

JUNE 8-14, 2009

CRAIN'S

CRAIN'S CLEVELAND BUSINESS 13

## INSIDE

**16 TAX TIPS: NEW OBAMA BUDGET COULD AFFECT PARTNERSHIPS.**



# SMALL BUSINESS

## A HEAVY BURDEN

*Often the first to sacrifice when times get tough, small business owners are being hit much harder as the recession continues*

By **CHUCK SODER**  
csoder@crain.com

**G**iven the personal financial sacrifices Eldon Kabb has been making lately, one might not realize his steel distribution company had a strong 2008.

The owner and president of Cumberland Industries in February took a 75% pay cut and started paying rent for the company's Cuyahoga Heights plant out of his own pocket.

While it's not uncommon for

small business owners to make big personal sacrifices for the sake of their companies, these days some are giving up large amounts of pay, free time or both in an effort to weather the recession.

Mr. Kabb said he has no problem making such sacrifices. For one, he said he would have a hard time cutting from the 11-person staff at Cumberland Industries, which in January started feeling the effects of a drop-off in steel production that had been strong in early 2008.

See **BURDEN** Page 17

### HOW THEY'RE ADJUSTING

**Small business owners typically are forced to make personal sacrifices, and that's even more true today. According to an American Express survey of 727 small business owners nationwide, 30% said they were no longer taking a salary. Here's how some Northeast Ohioans are handling their sacrifices:**

■ **Roger Sustar, owner, Fredon Corp.:** The company is holding more inventory as customers take longer to pay, forcing Mr. Sustar and wife, Judy, to front the money for

the inventory — the total value of which stands at \$2.5 million.

■ **Ted Kalo, president, Ted's Floor Coverings:** Mr. Kalo avoided foreclosure on the company's Lorain office, but he let home bills fall behind for the sake of the business.

■ **Quotable:** "Those who think like an owner protect the company. Those who think like an employee protect themselves."  
— Phil Bessler, director of business assistance clinic, Baldwin-Wallace College

### SHORT TAKES

■ **NOW SERVING:** Ken Stewart, owner of **Ken Stewart's Grille** in Akron and **Ken Stewart's Lodge** in Bath, and his partner, **Parry Girves**, have opened a new restaurant and lounge, **Tre Belle**, at 1911 N. Cleveland Massillon Road, Bath. **Vincent Zimbardi** is the executive chef, and **Branko Kidric** is the general manager. Tre Belle specializes in Italian cuisine, featuring mainstays such as pasta dishes prepared with homemade sauces, along with a number of signature items, including natural lemon chicken and a dozen specialty pizzas.

■ **GIRLS JUST WANT TO HAVE FUN:** Nicky Nicole has opened its third Cleveland-area store at **Crocker Park** in Westlake. Nicky Nicole is a shop for girls, ages 4 to 14. The Crocker Park location of Nicky Nicole is more than 2,500 square feet, and it features a "make your own lip gloss, body lotion and sugar body scrub" station. Additionally, Nicky Nicole at



Crocker Park has a birthday party room where personal parties can be hosted. The Crocker Park location store hours are 10 a.m. to 9 p.m. Monday to Saturday; and 11 a.m. to 6 p.m. Sunday.

■ **SETTING THINGS STRAIGHT:** **Atlas Chiropractic Health Center** has moved to a new location at 7547 Mentor Ave, Suite 3. Along with the new facilities, **Dr. Mark D. Natale** is expanding his services to focus on women's health. Classes will be held on site and will include Lamaze and childbirth education, as well as yoga and Pilates. The center also will hold monthly dinner talks on health topics ranging from posture to female hormone balancing. Atlas Chiropractic Health Center, a holistic family health center, was established in 2005.

■ **WHERE THERE'S SMOKE ... :** **County Fire Protection Inc.** has moved to a new 12,000-square-foot facility it purchased in Brimfield from a previous location in Tallmadge. The company was founded in 1999 by **John Lubinski** and has expanded to serve commercial and industrial customers in Cleveland, Akron, Columbus and Toledo. County Fire Protection is a full-service fire and safety company offering a variety of services, including fire extinguisher service; sprinkler/fire pump testing and service; fire alarm service; and exit and emergency light service.



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## SMALL BUSINESS



Bill Brenner's Lakewood gallery, Eclectic Mixx, provides a myriad of offerings, from home furnishings to ladies accessories.

JESSE KRAMER

## GRANDOPENINGS

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The Eclectic Mixx is a new gallery that offers shoppers the opportunity to select from an assorted combination of home furnishings, ladies accessories, collectibles, glassware, hand-crafted jewelry, antiques and art designed and crafted by local artisans. A special area of the gallery will be designated to the display of local artists such as Lucian Bartosik, Jan's Pottery, Scott MacGregor and Beaches Inc., which designs beach glass jewelry. The Eclectic Mixx is owned by Bill Brenner. The gallery will be open from 11 a.m. to 8 p.m. Thursdays; 11 a.m. to 5 p.m. Friday through Sunday; or by appointment.

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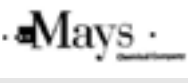
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## SMALL BUSINESS

# Collection industry fights stigma, lagging payments

*Agencies up against rough reputation, economy*

By JOEL HAMMOND  
jhammond@crain.com

John Murray gets some strange looks at parties.

It's not that he has four ears or five eyes; it's his profession — the collections industry — that draws the sideways glances.

Mr. Murray, co-owner and vice president at JP Recovery Services Inc. in Rocky River, and colleagues in the industry not only are dealing with an added stigma as the country's financial crisis worsens, they're finding that their jobs are increasingly harder to do.

"You have to have thick skin to be in this business," Mr. Murray said. "When I tell people what I do, they tell me their horror stories, which are raised to a different level now. More people are in debt, and it's become a higher-profile story."

bill is the first to fall off, way ahead of the gas bill and electric bill."

Alan Weinberg, the managing partner in the Cleveland office of Weltman, Weinberg & Reis — one of a growing number of law firms taking on more collections work, according to some working in the collections industry — said it's a simple matter of people living beyond their means. His firm, too, is having trouble collecting despite the volume of accounts.

"In good times, creditors are lending a lot of money, and in bad times, that money goes bad," Mr. Weinberg said. "Coming off good times, people are spending all they made; when things grind to a halt, people are living beyond their means, hoard their cash and stop paying bills."

Collectors perform best, the ACA's Mr. Nemo said, when the

**"When I tell people what I do, they tell me their horror stories, which are raised to a different level now."**

— John Murray  
co-owner and vice president, JP Recovery Services Inc.

That perception, industry advocates argue, isn't particularly warranted. According to a study by global advisory firm PricewaterhouseCoopers, commissioned by Minneapolis-based ACA International, a national advocacy group for the collection industry, debt collectors returned about \$40.4 billion to the U.S. economy in 2007, in turn keeping businesses' prices down and saving the average American family \$354.

And while one complaint is too many, said ACA public relations director John Nemo, less than 0.01% of all collection contacts — 100,000, on average, of approximately 1 billion — end in complaints to oversight agencies such as the Better Business Bureau, an attorney general's office or the Federal Trade Commission.

"By nature, (collection agencies) are placed in a difficult situation," said David Weiss, president of the Greater Cleveland Better Business Bureau. "Most are legally collecting debts legally incurred and owing, but the highly aggressive, 'bridge-burning' collection agencies tend to give the rest a bad name."

## More going around

As individuals' financial situations worsen with the economy, bad debt continues to pile up, making for good paydays for collection agencies, right?

Wrong, say those who are on the front lines. Agencies only get paid when they're able to collect, which is increasingly difficult these days.

"Our business is picking up, but anyone who extends credit is taking a chance," said Michael F. Lynett, partner at Lynett Paralegal Collection Agency, based in Cleveland's Old Brooklyn Neighborhood. "Sure, someone signed a contract to pay a certain amount at a certain time, but then they lag behind. A dentist bill or medical

economy booms, giving consumers more disposable income to put toward their credit cards and other debts often considered secondary when times turn for the worse.

