



Oral History of George Raymond

Interviewed by:
Burton Grad

Recorded: April 26, 2010
Moorestown, New Jersey

CHM Reference number: X5816.2010

© 2010 Computer History Museum

Table of Contents

EDUCATION AND BACKGROUND.....	4
WORKING FOR SEALTEST.....	8
GOING TO WORK FOR ADLER, FAUNCE AND LEONARD.....	9
COMPUTER SERVICES, INC.....	12
FRANCHISING COMPUTER SERVICES.....	20
SELLING COMPUTER SERVICES, INC.....	20
AUTOMATIC BUSINESS CENTERS.....	21
GROWING AUTOMATIC BUSINESS CENTERS.....	26
SELLING THE COMPANY TO INA.....	31
BUYING BACK AUTOMATIC BUSINESS CENTERS.....	32
SELLING AUTOMATIC BUSINESS CENTERS TO ADP.....	35
WHY SELL THE BUSINESS.....	36
ADAPSO.....	38
ADAPSO ROUND TABLES.....	41
BOARD MEMBERSHIPS.....	44
CONCLUSIONS AND ADVICE.....	46

George Raymond

Conducted by Software Industry Special Interest Group

Abstract:

After getting his Accounting degree from the University of Massachusetts in Amherst, George Raymond discusses going to work in the Accounting department at Sealtest Dairy. Wanting to become a CPA, he then joined an accounting firm, doing management services consulting, which involved designing and helping to install accounting systems for the firm's clients. Next he and Arthur Kramer started Computer Services, Inc. to perform the service bureau operations needed for small businesses. That business was then sold to become part of the Management Data Corporation. George tells about how he founded Automatic Business Centers a few years later to do payroll processing for small to medium businesses. Later, he sold ABC to INA/Cigna, an insurance company and then bought it back a couple of years later with financing from General Atlantic, a private venture capital company. He then discusses growing the company and finally selling it to ADP and leaving the company. He talks extensively about his experiences in ADAPSO, the software and services industry trade association, with focus on his chairmanship and on the ADAPSO round table in which he participated. He concludes by describing the 30 board memberships which he has had in non-profit and profit companies and his present cutting back down to just three boards.

Burton Grad: This interview is taking place on April 26th, 2010 and it 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. The interview is being conducted by telephone using the facilities of freeconference.com which is recording the interview. I am Burton Grad and I am located in Westport, Connecticut and the interviewee is George Raymond who is currently in Moorestown, New Jersey. George, thanks for participating in this project. We'll start by asking you to talk a bit about your family background and education. So start with your parents and so forth and see where we go from there.

Education and Background

George Raymond: I was born in Fitchburg, Massachusetts in 1937. I am the son of George and Fannie Raymond; who were both the first children of immigrant parents. I was educated in the Fitchburg school systems, graduated from Fitchburg High School in 1954 and then attended the University of Massachusetts in Amherst.

Grad: Let's talk a little bit about what your family did and what you did in schools and things like that.

Raymond: All right. My father was an electrician in a paper factory; he worked in the same factory for approximately 45 years as did my grandfather, my father's father, who also worked in the same paper factory for approximately 45 years. My grandfather died on the job and my father was injured very late in life and shortly before he retired he had to take a medical retirement. My mother was a housekeeper; she worked for various families doing daily housework. Neither of them was well educated. My father went through 10th grade and my mother went through 9th grade.

Grad: Where did they come from, George?

Raymond: My father was born in Fitchburg, Massachusetts of immigrant parents who had come from Lithuania and my mother was born in Gardner, Massachusetts of immigrant parents who came from Finland.

Grad: That's an interesting mixture, isn't it?

Raymond: Interesting mixture, yes. My maternal grandfather died when my mother was 17, so obviously I never knew the man. Grandmother remarried and I had a step-grandfather for my childhood, another Finnish gentleman and he was a weaver of wicker furniture. My paternal grandfather was a truck driver at the paper mill and my paternal grandmother was uneducated, totally uneducated, came to the United States as a farm girl at around the age of 12 or 13 and wound up working in a rag mill in Fitchburg.

Grad: Did you have any brothers and sisters?

Raymond: I had no siblings.

Grad: Same as me, an only child. All your schooling was in Fitchburg?

Raymond: Schooling in the public school system of Fitchburg, Massachusetts; I graduated in a class of about 120 students from Fitchburg High in 1954.

Grad: How did you do in school?

Raymond: Okay. I was never the top person in the class, but I always made honor roll and I got by, I didn't try very hard like many other boys. And I managed to get very decent grades without breaking a sweat.

Grad: Were you active in sports or other activities?

Raymond: I played on the golf team for four years and was the best player on the golf team. I also played tennis and ran some track.

Grad: Those are interesting sports for someone where the family is basically not well educated. How did you happen to pick up golf and tennis?

Raymond: I grew up literally on a golf course. There was a golf course that was a very, very short distance from my home and around the age of 10, I started to caddy. So I spent my early years really enmeshed in the game of golf as a caddy and started playing around 10 years old and have been playing ever since.

Grad: That's been a lot of years; you should be getting pretty good by now.

Raymond: Well, I used to be good, but I'm not any good anymore. I'm too old now.

Grad: Any other special interests that were technical or anything that related to what you eventually ended up doing in accounting or in the computing field?

Raymond: No, not really. I was always pretty good in math and I kind of migrated to accounting and once I got a taste of it I fell in love with it. I thought it was the most fascinating subject I ever took because of the orderliness of it and how everything always had to balance and everything had to work and it just came easy to me.

Grad: When you went to college, you decided to UMass, which was a live away college for you then, right?

Raymond: Oh yes.

Grad: Well how did you decide on UMass and how did you decide on your major?

Raymond: Well, I backed into UMass. I had taken the Navy ROTC examination when I was a senior in high school and I was one of the two students in our class who passed it. And as a result of that I was accepted to Tufts University as well as Northeastern University. But I was failed to get into the NROTC program because of my eyesight. If I had been able to get into the program I would have been able to go either of those schools, but the economics of going to those schools just wasn't in the cards for a kid from a blue collar family without a lot of money. So UMass was something I could do and I could earn enough money between summer jobs and while I was working in college that I could pretty much get through school without any financial assistance from my parents. And that was important because they weren't in a position to give me any financial assistance.

Grad: When you started college did you have an idea what major you wanted or was that something you discovered after you were there?

Raymond: It was something I discovered after I was there.

Grad: When you first when in, did you just go in for liberal arts?

Raymond: No, I went in to be an engineering major. But in those days in order to be an engineering major you had to really crack the books and I wasn't at the point of maturity where I was prepared to crack the books. So I didn't and found out very quickly that I was probably going to be in over my head unless I was willing to do that. So I switched to accounting and found my life's ambition.

Grad: This kind of changeover when you're in college, deciding where to go instead, was there some specific things that led you to try accounting as your major?

Raymond: Well, as I said, I was always fairly good in math and I thought, well, accounting sounds like math to me before I got into it, so maybe I'll try that. I didn't actually switch, didn't become an accounting major until probably my junior year, but I took a couple of accounting courses and fell in love and that was the end of the story.

Grad: When I switched majors in college, I was a physics major and switched to management engineering and mine was because one of my uncles said, "Are you going to be the world's greatest physicist?" And I said, "No." He said, "Well, why don't you try something else?"

Raymond: That's probably good advice too.

Grad: It worked out for me terrifically, I couldn't be happier in what I've done. Okay, so you switched to accounting. Were there other courses while you were there that were of particular interest or other activities that you did in college?

Raymond: Well I actually got a double major. I also had enough credits in economics so I have an economics degree too. So I had both an accounting and an economics major although my degree says, Bachelor of Business Administration in Accounting.

Grad: Have you been able to use the economics courses in some of your thinking and processes later on?

Raymond: If you spend any time in the world of business, you know, it's either economics or accounting; it all blends into one great big business world. So obviously the answer is yes. To understand the world of business especially bigger business, you really have to understand economics; so the answer is clearly yes. I'm glad I did what I did.

Grad: You graduated in 1959? Was there an extra year there?

Raymond: Yes.

Grad: Can you explain why?

Raymond: It was primarily caused by the change of majors. In my freshman year I had nothing but engineering related courses and when I switched to the School of Business, they didn't want to hear about those things. I actually could have graduated in nine semesters and instead I found the love of my life while I was in college so I wasn't in any hurry to leave there.

