



Prosper is pleased to introduce the next 10 most-promising companies emerging in the region, our third annual profile series. A panel of prominent VCs and financial advisers bring the spotlight to Akros Silicon, American River-PackageOne, Capitol LLC Digital Document Solutions, Composite Engineering, CoreLogic, Digital Music Group, Hansen Information Technologies, Special Order Systems, SynapSense and Volcano Corp.

By Mark Larson

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Play On, Baby Blues

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This month, Prosper magazine unveils its third annual list of 10 area companies showing the most potential, its 2007 Baby Blue Chips.

The final list of companies displaying the most promise to grow, prosper and mature was winnowed from a compilation of 32 companies nominated in our online survey by readers, local venture-capital investors we contacted and others emerging from our independent research. After reviewing all nominations, an editorial committee of four chose the top 10 companies. Eligible were public and privately held companies in the Sacramento economic region. That includes Amador, Butte, El Dorado, Nevada, Placer, Sacramento, San Joaquin, Solano, Sutter, Yolo and Yuba counties. The 20 companies that made the list over the past two years were not included in the balloting.

Here, in alphabetical order, are brief profiles of the Baby Blue Chips we'll begin examining in more detail starting in next month's Prosper:

Akros Silicon

Folsom-based Akros Silicon Inc. was founded in January 2005 by three local telecommunications chip-design specialists: J. Francois Crepin, John Camagna and Sajol Ghoshal. So far, Akros has attracted \$13 million in Silicon Valley-based venture capital, \$9 million last year and \$4 million in February.

Akros chipsets are designed for myriad electronic appliances that can be powered internally by network electricity instead of through unwieldy electrical cords. The company's first chipset design is being sampled this year by key customers. The company plans for break-even status in three years and to generate more than \$100 million in revenue by 2010.

akrossilicon.com

American River-PackageOne

American River-PackageOne Inc. is based in Sacramento and has grown from its start 6 1/2 years ago to \$40 million in revenue and 200 employees. The company is a packaging-materials and janitorial-supply distributor and has grown by making three acquisitions in the past 3 1/2 years.

Its biggest buy last year, American River Packaging, doubled the company's size. CEO Tom Kandris projects revenue to hit \$65 million to \$70 million by year-end 2007 by expanding current service contracts. For quick turnaround on orders, the company uses a WiFi-based inventory-tracking system installed at PackageOne as a pilot project by Intel to boost the chip-based online technology as useful for business automation.

packageone.com

Capitol LLC Digital Document Solutions

In 1997, Lucas Mageno founded this company in Sacramento with \$60,000. He's shifted it from a paper-based copying service to digital-imaging services or "electronic discovery" for customers wanting their documents in an electronic database. Law firms are major clients. He now has a data center in Phoenix to manage his biggest jobs from all over the country; his check-coding center is in Houston. In recent years he's opened offices in Manhattan and Washington, D.C., which account for 50 percent of company revenue.

Mageno is toying with getting some venture capital, but isn't yet convinced he should. He did \$21 million in revenue last year, \$23 million this year, and by year-end 2007 he expects to be at \$30 million. One way he's grown is through technology automation. Now with 320 employees, Mageno has led his company onto Inc. magazine's Inner City 100 list of fast-growing urban companies. Last year it ranked 28th; in 2003 it was 138th on Inc.'s list of 500 fastest-growing companies overall.

Composite Engineering

A Sacramento-based manufacturer of carbon fiber-composite products for defense and commercial industries, Composite Engineering Inc. quietly won a \$200 million contract with the U.S. Air Force in 2002 to build 50 unmanned "Skeeter" target aircraft over a seven-year period. This type of aircraft provides a flying target to sharpen the shooting skills of Air Force fighter pilots. A year ago, the local defense contractor rolled out the first production version of the sleek aircraft.