The down cycle also is forcing a transformative shift: Agencies are becoming more selective about which accounts they take on, "based upon how likely it is they can collect the debt on those particular accounts," Mr. Nemo said.

## Feeling for 'em

Collectors have a job to do, but they're empathetic to their targets' plight, they say. That empathy is manifesting itself in increased payment flexibility and perhaps a touch more consideration.

"We try to work with the debtor as much as possible," Mr. Murray, of JP Recovery, said. "We're realistic. If it's a legitimate debt that's due and they're able to pay, or make payment arrangements, we try to make it as flexible as possible."

Weltman, Weinberg & Reis' Mr. Weinberg, too, is empathetic to the good people who have fallen on hard times, and admits many are disoriented when they get that first collection call. With that caveat, he also is leery of those debtors living beyond their means in expectation of a "personal bailout," as he calls it.

Additionally, those who owe money are getting more creative in litigation; the industry is regulated under the Fair Debt Collection Practices Act, and more debtors are filing grievances over the slightest of perceived problems.

"They want to get this collector off their back, and they've learned how to complain to the FTC, BBB or the bar association very easily," Mr. Weinberg said. "I'm a consumer, too, but it seems as though there's little personal accountability these days. It's the banks; it's the lawyers; it's collection agencies. It's not (the debtors') fault." ■

# A niche for that newsy nose

*As traditional media falter, local entrepreneurs give it a shot*

By KATHY AMES CARR  
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Changing consumer media habits coupled with a dismal economic climate have spelled disaster for many newspapers and magazines across the country.

Yet some entrepreneurs in Northeast Ohio are ignoring the dark clouds hovering over the news business, hoping instead that their smaller niche products face a sunnier future.

These local entrepreneurs — who often have less lofty, and oftentimes more idealistic, aspirations than large media corporations — can be found both online and in print, reporting on everything from breaking news and community events to medical breakthroughs.

"They fill in the gaps where there are no longer enough feet on the street from professional journalists to do original reporting," said Jan Schaffer, executive director of the J-Lab: The Institute for Interactive Journalism in New Mexico.

Many of these smaller news-gathering operations are considered "hyperlocal," or focused on a specific geographic area.

Ms. Schaffer said while these ventures often are started as volunteer efforts by amateurs active in the community, professional journalists no longer working at traditional news organizations also are beginning to get involved in the movement.

"They cover communities from inside out instead of outside in," said Ms. Schaffer, whose J-Lab is a center of American University's School of Communication in Washington D.C.

## Caught up in the web

While editors of smaller publications and community sites stopped short of suggesting that the grass-roots news movement will replace daily newspapers, they acknowledge the changing media landscape.

At least 800 community web sites have popped up since 2004, when the larger news industry's troubles began to manifest, according to Ms. Schaffer.

Some news gatherers, such as Terry Costigan, launch sites more for passion than pay, and augment their salaries with other jobs.

Mr. Costigan — a former videographer for a local TV station — in 2005 began TMCNews.net., a breaking news site covering Lorain County. He makes most of the money for TMC by selling breaking news photos to other organizations, and he also runs a wedding photography business to help pay the bills.

"I won't retire because of TMC-News," Mr. Costigan said.

On the other hand, two former *Plain Dealer* reporters believe the online news service they launched six months ago, MedCity News, will soon pay off.

The news service focuses on the economics and business of the medical industry, for which Chris Seper and Mary Vanac believe there is a burgeoning market. They funded the startup with some of their *Plain Dealer* buyout money, about \$20,000 each, as well as

## WHAT'S NEW(S)?

**Some Northeast Ohio entrepreneurs are working in the media business in an attempt to fill what they believe are gaps left by more traditional media. A sampling:**

■ **TMCNews.net:** A breaking news site covering Lorain County that makes money by selling breaking news photos to other organizations.

■ **MedCity News:** A news service focused on the economics and business of the medical industry, run by two former *Plain Dealer* reporters.

■ **CoolCleveland.com:** Site that offers news and tips about events in Cleveland and across Northeast Ohio.

funding from local investors.

While they don't yet have deals in place for the purchase of their content, they believe the online site will sustain their journalism careers.

"I believe this model will prosper. These types of services will be part of a new landscape (in media)," Mr. Seper said. Similar sites have been launched in areas such as Boston and Florida, providing content in such areas as life sciences and technology.

Joe Strupp, senior editor of *Editor & Publisher*, a New York-based trade magazine that reports on media industry trends, five months ago set up his own New Jersey community site, Maplewoodian.com.

The content includes a mix of community events, along with more substantive news, he said. Readers of these types of sites say they still want to be informed, not just entertained, he said.

"Look, people need their vegetables with their dessert," Mr. Strupp said.

## Gaining traction

Some smaller news products in Northeast Ohio have realized

profit and growth.

CoolCleveland.com was not founded with the intent of making money, said Thomas Mulready, founder of the site that provides information about events and news throughout Cleveland and Northeast Ohio. Seven years later, "it does now," said Mr. Mulready, who did not provide details.

"We respond to what best serves Cleveland, not CoolCleveland.com," said Mr. Mulready, who is on the board of directors for Positively Cleveland, the region's convention and visitors bureau.

Similarly, Stephen FitzGerald, creator and publisher of Lakewood Buzz.com and past president of the Society of Professional Journalists Cleveland chapter, said he established the hyperlocal site in 2000 as a community relations experiment.

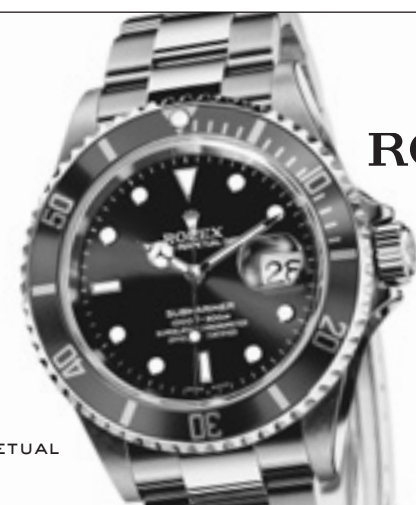
"When I started it, I didn't think it would make any money," he said.

The web site over the past three years has experienced double-digit increases in advertising revenue, although he declined to specify numbers.

Todd Nighswonger, publisher at Chesterland-based TNT Publications, said while he plans to continue developing the publications' web sites, he also plans to increase print distribution of the company's *Family* magazines, which include *Cleveland Family* and *Akron Family*. The company also publishes *Ohio Sports & Fitness Magazine* and the *Lake County Business Journal*.

The company hasn't been a large profit generator, but Mr. Nighswonger expects that will change once he pays down debt associated with publication acquisitions over the last few years. Ultimately, he believes there still is a need for certain print commodities.

"Niche publications are not suffering like the larger newspapers, magazines and TV stations," he said. "Niche publications contain content that can't easily be duplicated." ■



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## SMALL BUSINESS

# Obama budget includes proposals that could affect business entity decision

Recently, the Obama administration released a summary of its budget proposal. While the budget proposal covers many areas affecting the tax situation of businesses, two of the proposals, if enacted, could have a significant impact on the decision of whether to operate a business as a corporation or as an entity taxed as a partnership, including a limited liability company.

The first proposal relates to carried interests, which is a form of sweat equity issued to people in entities providing services to partnerships and LLCs.

Carried interests generally are granted as part of an overall compensation package, but, unlike other forms of compensation which are taxed at ordinary rates, carried interests qualify for favorable capital gains rates when the interest in the partnership is eventually sold. This is one of the major benefits of this form of compensation under the current tax law.

**CARL GRASSI**



## TAX TIPS

These types of interests recently have been under attack, with several pieces of legislation being introduced to stem what has been seen as an abuse of the rules relating to the taxation of profits interests, especially where the carried interest is issued by a partnership operating as a hedge fund or private equity fund.