Grad: I see. Did you get married while you were still in school?

Raymond: No, but not long after, a year after I graduated. Mimi was two years behind me so we waited for her to graduate.

Grad: Were you living in Amherst while you were going to school there?

Raymond: Yes, I lived on campus.

Grad: Okay. You graduated in 1959, what did you do next?

Working for Sealtest

Raymond: Well, I went to work for Sealtest Foods in Philadelphia, which was part of the National Dairy Corporation and I got to work in what was a big company accounting department. And I'm there as a kind of an accounting trainee and within a relatively short period of time I was assigned to the budgeting department which became kind of a specialty for me and that was in June of 1959. In November of 1959 if you can remember that period of time, we were in the middle of the Berlin Wall crisis and all able bodied young men who were out of college were draft bait. So in order to avoid the draft I joined the National Guard. Anyway, and then went on active duty for six months, from November of 1959 through end of May of 1960.

Grad: Were you in the States during that period?

Raymond: Yes. And then I came back to work for Sealtest. Then six months later, Mimi graduated in January of 1961, and we got married right after she graduated and settled in living in Southern New Jersey while I was working for Sealtest. By that time I had been made the office manager of what was Sealtest's most modern dairy plant, actually the most modern dairy plant in the world and I ran the accounting office at that plant and that's why we wound up settling in New Jersey because the plant was located in Camden, New Jersey.

Grad: So you didn't have to go over to Philadelphia each day.

Raymond: Yes. By that time I was on the east side of the Delaware River and so we settled in Southern New Jersey and that's how I became a Jerseyite.

Grad: And you've been there for a lot of years.

Raymond: I've been there forever.

Grad: Go ahead.

Raymond: So now I'm at Sealtest and I'm running the Camden accounting office. I enjoyed the accounting, but I had a yearning. By that time I had recognized that I had probably made a faulty career decision when I left college. And that faulty decision was not going to work for a public accounting firm because in those days if you weren't a CPA you had a glass ceiling above you in the corporate world from an accounting point of view. In order to be a CPA you have to have spent two years in public accounting and then pass the CPA exam. And I began to realize that all of the senior people in the accounting world at Sealtest were all CPAs who had been through public accounting, managed to pass the CPA exam and then came back into business. And I realized that I had put myself into a position that I wasn't on that track and I began to start considering what my options were.

Going to Work for Adler, Faunce and Leonard

And I had a very fortuitous meeting with another couple. Mimi and I were out buying furniture one evening and we were talking to a salesman who heard my Massachusetts accent and he said, "Gee there's another couple over there buying furniture and they're from Massachusetts, do you know them?" We didn't, but we went over and introduced ourselves and it turned out that they lived about 100 yards from us in the same apartment complex. And he was a recent graduate of Boston College and was down at the University of Pennsylvania working on his Master's degree, but also working part time in an accounting firm in Philadelphia. We became friends, good friends, because neither one of us knew anybody and we kind of gelled together. And it turned out that his accounting firm was setting up a management consulting department and they had just started looking for people to hire for their management consulting department. And it turned out that part of my responsibilities at Sealtest were to help install the first IBM 1401 installed in Philadelphia in a commercial application. We brought an IBM 1401 in and when I came back from the Army, the first thing I did was to work on installing a milk route accounting application on the system. I didn't do any of the programming, but I did a lot of the associated systems work because I knew the accounting system associated with milk route accounting. And so I had to work with the programmers to design the system and design the output, et cetera. So all of a sudden, in 1960 I became a "computer expert." And you probably remember, in those days, there weren't many computer experts around.

I mean there really weren't many. And this accounting firm that my friend worked for was looking for someone who had some computer experience and accounting experience and what they also were turned on by was the fact that I had spent a couple of years at Sealtest and also had prepared the annual budgets which really was a very interesting process there. They looked at me and they said, "You're just what we're after," so they hired me.

Grad: When were you hired and what was the name of the firm?

Raymond: I was hired in 1961. I don't remember the exact date in 1961, but I was hired in the middle of 1961. And the firm was named Adler, Faunce and Leonard which was the largest Jewish accounting firm in Philadelphia. Almost all of their clients were Jewish and almost all of their employees were Jewish. In fact they used to kid me about being their show Christian. Whenever there was a non-Jewish client then they would send me out to meet them.

Grad: You were the token "goy."

Raymond: A token goy. And Burt, it turned out to be the most fabulous experience I've ever had in terms of a learning working experience because I got exposed to all varieties of not just publically traded companies but fairly substantial privately owned companies. And we installed, over the four years I was there, probably 25 or 30 different computerized accounting

applications and we installed them all on a service bureau basis because none of these firms were in a position to go to the cost of bringing in their own hardware. Remember these were the days when we were dealing with either EAM equipment or IBM 1401s, those were really the only choices and none of these firms were big enough to afford a 1401. And the people I was associated with kind of had a bias against the old punch card equipment because it had so many problems associated with it.

Grad: Were those particular service bureaus you worked with or were there a variety of service bureaus?

Raymond: There were primarily two. One was the Service Bureau Corporation, which at the time was a wholly owned subsidiary of IBM. And the other one was a firm by the name of Johnson Computing and Tabulating and it was owned by a fellow named Vic Johnson. In fact I believe Vic was one of the seven or eight original founders of ADAPSO.

Grad: I think you're right because I've seen his name on the original list of 11 companies.

Raymond: Whatever the original small number was, he was one of them. He was located in Philadelphia and we worked extensively with him because he knew a good thing when he saw it. You know, we would bring business to him. He didn't have to go and sell it; we did all the selling. We designed the systems, he programmed them. He got the ongoing revenue and we got the credit.

Grad: That sounds terrific.

Raymond: And so it was an interesting kind of marriage we had.

Grad: Now the person who had been working for this firm before, the person you had met, was that the firm he was working with?

Raymond: He was working for Adler, Faunce and Leonard. He was basically a graduate student working part time. He would do some proof reading and stuff like that. He wasn't doing any programming.

Grad: So you weren't working with him as an assistant designer or anything?

Raymond: No, he was with the audit side and I went directly from Sealtest to this management services department. All he did was introduce me there.

Grad: Good. Now beyond that, did you start to work on your CPA at that point or what?

Raymond: No, I didn't work on my CPA until I had two years under my belt and had served my two years apprenticeship at Adler, Faunce and Leonard. Now, I had never been on an audit, but I decide I'm going to take the CPA exam because I'm qualified since I'm working for an accounting firm. So I go to cram school and I study and I study and I study and I study and I take the CPA exam. And I don't know whether you know anything about the CPA exam, but it is a very difficult exam. It consists of four parts and you took it over two and a half days, two full days and one morning, very demanding, a very grueling kind of exercise. And virtually no one passes all four parts the first try and I did.

So I was very fortunate and I took the May 1965 exam and I found out that I had passed the exam when I returned from National Guard summer camp in July of 1965.

Grad: So you took and passed the exam the first time around, which I am told, friends of mine who are CPAs say how difficult that is. Now were you still working for Adler, Faunce and Leonard at that time?

Raymond: Oh Yes. I was still doing consulting and all that.

Grad: Well I'm confused. In your notes you had mentioned working for Touche Ross. Am I making a mistake in that?

Raymond: Adler, Faunce and Leonard merged with Touche Ross.

Grad: Was that before you took the exam or after?

Raymond: After. It was right at the very end of my Adler, Faunce, & Leonard career that there was a merger. Ending of my career there had nothing to do with the merger, it was incidental.

Grad: I was wondering whether there was a connection.

Raymond: No. But whenever anybody asks me who I worked for I always tell them I worked for Touche Ross because that's a recognizable name and I ended my career working for Touche Ross, but they merged with Adler, Faunce in the middle of the year, in the fall of 1965.

Grad: Okay. Did you ever do any auditing?

Raymond: No, I've never been on an audit

Grad: Well you're on audit committees now,

Raymond: Oh yes, because I understand the accounting aspects. But I've never actually been on an audit.

Grad: Okay, so you passed the exam, now what happens next? The firm merges into Touche Ross and now what goes on?

