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Oral History of Douglas Altenbern

Interviewed by:
Burton Grad

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Doug Altenbern

Conducted by Software Industry Special Interest Group

Abstract: Doug Altenbern was a pioneer in the computer service bureau industry. After he was worked in marketing and then in sales departments with Plough Incorporated, Doug moved into data processing when IBM presented the opportunity to attend their programming school as a result of his taking IBM's Programmer Aptitude Test. It didn't take Doug long to figure out that this is where his life's work would be most enjoyable and rewarding. He had taken typing in high school and his keyboarding skills served him well in both the Air Force and later as a coder. Through a series of fortunate moves, ultimately Doug became a top manager of a computer service bureau and owned his own successful service bureau, Endata, in Nashville, Tennessee. Doug continues to be involved as an advisor in the computer field as well as a board member of many public and private enterprises. He and his wife, Dee, travel extensively, and he's the proud father of three, two of whom are physicians, and a grandson, Doug III, known as "The Computer Guy" in Nashville.

Burton Grad: This interview is part of the Oral History Project of the Software Industry Special Interest Group, which is affiliated with the Computer History Museum of Mountain View, California. This interview is being conducted by telephone on April 20, 2010 using the facilities of FreeConference.com, which is recording the interview. I am Burt Grad, and I'm located in Westport, Connecticut, and the interviewee is Doug Altenbern, who is in Nashville, Tennessee. Doug, thanks for participating in this project. We'll start by asking you to talk a bit about your family background and your education. Where were you born? Where were your parents? Please give us some of the background?

Background and Education

Doug Altenbern: All right, Burt. I was born in the South Side of Chicago, in a little town called Midlothian, Illinois, in 1936. I think Midlothian is a Scottish term. Then we moved at age five, my family did, to Deerfield, Illinois—which is just a suburb on the North Side of Chicago. This was during World War II, and my dad worked for a company that was actually in Wisconsin, and eventually that drew us to move to Wisconsin, to a place called Fox Point, which is a northern suburb of Milwaukee, so he could be closer to this plant as he moved more into management and less into a field sales kind of situation.

Grad: Go ahead.

Altenbern: When we were in Wisconsin, my father found another gentleman in Memphis, Tennessee, and between the two of them they worked out a plan to buy my dad's business, where he was vice president of sales at that time, and relocated that plant in its entirety from Milwaukee, Wisconsin, to Memphis, Tennessee. The plant itself was located in Northern Mississippi but the offices of the company were in Memphis, and we moved to Memphis when I was 15 years old, and I began the process of becoming a Southerner.

Grad: It must have been 1951 or so by the time you got there?

Altenbern: That's exactly right. And I graduated from high school in 1954 from a public school in a little suburb of Memphis called Germantown, Tennessee. This was in an era when they did not have advisors or consultants or counselors or anything else in little old country high schools, because there were a total of 35 students in my graduating class. But I knew what I wanted to be. I wanted to build buildings, or design buildings. And I discussed this with my English teacher, who was the closest thing we had to an advisor. She said, "Well, you want to be a civil engineer." So I applied to several engineering-type universities. Strangely enough, Massachusetts Institute of Technology (MIT) accepted me, because they probably didn't have any other student from Tennessee.

Grad: Let me back up just a minute before you continue with that part of the story. Let's go back to your growing-up period. Were you involved—were you doing technical things? Did you like building things? What were some of your hobbies when you were in high school?

Altenbern: Well, I played all the various athletic programs. I played football and basketball. We had a very tough regimen there at that little school. The way you made any of the teams was to agree to dress out—to put on a uniform, in other words.

Grad: It was a small school.

Altenbern: Right. But anyway, I enjoyed that. I did like scientific, mathematical kinds of things. I was active in the Drama Club. We had very few of those kind of organizations really in this little school. It was just basically boy activities and doing things with your friends and so forth, but it was a fairly unstructured environment outside of the regular academic program of the school.

Grad: Let me ask a different question. You moved at 15 years old from Wisconsin to Tennessee. Was that much of a change or challenge for you?

Altenbern: Well, I was so traumatized by the thought of moving when my father announced it to the family that I actually offered to live with friends and stay in Wisconsin rather than move with my family to Tennessee. That's how much I looked forward to it. It took me probably two weeks to decide it really wasn't a bad idea at all. First, all the girls in Tennessee just wanted to come up and be next to me and ask me to talk to them, because they thought I talked so funny. Well anyway, I anticipated a very traumatic thing, and I've since learned in life that teenagers think relocation is the worst thing, and they're probably the ones that find it the most easy to handle, and it's actually probably mothers who are at the greatest disadvantage in something like that. But anyway, I thought it was going to be bad, but it wasn't.

Grad: Did your family find that transition a difficult one?

Altenbern: I don't think it was particularly, because of the opportunity that this presented for my father to actually have an ownership in the company that he was a part of, and to look forward to the challenges that meant. I didn't feel like it was a problem.

Grad: What kind of business was it that your father was in?

Altenbern: He was manufacturing household mops—wet mops and dust mops. Then they expanded into ironing board pads and covers. So it was a housewares manufacturing business that they had. And like many other things, you find someone has to do that.

Grad: Now let's bring you back to your planning going to college and so forth. Did you have any interest in going to work for your father's business?

Altenbern: I think down deep I did. He and I never discussed it together, but I think I did. I say that because, as we'll talk later about college, it sort of ties into the fact that it may have been in the back of my mind, but not in the back of his mind. About the time I was getting out of college, he and his partner sold the business to somebody. And so that opportunity never presented itself. But although I started college in an engineering environment, I decided I really wanted to go into business somewhere. And there were two possibilities: one was possibly with my father, and then another—I had a girl that I dated quite a long time in college, and her father had a very successful business, and it occurred to me that he might invite me to go to work with him. But neither of these things happened. I didn't even end up with that girl.

Right School. Wrong Major

Grad: Let's go back. You were accepted at MIT. You were obviously accepted at some other schools?

Altenbern: Yes, and Georgia Tech is where I finally decided to go. I think I also looked at Rensselaer Polytechnic and I ended up going to Georgia Tech.

Grad: That's interesting. Why? Those other two schools were certainly more prominent schools, from a general standpoint.

Altenbern: Well, to tell you the truth, it would be an embarrassing thing for me to say, but I guess I can just go ahead and embarrass myself.

Grad: Why not?

Altenbern: I had a sweetheart in Memphis named Audrey, and Audrey's father worked for Delta Airlines. Actually, he worked for C&S Airlines—Chicago and Southern is what that acronym stood for—and about the time we were graduating from high school, C&S merged with Delta Airlines, and he was told that he could stay with the company, but only if he moved to Atlanta. So he moved to Atlanta in the spring of our senior year, as did my sweetheart. So this greatly influenced my decision on which of these schools to select. Any man would have made a similar decision.

Grad: I'm impressed with the business acumen and the skill that you brought to the decision as to what college to go to.

Altenbern: Thank you.

Grad: Okay, so now you decided to go to Georgia Tech. Did you say you were going to major in civil engineering? Is that what you decided to do when you went there?

Altenbern: I did, yes, because I thought I was going to build those buildings.

Grad: How long were you in that department?

Altenbern: Well, the freshman year at Georgia Tech is basically the same for almost everybody. You take all the first year courses—a language, and geometry and trigonometry, and I've forgotten what all, a lot of lab work.

Grad: You took an initial calculus course probably.

Altenbern: Right, all those kinds of things, exactly. Beginning in my sophomore year, we began to have some courses that focus on your field of major study. And I finally found out

what civil engineers did, which much to my surprise was, they build highways and sewers. And I said, "This is not what I want to do." I concluded, after being more sophisticated now and joining a fraternity and having friends and so forth, that what I really wanted to be was an architect. I went and inquired at the School of Architecture if I could transfer, and they said, "Our School of Architecture fills before the freshman class arrives, and we never have any openings through graduation, so there's no way you could transfer to the School of Architecture," even though I had quite good grades. I ended up saying, "Well, I don't want to be a civil engineer, and I might go in business with my dad anyway, so I think I'm going to study business." My dad's business was small, and his ownership position was not the major ownership position. He was not a wealthy man, and it was a struggle to send me to college. Georgia Tech was more expensive, and living there was more expensive, and they didn't really have a very good business program at that time. They were a good engineering school. I decided to go someplace closer to home and less expensive, and maybe where I could get a partial scholarship, and I ended up going to the University of Mississippi to finish my undergraduate degree with a business degree, a BBA degree, from the University of Mississippi. This was only 80 miles from my home.

Grad: Did you commute to there?

Altenbern: No, no. I lived on campus. But it was convenient to go home on weekends and things like that, and like I say, we got a small amount of financial help—things of that sort.

Grad: So you finished your sophomore year at Georgia Tech and then switched?

Altenbern: Actually, halfway through my sophomore year at Georgia Tech is when I switched. The disappointing aspect of that move was because I had good grades, when I went down to Ole Miss to register, they said, "Well, you surely don't want to lose all these fine credits you've got, so we're going to take this mechanical drawing class, and we'll substitute that for psychology. And we'll take this something or other, and we'll substitute that for literature," and so forth. They transferred 100 percent of my hours at full credit, but it eliminated from my college education all of the kind of artsy, literature, history—all of those kinds of things that most people get a touch of in college, but I never did. Everything I ever studied in college was either engineering or business, except when I studied *Moby Dick* as a freshman at Georgia Tech.

Grad: Well, this is the same experience as I had. I went to RPI, to Rensselaer, and it was a pure engineering school at the time, and I felt I missed out since I never did get any real liberal arts courses, period. I got either business courses or engineering courses, and I've always felt that that was a loss. You make up for it later on if you get a chance, but you miss that.

Altenbern: That's correct. And another interesting thing, just as a side note, the year I started Georgia Tech was the first year that Georgia Tech allowed female students. Now, this was a state university that was an all-male university through 1954. And in 1954, the freshman class had only seven females; that's just an interesting side note on how things have changed so much over the years.

Grad: I went to RPI in 1945, and that was the first year they ever had any women students at that school. So it took Georgia Tech a few years longer to open the doors. Did you enjoy your college experience?

Altenbern: Oh yes, I had a good time. I probably enjoyed it a little too much. I had a strong social life. I had a very strong fraternity life. I was involved in a fraternity, and was the number three officer in our fraternity, and just had a great time in college. And I did learn something, but I could have done more—I could have done even better than I did had I worked a little bit harder at the academic side.

Grad: Did you continue any of your athletic activities while you were in college?

Altenbern: Only on an inter-fraternity basis, not on a university basis.

Grad: Both of them were big universities.

Altenbern: Big athletic schools.

Early Career Move and Military Experience

Grad: And-they had scholarships for the athletes, for sure. Somewhere in your senior year or somewhere along there, you decided you better go look for a job, I assume.

Altenbern: That's true. Actually, I think it was between my junior and senior year. I think that's right. I went to work for Plough Incorporated.

Grad: Are they in Memphis?

Altenbern: They're in Memphis. And it was an independent company. It was mostly a drug manufacturer of over-the-counter drugs, not pharmaceutical drugs. They were beginning to dip their toe into pharmaceuticals at the time and doing a little bit more of it than they had in the past. And some years later, after I had left Plough, they merged into Schering Pharmaceutical,

and that company today is still known and listed on the New York Stock Exchange: Schering-Plough.

Grad: But they were acquired by Merck very recently, I believe. So you did go to work. What were you doing there that summer?

Altenbern: During the summer between my junior and senior year, I basically was sort of traveling with a subgroup of like guys, six or seven of us, who went around to some different markets to help promote Coppertone suntan lotion, and to do a lot of surveying from the marketing department's perspective on how much of our merchandise did we find, how much of our competitors' merchandise was there, how many bottles of various products did they and we have on display. And at the same time if we found a drugstore or something that didn't have our product, we'd try to encourage them to do so. So we were compiling statistics and promoting the product sort of simultaneously in a few different markets that summer.

Grad: Let me ask a different question. When you were at Ole Miss, and you were taking your courses, did you focus on any particular aspect of business? Did you focus on accounting, or on marketing, or any specific area?

Altenbern: Actually, I focused on production management.

Grad: So marketing was a little off that track, in that sense.

Altenbern: It was. I probably chose production management because of my bent toward engineering and I thought it would be a little more technical than just general business.

Grad: Were there particular courses while you were in college that really turned you on, or you really felt special about?

Altenbern: I'd say more the mathematics and science than literature and other things. As I said, I didn't have a lot of exposure to those other things. I think I liked mathematics and science more than business law, or accounting.

Grad: So now you spent that summer working at Plough. Did you decide then to apply to them for a permanent job, or how did you go about getting a job?

Altenbern: That next winter and springtime rolled around and I approached them to see if there might be a full-time opportunity with them when I got out of school, and indeed they

offered me a job as a management trainee, they called it, and I could come to work for them in that role.

Grad: You graduated in June of 1958, I would guess, then.

Altenbern: Yes. May or June. I can't remember exactly.

Grad: And then you started to work right away with them?

Altenbern: I started to work right away, but that work had to be interrupted, and I knew that, and everyone knew that, because this was a time of military service requirement. I had not served any obligation, had student deferrals all through college, and my time and my number were up. So shortly after graduation from college, in addition to accepting this job—in fact, I think I need to go back and correct myself in saying this, Burt. I think the first job they offered me was another temporary job working at least through the summer, and working again in the marketing department and helping them, but going out on my own doing some of the similar things to what I did; but they said, "We want you to go off and measure shelves and promote product and so forth, but we also may want you to go to some cities and investigate and do some research on some of our other products." They did that, and I think the reason they didn't offer me a full-time job was they knew I had this military thing ahead of me.

 In the summer of 1958, probably June sometime, I went to work for them, and I left home in my car, getting 8 cents a mile, or whatever we got back then, and I started driving around the country, and I didn't get home for 11 weeks. I went to places like Philadelphia and Cleveland, and up the Jersey Shore, and Washington, D.C., and Baltimore—basically up East. I often wouldn't know what my assignment was till the end of one week, and they'd say, "Next week, we'd like you to hop over to Pittsburgh and do this or that." And I would do it. I came home in September or something like that, and whenever that was, that's when I went ahead and served my six months—because I had signed up shortly after graduating from college to go into this Air Force program, where you can serve six months of active duty, and seven and a half years of reserve duty. I had signed up for that, so when I finished my 11 or 12 or however many weeks—because I was on the road 11 weeks, but I think I came back to the offices for two or three weeks and sort of summarized and cleaned things up—then I went off to Basic Training at Lackland Air Force Base in San Antonio, Texas. I thought I had less chance of being killed in the Air Force than I did in the Army or the Marines. So I went to them before they came to me.

Grad: Well, there was no active war at that point in time though, in 1958, if I remember correctly.

Altenbern: Right. We were between Korea and Vietnam.

"It really is good to be able to type."

Grad: Did you do anything unusual in the Air Force that's relevant for the future, or that was very special for you?