The proposal by the Obama administration, at least on its face, does not appear to be limited to financial products partnerships, and it could include all partnerships and LLCs that have granted profits interests to service providers. Under this proposal, all income, including income from gain on the sale of the interest, would be taxed at ordinary income rates.

This scaling back of a popular partnership tax advantage is in stark contrast to the second proposal, a very taxpayer-friendly proposal to provide a complete exemption from capital gains tax for qualified small business stock issued after Feb. 17, 2009, and held for five years.

Under current law, taxpayers other than corporations may exclude from income 50% (60% for certain empowerment zone businesses) of the gain from the sale of certain small business stock acquired at original issue and held for at least five years. Under the recent 2009 tax act, the exclusion is increased to 75% for stock acquired in 2009 (after Feb. 17, 2009) and in 2010. The budget proposal goes even further.

The amount of gain eligible for the exclusion by a taxpayer with respect to any corporation during

any year is the greater of: 10 times the taxpayer's basis in stock issued by the corporation and disposed of during the year; or \$10 million reduced by gain excluded in prior years on dispositions of the corporation's stock.

To qualify as a small business, the corporation may not have gross assets exceeding \$50 million at the time the stock is issued and may not be an S corporation. The corporation must be engaged in a trade or business, although most personal service corporations and certain other specifically identified businesses are not eligible.

Under the budget proposal, the percentage exclusion for qualified small business stock sold by an individual or other non-corporate taxpayer would be increased to 100%, and the alternative minimum tax preference item for gain excluded under this provision would be eliminated.

The proposal would include additional documentation requirements to assure compliance with the statute and would be effective for qualified small business stock issued after Feb. 17, 2009.

Although business owners and entrepreneurs should consider both proposals when contemplating the formation of a new business entity, special consideration should be made when the business intends to issue equity as a part of its compensation plans.

If both proposals were to pass, it would appear that granting equity in a partnership would result in all income being taxed at ordinary income tax rates, while gains from the sale of the corporate stock could escape tax entirely.

While it is not clear what part, if any, of these proposals will be enacted, it is clear that the choice of entity analysis will be substantially changed if either or both of these budget proposals become law. ■

*Mr. Grassi is a member and president of McDonald Hopkins LLC.*

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## SMALL BUSINESS

### Burden: Line between sacrifice, quitting time can blur

continued from **PAGE 13**

Plus, he'd rather not let go of an employee; as the company's owner, he signed on to take the risks.

"My attitude is that when times are good I benefit, and when times are less than good I will take the hit," he said.

Small business owners are making sacrifices not just in Northeast Ohio, but across the nation: A recent American Express survey of 727 small business owners showed that 30% no longer are taking a salary.

And small business owners are giving up more than money, according to Marie Pucak, executive director of the Mentor Area Chamber of Commerce.

For example, Ms. Pucak said she knows of one apparel business owner who has had to take on more duties and of a Mentor-area retail store owner who plans on having her children help in the store this summer.

"It's tougher times than most of us have ever seen before," she said.

#### No pain, no gain

Roger Sustar, president of Mentor chamber member Fredon Corp., has taken on more personal financial risk since the recession began. Work still is coming in at the machine shop, but customers are taking longer to make payments, forcing the company to hold more inventory.

Until customers make payments, Mr. Sustar and his wife, Judy, front the money for the inventory — the total value of which stood at \$2.5 million as of last week — with their own cash and credit.

"The bank of Rog and Judy, just my wife and I, is what holds all this stuff waiting for our customers to accept it," Mr. Sustar said.

Ted Kalo knows personal sacrifice well. The president of Ted's Floor Coverings in Lorain narrowly avoided having the company's downtown Lorain offices and his home foreclosed on in April when he signed a purchase agreement with a buyer interested in the company's headquarters at 668 Broadway.

Mr. Kalo has cut back massively on personal spending during the past few years as his company began to falter.

As a Lorain County commissioner, Mr. Kalo had a second source of income, but even so he said he let home bills fall behind for the sake of the business. He's long since stopped taking vacations, cut way back on luxuries such as dining out and stopped contributing to his retirement account as he tries to get Ted's Floor Coverings back in shape.

"Always pay the business first to keep it operating," Mr. Kalo said.

At some point, business owners need to know when to call it quits, said Steve Millard, executive director of the Council of Smaller Enterprises.

Business owners during tough times occasionally need to sacrifice some of their own money and time, he said, noting how a business owner at one of COSE's networking events said he was missing his son's baseball game because he needed to be out looking for potential customers.

Not knowing when to give up, however, can ruin a business owner's personal credit, and in turn, their business credit, all while causing them to miss out on other employment opportunities.

"You have to evaluate what your best opportunity is," Mr. Millard said.

#### Vested interest

However, when a business owner makes some sacrifices, it can be good not only for a company's balance sheet but also for employee morale, said Phil Bessler, director of the business assistance clinic at Baldwin-Wallace College, where he also is an associate professor.

"It starts with a personal sacrifice before you ask employees to sacrifice. And it has to be significant," said Mr. Bessler, who also has more than 30 years of experience managing manufacturing companies.

Mr. Bessler also recommends

that company employees hold stock, which encourages them to make sacrifices as well.

"Those who think like an owner protect the company," he said. "Those who think like an employee protect themselves."

A small business owner can handle a major salary reduction by putting away money when business is good, said Cumberland Industries' Mr. Kabb. Doing so allowed him to continue living with minimal changes to his personal spending habits.

"If it lasts one or two years, we'll be fine," he said. ■

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# LARGEST PRIVATELY HELD COMPANIES