Raymond: By this time we'd built a fairly successful little consulting practice, we had about eight guys doing consulting. By the way, one thing I missed is that between the time Mimi and I got married in January of 1961 and the time I took the CPA exam both of us went to graduate school at Temple University. I was going to get a Master's degree in accounting. So once again I had taken another overload of accounting courses. The only reason I don't have a Master's degree now is I never got to the point where I wrote my thesis. By the time I finished my class work, I had made the decision to concentrate on passing the CPA exam, getting my CPA certificate. And that took a year of very, very, very concentrated work, I mean a huge amount of work.

Grad: So you were going to graduate school in the early 1960s?

Raymond: Yes.

Grad: 1962, 1963 kind of timeframe.

Raymond: I ended my work trying to get a Master's degree with all my course work done and never doing the thesis and then swung over to the CPA Exam and passed it. And by that time I had a family and I didn't have the chance to go back to school and spending another year on the thesis.

Grad: Okay, let's move ahead from there. So what happens now?

Computer Services, Inc.

Raymond: Now we're in the fall of 1965. And the fellow who was the original organizer of the management services group at Alder, Faunce, was Arthur Kramer. He had kind of worked around the idea of starting a service bureau for some time. Because we were sending so much business to Vic Johnson's company, he decided there ought to be a service bureau that was more controlled by the people who were funneling the business. So he convinced the partners of Adler, Faunce to ante up some cash to start a service bureau and then he went out in search of somebody to run it. And he finally decided that the person to run it was me. And I said,

"Come on, I don't know how to run a company." He said, "Yes, you do." He said, "You'll be just fine." And anyway in the late fall of 1965, with the blessing of the partners of the accounting firm and some of their cash, I went off and started a service bureau. And I started it by convincing one of our clients that by that time we had helped to install an IBM 1440 in-house and it was way underutilized. So Arthur and I talked to the client, who we knew very closely and we knew the operation because we had kind of put the thing together. We convinced them to let us use the excess time on the 1440 to operate a service bureau right in their building. So I left Adler, Faunce and Leonard and we started out on the road selling computer services.

Grad: The company was called Computer Services, Inc., is that correct?

Raymond: The company was called Computer Services Inc.

Grad: And it was located?

Raymond: Well the official office was Magnolia, New Jersey but we were actually located in Barrington, New Jersey which is a suburb of Camden.

Grad: Did you have an actual office of your own?

Raymond: I had an office in their plant.

Grad: So it was in the plant where the 1440 was located?

Raymond: Right.

Grad: You didn't set up a separate facility?

Raymond: I actually did have a separate office. I had an office that was about 200 square feet in Magnolia which was a quarter mile away for purposes of mail and telephone and all, but we didn't have anything there.

Grad: Now who's the "we?"

Raymond: "We" was me. I was the company. And then I hired some people, I hired a programmer and then I hired another programmer and then I hired a systems analyst and gradually started growing the company. Meanwhile we had business coming in because the accounting firm still had its consulting department less me and they were still coming across business opportunities and IT opportunities in their client base.

Grad: Who owned Computer Services?

Raymond: Computer Services was basically owned by the partners of the accounting firm and Arthur Kramer's father.

Grad: Is this the Arthur Kramer I know or a different one?

Raymond: Same one you know.

Grad: So he had stock in it as did the owners of Adler, Faunce, is that correct?

Raymond: Yes. And some of his father's money went into it too. And I had a piece of it.

Grad: Oh you did. That is what I was getting at.

Raymond: Yes. I had an equity stake.

Grad: Do you remember how big, percentage wise?

Raymond: I think I had about 13-15 percent as I recall.

Grad: Had you put any money in?

Raymond: No, I didn't have any money to put it in. So mine was sweat and brain power equity. And Arthur had, including his father's money, probably 30 to 40 percent, and the half dozen partners in the accounting firm had the rest.

Grad: Do you remember how much money they put in?

Raymond: I'm going to say it was about \$30,000.

Grad: So you didn't have to buy equipment, you had a relatively light rental and you were getting income fairly quickly. You were paying this other firm for the use of their machine at night?

Raymond: Well the deal we negotiated was a very interesting one. We sat down and we calculated the operating cost of their IT department. This included a computer operator, an IT manager, a couple of data entry people and the hardware. And the deal we made with them is we said, "You pay us that amount of money and we'll pay all the IT bills." So they immediately

became a client and we were using their equipment and their employees and their employees became our employees. And we got rid of the IT manager which in effect saved us probably around \$1,000 a month. So we were able to save that and help offset my operating costs. And that's the deal we did.

Grad: And so basically that was the nut that you had to pay each month and they were covering your basic out of pocket costs then.

Raymond: And I became their IT manager as well as running the service bureau. By doing this they locked in their costs and I ran their service bureau. Okay. So we've got the service bureau open, I'm running their IT department and my little group of people, programmers and analysts are beginning to put on new clients.

Grad: But you said you hired some people. Was this in addition the people that were already there or did you just pick them up and use them for your own projects?

Raymond: No, they didn't really have any decent people so I brought new people in.

Grad: So now you have to go out and start making some new sales.

Raymond: Yes. But of course I was getting a lot of help from my former colleagues back at the accounting firm.

Grad: So they were giving you the business rather than to SBC or to Vic Johnson?

Raymond: But they were doing it open handed, in other words they would tell the client that they had a financial interest in the deal which was generally viewed as a positive rather than a negative. Anyway we built the business up; I'm going to say we were probably doing \$8 or \$10 million in a couple of years.

And in that period of time we took over 13 small computer installations. There were 13 different companies, and these weren't all accounting clients, they were other businesses that we found. But we found 13 companies that had IBM 1440s installed, all of which were way underutilized, all of which were badly run and we convinced those companies to turn their data processing over to us and we would be in effect their in-house processor and we shoved out 13 IBM 1440 systems, we were not real friends of IBM along the way.

Grad: Did you have to get extra machines though for yourselves at that point?

Raymond: No, we just kept beefing up the same 1440. We eventually moved it out of its original home into our own standalone office.

Grad: But you still had just one machine? You didn't have a backup machine?

Raymond: No, we didn't have any backup. Of course we were running seven days a week and then we got to a point we were running almost 24 hours a day as we began to expand staff and in many of these cases we took on some of the employees of the installations we acquired. And this is at the exact same time that Ross Perot was doing Frito-Lay and the University of Texas and some others. And the only difference between what Ross Perot did and what I did was that they got much bigger fish, but we were doing exactly the same thing.

Grad: Were these pretty much all local firms?

Raymond: Yes, they were all either South Jersey or Philadelphia, mostly South Jersey firms.

Grad: Okay. How did you find these firms?

Raymond: Oh they were easy to find because there weren't many people out there with computers in those days. So everybody knew what companies had computers.

Grad: How did you know they were underutilized?

Raymond: They hadn't been installed long enough to be over utilized. IBM would come in, sell the romance of a computer and these companies would come in and they'd install invoicing or something like that or an inventory application or worse yet they would try to do payroll which was really a disaster. Or they'd put in a little general ledger application which was such a waste of time it wasn't even funny. But, you know, they'd screw around and maybe have an hour or two a day of actual computer work. And they'd be spending \$4,000 or \$5,000 a month between people and hardware.

Grad: Were you getting references on these people from Touche Ross at this point?

Raymond: Some of them were Touche Ross clients; others were people we just found on our own.

Grad: Let me just finish up. You said you had \$8 to \$10 million by when?

Raymond: This is late 1960s. This is probably 1967 or thereabouts.

Grad: Within two years of starting the company?

Raymond: Oh yes, this thing really rolled, it really rolled. Remember, Arthur Kramer was the largest stockholder and had the controlling interest. And about that time he left the accounting firm and said, "Okay, it's time for me to come in and take over." So he came in and took over the company.

Grad: Ah, he now became your senior partner in an operational sense.

Raymond: He now became my boss. Which, by the way, was the original design. This was not a surprise to me nor unexpected. It was, assuming we were going to succeed, in light of the fact that it was his father's money that was the significant portion of what we had, it was an understanding that came from day one.

Grad: Let me ask you a question because the amount of money you had seed capital you said was about 30K, did I understand you correctly?

Raymond: Yea, I think that it was probably in that kind of range.

Grad: And yet you were able to build a business of \$8 to \$10 million in revenue within a couple of years on that little bit of seed capital. Did you have to borrow money, get other sources of funds?

