

October '02 Newsletter Copy

Front Page



GPCC NEWS
October 2002

Welcome to the October 2002 edition of the GPCC News! In this month's [IN FOCUS](#) article, we delve beneath the surface of international business and focus on due diligence, or the crucial background research needed to be successful in this highly volatile market. Then learn about two of our very active international chamber affiliates by clicking on [IN THE KNOW](#). Here you can also learn more about a program that offers alternatives for the homeless, and much more.

For developments and breaking news about member companies, check out the [BULLETIN BOARD](#). Or, to find out who recently joined the Chamber click through to the [NEW MEMBERS](#) section. And for an update on the Chamber's upcoming public policy activities and initiatives, read the [EXECUTIVE SUMMARY](#).

Don't forget, the Chamber is now publishing articles written by representatives from member companies. To find out more about submitting articles for the newsletter, [click here](#). (Link to article submission guidelines)

***Note: Let us know what you're reading.** Using the navigation tabs at the top of your screen instead of the back button lets us know what you're reading, so we can ultimately give you more of what you want.*

Sponsor Profile

GPTMC Logo

Sponsor Profile

Announcing the 1st annual Philadelphia Holiday Festival Decorating Contest! Open to all Philadelphia area merchants, retailers, restaurants and other commercial businesses, this event combines popular Philadelphia traditions such as the City Hall Tree Lighting, the Market Street East Parade and the Mummers Day Parade with several brand new events. The theme for this year is "Through the Eyes of a Child." In you are interested in

participating, please call Christine Cleaver Harrer at 215-467-0281, or Mark Chumley Singer at 215-735-2572, or click on the logo to visit gophila.com.

Executive Summary

Over time, Greater Philadelphia has established itself as a hotbed for biotechnology, medical research and pharmaceutical companies. This reputation was built on the strength of our medical community. Statistics show that one out of every five doctors in the U.S. received training at one of Philadelphia renowned teaching hospitals. However, it is becoming increasingly difficult to attract and retain top doctors, not only in the Philadelphia region, but state wide because of the astronomical cost of medical malpractice insurance.

There are a number of vital issues facing our region — the expansion of Convention Center being one — but no other issue is more important than reining in the cost of medical malpractice insurance*. The Commonwealth is losing its top doctors who cannot afford their insurance premiums and patients are opting for procedures out of state because their surgeons aren't insured in Pennsylvania.

This is a problem that effects everyone: the poor stand to be hurt the most, due to the fact that hospitals in disadvantage areas continue to lose top flight doctors and surgeons. Their patients can ill-afford to travel to other areas for medical procedures. And it is not only the doctors that are affected. Hospitals, employers and employees have or will have to bear the brunt of rising insurance costs.

The General Assembly has passed initial legislation dealing with this issue. However, more must be done. The Chamber is urging its members to contact their elected officials in Harrisburg to introduce and pass meaningful legislation that will bring malpractice insurance premiums to a more reasonable level without increasing health insurance premiums. The future of our region depends on it.

**Attend the upcoming Rethinking Philadelphia program, [Rethinking Medical Malpractice](#) (link) to learn more about the rising costs of Medical Malpractice insurance in the state, and to hear what representatives from the healthcare, pharmaceutical, legal communities propose to remedy the crisis.*

In Focus

International Business – What You Don't Know Can Hurt You

By Howard Silverstone

Globalization has many faces, a number of them quite deceptive. Getting involved in a partnership—whether a direct or even a portfolio investment—in a country with a different language and business culture, and where accounting principles are not respected can have nightmarish consequences. Unfortunately, many seemingly good foreign investments can pack serious problems for an imprudent investor. But when thorough due diligence is conducted, some of the most inconspicuous details are brought to light.

Due diligence is the process of investigating potential risks before you make a monetary commitment. The term can be applied to any prospective transaction, where one party wishes to find out more about the other, its products or services, culture and so on. For example, if you intend to purchase a new car and spend hours comparison shopping on the Internet, reading safety reports and checking service reliability, then you are conducting a form of due diligence.

Surprisingly enough, few potential investors actually consider the impact effective due diligence may have on a purchasing decision, in fact, many so-called due diligence investigations are no more than superficial examinations of well-known facts. And consequently, many companies discover painful information only after closing that, had the investigation dug below the surface, the terms of the deal would have been significantly altered or aborted altogether.

The rapid expansion of international business makes it more important than ever for individuals and companies to know exactly with whom they are getting into business. As a minimum, due diligence should encompass qualitative and quantitative issues. Background checks of company management plus a detailed analysis of the product, market and industry should also be part of any due diligence investigation.