## RANKED BY ESTIMATED 2008 REVENUES

Rank	Company Address Phone/Web site	Estimated revenue (millions)		Number of local employees	Year founded	Type of business	Top executive
		2008	2007				
1	<b>Aleris International Inc.</b> 25825 Science Park Drive, Suite 400, Beachwood 44122 (216) 910-3400/www.aleris.com	\$5,900.0	\$5,989.9	300	2004	Aluminum rolled products and extrusions, aluminum recycling and specification alloy production	Steven J. Demetriou chairman, CEO
2	<b>Medical Mutual of Ohio</b> 2060 E. Ninth St., Cleveland 44115 (216) 687-7000/www.medmutual.com	\$2,000.0	\$2,000.0	2,000	1934	Health insurance	Richard A. Chiricosta president, CEO
3	<b>Great Lakes Cheese Co.(1)</b> 17825 Great Lakes Pkwy., Hiram 44234 (440) 834-2500/www.greatlakescheese.com	\$1,780.0	\$1,775.0	NA	1958	Manufactures, packages and distributes natural and processed cheese	Gary Vanic president, CEO
4	<b>Westfield Group</b> One Park Circle, Westfield Center 44251 (330) 887-0101/www.westfieldgrp.com	\$1,640.0	\$1,594.0	1,461	1848	Insurance, banking and related financial services	Robert J. Joyce chairman, CEO
5	<b>Jones Day(2)</b> North Point, 901 Lakeside Ave., Cleveland 44114-1190 (216) 586-3939/www.jonesday.com	\$1,540.0	\$1,441.0	449	1893	Legal services	Stephen J. Brogan, managing partner Lyle G. Ganske, partner-in-charge, Cleveland
6	<b>Swagelok Co.</b> 29500 Solon Road, Solon 44139 (440) 248-4600/www.swagelok.com	\$1,300.0	\$1,100.0	3,600	1947	Designer and manufacturer of advanced fluid system products	Arthur F. Anton president, CEO
7	<b>Associated Materials(1)</b> 3773 State Road, Cuyahoga Falls 44223 (330) 929-1811/www.associatedmaterials.com	\$1,200.0	\$1,250.0	NA	1947	Manufactures exterior residential building products	Thomas N. Chieffe president, CEO
8	<b>MTD Products Inc.(3)</b> 5965 Grafton Road, Valley City 44280 (330) 225-2600/www.mtdproducts.com	\$1,190.0	\$1,190.0	NA	1932	Manufactures outdoor power equipment	Robert T. Moll CEO
9	<b>Marc Glassman Inc.(3)</b> 5841 W. 130th St., Parma 44130 (216) 265-7700/www.marcs.com	\$1,130.0	\$1,060.0	NA	1978	Deep discount general merchandise stores	Marc Glassman chairman
10	<b>The Kenan Advantage Group Inc.</b> 4366 Mount Pleasant St., North Canton 44720 (330) 491-0474/www.thekag.com	\$782.0	\$604.0	213	1991	Fuels delivery carrier	Bruce Blaise executive vice president, Fuels Delivery Group
11	<b>Bendix Commercial Vehicle Systems LLC</b> 901 Cleveland St., Elyria 44035 (440) 329-9000/www.bendix.com	\$650.0	\$640.0	350	1930	Develop active-safety technologies, air brake charging, control systems and components	Joseph J. McAleese president, CEO
12	<b>The Carter Lumber Co.</b> 601 Tallmadge Road, Kent 44240 (330) 673-6100/www.carterlumber.com	\$628.0	\$642.0	551	1932	Building materials retailer	Neil Sackett president, CEO
13	<b>The Davey Tree Expert Co.</b> 1500 N. Mantua St., Kent 44240 (330) 673-9511/www.davey.com	\$595.8	\$506.1	650	1880	Tree services, grounds maintenance, and consulting services for the residential, commercial and governmental markets	Karl J. Warnke chairman, president, CEO
14	<b>Squire, Sanders &amp; Dempsey L.L.P.</b> 127 Public Square, Suite 4900, Cleveland 44114 (216) 479-8500/www.ssd.com	\$580.0	\$530.0	397	1890	Global legal service provider	Frederick R. Nance, regional managing partner; David Goodman, Cleveland managing partner
15	<b>Discount Drug Mart Inc.</b> 211 Commerce Drive, Medina 44256 (330) 725-2340/www.discount-drugmart.com	\$551.7	\$620.4	1,602	1968	Retail drugstore, mail-order pharmacy	Parviz Boodjeh CEO
16	<b>Majestic Steel USA Inc.</b> 5300 Majestic Pkwy., Cleveland 44146 (440) 786-2666/www.majesticsteel.com	\$537.0	\$524.0	194	1979	National distributor of prime galvanized steel coils and sheets	Dennis Leebow president, CEO
17	<b>Edgepark Medical Supplies</b> 1810 Summit Commerce Park, Twinsburg 44087 (330) 963-6996/www.edgepark.com	\$479.6	\$411.7	892	1928	Home delivery of medical supplies	Ron M. Harrington president, CEO
18	<b>Ohio CAT</b> 3993 E. Royalton Road, Broadview Heights 44147 (440) 526-6200/www.ohiocat.com	\$462.0	\$520.0	322	1945	Caterpillar engine and equipment distributor, Ohio, Northern Kentucky and Southeastern Indiana	Kenneth E. Taylor president
19	<b>Transtar Holding Co.</b> 7350 Young Drive, Walton Hills 44146 (440) 232-5100/www.transtar1.com	\$450.0	\$420.0	200	1975	Manufactures and distributes automotive transmissions, transmission replacement parts, refinishing products, coatings	Greg Gyllstrom president, CEO
20	<b>Safeguard Properties LLC</b> 7887 Safeguard Circle, Valley View 44125 (216) 739-2900/www.safeguardproperties.com	\$410.8	\$222.4	655	1990	Mortgage field services company	Robert Klein CEO
21	<b>Fred W. Albrecht Grocery Co.</b> 2700 Gilchrist Road, Akron 44305 (330) 733-2263/www.acmestores.com	\$400.0	\$385.0	1,607	1891	Retail grocery and pharmacy stores	Steve Albrecht president
22	<b>Cleveland Construction Inc.</b> 8620 Tyler Blvd., Mentor 44060 (440) 255-8000/www.clevelandconstruction.com	\$337.5	\$307.5	802	1980	Commercial building contractor	Jon D. Small president
23	<b>Baker Hostetler</b> 1900 E. Ninth St., Suite 3200, Cleveland 44114 (216) 621-0200/www.bakerlaw.com	\$319.0	\$315.0	409	1916	Legal services	R. Steven Kestner, executive partner Hewitt B. Shaw, Cleveland office managing partner
24	<b>Famous Enterprises Inc.</b> 109 N. Union St., Akron 44304 (330) 762-9621/www.famous-supply.com	\$229.0	\$205.0	300	1933	Distributor of HVAC, plumbing, PVF, industrial, building products and training	Marc Blaushild president, CEO
25	<b>Dave's Supermarkets</b> 5300 Richmond Road, Bedford Heights 44146 (216) 763-3200/www.davesmarkets.com	\$228.5	\$216.6	962	1935	Supermarkets	Daniel Saltzman president
26	<b>Donley's Inc.</b> 5430 Warner Road, Cleveland 44125 (216) 524-6800/www.donleyinc.com	\$223.0	\$169.0	160	1892	Design/build, construction manager and general contractor, self-performs concrete construction	Malcolm M. Donley president, CEO
27	<b>Cleveland Browns(4)</b> 76 Lou Groza Blvd., Berea 44017 (440) 891-5000/www.clevelandbrowns.com	\$220.0	\$206.0	NA	1946	Professional football team	Randolph P. Lerner owner
28	<b>Garland Industries Inc.</b> 3800 E. 91st St., Cleveland 44105 (216) 641-7500/www.garlandco.com	\$198.5	\$185.3	508	1895	Manufactures roofing, flooring, coatings, sealants and maintenance systems for commercial, industrial and institutional buildings	David Sokol president, COO

Source: Information is supplied by the companies unless footnoted. Crain's Cleveland Business does not independently verify the information and there is no guarantee these listings are complete or accurate. We welcome all responses to our lists and will include omitted information or clarifications in coming issues. Individual lists and The Book of Lists are available to purchase at [www.craainscleveland.com](http://www.craainscleveland.com).

(1) Revenue numbers from Forbes, America's Largest Private Companies List, Nov. 3, 2008 and Nov. 8, 2007. Revenue numbers are for 2007 and 2006.

(2) The Am Law 100, The American Lawyer, May 2009 and May 2008.

(3) Revenue numbers from Forbes, America's Largest Private Companies, Nov. 3, 2008 and Nov. 8, 2007. Revenues are Forbes estimates and are for 2007 and 2006.

(4) From Forbes, NFL Team Valuations, revenue is for 2007 and 2006.

RESEARCHED BY Deborah W. Hillyer



# Internships: Smaller companies have greater need

continued from **PAGE 3**

their programs now are offering unpaid positions, when they traditionally offered paid opportunities, internship coordinators have observed.

"We're seeing an increase in the number of unpaid internships," said Joseph Protopapa, assistant director of cooperative education and internships at the University of Akron.

Nonetheless, many students realize an unpaid position beats no experience.

"The students are more willing to take unpaid positions, especially business students," Mr. Protopapa said.

Brian Bobo, for example, accepted an unpaid summer internship in the human resources department at the Eliza Jennings Senior Care Network in Lakewood after searching for a paid position for about a year.

He dismissed the forfeiture of pay concerns because, for him, the experience gained yields the greater good.

"Once I graduate, I can show a company that I have the facts, figures and theories, but I've also used them," said Mr. Bobo, who will attend Cleveland State University in the fall. "It increases my chances of standing out to an employer."

Still, unpaid positions can be a financial deterrent for students, said Pamela Buchter, interim director and career development specialist at Cuyahoga Community College's Key Career Place.

"In today's economy, everyone needs to get paid," Ms. Buchter said. "Who can afford to work in this day and age with no compensation?"

## Size seems to matter

According to the National Association of Colleges and Employers, companies are cutting the number of internships they will offer college students this year by nearly 21%.

