most cost-effective forms of advertising. Also known as paid search or keyword bidding, PPC is a perpetual live auction on search engine keywords with top ad placements awarded to the highest bidders. PPC ad spending represents the largest sector in online advertising, experiencing double-digit growth each year, with eMarketer projecting $8.3 billion this year and $16.1 billion in 2011. • In a January 2007 report by Hitwise, Google led the field with 63 percent of the market. Yahoo trailed with 21.4 percent. Google's PPC program, AdWords, allows companies to reach people searching on Google via a text ad. You are charged only if someone clicks your ad, not when your ad is displayed. Your cost-per-click depends on your keyword, how competitive the auction marketplace is for that keyword and how much you're willing to pay to appear toward the top of the ad list. The bottom line, however, is that with no dollar or duration commitments, PPC advertising is an affordable option. • Before you invest in your first or next Google PPC ad campaign, here are several ways to generate qualified leads and assure optimal campaign ROI.

GET THE MOST FROM YOUR CAMPAIGN SET-UP

Your campaign will benefit significantly by taking advantage of AdWords' ability to set up multiple campaigns and also to group keywords together in what's called "AdGroups." When you separate your keywords into smaller, more targeted AdGroups with ad copy and landing pages specific to those keywords, you can track the progress of your campaign on a granular level. Dividing your campaign into low- and high-performing keywords maximizes your PPC budget without sacrificing visibility and brand awareness for key terms.

DON'T INSIST ON A NO. 1 AD POSITION

Paying top dollar for the top position isn't always the best PPC strategy, especially now that Google implemented a recent change to its "Top Ad Placement Formula" that sets a minimum bid for the No. 1 position. Instead, improve your Quality Score, which can help improve your ad position.

CREATE A QUALITY LANDING PAGE

It's best to spend some time learning how set up a relevant and well-constructed destination (or "landing") page. The landing page is where you'll be sending your click-thru traffic from the PPC ad. It should have relevant text that relates to the keywords that you are targeting.

TINKER WITH YOUR AD POSITION

With tracking tools and good landing page in place, you should next carefully watch the results of your individual keywords and tinker with your ad position to improve the overall campaign performance. For example, see if you notice substantial savings when you move your ad from the number one to three or five positions. If your conversions aren't affected by position, then you can save money while also decreasing your cost per lead.

USE NEGATIVE KEYWORDS TO BOOST QUALITY CLICKS

Use negative keywords to decrease the amount of "noise" in your campaign. For example, if you are dealing in "wireless security," use this strategy to exclude inappropriate "home security system" inquiries.

TAKE ADVANTAGE OF CONVERSION TRACKING

The best way to understand how your PPC campaign is increasing leads and sales is to track conversions from your ads and keywords. While there are many third-party software programs that allow you to set up conversion funnels and tracking for PPC campaigns, AdWords allows you set this up right within your campaign. This kind of insight helps you understand which keywords are sending you the most leads and sales and which might be wasting money.

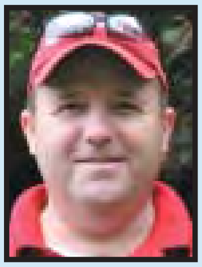
USE TESTING FEATURES FOR AD COPY AND LANDING PAGES

Google Adwords offers several features that allow you to test the effectiveness of your ads and even your landing pages. AdWords allows you to create up to 50 different ad variations that are served to Google users in rotation, so as a general rule, don't ever run only one ad when you can at least be testing two against each other. Google provides data on which ads are receiving the most clicks, so you can choose the most effective ad copy for your campaign.

A new testing feature, Web Optimizer, lets you test alternate versions of your landing page by embedding code on that page that will dynamically vary such page features as which headline text leads to the most user actions, which imbedded video gets the most plays or which form layout prompts the most signups.

Hollis Thomases is president and founder of WebAdvantage.net, an interactive marketing, promotions and advertising agency. www.webadvantage.net.

Web Site ROI **CAPTURE THE CUSTOMERS**



If you are going to invest in a Web site, make sure it's doing more than taking up cyberspace. The most critical part of increasing your Web site's return on investment is providing a clear call-to-action and – just as importantly – a functional, easy-to-use follow-through mechanism. This call-to-action and follow through mechanism will increase your conversion rate (the number of click-throughs that result in a sale or other call-to-action) regardless of the action you want a visitor to take.

CALL-TO-ACTION

An effective call-to-action should provide a clear, concise message that answers the following three questions:

- What should I do next?
- Why should I do it?
- How do I do it?

