



GARY ZEUNE & ASSOCIATES

Training, Writing and Consulting in:
Fraud and Audit Failures
Leadership: Skills and Strategies
Productivity Performance Measures

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Controllership

2005

Hot

Topics





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TRAINING AND CONSULTING

Using 35 years of experience in auditing, corporate finance, and investment banking, Gary D. Zeune, CPA, provides CPAs, attorneys and executives with hands-on experience in fraud and corporate strategy performance improvement. Mr. Zeune instructs courses for:

- ❑ FBI National Training Academy
- ❑ Office of the U.S. Attorney
- ❑ The SEC Institute
- ❑ National Association of Securities Dealers
- ❑ North American Securities Administrators Association
- ❑ American Society for Industrial Security
- ❑ Over 35 state CPA societies and bar associations
- ❑ American Institute of CPAs
- ❑ American Management Association
- ❑ Institute of Management Accountants
- ❑ Entrepreneurship Institute
- ❑ Treasury Management Association
- ❑ Private classes for numerous companies and accounting firms.

Mr. Zeune has instructed Strategy Formulation and Implementation in the Executive MBA Program and Accounting and Honors Finance at The Ohio State University. He is also a member of the Education Executive Council and is past chairman of the Education Marketing and Public Relations Committees of The Ohio Society of CPAs. His other memberships include: the American Institute of CPAs, and the Regulation of Public Offerings Committee of the Ohio Division of Securities.

Prior to forming his consulting practice in 1986, Mr. Zeune was an Assistant Vice President of Corporate Finance at The Ohio Company, a Columbus, Ohio investment banking firm. He also spent more than five years in Treasury and Finance at Wendy's International, where he was responsible for mergers and acquisitions, financial and SEC reporting, and corporate finance. He was on the audit staff of Ernst & Ernst from 1973 to 1977; and taught accounting at Ohio University from 1970 to 1973, where he received his bachelors in mathematics and masters in accounting, with honors.

ARTICLES AND BOOKS

Mr. Zeune is also widely published. He has published more than 40 professional articles and is the author of *The CEO's Complete Guide to Committing Fraud* and *Outside the Box Performance*. He has been a member of the Editorial Advisory Boards of the *Journal of Working Capital Management* and *The Ohio CPA Journal*.

For Deloitte & Touche, he authored *Financing Business Growth* and has completed the first draft of *The Complete Guide to Buying or Selling a Closely Held Business*, two books in the firm's Entrepreneurial Series. He has authored chapters for two books published by Warren Gorham Lamont, the world's largest financial publisher: *Accessing the Capital Markets* and *Options for Raising Capital*.

WHITE COLLAR CRIMINALS

Mr. Zeune has the ONLY speaker's bureau in the country specializing in white-collar criminals — The Pros & The Cons. Mr. Zeune's speakers tell their stories of how and they committed their crimes. Their frauds range from \$18,000 to \$350 million. Speakers include CPAs, attorneys, and business people. The frauds include:

- ❑ Mark Morze created 10,000 phony documents to steal \$100 million in the infamous ZZZZ Best Carpet Cleaning fraud (86% of the revenue was fake and no one found it)
- ❑ Fred Shapiro defrauded nearly every major financial institution in the City of Philadelphia to the tune of \$8.6M. He is a former attorney, accountant, educator and inmate. Fred worked undercover with the U.S. attorney's office and the FBI in a drug and money laundering operation in an effort to minimize his sentence.
- ❑ Nick Wallace committed a \$350 million fraud as the President of ESM Government Securities resulting in the collapse of the Ohio Saving & Loan Guarantee Fund, and the bankruptcy of 69 Ohio S&Ls
- ❑ Dunlap Cannon was the largest real estate closing attorney in Memphis. He went to prison for 32 months for stealing \$5 million from his clients.
- ❑ Suffering from medical expenses and family deaths, bookkeeper Teri Lynn Norwood stole \$18,000, promising to pay it back. She ran out of time.

100% No-Risk Guarantee

Mr. Zeune's executive education training is consistently rated at least a 4.7 on a 5-point scale. If you are not satisfied for any reason, if you don't learn at least 10 new things you can use the following day, there are no fees or expenses. PERIOD.



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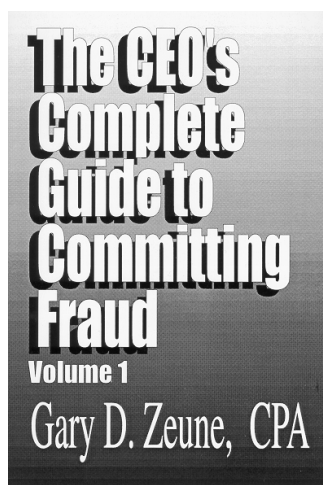
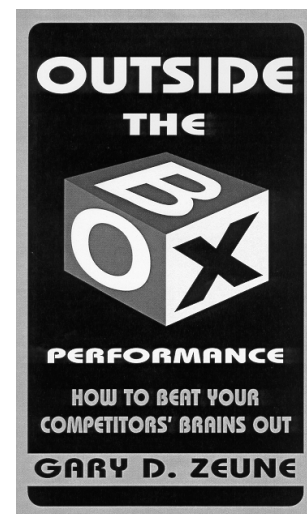
ACTION STEPS FROM GARY'S CLASS

**Action Item**

Thanks for attending. Don't hesitate to call or email if you have questions. . . .gdz

Want More Info? Order the Book!

Outside the Box Performance: How to Beat Your Competitors' Brains Out is packed with the techniques small and mid-size world-class companies use to become and stay competitive, and make a ton of money. Learn the secrets to unlock the multitude of new techniques which "drive" your profitability. This book compliments the class and provides new ideas to incorporate in your business. For example, do you know what the basis of competition will be in the next 10 years? It's around you ALL the time. You expect it everyday as a customer. Or, how to beat your competitors by asking your customers two simple questions? If not, sit back and learn how to "beat your competitors' brains out!"



Don't you want to know how Barry Minkow and Mark Morze stole \$100 million from investors in the ZZZZ Best Carpet Cleaning fraud, right under the noses of auditors, underwriters and lawyers? The first chapter of 100 pages in *The CEO's Complete Guide to Committing Fraud* tells you. It also has 8 chapters on other frauds: computer, real estate, fake financial statements, public company frauds, and a chapter by an auditor who became the target of a fraud investigation, just 4 weeks after becoming the engagement partner.

Risk-Free Lifetime Guarantee: Gary Zeune's books are fully guaranteed. If they **ever** fail to meet your expectations, even after you've written in them, marked them up, torn pages out, return for a full refund.

I need the following copies of Mr. Zeune's books. Price: 1 @ \$19.95: 2 to 5 @ \$15.95 6+ @ \$12.95

_____ *The CEO's Complete Guide to Committing Fraud* (300 pages)
 _____ *Outside the Box Performance* (200 pages)

_____ Number of books ordered

1 @ \$19.95

2 - 5 @ \$15.95 each

6+ @ \$12.95 each

Postage/Shipping _____ \$5.00

Total _____

Checks make payable to:

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 Web www.bigfoot.com/~gzfraud

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax _____

Email _____

Address is: Firm Home

Controllership

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Topics

1. 4 well-known companies/industries committing strategic suicide
2. 6 companies/industries doing it right
3. Counter-intuitive techniques to manage health care costs
4. New techniques and current trends to fund growth
5. How to avoid the 7 fatal flaws of non-financial performance measurement
6. Will technology make you and/or your company obsolete
7. How to assess the real risks and costs of outsourcing
8. How to maximize your value in a volatile economy





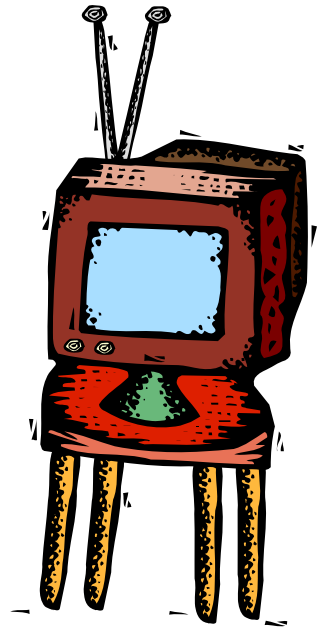
Manual on Web Site

This manual is posted at
[www.TheProsAndTheCons.com/manuals.](http://www.TheProsAndTheCons.com/manuals)

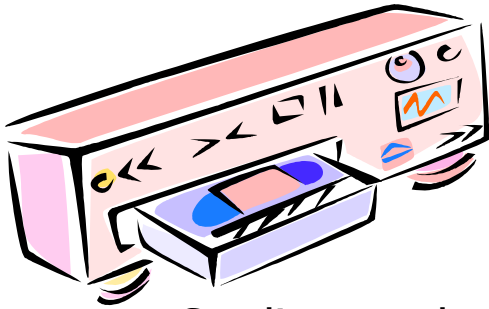
The manual can be printed
but not downloaded, edited
or saved on your computer.



Companies and Industries in Trouble



TV Industry Changing Before Your Eyes



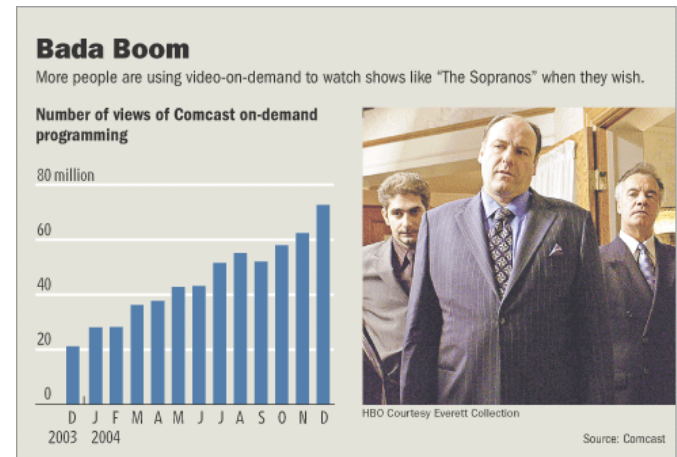
Studios sued



Jane Fonda

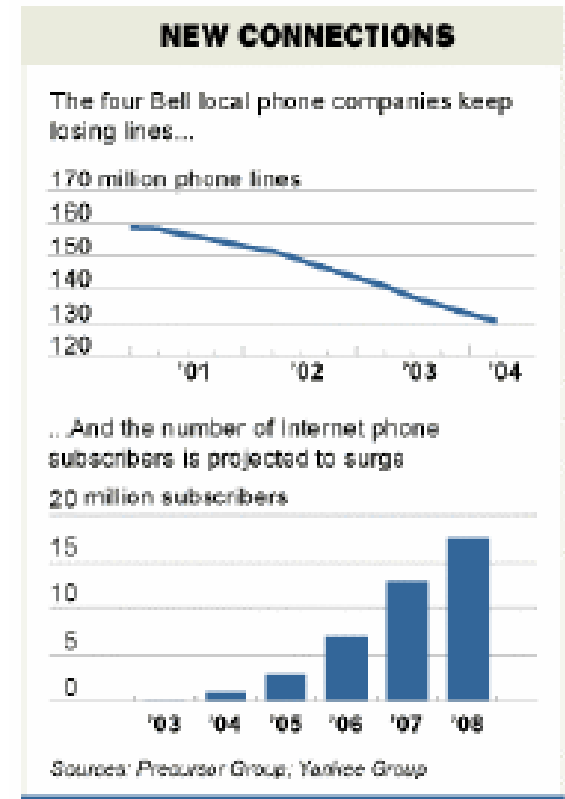


Strategy = internet model
Fight satellite with free on-demand
2,000 to 10,000 hours
72 MM orders in 2003 to 10 B in 2006