Raymond: No, we never borrowed any money. We had a really nice little package going. We would walk into a company that was spending, as I say, three to five thousand dollars a month trying to run the wrong computer system and getting very poor value for it. And we would say to them, "You don't need your own hardware, you don't need an IT manager, you don't need a programmer. Turn it all over to us, and we'll do it for \$2,500 a month." On that, we could make money.

Grad: Why were they comfortable that they could trust that you would do it, that you would keep their data separate, all those kinds of things?

Raymond: Well, I was a good salesman.

Grad: Were there a lot of others that you tried to get that didn't agree to go, or was this pretty much a slam dunk?

Raymond: I would say that we had a really good batting average. We had a batting average that was probably way over 50 percent. Remember, we're not talking about a situation like today

where there are computers everywhere. There were not a lot of computers running around. And people who had them, they'd struggle with them, they had untalented IT managers. Their hardware would break down. The problems in those days were monumental at times. And if you didn't really know what you were doing, and most of these company managers or presidents or owners, they didn't want to know anything about running the thing, they just want to see results, and feel they were getting their money's worth. And all of them knew that, especially those with relatively recently installed computers. They were still not getting their money's worth.

Grad: Let's keep going. Did you switch over your machines to System/360s at any point?

Raymond: Eventually, we jumped from the 1440 to the System/360.

Grad: Model 30?

Raymond: Model 30. And along the way we built our own facility. We built a brand new building; it had a computer facility with that big old glass room, and the raised floor, and the whole thing. Up until that time we had cables laying everywhere. And we moved into about a 25,000 square foot building. Now we've got a staff of eight or ten programmers, a half-dozen systems analysts, a half-dozen salespeople, and a lot of keypunch operators, etcetera, etcetera.

Grad: What year was that?

Raymond: I think we moved into the new building in the early part of 1969 in Cherry Hill, New Jersey.

Grad: Did the business continue to grow?

Raymond: The business continued to grow.

Grad: Let me take you toward the end. So Arthur is now "running the company." What was your principal role now?

Raymond: You could call me "Chief Operating Officer." I ran the place. Arthur, when he came in, became the head salesman, and the head strategist. And I delivered the goods. I got the stuff programmed. I got them installed. I oversaw the day-to-day operation.

Grad: Did you also serve as the CFO, effectively?

Raymond: No, we brought in somebody to be the accounting person.

Grad: Did the nature of the business change? Were you still doing accounting type applications primarily?

Raymond: Yes, we always did accounting type applications.

Grad: So you didn't get into the manufacturing control, or those other kinds of areas?

Raymond: No. nothing like that. For the most part, we were doing general ledger, payroll, billing, sales analysis, accounts receivable, inventory. And as time went on, we kind of wrapped some of these things into packages. We had a pretty good general ledger financial statement system. So anybody who was doing general ledger processing and financial statement processing with us, we migrated them to our package, so that everybody looked alike and was running on the same software. And we had the accounts receivable system where we did billing and the accounts receivable statement, aging and the aging analysis, and that kind of stuff. We had some simple inventory systems. We had some simple sales analysis systems.

Grad: Did you have to reprogram them when you went to the 360?

Raymond: Oh, yes. Everything had to be redone. We ran in compatibility mode on some of them for a while, but compatibility was not really a very satisfactory method of operating. So we gradually reprogrammed everything and switched it over.

Grad: Didn't some of those customers want to have more operational things or were most of these are not manufacturing businesses?

Raymond: Most of them were not manufacturing businesses. And frankly, I don't know that we were sophisticated enough to deal with manufacturing applications. Arthur and I are both accountants. So we stuck with what we knew.

Grad: And the companies let you do that even though you were their IT department?

Raymond: If they would come up with something like that, we would find a way to discourage them, because we were stepping into areas that we really didn't know what we were doing.

Grad: Are we now ready to discuss the early 1970s?

Franchising Computer Services

Raymond: We're not up to the 1970s yet; we're still in 1969. Arthur was one of the most creative people I've ever met. I don't know how well you knew Arthur, but Arthur's mind was always going. And he was extremely creative. He was also one of the most impractical people I've ever met. He really didn't understand that some things you just can't do. And anyway, we went into the business of franchising. And believe it or not, we actually sold three franchises. And I kept saying, "I think we're in over our heads here," and Arthur kept saying, "No, no, no, we're okay, we're okay."

We would get a small configuration of hardware, and I kept trying to remember the box that IBM came out with, which was basically their first real telecommunications box that had any kind of baud rate. We're talking about baud rates now that were in the 2,500 BTMs. They weren't anywhere near what we have today. But there was a device that came out with a system that you could go tape to tape over phone lines, and then at the other end, take the tape and drop it onto a device where you could read the tape and print. So his concept was, we were going to take the packages we had, and we were going to make them available to people in remote locations. They were going to do all the data entry. Put everything into card form. Transfer the cards to us, where we would punch them out, and then and we were going to do the processing and run the applications, and then send them a tape version back, which then could be printed locally. And we actually sold three locations, but we only tried to get one up fortunately. And the thing turned out to be a dismal failure. The hardware wasn't any good. IBM had an application, but I can't remember the exact name and it turned out we were the first ones to ever try to use it. They convinced us that this was a great product, and we could use this to do remote processing and the product just really didn't work. And when we found out that the product really didn't work, we trashed the whole thing. But we actually tried to do remote processing. The office we set up was in Pittsburgh, so we were handling data back and forth between Cherry Hill and Pittsburgh, not to a very high degree of success.

Selling Computer Services, Inc

Anyway, that was 1969, and sometime during 1969, a gentleman appeared in our life, whose name is Gil Zitin. And Gil was a fellow who thought he could sell refrigerators to Eskimos. He was from Philadelphia and inherited a business from his father, which did financing of Class B receivables, like the people who would sell encyclopedias door-to-door. He would finance people who sold pots and pans door-to-door. He would finance the receivables, etcetera. He had a company called Middle Atlantic Financial which bought this paper and charged outrageous usurious interest rates, but it was a successful little company. Well, Gil took this company and he acquired our company. Middle Atlantic was a private company. He changed the name from Middle Atlantic Financial to Management Data Corporation to give it some pizzazz.

Grad: What year are we talking about?

Raymond: We're talking about 1969/1970.

Grad: Okay.

Raymond: Gil was a wheeler-dealer par excellence, and he was following the path that Saul Steinberg took when he started Leasco. And then Steinberg wound up buying Reliance Insurance, and he went on and on and on to do a whole lot of things. Anyway, Gil was a friend of Steinberg's and he said, "Well, I'm going to do the same thing." Then Management Data went public, he floated a pretty good size issue, and the first thing that Management Data did was they leased a computer— a big computer system — to Eastern Airlines. This was a \$20-25 million lease deal. And it was a really big deal on very favorable terms to Management Data. And so Arthur and I were wholly-owned subsidiaries of this phony little company. Basically, its fundamental underpinnings were financing pots and pans and encyclopedias and the like.

Grad: Do you know how much they paid to acquire CSI?

Raymond: I think we got \$18 million, cash.

Grad: Cash money.

Raymond: Cash money. A pretty good number.

Grad: So you were 15 percent of that? All of a sudden you had \$3 million.

Raymond: I got a couple million dollars. Arthur. His father had a big chunk, and Arthur got probably what I did. I don't know what Arthur actually took.

Grad: Okay, but you both stayed on to continue working for the company.

Automatic Business Centers

Raymond: We both stayed on to continue working for the company. It became very clear to me that this guy Zitin, although he was very charming, didn't know his ass from his elbow about the world that he had stepped into. And then he decided that he was going to start meddling into our business. And I really didn't care for that at all. So now that I had a little bit of money in my pocket, I began to think about what was I going to do, because I really decided I didn't want to spend the rest of my life being a party to where Gil Zitin was going. So in 1972, a couple of years had gone by and our company continued to grow but not as aggressively as we had in the

late 1960s. Things were okay. Then the thing that really happened is the arrival of the IBM System 3.