To create an effective call to action, incorporate the following elements:

- Visibility: Be sure to place your call-to-action where it is visible at first glance. This means that ideally your call-to-action will be "above the scroll" (a location on the page that visitors can view without scrolling), generally in the middle or right-hand side of the page.
- Clarity: Have a clear message. Use short, simple words and phrases to get visitors' attention. Include graphics, but avoid cluttering.
- Incentives: Offer incentives and other rewards when a visitor follows the call-to-action, such as "Free 60-Day Trial" or "25 Percent Off Online Registration" – something that will make it worthwhile to follow the call-to-action.
- Engaging: Use engaging, instructive words and phrases to hook the visitor, such as "Register Here," "Call today" or "Get more information."
- Urgency: Create a sense of urgency. Limit the offer to a specific period of time, number of customers or number of orders.
- Variety. Vary your call-to-action from page to page within your site. Different pages will appeal to different types of visitors. Some calls will work better with loyal customers, where other "softer" calls-to-action will appeal more to new or prospective customers.

FOLLOW-THROUGH

Once you have engaged your visitor with an effective call-to-action, you need to provide a functional follow through mechanism to complete the conversion.

Whatever you are asking the visitor to do – be it registering, buying a product, becoming a member, filling out a form or something else – it is critical that the follow-through process be relatively simple to accomplish and that the follow-through mechanism is functioning properly. There is nothing worse than having a prospective customer follow your call-to-action only to be thwarted by a technical glitch.

These sorts of technical issues are quite common, and as much as anything, the failure of the follow-through mechanism is responsible for the poor return on investment of many Web sites. Not only that, these technical failures will significantly devalue a company's brand and corporate image because potential customers relate this technical failure to the overall ability of the company. One could argue that it is better to do nothing than to have a poorly or non-functioning call-to-action on your Web site.

Jason Bach is principal and CEO if Mosaic Technologies, Inc. www.mosaictechnologies.com.

i3 on HOLIDAY LAW

ho-ho-hos? oh no no!

HAVE A HOLLY JOLLY HOLIDAY PARTY

When the holiday season rolls around, CEOs may be tempted to deck the office halls and toss back a few with the staff. But where should business leaders draw the line between festive fun and legal nightmare? Being aware of some issues that may arise with regard to holiday parties, and following a few guidelines, can help to minimize potential liability for an employer.

NAUGHTY AND NICE

Harassment, particularly of a sexual nature, is all too common a legal problem at holiday parties. Such harassment can take the form of offensive comments, inappropriate touching or worse. The harassment may be the result of an employee or other attendee drinking too much, or from employees blowing off steam with coworkers in a more relaxed atmosphere.

Offensive touching and words may not be the only cause for concern. Naughty gifts may also lead to trouble. Employers should advise employees who participate in gift exchanges to choose gifts that are respectful and appropriate for the workplace.

Every employer to which federal or state antidiscrimination laws apply should have a policy advising employees that unlawful harassment, including sexual harassment, will not be tolerated at the workplace. Employers should also make clear that this policy extends to such functions as the holiday party.

EAT, DRINK AND BE MERRY

Not so fast. Many employers serve or allow alcohol to be served at holiday parties, alcohol may result in an employee engaging in offensive behavior during the party, cause the employee to hurt himself or herself at the party, or worse, result in the employee causing an accident while driving home.

Employers should take some precautions to minimize the possibility that employees might leave an office party impaired and hurt themselves or others:

- Advise employees to drink responsibly and to plan for their transportation home in advance if they intend to drink;
- Implement a designated driver program;
- Offer to front employees' cab fare or the option to stay in a nearby hotel if they cannot drive;
- Ask certain managers or others to volunteer not to drink and to monitor the event;
- Give employees a limited number of drink tickets;
- Advise bartenders not to over-pour drinks and not to serve guests who appear intoxicated or rowdy;
- Serve food to slow the absorption of alcohol and offer plenty of non-alcoholic drinks;
- Implement policies to ensure that any minors who may attend the party are not served alcohol; and
- Close the bar at least an hour before the event ends.

RESPECT DIVERSITY

In an increasingly diverse workforce, a prudent employer should strive to be inclusive. One way to do so is to keep the holiday theme generic, for instance, calling the "Christmas Party" the "Holiday Party." Employees may also feel more included if employers are considerate of dietary or drinking restrictions. Employers should offer non-alcoholic beverages for those who may not drink because their religion forbids it. Also, employers may consider including vegetarian food selections and kosher foods on the menu. A short, generic e-mail to employees asking for menu suggestions or asking about dietary restrictions may serve to make the festivities more inclusive and help to alleviate charges of religious discrimination.

Attendance at any party should be voluntary. Employees who do not want to attend should not be disciplined or otherwise made to feel as if they are missing critical face time with the company brass for opting out. Thus, advising employees that attendance at the holiday party is optional should not be accompanied by a wink and nod. If everyone understands that missing the annual holiday party is a bad career move or that despite comments to the contrary, the boss favors attendance, the party is not truly optional.

Jerald J. Oppel is chair of the Labor and Employment Group of OberlKaler. Matthew W. Green Jr. is an associate in the group.