Phone Industry Faces Upheaval

1. \$300 billion industry
2. Verizon land lines down
3. RBOC down 18% since
4. Losing 4% per year
5. More change next 5 year than
6. ~ RR after WW II
7. AT&T bonds junk
8. SBC buys AT&T



Web Phones Threaten Industry Giants

VONAGE
THE BROADBAND PHONE COMPANY®

\$24.99 for unlimited
calls in U.S. and Canada

 **net2phone**
Gets You Connected

Unlimited minutes to
the U.S. and Canada

\$29.99

Packet8

Communication for the Broadband Generation

\$19.95

per month
unlimited



**Broadband
Phone Adapter**

\$29.95

per month
unlimited



VideoPhone

\$39.95

per month
unlimited



Virtual Office

Packet8 Broadband Phone Service Plans

Unlimited U.S. and Canada calls
for only

\$19.95 per
month

- Keep Your Current Number
- Great International Rates
- 30-day Money-Back Guarantee
- Choose Your Own Area Code



[Join Now](#)

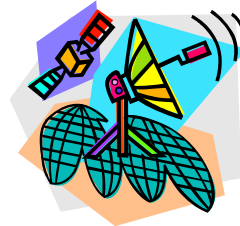
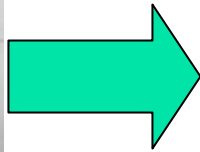
[FAQs](#)

[Learn More](#)

Invent Transistor Then Disappear



1947 Bell's Shockley
invents transistor



Long Distance

Some key dates in AT&T's history



1876: Alexander Graham Bell invents the telephone, founds the company that becomes AT&T with two financial backers.

1947: Three Bell Labs scientists invent the transistor, laying the foundation for modern electronics.

1970: AT&T introduces customer dialing of international long-distance calls, initially between Manhattan and London.

1984: Government breaks up AT&T. New AT&T retains long-distance business, manufacturing and R&D; seven "Baby Bells" provide local service.

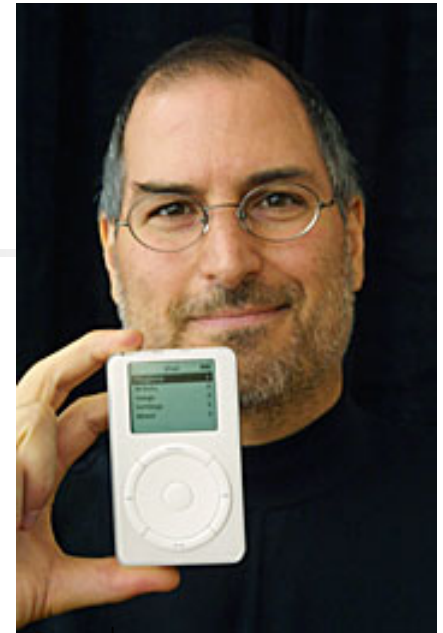
1996: AT&T spins off products and systems company, later named Lucent Technologies, and computer company NCR.

2005: SBC Communications announces it will buy AT&T.



Source: WSJ research

Will Steve Job's Kill iPod Too?



60%+

Jobs orders
Gates to
Apple

Jobs makes
Apple a closed
system

1984

1985

1999

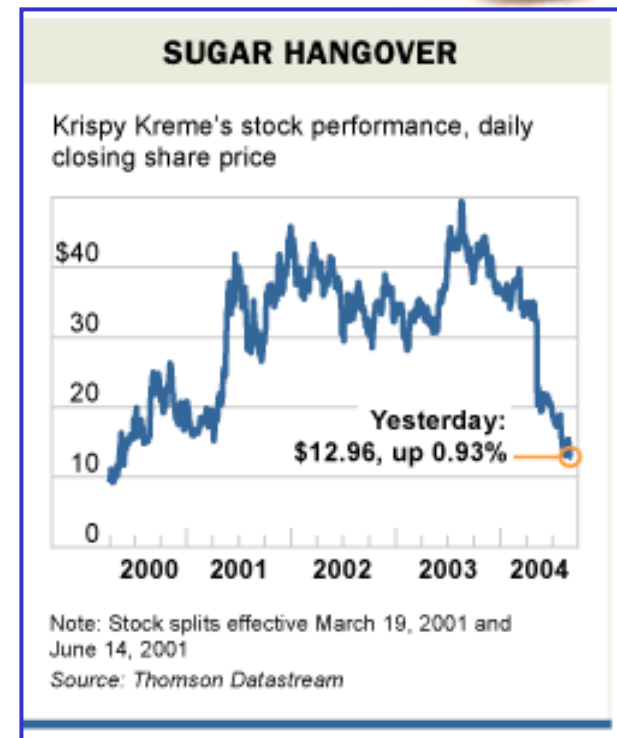
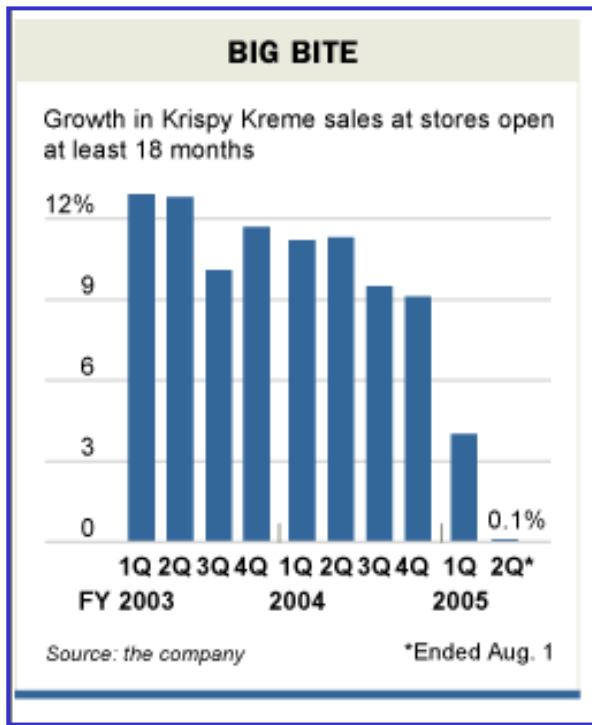
2005

4%

Krispy Kreme's Sticky Situation



"Hottest brand in America" *Fortune*



Krispy Kreme's Sticky Situation



1. "when KK are hot, they are to other donuts what angels are to people," NYT
2. Grew to quickly
3. Shops tripled since 2000
 1. 427 in 45 states + 4 foreign countries + 20,000
4. Competition from grocery stores
5. Big front-end profits on equip't and franchise fees
6. SEC investigation on repurchases from insiders
7. Blame gas prices to low-carb diets → day-to-day



AirNet's Life with Check 21

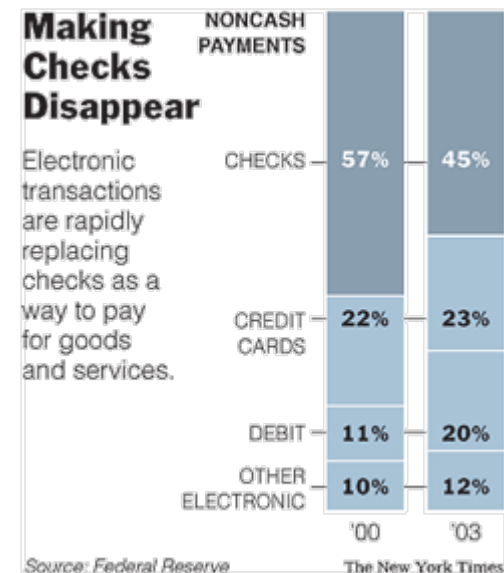
1. 37 billion checks a year in U.S.
2. Fed eliminating 1/2 check processing centers in 2005
3. 2003 electronic payments surpassed paper checks
4. Payments
 1. Paper declining 4.3%/year
 2. Electronic increasing 13%/year



www.airnet.com

AirNet's Life with Check 21

1. 2,500 lbs. worth \$1½ billion
2. 100 top banks / 128 planes
3. 165 pilots / \$180,000/year comp
4. Few jobs available
5. \$47 million charge Nov 2004
6. Replacing check cargo
 1. Tissue samples
 2. Video games
 3. Radioactive materials
 4. Toxic pharmaceuticals



Zero Tolerance for Unethical Business Practices



OR



Lie of commission
Lie of omission

Check Your Gift-Card Rules



1. NY AG Eliot Spitzer sued claiming terms were misleading
2. Maintained since issued by Bank of America Corp. and therefore governed by federal banking laws
3. 2004 sales increased 20% to 6.3 million cards totaling \$400 million
4. Settled for \$125,000 and changes
5. Suits continuing in Mass, NH and Conn
6. Conn pursuing since fees/rules violate state law
7. 25 other states pursuing gift-card policies

Check Your Gift-Card Rules



RULE	OLD	NEW
Expiration	12 months	18 months
Calls to customer service	50¢	Free
Fee if unused	\$2.50 per month after 6 months	\$2.50 per month after 12 months
\$5 replacement fee and \$7.50 reissue expired card fee	Not disclosed	Disclosed

Competing Against Pirates: Price

1. \$1 per dvd in China
2. About same quality
3. Counterfeits available first
4. Warner Bros. DVDs
 1. \$2.65 basic vs. \$3.38 premium



Getty Images

Competing Against Pirates: Price

1. Piracy rates

1. China 90%
2. Russia 70%
3. Mexico 60%

2. Mexico music CDs pirated 90¢ vs. \$12 legitimate

3. Test \$4.50 little artwork and packaging

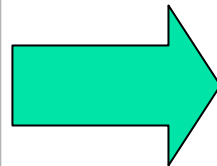
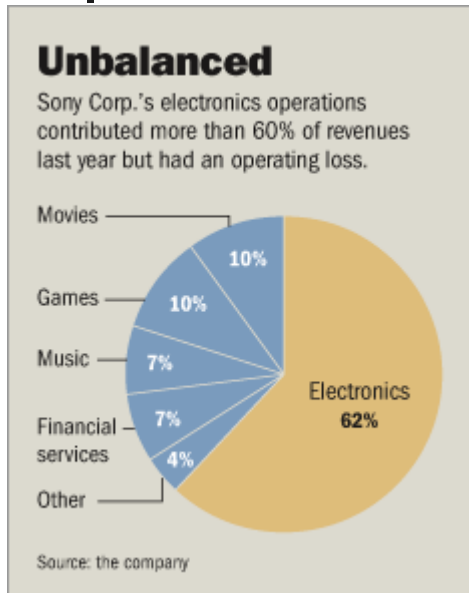
4. Price war against pirates probably won't work

5. Solution? Content pirates can't _____

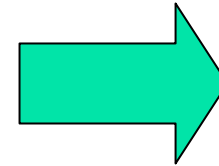


Getty Images

Sony Shaken to Its Foundation



CEO Nobuyuki Idei



Howard Stringer

1. First foreign CEO
2. Biggest management shakeup
3. Invented Walkman
4. Missed internet and digital music

2005 Success Stories



STARBUCKS.CO

\$5 for coffee????