Altenbern: No, it was pretty routine. An interesting sideline that determined my illustrious Air Force career was that in my senior year of high school, I was valedictorian of our small high school class, but in addition to my regular workload, I said, "It really is good to be able to type." No guys ever learned how to type, but it would be a handy thing to have. Just as an additional opportunity, about 20 girls and I took typing,   So I had keyboard skills early on. When I got in the Air Force and I transferred out of Basic Training back to my base at the 445th Troop Carrier Wing in Memphis (I got to finish my six months in Memphis), they said, "Can anyone around here type?" And so I became a clerk typist for the remainder of my six months of active duty, and basically helped in various administrative roles; even in all those years in the Air Force Reserves, I basically worked in base operations as a clerk.

Grad: So were you in the Reserve all those years in the Memphis area then?

Altenbern: No. After I left Memphis and went to Atlanta, the 445th Troop Carrier Wing that I was a part of had an Atlanta and Memphis wing. They had those two cities together. I continued to be a part of that same wing when I moved to Atlanta for a year or so.

Grad: Let's move ahead. Now, did Plough give you a permanent offer before you went for your Air Force duty, or is that something you had to negotiate while you were in the Air Force?

Altenbern: I think I negotiated while I was in the Air Force. But remember, I was gone for Basic Training for two or three months, something like that—so shortly after the first of the year, I came back to Memphis to finish my six months' duty. It was easy and convenient for me to then begin meeting with Plough and other potential employers, trying to find an opportunity for permanent employment. Sometime that spring, they offered me a position in their management training program. I don't know that it was a highly structured program. I think it was more of an agreement on management's part that, "Every year we probably ought to hire a couple of young guys to come to work for us and shift them around between departments if we think they've got a lot of potential, and see where they fit in and what they can do, and see if they're someone that we can move on up in the organization ultimately." So I was given that opportunity sometime in the spring of 1959.

Marketing first, then Sales

Grad: Just briefly, what were your initial assignments when you were with there? You started in working in marketing when you went to Plough then?

Altenbern: Right. I worked in the marketing department, and I liked that very much. It really was marketing, and the director of marketing and I would go to, oh, maybe 10 medical shows a year, pediatric conferences and general practice conferences, and the American Nursing Association's annual meeting and so forth, and we would actually set up an exhibit booth and discuss our various products with doctors and nurses and people that would come by our booth, and hoped that they'd recommend them, try them, explained to them why they were advantageous over other options, and so forth. I also did some survey work and summary of results and things like that, and I guess I stayed in the marketing department probably a year or so, I'm not exactly sure, doing those kinds of things.

Grad: What do you switch to next?

Altenbern: Next, the sales department took me on because they needed someone who was good with numbers, and so I became a sales statistician.

Grad: So you weren't in the selling role?

Altenbern: No. I was at an inside desk office job, and basically I helped analyze product sales and determine what was selling, where it was selling, how it was being ordered, what deals were popular. I had wonderful opportunities in that job to meet with the entire senior management of the company, including the president of the company, for a week or so every quarter, where they went through every product and decided how they wanted to promote it, did they want to discount this, would they want to offer a special deal if a drugstore bought at least a gross of something else, and I was there as the number cruncher. They'd say, "Well, if we did so and so, so and so, so and so, what would the gross margin be on that deal?" and I would use the Friden calculator or something else, and try to come up with a number for them. This let me see how senior management worked as a very young man, and it was great fun. I just loved it.

Grad: What tools did you do to do the statistical analysis? What kind of equipment did you have?

Altenbern: Very limited. I don't even know if I had a calculator. I had a Comptometer. You remember what that was?

Grad: I remember the Comptometer.

Altenbern: It was this big fancy adding machine, and the way you multiplied on the Comptometer was you add a number—if the unit's digit was an 8, you put that number in eight times, and then if the next digit was a 3, you'd add a zero to it and put that in three times. I mean, that's how you multiplied. I can't remember how in the world we divided. But anyway, it was really limited. So I did a lot of pencil pushing. I mean, this was an age of very few tools.

Grad: Did you have any electronic calculators? Did you use any programming of any sort at that point? Any computer tools, nothing?

Altenbern: No, I didn't. The company at that time had a RAMAC 305 computer back in the bowels of the warehouse in a private, air-conditioned and humidity-controlled room, and that was their first computer. And I didn't know much about it, and they didn't know much about it except it could do billing and it could do inventory status and maybe it could do payroll. But it was not used as a general tool to help in any hands-on, single problem-solving thing. It was basically just a mass production tool of repetitive work, over and over again.

Grad: So you weren't using any of those computer tools or anything of that sort to help you in your statistical analysis work.

Altenbern: None at all, no.

Grad: And you had taken statistics when you were at Georgia Tech or at Ole Miss?

Altenbern: Yes, I did.

Grad: So you had some skills in that area.

Altenbern: Right.

Grad: This is a very sharp contrast from your marketing assignment, where you're basically in the field, you're talking to either the doctors or nurses or you're talking to the stores and all of a sudden, you're on the inside, and you're working with management to help provide the information they need to be able to make decisions. Did you find that transition a tricky one or difficult one?

Altenbern: No, because remember, I was not there as a member of the management team. I was there as a tool. I was their tool, to help them make decisions.

Grad: But my question is a different one. In the other assignments, you were very external, extroverted, outside with people. Here you're now on an internal thing. You're not traveling. You're in-house. I was wondering if that made much difference, or if you said, "Hey, I like one," or "I don't like the one," that sort of thing.

Altenbern: I liked them both. I didn't feel uncomfortable with either one, even though there was quite a contrast to it.

Grad: That was the point, because sometimes people say, "Whoops, this is really what I want to do," or "Oops, this is what I don't want to do," and it was either.

Altenbern: Well, "oops" is coming. .

Grad: Oh, that's later. But as of right now, there was no dramatic change in those two things then.

Altenbern: No.

Grad: That's an interesting experience that you had, by seeing the management decision process, and how they debated and discussed, and how the information was used. It had to be terrific training for someone quite young.

Altenbern: Oh, it was. It was just wonderful.

Enter the world of Programming!

Grad: So you stayed about a year in marketing, and then you went over to sales to do statistical work. What happens next?

Altenbern: I stayed there about a year. They said, "Now we'd like you to go into our internal auditing department," which I didn't know a lot about, but it didn't sound very exciting to me. I was shortly, within two or three weeks, going to go into internal auditing, and serve however much time they wanted me there. Right about that time is when the company ordered an IBM 1401 programmable computer. The RAMAC 305 was sort of programmable, but it basically was a wired board kind of process, or with some very basic instructions that could be put together, and it used tab equipment for its input and its output, if you're familiar with that term.

Grad: Oh yes, absolutely. I worked with all these machines, Doug.

Altenbern: Anyway, IBM said, "But you've got to have some programmers. Some people have to write instructions for these machines to perform, and your instructions have got to be unique to your company, because you've got a unique company." After IBM convinced them they needed some programmers, IBM said, "Maybe you've got some people that potentially could do this work." They offered the Programmer Aptitude Test to maybe 10 or 12 guys from lower-middle management. Well, this was just duck soup for me. I mean, that was right down my alley. So IBM came back and said, "Well, you've got at least this one guy who looks like he could be a great programmer. You ought to offer him a job to go into programming," and they did. I said, "Well sure, I'd love to try that computer stuff. It sounds exciting." But I knew nothing about computing or computers at that time. So my third rotation then was to take on this job as one of two programmers in the data processing department at Plough Incorporated, and that was my next step.

Grad: Who was the other person? Do you remember? You said there were two.

Altenbern: Lester Smith, who we called Smitty, and he actually came with some experience. I don't know how much, but he had programmed the 1401 for someone else before he came. So he was the experienced programmer and I was the new guy, and that was the programming department. We had a data processing manager, and we had an operations manager getting the work out, but neither of them were programmers.

Grad: What are we up to now, 1961?

Altenbern: That sounds about right, yes. That probably is right—1961 sometime. What was interesting is that to become a programmer at that time, at least in my world, IBM would conduct a class in St. Louis, Missouri, for two weeks of programming school. They put me on a train and sent me to St. Louis, and I went to programming school for two weeks. I loved it, it was fun. And at that point, they send you home and say, "You're now a programmer. Here's a coding pad, and here's a manual for the language, Autocoder, and you can start writing instructions for your computer."

Family Guy

Grad: I'm going to interrupt you for a bit. Were you married by then?

Altenbern: I was married, yes.

Grad: Tell me when you got married.

Altenbern: Right after I finished my military service and began to work for Plough—in fact, I had just started for Plough in May or June of 1959—and I had dated this girl my senior year in college, and she actually moved to Memphis to become a schoolteacher and had an apartment there, and she and I had dated all through this time. We decided to go ahead and get married now that we were settling into the real world. We got married in June of 1959, and I really had to plead with management to give me enough time to take a short two- or three-day honeymoon, because I had not been there long enough to get any kind of vacation time. "What are you talking about? You want some time off? You just started." But they let me have a couple of days off for a honeymoon.

Grad: And your wife's name, for the record?

Altenbern: Her name is Dee. She was Dee Phillips from Yazoo City, Mississippi. So I married this girl, who had never left the same home that she went to when she came home from the hospital. Her father was a planter, raised cotton and soybeans and things of that sort, and I took her off to the big city of Memphis.

Grad: I can see how that would make a change for her. Okay, you're married, and just to finish up on this subject, did you have children fairly soon thereafter?

Altenbern: About as fast as you can. So the next spring, we had our first son born, in 1960.

Grad: His name?

Altenbern: Doug Junior.

Grad: Oh, I see. And then?

Altenbern: Are we going to go through my family?

Grad: Yes, just do family for a little bit.

Altenbern: All right. Back in those days, this was before the advent of the birth control pill, so in the spring of 1962, we had our second son, Phillip. Then sometime in this era, they invented the birth control pill, so we went for four or five years without a child. But then when Phillip was about ready to go to first grade, I thought, "I really would like to have a daughter." And somehow, in a moment of weakness, I convinced my wife that maybe we ought to think seriously about that, and she stopped taking the pill, and it didn't take us long to have another child. Fortunately for her I guess, that was our daughter. She was born in 1968.

Grad:　　　And her name?

Altenbern:　　And her name is Anne.

Plough-ing Through

Grad:　　　We can come back later to family stuff, but I just wanted to get that down for the record. Okay, we'll go back to your programming.　You had your two weeks of training, and you've come back to Plough, and you've got Lester Smith to work with. Now what happens?

Altenbern:　　Well, we start writing code. The data processing manager was Dub Jacobs. He says, "Doug, here's what I'd like you to do. You should write our payroll system." And so my first job was to write a payroll system for Plough Incorporated.

Grad:　　　Had they been doing the payroll with punch cards before, or had they been using a service bureau?

Altenbern:　　I suspect they were doing punch cards. I'm pretty sure they were doing it with punch cards. So they could tell me pretty clearly what they needed to have done, "Here are the various deductions, and here's the tax tables, and here's how we get them updated," and so forth. You just make the instructions work. They knew what the inputs were and they knew what the outputs were. I just had to design the system to work and do the updates, and this was not a disk-based system. This was a tape drive era for many applications.

Grad:　　　I don't think that IBM had any big disk with the 1401, particularly. You could get one later on, but they didn't at the beginning, for sure. Were you using somebody's machine off-site?

Altenbern:　　That's right. Union Planters National Bank, one of the larger banks in Memphis, had not only ordered but had taken delivery of their 1401 about the time we ordered our machine and were actually beginning to use it in production. So IBM helped us work out an arrangement with Union Planners that on Saturday nights we could go in, like from eight to midnight, and use their computer, and compile and test programs. So that's what we did on the weekends.

Grad:　　　I'm going to move you a little faster through some of these, because I want to get to when you start your own business. But you continued to work for Plough doing programming. I gather from the notes you gave me that this was a real joy for you. Is that correct?

Altenbern: Yes. I loved it. In fact, because I liked programming so much, I became convinced quickly that I needed to spend the rest of my life in computers and programming and data processing. I mean, it was not only fun, but it was easy. Maybe because it was easy, it was fun. I don't know which was which. But I just really liked it, and I couldn't wait to get to work and start writing code. That's when I decided that I probably ought to leave Plough and go to work somewhere where computers were the most important thing happening, not selling aspirin and suntan lotion.

Grad: That was a pretty significant change, because here you'd been working for them on your first job. You were obviously being successful there. But you saw what you were doing, the nature of the work, as more important than the company you were working for.

Altenbern: That's true.

Grad: So again, I know things that you've written down we're going to have available elsewhere, so I'm not going to repeat those in detail. We'll go ahead from there. About when do you start to look for a job working as a programmer rather than working for Plough?

Altenbern: Well, that probably was around the first of the year in 1963, sometime around New Years. I had started reading want ads and noticed all these jobs for programmers that were in the paper, and they all seemed to be making more money than I was, and I certainly needed to make more money. I actually told my IBM rep that I had made this decision. He was an old fraternity brother of mine, by the way. And I said, "Jack, I would really like to come to work for someone like IBM; is there any chance I could get an interview and maybe come to work for IBM?" And he said, "Let me look into it," and he came back and told me that "IBM would not hire you or anyone else from a major account like Union Planters or Plough Incorporated, and so forth. We shouldn't do something like that. So, no, we couldn't talk to you about a job." I asked him subsequently who was going to become IBM's most formidable competitor, and he told me without much hesitation: RCA.

Well, it just so happened that shortly thereafter, RCA ran an ad in our local Memphis newspaper saying that they were going to have someone in Memphis interviewing people for a job with the RCA computer division out of Atlanta, Georgia, and, "Come to the so-and-so, call this number." I set up an appointment to meet this gentleman at his motel room somewhere in downtown Memphis, and was interviewed and offered a job to join RCA in Atlanta, Georgia. And I accepted that job. I came home and told my wife we were moving to Atlanta. And she said, "What?" And I said, "Well, we're making $475 a month now, and we're going to making $650 a month. What do you think about that?" She said, "Let's go to Atlanta."

Grad: By this point you had two children?

Altenbern: I had two children and one little Plymouth Valiant. I think I said in my write-up to you that it was my Desoto, but I actually traded my Desoto in for a new Plymouth Valiant.

The Future is in View

Grad: So now you go to work for RCA. My memory is that that's got to be about the time that Honeywell did the Liberator, where you could actually take 1401 programs and run them on one of their machines.

Altenbern: This was back in the era of the RCA 301 and the 501, when I joined RCA. But shortly after I joined them, within a year, year and a half, they did announce a new line of computers called the Spectra 70, that mirrored functionally and instruction set-wise, everything that the IBM 360 was. In the era of the 301 and the 501, RCA's instruction set and memory patterns and everything were quite different from IBM's, and then they decided "We've got to have compatibility," and we're trying to talk to people about computers and they say, "Well, I got all this investment in this 1401 programming code. What am I going to do with it?" I think they probably made the right decision, but it also made it harder to differentiate and explain why you thought you were better.

Grad: OK, so you go to work for RCA computers, and that's in Atlanta, and that's probably the end of March or beginning of April of 1963.

Altenbern: It's April 1, 1963. April Fool's Day, I joined RCA.

Grad: Were you going to do application programming for some of their customers? Was that what your assignments were?