ACG

MARYLAND CHAPTER

Deal of the Year Awards Presentation

2007

EVENT PROGRAM

LETTER FROM THE PRESIDENT

On behalf of the Maryland Chapter of the Association for Corporate Growth (ACG), I would like to welcome you to the third annual ACG Deal of the Year celebration. It is extremely appropriate that The B&O Railroad Museum, an historic site recognized as the birthplace of American railroading and a testament to the historic strength of our region's economy, should host such an event.

I want to congratulate the finalists and their respective deal teams for their accomplishments. Our business community is a vibrant one. The time has come to recognize the achievements in transactional excellence. The transactions we celebrate are transformative for the companies involved, their owners and employees, and the entire region.

I want to commend our nomination committee and judges for their tireless work in selecting an excellent group of finalists. Their commitment has been exceptional. I also want to recognize Mac Tisdale, the chairman of this year's event for his dedication and leadership.

This event would not be possible without the generous support from our sponsors. Our organization has enjoyed a great partnership with our Diamond Sponors; SunTrust Bank and Venable LLP, and we thank them for their commitment to our business community.

Also, a special thanks to *Baltimore SmartCEO* magazine for partnering with ACG to produce this year's event guide.

Founded in 1954, the Association for Corporate Growth, Inc (ACG Global). is the premier global association for professionals involved in corporate growth, corporate development, and mergers and acquisitions. Today ACG Global stands at 11,000 members from corporations, private equity, finance, and professional service firms representing Fortune 500, Fortune1000, FTSE 100, and mid-market companies in 53 chapters in North America and Europe. Leaders in corporations, private equity, finance, and professional service firms focusing on building value in their organizations belong to ACG. They recognize the multiple benefits of networking within an influential community of executives growing public and private companies worldwide.

The industry professionals who are members of the Maryland Chapter of ACG are actively involved in many roles helping companies grow. During the last few years, we have seen our membership grow to 160 members. Our numbers are a testament to the quality to of our programs, the excellent networking opportunities we provide and the dedication of our Board of Directors. With over 20 years of providing outstanding programs to the Baltimore business community, I invite professionals involved in M&A, private equity or service companies to join our dynamic chapter.

Thanks again for your support of the ACG and the Deal of Year. I look forward to seeing you at an upcoming meeting.

CHARLES J. MORTON, JR.
President, ACG Maryland Chapter
Venable, LLP
2 Hopkins Plaza, Baltimore, MD 21201
cjmorton@venable.com

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Roger Lee, K Bank
Eric Nass, Stronghold Advisors
W. Bryan Rakes, Venable, LLP
Gayle Seker, EntreQuest

2007-2008 PROGRAM SCHEDULE

SEPTEMBER 6, 2007
Anthony G. Brown
Lt. Governor, State of Maryland

OCTOBER 11, 2007
Fran Lessans
Passport Health

NOVEMBER 7, 2007
ACG Maryland Third Annual
Deal of the Year

DECEMBER 6, 2007
Aris Melissaratos
Tech Transfer, Hopkins

JANUARY 10, 2008
Panel
Deal Market Update

FEBRUARY 7, 2008
Networking Event
ESPN Zone

MARCH 6-7, 2008
Strategic Growth Conference
& Capital Forum
*Joint Event with the National
Capital Chapter*

APRIL 10, 2008
David Wright
Pharmathene

MAY 8, 2008
Gerald E. Holthaus
William Scotsman International

JUNE 12, 2008
Panel
Government Contracting

PAST FINALISTS AND WINNERS

2005

Manufacturing & Distribution
WINNER: Hedwin Corporation's ESOP
- Art Litho acquisition
- Dreyer's Grand Ice Cream Acquisition and Expansion

Services, Real Estate and Other
WINNER: DLA Piper Rudnick Gray Cary
- Maryland Landmark Homes Acquisition
- Jerome J. Parks Companies Park Place Annapolis Development

Technology/Biotechnology
WINNER: SafeNet, Inc.
- Essex Acquisition of Windermere Group
- Advertising.com Sale to America Online

2006

Manufacturing & Distribution
WINNER: AAI Corporation's $100 million syndicated credit facility
- Novatec's sale to private investors
- Superior Products merged with Hoboken Wood Flooring

Services, Real Estate and Other
WINNER: TESSCO Technologies acquires TerraWave Solutions, *Ltd. and GigaWave Technologies, Ltd.*
- Columbia Medcom Group's ESOP transaction
- New Enterprise Associates closes $2.5 Billon fund

Technology/Biotechnology
WINNER: Alba Therapuetics closes $30 million financing
- VISICU IPO
- Firaxis Games acquired by Take-Two Interactive Software

BUSINESS VALUATION: YOUR COMPANY – WHAT IS IT WORTH?

For private business owners, determining when and how to transition your business can be a complex decision involving many stakeholders and considerations. Estimating the value of your business can be a valuable tool and an important first step in developing a business transition. A business valuation not only renders an opinion on the market value of your company, but also provides insight into its value drivers, unique risks and competitive advantages – all of which can be important factors in selling or financing.