1. Innovation is NOT:

1. equal to high tech
2. a random process



Big Bertha



Kodak Back From Disaster

1. Digital replacing film
2. Kodak shipments up 66%
3. Sony shipments up 21%
4. Where are profits in digital

1. Camera or _____?



2004

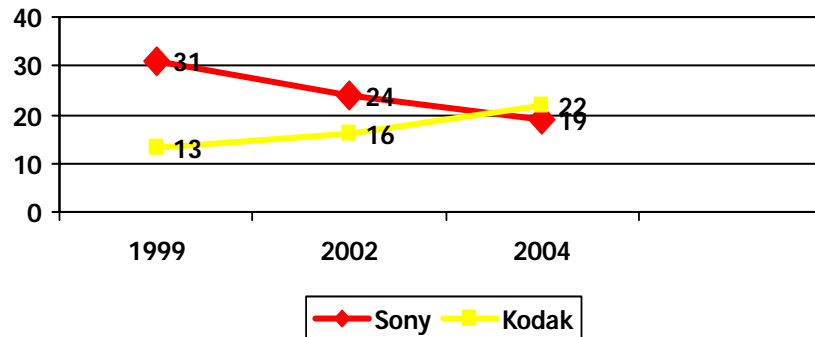
Digital-camera shipments

Digital technology is transforming the \$85 billion photography industry. Market-share leaders for 2004:

1. Kodak	21.9 percent
2. Sony	19.4 percent
3. Canon	16.1 percent
4. Olympus	10.4 percent
5. Hewlett-Packard	8.1 percent
6. Nikon	6.2 percent

Source: IDC

Percent Market Share





+



Nationwide Offer FREE Insurance

1. First-year insurance FREE through Nationwide
2. Available to Golf and Beetle Jan to March 2005 in Wisconsin and Illinois
3. Incentives _____ vs avg. premium _____
4. VW paid Nationwide based on car not the driver



“Everyone thought all we would get were unrepentant 18-year-old male serial killers,” Bob Wallach, program inventor and manager.



+



Nationwide Offer FREE Insurance

1. Buyers: 2/3 age 30 to 64 : men/women 50/50
2. 2/3 of buyers 'strongly' or 'somewhat' influenced
3. Sales up _____ in WI and IL vs down _____
4. VW will extend to other lines and areas
5. DaimlerChrysler, Ford, GM and Toyota
6. "We're very happy with the first phase of the program," Robert Gatewood, Nationwide manager.



Competing Against the BIG Guys

1. Petunias : Wal-Mart 26¢ v Matterhorn 83¢
2. Dirt : Wal-Mart \$4 v Matterhorn \$12.98
3. "I'd rather pay the extra. If you pay 1/2 the price, you get 1/2 the quality."
4. Large stores large volume of a few plants
5. Matterhorn has multiple versions
6. All staff are knowledgeable gardeners
7. Disneyland of gardens centers
8. \$3 million in top 10% of independents



Matt and Ronnie Horn, founders of the Matterhorn Nursery in Spring Valley, N.Y.

www.matterhornnursery.com



Competing Against the BIG Guys



April



July

Click on 'Wave Hill' to see monthly pictures.



Should You Compete on Price

I found "The Case for Higher Prices" very informative. I own a small furniture store in Bristol, VA. We opened in August and were bringing in around \$30,000 monthly in revenues -- a tiny amount next to the mega-dealers in my area. I thought that lowering my prices would enable me to compete better. What I found was that my price cutting provoked a "must be something wrong with it" attitude among my customers.

I ditched the lower prices and cheaper products and started to display higher-end merchandise. The prices shot up, too. My customers changed from the "Can I get financing here?" type to the "Which account do you want to write the check from, dear?" type. To them the higher prices and better merchandise reflect the quality of the company. I'm now doing about \$10,000 a month more in sales than I was before I raised my prices, and I'm selling fewer pieces to get it.

Chris J. Ketron Owner
Gallery House Furniture
Bristol, Virginia

(540) 669-4848 or cketron@3wave.com

Health-Care Update



"We can only offer you our basic dental plan:
this dental floss and a pack of sugar-free gum."

Express Medical Care



1. Save time shop as you wait
2. MinuteClinics at Target and Cub Foods
3. FastCare, Quick Care, MEDspot
4. Staffed by nurse practitioners + doc by phone
5. 90% of patients have insurance
6. Co-pays \$5 instead of \$15 or \$20
7. All carry malpractice insurance
8. Strep throat \$44 v \$109 office v \$328 hospital
9. MinuteClinic started - took too long at urgent care



Whole Foods Health Care



1. 160 store chain with 30,000 employees
2. Self-insured plan insolvent
3. Consumer-driven health care
4. Employees selected the plan
5. Company contributes \$300 to \$1800 which carries over if unspent
6. No premiums for employee but \$1500 deductible then 80% payment and 100% for large expenses
7. 83% of employees voted for the plan



Whole Foods Health Care



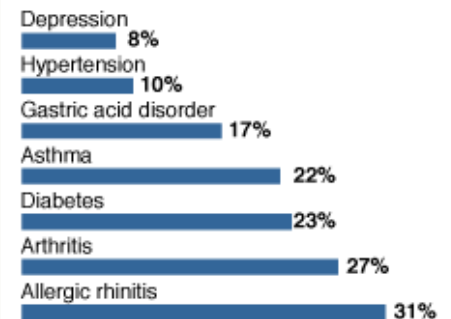
1. Employees gave up vacation days, anniversary and new born bonuses, lower 401(k) match
2. Employees asking for generics and waive fees
3. Spent same as prior year but first year
 1. Claim costs fell 13%
 2. Hospital admissions fell 22%
4. Only 10% spent all money in account
5. \$14 million or \$560/employee left in accounts

Should You Increase Co-Pays

1. 2000 to 2003 avg. co-pay increased
 1. 46% to \$19 for preferred
 2. 71% to \$29 for non-preferred
2. PROBLEM _____
3. RESULT _____
4. Pitney Bowes reduced chronic meds co-pay to 10% of cost from 30-50%
5. Worthington Industries rebates monthly premium if maintain health

DRUG CUTBACKS

When copayments were doubled, average prescription drug use declined among people with:



Source: Rand Health, Journal of the American Medical Association



Should You Increase Co-Pays



1. Study response to increase in co-pays
 1. 530,000 people
 2. Generics \$6.31 to \$12.62
 3. Brand names \$12.85 to \$25.70
2. Doesn't suggest higher co-pays are all bad
3. Tiered co-pays encourage switch from expensive to cheaper generics or OTCs when available
4. People stop taking if only one expensive drug



In-House Clinics Reduce Costs

1. 12,000 employees + \$1.9 billion
2. “Instead of trying to put a Band-Aid on a broken model, we wanted to build primary care from scratch.”
3. Fast becoming a model
4. Thinking: Toyota, Kohler, Miller
5. Already: Perdue, Sprint, Pitney Bowes
6. Costs up less than 5%/year last 5 years



Leonard Quadracci



In-House Clinics Reduce Costs

1. Eliminates middlemen, bureaucracy and paperwork
2. Own lab, pharmacy and rehabilitation center
3. \$5 per visit
4. 80% use clinics for primary care
5. 60,500 patient and 19,000 dental visits in 2004
6. Direct contracts with 9 hospitals and 400 specialists
7. Quad/Med runs in-house clinics for other companies



In-House Clinics Reduce Costs

1. 26 in-house doctors
2. \$130,000 to \$160,000 per year
3. Patients to improve health, not
4. Bonuses tied to evaluations and health outcomes not number of patients seen
5. Privacy issues
 1. Computer systems separate
 2. Confidentiality agreements

In-House Clinics Reduce Costs

	Quad	Average
High blood pressure medicine compliance	92%	40%
Caesarian section	12%	26%
Primary care	\$715	\$375
Hospital costs	\$1,540	\$2,250
Patients per day	12	25-30
Hospital days/1000 FTE	170	298
Hospital admits/1000 FTE	55	66
Goal	Improve health	See LOTS of patients



In-House Clinics Reduce Costs

1. Quad/Med runs in-house clinics for other companies
2. Steinhafels Furniture sends employees to Quad/Med
 1. Focus on quality
 2. Insurance company handles claims
3. Briggs & Stratton opened in 2003
 1. Quad/Med runs full-service clinic because of employee-management relations
 2. 8,000 visits cut \$500,000 in health-care and worker-comp costs
 3. Other companies opening joint clinic



What Wally Says About In-House Clinics

Wally Parrott says the biggest obstacle for him was the fear that the clinic's doctors were second-rate. He used the clinic for a cold or other minor ailment. But for his diabetes, he saw a renowned specialist with a large practice. "He had a lot of credentials," says Mr. Parrott, "but I wasn't getting much individualized care" – even when he started to feel odd stomach pains six years ago. He landed in the hospital with a heart attack and ended up switching to a doctor he knew at Quad for all his basic care. "I don't worry that he's sending me for all sorts of tests or medicines just to do it," he says. "I trust him, just like a good mechanic."

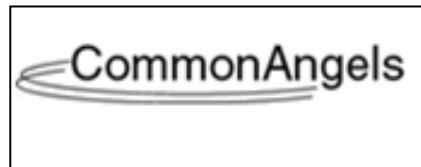
Finance Update



Angels Are Back



1. Why now
2. Who
3. What stage
4. Historically loose networks No



What's New in Venture Capital



1. Highly focused funds
2. 15 first time funds raised \$1.3 billion in 2004
3. First shift away from Sand Hill Rd in Silicon Valley
4. Investors
 1. Large corps
 2. Universities
5. Big chunks of 10%+



New Venture Funds



**LIME ROCK
PARTNERS**

believes that great management is the essential ingredient for successful growth.

We identify small, well-managed companies in the energy sector with unrealized potential. Lime Rock invests both human and financial capital in each of our portfolio companies. We have long investment horizon to see our investments through numerous industry cycles.



Ignition Partners

ignition™
Partners

"Ignition isn't just giving lip service to its philosophy, they are living it everyday, with their investment structure, with the scale of the investments, and with the day-to-day involvement of the entire Ignition team."