All too often business plans, cash flow forecasts and projections are prepared without asking the hard questions. To support these assumptions, one must “drill down” and examine the facts and figures with a fine-tooth comb. For example, a company states it will double revenues in three years. This necessitates an expansion of their production facility and warehousing capacity. Are profit projections consistent with these costs that will have to be incurred to achieve this revenue growth? A phone call to the local Chamber of Commerce, specific International Chamber of Commerce, or consulate may be the first step for an overseas investor looking to do business.

The benefits of international due diligence are exemplified by the following true story:

Investigation discovered that eight of a target company’s customers accounted for 80 percent of \$30 million in annual sales. Detailed background searches revealed that the same international parent owned three of them either directly or indirectly. Analysis of public documents and interviews from sources familiar with the parent showed the customers were financially healthy, but that the parent was undergoing major debt restructuring. The stability of the parent and, consequently, of the customer base was therefore in question. The situation was further aggravated by the threat of the increased

competition expected to follow the imminent expiry of the patent on one of the target's two products.

Qualitative due diligence conducted a life style review of the target's key officers and discovered the controller living beyond his means by using false bills of lading to deliver goods stolen from inventory to companies held in his wife's name. It was estimated that the target had lost approximately \$750,000 of inventory.

Following the presentation of the findings, the acquiring company had to assess whether these were "deal-breaker" or "pricing" issues. The acquirer concluded that the parent would survive and that the target would remain viable despite the expiry of patent rights and a decline in profitability. The \$750,000 in lost inventory could not be recovered, however, because the controller had virtually no assets and the insurance coverage was uncertain.

The acquirer concluded that the decision to purchase remained valid but the deal had to be re-priced to reflect the new information. The \$750,000 inventory overstatement reduced pre-tax earnings to \$4.25 million. The loss of patent rights forced a reduction in the purchase price to \$17 million from \$25 million. The offer was accepted and the purchase completed.

Howard Silverstone is a Principal with Kroll Lindquist Avey, which is a part of Kroll Inc. He is also President of the British-American Business Council, serving Eastern Pennsylvania, Southern New Jersey and Delaware. In reference to choosing this topic for the article, Mr. Silverstone states:

"With recent events surrounding the falsification of financial statements by large public companies, I wanted to highlight the risk members face when looking to invest in any type of company, especially from the international "unknown" perspective."

Kroll is one of the world's leading independent risk consulting firms, providing clients with forensic accounting and business valuation services, business investigations and intelligence, employee and vendor screening, corporate security and computer forensic services. Kroll has more than 60 offices and a network of staff and consultants spanning six continents.

Link to Kroll, Inc: www.krollworldwide.com.

In The Know

Greater Philadelphia In The Global Market

In the spirit of "brotherly love"... and in favor of flourishing free trade, the Greater Philadelphia Chamber of Commerce supports the efforts of various foreign chambers in our region. Some are even housed in our offices and several international business events are held at the Chamber annually.

The following are descriptions of three such organizations, their purpose and their progress. If you are interested in becoming involved in Japanese, Israeli or British-American trade, here is an overview of the region's premier groups and coalitions. For more information about other affiliates and chambers of commerce in the region, log onto www.philachamber.com.

The Japan American Society of Greater Philadelphia

The Japan American Society of Greater Philadelphia (JASGP) is devoted to fostering relationships between American and Japanese-owned businesses by promoting and encouraging a better understanding of the business, cultural and social, educational and political practices and customs of Japan and the United States.

The Society works alongside existing organizations including the Japanese Associations of Greater Philadelphia, the Japanese Languages School, Friends of the Japanese House and Garden, the Japanese American Citizens league and the Philadelphia Museum of Art. Collectively, these groups plan and execute professional and social activities, which highlight Japanese art and culture.

JASGP members gain discounted access to informative, worthwhile programs focusing on the advancement of Japan-US relations. Membership is offered to individuals, non-profit organizations and corporate citizens in the area. However, most significantly, JASGP Japanese and American corporate members are given the opportunity to build a proactive network that fosters greater mutual reliance and promotes an improved business climate.

To find out more about the Japan American Society of Greater Philadelphia, please call 215-790-3810, email jasgp@philachamber.com, or visit www.jasgp.org.

The American-Israel Chamber of Commerce

The American-Israel Chamber of Commerce (AICC), Central Atlantic* is the regional representative for the BIRD Foundation. The Bi-National Industrial Research & Development Foundation is a spin-off of the original Camp David Accords and was founded in 1978 with \$110 million endowment by Israel and the United States governments. The condition being, the AICC share the risks in research & development joint ventures of American and Israeli companies.

To date, BIRD has funded over 600 projects, which have yielded over \$7 billion in cumulative sales. Regionally, the AICC has helped facilitate grants to Air Products & Chemicals, SmithKline Beecham (now GlaxoSmithKline), DuPont (Medal), Scott Class Technologies, Premier Refractories, Stein Seal and Bectin Dickenson. Currently, Israel trails only the US and Canada in the number of businesses trading on Wall Street

To find our more about the American-Israel Chamber of Commerce, call Paula Joffe at 215-790-3722 or visit www.birdf.com.