As a business owner, a privately held business is often your life's work and legacy, the largest asset in your estate, and your largest source of income during working life and after retirement. It is central to an exit strategy, yet it can be your most difficult asset to value.

Common reasons for a business valuation include: 1) sales transactions, 2) taxation, and 3) financial reporting. Most businesses require a valuation to support a sale or determine taxation, because they wish to:

- Sell a business stake, or grant stock options, to key managers or family members
- Sell the business to a third party at a fair price
- Sell some or all of the business to an Employee Stock Ownership Plan (ESOP)
- Reduce gift and estate taxes
- Donate shares to an endowment, foundation, or charitable organization

APPROACHES TO DETERMINING VALUE

The drivers of value are cash flow and assets, depending on the nature of your business. Cash flow value is a function of the timing of cash receipts and the risk of disruption of these receipts. Asset values reflect the cash generated by the asset, or what the market would likely pay for the asset.

There are three approaches to determining value:

- *Asset ("Cost") approach* – bases valuation on assets and liabilities
- *Income approach* – bases valuation on an economic income stream
- *Market approach* – references price multiples of similar businesses to assess value

Improving your cash flow and reducing uncertainty (i.e., risk) can enhance the value of your business.

THE BUSINESS APPRAISAL PROCESS

A business appraisal is an opinion of value by an unbiased business appraiser. The appraiser often provides the business valuation in a narrative report. Professional standards, or rules, guide the valuation process and report creation. The purpose of the appraisal determines the appropriate guidelines for its development.

There are different definitions of "value." For example, fair market value, fair value, investment value, or intrinsic value are all different definitions of value that likely produce different results. An appraiser may apply different types of discounts or premiums depending on the definition of value. As the basis for performing the valuation analysis, an appraiser must understand the purpose of the valuation opinion, the scope of the assignment (i.e., the business interest to be valued), the business owner's expectations, and the appropriate rules to apply. The appraiser will analyze the business and its industry, interview management, analyze historical financial statements, and then use various valuation methodologies within the asset, income and market approaches to valuation.

YOUR ROLE IN THE PROCESS

Your role in the business valuation process is to select an appraiser, define the parameters of the engagement, provide documentation (financial, legal, and operational), commit several hours for a management interview and site visit, and review a draft appraisal report.

A good appraisal is both credible and compelling. The selection of an appraiser impacts the credibility of the valuation opinion. Selection criteria commonly include: an appraiser's credentials for performing business valuations, experience (overall and within your industry), references from attorneys and accountants, the appraisal firm's name recognition and reputation, and fees. Choosing an appraiser is one of the more important aspects of your involvement in the valuation process.

SunTrust Robinson Humphrey is the full-service corporate and investment banking arm of SunTrust Banks, Inc. and is headquartered in Atlanta, Georgia. We provide comprehensive capital raising, strategic advisory, risk management, and investment solutions to serve the needs of corporate clients across the nation. We also offer fixed income and equity research, sales and trading for institutional investors.

We have extensive experience working with public and private companies of all sizes – from emerging growth to the Fortune 500. Our team of tenured professionals leverages in-depth market and industry expertise, along with a thorough understanding of each client's unique circumstances, to deliver thoughtful, unbiased advice and creative solutions that are relevant to your specific goals.

We offer a full range of merger and acquisition advisory services for private and public companies as well as financial sponsor firms. We've executed hundreds of transactions for companies across a variety of industries and sizes and are recognized as a top 5 provider for deals under $500 million. Our experienced investment bankers work closely with you from early exploratory discussions through post-deal follow-up to ensure your objectives are met at every stage. They apply in-depth knowledge of the current market and expertise derived from our extensive track record to bring you ideas, opportunities and results that accomplish your goals.

2007 FINALISTS

Manufacturing & Distribution

Chesapeake Ceramic Supply

Deal: Vicour's acquisition of Chesapeake Ceramic Supply

Chesapeake Ceramics is a multi-line distributor of unique, unfinished bisque forms, color products, glazes, brushes, molds, kilns and ceramic tools. The company primarily supplies retail ceramic studios, Paint Your Own Pottery studios, schools, government agencies and other customers. Chesapeake currently services customers in North America, the Caribbean, Europe and the Middle East from its distribution facility in Baltimore. Vicour Holdings identifies, acquires and operates middle market enterprises with strong cash flow characteristics and a history of successful competition in their given marketplace. Vicour is actively searching for business owners looking to monetize their holdings and is an aggressive, professional and committed buyer.

Manufacturing & Distribution

Cryo-Trans, Inc.

Deal: Cryo-Trans doubled the size of its rail care fleet through debt financing

Cryo-Trans is North America's largest privately held lessor of mechanically refrigerated state-of-the-art rail cars designed for the transportation of perishable and frozen commodities within Canada, United States and Mexico utilizing two-way GPS satellite technology to track car location and remote management of the cars' refrigeration system.