Thomas Reardon, CEO Avogadro
(acquired by Openwave)

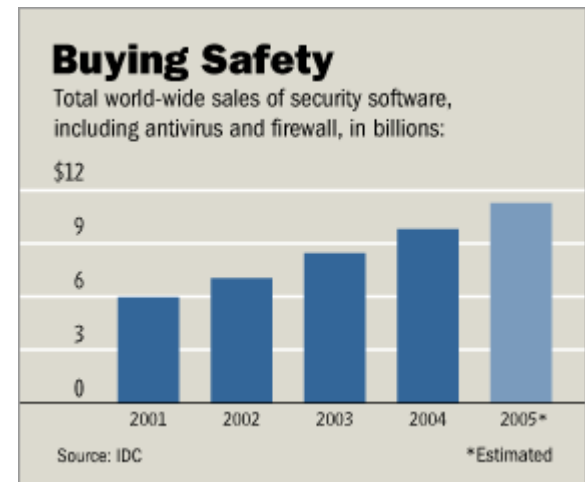


CLOUDMARK



File IPO...Get Bought

1. Sybari manages spam
2. Global sales growing
3. Founded 1995 in East Northport NY
4. Filed for IPO fall 2004
5. Microsoft buys Sybari
6. Value: \$140-\$180MM





2005 IPO Market – 3 Types



Large, low growth with private-equity debt from turn-arounds



Start-ups in risky industries



Profitable businesses in expanding industries

IPOs 1999-2005

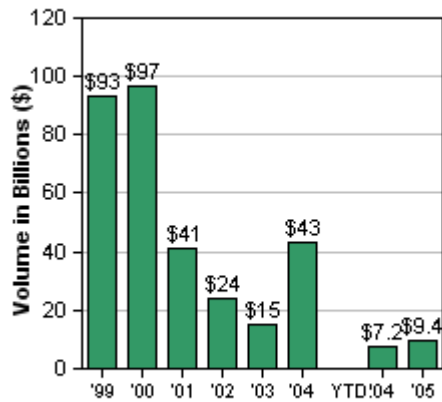


IPOHome.com



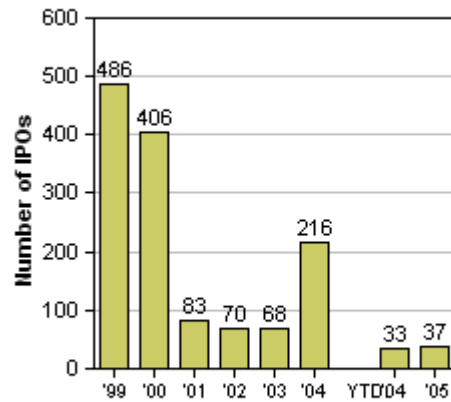
VentureOne.com

IPO \$ Volume +31% vs Last Year



Source: Renaissance Capital's IPOHome.com

Number of IPOs +12% vs Last Year

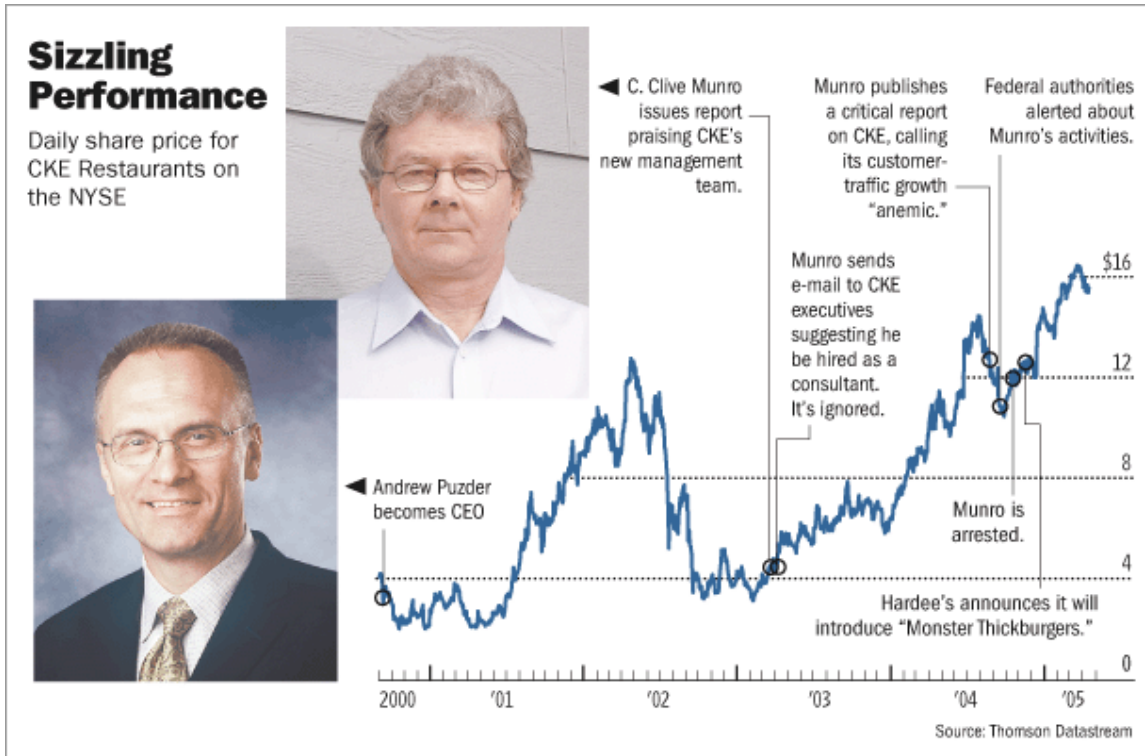


Source: Renaissance Capital's IPOHome.com



The WSJ has weekly IPO Pipeline listing

Analyst Extrots Hardee's Restaurant



Sarbanes-Oxley Slows IPOs, Good for Private-Equity Funds

1. Private equity provides more than money
 1. Guidance and expertise
2. optionsXpressHoldings.com
 1. Delayed Jan 2004 IPO
 2. [Summit Partners](#) invested
 3. IPO Jan 2005
3. SOX = harder for small companies to attract directors

optionsXpress®
Online Options & Stock Brokers



Companies Turn Mum on Projections

1. Beat estimates to _____
2. 385 major companies
2003 in 72% vs. 2004 in 55%
3. Regulation FD
4. No guidance to signal employees to focus _____
5. 78% of CFO would sacrifice long-term value
6. Google/Kmart/Interactive Media/Coca-Cola/EchoStar

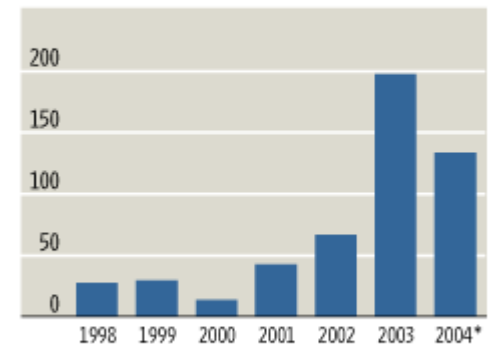


Small Public Companies 'Going Dark'

1. Less than 300 shareholders OR less than 500 shareholders of record AND assets less than \$10 million
2. Easier and less expensive than going private

Going Dark

The number of firms deregistering their shares, or going dark, has increased since the Sarbanes-Oxley Act in 2002.



*Estimate

Source: Wharton School study, "Why Do Firms Go Dark?"

'Going Dark' PROs

1. Still publicly traded with shareholders
2. Voluntarily deregister and de-list
3. No quarterly or annual reports
4. Don't have to certify statements
5. Est. savings \$1 million/year
6. Frees management
7. Shrink board and cut pay

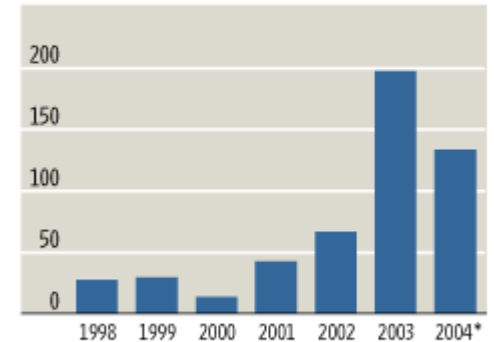


'Going Dark' CONs

1. Stock falls average of 10% but sometimes bounce back
2. Can't tap public markets
3. Loans more expensive
4. Tendency to avoid hard stuff
5. Trade on 'pink sheets'

Going Dark

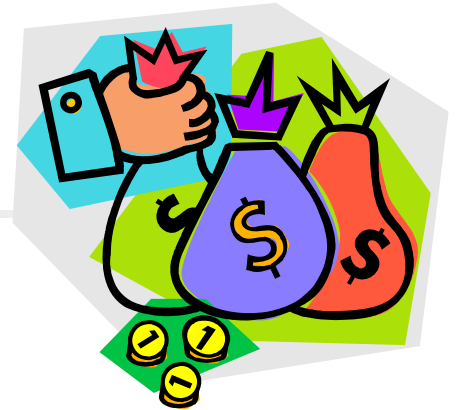
The number of firms deregistering their shares, or going dark, has increased since the Sarbanes-Oxley Act in 2002.



*Estimate

Source: Wharton School study, "Why Do Firms Go Dark?"

'Gone Dark'



1. Coast Dental Services, Tampa
2. Kyzen Corp, Nashville
3. Quality Products, Columbus, OH
4. Sport Supply Group, Dallas (stock fell to \$1 but recovered to \$3 at 12/31/05)
5. Anacomp, San Diego



Quality Products 'Goes Dark'



Quality Products Inc. more than doubled its profit in the first quarter, nearly three months after it stopped reporting results to the Securities and Exchange Commission.

The hydraulic products maker stopped making SEC filings in December to escape the federal Sarbanes-Oxley Act. It said complying with the law cost it around \$300,000 a year.

Quality Products removed its stock from the over-the-counter bulletin boards. Its stock now trades on the Pink Sheets, a publication of small stocks for market makers, under the ticker symbol QPDC.

Quality Products profit hit \$324,220, or 8¢ a share, in the first quarter ended Dec. 31 and a profit of \$149,086, or 4¢ a share, in last year's first quarter. Revenue swelled 6.8% to \$2.4 million, compared with \$2.3 million in last year's first quarter.