Over the next 12 months, Composite Engineering will deliver at least 48 more of the missile-sized units. And under the current contract, the company expects the Air Force will approve options to continue delivery of the aircraft through 2011. This year, at its facilities on Raley Boulevard west of McClellan Park, the company added 50 employees to bring its current work force to 211.

compositeeng.com

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CoreLogic

Founded in 1997 as C&S Marketing by college roommates Kraig Clark and Steve Shroeder, Sacramento-based CoreLogic is a smoothly growing mortgage-fraud-detection company making strides in its niche. In 2002, the pair came up with HistoryPro, software that took a large step in controlling loan market-value inaccuracies often manipulated by fraud or volatility and usually tied to loan defaults. The software's acceptance by the mortgage-banking industry fueled a growth rate in the subsequent three years of 1,650 percent to \$70 million in 2005. Since 2004, the company has grown from 89 employees to a payroll of nearly 200. Early this year, CoreLogic expanded its tech-support operations to a new center in Las Vegas.

corelogic.com

Digital Music Group

After a February public offering, the company raised \$33 million. DMG (Nasdaq: DMGI) was founded last year by brothers Peter and Mitchell Koulouris, who abandoned their initial quest to be a digital record label for various artists. DMG now has much more potential for profit, having set its sights on the oldies music niche in the massive digital music-downloading business.

The company has purchased the digital distribution rights to more than 200,000 tracks from musical artists such as Johnny Cash, Ray Charles, Roy Orbison, Louis Armstrong, Bob Marley and many others. With 24 employees in its Natomas headquarters, DMG provides digital music for public sale to online music stores, including iTunes, Yahoo Music, Rhapsody and Napster.

digitalmusicgroupinc.com

Hansen Information Technologies

Founded in 1983, the Rancho Cordova company makes software to manage government operations. In February, Hansen's majority shares were purchased by San Francisco-based equity fund Golden Gate Capital for more than \$50 million in cash and debt assumption.

In April, with its new expansion cash at the ready, Hansen bought San Francisco-based Spear Technologies Inc., a company that makes public-transportation-management software. Hansen expects to buy another company (as yet unnamed) this year, and has projected its revenue may jump from \$30 million last year to more than \$80 million this year. With the Spear acquisition, Hansen has added 55 workers, bringing the employee total to 315.

hansen.com

Special Order Systems

Gia and Lawrence McNutt opened Rocklin-based SOS in 1992 with \$20,000 of their own funds, initially selling information-technology products to the corporate market. Since then, the company has successfully integrated voice and data systems for mid-sized and small business and specializes in voice-over-internet protocol, or VOIP.

The company earlier this year reported \$8.7 million in revenue for 2005, up from \$7.5 million in 2004. Its revenue goal this year is \$12 million. SOS's business has increasingly moved toward providing services and away from equipment sales. In February, the privately held company reported hiring nine additional employees for a total of 32. SOS is no stranger to growth, having been mentioned on local fastest-growing-company lists in 1995, 1996, 1997 and 2001.

team-sos.com



SynapSense

This Folsom-based startup was formed in March by a former Intel exec, Peter Van Deventer, and a UC Davis computer science professor, Raju Pandey. The company is attempting to tap into a mushrooming demand for wireless-sensor technology — units that measure temperature, humidity, motion and atmospheric pressure and then relay the data to a computer.

In May, the company got \$2 million in funding, primarily from American River Ventures in Roseville, with \$250,000 from DFJ Frontier in West Sacramento. San Francisco-based limited partnership Nth Power added another \$500,000 investment. The burgeoning wireless-sensor industry has attracted established companies as well as startups because market figures show it's expected to produce revenue of nearly \$8 billion by 2010 from an estimated \$300 million this year.

Volcano

Rancho Cordova-based Volcano Corp., fresh from an initial public offering in June (Nasdaq: VOLC), raised \$58.2 million from sales of shares to new investors and underwriters. The company got much less from the offering than it had wanted (\$93.8 million) due to a lagging IPO market. Proceeds will be used to expand sales and marketing, repay debt of \$28.2 million and fund research and development.

Volcano makes diagnostic catheters to prevent artery ruptures by detecting plaque in heart arteries. Led by CEO R. Scott Huennekens, Volcano has 469 employees and branch offices in Atlanta, Belgium and Japan. While the company has yet to make a profit since its founding in 2000, its annual revenue from 2003 through 2005 nearly tripled to \$29.4 million.

www.volcanocorp.com

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