Manufacturing & Distribution

Davis Calibration, LLC

Deal: Davis' acquisition of GE Instrumentation Services

Davis Calibration, LLC is the global market leader in the calibration services industry, offering a full range of services including electrical, mechanical, dimensional, and time & frequency calibrations. Acquisition of GE Instrumentation Services, a General Electric subsidiary.

Technology and Biotechnology

Fortress International Group Inc.

Deal: Fortress' acquisition of Total Site Solutions and Vortech, LLC

Fortress International Group Inc. (FIGI), formerly Fortress America Acquisition Corporation, was formed and organized as a blank check company on Dec. 20,

2004. FIGI specializes in the design, construction and maintenance of mission critical facilities for both government clients as well as private industry.

Technology and Biotechnology

RABA Technologies

Deal: SRA International, Inc.'s acquisition of Raba Technologies

RABA Technologies is about providing software and technology solutions that fundamentally change the ways our clients achieve success. RABA is a small business with big ideas. RABA seeks out the most creative challenges imaginable and focuses its innovative energies in solving them. RABA is committed to expanding its national presence, attracting the best and brightest to its team.

Services & Other

Towne Park, Ltd.

Deal: Recapitalization of Towne Park's balance sheet to permit accelerated growth and potential acquisitions

Towne Park, Ltd.is a leading national provider of hospitality services and parking systems that offers an array of service solutions primarily to hotels, resorts, and hospitals including valet parking, doormen, bellmen, and parking management systems.

Services & Other

American Mechanical Services

Deal: Management buyout of this Service Master subsidiary

American Mechanical Services is a national organization focused on serving commercial, industrial and institutional property owners and managers through a strategic partnership.

Services & Other

The Greene Turtle

Deal: JPG Capital Partners II acquisition of a majority interest in the Greene Turtle

The Greene Turtle combines the best of both into your local gathering place. The Turtle's a neighborhood place where friends and family can gather to grab a bite, watch the game, or just enjoy a beer together in an always lively, high energy atmosphere. The original Greene Turtle opened in 1976 on 116th Street in Ocean City, MD. Since then, The Greene Turtle has grown into a franchise with over 16 locations throughout the Mid-Atlantic region.

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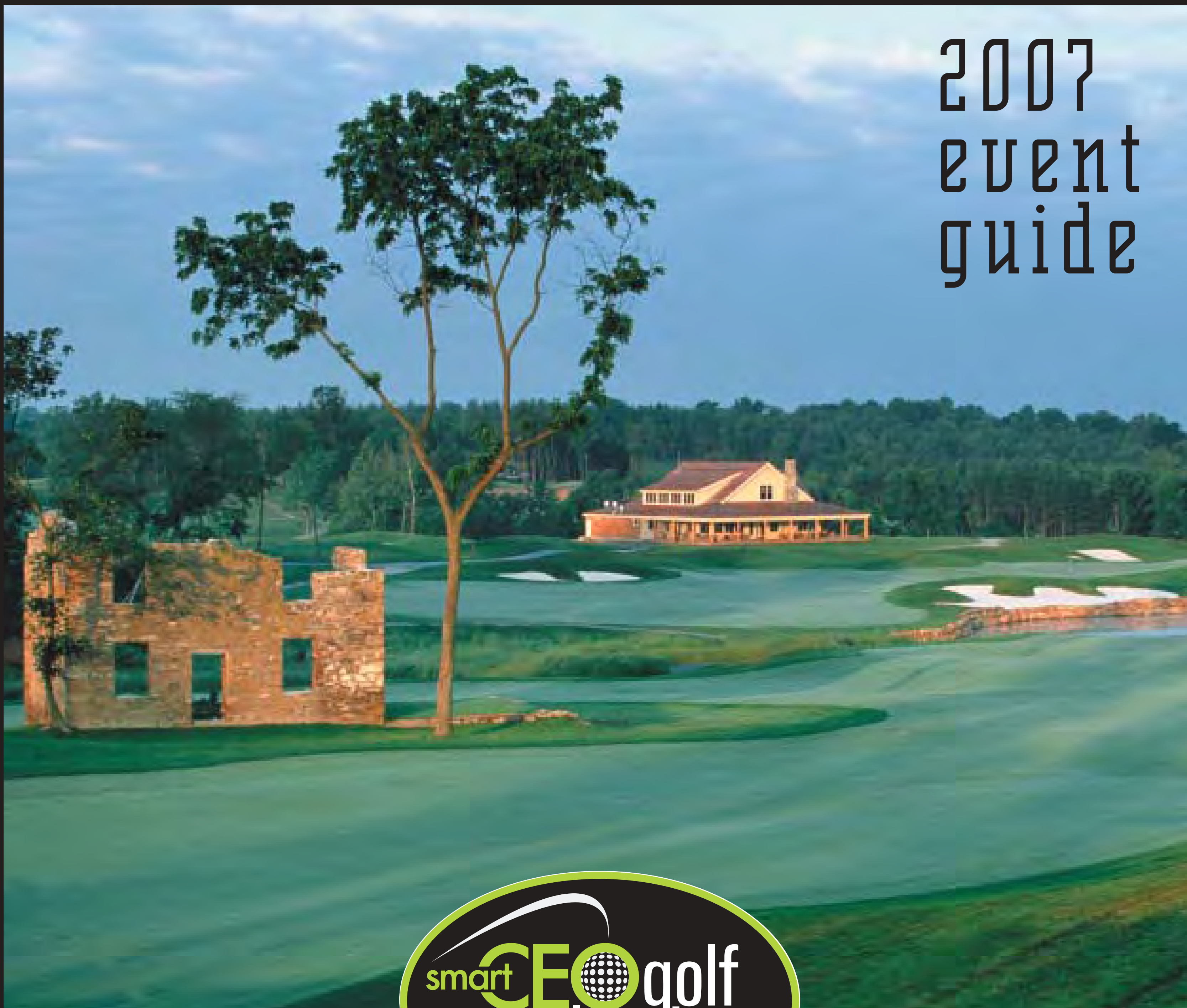