BusinessFirstColumbus, February 16, 2005

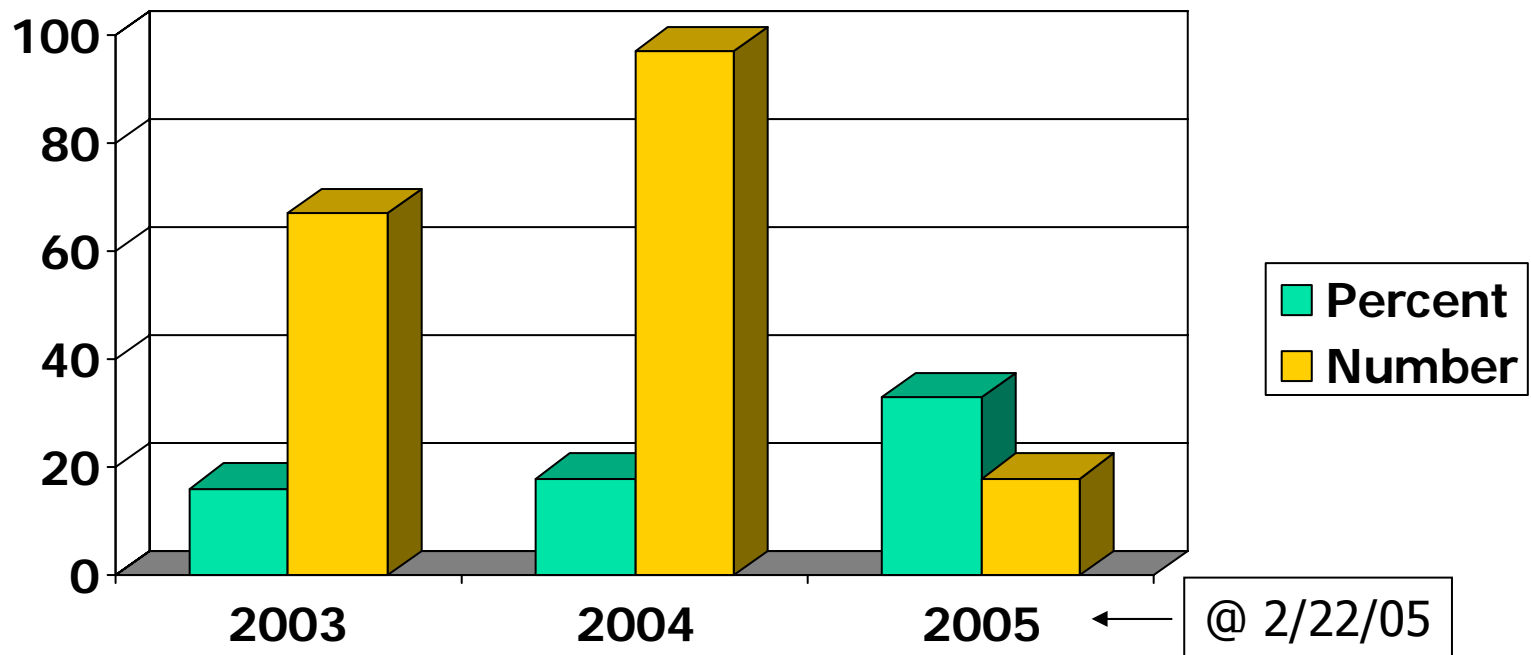


File IPO, Sell Out

1. Sell whole company, not just a piece
2. Peninsula Pharmaceuticals
3. Sybari Software
4. Dull tracking
 1. Prepare offering
 2. Circulate company for sale
 3. Instills urgency
5. Valuations more reasonable
6. Avoids Sarbanes-Oxley compliance costs

File IPO, Sell Out

Percent of offerings sold instead



Wendy's Finger Food



Anna Ayala



Actual fingertip



When you're high profile _____

Issue Statement

50 People Die



1. West Japan Railway"delays will betray customers' confidence."
2. Overran platform 131' → 90 seconds late
3. 11 months of experience
4. Buildings only 3' from tracks

You're the Boss

1. \$200 million construction company
2. 100% employee-owned
3. Buy shares with after-tax dollars
4. "We don't offer state of the art products. We offer the ability of our employees. I rely on my employees to make the right decisions," CEO John Andrezejewski.
5. 95% of 158 employees own stock offered every 2 yrs
6. Offered every two years at book value
7. Hold shares until retirement with exceptions



You're the Boss



1. Admin asst _____
2. Benefits manager _____ "You have a different attitude. You're not just doing a job and going home. Everyone here has the same attitude because it's our money." Carol Haisoch Benefits Mgr

Small Business Administration Update

United States Small Business Administration



SBA
Your Small Business Resource

[En Español](#)

Resources

Hot Items

SBA Programs

About SBA

Ask SBA

Business Laws & Regulatory Assistance

Training

News & Events

FAQs

Library

Forms

Helping Small Businesses Succeed



SBA Expo is Engaging

Do you have the Small Business Advantage?

Select a Custom View

Starting Your Business

Financing Your Business

Managing Your Business

Business Opportunities

Disaster Recovery

Your Local SBA Office OFFICES IN EVERY STATE

please select OR... Find by zip code

SBA Partners

Women's Business Centers



Regional Offices
Disaster Area Offices

Top News

- SBA Lending still outpacing Records Set Last Year (En Español)
- Five Women Business Owners Will Be Recognized as Tops in the Nation AT SBA Expo '05 (En Español)
- SBA To Honor 53 State Small Businesses of the Year During National Small Business Week in April (En Español)
- Statement: AHP Passage Will Help Small Businesses With Health Insurance
- NAS Report Confirms SBA Concerns on Set-Aside Study (En Español)
- SBA Releases Humorous Radio Spot Featuring Ed

Business.GOV

THE OFFICIAL BUSINESS LINK TO THE U.S. GOVERNMENT

StrengtheningSocialSecurity.gov

SBA Solutions e-newsletter

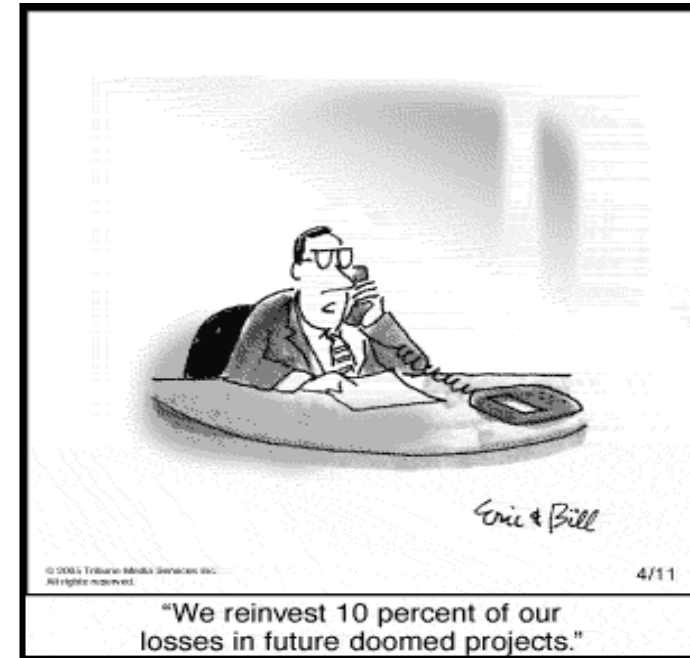
Keeps you ahead of the curve

Subscribe Email Address

[Other SBA Subscriptions](#)

SBA Participating Securities

1. Started early 1990's
2. Premise _____
3. Guarantee loans to VC's
4. VC's have 10 years to repay
5. 10% max profit
6. \$1.7 billion realized cash loses
7. \$11 billion total loses
8. SBA to recommend killing it



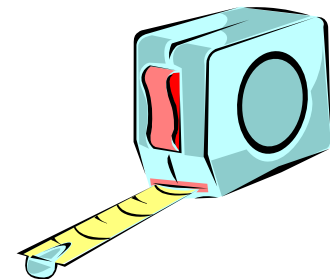
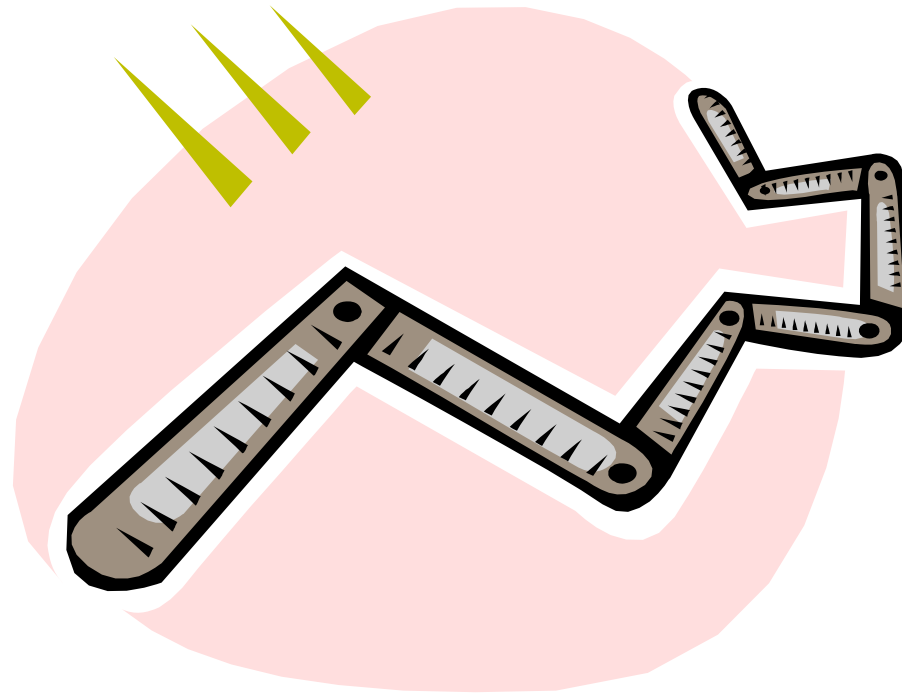


BIG Firms Get SBA's Small Business

1. Reports high-dollar contracts to big businesses going to small businesses
2. SBA not obligated to assure businesses are small
3. No attempt to verify size qualification
4. 30% of SBA contracts going to large companies
5. Congress : Small-biz buying goal is _____
6. No legal punishment but lots of pressure
7. Multiple-award schedules _____
8. Must recertify size every time contract is extended