Altenbern: No, it was more along the line of helping train customer personnel in how to become programmers, helping them design systems, basically trying to lead them through the process of installation. I seldom sat down and just coded for a customer.

Grad: So you were not doing the actual coding very much. You were helping them, teaching them. Were you doing system design work at that point in time also or not?

Altenbern: Yes, doing a lot of system design work. Probably more systems design than coding, although I did do some coding. I mean, I'd sit down with someone who's an entry-level programmer at a customer and I'd say, " Here's how you'd think through this part of the logic flow chart, and here's how you'd code that," and I'd go ahead and code it for them so they could see how you thought your way through these things. But I probably did most of the system design because they were just too green generally to know how to design a system.

Grad: So, again from your notes, you indicated that you did work with Grady Memorial Hospital in Atlanta with the 301 system, and then you started working on the Southern Bell account.

Altenbern: Right. Southern Bell, of course, was a major, major account, and so there were several of us assigned to that account when I took my stint of duty there.

Grad: But you were on the systems engineering side, I guess would be the best term to use.

Altenbern: Absolutely. That's exactly right.

Grad: Did you enjoy that as well?

Altenbern: I liked that, yes. It was a fine line of work, until—as I told the story in my written notes to you—a friend of mine said, "Doug, have you ever noticed that all the senior management, like branch managers and regional managers and so forth, are all former sales people? None of them are former systems people. If you really want to go somewhere within this organization, if you really want to move up, you need to be in sales, not systems." And so I pondered that. He was a step ahead of me. We were both in systems at the time, but he went ahead and told management that he wanted to move into sales, and so they moved him into sales locally in Atlanta. And he knew that I was toying with this idea, so he asked the systems manager if I could become his sales support rep. So I left the Southern Bell account and went to work, trying to help him make sales, being sort of technical support. A lot of time back in those days when you tried to sell a system to somebody, you often ended up discussing systems for them as a part of your presentation on why they should use you. There was an awful lot of systems work in the sales area.

Grad: You wrote that his name was Gene Sadler. So after a couple years of doing the systems engineering work you then you switched over. Is that about right?

Altenbern: That's probably about right. Maybe not even that long. Things moved very fast in those days. You could get a new job really quickly. I say that because I recall the dates. On April 1 of 1963, I joined RCA, and then on October 24 or something like that of 1964, I moved to Nashville to head up a new branch in Nashville for RCA. So that was only a year and a half.

Grad: So by October 1964 you had already switched over into sales.

Altenbern: I had. But I hadn't sold anything. I hadn't made my first sales call.

Moving to Music City

Grad: No, but you had switched into that area. And then you moved to Nashville.

Altenbern: Right. They said, "You go to Nashville," and I think I told you the story—I won't belabor it—but the story of RCA not having total confidence that I was going to be able to succeed and telling me: one, move yourself, and two, don't let your apartment in Atlanta go yet.

Grad: Right. You kept your Atlanta apartment. You still had your original house in Memphis, I gather.

Altenbern: Yes, I still had my house in Memphis too.

Grad: So your wife, who had grown up in Yazoo City, was doing an awful lot of moving at this point in time, wasn't she?

Altenbern: For her it was quite unbelievable.

Grad: I expect it was. But Gene Sadler doesn't end up in Nashville with you. You've gone there to set up the office yourself.

Altenbern: Actually, it was not until a year later that I had to set up my own office. Because RCA had recording studios in Nashville for country music, RCA rented me a nice little 12x12 or 10x10 office in the RCA recording studios building. That turned out to be fine, because none of the country music people came there during the day. They all came in and worked at night, and I was the only one in the building basically in the daytime, it seemed. It was quite a large building, because they had a big operation there. I just started out knocking on doors and trying to sell computers. I think I did go to a one-week sales training school in Cherry Hill, New Jersey, now that I think about it.

Grad: So now we're in 1964. You've moved to Nashville. You're starting to set up a new office there.

Altenbern: That's right.

Grad: And then you opened Memphis as a sub-branch a few years later?

Altenbern: Yes. That's after I sold a couple of systems in Nashville and they decided I probably would make it. Then they let me let my apartment in Atlanta go, and about that time I sold my house in Memphis. So now I'm down to one residence here in Nashville.

Grad: So you continued to work in sales for RCA. How was that? Did you like that? How did that work out?

Altenbern: Well, I liked it. Sometimes it would be discouraging. I mean, sometimes when you make a sales call and make another sales call, and then you look back at your day's work and you had six appointments lined up and three of them couldn't see you for some excuse or another, and the three that you did see weren't the least bit interested, you could get discouraged, because sales can be discouraging. It's not all just wonderful. But at the end of the day, I liked the work, and I think I had settled in my mind that selling was really an honorable profession, if you believed in what you were doing, and you had a standard of ethics and so forth. There was nothing wrong. In fact, there could be rewards in selling. And then you start thinking of yourself not as a salesman but as a counselor. So it just depends on your perspective on the profession. I didn't mind doing it, but there can be hard times in the process of doing that. In addition to that, you're still responsible for the success of the installation of the various systems you have sold. My first major system I sold here was to the Tennessee Department of Employment Security. We had to have that computer working. The systems analyst and programming guy—that used to be what I was two years ago—we assigned to that account, I had to meet with them, and we had to talk about and solve problems and so forth. You worry about more than just selling, but selling is a big part of what you're doing.

Service Bureau? What's a Service Bureau?

Grad: Let's take you to the next step. So you built the office. Now you get an opportunity to leave through Gene Sadler again. So what happens there?

Altenbern: Well, my friend Gene Sadler, who left Atlanta and who opened a branch in Greenville, South Carolina, he and I would talk from time to time. Surprisingly, he left RCA and went to work for one of his customers, called Cryovac, and Cryovac was a division of W.R. Grace and Company, and I found out later that Cryovac told him if he would leave RCA and come to them and make that computer he sold them work, that they were thinking of getting into the computer services business, and given that opportunity, he could be a ground-floor player in that, assuming he succeeded. And he called me one day and said, "Doug, I've got the computer working pretty well at Cryovac, and Grace is going to go into the computer services business, and we're going to open five branches of computer service bureaus (if you want to call them that), and we've got four of them settled, but we need one more. Would you be interested?" And I said, "Well gosh, Gene, I don't know, I might be. Tell me more about it.

Where would it be?" And he said, "Anywhere." I said, "Well, could it be in Nashville?" and he said, "Sure." Well, that was interesting to me because my wife—I told her one day that RCA was talking to me about maybe going to Minneapolis or maybe going up to headquarters in Cherry Hill, and she said, "What? Can't you get a job like a normal person and just live one place and raise a family? What are you talking about? Are we going to move the rest of our life?" Maybe this would be an opportunity to get a little more settled down. And before I knew it, I had agreed to open a computer service bureau branch for W.R. Grace and Company, for Grace Computer Services, in Nashville, Tennessee.

Grad: Give me the timing on this.

Altenbern: Well, that's a good question. I'm losing track of that. But I would say now we're talking about 1967, maybe. Something like that.

Grad: OK. It's not critical. We'll look it up later. So sometime in 1967 or 1968, you joined Grace Computer Services, and you set up the Nashville office.

Altenbern: The Nashville office consisted of sitting on the side of my bed in my bedroom and using my telephone to make appointments and calls, trying to get customers. I did find an opportunity to rent a small office from a person that I met here near my house, a couple miles away, and I did have an office there after that, and the part-time use of his secretary to help me write letters and things of that sort. I started to get a few accounts.

Grad: Now what were you setting up? This was a service bureau-type operation, correct?

Altenbern: Yes.

Grad: So what equipment did you put in?

Altenbern: I didn't have anything. I didn't have any equipment at first. I got a small account or two and I went and bought some computer time from someone else, wrote programs myself and ran them just so I could create some revenue. I had just two or three customers or something like that. I mean, it was probably a scary time. I was probably too dumb to know how scary this was to do. Someone once said, "If I'd known how hard this was, I probably would never have done it."

Grad: Were you running on IBM equipment, or were you running on RCA? What were you running on?

Altenbern: IBM.

Grad: So you had switched over from working with the RCA equipment to now working with the IBM equipment again.

Altenbern: Well, yes. Of course, when RCA announced the Spectra 70, they announced that not only were the machines compatible, but the basic languages were compatible, too.

Grad: That was Cobol programming and so forth.

Altenbern: Right. So when you could write for one, you could write for the other.

Grad: So that wasn't a major changeover for you.

Altenbern: Right. So at that point, I've got a couple customers. Fortunately, I made a call on a relatively large book wholesaler called Ingram Book Company. Ingram is probably the wealthiest family in Tennessee. In fact, maybe in the computer hardware industry; Ingram Micro is one of the Ingram companies, and they have a huge microcomputer sales and distributor kind of business. But anyway, they have book wholesaling, and it's quite a huge business too. At that time, it was much smaller and they were just getting started. They had an IBM 1440 computer that they didn't know how to run very well, and it didn't have enough capacity for their growing business. I worked out what we called at that time a "facilities management agreement," where we agreed to take over all of their computing on their own computer. And, of course, I had Grace's approval now, as I was in the process of trying to sell this idea, that this would be the catalyst for me to be able to get a computer and a computer center, and a number of other things I'd need to actually be in business and have a service bureau.

Ingram was a huge catalyst for me to go ahead and get in the business. We built a small building that maybe had, oh, I'm guessing three or four thousand square feet; it was a really great, little, inexpensive building. New York couldn't believe what we built this building for. Anyway, I'm in the business and off and running, and believe it or not, it's working and I'm adding clients. I'm doing all the selling, basically, and the former guy that headed up my RCA group, is now heading up my systems and programming, and I've got some good people in operations, and maybe have 10 employees or something like that in the course of a year or two.

Grad: Let me stop you for a minute. So you were focusing on the local Nashville market?

Altenbern: I'm building a computer services company, and I'm enjoying it. I really like this and feel good about it. I don't know if I'm profitable yet, I can't recall, but close to it, doing all right.

Grad: You're drawing a salary then at this point in time?

Altenbern: Oh yes. They gave me a good salary. I mean, Grace has lots of money, so they didn't mind paying me a good salary from the very beginning. This was not my business. This was Grace's business.

Grad: Were you getting a commission or anything on the business you were selling?

Altenbern: No.

Grad: You were on a salary basis then.

Altenbern: I was on a salary basis to build a branch, and I figured if I did a good job, I'd get a bigger salary.

Grad: Let me just move ahead here quickly. So you're staying—in your notes you gave me, you list the companies that were competitive with you in the Nashville area, so I'm not going to ask you to repeat that at this point. I will ask you one question. One of the companies was Data Services, and it was headed by a man named Pete Nebhut?

Altenbern: Yes, Nebhut.

Grad: I'll just mention the other ones that you mentioned there. Compass Computer Systems, which was out of a parent called Whale Electronics. And then you had NLT Computer, who comes into this story later, and Accountants Computer Service, and of course Grace Computer Services. So there were five service bureau operations in what is a relatively small market.

Altenbern: That's right. And by the way, let me just make an aside. I mentioned Bill Gray who was one of the accountants that started Accountants Computer Service, ACS. His other accountant was a fellow named Stu Miller. I mention that because Stu is coming to your conference.

Grad: Yes, I know. That's where he comes in, on that part. Yes, he mentions ACS.

Altenbern: And he was out of Accountants Computer Service.

Grad: I see. Did Nebhut stay in the computer services business, or did he switch off to something else?

Altenbern: Well, he switched off, mainly because his father-in-law was a wealthy developer, and he bought a huge amount of acreage down in Florida and wanted to build a Florida residential development with a golf course and all this stuff, and convinced Pete and his daughter to move down there with their family and basically see that development through to its end. They moved down there for 10 or 15 years and did that, so he totally left the industry.

The Launch of Southern Computing

Grad: Let's move ahead from there. So those are the five companies. Now, let's finish up the Grace story and what happens, and then we'll pick up as you become your own independent business person.

Altenbern: Well, that ties into the Grace story, because as we're going along, I'm running Grace Computer Services. We had offices in New York, Toronto, St. Louis, and Atlanta. Well, in St. Louis and Toronto and New York, Grace had considerable presence in other divisions of the company, and of course they were requiring those other divisions of the company to use Grace Computer Services for their data processing work. And generally, when that happens, those companies don't like that at all, and they didn't. Gene Sadler in Atlanta, and I in Nashville, had no Grace business or affiliation. So we were a little bit different, in our two branches, from the other three. But there were a lot of internal politics and problems with at least the other three, and between the five branches, they were losing probably a fairly substantial amount of money. Not enough to hurt W.R. Grace and Company, because it was a huge company, but enough to say, "Why in the world are we in this business?" And everyone around the conference room table said, "I don't know. Whose idea was this anyway?" We got a phone call one day that said, "Be in New York next Monday. We want to have a meeting of all our branch managers and management team." And we went up there, and they proceeded to tell us that they were getting out of the computer services business. Period. I don't know if it was Peter Grace, or corporate management, or the board of directors who made the decision. Grace decided to get out of the computer services business.

And I thought this was really bad news. I mean, I got a family and all this stuff, and no job. That doesn't work. But my friend Gene Sadler said, "Well Doug, you got to remember that Grace has a real problem. They've got their names on all these contracts to perform these services, and they just can't turn their backs and walk away and say, 'We're through.' They've got to honor their commitments." So he and I together approached Grace management and offered to buy

Atlanta and Nashville, except we had them pay us a grand total of $80,000 to take those two offices over, plus whatever it cost Gene to shut Atlanta down, because he had only succeeded in getting two facilities management clients. They were relatively nice, big data processing departments, but it wasn't looking like a service bureau at all, and the clients were there because of his prior personal contacts that he'd sold computers to in the past. So we shut down Atlanta, and Grace paid whatever expenses they needed to get out of that, and then he came here to Nashville with me, and the two of us renamed our Grace Computer Services branch Southern Computing, and this was the beginning of the first business that we owned, and he and I were equal partners in that company.

Grad: What year is this?

Altenbern: This is probably about late 1968, early 1969, something like that.

Grad: So you were only with Grace for about a year.

Altenbern: That's right. About a year. I had a very fast track going.

Grad: Now you've got Southern Computing. Well, this is a hell of a change. You've always been working for somebody. You've always been an employee. And now all of the sudden you're going to be responsible for your own income.

Altenbern: That's right. And if I sell something, I don't care if I'm on commission or not, because it's all going to be what I can afford to pay me when we get down to the end of the month or the end of the year.

Grad: You've got three children, a new house that you just bought for $24,500, and you got three kids, including a baby. What did your wife think of this?

Altenbern: I probably didn't explain it all to her.

Grad: I see.

Altenbern: In fact, Gene and I had to go a local bank and take an SBA loan to get this thing finally over the hump and running. We had taken on a little debt, too, in the process. The $80,000 from Grace wasn't enough to do everything, but we had our heads above water, and we felt like we were going to survive.

Grad: Were you able to take over the building that you had put together for Grace?

Altenbern: Yes.

Grad: So you did have a facility you were working at. How about the equipment?

Altenbern: Yes, the equipment too.