Well, the System 3 did one thing very, very important for me at least; as far as I was concerned, it was the first time that there was a complete computer system that didn't cost so much that you could actually afford to rent one of these things, and set up a service bureau to do relatively small applications, and make them pay. My idea was to go into the payroll processing business, and strictly the payroll processing business. Part of the problems that we had, we kind of hit a wall in terms of the growth of the other business, because we were all things to all people. We were trying to do so many different things with so many different people that it became an operational nightmare and a systems nightmare. We had 50 clients all of whom were paying us a fair amount of money, and they all had demands. They all want this stuff the first working day of the new month. And etcetera, etcetera. And it became a real nightmare to juggle all these things, and keep the clients happy, and manage all the different applications that we were having to manage. And I, frankly, got really tired of it.

And I decided that I was going to see if I couldn't find a way to go into the payroll processing business. Because now there was a piece of hardware out there that I thought could do it, and I could sell payrolls to small companies, and make money at it. I knew of a company that they had been a client of ours, that had just installed a System 3. They were using it primarily for billing and accounts receivable. I had gotten to know the owner pretty well, because we had put those applications on our system originally when he brought the computer in on his own, and we'd moved him over. So I went to the owner of that company and I said, "I'd like to make a deal with you," and I tried to make him the same deal that we had made originally when we started CSI, and that was, "I'll run your data processing department. I'll pay the hardware bills and the people bills, and you let me use the excess time." And we talked for a while, and had a couple of meetings, and then he came to me and he said, "How much money do you think you're going to need to start this business?" I had put together a pretty detailed budget, and a pretty good plan, and I said to him, "Well, I think I need \$32,000 to start. He said, "I'll put up the money." So I not only got the hardware that I needed, but I got the cash that I needed.

Grad: Why did you want his cash instead of using your own?

Raymond: I did because my cash was being saved for my children's future. It would have probably been a better idea if I'd used my own cash, but I was kid that never had any money in my life, and all of a sudden, I've got close to two million dollars sitting in the bank, and I wasn't going to part with any of that at that point. I didn't know that I'd ever have another chance to make that kind of a homerun, and by that time I had three children, and I'm worried about their future. Anyway, I agreed to take his money. It turned out to be not his personal money, but his and his two brothers-in-law, and another brother-in-law of one of the brother-in-laws.

Grad: So what percentage of the company did you give them, and what did you keep?

Raymond: They wound up with 60 percent. I got 40 percent. And I gave ten percent of my 40 percent to a fellow that I knew I needed who was a programmer, who worked for me with Arthur. And I quit Arthur's company. And my programmer and I started on the first of May 1971 writing a payroll system for our new company. We started the first of May, and we ran our first payrolls July 4th weekend.

Grad: And he had to learn the System 3, though. He'd been working with the 360, I guess, using COBOL before, right?

Raymond: Not only that, we had to switch to RPG, We built a payroll system that lasted more than 20 years, with some modifications along the way, in two months.

Grad: Were you nervous about the fact that they had 60 percent and you and your programmer had 40?

Raymond: No. Our good friend, Gil Mintz, has an expression he often uses, and he says, "There's nothing more powerful than guru status." And I always had guru status. And as long as I had guru status, I wasn't the least bit worried about what would happen.

Grad: Many people feel that if they don't have controlling interest, these other people can sell the company, can do things around them.

Raymond: They can.

Grad: But if you're not there, there's nothing to sell.

Raymond: And if you have guru status, where are they going to go with it? Right? I've said that many, many times. That's the strongest hold that I know.

Grad: The amount of money was trivial in a sense. \$32,000 is not a lot of money. You don't sound like a real entrepreneur. Most of the entrepreneurs are essentially risk takers. And you don't sound like one.

Raymond: I'm not sure I was a risk taker. I'm not sure I ever really took a risk. When we did this, Mimi and I talked about it, and we had just had our third child, so we were a young family, and we had just bought a new home. And my feeling was, "Look, I'm a CPA. I'm smart. I'm young. And if this fails, there'll be a job out there that I'll get. And I'll be okay. You know, I'll find a job within a month, and I'll go to work, and we'll start again." So I probably am not- the usual

definition of an entrepreneur from a risk taking standpoint. I probably don't fit the typical entrepreneur who hocks his house and car and wife to start a business.

Grad: In this case, though, you had a substantial cash reserve. And you could have put a very small amount of that cash in and avoided having a partner.

Raymond: Yes, I could have. And but I never regretted my decision.

Grad: My question's the other way around. Not whether you regret it; did you ever consider it?

Raymond: No. I never considered it. I never considered it, never regretted it, and the story gets more interesting as time goes on.

Grad: So this company is called Automatic Business Centers?

Raymond: Automatic Business Centers.

Grad: And where was it located?

Raymond: It was located in Maple Shade, New Jersey, which is a little town next to Cherry Hill, operating out of the back of this other company's office.

Grad: So you didn't have a separate building. Did you use their machine, or did you get your own machine?

Raymond: No, I used their machine. I cut the same kind of deal that I had done back in 1965, using basically, their machine. They would run maybe four or five hours a day, and then at night I would process payrolls.

Grad: What was the name of that company, George?

Raymond: It was called Stonhard, Inc.

Grad: Let's keep going. So now you started your new business. Was Arthur happy or unhappy about you leaving? What was the story?

Raymond: Very unhappy. Extremely unhappy. He called me a Judas. And for several years he would not talk to me. I really felt very badly about it, because I never felt that I was betraying him in any way. I certainly didn't do anything to damage either him or his business, other than to

take one programmer, who by the way was kind of a junior programmer; he wasn't even a senior guy.

Grad: What was his name, incidentally?

Raymond: Michael Farrell. So anyway, I go out and start selling payrolls! Now at this time I don't have any friendly partners in the CPA firm to help me. I've got to just do it on my own. And I start knocking on doors, and knocking on doors, and knocking on doors. And we processed our first two payrolls on the July 4th weekend. It took us two months to build the system. By the way, I'm going to pat myself on the back here, because I had a concept of building a system that, I think, even today is still somewhat unique. We built it in such a way that we could run a payroll in virtually any industry, with any kinds of deductions, in any state, with any locality, with almost an unlimited number of deductions. The deductions could be calculated in a wide range of ways. And all of it was built with total flexibility that you could set up all of the factors that modified the payroll from outside of the software. We had what we called parameters. For every new client that we put into the system, we loaded into that client base a series of parameters. And the parameters told the programs what taxes he had, what the tax rates were, what deductions he had, how the calculations for deductions were to be made. Whether they were a flat amount, whether they're monthly, weekly, annually, and in addition to that, with all of our reports, we started with basically a blank sheet of paper, and for every customer we customized their reports to be exactly right for them.

Grad: Was RPG was particularly helpful in that regard?

Raymond: Very helpful. And once we got into it, when Michael and I started programming, we discovered a technology in RPG called arrays. And this was the first time that arrays had ever been used in programming. And what we did is we used to load the parameters into the array, so that we could process, let's say, 100 clients simultaneously. And as we got to each client to process their payroll, the arrays would kick in and overlay the previous set of arrays, so that the calculations would take place, and effectively the program would be totally different from one client to another.

Grad: And we used to call that process table-driven. And we had used it on some of the larger machines. It was often used for engineering and scientific work. But with the System 3, the arrays made a heck of a difference. I had development responsibility for the System 3 applications at that point in time.

Raymond: So you know exactly what I'm talking about.

Grad: That was terrific! That was a very smart to do it. It gave you an incredible degree of flexibility.

Raymond: It turned out to be absolutely fabulous.

Grad: Who did the selling now?

Raymond: Me.

Grad: There was a recession in 1970-1972. Did that affect you?

Raymond: I don't know. All I know is that I kept selling enough new customers that the business gradually pulled itself up by the bootstraps, and we used to go home and do the billing. I would write out the bills, and Mimi would type them. We didn't even have a computerized billing system. We'd do it at the kitchen table, and I used to say to her, "Gee, I wonder if this business will ever be anything other than a nickel-and-dime business?" But you know those nickels and dimes added up, and they added up.

Grad: How did you convince people to use you instead of ADP?

Raymond: I guess it was salesmanship. I would tell them that first of all, I'm local. I focused totally on South Jersey. And I would say, "I'm local. You can reach me at home if you need to. If there's a snowstorm, I might wind up delivering your payroll. But I'm here. We're less expensive. And we're going to be more reliable, because I said so. Meanwhile, ADP is 30 miles away from here over in Fort Washington, Pennsylvania. And what are you going to do when there's a snowstorm?" And those messages resonated. And in fact, every time I would run into an ADP client, I would say to them, "Someday at some point you're going to be my client. Now, you can either do it now; or you can do it later. But eventually, you're going to come to me." And that resonated. But most of my clients were not former ADP's. Somebody told them to automate their payroll, and we were in the phone book, and then we got to know a lot of accountants, and we got a lot of referrals, and it gradually built. And I hired salesmen as soon as I could afford it. As soon as I had profit. I took the profit and put it in sales.