7 Fatal Flaws of Non-Financial Performance Measurements



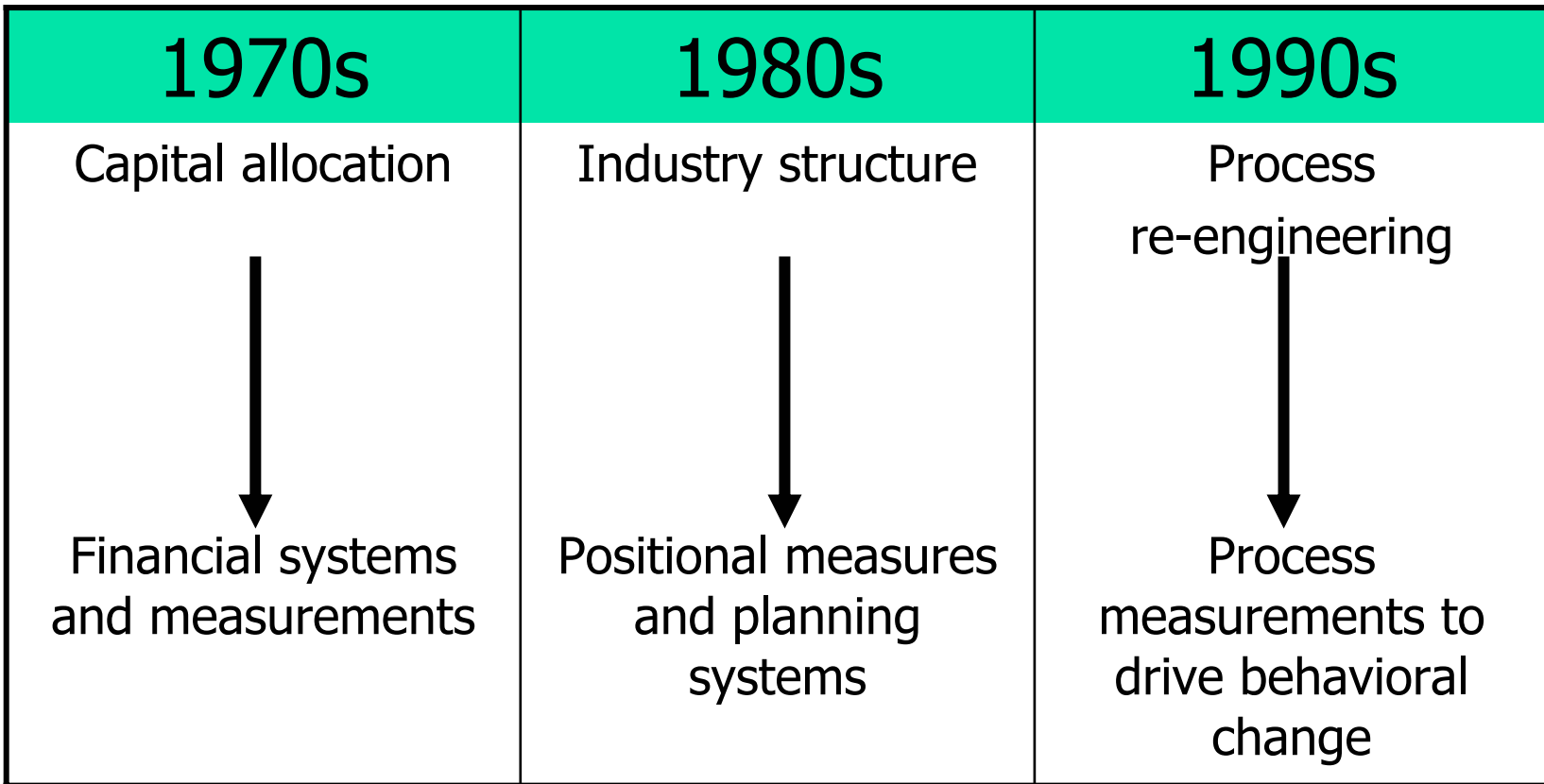


7 Myths of Measurement

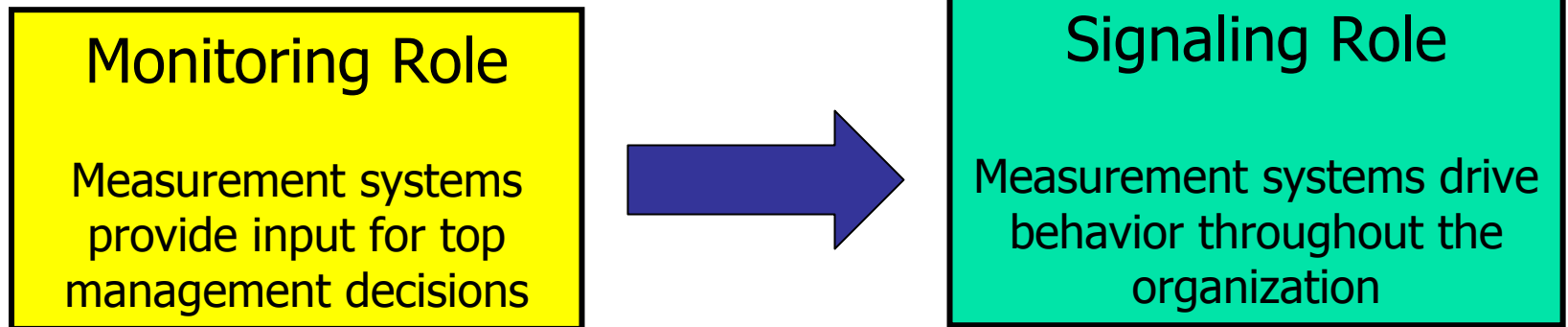
1. Measure the hard results and the soft stuff will follow
2. Measurement is for bean counters
3. Measurement is only rearview oriented
4. Measurement creates reality
5. Measurement stifles creativity
6. Measurement is anti-humanistic
7. The more measurement the better



Recent History of Measurement



Measurement Moving Down the Organizational Chart



“If you use measures as a club you will quickly lose all the benefits....Since about 95% of errors are due to the process, the purpose of measurement is to get people to examine the process.”
Boston Consulting Group



7 Warning Signs of a Defective Measurement System

1. Performance OK on all indicators except profits
2. Customers don't buy even when prices are competitive
3. No one notices when performance measurement reports aren't read
4. Managers spend significant time debating the measures
5. Share price is lethargic despite solid results
6. You haven't changed your measures in a long time
7. You've recently changed your corporate strategy



What Gets Measured Gets Done

Measurement	Behavior	Side Effect
% aircraft pulling back from gate on time		
Number of phone calls to a service center lasting more than 3 minutes		

The Boston Consulting Group

Secret Shoppers Find Out What's REALLY Going on



Using Secret Shoppers



For seven years, Cliff Fill, a Georgia headhunter, has been a "secret shopper," sampling products and services and then filing reports on his experiences.

1. Increased 40% in last 5 years
2. Money/fun/spy/customer service
3. Check service against provided criteria
4. Hidden tape recorder
5. Revealing the 'mission' is cardinal sin
6. 2 to 20 page evaluation
7. Don't pay to become a mystery shopper
8. \$7 to \$30/visit full-time \$2,000 to \$3,000

Some Companies Who Use Secret Shoppers



STARBUCKS.CO



Secret Shopping Info

1. Mystery Shopping Providers
www.mysteryshop.org
2. Second To None, Inc.
www.second-to-none.com
200,000/70% women
3. Shop'n Chek
www.shopnchek.com 140,000
4. Cathy Stucker www.idealady.com
Free email course
5. Volition www.volition.com
Defacto 'water cooler' for shoppers



Idea Lady™

Wild Salmon That Isn't

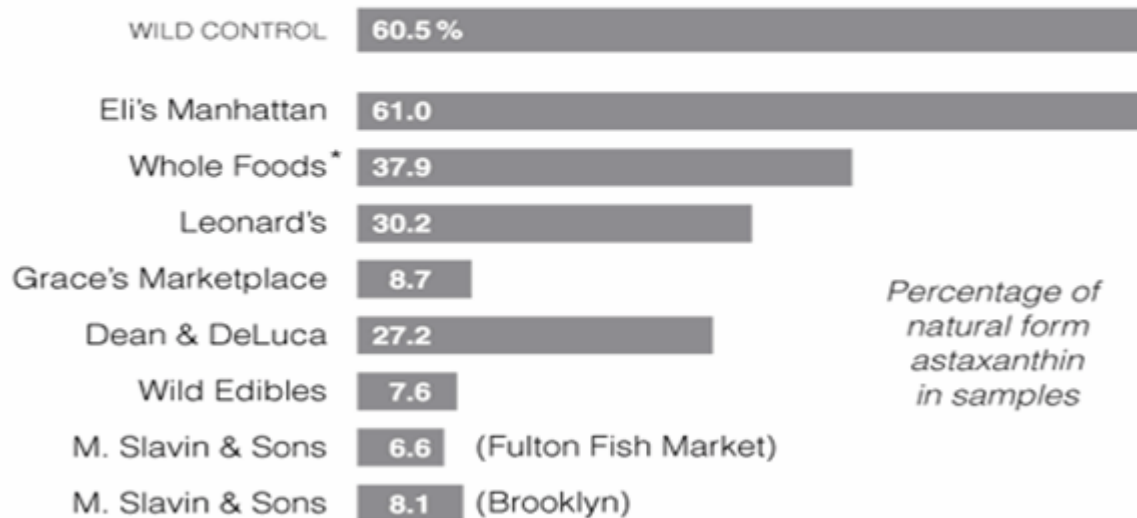


1. Wild \$20+/lb v. farm \$5-12/lb
2. Abundant Nov to March even though _____
3. 23 of 25 NYC stores had 'wild' salmon early April 05
4. Farm-raised has more PCB's and contaminants
5. Mislabeling food is a federal crime
6. New federal regulations effective April 4, 2005
 1. Paper trail to country-of-origin back to source
 2. Applies to full-service markets (grocery stores)
not fish markets
7. Why is fish mislabeled _____

Wild Salmon That Isn't Wild

The pink color of salmon flesh is primarily caused by astaxanthin (a naturally occurring pigment) in the fish's natural diet. The meat of farm-raised salmon, naturally white, turns pink when the fish are fed other forms of astaxanthin. Wild salmon have a larger percentage of the natural form of astaxanthin, typically 50 to 80 percent.

Here are laboratory results of samples of salmon, all labeled "wild," that were bought in eight New York City markets. Only a sample from Eli's Manhattan proved to be wild.



*Sample could have been from an escaped farmed fish.

Source: Craft Technologies

The New York Times



Of 8 samples tested, only Eli's Manhattan was genuine.

Will Technology Obsolete Your Company



**What's going to obsolete
YOUR buggy whip?**

The BIG (Xerox) Picture

1. What business is Xerox in _____
2. 1970 The _____ Compan
3. 1995 The _____ Compan
4. What's the difference
 1. _____ is _____
 2. _____ is _____
5. Impact of the internet
6. What business is Xerox in _____

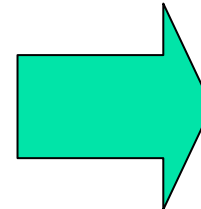


Business Models

OLD



NEW

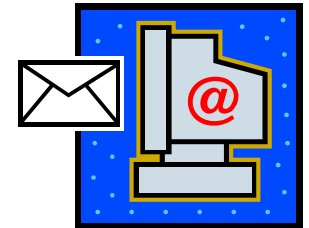
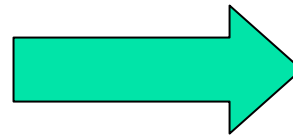
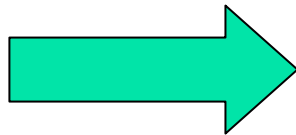
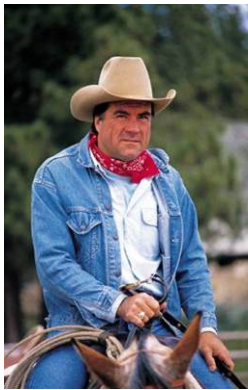
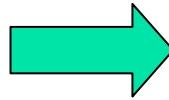
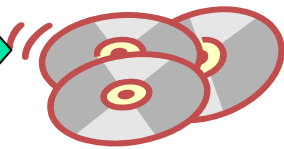
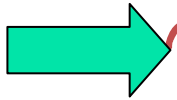


Southwest
AirTran
JetBlue
ATA

Disruptive Technologies

OLD

NEW

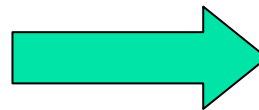
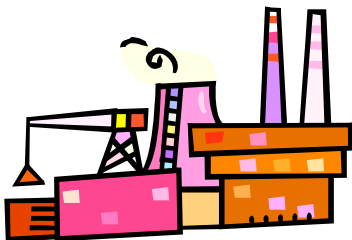