Grad: So you had a going operation to start.

Altenbern: Yes, we had a going operation. We kept all the customers and all the business and everything. Everything was the same except the name.

Grad: It gave you a running start then.

Altenbern: Absolutely.

Grad: Interesting. Tell us about Southern Computing.

Altenbern: Well, with Southern Computing, we just put our noses to the grindstone and kept trying to build business. I think I probably ended up doing the majority of the selling. Gene took over a lot of the responsibility to manage the Ingram account, because it was such a big account. The thing that probably caught us off guard that we didn't do a good enough job on there was to recognize the possibility of that company growing as fast as it was, and not building into our pricing structures ways to accommodate the increasing volumes of business they were doing, and this increased the number of transactions of every kind that were being processed. And although it was a fairly good revenue producer—I mean, it was probably 60 or 70 percent of our revenue at one time—it was squeezed pretty tough on the bottom line. It's not like we were making lots of money. And as they grew and prospered, their business became tighter and tighter for us, because I didn't know enough about how to price something like that. We eventually worked those things out to a fair degree, but it was a challenge for us, financially.

Grad: And 1971 turns out to be a fairly bad time period for the computer industry. There was a recession, and I gather it affected you as well.

Altenbern: I guess it did, because we were recognizing that our bottom line was probably under enough pressure that we weren't quite at break-even. It was costing us a little bit every month to stay in business. Now, it wasn't a big number, but we didn't have any reserves to go to. And in fact, that's the time, I think I mentioned in my notes, we concluded about the only thing we could do at this point to keep our heads above water was to ask our employees to take a 10 percent salary cut. With that, we would at least be at break-even, keep our heads above

water. That's how close we were; it was 10 percent of a small group of 13 or 14 employees, whatever we had at that point in time. It wouldn't have been a huge number, but it was enough to make us breathe well.

Grad: How many employees did you have?

Altenbern: I was saying about 13 or 14, probably something like that. I don't recall exactly.

Grad: Just for my information, at this point you were basically just selling computer time? Is that correct—did you have any software you were providing?

Altenbern: Oh, very often we'd have to write software to perform an application for customers. And my second largest customer was the bank services division of R.L. Polk & Co. And we would take all of Polk's information—they kept a directory of all the banks in America— five thousand banks—and then they would sell information. They would sell lists, they would sell labels, and they would sell letter-writing programs. They would do this, they would do that. But we wrote all the programs and basically provided those things that they resold to their customer base. Not necessarily to the banks, but to the people who marketed and promoted the banks, and things of that sort.

Grad: Doug, let's focus on that for a minute, because that's one of the interesting things about service bureaus, is the extent to which they had to write their own programs, that the customers came to them because they had particular applications that the customers wanted.

Altenbern: That's right. I mean, we did a lot of applications.

Grad: Were these programs that you initially wrote unique for the individual customers, or were they general purpose programs, like a payroll or an accounting program that could be used by multiple customers?

Altenbern: Well, we'd often go into something hoping to make it general so that everyone else could use it, and seldom succeeded. Every time we thought we had written another payroll—now surely we've covered every possible option in a payroll system—we now might say to ourselves, "We have a payroll package," and then the next payroll customer we'd sell, sure as shooting, would have something new that we'd never thought of in payroll before, and here's another thing. So we'd have to go back and at least add some code and so forth. We tried to make things general, but most of our software was pretty customized.

Grad: How did you price that? Did you charge them for writing the software, or did you only build that into the price of their usage? What did you do?

Altenbern: Whatever we had to do to get the business. Sometimes we'd look at it and say, "Well, it's going to take Roy five or six days, or two weeks, or whatever, to write this code. Maybe we can charge them for it. If we don't think we can, maybe we can add a little bit more to the price to recover it over time. And if we can't do that, we're going to call it an investment on our part to get the business, because we need the revenue." I mean, every option you can think of, we did.

Grad: Did you ask them to sign a one-year contract or a two-year contract, something so you'd be guaranteed a certain amount of money when you took on a new customer?

Altenbern: Yes, we generally did that. We tried to do it all the time, and generally succeeded. Sometimes we might not. But we usually did have a contract with a term. Unlike the payroll business, by the way, which was about the only place we couldn't do it, because ADP had set a precedent that most of the rest of us had to match, that you don't have to have a contract.

Grad: So in those areas, in payroll areas, you basically had to just charge for your machine time, plus something?

Altenbern: Yes. That's right.

Grad: Was the machine at this point—I don't know if you remember—were the machine costs and your operators for the machines the largest element in your cost structure?

Altenbern: By far. I don't remember the exact numbers, but I wouldn't be surprised to say that my computer costs, hardware alone, were close to half my costs. I mean, it was a huge number. Computers were very, very expensive at that time. And that's why even a little operation like ours would try to run as many hours a day as we could.

Grad: Or night, as the case may be.

Altenbern: Because the investment in hardware was so huge, you wanted to use that thing as efficiently as you could, in the second shift, or even a third shift, or go in and run big jobs over the weekends or something like that was critical, because you could not afford to match up this hardware over and over again. The challenge was to use it as efficiently as you could on a 24/7 basis. It wasn't always possible, but that was your objective.

Grad: Do you remember what equipment you had at that time?

Altenbern: We had an IBM 360/30.

Grad: So you had a low-end machine.

Altenbern: Yes, because I had low-end volume. I was still a little business.

NLT Computer Services opens some doors

Grad: Let's precede with that a bit further. You run into a little bit of a crunch there in 1971. You ask your employees to consider taking a wage cut in exchange for some stock. And then what happens?

Altenbern: Well, about that exact time, we got a phone call from one of those competitors that I mentioned, NLT Computer Services. NLT Computer Services was owned by a large holding company whose primary property is a big insurance company—National Life and Accident Insurance Company. And NLT Computer Services, for not the first time, said, "Would you guys be interested in talking about maybe joining up with our team and become a part of NLT Corporation?" Well, we'd always rejected any earlier approaches, but seeing our financial stress and so forth, and the fact that we still owed money to the bank and things were hard, we said, "Well, I guess we could talk. I don't know." So we got together and talked a little bit, and for where we were and what was going on, they made us a pretty attractive offer, we felt, and so we did it. We joined NLT Computer Services and became part of their business. And that happened, I think, in the fall of 1971.

Grad: And you said that the price was about a half a million dollars?

Altenbern: That's right. And our revenues were also about a half a million dollars.

Grad: That was your revenue at the time. That's a good point. So they paid about one times revenue. Now that's a big transition. Was NLT Computing Services bigger than you at that point in time? Smaller? Same size?

Altenbern: It was hard to know, exactly. They probably weren't any bigger than we were, but they had the insurance company, who basically used 90 percent of the computing capacity. They were a huge data processor. I mean, an insurance company is a paper factory. They had a room of a hundred key punch operators. It was just huge volumes of stuff. The routine is pretty simple and straightforward, from a processing standpoint, but they were a big user. NLT Computer Services was not a particularly big company. They didn't have a lot of customers, outside of doing things for the insurance company or one of the other affiliates. So we probably

doubled the size of NLT Computer Services when we joined them, if you removed the NLT Affiliates from the process.

Grad: But the thing that's interesting is of course they were in both the life and property and casualty business, from what you've said, and that means they had paperwork on both sides of the house, which is a lot of paperwork.

Altenbern: Actually, at the time they were in life only.

Grad: So the accident part wasn't for real.

Altenbern: Yes. I think when they said National Life and Accident, I think they meant if you get run over by a truck, we'll bury you, because you've got life insurance.

Grad: So you now cut this deal, and I understand that your partner, Gene Sadler did not want to go there for various reasons, which we don't need to get into here, and that you're the one who stays with the company when NLT picks you up.

Altenbern: That's correct.

Grad: So now we're into the fall of 1971. Briefly, tell me what happens and what role you end up playing at NLT.

Altenbern: Well, they make me vice president of marketing to begin with, because I guess by that time, people start to think that I really do know how to sell, even though I've never had any real training. I headed up the marketing efforts of the company, and I was a part of a four- or five-man management team that ran it. None of the full-time employees of the computer services company served as president. The head of information systems, or at that time, data processing, for the insurance company also had the title of president of NLT Computer Services. However, he spent almost none of his time thinking about NLT Computer Services. They wanted to be sure this thing didn't get out of control and that these young Turks down there trying to get us into the computer services business aren't going totally crazy. His name was Carroll Shanks, and he was an ex-IBMer. He and I used to compete when I sold for RCA, and he went on to his customer, National Life, and became head of data processing. He and I went to church together and were good friends in a lot of other ways, and within a few months, he concluded, and recommended to the management of NLT Corporation, that they make me president of NLT Computer Services, and let this little fledgling company have a full-time president.

Grad: Did you have your own P&L?

Altenbern: Yes. Oh, absolutely.

Grad: So they did set it up as a corporation, or was it just a division?

Altenbern: It was a corporation. Had a board of directors, all that stuff.

Grad: So you were now actually the president of a corporation.

Altenbern: Right. And we bought computer time from the insurance company, and they kept track of it. They didn't just say, "Go down and do your work and don't worry about it." We paid for every cycle and every disk drive and whatever we used. We had formulas structured to pay our way.

Grad: That's a very important point. So you were buying the time from them, rather than them paying you for the use of the equipment that you owned.

Altenbern: That's exactly right.

Grad: That's a reverse from what some of these have been in the past. OK. And they must have had higher-end equipment than you had had before.

Altenbern: Oh, absolutely. They at that time had an IBM 360/65. In fact, I think they maybe had two of them.

Grad: You had had a 360/30 with Southern Computing. Did you keep that operation or did you close that part of it down?

Altenbern: Within a few months, we closed it down. We had to transition the systems over gradually because the 360/65s were running under an operating system called OS, which stands for Operating System. And we were under DOS (Disk Operating System), which was just different enough where you had to write basically new instruction code, almost like a little set of program codes to basically transition your work. So after some time, we were able to make it all work.

The Business Model has Changed

Grad: So now you're in an interesting situation where you don't own your equipment. You're not running your own equipment anymore. It's being run by the insurance company. Is that correct?

Altenbern: That's correct.

Grad: So your whole business model is now a different one. You're paying for these services to the insurance company, and your staffing and so forth is no longer yours; you don't have to have the operators, but you're still paying for the machine time and the people?

Altenbern: You're not quite being totally accurate on that. We did keep an operations force, and I had a group of employees in the computer room facility that did most of our operations; so when we were operating as NLT Computer Services, people who were basically operating the computers, were our people.

Grad: Let me ask an odd question. I don't know if you looked at it at the time. Was this an economically sound model for you, or was it a poor model, because you'd have been better off with your own equipment?

Altenbern: It was a sound model, as far as I was concerned, assuming that we were paying our fair share for what we used. When they added our business to their business, without huge increases in other costs, other than some personnel, the business became profitable. And for a number of years, we were a small but nicely profitable business.

Grad: So in other words, whatever they were charging you for disks and machine time and everything else ended up being a relatively fair price compared to what it would have cost you if you'd had to have your own equipment?

Altenbern: I think so.

Grad: Interesting. That's a little different model than I've seen before. Okay, you're now the president of NLT Computer Services, and you start to do some new things. You start to look at acquisitions, and I assumed you tried to find some more customers. But you felt that, at this point in time, you needed to have something more than just machine time to sell.

Altenbern: That's true. The machine time wasn't the problem. I mean, the problem was we were a small local service bureau as a part of a very, very large company, and we were so small

that had we absolutely stubbed our toe and done nothing right and lost a lot of money, or had we knocked the socks off of everything and grown in quantum leaps, we could not change the earnings of NLT Corporation in a year by one cent per share.

It was a tiny, little business in this great big corporation. And we're saying: if we're ever going to be anything to this company, we need some size. And if we could get all the service bureau work in Nashville, we wouldn't have enough business. So we've got to become a larger, more significant company. We've got to start trying to think if there's something we can do on a national market basis, and really build a real computer services company. Of course, at that time I had been going to ADAPSO conferences and watching people build companies and things like that, and trying to understand how that might fit, and one thing and another. This is what probably whetted our appetite to begin to look for some opportunities for acquisition, because nothing we were doing in the local service bureau business looked like a product that we could sell across the country to a large number of customers.

Grad: Let me stop you for a second. This is a very important thing, how the strategies evolved during the 1970s, and one of the things we'll explore at the Service Bureau meeting on May 19. But I'd like to see what your alternatives were. You were in one location. One alternative obviously would have been to open up operations in multiple locations. Did you consider that?

Altenbern: Not very seriously. We thought it's too much of a local business if you're a local service bureau, and you'd have to find local people who knew that market and had a presence there. And then you've got the operational problems since you'd have to build a data center there, and you have to get to a certain size, so the cost to start something like that up in a new city and start to say, "Okay, we're in business. Let's go out and get our first customer," I think would have been cost prohibitive.

Grad: Let me take an alternative. Let me ask you this: did you consider that there were small service bureaus all over the country. You knew a lot of these people through having attended the ADAPSO meetings by then, and you had all the money of NLT behind you. Did you consider acquiring some of those companies, or trying to find them and get them to join you, and merge with them?

Altenbern: As a general statement, I'd say no. I don't think we made an acquisition that didn't seem to have some vertical focus. Sometimes we would buy a business, and say here's this business in Kansas City, and we're going to acquire it. And they get 60 or 70 percent of their revenue in bank processing, and we could possibly sell bank processing here and in other markets. And they've got 30 or 40 percent of their business in general data processing, because they grew up as a service bureau and then developed a specialty. But if someone

were just a general service bureau, I think it had little or no appeal for us. We felt we had to start to see some vertical focus, and I think we made that decision pretty deliberately in the 1970s.

Vertical Markets are the Keys to Success

Grad: Sounds like you made a very conscious decision to go with a vertical focus. And what do you mean by vertical focus? Please explain that.

Altenbern: Well, to me it means specializing in one thing. For instance, I'm going to provide a service for wholesale distributors. Or I'm going to provide a service to school systems. Or I'm going to provide a service to insurance agencies. It's focusing on a specific kind of business where you could develop generalized software that would work for most of the potential customers, and you could market nationally, and you could run the work either through data communications or through delivery methods from a central location.

Grad: Let's probe that a step further. Did you feel at that point in time that the remote access capability, that the communications systems were available and effective enough so that you could run them on the machines located at NLT?

Altenbern: Yes, I felt that we could run them on the machines at NLT, but I don't think we ever found an opportunity to do that, because we would have been buying a software system to run a vertical application in a national market, and most anyone that would have something like that available I would think wouldn't want to sell to us because we'd become a potential competitor. Rather, we focused on finding someone that provided that service from their own data center. We could replicate that and transfer that business over to our data center, eventually.

Grad: If you get a vertical area, any sub-industry that you named, if it was in Kansas City, how would you serve other places around the country, if it was bank processing or something of that sort? How did you plan to do that?

Altenbern: Well, probably not very well, because that never turned out to be a very successful venture for us. But we thought it would.