Growing Automatic Business Centers

Grad: And so did you start putting your net out wider at that point besides South Jersey?

Raymond: Well, after a little over a year, I opened the second office about a quarter mile from ADP in Fort Washington. I hired a fellow to run it who had worked for me with Arthur, but had left Arthur and was doing something else. He was a guy I liked. He had been a salesman for us. And I brought him in, made him the head of the office. He was the chief salesman and he was supposed to do exactly what I had been doing in New Jersey. And I gave him ten percent of his business.

Grad: But you were still running on your computer?

Raymond: No, no. Initially we did. For several months we did, and then we brought in a System 3 for him. Once we had a base of business.

Grad: I understand.

Raymond: So I repeated that again in Philadelphia. And over time, by the time we were done, we had 15 offices.

Grad: Were they all pretty much Middle Atlantic or Northeast?

Raymond: They stretched from Boston to Atlanta.

Grad: And each office was basically the same kind of a model?

Raymond: Identical.

Grad: Did you stay with System 3s during most of that period, or the follow-ons, the IBM System 36s and the System 38s.

Raymond: We eventually went with the 36s, but System 3 was our foundation. I forget when we switched over to the 36s. But it would have been somewhere in the late 1970s probably.

Grad: Did you ever migrate to the AS/400?

Raymond: No.

Grad: Did you go up the System/38?

Raymond: Yes. We did work our way up. There were a couple of interesting things that took place along the way. I started the business in 1971, and sold it in 1988.

Grad: 1989 is what it shows here. Was it 1988?

Raymond: 1989 is when I left ADP. I actually sold it in 1988, seventeen years after I started it. In 1979, we were approached by a company called Safeguard Business Systems. Do you know what a One-Write system is?

Grad: I do, but you might explain it briefly.

Raymond: Well, a One-Write system is a system where you have various documents that layer over one another, and by the use of strip carbon on the back of the documents, when you write one line of a transaction on the top sheet, it posts back through several pieces of paper, so that when you write it once, you actually write it multiple times with the use of carbon strips and carbon paper. And it was a widely accepted system used for accounting for a variety of things, prior to the advent of the PC. Pretty much a buggy whip today, but I think there're probably still some of them out there. The most common use that people recognized, they used to have in doctor's offices, where the doctor's receptionist would write you out a receipt when you paid your bill as you left, and when she wrote you out the receipt, the receipt was on a sheet of papers that were layered like shingles, and she would pull out your account card with the doctor and she would insert that behind the top sheet of the receipts, and when she wrote out by hand your payment receipt, it would post onto the ledger card, and then it posted on another sheet, which became the journal of the cash transactions for the doctor's office. So it was a very efficient way to have an accounting system without rewriting things over and over.

Grad: For those who didn't automate, didn't use punch cards, for small operations, that was a very common solution that was used.

Raymond: Very common. And Safeguard was the leading company in the industry by a lot. Well, they recognized that the computer evolution was shrinking the size of computers, and that at some point they were going to start facing serious competition from these small computers. So they decided to try to do something to mediate their problems. And they decided they wanted to get into the payroll system business. They contacted me, and we negotiated the sale of my company. This is now the late 1970s. I think the actual transaction took place in October 1979. Anyway, they wanted to buy us. But I wasn't ready to sell. And yet I knew that these guys really needed to do something.

So I kind of turned the offer of buying us around and said, "How about if we create a kind of a license arrangement, and we'll help you set up your own data centers, because we're experienced in doing that. We'll teach your people how to sell payrolls." And they had a sales force of independent agents of close to a thousand people around the country. They were a natural to become a real dominant force in the payroll business, because a lot of their customers had a One-Write payroll system. So we negotiated a transaction whereby I agreed to help them set up three locations, and train the people in those locations how to sell the product. We would hire and staff people to man the location. We would help them put the equipment in and find the locations.

We kind of did a kind of a turnkey deal. They could pick the locations, and we agreed to stay out of each other's turf. I wound up keeping all of the states that touched the Atlantic Ocean, with

the exception of Florida. And they agreed to stay out of all the states that touched the Atlantic Ocean, with the exception of Florida. We cut a deal and I think they gave us \$8 million. We worked the transactions so that in effect it looked like a sale, so that we could treat it as a capital gain. In addition to that, they agreed to pay us three percent royalty.

Grad: On gross revenue?

Raymond: On gross revenue for, I think it was six years. But anyway, they paid us three percent gross revenue. So I basically sold them one of my corporations, so that we could sell them a company, that we could treat it as a capital gain. We helped them open three locations; Chicago, San Francisco, and Tampa, Florida. They were modestly successful. And yet, it never clicked. I was very friendly with the principals at Safeguard and they would always say to me, "Why are you able to make this thing grow so much better with your own company? With all the power we have, all the references we have, all the salespeople we have, etcetera, why can't we make it grow?" I would always give them the exact same answers, "Because you don't have a guru. And had you offered the right amount of money when we were negotiating the deal, you would have had a guru. You would have had me."

Grad: And what did you want? How much would you have taken to sell the whole thing?

Raymond: I'm not sure. Probably at that time, I would have taken \$20 million and been happy as a clam and it would have been a steal for them! I really don't know. We never got that close.

Grad: You have a bunch of years here. Your company is growing. Do you remember how big the company was? What were your revenues, like say in 1979 or 1980?

Raymond: I'm going to say they were probably in the \$8 or \$9 million range.

Grad: So it was still a relatively small company at that point.

Raymond: Except that in the world of payrolls, it was becoming a serious player. ADP at that time was probably \$100 million, but Paychex, which was the next biggest at that time, was not a whole lot bigger than we were.

Grad: Paychex with Golisano?

Raymond: Yes, with Golisano.

Grad: Up in Buffalo?

Raymond: In Rochester, NY. Paychex in 1979-1980 was not real big. They probably had six or seven offices and they probably were doing about the same level of business as we were.

Grad: The key here, you believe, was that the payroll processing companies had to be close to their clients at that point in time.

Raymond: Well, I thought they did. Remember, you had to physically deliver the payroll. Those days, there was no technology that allowed you to send it back by any kind of other means. Not effective technology.

Grad: You couldn't do remote printing at that point?

Raymond: Not really. Remote printing really didn't come until the advent of the PCs. I mean, you could do remote printing, but you needed such expensive hardware that you couldn't do a 30 man payroll with remote printing. It would have been cost prohibitive. Printing checks remotely, with MICR characters in magnetic ink was an issue.

Grad: You have eight to ten million dollars in revenue at that point; was it profitable?

Raymond: Yes. Oh sure.

Grad: Were you profitable from the beginning?

Raymond: Along the way, we were not profitable, because every time I made a profit, I turned around and ploughed the profit into a new location.

Grad: But that's called investment.

Raymond: Yes, but was I cash flowing positive? Yes, I was cash flowing positive, but then I'd open up a new office. And you know, it cost me, as time went on, it was because they were more remote, and I was having to hire people, and sometimes I wouldn't get the right guy the first time, and took a financial hit.

Grad: Let me challenge you a bit on what you were doing. You had 15 offices by the mid to late 1980s, right?

Raymond: Right.

Grad: And how big was the company then? Was it \$20 or \$30 million in revenue?

Raymond: We did \$25 million the year I sold the company.

Grad: You had 15 locations. Each location was about a million and a quarter to a million and a half in revenue?

Raymond: No, because we had some locations that were relatively young, and some locations that were relatively old. My older locations were doing two and a half to three million dollars in revenue.

Grad: But you found that this was a profitable size, in other words.

Raymond: Oh, we could make money in an office with at about \$600,000 in revenue.

Grad: That was what I was getting at. So the breakeven point on profitability was about \$600K, so if you could get an office up to that size, it would start to make money, and beyond that, your yields were very strong, because your incremental cost was not much higher, when you added more customers.

Raymond: The cost of adding a customer was very, very low.