2007 event guide

smartCEO golf classic

495 vs 695

OCTOBER 23, 2007 WHISKEY CREEK

Proceeds to Benefit the Robert Packard Center for ALS Research at Johns Hopkins

Allstate®

You're in good hands.

Welcome Golfers, Sponsors and Friends,

Craig Burris

Publisher

October 23, 2007

On behalf of *SmartCEO*, Allstate and The Robert Packard Center for ALS Research, thank you for coming and welcome to Whiskey Creek Golf Club.

This is our sixth annual *SmartCEO* Golf Classic and we are pleased to share this day with you. The growth and popularity of this event has been extraordinary. We've had overwhelming support from all our friends in the Baltimore and Washington business communities and we are grateful to everyone for their participation. We have a lot of great companies sponsoring holes this year so be sure to say hello as you're playing your round today. Many of them have great surprises in store for you!

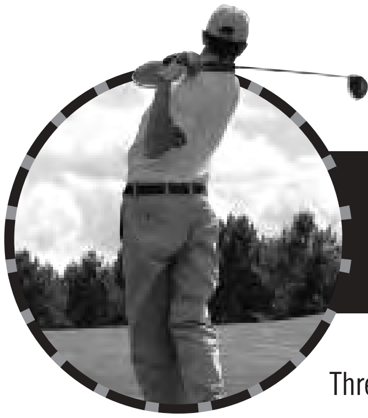
Be sure to stick around after golfing for a fun-filled evening of networking, awards and entertainment.

And again, thanks so much for coming out today and supporting this great cause. Your support and participation has helped us raise money for The Robert Packard Center for ALS Research at Johns Hopkins.

Thank you. And good luck today on the links!

Regards,

Craig Burris



About ALS

Three years ago, on the eve of the Masters Tournament, Tom Watson's longtime friend and caddy, Bruce Edwards, died from ALS, also known as Lou Gehrig's disease. The 49-year-old Edwards' illness brought renewed attention to one of the cruelest of afflictions – a progressive neuromuscular disease that eventually leaves its victims unable to move, speak or breathe independently, but of perfectly sound mind.

In September 1995, when Cal Ripken broke Lou Gehrig's consecutive game streak, special seats were sold on the field to provide seed money for what became the Center for ALS Research at Johns Hopkins, devoted to fighting the disease that took Gehrig's life. Later, in 1999, a small group of scientists, patients and philanthropists met at Johns Hopkins convinced that existing ALS research suffered from a piecemeal approach, that it needed focus and a streamlined path to a cure. And so, with additional multimillion dollar funding from respected foundations and individual donors, the Robert Packard Center for ALS Research at Johns Hopkins was established in March 2000, at the University's School of Medicine in Baltimore.

Sadly, in the Spring of 2002, when *SmartCEO* was in its infancy as a magazine, *SmartCEO* editor David Callahan's mother succumbed to ALS just as the magazine was planning its first golf outing and searching for a local charity to benefit. *SmartCEO* has partnered with ALS since then, and is proud to share the proceeds with such a great organization.

Two years ago, with the help of generous sponsorship dollars from Benelogic, The Cal Ripken Sr. Foundation joined with the Packard Center to distribute and sell wristbands commemorating the 10th anniversary of the breaking of Gehrig's record and raising funds for both local charities. The first wristbands were distributed at the 2005 *SmartCEO* golf outing and more than $100,000 has been raised to date as a result of the fundraising program.

It is the only institution of its kind dedicated solely to understanding the cause of ALS, developing treatments for it and, eventually, finding a cure.

