

Growth Advisors Inc.

www.GrowthAdvisorsInc.com

When you are finished:

1. Cut & Paste your answers into the body of an email.
2. Attach your resume in MS Word using the format LastnameFirstname.doc
3. Send the email to: careers@GrowthAdvisorsInc.com

Application Survey

NOTE: There are no "right answers" to these questions so feel free to give your opinions:

1. Name three companies that you admire for growth and what they did to grow.
2. What is the biggest financial risk to avoid when introducing a new product into an existing product line?
3. Give an example of a product/service that involves all of the following: a customer, a buyer, a decision-maker, a payor and an end-user. Who would you try to sell to first and why?
4. What do you feel are the three best opportunities for growth in the U.S.?
5. How would you grow Growth Advisors Inc.?

CASE STUDY #1

What would you recommend to this client?:

Mirage Inc. was launched in 1995 with technology born in the media lab at Stanford and a \$100,000 federal grant. Its core product captures video -- say, TV channels around the world -- for owners to archive and easily access. It can search for particular faces, voices, text -- the video equivalent of typing a word search on Google's Web site, rather than thumbing through a million pages in the library.

Paul Spago, a former electrical engineer with a Wharton business degree, joined Mirage in 1996 as its fifth employee and first business guy, coming from a Silicon Valley venture group. Though

the San Jose, Calif., company wasn't an Internet operation, it nonetheless basked in the cash thrown in its vicinity.

Mr. Spago planned to expand far beyond government contracts, and by 1997 Mirage was selling to media companies. CNN, CBS and the BBC all became early customers, using the technology as curator of video from their world-wide bureaus, enabling them to mark, clip and e-mail the video at will.

But Mr. Spago saw other opportunities, and altered course. Mirage adapted its technology to be an application-service provider. Remember ASPs? They were intended to handle all information technology for their clients on the ASP's own big servers, rather than sell the software for the clients to deploy themselves.

Based on that model, and with ASP work about half its revenue, Virage went public in mid-2000. But we know what happened to tech IPOs. Its \$30 shares soon shriveled to below \$1 (trading around 75 cents now). And the utility of the ASP model proved to be oversold. Customers weren't happy.

CASE STUDY #2

What would you recommend to this client?:

Murco Companies Inc., a maker of machine tools, is extraordinarily complex for a small company. Nearly 70% of its sales are to overseas customers, made through a network of more than 300 sales agents and distributors in 35 countries. Much of its manufacturing is done in Taiwan. It must manage foreign-currency exposure just like giant multinationals.

What's more, Murco spends millions of dollars to constantly upgrade the technology that drives its metal-cutting tools. And at times it engages in drawn-out intellectual-property litigation to protect that investment from competitors.

"It's got all the big-company issues," says Michael Donaldson, chairman and chief executive officer. "But we're small."

Even in good times, that's a tough management task. And these aren't good times. Murco sold just 784 computerized machine tools in the fiscal year ended Oct. 31, 2002, at an average price of about \$71,000, down from 1,019 machine tools sold in fiscal 2001. The decline mirrors a global slump in sales of machine tools.

Tough times, however, are more perilous for the industry's small players, many of which have been bought out or simply gone out of business over the past 20 years.

Murco competes against far larger companies in the U.S., Europe and Asia, firms that can devote larger sums to research and development of new products, field bigger sales forces to cover the fragmented industries that buy machine tools, and finance themselves more efficiently.

All those costs spread across the sale of thousands of machine tools, compared with hundreds at Murco, make the business more profitable for larger competitors. Murco posted a loss of \$8.3 million for the fiscal year ended Oct. 31, 2002, as revenue fell to \$70.5 million from \$92.3 million a year earlier. The stock market values Murco at just around \$9 million.

And its bank, CitiBank, has asked Murco to start looking for another lender. "We were too small for them," Mr. Donaldson says. "They asked us to find someone in this bad market." Though CitiBank is keeping Murco's current credit arrangement in force, Murco has reduced its borrowing relationship with the bank and is in talks with other lenders. Mr. Donaldson says prospective lenders, before they replace CitiBank, want to see some profits at Murco.

Mr. Donaldson, 47 years old, came aboard as CEO in November 2001 from a bigger machine-tool maker. A lawyer by training, he fell in love with the machines that cut and shape metal, joining an industry that often precedes the economy into recession and lags behind when the economy grows again. "Once you get machine tools in your blood, it's hard to get rid of it," Mr. Donaldson says.

Murco was founded in 1968 and pioneered the use of so-called conversational controls that allow semiskilled machine-tool operators to set up a machine to cut and shape a metal part without the worker knowing a complex coding system. Murco machines are flexible, favored by smaller machine shops that make relatively few copies of a part, as opposed to larger operations that make many copies of the same part and thus don't need to rejigger a machine constantly.

"It's a much simpler machine to operate," Mr. Donaldson says.

In recent years, however, rivals have introduced easy-to-use machine-tool models. Competition has driven prices down, forcing Murco and others to slash employment and shift manufacturing overseas.

Now, with less of a clear-cut competitive advantage, Murco has posted losses for the past two years and Mr. Donaldson is asking fundamental questions about the company's approach to business.