The Northeast Ohio Council on Higher Education (NOCHE) and ERC found similar trends locally.

The two organizations conducted a survey between April 1 and May 1 on local employers' 2009 internship employment practices.

Among the 125 regional companies surveyed, about 13% plan to reduce the number of interns and 8% are eliminating interns. About 78% plan to maintain or even increase somewhat the number of interns they employ.

Larger companies with formal internship programs seem to be more affected, ERC's Mr. Mordarski said, whereas smaller companies with 500 or fewer employees still have the need, perhaps even more so because of the recession.

According to Halley Marsh, NOCHE program director, "The smaller startups are hiring even more interns. One small startup recently hired six interns. That's one-third of their work force."

Ms. Marsh also noted that NOCHE's internship site, NEO intern.net, has seen a 45% growth in the number of internships posted for June 2009 compared with June 2008.

Many of Northeast Ohio's smaller companies are busier than ever, as they take advantage of the larger companies' slowdown in operations, said Jason Therrien, president of Cleveland-based thunder::tech. The marketing agency has doubled the number of interns it plans to use this year compared with 2008, to eight from four.

"We're a smaller firm, and we put our interns right to work," Mr. Therrien said. "Oftentimes, we put them right in front of clients."

## Perception problem

Some of Northeast Ohio's larger firms say they still have maintained their internship programs, though at a reduced capacity because of budget concerns.

Lubrizol Corp., for example, has two internship programs. While its engineering co-op program remains intact, the more generalized program that places interns in a variety of departments has declined anywhere from 30% to 75% throughout the company's Northeast Ohio facilities as departments trim their budgets, said Julie Young, senior manager of corporate communications at the Wickliffe-based maker of lubricant additives and specialty chemicals.

Likewise, Diebold Inc. has about 25% to 30% fewer paid interns compared with levels in recent years. The North Canton-based producer of ATMs, bank security equipment and electronic voting machines went through layoffs and other cost-cutting measures within the last year, said spokesman Mike Jacobsen.

"It made more sense to maintain some full-time positions and reduce the number of interns," he said.

Although interns are a less-expensive alternative to hiring or maintaining full-time staff employees, companies want to be sensitive to their remaining staff, said Marianne Crosley, director of Summer on the Cuyahoga, a summer internship program.

"When organizations are freezing salaries or are laying off workers, it's difficult for them to contemplate bringing in interns," Ms. Crosley said. "Even though it makes sense economically, they are worried about the perception to their remaining employees."

The Summer on the Cuyahoga internship program is open to students of various high-profile universities, including Case Western Reserve University, Yale, Harvard and Princeton, which places them in a variety of internships throughout Northeast Ohio.

Ms. Crosley said the program typically places about 75 students in internships; that number will be around 50 this year.

## THE BOOK ON INTERNS

According to Marty Mordarski of the Employers Resource Council, larger companies' intern programs seem to be more affected these days. A look at what three local companies are doing:

■ **thunder::tech:** The marketing agency has doubled its number of interns, from four to eight.

■ **Lubrizol Corp.:** The lubricant additive and specialty chemical producer's general intern program is down anywhere from 30% to 75%.

■ **Diebold:** Internships have declined 25% to 30% at the North Canton ATM, bank security equipment and electronic voting machine specialist.



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# With Cavs finished, STO eyes an Indians rally

By JOEL HAMMOND  
jhammond@crain.com

SportsTime Ohio president Jim Liberatore doesn't mince words.

While he loved how the Cavaliers re-captured the city's attention with their 66-win season — and was amazed at the Cavs' ratings marks on Fox Sports Ohio — they didn't do much for Mr. Liberatore's business.

Oh, and one more thing: The Indians need to play better.

With stiff competition from the Cavs and the Indians' early season stumbles, SportsTime Ohio's ratings for Indians games have tumbled drastically, according to data from Nielsen Media Research and published in the June 1 edition of *Sports Business Journal*.

The Indians' average rating — the percentage of in-market house-

holds tuned in — for games played through May 20 was 3.57, a 25.8% drop from the same period last year. That number translates to 54,000 households, a 27% drop from the same period last season.

The Cavs, meanwhile, were consistently drawing 30 ratings, or 500,000 in-market households, Mr. Liberatore said.

"There's no escaping that (the Indians aren't) playing as well as we'd like them to," Mr. Liberatore said. "We're expecting (the ratings) to pick up, but not like they would if (the Indians) were in first place."

Mr. Liberatore said the spate of day games — the Indians have played 11, including Thursday's 11-3 loss to Minnesota — and inclement weather — the network suffered through nine hours of rain delays the last week of May — are other detrimental factors.

While the ratings affect the network's standing with advertisers, STO is able to meet delivery requirements by offering more spots.

"If the Cavs were playing for another two months, we'd be more concerned," Mr. Liberatore said. "They had an unbelievably historic season; they were beating teams by 20 points in the fourth quarter, and they were still doing 14 or 15 ratings. That's unheard of."

STO also will beef up in-game promotions of coming series by highlighting opposing teams and players. The St. Louis Cardinals, for instance, play at Progressive Field June 12-14, and the network will market more heavily Albert Pujols, St. Louis' first baseman and one of the National League's best players. A June 26-28 home series with the Cincinnati Reds also will be promoted heavily. ■

# Jones: Firm seeks top lawyers

continued from PAGE 3

Chrysler, people take note."

Mr. Ganske attributed some of Jones Day's appeal to the firm's "Midwestern core values." Although its headquarters are elsewhere, he said, the culture is rooted here.

Bankruptcy has always been one of Jones Day's core practices, Mr. Ganske said. And because cases are so public, and the impact on society is often significant, those cases get a lot of attention.

"It exposes a broader group of people to our very significant bankruptcy talent," he said. "We're honored to be involved in something of this nature."

The notice such cases garner the firm can help attract attorneys who choose to make lateral moves to Jones Day, Mr. Ganske said, such as those seven from Kirkland & Ellis

who are going to make up the bankruptcy group in Los Angeles.

And Mr. Heiman said Jones Day is continuing to look for "stars" who can enhance the firm. But he said handling big cases only goes so far in drawing new attorneys to the firm.

"We're a fairly small community of lawyers nationally," he said of those who work in bankruptcy. "We always see a lot of applications."

The successes aren't limited to the restructuring group, Mr. Ganske said. Eight Jones Day attorneys in other practice groups — including Mr. Ganske — were named to an all-star team for attorneys compiled by BTI Consulting Group, a company that researches law firms.

The recognition is nice, Mr. Ganske said, but the work is even better.

"In really challenging times, we've done well," he said. ■

**Contact:** Genny Donley  
**Phone:** (216) 771-5172  
**Fax:** (216) 694-4264  
**E-mail:** gdonley@crain.com

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### NOTICE TO VENDORS

Notice is hereby given that sealed proposals will be received in the Board of County Commissioners Office of Procurement & Diversity, Room 100, County Administration Building Annex, 112 Hamilton Court, Cleveland, Ohio 44114 until 11:00 A.M. local time on July 14, 2009 for lease of office space for a Common Pleas Court Adult Probation office for the period August 1, 2009 through July 31, 2014 per RQ 13997.

Required geographic location: The space must be in an area bounded by:

North: Detroit Avenue  
East: West 25th Street  
South: Lorain Avenue  
West: West 65th Street

The official closing time shall be determined by the wall clock located in the Office of Procurement & Diversity. (SAME ADDRESS) Late proposals will be returned unopened.

There will be a Pre-proposal Conference on June 24, 2009 at 10:00 A.M. at the Department of Central Services, 2nd floor conference room, 1642 Lakeside Avenue, Cleveland, Ohio 44114. IT IS STRONGLY RECOMMENDED THAT INTERESTED VENDORS ATTEND.

Specifications and proposal blanks may be obtained at the Board of County Commissioners Office of Procurement & Diversity. (SAME ADDRESS) Questions may be addressed to Mr. John Myers, Real Estate Manager at 216-698-2517.