Course Description

HOLE #1

PAR 4 410 YARDS *dogleg right*

Challenging starting hole that features 19th century stone barn that serves as a backdrop to the green. Players hitting a left to right tee shot will find themselves in optimal position for their second shot. Try to cut too much of the corner of the dogleg and you may end up in one of the two deep fairway bunkers protecting the right side of the fairway.

HOLE #2

PAR 4 395 YARDS

Wide landing area makes this relatively straight par 4 a good opportunity to make birdie early in the round. Fairway bunker on left is reachable and bunkers on both sides guard the green.

HOLE #3

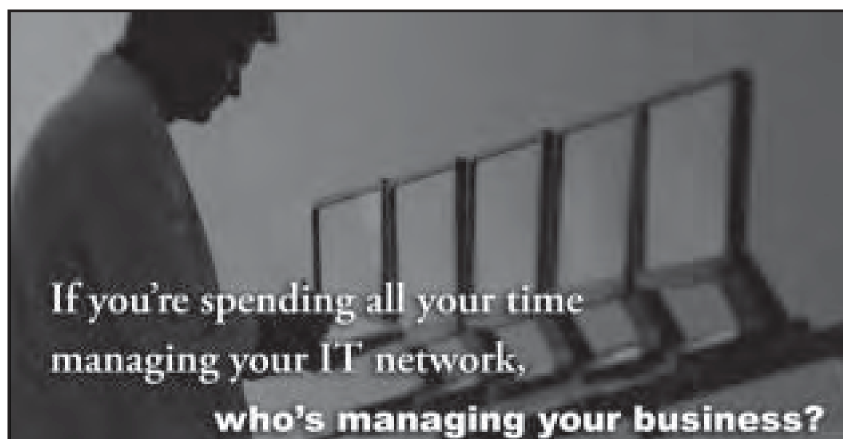
PAR 3 210 YARDS

One of the two par 3s that play over 200 yards from the championship tees. Bunkers guard both sides of the green. Slightly uphill tee shot makes the hole play 10 yards longer than yardage indicates. Natural rock outcroppings frame back of the green.

HOLE #4

PAR 5 565 YARDS

#4 begins a stretch of holes cut through a mature stand of trees. Tee off through a shoot to a 70-yard wide landing area, one of the most generous on the course. Demanding uphill second shot to another wide landing area.



HOLE #5

PAR 4 405 YARDS *dogleg left*

Natural 30-foot-high rock out cropping frames back of tees. Players face a strategic decision off the tee. Play a long iron for placement or play a fairway wood and shape it around dogleg – leaving less than 100-yard shot to the green. Hitting a wood will bring both fairway bunkers that guard the left and right sides of the fairway into play. This hole features one of the smallest greens on the golf course.

HOLE #6

PAR 4 345 YARDS

Shortest par 4 on the golf course. Generous landing area with fairway bunker of left. Driver is not necessary, but with wide fairway may be inviting. Second shot to elevated green guarded by deep bunker facing fairway.

HOLE #7

PAR 3 160 YARDS

Shortest par 3 on the golf course. Very large green protected by bunkers front and right. Length and depth of green will make for a very long putt if tee shot is not near pin.

HOLE #8

PAR 4 380 YARDS

Another relatively short par 4. Players may choose to avoid large fairway bunker on left side and play for generous landing area to the right, leaving 150-yard shot or less to the green. The bold player may choose to challenge the bunker that requires a 220-yard tee shot from championship tees to clear the bunker. The successful player choosing this route will be rewarded with shot that funnels down to flat area and leaves the player with 115-yard shot or less to the green.

HOLE #9

PAR 5 510 YARDS *dogleg right*

One of two par 5s that are reachable in two depending on the chosen tee shot strategy. Large white oak provides visual lanes for the player to shape his or her tee shot. Playing to the left of the tree is the safest route and provides a large landing area. Mounding on the left side of the fairway will force errant shots back onto the fairway. A successful tee shot will leave the player with either a fairway wood or long iron to reach the green. A fairway pot bunker 50 yards from the green must be navigated by the second shot to reach the green and have a chance for eagle.

HOLE #10

PAR 4 390 YARDS *dogleg left*

Good starting hole for the challenging back nine. 60-yard wide landing area. Second shot is slightly uphill and large bunker guards right side of green. Back right pin placement will be one of the toughest.

HOLE #11

PAR 3 195 YARDS

A spectacular par 3 and one of the signature holes. It starts a stretch of holes craved out of a pine forest. Rock wall creates the face of a bunker that runs the length of the 30-yard green. Green is long and narrow, running away from the player.

HOLE #12

PAR 4 455 YARDS *slight dogleg left*

The longest and most demanding par 4 on the golf course. Requires a 180 tee shot over a deep ravine from championship tee to reach fairway. Mounding on right side of the fairway should force errant tee shots back into the fairway. Second shot requires the player to carry a wetland area to reach green.

