

The Philadelphia Inquirer

A resiliency that's born of Gestalt

William P. Loftus faced a crisis in 2001.

Two years earlier, he had sold his information technology company to Breakaway Solutions Inc., a high-flying Internet consulting firm, for \$10 million — half in cash, half in stock.

After the sale, Loftus managed most of Breakaway's divisions, and the value of his equity in the firm shot up. "At one time, I was worth over \$400 million," he said.

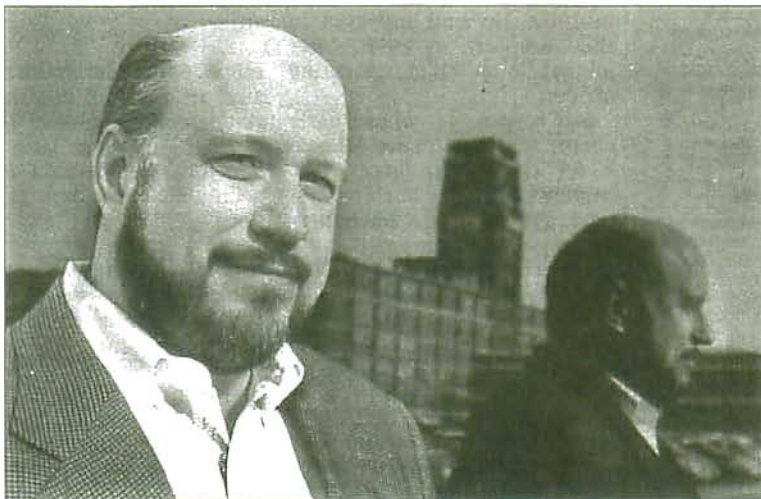


Peter Binzen
On Business

But during 2000, the Internet stock bubble burst, and things began to sour for Breakaway Solutions. "The turnaround experts picked me as CEO," said Loftus, who moved the company from Boston to Conshohocken. "I spent the next 18 months firing 900 people and closing offices."

There was no saving the business. Its stock price plummeted from more than \$150 a share to pennies. Loftus resigned just before it filed for bankruptcy in August 2001.

What would be next for the erstwhile multimillionaire? "I jumped out there and started this," he said, referring to Gestalt L.L.C., an information technology company he



BARBARA L. JOHNSTON / Inquirer Staff Photographer

In many ways, William P. Loftus is reflected in Camden, where he has based his latest IT enterprise, named Gestalt. Loftus' career, like the life of the city, once was bright, then crashed hard ... and now is vigorously rebounding.

started in Camden on Sept. 11, 2001, the day of the terrorist attacks in New York and Washington.

Loftus credited U.S. Rep. Rob Andrews for persuading him to locate in one of the nation's most woe-be-gone cities.

"He's a very compelling congressman," Loftus said of Andrews, 47, who won his ninth term in November with 78 percent of the vote in New Jersey's First District. "He convinced me to be a big fish in a small pond."

Gestalt began with \$200,000 in government contracts, Loftus said, and it has been going strong ever since. Its Pentagon contracts have led to a doubling of its revenue each year. They've risen from just under \$4 million in 2002 to \$8 million in 2003 and \$16.5 million last year.

Loftus anticipates 2005 revenue will be between \$25 million and \$30

million.

"Having a congressman as your supporter helps you win contracts," Loftus said. "It doesn't get you the contracts, which are competitively bid, but it gets you introductions, contacts."

Andrews said of Loftus: "He's a job generator and an idea generator. I wish I could clone him. If we had 50 more [Loftuses], Camden would be a healthier place."

Meanwhile, Gestalt's workforce has grown apace, from about 14 employees at its founding to more than 130 now in offices in Missouri, Virginia, Florida and Toronto, as well as Camden and King of Prussia.

And the hiring continues, including software designers, coders, software architects and software testers. "A lot of our contracts are multi-year, and we are ramping up,"

After the crash, a new beginning in Camden

Loftus said.

About 60 percent of Gestalt's revenue comes from contracts with the armed services; and about 40 percent, from utilities. Loftus described these sectors as "laggards," technologically.

The Pentagon and the utilities are alike, Loftus said, in how they buy goods and services. Both have what he termed a "a very long sales cycle," and it is hard to land that initial contract.

"But once you're in the club," Loftus said, "it's good. They typically go back to the same people."

Last year, Gestalt acquired two information technology companies focusing on utilities. One of them, BDR, in Washington, has energy-improvement contracts in Russia and China.

Critics might conclude that Gestalt's increased sales of information technology to the armed services provide evidence of wasteful spending at the Pentagon.

According to Loftus, that's not the case. "The government spends \$60 billion on IT," he said. "Our focus is on how they can spend less money. There is tremendous duplication and a lot of inefficiencies in how the military uses software. Our system can eliminate the inefficiencies and save millions of dollars."

Loftus said Gestalt uses highly sophisticated computer networks to help the armed services to communicate with one another.

"Typically, they went their own way," he said. "We're getting them to share information. It was physically impossible for them to do it before."

Tim Rudolph, a senior strategic adviser for the Air Force's

global information grid, vouched for Gestalt.

"With innovative tools and creative practices, they basically operate out of the box," Rudolph said. "Their real value lies in applying tested techniques to different problems."

Loftus said Gestalt software is now being tested for possible use in street-to-street fighting in Iraq, where close communication between the various branches is crucial.

He said he believes, however, that America's invasion of Iraq has probably hurt, rather than helped, his business. "Most of what we do involves long-term research and development," he said. "The war has taken the focus away from longer-term projects and put it on the shorter term."

In gaining Pentagon contracts, however, Gestalt has beaten out major defense companies with IT components. "We win because we're faster, more agile, and can respond in a heartbeat while they're more bureaucratic," he said.

So far, Gestalt's work has been widely hailed. It has received awards from the National Defense Industrial Association and the American Institute of Aeronautics and Astronautics, and last fall the Eastern Technology Council named it the start-up company of the year.

Gestalt is the fastest-growing of the two companies that Loftus, 41, has started in his relatively brief career as an entrepreneur.

A Philadelphia native, he graduated from Villanova University with a degree in computer science in 1985 and then spent five years with a software company in Paoli.

In November 1990, Loftus

launched an IT company in the basement of his house in Penn Valley. He called it WPL Laboratories. "We had cash flow from day one," he said.

At first, his wife, Veena, kept the books. As the company gained customers, Loftus moved to offices in Haverford. The workforce grew to about 75 people.

In 1999, Breakaway Solutions came calling, and Loftus sold WPL to the consulting firm. Breakaway completed its initial public offering at \$14 a share in October, and the stock zoomed as high as \$158 by March of the next year. But like many business-to-business e-commerce companies of that era, Breakaway's financial health suffered when the stock price collapsed.

Not one to bemoan his lost paper fortune, Loftus did his own breakaway and immediately began Gestalt. He came up with its name. "It's one of my favorite words," he said. "We get funny looks, but what you want is a name that's different."

Loftus defines *gestalt* as meaning the whole is greater than the sum of its parts. He said the company's founders included his older brother, John, who is now on Gestalt's board, and two current executives of the company, David Perme and Mark Whelan.

Last year, LLR Partners, a private equity firm in Philadelphia, invested \$10 million for a significant stake in Gestalt. "We invested because Bill Loftus is a very smart entrepreneur who knows how to build a company," said Howard Ross, an LLR partner. "He is a very charismatic leader."