Disruptive Technologies

OLD



NEW



Outsource at Your Own Risk

Figure 1: Business Processes Outsourced

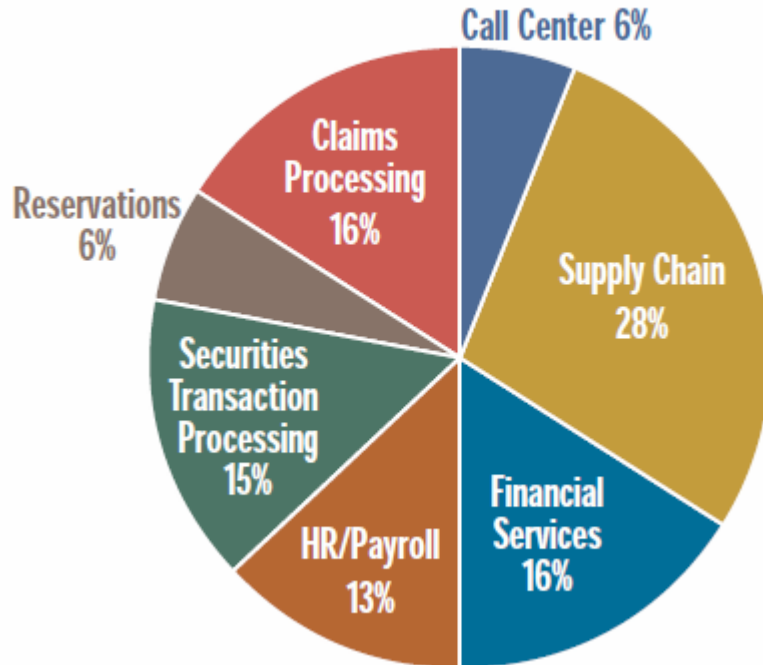
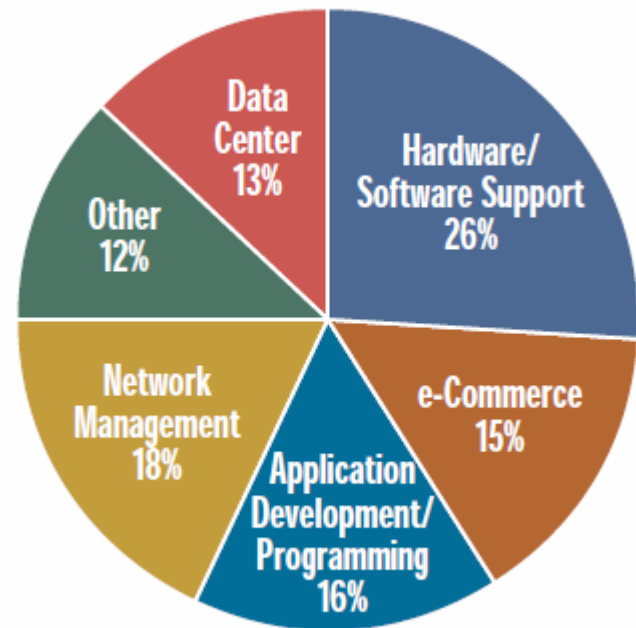


Figure 2: IT Functions Outsourced



Outsource at Your Own Risk

Figure 3: Outsourcing by Industry

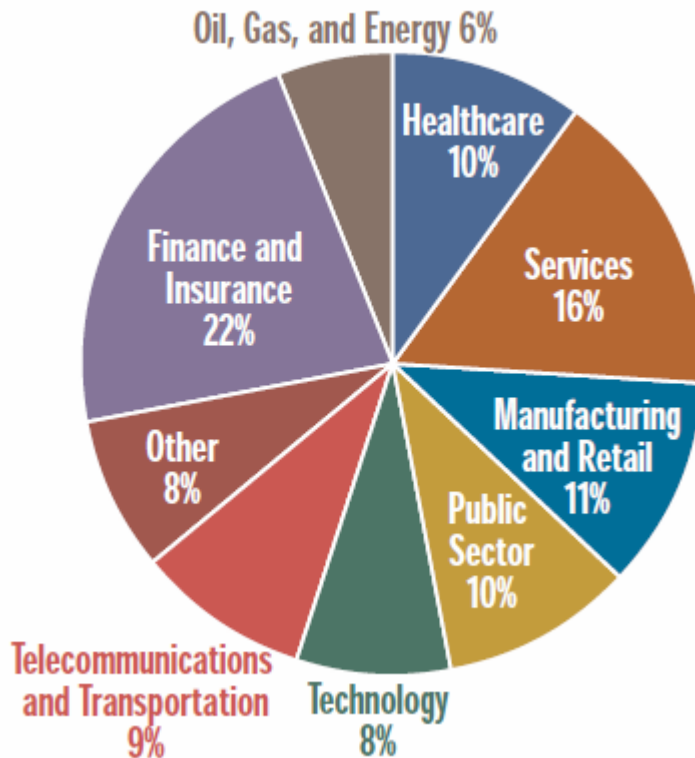
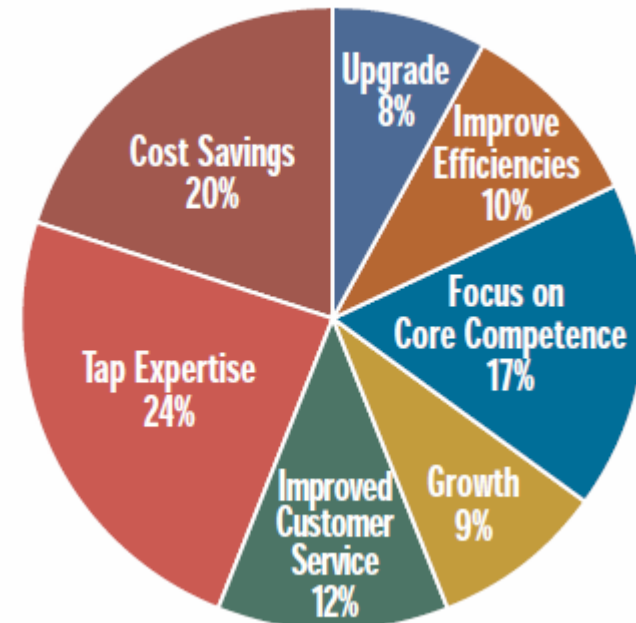


Figure 4: Reasons for Outsourcing



Outsource at Your Own Risk



Federal Laws re: Workforce Reductions

<u>STATUTE</u>	<u>PROTECTION FOR WORKERS</u>	<u>POTENTIAL REMEDIES</u>
National Labor Relations Act	Protects private workers from being punished or otherwise discriminated against because of activities aimed at promoting union causes.	National Labor Relations Board has broad power that could include an order to reopen a closed plant (or division) and to provide pay and benefits to affected workers.
Civil Rights Act of 1964 (Title VII)	Generally prohibits an employer from making a decision to terminate a worker because of race, sex, religion, national origin, or color.	Back pay for up to two years; reinstatement; promotion; injunctive relief; compensatory and punitive damages; attorneys' fees.
Americans with Disabilities Act—Title I	Prohibits an employer from discriminating against a qualified individual because of the person's physical or mental disability.	Essentially the same as under Title VII.

Reducing Your Workforce, What You Don't Know Can Hurt You, Strategic Finance, May 2004, p. 41

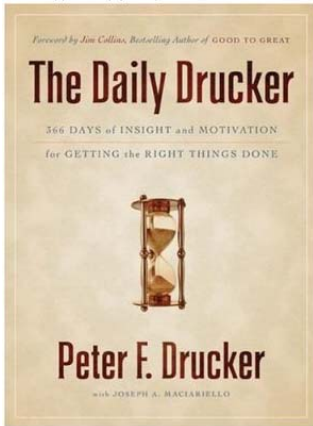


Federal Laws re: Workforce Reductions

Age Discrimination in Employment Act	Protects workers 40 and older; prohibits the employer from using age as the basis for termination.	Back wages; liquidated damages if conduct was willful; reinstatement; promotion; attorneys' fees.
Older Workers Benefit Protection Act	Seeks to ensure that workers covered by the ADEA enter into severance agreements voluntarily and knowingly.	Successful plaintiff will pursue remedies available under the ADEA.
Employee Retirement Income Security Act	Creates disclosure and fiduciary duties relative to pension and employee welfare plans.	Right to seek benefits illegally denied.
Worker Adjustment Retraining and Notification Act	Provides workers with 60 days' notice of a plant closing or mass layoffs.	Workers can collect attorneys' fees and back pay and benefits for up to a maximum of 60 days; local government can collect up to \$500/day for up to 60 days.

Reducing Your Workforce, What You Don't Know Can Hurt You, Strategic Finance, May 2004, p. 41

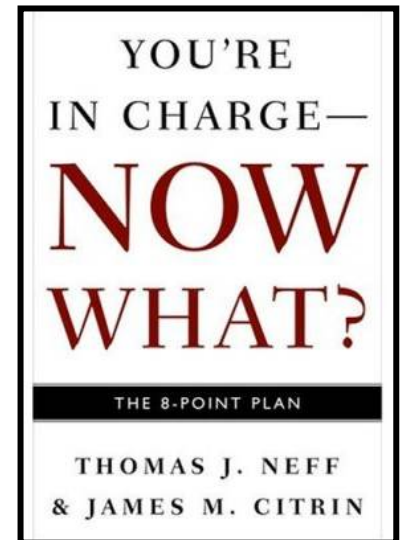
Books Worth Reading



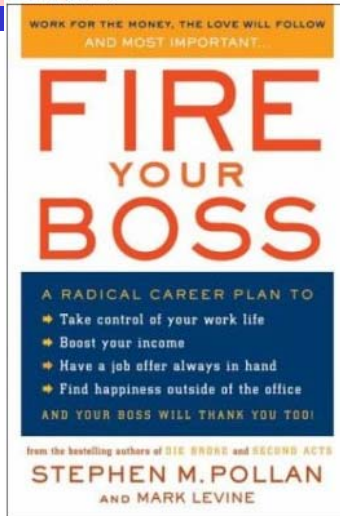
366 Days of Insight and Motivation for Getting the Right Things Done

First Sentence: The proof of the sincerity and seriousness of a management is uncompromising emphasis on integrity of character.

The 8 Point Plan: Concrete guidance, some contrarian, for the newly hired or promoted leader. Interviews with leaders in many industries on the first 100, critical, days of leadership. The 'honeymoon' period that's the 'temporary state of incompetence'.

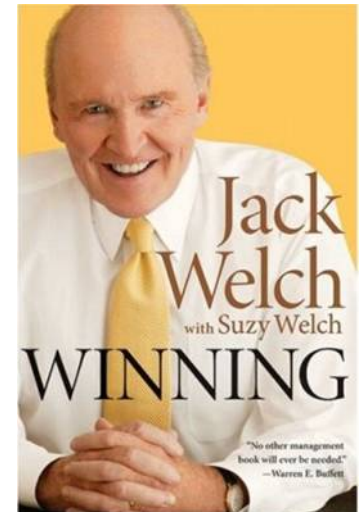


Books Worth Reading



1. People are working longer and longer yet aren't happy and their incomes aren't secure.
2. Best route to emotional satisfaction is to stop looking for it a work.
3. 7 principles for coping with modern work.

1. No Evaluation systems of more than 2 pages.
2. Don't use budgeting. Operations using stretch goals.
3. De-link pay to the budget. Link to performance against prior year and competition.
4. Fire people with no surprises and little humiliation.
5. Many rules and guidelines, often in list format.



Books Worth Reading

Customer Mania!