HOLE #13

PAR 4 405 YARDS

Players will have a secluded feeling playing this hole as large, 15-foot high mounds frame the right side of the hole. Small fairway pot bunker is located on left side of fairway. Tall pine trees create a backdrop for the green.

HOLE #14

PAR 4 440 YARDS

Another elevated tee shot that provides panoramic views of the surrounding mountain ranges and golf course. Whiskey Creek Canal guards the left side of the fairway. A small fairway bunker on the left side faces the player on the tee and serves as an aiming guide. Green is guarded by water on the left and a bunker. Small mounds on the right should push errant second shots back onto the green.

HOLE #15

PAR 3 220 YARDS

The longest par 3 on the golf course. Playing from the championship tees will require shot to carry entire left side of the Whiskey Creek Pond. Front of green is protected by a large bunker. Shots going over the green will come to rest in a grass bunker.

HOLE #16

PAR 5 540 YARDS

Relatively straight par 5 with elevated green visible from the tees. Fairway bunkers guard both sides of fairway near landing area. Very difficult green to reach in two shots not only because of the length of the hole, but also because of the elevated, well bunkered green complex. The green is best suited to accept a high, lofted shot.

HOLE #17

PAR 4 425 YARDS

Another generous landing area for tee shot. Second shot is the most demanding of all of the par 4s on the course, an uphill shot to a two-tiered green. Back pin placement will be one of the most difficult to reach. Two large and deep bunkers guard the left side of the green.

HOLE #18

PAR 5 550 YARDS

Golf Magazine put it best in the April 2000 issue, "a spectacular finishing hole." The 18th hole at Whiskey Creek is possibly one of the most dramatic and unique finishing holes in the Mid-Atlantic. Playing to the left side of the fairway off the tee will provide the bold player with an opportunity to go for the green in two. Playing to the right side of the fairway off the tee is the safer route, although the third shot must be played over a small pond guarding the green.

dataDUMP

WHAT IT MEANS IS ANYONE'S GUESS

By Barnaby Wickham

4th

National ranking of Baltimore for acreage of parkland, with 7.7 acres of parkland per 1,000 residents.

Baltimore Examiner 10-8-07

46th

National ranking of Baltimore for park expenditures in 2006, with $52 per resident.

Baltimore Examiner 10-8-07

$36.1 million

Operating budget in 1987 for Baltimore City's Department of Recreation and Parks.

Baltimore Examiner 10-8-07

$25 million

Operating budget in 2000 for the Parks Department.

Baltimore Examiner 10-8-07

900

City population increase in 2006, the first time in 50 years the city saw a net increase. In that year, the Parks Department operating budget spending rebounded somewhat to $31.2 million.

Baltimore Examiner 10-8-07

"We recognize that this is not perfect."

Howard County Executive Ken Ulman, on a plan to provide health care access to the working poor in the generally upscale Maryland jurisdiction. Of the $2.8 million first-year cost, $700,000 is still unfunded.

Daily Record 10-16-07

$350 MILLION

Amount the DC United soccer franchise has requested the District contribute in infrastructure improvements to a proposed 27,000-seat stadium at Poplar Point.

Washington Post 10-16-07

$33 MILLION

Amount a group led by billionaire Victor MacFarlane paid for the franchise earlier this year.

WBJ 10-10-07

28

Percent increase of some 2008 DC United season tickets.

WBJ 10-10-07

2

States that MacFarlane is considering for a possible move of the franchise. Virginia is mum but Maryland Comptroller Peter Franchot has expressed interest.

Washington Post 10-16-07

2.3

Percent increase in payments to Social Security recipients and federal retirees in January, the lowest cost of living adjustment since 2003.

Washington Post 10-17-07

21

Over the past year, percent that inflation in Baltimore-Washington has exceeded the national average.

BBJ 10-17-07

12.5

Percent of all federal government and military retirees that live in the Washington, DC, region.

Washington Post 10-17-07

110k

Pentagon employees who will automatically receive only half of the 2008 pay raise provided to other civil service employees. The other half funds a new pay-for-performance system.

Washington Post 10-16-07

4TH

Rank of United States for per capita broadband Internet adoption in 2001.

Organization for Economic Cooperation and Development

15TH

Rank of United States for per capita broadband Internet adoption in 2006.

Organization for Economic Cooperation and Development

2010

Year by which the Maryland Broadband Cooperative hopes to connect the state's nine most rural counties, where expensive satellite broadband is often the only option.

Capital News Service 10-16-07

5

Amtrak terminals that introduced Wi-Fi Internet access in October, including Washington's Union Station and Baltimore's Penn Station.

Baltimore Sun 10-16-07

170

Miles of the Capital Corridor line in California for which passengers had in-train Wi-Fi access during a 2003 trial. Amtrak has not announced plans for in-train Wi-Fi in the Northeast corridor.

amtrakcapitols.com