Grad: The same System 3, or System 36, whatever you were using at that point, or even a System 38 could handle a larger number of accounts without a big deal.

Raymond: Our marginal revenue on a customer was about a dollar thirty cents per paycheck. And our marginal cost was somewhere around a twenty-five cents. So once you got to a critical mass, and critical mass wasn't very big, the marginal revenue was huge.

Grad: You were continuing to be the CEO, obviously, during this time. Did your partners stay involved, or did they go out? What happened with them?

Selling the Company to INA

Raymond: The same four were still involved. And then in 1981, my good friend Gil Mintz, who had introduced me to Safeguard and was always in my business life, called, and said, "Are you sitting down?" I said, "Yes." He said, "I have somebody that I think might want to buy you." I said, "Okay, tell me about him." Well it turned out it was the Insurance Company of North America. He made the introductions and we had discussions, and INA, a very large insurance company which was headquartered in Philadelphia fell in love with me and the company and

they agreed to buy us for 15 million dollars in 1981. So I said yes. Well from the time we negotiated the deal until the time the deal closed, and by the way, their notion was that they wanted to expand the portfolio of products that they were selling to their business customers, and they thought that a natural would be payroll, because it went along with selling unemployment insurance, and employee benefits, etcetera, etcetera. So, I understood that logic.

We concluded the deal, and from the time we shook hands on the deal to the time the deal formally closed, which was a couple of months, where they had to do due diligence and lawyers had to do things, and all, INA merged with Connecticut General, and became Cigna. And also within that same period of time, the people who bought me were out of a job. So subsequent to the transaction closing, I get a phone call, and a guy says, "I've been told I've been put in charge of your company, and this is who I am, and I'd like to come down and visit you and learn a little more about it." I said, "Fine, come ahead." So this man walks in the door one day, and he's a bright guy, just out of Harvard Business School, the Executive School. He sits down in my office and he says, "Now tell me why we bought you." I said, "Well, gee, that's interesting, because this is kind of what I expected you to tell me." And I said, "You know, the best of my knowledge, I think that the guys from INA," and this guy was a Connecticut General guy, obviously. "The guys from INA who did this deal thought that this was a product that you could sell to your business customers." So he said, "Well, okay, we're going to do everything we can to make your company flourish." And they did. I have to say they really tried.

Grad: So the deal did go through.

Raymond: Oh, the deal went through, and I was now a wholly owned subsidiary of Cigna, but I was still sitting in the corner office, still had guru status, and, once again, people used to ask me, "You know, aren't you worried about these guys firing you?" And I said, "You know, if they do, who the hell are they going to get to run this business? I'm the guy that runs it; I'm the guy that built it." So we start putting together a series of meetings over time, where I go work my way through the hierarchies of Cigna, in the various divisions of Cigna that sell products to businesses, and there were a lot of them. There are maybe a dozen different divisions of Cigna, all with Vice Presidents in charge, all of whom sell some kind of a product to their customers. But what became clear over time, was that my average customer was 35 or 36 employees and their average customer was 1,000 employees.

Grad: Yes, there's probably a 10 or 100 to 1 ratio.

Buying Back Automatic Business Centers

Raymond: Oh yes, and they weren't the least bit interested in even doing business with companies who employed 35 people. From a practical point of view, I wasn't in a position to go

out and effectively deal with thousand man companies, because those companies weren't using outside sources for payroll, they were doing it themselves. So this went on for several years, and the further it went on, the more I realized that I was a fish swimming in the wrong pond. My liaison, the guy who originally came to meet with me, he and I became very close, and we talked about this extensively, and he understood my situation, and I certainly understood Cigna's situation. So one day, I run into the CEO of Cigna, a guy named Bob Kilpatrick, while I'm roaming around the corporate headquarters up in Bloomfield, and I run into Bob, and we stop and chat. And I say to him, "By the way, would you be interested in selling me my company back?" He said, "Well, why don't you make me an offer?" I said, "All right, I will." Well, while I was part of them, they had financed the purchase— helped me buy two other small payroll companies, one in Washington, D.C., and one in Atlanta Georgia. So they had put a couple of million dollars into the company. It wasn't on my balance sheet, but they had written the checks. Meanwhile we had continued to grow.

So now we were probably twice the size we were when we sold the company, and I thought, well now how am I going to do this? I don't know how to buy this company back. So I put together an offer letter, and I offered them the same price that they paid for it. I got some guidance from the guy who was my overseer, who had become a real buddy. He said, "I think that if you offer them that, and they don't have to take a write off, because they've amortized some of the costs of your company already. Although we've put more money into it, but some of that has been amortized, so if you come up with an offer that looks like pretty much what they have on the balance sheet, and so they don't have to take a write off, you'll get it, and I wish you well." So I wrote a letter and offered Cigna exactly what they paid for it.

Grad: Which was 15 million dollars?

Raymond: Fifteen million dollars; and they took it.

Grad: So where were you going to get the 15 million dollars from?

Raymond: Where in the hell was I going to come up with 15 million dollars? And then once again, I didn't want to go into my bank account. I was going to do this without going into my bank account. So, the guys who were my original funders, the family of four, said, "Okay, we'll fund it." And I said to myself, "No, I'm not sure I want you guys involved anymore." I didn't say that to their face because we hadn't talked about what piece they were going to get for their funding of it. And I wanted to take a bigger piece of the equity. So I started talking, once again, to my friend Gil Mintz. He said, "I know someone who might fund it for you. There are these guys who have got this fund in New York City. They're kind of a quirky bunch, but they're real straight arrows and I'll introduce you." It turned out to be General Atlantic. Do you know those guys?

Grad: I've worked with them extensively.

Raymond: They're the best guys in the world. They are absolutely the best guys in the world. David Hodgson, do you know David?

Grad: Yes, I do.

Raymond: He is one of the finest people I've ever dealt with in my whole life, without equal. Anyway, Gil introduces me to General Atlantic, and we sit down, and we start to piece together how we're going to do a 15 million dollar deal, and the guy who was my liaison, between Cigna and me, had said to me, "I think we can even get them to take a note on some of this, I don't even think we have to give it to them all in cash." So I go back to Kilpatrick, and I say, "You know, I'm having a little trouble putting financing together, would you folks be willing to take a five million dollar note?" And he said, "Sure, we'll take a five million dollar note." So there's five million, and now we need ten more. So General Atlantic says, "All right, we can do that. We'll put up five, and we'll get Bankers Trust to put up the other five, and we'll guarantee the Bankers Trust thing." So we put the 15 million dollars together, and then I sit down one day with the General Atlantic guys, and we decide how we're going to divvy up the equity.

And Dave Hodgson says to me, "George, how much do you think you should take?" And I said, "Well, I would like to take 40 percent for me and my people." David said, "All right, how about if we give you 30, and we put ten more on the come, based on some performance results?" I said, "That's fair enough." We sit down and we try to figure out what kinds of performance standards he wants, so we can get the other ten percent, to get the total up to 40, and after about an hour or so of negotiating, he said to me, "You know what, you just take the other ten percent. We don't need any performance standards from you. We've seen your past track record; we know what you're going to be able to do." So he handed me the 40 percent. And I carved up the 40 percent among I think five people in the organization, and off we go, we buy the company. That was in 1985.

Grad: Please clarify the dates.

Raymond: We sold it in 1981, and we bought it back in 1985. The negotiations took maybe 3 months.

Grad: So now you're back in business for yourself. Do you ever move your location or anything like that?

Raymond: Never moved, never changed my chair. I'm still in the same place. And off we go, and we're continuing to build the business.

Grad: Okay, now you continued essentially doing payroll processing. Did you add more applications or anything like that?

Raymond: Nothing, no. One of the things I've said many times is, "The hardest word to learn when you're running a business is to say no." And I learned to say no, and when people would say, "Well how about— can you do this?" And I would say, "No, no, no. This is what we do, we do it very well, and we will continue to grow."

Grad: Okay, take me up now to the last four or five years before you sell the company again.

Raymond: We just run the business and grow it, and run the business and grow it, and then, of course, I got, at one point, very, very deeply involved in ADAPSO.

Grad: I want to spend some time on ADAPSO, before we get finished.