Grad: That's what I was trying to say. Because there were three or four different growth strategies available, and I'm going to explore those with the other Service Bureau companies. One was simply like United Data Centers that just bought up, merged all these companies wherever they were, and figured that through better management they could make money. They had those who specialized in a particular sub-industry. The trouble was unless they were in a

location where that industry was very heavily operational, like insurance in Hartford or something like that, they really couldn't service people that were a great distance away from them. Like Reynolds and Reynolds that took care of the auto parts businesses. But a lot of these evolved in the later 1970s when the communications technology improved a great deal. I've always wondered about that, because to me service bureaus seemed very, very local, and if you didn't have a local operation and local people, I think it would be very tough to get business.

Altenbern: I think that's probably true, although the first major acquisition we made—and I'm trying to think of the time, maybe 1973 or 1974 is when we bought Datafile—and they were basically a communications operator. They were a Burroughs shop and they ran terminals in customer offices—Burroughs TC500s. But they ran from a central data center. We never could transition that business to Nashville because we could not imagine trying to re-code that whole system that was structured and written for Burroughs and Burroughs communications technology, and get it over to run on an IBM computer system. So we kept our data center at Datafile. But they were starting to emerge, some of those kinds of businesses. I think your assumptions are correct, that as a general statement for the industry, yes. This is a transition in process during the 1970s.

Grad: You say summer of 1973 is when you bought Datafile from Mechanical Technology, Inc., and this was in Blue Bell, Pennsylvania, I believe.

Altenbern: Datafile was in Blue Bell, Pennsylvania. Mechanism Technology happened to be up in upstate New York somewhere, Albany, New York, I think.

Grad: How did you happen to hear about that business being available?

Altenbern: That is a very good question, because I cannot remember at this time how in the world we found it.

Grad: Was it through ADAPSO, was why I was asking you.

Altenbern: No, it was not through ADAPSO, interestingly enough. It was not.

Grad: Was it through Gil Mintz?

Altenbern: No, I don't think it was through Broadview. But I'm so vague on it. I'm sorry, I don't know the answer. I just don't recall.

Grad: That's fine. Did you pay them money to buy the operation? How did that go? Do you remember that?

Altenbern: Yes. I don't remember the specific money, but we did pay. They had a fair number of customers, but it was a hugely expensive data processing center to operate. I mean, it was like, from the service bureau, 60-70 percent of our costs at least were running that big data center with all those computers and data communication lines, two mainframes backing one another up. It was something that we hoped we could continue to sell more and more business, because the thing about these systems were once you had them up and running, the incremental cost to add more customers was low—in other words, if you spent X to, say, support 30 online customers, you could probably afford 60 online customers for 1.2 times X.

Grad: So here you were stuck with Burroughs equipment, with a company that basically was marginal.

Altenbern: Correct.

Altenbern: And with a completely separate location. It just seems to me that the decision to buy that—I don't know what you paid for it—but the decision to buy it was a hell of a risk you took.

Altenbern: Yes, I think it was.

Grad: And NLT backed you on that?

Altenbern: Oh yes. They're the only ones that had any money. We didn't have any money.

Grad: You had no money, so they're the ones who had to be willing to make the investment.

Altenbern: Yes. But they were happy. I mean, NLT loved us. And our local service bureau was just getting bigger and bigger and making more and more money. We still had a good bottom line, and Blue Bell was about at a break-even. It didn't drain a lot of money. We just couldn't accelerate the pace of sales like we thought, and so it just struggled along as another break-even part of our business. It was never a big contributor to our profitability and was probably more of a distraction over time. In fact, it wasn't contributing anything.

Grad: And if you want to think about return on investment, it probably didn't do very well, did it?

Altenbern: I think that would be true, if anyone ever bothered with that. But fortunately, NLT didn't worry about that. They had to sell eight million new policies a year, and as long as I was getting the bottom line, that was fine, they were happy with me.

Grad: So interestingly enough, even though it wasn't really making any difference to their real business, they were willing to let you continue to run it.

Altenbern: They wanted to have a nice computer services company, be able to tell their friends at the cocktail parties or something like that. And I mean, I'm not trying to say anything hurtful about NLT. It's just it was so small, it was just a fun and exciting idea that they had of being in the computer services business, and they sort of liked that idea. They had four or five different small subsidiaries that they enjoyed having as a part of their portfolio.

Computer Output Microfilm, a.k.a. Microfiche

Grad: I was thinking that's a very interesting thing, because from a straight business standpoint, why bother? And most of the non-computer companies who went into computer software or services businesses, if they didn't grow, just said, "The hell with it. Let's get rid of them." I remember that almost all the telephone companies bought computer software or services companies during the 1970s, and quickly became very disillusioned. Again, let's keep moving ahead on this. In 1975, you bought a company called Datafilm.

Altenbern: Datafilm was an entirely different kind of business. It was almost a service bureau kind of business, in that it was a computer output microfilm business. One of the things we did in our local service bureau was that the insurance company said we needed to get one of these computer output microfilm (COM) machines, made by Kodak. I've forgotten, there was another manufacturer too. Anyway, when National Life said they needed to have a computer output microfilm capability, this gave us something new to sell. So we began to sell computer output microfilm to the banks and other insurance companies, manufacturing companies and so forth in our marketplace, and it was a nice little business. And there, we did exactly what you talked about in the service bureau business: We bought a lot of computer output microfilm companies over the years. Datafilm was the first and biggest one. They had five branches in the Wisconsin marketplace. Every one of them had to have their own equipment, but it only consisted of this film processing machine and a couple of tape drives, and you'd go to the customer and they'd give you a magnetic tape with all their files on it. You'd bring it to the machine, the machine would create the microfiche at the end, and we'd package those up, and by the next morning before the business started, we'd have them back in the hands of the customers, and they would have the next thing to an online system. They would have access to all the customer records as of last night's major file updates. So that was the most current

information they could give to customers. And so by the time we sold our business, I think we had 25 or 30 computer microfilm offices around the country.

Grad: In your notes, you said 32 offices, located primarily in the Eastern half of the United States.

Altenbern: Yes. I don't know if they all had computer output microfilm, but something in that range. So that is what we did do—buy an operation. We bought one in Pennsylvania, and bought one in Philadelphia and we bought one somewhere else, and we opened a few here and there, and so forth. But usually when you opened a new one, it would be around a major customer. Like I talked a little bit about the fact that we sold Bell South on doing their computer output microfilm, and so in every place they had a data center, we were able to start a new office with them as our lead customer.

Grad: Do you have any idea what you paid for Datafilm when you bought them?

Altenbern: I'm thinking about a half a million dollars.

Grad: Again, the money came from NLT?

Altenbern: Right.

Grad: You weren't given any capital. Who did the negotiating? Who did the locating? Who did this work? Was this something you did?

Altenbern: I did it with a couple of guys on my team, including my financial guy. We had about four or five fellows that were the senior management team, and we would work together on these opportunities, or maybe just one of us would work on something, or two of us. It just varied from time to time, and when we had something we thought we'd want to do, then we'd go to NLT and say, "Here's this opportunity. We'd like to do it. Here's why we want to do it, and here's what it would cost," and so forth and so forth. And they'd mumble and grumble and look at it and say, "OK, that's looks like maybe a pretty good opportunity. Why don't you go ahead and do it. When do you need the money?"

Grad: Now were you using Broadview or anybody else to help you find these companies or to help you make the deals?

Altenbern: Yes. I used Broadview a number of times to look for and find some opportunities. They were probably the main ones that I was aware of, because I was deeply involved with ADAPSO for years, maybe 10 years, I think.

Grad: The person who headed up Datafilm was a man named Joe Dziak. How do you pronounce his name?

Altenbern: "D-zhok."

Grad: "D-zhok." And he headed up that operation, the COM, for you?

Altenbern: That's correct.

Grad: By 1975-1977, how big was NLT Computing Services?

Altenbern: I wish I knew these numbers, but it's creeping on up there. I mean, I just can't recall the numbers and the times

Grad: But you have 30, 40, 50, 100 people by then?

Altenbern: Probably 30, 40, 50. We're probably at that time maybe doing four or five million dollars, something like that would probably be a pretty good estimate.

Grad: So it had grown substantially by then.

Altenbern: That's right.

Grad: You started around half a million, or the two pieces, up to about a million dollars, and by this point you're up to around four to five million in terms of revenues.

Altenbern: Right.

Grad: What was your role? Were you still selling a lot? Were you actually CEO-ing? What were you doing?

Altenbern: I was CEO-ing, but every once in a while, just to prove to the guys I could do it, I'd go out and get a major account. I had some very lucky stabs, and landed two or three big deals. I didn't sell a lot, but selectively I'd get involved if an opportunity came along that I

thought might lend itself to my presence. I don't know. I didn't spend a lot of my time in sales, but I did like to spend some.

Grad: You mentioned a Kansas City operation with two brothers, Charlie and Ken Frazier and they had a service bureau. Did you acquire them also?

Altenbern: Yes. And they're the ones that were mostly in banking, and they had two large facilities management clients. I think they had the Hallmark card people, and they had H&R Block.

Grad: So when did you buy them? Probably 1977, 1978?

Altenbern: Yes, something right in there

Grad: So you really had a fairly aggressive acquisition program going on during the 1970s, didn't you?

Altenbern: Yes, we did.

Grad: And you mentioned buying a division from ADP, of something that they weren't able to work on, that ran on old UNIVAC 418s. So it was just a whole bunch of things, and you bought something, you said, in the medical doctor and clinic billing, in Miami. .

Altenbern: Exactly. I mean, Gil Mintz would look at me and shake his head.

Grad: In other words, the only focus on all of these was the fact that they all used computer equipment, and they all were service-type operations. Is that accurate?

Altenbern: Yes. I think we were becoming a huge general service bureau, in reality. In retrospect, every time we'd buy something, we had this hope that this would become a real vertical, and we could really build a presence in this market. But we often failed.

Grad: That's fascinating to me because, again, one of the things I'm going to try and explore is the difference between building an applications market in payroll, like ADP did, or George Raymond did with his company. You were going to build it on an industry basis. Although COM is more like an application type of structure, since anybody could use COM.

Altenbern: And we were really successful with that one.

American General Steps In

Grad: There's a message there somewhere. What I'd like to do, again, because of time restrictions here, is that—of course you have written up some of this so well, the notes you've given me, and which we're going to include as part of the oral history transcription—I'd like to skip through to a couple of things. Let's go to the end of the 1970s. You continue to acquire some different companies, and then you consider the possibility that maybe you'd like to buy out the NLT computer services from NLT and make it an independent business and then you move ahead and say but at the same time there was an unfriendly acquisition between a company called American General and NLT where American General eventually ends up acquiring NLT, is that accurate?

Altenbern: Yes. I could step through a little bit because of the calls we were making.

Grad: No, no you've done a good job in your notes. I don't think we need to spend more time on that part of it. But I want to go ahead to what happens next after that. So at that point in time you wanted to consider the possibility of how you could buy out the NLT computer services from American General rather than go to work for them; is that accurate?

Altenbern: That's right. I'll just say that probably around 1980 when we were probably up to more like $15 million in revenue or so, I did approach NLT management one time to ask them if we might acquire the company, if they'd ever thought about it because we were so small compared to them and they seemed really shocked that I would even think about such a thing. Wasn't I happy being a part of the family? They were happy with us, 'what was wrong with me' kind of attitude. We'd always had the sort of desire mainly because we didn't really mean anything to anyone except the little self satisfaction of what we were doing.

Then in 1982, in the summer of 1982 I believe it was, American General Insurance of Houston, Texas, made an unfriendly offer to buy the shares of NLT Corporation, mainly, because they wanted the insurance company. There was some battling going on, but they succeeded and about November or so of 1982, American General did acquire NLT Corporation. The only thing I can say is my management team and I investigated and tried to learn all we could about American General. The one thing we learned is that they were an insurance company. They bought other insurance companies. They tended to divest or get rid of the non-insurance operating properties. Well, that's either bad news or good news. It was good news if we could find a way to buy our company, so that opened a window of opportunity that we wanted to explore.

Grad: Now here I'm going to move ahead because you have two pages in your notes where you've explained what happened very succinctly and very clearly. You went ahead,

although with some complications, and raised money through a venture firm called Frontenac Ventures in Chicago to provide a significant amount of cash and you had worked it out with a local bank to provide some loans and the four or five of you were going to work together on this, and were each going to pitch in $100,000. Do I have that right?

Altenbern: You have that right.

Grad: OK. Then at the last minute after the deal is accepted, Frontenac Ventures tries to up the ante on you once more, to a larger share of the company.

Altenbern: And they wanted a yield on their money.

Grad: Yes. They wanted you to in fact give them preferred stock so they'd be getting money on their shares. So you then go and find the money through local people. Tell me briefly about that part since all of a sudden your whole deal looks in jeopardy. What did you do?

Altenbern: Well, it doesn't really look in jeopardy. We could give into Frontenac and do what they said, but we said, "This just isn't right," and I was discussing this with a friend of mine who worked for a company called J.C. Bradford and Company. J.C. Bradford was a pretty sizeable, regional brokerage firm. They were covering 13 to 15 states mainly in the southeastern United States with 50 offices or so, so they weren't just a tiny little broker. This friend of mine happened to deal in basically European markets in the U.K. and so when I told him about it he said, "Doug, I think we could go over to London and Edinburgh, and raise this money in a week." And I said, "Are you serious?" And he said, "Yes." And so I asked him if he was really serious would he ask the senior partner to tell me the same thing. The senior partner came out and said, "I understand you need to have some gray hair." And he said, "If David says he can do this, he can do this." Very quickly we went over to London, and we easily had commitments, but more than we had sought in two days in London, one day in Edinburgh, and so we raised our money, and that's when we called Frontenac back and said, "Well, you tried to change our deal and we found someone else to do the deal with." The most significant thing, and it's in the write-up, is the percentage ownership difference had been changed through that process.

Grad: You said that you gave up only 40 percent. Now did you take the $9 million or did you take only the $6 million from them?

Altenbern: We just took the six.

Grad: So you gave them 40 percent of the company for the $6 million and you kept 60 percent.

Altenbern: Right. Frontenac would have gotten 64 percent of the company.

Grad: So it's a hell of a lot better deal for you by the time you were done.

Altenbern: That's right.

Endata Gets Off the Ground

Grad: Okay, so you go private. It's sort of a leveraged buy-out, and all of a sudden in 1983 you have your own company now, is that correct? So you're back to where you were with Southern Computing in 1968-69 for the first time where you have your own company right?

Altenbern: Right, but we're still in the NLT Building, still sharing their computer system. We've still got the very nice relationship and everything was fine in that regard. We haven't left yet and don't know if we're going to leave or anything. All of a sudden, the opportunity presents itself to go public because 1983 was a good year, and the IPO window opened up. A window opened up for people to possibly take those stocks public and raise some additional capital, and we did it that summer and I think it was in June of 1983 that we went public, but that was only five or six months after we bought the company from American General.

Grad: Yes, that was very, very quick. But you're still physically in the NLT Building. You're renting space from them now. Now it's American General I guess but you're still there in that same facility.

Altenbern: Right. It's actually AIG now.

Grad: Yes, American General became AIG.