Payment will only be made upon approval of the Board of County Commissioners and payments will be warrants issued by the County Auditor upon notification from the Commissioners.

The Board of County Commissioners reserves the right to accept or reject any proposals or any part or all parts of any proposal submitted, and waive all technicalities.

Each proposal must state in full the name and address of each person, firm or corporation interested in the proposal submitted.

BY ORDER OF THE BOARD OF COUNTY COMMISSIONERS OF CUYAHOGA COUNTY  
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LENORA M. LOCKETT, DIRECTOR  
Office of Procurement & Diversity

Advertise in Crain's Cleveland Business on June 8, 2009. This notice may also be viewed at the following Cuyahoga County Internet Web Site: <http://www.opd.cuyahogacounty.us> click on the show events tab and the bid due date month to view current legal notices. A list of open bids will appear on the next screen.

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# Hospitals: Providers make voices heard

continued from **PAGE 1**

"Setting minimum charity care could literally put some hospitals out of business if they can't afford to meet that threshold," she said.

Summa Health System is trying to help lawmakers understand those points of view and the inner workings of health care overall, said August Napoli, president of the Summa Foundation.

Summa has been meeting with federal lawmakers and their staffs and is talking to federal departments such as Health and Human Services to provide personal experiences and charity care figures that might help lawmakers in their decision to support or oppose the charity care proposal, Mr. Napoli said.

"We're doing a lot of catch-up work to educate them on the negative impacts that, while well intended, (the charity care mandate) may have on the community," he said. "We're trying to get the lawmakers to dive deeper into the issues."

## By the numbers

Though the proposal does not yet specify how much charity care would be required of each hospital, previous similar proposals called for minimum charity care levels of 3% to 4% of a hospital's gross revenue, said Gary Robinson, vice president of government and community affairs at Lake Hospital System.

**"Setting minimum charity care could literally put some hospitals out of business."**

— Tiffany Himmelreich, spokeswoman, Ohio Hospital Association

In any case, Mr. Robinson said he hopes Lake already meets the requirements. In 2008, Lake provided \$37 million in charity care, which is 4.8% of its \$700 million in gross revenue, he said.

Mr. Robinson's bigger concerns are factors that could complicate a hospital's ability to provide the level of charity care called for by a formula. For example, he worries that hospitals could be penalized if health care reform enables more people to have health care coverage and, therefore, lessens the need for charity care.

Officials at Akron General Medical Center are contacting the Ohio Hospital Association and the American Hospital Association to see how they can best get the point across that they already provide a significant amount of charity care and programs that benefit the community, said Jim Gosky, a spokesman for Akron General.

Akron General last year provided \$33.6 million in charity care, which spiked 60% over the \$21 million in charity care the hospital provided in 2007. Mr. Gosky said those figures don't include community programs such as free health screenings and health education, which cost about \$12 million in 2007.

Details on the amount and type of charity care and community benefit provided by hospitals will be available to legislators next year when hospitals file the new Form 990, which is the IRS filing for tax-exempt organizations. Hospitals previously did not need to file information about charity care and community benefit.

Many hospitals are telling lawmakers it's too early to set minimum charity care levels before the new

Form 990 forms are filed, said Robin Bachman, director of public policy and government affairs for the Sisters of Charity Health System.

## Potential side effects

Ms. Bachman noted that hospitals are trying to provide better primary care services to keep people healthier, so mandating more traditional, outpatient and inpatient charity care wouldn't make sense.

"Charity care is not the best way to treat somebody," she said. "Isn't it better to treat someone before they're really sick?"

Also, keeping a running tab on charity care figures might be easy for large health systems with more resources, but it could hurt inde-

pendent hospitals such as Parma Community General Hospital, said Barry Franklin, Parma Community's executive vice president and chief financial officer.

"It could create an additional burden on us in terms of reporting," he said. "We would prefer to use those dollars to help patients."

Overall, hospitals believe there are many reasons not to impose minimum charity care levels and they're voicing their opinions, Summa's Mr. Napoli said.

"We don't have all the answers, but we do have great data from experience," he said. "If we don't speak up, shame on us when legislation comes out and it has a negative impact." ■

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# Auto: Vehicle sales expected to rebound

continued from PAGE 1  
and federal governments.

"If the market grows from, say, 10 million units this year to 15 million in a few years, that's a big increase in production," Mr. Swiecki said. "That makes being profitable a lot easier."

For the record, the Center for Automotive Research is predicting total unit sales to drop to 11 million this year from 13.2 million in 2008 and from 16.2 million in 2007. But the nonprofit expects sales to rebound to an annual rate of 12 million units per year in the second half of 2009, and then increase steadily to 16.5 million units per year by 2013.

The projected increases are driven

largely by expectations for a growing U.S. population and improvements in household wealth, said the center's project manager, Yen Chen.

That's a welcome scenario for automotive suppliers in and around Northeast Ohio, who have been cutting employees and costs in an effort to ride out the current storm in hope of smoother sailing in the future.

"We've done everything we can to become cash-neutral," said Bill Adler, owner of Cleveland-based Stripmatic Products, a producer of components that go into shocks, struts and other automotive assemblies. It has cut its employee roster to 20 from 40 at the start of 2008.

"We feel comfortable that, as bad as things are, we will be here when the dust settles," Mr. Adler said.

## Geography is destiny

For Mr. Adler and others in Northeast Ohio, the dust needs to settle in such a way that the Detroit automakers can make tracks through it. These suppliers sell primarily either to the Detroit 3 or to Tier 1 and Tier 2 suppliers that do.

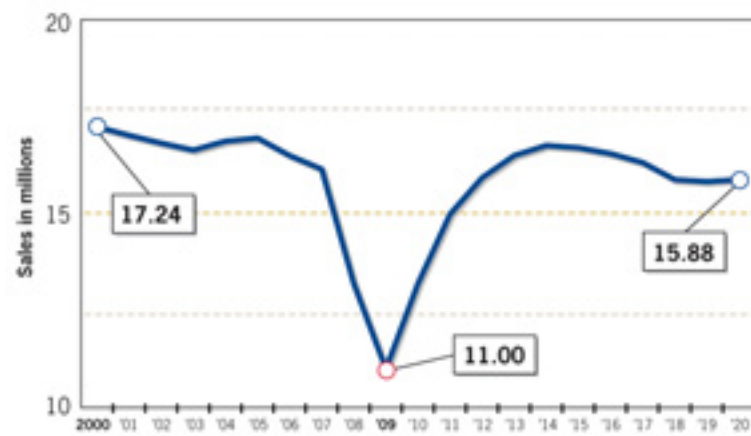
"If you look at where the suppliers to the Big 3 are located, about a quarter of their supply base is within 135 miles of Detroit, and half are within 275 miles," said Thomas Klier, an economist who follows the auto industry at the Federal Reserve Bank of Chicago.

Don't bother Mapquesting it. Cleveland is about 95 miles from Detroit as the crow flies, securely in the soft center of the U.S. auto supply industry.

Little wonder that area suppliers are closely watching the moves made by General Motors and Chrysler in bankruptcy, along with the actions of still-capitalist Ford, as the U.S. carmakers position themselves for the future fight for market share. They're watching to try to figure out just how the overall auto market will rebound, and when.

"We spend quite a bit of time on this in both short and long-term plan-

## HISTORICAL AND PROJECTED U.S. VEHICLE SALES



SOURCE: CENTER FOR AUTOMOTIVE RESEARCH

ning," said Kevin Cleary, president of Cleveland-based Soundwich, which makes materials used to soundproof vehicles from road and engine noise.

Like the the Center for Automotive Research, Mr. Cleary is predicting a decent rebound in the market and he expects Detroit to come out a winner.

"Over the next three to four years, auto sales should rebound to about 14.5 million vehicles" sold per year, Mr. Cleary predicts.