READY TO SERVE

Lessons from
Yum!
the World's
Largest Restaurant
Company

It's Never Too Late to Build a
Customer-Focused Company

Ken Blanchard

Coauthor of *The One Minute Manager*® and *Whole Donut*

Jim Ballard and Fred Finch

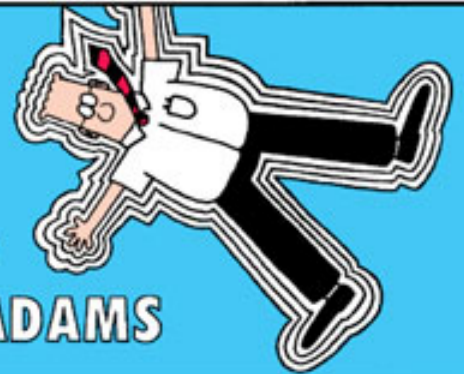
1. Please customers and profits will follow
2. Give customers what they want at every contact
3. Treat employees right
4. Make service a leadership priority





DILBERT®

BY
SCOTT ADAMS



E-mail: SCOTTADAMS@AOL.COM

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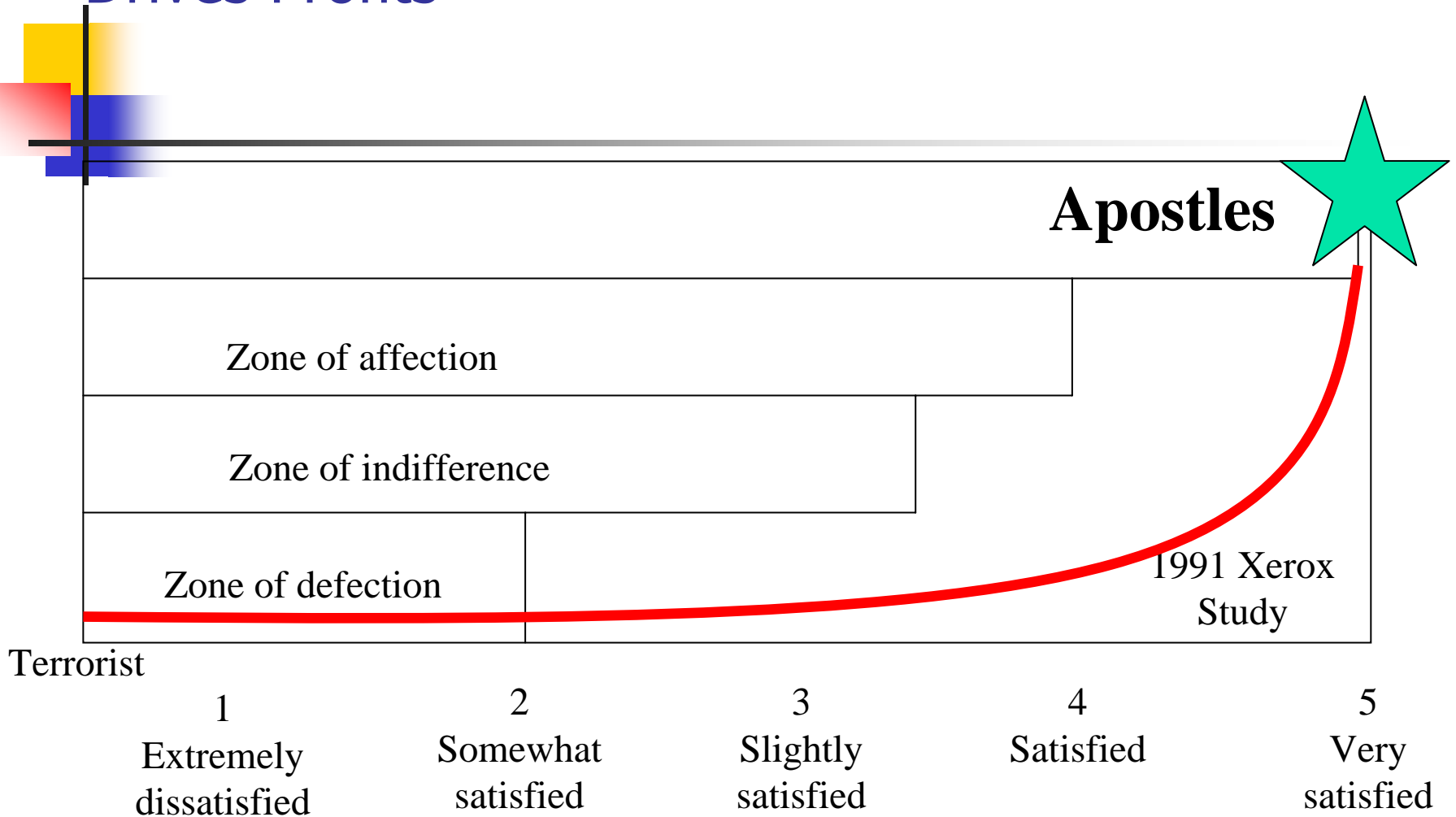
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www.dilbert.com

How to Maximize Your Value

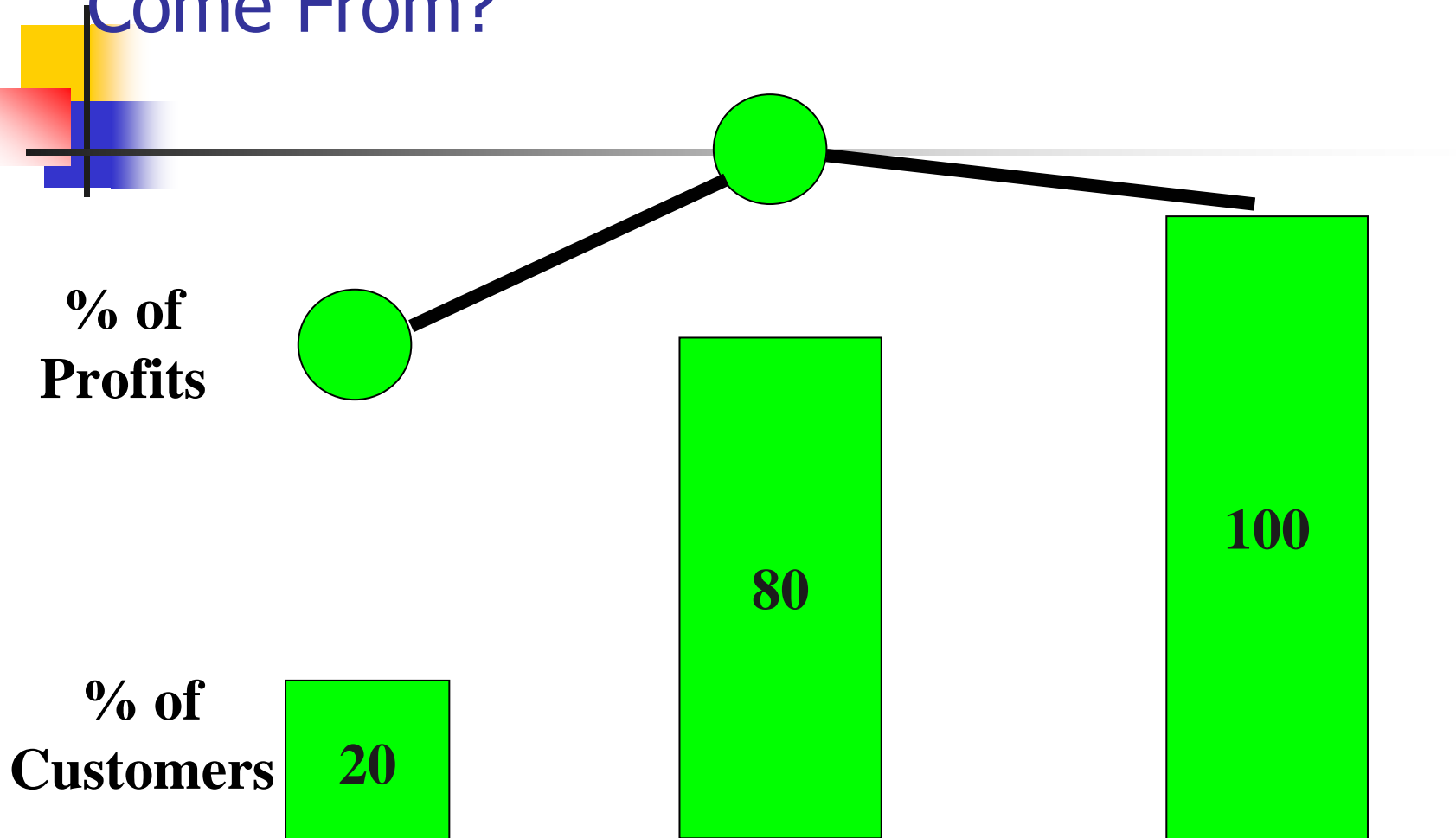


Customer Satisfaction Drives Loyalty Which Drives Profits



Source: Time-based Competition

Where Do Profits REALLY Come From?



4 Ways Controllers Get Fired

1. Failure to anticipate
2. Lack of breadth
3. Failure to develop your own bench strength
4. Failure to engage other stakeholders



Adventures in Cost Cutting



1. Beware the simple plan

Dangers of voluntary buyouts and across-the-board cuts

2. Be strategic

"China-proof" the business (Kill the dogs and chase the winners)

3. Technology is only a half step

For every \$1 invested in technology \$5-\$10 in training

Not just speed up existing processes but innovate

Sunbeam

d and GM

AT&T

AMERICAN Airlines

4. Talk is cheap

Marlow Industries temp-control devices

Revenue dropped 60% + workers 800 to 200

Everyone 5% pay cut

Low end to China make Dallas high tech center

Monthly face-to-face meetings

Lessons from Lean Manufacturing



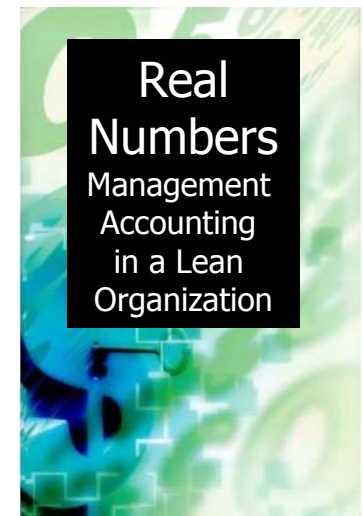
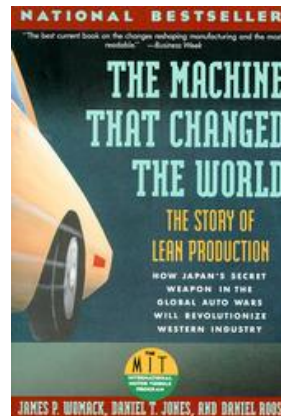
1. The Machine That Changed the World
Real Numbers: Management Accounting in a Lean Organization
2. Accounting folks MUST get out to operations
The Wiremold Company
3. All hands, brace yourselves
Last new product 1916
4. We don't need Accounting isn't the tail that wags the dog IM
Accounting MUST match the business process
5. Multivariate test Track/record action as it happens

1920s WW II Oak Ridge 1960's
DuPont increased waste disposal capacity by 40+% in 33 hour test
1990's applied to business processes

Lean Accounting Systems



1. Lean processes of ANY kind.....
 1. Drive out waste
 2. Match production to demand
 3. Little or no additional capital expenditure
 4. Isn't a technique, it's a philosophy
 5. Promise to continuously improve



Lean Accounting Systems



1. Few companies use batch mfrg
2. Batch accounting nearly obsolete
3. Traditional cost accounting doesn't serve customers
4. Consistent with GAAP
5. Goal : clarify financial statements
6. CFOs and controllers learn how factory think
7. "Walt the walk" = "Talk the talk"
8. Material usage variance → inventory
9. Labor efficiency variance → salaries

Lean Accounting Systems



1. Lean mfg in 1990
2. 10 years
3. Cost mgt not cost accounting
4. Abandoned cost per unit
5. Why? _____

The New Look of Wire and Cable Management