Altenbern: But we do have other data centers, of course, where we made these other acquisitions and things like that, but our primary Nashville data center is certainly still NLT, and they're glad for us to share our computers. We end up, after we go public, deciding to build a new building and move out of the NLT Building, and we've now built our own building in an office park in Nashville called Metro Center. And we do build a data center, and we put in our own computers and probably in the 1983, 1984, 1985 timeframe, we totally separate ourselves from NLT and American General, from a data center standpoint and every other way. But they were very nice to us during that transition.

Grad: So AIG was cooperative in the transition. They didn't cause any grief? You mentioned that they also got extra money when the IPO went through. When you did the IPO, did you sell any of your personal stock?

Altenbern: None at all. Our broker said, "It is a very bad sign for insiders to sell any stock. We don't think you guys should sell any stock." And as much as we might have liked to just have enough money to make a down payment on a new house or something, we didn't do it.

Grad: Yes. that's what I was wondering, whether you were able to pick up some cash as a result of the IPO.

Altenbern: No. In retrospect, I probably just sort of fibbed, a reasonable offering. We had the green shoe. The green shoe was taken very often. The green shoe becomes maybe insider provider stock or something but we didn't do it.

Grad: And you renamed the company Endata when it came out. Now what happens? You're running your own company. Did the company have some reasonable amount of cash available because of the IPO? Or was most of that money just used to buy it out?

Altenbern: We had a reasonable amount of working capital, but of the things we needed, we wanted to be sure we had some working capital, but we didn't have a lot of extra money around.

Grad: Because you were actually getting a new building and so forth that must have used up some of your capital.

Altenbern: Yes, well, we leased the building and we didn't put any capital in it.

Grad: But you needed equipment because now you weren't going to be using the AG equipment anymore.

Altenbern: We did. I'm sure we financed that through an equipment lease and so forth like people do so we turned it into regular operating expense and not cash outlay.

Grad: But, then again, you were taking on some fairly significant ongoing expense risk in that regard.

Altenbern: Oh, I think so and, of course, the thing that was on our minds is here we came out as a public company with a pretty aggressive P/E that the market seemed to take just fine. We didn't have to re-price our deal or argue about it. We got priced at the full amount, very

popular expectations in the local market of this company's success. Now as management we're sitting here looking at the situation saying, "Gosh, we've got this large P/E and people have this expectation that we're going to produce some real growth in revenues and profits so we've got to deliver that." I think, in retrospect, what we did wrong was we started taking more risk than we should have in pursuit of fast growth, and some of those things didn't work out, and we stubbed our toe and actually saw earnings going down rather than up in this process within a year or year and a half or two, so all of a sudden, we entered what I've called the valley of despair.

Grad: And then you come up with this idea called Operation Focus, which is to decide what you want to keep and what you want to get rid of?

Altenbern: Right, it's time to try to get profitability restored to a reasonable level. And if some of this stuff we've accumulated over all these years is not really carrying its own weight, we need to get rid of it. We either need to sell it, get rid of it, just exit or whatever. And so we focused on our primary opportunities and profitable lines of business and it started to turn that V-shaped curve back around.

Selling Endata to FFMC

Grad: So give me a time frame, was it about 1986 when you first contacted First Financial Management or was that sooner?

Altenbern: No, it was later. In 1986 is when we were trying to turn the company around and get back to profitability, and it probably wasn't until the midsummer of 1987 that I called on the CEO of First Financial Management Corporation, commonly just called FFMC, to talk about trying to see if we couldn't become their primary computer output microfilm provider because they had multiple data centers, and we figured each one of those data centers could be an opportunity for us to open a new branch. I made a call on him to persuade him that this was a good thing for him to do and, in the process of that conversation, we began to talk about, "Well is there something better we might do together?" He began to explore with me the ideas of merging our companies.

Grad: And now you had a team of people who had helped to found Endata. Were they involved in this idea at that point in time? Did you bring them in later? How did you do that?

Altenbern: I brought them in later. First of all, I actually went to First Financial Management Corporation to make a sales call. That was my objective.

Grad: I see.

Altenbern: The thought of selling the company to them or merging with them hadn't really crossed my mind. I mean that was not why I was there, but by the time I left our first meeting, that seed was certainly planted and I knew there was an interest on the part of the CEO of that company, Pat Thomas, in seeing if we might want to explore putting our companies together. Now when I look back at the record First Financial Management Corporation had, if you looked at their stock performance and their growth and their profitability, their cash flow, just about every aspect of that business up to 1987, it was an enviable record, about 30 percent compounded rates of growth in both revenue and profitability ever since they'd gone public; I can't remember, three, four, or five years or something like that. So they were a go, go company. They never got involved particularly in ADAPSO or anything else, to my knowledge, but they were good operators and very smart people. And I thought, "Well, if we're going to put this in with another company at this point in time, it certainly looks like this would be a good company to be a part of." I could see the momentum that was there. So we went ahead and actually did merge into First Financial Management and, as I would say later, they continued to perform very well, at least for the next two or three years. The shareholders that owned Endata stock got a very nice reward, if they were patient enough and rode through the acquisition, and stayed with First Financial for a couple more years.

Grad: But you did not stay with FFMC.

Altenbern: No, I did not, but I kept my stock for a long time.

Grad: Oh, you did?

Altenbern: I stayed with them for a little over a year, but had I stayed longer, I'd be more comfortable now, but I was ready to go ahead and do something else. I don't know. As I mentioned in my notes, the company had a record of never keeping the CEO of an acquired entity. Whether that was by design or coincidence, I don't know, but I think without exception, to my knowledge, it never happened and they made a number of acquisitions.

Moving On

Grad: I'd like you to now talk to me briefly about what did you do after you left in 1988, from then to now, 22 years? What kind of things have you been doing? What did you find most interesting?

Altenbern: Well, the first thing I did, I found a fellow here in Nashville who wanted to develop a business that provided touch screen technology training in the healthcare industry, and he had sort of gotten it up to a point with a company called Argosy Network. They needed a little capital and needed some management skills and so forth, and so this had actually been an

outgrowth of something Northern Telecom had started, and he was on a team with Northern Telecom. Northern Telecom decided that they didn't want to pursue the idea any further and he had the idea and touch screen technology was just coming into play for training and things like that. We maybe were a little bit early in the technology and I spent a couple of years trying to get that thing off the ground with him and we just never succeeded. We just could not convince enough people of the merits of what we were trying to do. It was pretty complicated but anyway we tried to do that. Then my daughter got married.

Grad:　　　　One question, Doug. Did you work pretty much full time on that or was that just part time? What were you doing?

Altenbern:　　I'd say pretty much full time. Well, I stayed in the offices pretty much full time, but I probably spent half my time just taking care of my personal affairs and things like that, too.

Grad:　　　　Okay, keep going. What else?

Altenbern:　　Well then my daughter married a young man and they moved to Nashville about that time and he had gone to work for Envoy Corporation. I had watched George Raymond build ABC, Automatic Business Centers, his payroll company, and I thought, "That's a good little business to be in." I asked my son-in-law if he might want to think about starting a payroll services company from scratch and he said, "That sounds like something that could be interesting." We started a Nashville payroll company called Pay Systems of America and for the next two or three years, I was helping him get that thing started on a part-time basis. I put up the money and it turned out to be a pretty good little business and grew quite nicely. We had an opportunity to sell that to a company out of Memphis called Concord EFS. A lot of people may not have heard of Concord, but they were a wonderful company that was in the credit card processing business, you know, like MasterCard and Visa cards and American Express and all that stuff, and transaction handlers, and had a high growth rate, and had a wonderful track record, so we sold to them.

They had the idea that they could cross-sell all of their retail merchants that use their credit processing capabilities and sell them on using our payroll service. It was a great idea, but like many cross-sell opportunities that I've seen in our industry over the years, it just didn't go. The customers saw themselves as using Concord EFS to do their credit authorization but they didn't see them as a payroll processing company, even though we said, "Yes, but we're in the business and it's a subsidiary company and all it does is payroll," and so forth. It just was not an easy sell and their guys couldn't just go around and sell it. When they go around selling credit authorization, they either get it or not, in one call. The payroll business, you don't usually sell it in one call, and so it never worked.

Finally after three or four years of trying to make that work, we bought the payroll company back for less than we sold it for, which has happened a lot in our industry. Within six months, we were approached by another company out of Ohio who really wanted to get into the payroll business. They were in a related field but not payroll processing. They were in Workmen's Comp management systems or things of that sort, and they bought the company from us for a very nice price, for like four times what we had just bought it back for, so we sold it again and they're continuing to operate it. I don't know if they're happy with it or not, but they operate it, and my son-in-law since then has left and he's now providing his proprietary software to medical practices, and I'm the chairman of that company, but in a very inactive role, called Doctor's Access. It's a little software medical billing, patient scheduling, claims processing business and trying to work itself into medical records and things like that kind of business. Both my sons are doctors. I could not help them practice medicine for a minute, but my son-in-law, I can interfere with his life grandly.

Grad: You've also been serving on the board of directors of various companies.

Altenbern: Yes, I've served on maybe four or five public company boards and maybe ten or so, maybe a little bit fewer, private company boards.

Grad: Are they in computer related fields or completely independent of that?

Altenbern: A couple were in the computer related field. Microbilt was one that was in a computer related field and Concord EFS, I went on their board and, of course, they're the ones that had bought our payroll company and sold it back to us. I think the rest of them were not in a computer related field.

Grad: Do you do much traveling now personally?

Altenbern: A great deal of traveling. I think my wife and I have been to 87 countries now or something like that.

Grad: Oh, my goodness.

Altenbern: We're going to Tahiti May 1st, I think I told you.

Grad: Yes.

Altenbern: And so we have done a great deal of traveling, yes.

Grad: Any specific things that as you think of looking back on your 20 years of running these companies and your time before that. Are there some summary things you'd like to say about what you learned that you either should do or shouldn't do in running these kinds of businesses?

Altenbern: I think the biggest thing that often I think about, that I would advise any young person to do or anyone thinking about this field, is to specialize in doing one thing. Not only can you do it and do it more efficiently, but I think the most important thing about it is that when you do one thing, you get very good at it. You get very knowledgeable about it and there is a great comfort, and deservedly so, of going into a customer's office knowing that you know more about his business than he does, and I think that serves people very well in our industry. Those that have specialized in being very good at one thing and doing it well have a much better chance for success.

Grad: Well, it sounds like you've been very successful in a number of directions, a number of areas, made a lot of friends. The only thing we didn't talk about was ADAPSO and I may ask you to give me some thoughts on that at some point separately but, Doug, thank you very, very much for all your time and for your insight and I look forward to seeing the transcript of this and sharing that with you.

Altenbern: Thank you, Burt. I've enjoyed talking to you and going through some of these memories of the past.

Additional Material

Doug Altenbern provided extensive notes on his business experiences in advance of the interview and a number of areas covered in those notes were not discussed during the interview. Therefore, we have appended those notes to the interview transcript.

NOTES AND CHRONOLOGICAL LISTING OF EVENTS IN PREPARATION FOR TELEPHONIC INTERVIEW

Doug Altenbern March 2010

In the fall of 1954 I started Georgia Tech, to be an engineer. In my sophomore year I decided I would rather be in business and so I transferred to Ole Miss in Oxford. In 1958 I graduated from The University of Mississippi with a BBA degree (business).

I did the typical stint in the military signing up for the "six month wonder" program with the US Air Force followed by 7 ½ years of active reserve.

Ole Miss, like many universities had no courses in computer sciences (the term was probably not even coined yet) or in computer programming, etc. The University probably had some tabulating equipment, but I doubt they even had a business computer. Perhaps there was something in Engineering.

In any event, being from Memphis I was glad to find a position with Plough, Inc, now Shearing Plough. I was what was known as a "management trainee". I spent about a year and a half in the Marketing Department and then another year and a half in Sales Department as a statistician. I was now scheduled for a rotation in Internal Audit.

We quickly had two children, moved from an apartment to a $15,000 house and managed okay with our used 1954 DeSoto sedan. Life was good and money "?", we didn't have any. It was toss the bills into the air and pay the ones that landed first.

Plough had a computer in a special room they had built in the warehouse area. It was an IBM Ramac 305. It wasn't exactly programmed, but it was wired sort of like tabulating machines. The Input/Output was tab. It had a small drum memory. The drum was about 15" long and about 8" in diameter. There were 26 tracks on the drum. Do you see any relationship to the number of letters in the alphabet? You moved your data to certain tracks on the drum depending on the function you wanted to perform. There was a track for addition and subtraction, one for editing, one for field transfer, etc. We had a wondrous thing, a disk drive. It held 5 Megs of data. Each of 20 large platters could hold 250,000 characters of info. This was all housed in a cabinet that was about three feet square and about seven feet high. A giant arm would run up and down and then reach in and read and/or write data.

Plough had made a major commitment and placed an order with IBM for a 1401 programmable computer. It would contain 8,192 core memory locations (called an 8K machine) and programs would be written in an easy to write language call "Autocoder", a mnemonic language where instructions were written and translated into machine code on a one for one basis. That is, each line of Autocoder code created one machine instruction. It would have not only the five megs of disk space, but four tape drives and high speed I/O including a printer, card reader and card punch.

Plough was told they needed to have something called computer programmers to write instructions for the new computer. Finding experienced programmers was no small task, as demand was building and experienced people hard to find and afford. So IBM offered to "test" a number of younger employees to see if they had any with a good aptitude for programming. IBM recommended they ask me to take this job. So we had two programmers, me and an experienced outsider they hired, Smitty.

But, I could not write a line of code. So I had to be trained. This was accomplished by sending me to St. Louis for two weeks, to a school at IBM. Plough would not pay for me to come home over the week-end, so we had my wife catch a train and she came to St. Louis. Sort of like a second honeymoon (and just as long – two days).

From that point on it was like being thrown into a lake to learn to swim. I was given coding pads, Autocoder reference manual and a sharp pencil with eraser.

I LOVED IT!

I would write programs at night, on week-ends and whenever I could. I could not wait for the Saturday night sessions when we would go to a local bank where we were allowed to use their new 1401. We could actually assemble our programs and then test them. It was great fun. And, finally a few months later our computer arrived. WOW!

From then on it was just writing applications, be it payroll, inventory, customer billing, sales reporting, general accounting, etc. Almost nobody used a canned program. Everyone seemed to write their own applications. If someone wrote a good or unique sub-routine, they might give it to someone else. These routines were called macros. They were called into object programs to do what was called housekeeping such as opening a program, read/write error checking, editing, etc. This would have created an opportunity to actually sell these macros as software, and I suspect some people started just that way. Another application idea could be focused on magnetic tape storage and retrieval programs.

This is about the time of the "Cuban Crisis". I was making $475 a month and just getting by. In the reserves I was attached to the 445th Troop Carrier Wing. On December 1, 1962 we are called up to active duty. If they ship me off I will be making $175 a month as an Airman First Class. No invasion seems to be forthcoming and our wing remains in Memphis. Plough tells me that if I can do my work at night and keep up that they will keep me on full salary. I hope and pray for peace. It works! On Christmas the Air Force tells us that as of January 1 we will be put back on reserve status.