That outcome would be an upturn from today, when cars are being sold at a rate of less than 10 million per year. But it still wouldn't equal the 17 million vehicles sold in 2005, which even Mr. Cleary said flooded the market with more cars than people needed, thus depressing future sales.

## Revvin' the engines

Once the market does rebound, the U.S. automakers might have their best opportunity in decades to take advantage of it. Their trips through Bankruptcy Court will allow GM and Chrysler to address problems such as bloated dealer networks in ways they could not do otherwise, and constituents from union members to bondholders have rallied round the Detroit 3, said Mr. Swiecki at the Center for Automotive Research.

Meanwhile, local auto suppliers have done what they can to diversify. Stripmatic's Mr. Adler, for instance, has begun making parts for agricultural equipment. But he says he hasn't come close to replacing the revenue he has lost to the travails of the Detroit 3.

Because of their location here, those suppliers have limited access to foreign-owned automakers, which

mainly have located their so-called "transplant" plants in the southern United States. Local manufacturers can sometimes do business with the transplant's larger suppliers, but rarely with the transplants directly the way they can with Detroit.

"With transplants, we'd be shipping to Tennessee, Kentucky or Alabama and those would be overnight shipments, but in a lot of situations they require suppliers to be within two-hour distance, and we're one-day," Stripmatic's Mr. Adler said.

With streamlined dealership networks and reduced health care, pension and other fixed costs, suppliers hope U.S. car companies can make inroads on the market shares of foreign car companies.

Mike Gammella, president of United Auto Workers Local 1250 at Ford's Brook Park plant, said he and his union members — among the first to make concessions to help Ford — believe the company is poised to challenge its foreign rivals.

"When things start to come back, we're going to give Toyota a run for its money," Mr. Gammella said.

Others are optimistic that a comeback has begun.

"They wouldn't do that if their vehicles weren't selling," reasoned Soundwich's Mr. Cleary, speaking of plans for production increases at Ford and Chrysler. "The government, the unions — all of the stakeholders are behind them, as opposed to the past when you had stakeholders conflicting. That's a pretty unique thing in history. It's a very unique opportunity that has been presented to these companies, and I think they're going to do great."

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Boston College (2)	East Tennessee State University	Miami University, Oxford (2)	The University of Texas, Austin
Bucknell University	Elon University	Michigan State University	Tufts University
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University of Colorado at Boulder	Harvard University	Oxford College of Emory University (3)	University of Wisconsin, Madison
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## THE WEEK

JUNE 1 – JUNE 7

**The big story:** Richard E. Jacobs, head of real estate development company **The Richard E. Jacobs Group** in Westlake and former owner of the **Cleveland Indians**, died after a long illness. The company last Friday, June 5, confirmed that Mr. Jacobs "died peacefully earlier this morning," but had no further comment as of that time. Mr. Jacobs was 83. Mr. Jacobs and his late brother, **David Jacobs**, were noted for developing shopping malls, though they also were the forces behind the construction of **Key Tower** in downtown Cleveland.

**For the fund of it:** **The Riverside Co.**, a private equity firm based in Cleveland and New York, raised more than \$1 billion in its latest fund. The



Kohl

\$1.17 billion fund closed 30% above its \$900 million target. Riverside co-CEO **Stewart Kohl** said the fund "assures us that we're going to have enough capital for the next five years, even if the macro environment remains very, very difficult." The fund was launched in March 2008 and closed May 29 of this year. It will focus on North American investments.

**A Shur thing:** **Henkel Corp.** sold three of its consumer brands, including the well-known Duck brand duct tape, and its Avon manufacturing plant to **Shurtape Technologies LLC** of Hickory, N.C. Terms were not disclosed. The 640,000-square-foot Avon plant has about 700 employees, about 350 of whom work with the brands sold to Shurtape. The North Carolina company plans to retain all employees of the brands it acquired. The other Henkel employees will continue to work in the Avon plant until the company comes up with a new site for them.

**Battery-powered:** Chemical giant **BASF**, teaming with the U.S. Department of Energy's **Argonne National Laboratory**, plans to build what it describes as "one of North America's largest cathode material production facilities" in Elyria. BASF signed a "worldwide licensing agreement" to mass produce and market Argonne's patented composite cathode materials to manufacturers of advanced lithium-ion batteries. The company already has a plant in Elyria and a research operation in Beachwood. Construction of the Elyria plant is contingent upon winning a Department of Energy grant.

**Talk about teamwork:** The **Cleveland Indians** and **Cleveland Browns** jointly will offer suite rental packages that include two games at **Progressive Field** and one at **Cleveland Browns Stadium**. The packages include 14 tickets and three parking passes for each game, a standard food package (alcohol not included) and home team merchandise. Prices start at \$10,000.

**This and that:** The stock of **Datatrak International Inc.**, a provider of software and services for handling clinical trial data, was delisted from the **Nasdaq Stock Market**. The delisting resulted from Datatrak's failure to meet the \$2.5 million stockholders' equity requirement or one of the alternative continued listing criteria. ... The board of **Goodyear Tire & Rubber Co.** elected **Richard J. Kramer** as the company's chief operating officer. Mr. Kramer will continue to serve in his current role as president of Goodyear's North American Tire business until a successor is named. ... **KeyCorp** said it has issued \$1 billion of new common stock after initially indicating that it intended to raise \$750 million through a series of "at-the-market" offerings of its shares.

To keep up with local business news as it happens, visit [www.CrainsCleveland.com](http://www.CrainsCleveland.com).

## REPORTERS' NOTEBOOK

BEHIND THE NEWS WITH CRAIN'S WRITERS

### Finally! Car supremacy for an American company

■ If the Chrysler and General Motors bankruptcies have you down, take heart. The best-selling car in America is made right here in Northeast Ohio.

Unfortunately, it sells for \$50 and does not require enough parts to sustain an entire industry.

The Cozy Coupe, made by Hudson-based Little Tikes, outsold both the Toyota Camry and Honda Accord in 2008, according to Little Tikes' spokeswoman Nancy Davies. The multi-colored, toddler-powered Cozy Coupe sold more than 457,000 units in 2008, Ms. Davies said. That's more than the 436,617 Camrys or the 372,789 Accords that were sold in 2008, according to figures from MotorTrend.com.

Perhaps the Japanese automakers should have done a better job of keeping their prices down. Since 1979, the Cozy Coupe has increased in price to \$50 from \$30, for a 30-year price increase of 40%. The Toyota Corolla — the Camry was not yet introduced in 1979 — has more than quadrupled in price from about \$3,700 in 1979 to more than \$15,000 today.

And nothing put out by Toyota or Honda, or any other automaker, has ever matched the Cozy Coupe's fuel efficiency — about a mile on just an eight-ounce box of apple juice, we estimate. — *Dan Shingler*



### Where else but Cleveland for Elsewares.com?

■ Ryan Deussing and Audrey Aponte unpacked last week on the fourth floor of the Art Craft Building, 2570 Superior Ave. in Cleveland. The owners of Elsewares.com, which sells chic items from jewelry to housewares — including a bowl made from discarded chopsticks — produced by independent designers, just moved the 4-year-old business here from Brooklyn, N.Y.

Mr. Deussing and Ms. Aponte decided two years ago to leave Gotham for a lower-cost location for the profitable retail business.

As the partners, also a couple, made monthly visits to Ms. Aponte's family here — she grew up in Fairview Park; he's from Charleston, S.C. — they added Cleveland to the list and opted for it over several alternatives.

Though Mr. Deussing, a filmmaker and writer turned entrepreneur, sought something more exotic, he found the St. Clair-Superior Neighborhood's costs, diversity and old buildings compelling. Rent for 3,000 square feet at the Art Craft Building is 70% less than the company's former Brooklyn space, he said. So is most everything else.

Noting city and lake views from the space, he added, "We couldn't get space like this in Brooklyn. The building would have been converted to condos five years ago."

The cyber-firm landing here "is thrilling," said Jamie Blackson Baker, executive director of the St. Clair-Superior Neighborhood Devel-

opment Corp.