The British-American Business Council

Since 1991, the British American Business Council (BABC) has been working to promote increased trade and investment between the UK and Eastern Pennsylvania, Southern New Jersey and Delaware. The Council facilitates social and commercial interaction for the benefit of the individual, the corporation and the Greater Philadelphia region.

BABC members have the opportunity to develop valuable contacts within the British-American business community to exchange ideas and information with a broad representation of business, trade and political dignitaries. Formed out of the need for a regional organization to support and promote British-American commerce, this non-partisan group offers comprehensive services, business information, special programs and events.



In fact, the British-American Business Council recently hosted a business lunch in the presence of His Royal Highness Prince Andrew, The Duke of York during his visit to benefit the Jubilee International Education Fund, which promotes academic excellence, character development, service and civic participation among adolescent students. The program was a great success, received wide coverage by the local media, and was attended by the region's most prominent business leaders and public officials.

For a listing of upcoming events, or to learn more about joining the British-American Business Council, visit www.babc.org/philadelphia, or call 215-790-3686.

* Southern New Jersey, Pennsylvania, Delaware, Maryland & Virginia.

*****CHAMBER COMMUNITY MEMBER OF THE MONTH*****

Ready, Willing & Able

The Doe Fund: Helping The Homeless Help Themselves

In today's society, the dividing line between the fortunate and the helpless is precariously thin. Sometimes life deals us a bad hand and instantly it seems, your income, your status, your self-confidence, your piece of mind are fleeting, far-off reminders of a life that once resembled your own. Some are simply victims of circumstance, and some are victims of dependency and abuse. In Center City especially, and throughout the region, we have become all too familiar with panhandlers and the homeless, but there are also stories to tell of individuals who finally said enough is enough—and the Doe Fund was there to hear those cries.

The Doe Fund began in Bedford-Stuyvesant, New York, and has spread to Harlem, Jersey City and Brooklyn where plans to erect a pioneering, 400-bed facility are

underway to accompany the 70-bed, Gates Avenue location. The program has experience a phenomenal 62% success rate- meaning the percentage of participants that do not return after graduating from the program.

In 1998, when Phyllis Ryan, executive director of the Philadelphia Committee to end Homelessness got a first-hand look at the Ready, Willing & Able program, she was convinced that Philadelphia needed such a program. Then in Fall 2001, after nearly three years of lobbying and planning, the Doe Fund officially opened its Philadelphia chapter on 12th & Bainbridge. The “green light” was given along with \$1.13 million dollars to get the 70-bed facility up and running, which has a computer room, lounge and dining areas.

Participants must complete a 9-18 month program where they undergo random drug tests at least twice a week, work 35 hours and get paid \$5.50 to start. While in the program, they receive vocational training, job prep classes, and life skills coaching to prepare them for the practical realities of independent living. Participants graduate once they have secured a job and a lease.

Aside from teaching and motivating the participants, administrators at the Doe Fund work to build relationships with individual employers, commonly aligned non-profits, and industry-related organizations to secure additional funds and resources that will ensure the ongoing success of the program. In preparation of their first graduating class, the Doe Fund is currently looking to match employers in the region with Ready, Willing & Able job seekers.

The Greater Philadelphia Chamber of Commerce is proud to commend the participants and administrators of the Ready, Willing & Able program—we applaud your effort, courage and determination. There are alternatives to joblessness and homelessness; this is one great example.

Visit www.doe.org, or call Alison Hirsch at 215-732-3871 ext.19 to learn more about the Doe Fund.

Virtual Opportunities at the Pennsylvania Virtual Internship & Job Fair

For Students & Young Professionals

Pennsylvania is the ideal place to work, play...raise a family, and now more than ever, is the perfect time to Stay, Invent the Future. The Pennsylvania Virtual Internship & Job Fair 2002 provides a unique opportunity for students and young professionals to post résumés online and survey a large pool of hiring companies from across the region. This is an innovative, convenient and comprehensive way to preview employment options in Pennsylvania that offers benefits for everyone.

For Employers

As an employer in Pennsylvania looking for the bright minds who will represent the future of your company, the Pennsylvania Virtual Internship/Job Fair 2002 presents you with another opportunity to advertise your available internships and jobs to thousands of prospects online. In return, you will find an impressive list of qualified students and young professionals who are eager to build a rewarding career in Pennsylvania -- all through a simple web search!

The site runs October 1, 2002 through November 22, 2002, and if you haven't registered yet, no worries—there is still time. Visit www.collegecentral.com/stayinvent for more information.

JEANNE--- CAN YOU INSERT THE STAY INVENT PA LOGO?

Shadowing Sheds Light...