After about a year and a half at Plough, I noticed that there were want ads for experienced people in the field and I began to get a little antsy. Could I make more and could I do more? Also important was the feeling that I liked this kind of work so much that this had to become my life's calling. I also felt that I needed to work somewhere where there was nothing more important than computers and programming.

I approached a friend at IBM about seeking out employment opportunities. He checked for me and came back to say that IBM would not hire from a major customer. A few days later I

asked this same person who would be the next best competitor to IBM in the computer industry. Proving that IBM does not know everything, he told me RCA Computers. Lo and behold, in that week-ends newspaper there was an ad saying that someone from RCA was coming to town to interview people for positions with RCA as system analysts/programmers in Atlanta.

During this period, I was earning $475 a month as I said. My wife asked me one night as we were "tossing bills" how much money we would need to make to never worry about money again. I thought this to be an interesting question and after a few minutes of careful consideration I told her $650 a month. And right then, RCA asked me how much money I wanted to go with them and I announced $650 a month. They gladly met my request and I later learned that I had undervalued myself. They would have gone a good bit higher.

But none the less, my family, my wife and two young sons and me, went to Atlanta. We put the house on the market. My parents lived in Memphis, so they would look after the real estate agent. On March 29th we loaded up the DeSoto, told the moving van driver to give us his phone number and we would call him from somewhere to tell him where in Atlanta to bring our furniture. We had Saturday to find an apartment, and we did, and sat around Sunday looking at blank walls on our new home. On Sunday April 1, 1963 I began work for RCA Computers in Atlanta.

My first job was to lead the installation of a relatively large RCA 301 system at Grady Memorial Hospital in Atlanta. Over time it occurred to me that the Hospital's Controller might commit suicide over the affair, but he did not and we finally got it right. I recall that I was writing code in the Resident's Lounge on the 20th floor of Grady when John Kennedy was killed.

This was a one year effort, but went well. Next I helped a team of folks working on The Southern Bell account. Southern Bell was installing all RCA gear throughout its nine state area and there was a lot of work to do. RCA was weak in input/output devices. The printer was wavy (Analex) and the tapes drives had lots of read and write errors. We also had a good many memory parity errors. The counterpart to Autocoder was excellent (just called Assembler) and the instruction set was much better than IBM's. I did not like their fixed instruction length as I felt it was wasteful in of CPU memory.

One day another friend at RCA who was also in systems was talking and he commented on the fact that all the branch managers we had met and most of the senior managers at headquarters had come up through the sales side of the organizations, and not the systems side. He commented that if we wanted to move up, we needed to move into sales. As I thought about this, I realized that he was right. But I had never thought of myself as a

salesman and did not consider that I had the personality or manner to become a "salesman". In fact I felt disdain generally for people in selling.

My friend moved on into sales and asked the Branch Manager if I could be his technical assistant and sales support person. We worked together for several months and I liked it more and more. So I went to our former branch manager, now regional manager, and told him I would like to be considered for a job in sales. Within weeks I was called into his office and told the good news that I was going to have a chance to prove myself in sales as they wanted to open a branch in Tennessee. I told him "yes", and said how glad I was in so many ways, not the least of which was because I had not yet sold my house in Memphis. But he said there was one problem, "It is not Memphis, but Nashville where things are going to happen".

Now RCA may have thought I could do the job, but they must have had reservations since they made me move myself with a large U-Haul and then they told me not to let my apartment in Atlanta go, but to get something in Nashville and they would reimburse me. So we not only had a house in Memphis, an apartment in Atlanta, but a duplex in Nashville too. RCA has recording studios in Nashville, so they got me a small office with an even smaller reception area. But, no problem. I couldn't hire anyone yet anyway.

So I started making sales calls and within a few months I had a couple of good sales and we were making more money and actually got two cars. Right about now my third child arrives too. Now I can hire a couple of systems people and begin to get some presence in my market. But it was slow going and tough. As soon as I thought I had a major new customer sold, IBM would bring in some heavy hitter from out of town to explain why "no one would make a decision to go with RCA".

But we trudged along. My friend opened Greenville, another went to Charlotte and yet another in Raleigh Durham. RCA was moving, even if slowly. I had made my quota a couple of years and opened Memphis as a sub-branch of Nashville. I did finally sell my house and let my apartment go in Atlanta. Life was good.

Moving to Computer Services

My friend in Greenville had finally left RCA and went to work for one of his major customers, The Cryovac Division of W. R Grace & Co. They hired him because the computer system they ordered from him was failing to meet their expectations. He said it was their people and they said back, "We thought you would say that, so we are offering you the job to come here a show us how you can make it work as our Manager of Data Processing". He later explained

to me that they had also told him that if he was successful, that he could get in on the ground floor of a new division of W. R Grace that was going to be called Grace Computer Services.

My friend, whose name by the way was Gene Sadler, called me one day in 1967 or 1968 and said, "Doug, we are going to start a company called Grace Computer Services. How would you like to open a branch somewhere? We need five branches". When I asked him where the branch would be, he said they did not care. They were going to have one in New York, one in Toronto, one in St. Louis, and one in Atlanta (Gene's) and another one. I asked if Nashville was okay. He said great.

You see, about this time RCA began to talk to me about relocation to a bigger city, probably up north somewhere or to corporate in Cherry Hill, NJ. My wife, who I took off the farm in Yazoo City, Mississippi, could not understand a world where people kept moving. She had only known one house her entire life and here we were in our fourth and looking at a fifth and probably more after that. She said, "Can't you get a regular job somewhere and we can live in the same place?"

So I accepted the job with Grace. It was very tough, especially at first. I was back to no employees and a one room office. The problem was that room also happened to be our bedroom in our duplex. But things got better and I got a couple of small accounts. I must have been buying computer time from someone to run the few small jobs I had. But then my big break came as I landed a big account (for me), and I was going to replace an existing IBM 1440 disc installation at Ingram Book Company. This is the same Ingram family that owns most of Ingram Micro today.

Grace quickly let me staff up and we built a small building with offices and data center that we leased from another early customer and I was off and running. I was renting my brand new building and data center for $6 per square foot. New York could not believe it. Now I began to add more and more customers. If I had a problem early on it was being too cheap. I should have charged more. Life looked pretty good.

It was during these early years at Grace Computer Services that I attended my first ADAPSO meeting which was in Atlanta. Total attendance was about 60 to 70 people, of course no women at this time. We all attended all meetings in a single large room. Our main speaker was Sam Wyly, already a legendary pioneer in our industry. He was going to put AT&T out of the data communications business. I am sure his story is an interesting one.

Shortly thereafter we got a phone call for all branch managers to come to New York where they announced that "W. R. Grace & Co. is getting out of the computer services business".

No explanation, no plan, and no nothing except that they were getting out. OUCH! Not surprisingly right before this Grace decision is when I bought our second house at $24,500.

Let me comment here about what was happening in the computer services industry in small mid-America cities. Most of the companies getting into the business were like Grace. Big companies who wanted to be a part of this hot new industry and who generally knew absolutely nothing about how to do it or what exactly it was they wanted or needed to do.

Take Nashville for instance. At this point in time, 1968, the following companies were in the computer services business:

1. Data Services – This company evolved under former IBMers who took over when IBM was forced out of the business having to give up their Service Bureau Corp. businesses.   The President of DSC was F. I. "Pete" Nebhut still a golfing buddy on mine today.

2. Compass Computer Systems – This Company came out of a larger parent, Whale Electronics. Developer of Minnie Pearl Fried Chicken. These people could really sell franchises. The problem they had was they couldn't fry chicken and never told the franchisees how to do it either. Compass was managed by a group of guys who had run the computer systems for the City of Nashville. They were good, big system techies. They knew nothing about how to sell. The President of Compass was Ron Dickie, now deceased.

3. NLT Computer Services – This large holding company owned the largest life insurance company in the region and one of the largest banks. They too wanted to be a part of this new industry. In fact, they bought out Compass when Whale failed. Much of their business was captive. They used the Compass team to help them get up to speed on new IBM software (OS). They did not know how to sell. The President of NLTCS was Carroll Shanks, still a good friend.

4. Accountant Computer Services – This was a more traditional service bureau started by a couple of CPA's and as the name implies, their trade was computer based accounting systems. The President of ACS was Bill Gray.

5. Grace Computer Services – You know the story.

Back to my story. My friend Gene, who ran Atlanta for Grace said, "Doug, we have a real problem, but Grace has a bigger problem. Their names are on a lot of contracts and they can't just walk away without getting sued." So we went to Grace with a plan. We would shut down Atlanta and pay out any money needed to get Gene's two Facilities management

customers back in business on their own. Then they would pay us $80,000 to take over Nashville. Gene would move to Nashville and we would assume all contracts. Grace said yes. The only mistake was not asking for more.

We named our new (but the same) company Southern Computing. I personally designed the logo of the new company as I had also drawn the basic floor plans for our building. We were off and running. Gene took over day to day interfacing with Ingram and I ran sales. We both watched over operations.

At the new Southern Computing I continued my affiliation with ADAPSO if for no other reason than to get a way to buy health insurance for our employees through this, our trade association.

Even with things appearing to go well, it was tough sledding. Our business was growing, but so were expenses. In the summer of 1971 cash had gotten tight. Gene and I had both taken on an SBA loan where we pledged our homes and our families to the bank. Now what? We were just too tight.

We came up with a plan. We decided to offer our employees stock options in exchange for taking a ten percent pay cut. This would tide us over. As our employees were contemplating this idea, we got a call from NLT Computer Services. They wanted to enter discussions about buying our company. Well, this might be in order so we began to exchange information. In relatively short order we had a deal. Gene and I could pay off the bank and walk away with some cash and pretty good job security. We knew we had enough business to keep NLT happy being in the business. We would each have more cash in the bank than we ever had thought we would have. We sold for around a half million dollars.

It was interesting to go to our employees and see which had agreed to the salary cut in exchange for stock options. Only two said "no way". Then we announced the sale of the company and those who had agreed to the cut got a nice pay-off as we accelerated their options.

At the last minute, Gene asked if I would object if he did not join in, in becoming a part of NLTCS. He worked for NLT during college as a night computer operator as he was sending himself through Vanderbilt. He felt they would never see him as an executive, but rather as their one time computer operator. He retained one client, an insurance agency. This accounted for only three percent of revenues and everyone was okay with his desire.

About Gene. He started his new company, Agency Data Systems. In a few years he sold it for $1.5 million. Then he started Equipment Resources. They leased and helped clients set

up the use of terminals, mainly Burroughs TC 500's. He then renamed Equipment Resources to Microbilt. They began to build and design custom terminal networks.   He ultimately sold this company for about $135 million. He Then he started a company in the early nineties that focused on integrated healthcare electronic data transfers involving doctors, clinics, hospitals. insurance companies, etc. This company was called Healtheon. Healtheon was then merged into Web-MD and went public. Gene's share was over $500 million. I should have gone with Gene.

Unfortunately that fine man, Gene Sadler, died in the summer of 2009 at the age of 74 from complications arising from Alzheimer's disease.

Now, let's go back to NLT Computer Services in the fall of 1971. I entered into this acquisition of our company agreeing to take on the role of Vice-President of Sales and Marketing. I fit the role better than anyone else. Carroll Shanks, who was President of NLTCS and a former IBMer, was mostly involved with his job as VP of Data Processing for the Insurance Company, National Life and Accident. He had no real interest in the computer services business. Shanks and I "hit it off" very well and formed a position of mutual trust. Six months after the merger I was named President of NLT Computer Services. Our charge was to turn this into a real company.

We still were basically a local computer services company even though we had lots of computing capability. The problem was we had no vertically focused applications or software. We were generalists as were many in the industry. However, as I attended APAPSO meetings and listened to what was happening, I saw the industry transitioning to more vertical orientation and national marketing. Some local bureaus were focusing on single application ideas, especially payroll processing.

This was about the time we bought our third house for $80,000.

In the summer of 1973 we were approached by someone representing a company in Albany, New York called Mechanical Technology, Inc. They had funded and begun a business in Blue Bell, Pennsylvania focused on provided a full range of services to wholesale hard goods distributors, primarily electrical and plumbing. MTI, like so many others thought this "diversification" would be something they could focus on in the future. They, like many others became disillusioned and wanted to sell Datafile and we wanted to "grow up", so we acquired the company, leaving it in this Philadelphia suburb. The President of MTI was a gentleman named Harry Apkarian. The President of Datafile was Jim Barr.

We managed through the next thirteen years to get Datafile on a marginally profitable plane, but we never could break into the kind of growth we wanted and had hoped for. One problem

was that the industry was not as large as we had originally hoped. Further complicating our life was the nature of the hard goods wholesaler. They were tough, hard negotiating operators and they were always squeezing the last nickel out of every deal they did. Most of them wanted to get a lower price and extra features and customization.

In 1986 we finally sold Datafile to a company that provided pricing services to the industry. They were the ones who kept all those price books up to date and, of course, they were now transitioning their service to computers so they had a little synergism. I don't think they ever made much of it either.

Let me digress to a related point. Our chronology is getting out of phase, but that is okay. We will get it back.

When you review our industry you will recall that after the mainframe and on-line systems we had the minicomputer, smaller and cheaper, but with better performance. Then came the microcomputer and turnkey systems and this was soon followed by personal computers, initially used primarily in business. We had taken our company public in 1983 and I was constantly bombarded by analyst's questions about what we were spending on R&D and what we were doing with personal or desk-top computing.

At Datafile we felt we had our best chance to develop some desk-top applications that our customers could use. We knew we were not an R&D type company, but the analysts would not accept that position. So we decided to survey our customers about whether they would buy and use a desk-top set of software that would allow them to go into the main-frame and access data on their customers and inventories and sales to do some spread sheet calculations and business projections. We would price this package at $10,000 plus hardware. Almost every one of our customers said it was a great idea and they would love to have such a capability. So we finally had our R&D project. When we finished it, we went out to our customer base to sell this wonderful new software product. Hardly anyone bought it! What happened? We finally determined that they told us they wanted the new system because they thought that was the answer <u>we wanted</u>. Be careful about how you approach evaluating customer desires. Rather than a survey, get a check. Had we even asked for a couple of thousand dollars down toward the software and gotten a contract signed, we would probably have learned what they really thought of the idea. Here is the conclusion that I have carried with me for long years after. "Be careful when you ask someone what they think of your ideas. They will probably tell you what they think you want to hear and not necessarily what they think".

Back to 1973. After Datafile we proceeded on with the rest of our business. Our next venture grew out of our primary business, the local service bureau. Our large sister company,

National Life, decided they wanted to have the ability to create computer output microfilm or microfiche. We were quite successful in adding many other local companies to our customer base in this area. Over the next fourteen years we continued to grow this business, both through opening new offices and through acquisition.

It was about 1975 that we bought a company named Datafilm, head-quartered in Madison, Wisconsin and headed by Joe Dziak. They had four branches and were a big boost to our expansion of this business. Around 1980 we landed a big client, Southern Bell and this allowed us to open new offices in Atlanta, Jacksonville, New Orleans, Memphis, Jackson and Birmingham. At about this same time we bought a microfiche operation with three branches headquartered in Allentown, Pennsylvania. We also secured many customers in state and local government.

