

FORTUNE SMALL BUSINESS

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THE FSB 100:

AMERICA'S
FASTEST-GROWING
SMALL PUBLIC
COMPANIES

CHARLES & COLVARD
#39

What does it take to catapult your company onto the FSB 100? Innovation and persistence, of course. But this year it also helped if you worked in industrial manufacturing. Although conventional wisdom holds that U.S. factories are trapped in a death spiral thanks to cheap overseas labor, a quarter of our fast-growth all-stars are finding creative ways to thrive in the bent-metal sector, up from 3 percent in 2003.

Another 21 companies are building profitable niches in health care, selling everything from new drugs to remote patient monitors. Tech plays round out the top three categories, with 18 companies providing a smorgasbord of software and semiconductor products...

As in past years, we asked Zacks Investment Research to comb through SEC data to seek fast-growth public companies with annual revenues of less than \$200 million and a stock price greater than \$1. We ranked our speed demons based on growth in earnings, revenue and stock performance over three years. (Banking, real

estate and adult-entertainment firms were excluded.)

Our methodology favors businesses with a track record of solid performance. "You'll get some younger companies if you use one-year numbers," says Eric Ende, a fund manager at First Pacific Advisors in Los Angeles. "But you'll also get more flashes in the pan."

That said, the FSB 100 represents a risky bet by Wall Street standards. The stocks on last year's list underperformed the market, rising 14 percent over the past 12 months, compared with 19 percent for the Russell 2000 stock index. This year, most have market caps of less than \$500 million, and all 100 are thinly traded compared with the Fortune 500...

What can owners of smaller companies learn from the FSB 100?...

The main lesson? Every company on it was once a small business, and the seeds for its success usually were sown when it was the size of the outfit you're running today.

--Richard McGill Murphy

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CHARLES & COLVARD

Rank: 39 (Previous rank: 54)

Get quote: CTHR

Industry: Consumer

CEO: Robert S. Thomas, CEO & Chairman

Headquarters: Morrisville, NC

Employees: 58

Analysis:

Diamonds may be a girl's best friend, but this company makes and distributes a much more affordable acquaintance, moissanite. Originally found in a meteor crater, this lab-created crystal is more brilliant than diamond. No one will ever know you bought those dazzling stones at JCPenney or Kohl's, two of the numerous retail sellers of moissanite jewelry.

Financials

Revenue (millions, 2006) \$40.7

Revenue growth (3-year annualized) 39.87%

Annual net income (millions, 2006) \$6.1

Earnings per share growth (3-year annualized) 58.63%

Return for investors (3-year annualized) 36.86%

Source: Zacks;

Company information Source: CNNMoney.com

Top 25 by revenue growth

Rank	Company	Revenue growth (3-yr. annualized)	Rank	Company	Revenue growth (3-yr. annualized)
1	Arena Resources	164.2%	13	Palomar Medical Technologies	50.5%
2	Delta Petroleum	91.5%	14	Jupitermedia	50.1%
3	Smith Micro Software	88.7%	15	Somanetics	48.0%
4	Home Solutions of America	81.5%	16	Vaalco Energy	47.8%
5	Perficient	77.0%	17	Bolt Technology	46.7%
6	Edge Petroleum	67.8%	18	Providence Service	46.5%
7	Sonic Solutions	60.4%	19	United Therapeutics	45.5%
8	Astronics	54.8%	20	Parallel Petroleum	44.6%
9	Goodrich Petroleum	53.7%	21	Parlux Fragrances	41.1%
10	Dawson Geophysical	53.0%	22	Dynamic Materials	40.5%
11	Vasco Data Security International	52.2%	23	Charles & Colvard	39.9%
12	Lifecell	51.6%	24	Vital Images	39.1%