

## Inc. 500

A view from the top of the entrepreneurial economy.

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The word *solutions* is probably overexposed: It appears in the names of 33 of this year's Inc. 500 companies. But what the heck; it elegantly encapsulates the secret to the success of most of these businesses. Customers come to the market with a problem. Our honorees send them home without one. Quantitatively, these companies are obviously exceptional, with 2006 aggregate revenue of \$16 billion, median revenue of \$10.5 million, and median three-year growth of 939 percent. Qualitatively, they tell us much about the way we live now.

**Legislation Nation** New laws and regulations are a burden, unless they're an opportunity. While public companies rail at Sarbanes-Oxley, at least seven Inc. 500 businesses--including BluWater Consulting, Callaway Partners, and Nexum-- are making lemonade with compliance-minded services. No Child Left Behind is one reason Shakespeare Squared and SchoolNet are getting ahead. And companies like MemberHealth, this year's No. 1 company, are using Medicare's new Part D drug benefit to benefit themselves. On the more obscure side, three companies, including SCI Real Estate Investments, sprang from a 2002 IRS ruling that qualified certain kinds of investment properties for the purposes of deferring capital gains taxes.

**What Money Can Buy** Luxury brands remain strong in the economy at large and on the Inc. 500. In addition to the usual purveyors of upscale real estate, there's Xojet, which charters private planes to pampered travelers; Distinctive Services, which provides upscale roofing for houses as big as 30,000 square feet; and BMI Gaming, which sells full-scale arcade games to folks whose homes provide ample room for Whac-a-Mole. In the "affordable luxury" category, Massage Envy offers rubdowns for the rest of us.

**The A&E Network** About half a dozen companies, including GNi and Finit Solutions, were founded by former Arthur Andersen or Enron employees who fled those sinking ships shortly before or after they started taking on water.

**Strange Days** Indeed Entrepreneurs respond to current events, so the martial flavor of many 2007 honorees is unsurprising. More than a dozen companies sell software, staffing, and consulting services to the military and the Department of Homeland Security. A few companies, including Szanca Solutions and Calnet, were hamstrung by the technology bust but found new life supporting intelligence services. Then there's Wexford Group International, which earns half its revenue consulting to the Army on asymmetric warfare in Iraq. A-T Solutions trains military personnel in bomb detection and disposal. SGIS analyzes satellite photographs. And Wave Dispersion Technologies, which once served marinas trying to minimize waves, began specializing in floating security fences after the bombing of the *USS Cole*.

**Lean and Leaner** Many Inc. 500 companies are living the dieter's dream: taking in more and more without gaining an ounce (of infrastructure). Dozens outsource at least some of their functions, and companies like Attic Technologies offshore almost everything, including marketing, finance, software development, and HR. Virtual companies--unlike paperless offices--are a late-'90s prophecy that's finally come to pass. Provide Consulting, for example, is one of several with very little physical presence--managers and

employees work at client sites or from home. At Antaeon Solutions, six partners in six cities direct a loose network of about 150 freelancers.

**Something Old, Something New** As always, the 500 is rife with exploiters of the bloodiest-edged technologies, with the spotlight this year on voice over Internet protocol and wireless. But Luddites need not fear: Companies like iFax Solutions (fax machines!) and Granite Telecommunications (which focuses on landlines) still thrive on yesterday's tech.

**Giant Oaks From Tiny E-corns** At least four companies, selling goods as diverse as home furnishings, consumer electronics, and snowboards, were born on eBay.

**The Mighty Middle** Categories such as manufacturing and consumer products are at historic lows or near lows this year. Simply put, fewer and fewer Inc. 500 companies make things. Meanwhile, the number of companies that act as middlemen of one sort or another continues to grow. Nicole Loftus, CEO of promotional-goods portal Zorch International, sums it up neatly: "The order comes through our system, but all we do is watch the activity."

**No Ill Winds Here** The 500 always includes a few companies that have shrewdly leveraged the misfortunes of others. Along with the usual sellers of foreclosed properties and office equipment turned loose by bankruptcies, this year's list includes such intriguing examples as Meridian Transportation Resources, which bought buses cheap from failed tourism companies after 9/11; Menlo Innovations, whose customers include many companies burned by offshore programming; and RideSafely.com, which sells totaled autos.

**A New One on Us** Finally, the true pioneers. XCOR Aerospace develops reusable rocket engines. Sonicbids gives musicians the means to send audio press kits to promoters. HemCon Medical Technologies makes hemorrhage-control bandages out of the shells of shrimp. Most Inc. 500 companies say something about how we live now. A few suggest how we will live in the future.