"I hope it's the start of a trend in the neighborhood's growing arts community," she said. — *Stan Bullard*

### Short on capital, but long on a sense of humor

■ The gift of a bike that can't be ridden outside a box taped to the ground. Minutes with a shiny toy truck before it's exchanged for a rudimentary cardboard cutout. The offer of a horse figurine when the girl next to you gets a real, live pony.

Sounds like a bad day at the playground. In truth, it's an ad campaign for Ally Bank.

The bank, which has been running commercials in Northeast Ohio, is the new name for GMAC, financing arm for the bankrupt General Motors Corp.

The new name comes on the heels of turmoil in both the banking and automotive industries. GMAC became a bank holding company Dec. 24, and in the government stress tests released last month was told it needed an additional \$11.5 billion in Tier 1 common equity.

But in reshaping its image, Ally Bank is trying to be a friend to consumers.

"Even kids know it's wrong to hide behind the fine print. Why don't banks?" the truck ad asks. The ad with the pony says children "know it's wrong to hold out on somebody."

Other banks have "ridiculous conditions," Ally says. But Ally won't deal in "half-truths, kindatruths or truths only buried in fine print," its web site says.

Why? "It's just the right thing to do," the ads conclude. — *Arielle Kass*

## WHAT'S NEW



**COMPANY:** Air Technical Industries, Mentor

**PRODUCT:** Scorpion Aircraft Tug

Talk about a product with some sting.

Air Technical, a maker of material handling equipment, describes the Scorpion as "a first-of-its-kind tug that includes a built-in crane lift and auxiliary power unit." It enables fixed-base operator aircraft mechanics to move and precisely position aircraft weighing up to 15,000 pounds.

To move a small plane, mechanics typically must connect the aircraft to a large tractor via a 15- to 20-foot tow assembly, making it cumbersome to maneuver, Air Technical says. But the Scorpion "is smaller and more maneuverable than a traditional tug, enabling the operator to walk behind or stand on its battery-powered frame," according to the company. "Its hydraulic lifting arms physically raise the front wheel of the aircraft off the ground, enabling precise positioning."

The product's crane folds out of its base and offers a seven-foot telescopic boom with a lift-arm capacity of up to 1,000 pounds.

For information, visit [www.airtechnical.com](http://www.airtechnical.com).

Send new product information to managing editor Scott Suttell at [ssuttell@crain.com](mailto:ssuttell@crain.com).

## CHOICE BITS

Excerpts from recent blog entries on [CrainsCleveland.com](http://CrainsCleveland.com).

### John Carroll can teach them a thing or two

■ John Carroll University came off looking quite good in a June 3 *USA Today* story about a study with some pathetic findings.

Nationwide, four-year colleges graduated an average of just 53% of entering students within six years, and "rates below 50%, 40% and even 30% are distressingly easy to find," according to the study by the American Enterprise Institute, a conservative think tank.

It's not surprising to see Harvard with a 97% graduation rate, but *USA Today* said the study documents a "dramatic variation" even across institutions with comparable admissions standards.

The variation suggests "some schools are more effective in educating similar students," according to the study. John Carroll is one of those in the more-effective camp.

"Among colleges that require high school grades averaging a B-minus or better, John Carroll University and Chicago State University in Illinois graduated 74% vs. 16%, respectively," the newspaper reported.

### Former Browns QB Kosar sacked with financial woes

■ Former Cleveland Browns star Bernie Kosar is in a heap of financial trouble.

The *South Florida Business Journal* reported that Mr. Kosar recently was slapped with a \$4.2 million judgment from National City Bank. He and his related companies "also lost foreclosure judgments on multi-



family properties in the Tampa area, and face a pending foreclosure lawsuit against a third," the newspaper reported.

His Bernie Kosar's Steakhouse was evicted from its South Miami space last November.

In April, the newspaper reported, National City "won a \$4.2 million judgment against Kosar and BJK LLC. It was based on the remaining delinquent amount of a promissory note that was increased to \$12 million in 2005, with Kosar as a personal guarantor. The lawsuit does not say what BJK and Kosar used the money for, but it said he defaulted on the note in June 2008."

That same month, Mr. Kosar and his Oakmont LLC lost a \$3.3 million foreclosure judgment to Florida Bank in Hillsborough County Circuit Court over a Tampa apartment building.

Mr. Kosar's South Florida home is listed for sale for \$3.5 million, about the same amount he paid for it in 2006.

### Defensive moves, and time for the LeBrontourage

■ *Investor's Business Daily* lauded the business diversification efforts of aircraft parts maker TransDigm Group Inc. "Defense sales have powered TransDigm's growth so far in fiscal 2009, which began in October," the newspaper said. "In a conference call on May 5, the company said revenue from that sector rose 15% in the most recent quarter, while sales to commercial aircraft makers slid 10%."

■ LeBron James will be a guest star on the new season of HBO's "Entourage," according to E! News. Wonder if he'll shake Turtle's hand.



## CSC: Investors shy away from receivership

continued from **PAGE 3**

Mr. Zimmerman said the IRS has been working with him to arrange a way for CSC Group to pay back the money and admitted to him that filing the lien was an error given that the company was working on a payment plan. An IRS spokesman contacted by *Crain's Cleveland Business* said the agency does not comment on matters concerning specific taxpayers.

Mr. Zimmerman said CSC Group did not immediately repay the tax dollars because of a lack of cash — the same reason it has not been able to pay off Smith Whiley.

CSC Group began its relationship with Smith Whiley in 2001, when

Smith Whiley provided the company \$3 million in subordinated debt in a deal that also gave Smith Whiley warrants to buy up to 7% of CSC Group's stock. Mr. Zimmerman said Smith Whiley has not exercised the warrants.

CSC Group also owes money on more than \$13 million of senior debt borrowed from Huntington National Bank as well as on \$2 million of subordinated debt from DCC Growth Fund, which is based in the Washington, D.C., area. Mr. Zimmerman said CSC Group has paid a "good portion" of each of those debts, though he would not go into detail.

Smith Whiley became upset after its investment horizon passed without

an exit opportunity, driving the company to send a letter to Huntington threatening legal action if Smith Whiley's notes were not paid, Mr. Zimmerman said. An official from Smith Whiley declined to comment for the story.

### Enter the receiver

CSC Group and Huntington then jointly decided to request that a judge in Cuyahoga County Common Pleas Court appoint a receiver to oversee CSC Group's operations, Mr. Zimmerman said. The move was meant as a way to deter Smith Whiley from filing a lawsuit, because while under receivership the firm would need to file the suit

in Cuyahoga County instead of in Connecticut, which Mr. Zimmerman said would make a lawsuit inconvenient for Smith Whiley while also providing CSC Group the possibility of hearing the case in a more favorable court.

The tactic may have turned out to be more trouble than it was worth, Mr. Zimmerman added. He said being under receivership has made it harder for the company to secure an investment offer at a fair price.

"We probably lost a lot of investors just to the fact that the receivership is out there," he said. Some investors have been hesitant because of the economy as well, he said.

Though CSC Group still employs about 125 workers at its Strongsville headquarters, down only slightly from the 133 it employed in Northeast Ohio a year ago, it has laid off

roughly 50 in Michigan, closing its Livonia office and making heavy cuts at its Lansing office. The cuts were driven partly by the downturn in the automotive sector, Mr. Zimmerman said. For instance, the company recently lost its document conversion services contract with General Motors Corp., which last week filed for Chapter 11 bankruptcy protection.

CSC Group also lost its contract with Ford Motor Co.'s operation in Brook Park. "The economy has clearly had an impact on everybody," Mr. Zimmerman said.

The court-appointed receiver, Bob Ranallo, did not return two phone messages left last Thursday, June 4. Mr. Ranallo is both a partner at the accounting firm Skoda Minotti and a founder of Ranallo & Aveni LLC, both in Mayfield Village. ■



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