COM (Computer Output Microfilm) was a good business. The problem was that we could look down the road and see it slowly coming to an end. With data storage costs coming down quickly and with improvements in data communications capabilities and lower cost terminals we could see that much of our work would eventually disappear. But while it was lasting, it was a real cash cow. By the time we sold our company in 1987, COM accounted for over half of our total revenues and we had thirty-two offices located primarily in the eastern half of the US. Joe Dziak who I mentioned earlier headed up much of our growth in this area.

We were still eclectic and were continually looking for that magic business that would catapult us into prominence in our industry.

Two brothers, Charlie and Ken Frazier had a business in Kansas City. They were a large service bureau there. They had two large facilities management accounts, Hallmark (greeting cards) and H & R Block. They were also the predominant bank processing servicer in the western Missouri and eastern Kansas area. However, once the Frazier brothers had cashed in, they didn't work as hard and the area never developed. The amount of R&D money necessary to service the banking area is never ending and there is was just too much good competition.

Somewhere in this same timeframe we rescued a very small part of ADP by buying a division they had acquired some years earlier. There were some local business men in Nashville who owned the largest wine and spirits wholesale business, the Eskind family. They funded the development of an on-line system for the wine, spirits and beer distributors of America. They built a fair base, but after they had sold all their friends, they were becoming concerned about the business and lo and behold they sold out to ADP. Even at this time, their hardware platform was becoming obsolete but ADP went ahead and took it on. It ran on a pair of Univac 418s. The software was a real problem. There was no upward transportability even

within the Univac line of systems. All the mainframe manufacturers were busy trying to develop "IBM Compatibility", damn the old legacy systems. We folded the wine and spirits business into our local service business, but of course the hardware was exclusive.

If our company was not complicated enough, we up and bought a medical doctor and clinic billing company in Miami owned and run by a Cuban expatriate named Armando Codina. It was a mistake as we were over diversified already.

The newest problem in our business now was sticking its ugly head up. What was it? The minicomputer. More and more, prospects and indeed customers were wanting turnkey software operated with a minicomputer, right in their facility. We were beginning to see our new sales slowing and were experiencing more than the usual amount of client losses. It seemed we had no choice other than to develop a turn-key product offering. We were naturals to do this because of our extensive industry knowledge in electrical, plumbing, wine & spirits and beer distribution. However, the new forbidden word was "cannibalization". We found that a great number of our new sales were to existing customers. It felt good on the one hand as we were getting a lot of up-front revenue. But, the problem was we were eliminating one more on-line customer where our costs were fixed and thus we continued to put more and more pressure on our margins. This problem ultimately became so serious that we had to finally stop offering the on-line alternative. Pick a date and tell the clients that we could not perform on-line any longer after that. At least we had a good alternative for them.

In the early 1980's things were going pretty well. We were making very good profits. When I went to the board meeting of our parent (NLT Corp. – NYSE) I loved to tell them of the percentage increases in revenues and profits. They all smiled and said what a good job we were doing. The problem was, we could not foresee the day when our earnings could increase or decrease NLT's profits by one penny on an annual basis. And this was with a company whose annual earnings per share were in the $1.50 per share area. In reality we were just too small to matter. But they did not mind at all. They smiled and were glad they were a part of this exciting new business without having to take very much risk.

One day I even went to the Executive Vice-President of NLT, John Tipton, to whom I reported, to ask whether he thought NLT would entertain the idea of me and my management team trying to "buy" NLTCS. Wow! He turned red. He asked if I was unhappy at NLT. He wondered aloud how I could come up with such a cockamamie idea, etc. I quickly backed down and I tried feebly to explain the relative size issue. Well, I did not get fired and this was soon forgotten. But I never broached the subject again with NLT management (you will soon see what I mean).

Then one day I was called to a senior management meeting hastily called by the CEO of NLT, Walter Robinson. All operating company presidents and senior officers of NLT were represented. It seems that a renegade insurance holding company out of Houston, Texas, American General Corp., was making an unfriendly offer for NLT. American General was headed by Harold Hook. People at NLT were not happy. This was an old and very successful Nashville company where all CEO's up until this time were from the families of the founders. These families were the movers and the shakers in Nashville and they could not envision working for some Texas cowboys.

A bitter battle ensued and NLT actually made a counter offer to buy American General, but alas American General prevailed. And in November of 1982, NLT Corporation merged into American General. A few years earlier American General had acquired Life & Casualty Insurance Company. L&C was Nashville's second largest insurance giant.

American General assigned the take over of NLT to their Executive VP, Mike Poulos. He moved in quickly and efficiently and began the orientation of NLT management by personally teaching NLT senior managers a business program called Modelnetics. Modelnetics was the invention of AG CEO, Harold Hook.

During all this, my senior management team comprised of Tom Collins, Jim Barr, Joe Dziak and Tommy Cato and I began to develop a strategy to see if you could buy NLTCS from American General. We began to meet with venture capitalists and finally reached an agreement with Mike Koldyke of Frontenac Ventures of Chicago. Mike was going to put $5 million up while each of our senior managers would put up (borrow) $100,000, and we would try to establish a line for another $13 million from banks. This is what we thought we could afford, all we had to do was to convince American General that this was a fair price. We felt confident that they would want to sell NLTCS as when we reviewed other acquisitions they had made, they seemed to always sell off non-insurance businesses.

So we had our plan. We had done lots of work and projections and felt comfortable with our strategy. The problem was how and to whom should we present our offer. We decided it was to be me, and that Mike Poulos was the man. I arranged a good flip chart presentation and was ready. Each Monday when Mike came in to teach his Modelnetics, I would ask if I could get a few minutes alone with him. He always said he would try and for five long weeks he never called me up to his office as he indicated he hoped he could. He only came to Nashville on Mondays. But, on the sixth Monday when I asked to see him, he said, "Come to my office at 1:00 today. And you bet I did. The meeting went perfectly. By 1:30 we had a hand shake deal. His only concern was valuation and he admitted they had no experience in our industry and asked if I could recommend anyone to do a valuation report. I told him that I knew a company that dealt almost exclusively in computer services and software companies, Broadview Associates. He told me to go ahead and retain them. I called my friend Gil Mintz

and told him of the assignment. I also told him what the deal was and that if he missed the number I was offering AG by very much, I was dead. We had already gotten our venture money as I mentioned, but we had also lined up our bank line with First American National Bank of Nashville. Broadview did their work and lo and behold, the number matched our assumptions. One reason was that Mr. Mintz commented in his narrative that our relatively low valuation compared to our industry was because of the eclectic nature of the business. Gil was right!

Attorneys began to create documents, etc. and everyone was busy and happy at NLTCS. My new favorite saying became, "It's an ill wind that blows no good". For indeed for most in NLT, the American General take over was terrible, but for those of us at NLTCS, it was wonderful.

One of the requirements that American General had was that we could not retain or use NLT in our name. Boy, were we happy. We had an employee contest to help select a new name for the company and came up with Endata.

But there is always someone wanting to throw a monkey wrench into the works. This time it was our venture capital group, Frontenac, and their partner Mike Koldyke. They had already made their deal with us, we thought, and that was that. Management of the company would get 36% of the company stock and Frontenac would get 64%.   All other issues had also been agreed to, we thought. At the eleventh hour and fifty-nine minutes, Mike calls and says, "Doug, we are taking all the risk and putting up almost all the money. We need to be compensated for that and we think that we need a 6% yield on our equity, that equity being put into the company in the form of preferred stock. And, oh by the way, we think each member of your senior management team needs to put up $200,000 each rather than the $100,000 we had previously discussed". Wow! We got blindsided.

Fortunately there was a good regional brokerage firm headquartered in Nashville called J. C. Bradford & Co. Its CEO was Jimmy Bradford and one of the partners was David Wilds, both friends of mine. I called David and told him the story. He had a number of large investing clients in the U.K. David said he thought we could raise the money with one trip to London and Edinburgh. So, off we went and in four days we had commitments for $9 million and we were only looking for $6 million. What a great week.

I couldn't wait to get back to call Mike Koldyke and tell him we had found another source of funding in that he had decided to change the deal at the last second. He was flabbergasted and explained that "we had a deal already". I replied, "yes, but you said you had to unilaterally change the deal. He said he was just discussing an idea and none of that need apply to our deal. I loved telling him it was too late for him.

What was even better, when we raised our money in the U.K., we only gave up 40% of the company and management kept 60%. Frontenac learned the price of greed.

Interestingly, Mike Koldyke was not through trying to screw up our deal. After I had rebuked him, he then called Mike Poulos at American General saying that I might be able to run a computer company, but that I knew nothing about finance. He said I was about to screw the deal up. Fortunately, I had called Poulos days earlier and had told him the story including our successful trip to the U.K.

On January 31, 1983 we bought NLTCS from American General and renamed the company Endata. It was a high time and we all felt good. The company was in good shape and the future looked bright.

If you were a student of the stock market you would know that there are times when the market is open to new stock offerings, IPOs, and times when that window of opportunity is slammed shut. Early 1983 was a time when the window was opening again and anything related to computers and software was "hot". It looked like a good opportunity and in June of 1983 Endata went public on the NASDAQ. Our market cap was about $50 million and we raised almost enough cash to pay down our bank line from the buy-out. Our IPO went well. We were fully subscribed and we did not have to argue about pricing as demand was high for our shares.

One of the smart things American General did was to put in our purchase agreement a stipulation that should we sell the company or take it public for a valuation exceeding $20 million, that Endata would pay them an additional $3 million in consideration. We did and we paid them.

Through all these years of developing our company, I had remained active in ADAPSO. I served on the board of ADAPSO from mid-1970s until late 1980s. Perhaps because of my LBO and IPO, or whatever reason, ADAPSO elected me President of the Association in 1984. I generally participated in the International Conferences as well, and that year it was in Tokyo, Japan. Jerry Dryer was Executive Director of ADAPSO. It wasn't until after his years of service that the new head executive was named President and the accompanying industry head was Chairman of the Board.

My management and I felt wealthier that we ever had. The problem was that our broker and any analysts that followed the company did not like insiders selling stock at any time. Even though I felt wealthy (on a relative scale) I had very little cash. Oh well, this is a common problem.

Now was the time to purchase our fourth house, in which we still live, at $500,000. Today I would guess it is worth $1.5 to $2.0 million. I must have done something right, but I suspect inflation gets most of the credit.

Now we faced new problems that we had never had to worry about much in our past. That issue was quarterly reporting of results. The market wanted good steady and predictable growth in revenue and a slightly higher rate of growth in earnings per share. No excuse was good enough. If you had a bad quarter you were punished. So we pushed hard to find the growth. We made a few acquisitions to boost revenue growth in our primary businesses, but sometimes in pushing we lowered our standards and paid a price in the end.

In full truth I can tell you that I developed, over the next four years, a very bad spastic colon. And around earnings reporting time it got worse. Especially bad was it as we hit our earnings downturn.

I had always dreamed of one day Endata being the most traded stock on the NASDAQ. I finally achieved my dream sometime in 1986 when indeed Endata was the top volume producer. The problem was that the stock was going down, not up. We entered the "valley of despair". Our stock had dropped from about $16 a share to $4. It was time to do something different or get a new CEO. I preferred the former.

My team and I developed a program called "Operation Focus". The concept was simple. Narrow our focus to our more profitable businesses and sell off or shut down those that were not contributing. Operation Focus began to work and we could see things returning to normal. Over the next year or so our stock began to trade higher again and by the summer of 1986 we were at about $8 per share. During this entire earnings slump, we still generated a lot of cash at Endata. With amortization and depreciation cash performed much better than earnings.

I had begun to search for a way to expand out micrographics business outside of acquisition. It was very expensive to move into a new city and just begin to try to sell. It was always slow going at first and it was hard to make a new branch carry its own weight. I was thinking of our Southern Bell account and how it had allowed us to open so many new and quickly profitable offices. Why not find another customer and do the same thing. We could not seem to interest other telephone companies, but we searched for ideas. It occurred to me to look at large processing services companies that might offer this concept to us. There was a company in Atlanta called First Financial Management Corp. They served banks and had several operating centers. Each could serve as a launching point for a new branch.

I contacted FFMC's CEO, Pat Thomas and set up an appointment to meet him at his offices in Atlanta. We had a long discussion of the possibilities and he seemed to have a great deal of

interest in Endata and he asked a lot of questions. The crux of the matter was that Pat Thomas faced the same problem we all did in our industry. How to keep growing in your field, and if that field can't grow fast enough, how can you diversify? Before the day was out we were talking merger of Endata and FFMC. FFMC was four times our size and had an almost perfect record of growth and profitability and thus stock performance.

Within a few weeks we had a deal and we agreed to exchange Endata shares, trading at $8 for FFMC shares. Each share of Endata would receive $12 in market value of FFMC stock. It was a $65 million deal. I was asked to serve on the Board of FFMC and was named Vice-Chairman, generally known to mean "on the way out". I remained one year with FFMC and another year or two on the board. Pat Thomas never kept a CEO from an acquired company around for very long. Must have been one of his Machiavellian principles.

The merger took place on October 31, 1987, the day after the big market crash of October 30th when the Dow went down over 500 points in that one day.   On October 15, 1987, FFMC acquired NABANCO, a credit card processor out of Miami, Florida. Its CEO was Wally Whitley. This was a real fast growth area and a very smart buy for FFMC and Thomas.

Those Endata shareholders who hung in there saw their stock values increase three-fold over the next two or three years as FFMC reported great earnings and revenue growth.

The spring of 1988 was when Doug Altenbern left his company. You see, I always felt that be it Grace Computer Services, Southern Computing, NLT Computer Services or the First Image Division of FFMC, it was all one company that I had started in 1968 when I sat on the edge of my bed in the bedroom of our duplex in Nashville, Tennessee and told whoever it was I was talking to that I was in my office, for indeed I was.

What a twenty years it was. This was the way our industry started. There must be hundreds of stories of other pioneers who had similar but uniquely different tales to tell.

After leaving FFMC I remained active in ADAPSO for quite a few years. I helped start two or three small companies and served on the boards of as many as fifteen different companies.

I still dream dreams about those days. I will awake in the morning and find that it was just a dream, that sales call I just made and the big deal we were going to land. Sometimes these dreams are filled with problems and sometimes with great opportunity……..but my great love will never leave me.

PS – I cannot say enough about how helpful to my career and business it was to be active in ADAPSO (The Association of Data Processing Service Organizations) and the same

organization with its later name of ITAA (Information Technology Association of America).   I met and made long time friends with probably close to one hundred individuals and grew close to many of them. My old "Round Table" group still meets every year or so with members being Larry Schoenberg, Bob Forman, George Raymond, Judd Van Dervort, Tom Davidson, John Keane, John Douglas, Jim Porter, and Jack Yeaton.   I thank ADAPSO and particularly the leaders on The Board of Directors and the many persons who volunteered to head up so many workshops and seminars.