Make a Lasting Impression On A Young Person's Life

This November 21st is citywide Shadowing Day—one day when area businesses and organizations invite ninth grade students from the School District of Philadelphia to visit their workplaces for firsthand exposure to their operations and industry. Shadowing Day is a great program that introduces students to the workforce and presents them with an expanded list of career options. Students will be coupled with mentors to “shadow” throughout the day. Last year more than 1,500 students and 100 businesses participated.

How Can You Help?

We need more businesses and organizations to join in our quest this year. For more information about participating in Shadowing Day, call 215-665-2453. Help enhance a young person's professional outlook!

Organizers of Shadowing Day are the Greater Philadelphia Mentoring Partnership at United Way of Southeastern Pennsylvania, the Greater Philadelphia Chamber of Commerce, Young Professionals Network and the School District of Philadelphia.

Welcoming the Chamber's New Board Chairman

At the Chamber's 202nd Annual Meeting, which was held on October 4, 2002, the membership celebrated a memorable tenure, bid farewell to a fearless leader in Judith von Seldeneck, and welcomed Harold L. Yoh III as the 2002-2003 Board Chairman for the Greater Philadelphia Chamber of Commerce.

Yoh, is Chairman & CEO of Day & Zimmermann, Inc., a managed services provider to more than 1,700 customers that operates from more than 150 locations worldwide. Some of their services include Technology Staffing, industrial Plant Maintenance &

Modification Services, Government Operations and Maintenance Services, Travel Services and more.

With more than 15 years experience in corporate management that includes strategic planning, market development, operations, finance, administration and human resources, Yoh is well versed in the ways of delivering comprehensive, packaged business services. This experience in the “for-profit” market more than prepares our new Board Chairman for the task at hand in the Chamber’s 2002-2003 fiscal year and beyond—to provide members with higher quality services and programs to improve their businesses and ultimately the Greater Philadelphia region. We look forward to another dynamic year of great leadership and cooperative advancement.

New Members

360 Degree Marketing, Inc.	Ms. Kilroy Consulting, Inc.
Action International of Phila.	Paul Green School of Rock Music
AMF Trucking	Phila. Cigar & Tobacco Co.
Arlington Capital Mortgage Company	Premier Consulting
Avanti Travel	Rambo's Ventures LLC
Avenue B/Meal Ticket, Inc.	React Environmental Services, Inc.
Bleu/Meal Ticket, Inc.	Revenue Retention
Boutell.Com, Inc.	Revenue Retention
Buffalo Billiards	Rouge Restaurant/Meal Ticket, Inc.
CDM	Sirius Partners, Inc
Claude Rolle' International, Inc.	Smart Business Advisors
Coventry First	Somerset Industries, Inc.
Dan McGinley	Splash Hair Studio
Decision Concepts	Stein Services
Dr. Bruce Lackie	Striped Bass/Meal Ticket, Inc.
East Division Crime Victims Services	Supply Marketing
Eastern Styles, Inc.	Tactix
FI- Performance Consulting	Tannenbaum & Aalok
frameWERKS	The Evans Agency
Franklin Inn Club	The Girona-Roberts Group, Inc.
Julie Carson, Consultant	The Morris Group
KnowledgeFlow, Inc.	The Widing Group
Kozole & Staudenmayer, PC	Trichys
LinuxTek, Inc.	U.S. Women's Chamber of Commerce
Luna Salon and Spa	WPCS International
Maplewood Manor	

Bulletin Board

Roy's celebrates one fantastic year filled with exotic flavors, beautiful surroundings and a warm tropical energy. Come celebrate with Roy's Philadelphia as we reflect upon the past and embark on the future. Enjoy an evening of live entertainment, exquisite cuisine & magnificent wines. For more information please call 215-988-1814, or email philadelphia@royrestaurant.com. Roy's is located at 124 S. 15th Street, Center City.

Safeway (parent company for Genaurdi's) is pleased with WPCS Installation for Safeway Incorporated. A multi-billion dollar food retailer that operates 1,750 stores throughout the United States and Canada recently outgrew the bandwidth limitations at their Network Operations Center. To remedy the problem, Safeway turned to WPCS to provide a wireless solution that would expand the bandwidth capabilities. If you're looking to expand your network operations, call WPCS International at 610-903-0400.

Interratech now offers a web-based EDI solution. *Ezi-trade* is designed to help small to medium size businesses trade with partners who require that standard business documents be sent electronically. The product offers the benefits of traditional EDI (electronic data interchange) software without the steep up-front costs of traditional EDI. Contact Interratech, Inc. by calling 856-614-5400.

Center City Office Space Available To Sub-Lease: 1600 sq. ft., open office with separate conference room, pantry and community restroom. Space located at 21st & Arch in the Mulberry Atrium Building; MS Fox Real Estate Group. For more information, contact Mary Bly at 215-496-1950 or email mbly@humanscale.com