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# All in the family: An underground success story

**Gaines & Company Inc.**, an underground utility contracting firm in Reisterstown, has a distinguished heritage.

The company was founded just over 50 years ago by W. Lee Gaines Sr. His father, Myrton Gaines, had established a utility contracting firm in the 1940s. Lee Sr.'s college career at Cornell was interrupted by the war, where he served as a bomber pilot in the Army Air Corps.



By Neil R.G. Young

After the war he attended Johns Hopkins. When his father died in 1948, he went to work for his father's partner, Gordon Bautz, while he continued his education at night. In 1954, he decided to go out on his own.

"It was a different world in 1954," says W. Lee Gaines Jr., the company's current president and chief executive. "The post-WWII economy was booming and new communities were popping up all over the state. Gaines and Co. played a significant role in building the infrastructure of the state of Maryland and particularly Baltimore County."

Gaines & Co. got its first job in Cumberland and subsequently in Annapolis. They were all public jobs, extending the sewer lines for the rapidly growing neighborhoods that were springing up all over Maryland. After a year Gaines became "pre-qualified" to do work in Baltimore County, their home base. In the 1950s and 1960s, large subdivisions were rapidly coming on line. "It was like an assembly line back then," Gaines explains.

Lee Jr. hadn't made a lot of plans about what he was going to do. It was assumed he'd go into the underground utility business like his father. Every summer, he and his younger brother, Myrt, worked on projects, learning how to lay pipe. When he graduated from Yale University in 1973, he came on board — right in the beginning of one of the roughest recessions since the Great Depression. Business ground almost to a halt, and the company went from 35 employees to 10.

"With runaway inflation and soaring interest rates, people just weren't building," Lee Jr. recalls. "We had to scramble to get what little work there was."

In spite of the slowdown, Lee had no doubts about going into the family business.

"To me, the attraction was the chance that some day, I might own my own company," he says.

Less than two years after joining the family business, Gaines & Co. faced a serious crisis: Lee Sr. suf-

fered a massive heart attack and had to be hospitalized.

"We didn't have cell phones back then," Lee Jr. recalls. "My wife drove out to the job site to tell me what had happened. Dad had a very tough recovery, and I took over day-to-day operations. When dad came back, our management became a kind of partnership."

After more medical problems, a formal succession plan was initiated. Lee Sr. slowly phased out of the business and soon Lee found himself running the business with his brother, Myrt.

"I guess Myrt and I became the de facto management team for the company," Lee explains. "I ran the company on the inside, while Myrt stayed outside, running operations."

From then on, Gaines & Co. grew slowly and steadily. While there were bumps in the road, the company continued to progress. Lee and Myrt were cautious, always careful never to expand too quickly or take on a lot of debt.

"We never bought equipment unless we really needed it," Lee says. "This really helped during slow times."

The early 1980s saw interest rates begin to drop while the economy began to improve, and people started buying houses again. Developers began making plans, and Gaines & Co. started taking on more business. Lee feels the income tax cuts in the early '80s also helped fuel the growth in the economy.

Today, Gaines & Co. employs more than 130 people in two states. Lee proudly points out that the editors of *Engineers News Record*, a respected publication in the construction industry, recently rated Gaines & Co. as Maryland's No. 1 underground utility contractor.

For the two brothers, the job of keeping over 100 employees working steadily in the field takes a lot of organizational skill.

"We have to keep a large back log of work," Lee explains. "It's really a guessing game; getting jobs approved and then scheduling our people. We're like the airlines; often we have to overbook to make sure people are working all the time."

When a new area is developed, the underground utility contractors are third in line. First the land has to be cleared and then graded.

"If we can get to a site, though, we can dig it, even in the middle of winter," Lee says. "We're dependent on the other contractors, though, to get the site ready for us."

By the mid-1990s, Lee and Myrt began to think about expansion.

"We felt that in Maryland we were taking a bigger bite out of the same piece of pie," Lee explains.

"Development in Howard County was slowing down, and so was Baltimore County. On top of that, the state was buying up land so that it couldn't be developed. We'd seen other contractors suffer because they'd limited their market area."

Lee and Myrt weren't anxious to go into Northern Virginia, as that area had gone into a boom and bust cycle. However, they researched the booming Triangle region in North Carolina. It was just a five-hour drive from Baltimore. They studied the opportunity carefully, and in the fall of 1998, they opened an office in Raleigh. They bid several jobs and got a nice contract for a new subdivision. While they were able to get a lot of work in Raleigh, they were surprised to learn how difficult it was to get paid by the owners and other contractors. "I guess it's never as easy as people say," Lee says, smiling.

However, the Gaines brothers feel it's worth supporting the operation in North Carolina.

They recently promoted a cousin, David Gaines, a Princeton graduate and former Marine Corps major, to manage the North Carolina office and the 30 employees they have down there. They hope that eventually the two branches will be independent. Lee and Myrt feel that the different business cycles in the two regions may spread out their footprint if there's a downturn in one area.

As Lee approaches his mid 50s, he and his brother, Myrt, are beginning to think of a succession strategy. Both brothers have sons in the business and it's their hope that with proper training and mentoring, Gaines & Co. will be successful for another 50 years.

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