Selling Automatic Business Centers to ADP

Raymond: Okay, but ADAPSO took a year out of my life between 1986 and 1987. I mean it really took a year out of my life. It became much bigger than any other chairman responsibility I'd ever had before that time. So anyway, we're going through the period, and ADAPSO has to be a factor there, because it was part of my life while we're still growing the business. And our good friend, Arthur Kransler, once a year sticks a bug in my ear, and says, "Are you ready to sell yet, are you ready to sell yet?" I keep saying, "No, no, no, been there, done that, and I'm happy and I like what I'm doing." But I keep sharing financials with him.

Grad: Who is Arthur Kransler?

Raymond: He was the merger and acquisition guy for ADP. He took Gil Mintz's place when Gil left ADP. He had been there a long time. Anyway, I knew all along that I eventually would probably sell to ADP, so I constantly shared financial information with them, and I wasn't afraid to do it. So he kept coming along and making an offer, and I kept saying, "No thanks, no thanks, no thanks." And he finally got me one day, and he said, "George, I'm going to make you one final offer and I would hope that you'll take it." And he said, "And if you agree to it, there will be no more negotiations over any other subject. We'll buy the company for this price, and you and I have shaken hands on a deal, and that's the deal." And I said, "Well, Arthur, why don't you give me a number?" And he said, "Okay, 32 million dollars." And I said, "You've got a deal."

Grad: Now you didn't go to the General Atlantic people first and say, "Does this sound interesting to you?"

Raymond: Well, of course I did. I went to the General Atlantic people and I said, "You know, this is what they're offering, and I'm prepared to take it. I've talked to my management and my management is prepared to take it, because they know what they're getting out of it. How do you feel about this?" And the General Atlantic people came back and said, "We'd really like to hang on to this company."

Grad: Yes, they were long term investors. They never seemed to push the guys to sell quickly. They were quite the opposite of most VCs in that regard.

Raymond: They were very, very long term. Meanwhile, over the four years, we had paid off three million of the Bankers Trust loan and it was down to two million dollars, so we had leverage. And of course I think that we paid off some of the Cigna loan, too, because we were making annual payments on that. But General Atlantic didn't want to sell. They were much more concerned about staying on, and David said to me, "You know, if we had somebody that we could put into this job, that we were comfortable with, we would buy you and your management team out." I made it clear that there was enough money that I was going to get out of this, that I was prepared to take it. And David said, "I understand." I said, "I'll have financial security, and I can do what I wish for the rest of my life. I'm not trying to be greedy. I'm not looking to make 100 million dollars out of this thing. I'm happy to just take it and go." He said, "I understand." He said, "I wish we had somebody we could put in the thing, because although we're making a nice return in a very short period of time, we'd really like to play this thing, because we like this business a lot." But anyway, they went along with it, and we did the deal. There is the end of the story.

Grad: Well that's the end of that story, but you have a lot of stories, Are you okay for another 30 minutes?

Raymond: Yes, I think so.

Why Sell the Business

Grad: Okay, there's about three or four other things I'd like to get into. You've told that story very thoroughly and very well. There's a lot of interesting stuff. So cumulatively, between the three times you sold the companies, you ended up with probably something, about 10 to 15 million dollars.

Raymond: More like nine million dollars after taxes.

Grad: It was enough to give you the sense of security without continuing to take any more risk. I'm going to ask you a question about that, though. Was there some sense of tiredness in running the business that you really wanted to do other things? Was that a factor?

Raymond: Yes, I had fatigue, I had mental fatigue.

Grad: And I expect that that may have been one of the things that you conveyed to the people at General Atlantic, that you had been doing that a long time.

Raymond: I'll tell you what got me — the thing that wore me down — was dealing with the employees. I had by that time, the day we sold, we had 585 employees. And spread over 15 locations, and I was constantly getting little picayune, nitpicky kind of complaints; we're not really happy with the health plan, you don't have a retirement plan, we should be getting more holidays, some people wanted Kwanzaa. It was the payroll business, and one of the things you can't do in the payroll business is, you can't give weekdays off, because of the demand. You know, every week the payrolls have to come in and go out, and you can't ever miss a delivery, you can't ever screw up a payroll, you can't ever try to do too many payrolls beyond your capacity, because you've got holidays. And the times in the year when you have Christmas that falls on a Tuesday or a Wednesday, and New Years that falls on a Tuesday or a Wednesday, or Fourth of July, or Memorial Day, or whatever, those weeks are freaking nightmares. They're nightmares to all the employees, because the same amount of work has to get done with one fewer days. And I ran, economically, a very, very tight ship. I was very, very careful never to have excess labor or people sitting around, and especially Monday through Thursday, those were the critical days. On Friday, in many cases, we used to kind of work a half day. I would let people have Friday afternoons off, and pay them for the time, as kind of my goodwill gesture to them, because I knew that from Monday noon to Thursday noon, they worked their butts off. But eventually, as the company got bigger and I became less personally involved with the larger number of employees, I started to get really weary with the petty stuff that was coming down the line. So getting rid of it was kind of washing my hands. I took it as far as I could. I probably could have taken it further, but I was tired.

Grad: So that was a factor, a significant factor. You have three children?

Raymond: Yes.

Grad: But you still lived in the same general area there, all this time.

Raymond: I lived in the same house. Still do.

Grad: This is Moorestown, New Jersey?

Raymond: Yes.

Grad: I remember I did some work for you at some point in time, in the 1980s.

Raymond: Yes, you did. I remember you coming to my office.

ADAPSO

Grad: I'd like to go back and talk about ADAPSO, and then we'll pick up some other things. When did you join ADAPSO, why did you join, what did you do in ADAPSO?

Raymond: I don't remember when I joined. I'm going to say I probably joined in 1975. And for a few years, I just kind of hung around the fringes. I really didn't know a lot of people. But gradually, over time, I got to know more people, and got myself more involved.

Grad: So start from the beginning. Why did you join? Do you remember?

Raymond: Oh, I joined probably for the same reason a lot of people joined. I thought that I could probably learn some things there from other people who were involved. You know, being an entrepreneur is kind of a lonely business at times. I never really had a Board of Directors, I had the investors, but the investors I had in my early years, before General Atlantic, they didn't know shit from Shinola. And so they weren't much good in terms of being financial advisors or business advisors to me. Many times I kind of felt like I was out there all by myself, fighting the battles.

Grad: Had Arthur Kramer belonged to ADAPSO before that or not?

Raymond: He joined slightly before I did. I had been after Arthur to join ADAPSO while I was there, and he didn't want to spend the money. Eventually he did join and I joined shortly afterwards. But those are the days when Arthur was not talking to me, he was still angry at me. I joined to hopefully rub elbows with some people, and learn a little bit more, maybe not make some mistakes that entrepreneurs make when they do things for the first time.

Grad: Did you meet Gil Mintz after you had joined ADAPSO?

Raymond: Yes I did.

Grad: Were you active in any committees or anything like that, early on?

Raymond: No, I got involved in the meetings, the conferences. I got involved in conference planning somewhat early on, and, as a result of that, that's when I kind of wound up on the ADAPSO Board. I think I was on the Board for close to ten years. So I probably became a board member somewhere around 1980.

Grad: And you had been active in the Service Bureau section, I assume.

Raymond: I'd been active in the Service Bureau section. In fact that's how I got into the conference planning. I volunteered to be the Service Bureau's person in the conference planning process, and got to know Jerry Dreyer and some of the other folks. And then somewhere in the early 1980s, I became treasurer because, for some reason, there was nobody in ADAPSO that knew anything about finance or accounting or record keeping.

Grad: A lot of the people on the board were either lawyers or sales people.

Raymond: Yes. There was a whole void there of anybody with any financial background. So I became treasurer, and I was treasurer for maybe four years. And then I was elected Vice Chairman, and I served as was Vice Chairman while Arthur Kramer was President.

Grad: You were talking by then?

Raymond: Yes. By that time we had pretty much reconciled our relationship, and were getting along, and everything was fine. And then I became Chairman for the 1986 to 1987 year.

Grad: What was going on then, because a lot of changes were occurring? That's when we were working with some of the PC companies, trying to get them more involved.

Raymond: Well there were three major things that took place the year I was Chairman. One thing that began before I was Chairman but was still going on was the ATT and IBM suits. Those actually started probably some years before, but we were still going through the process. The biggest thing was the end of Jerry Dreyer's tenure as the Executive Director. That turned out to be, for me personally, a huge nightmare. Because all of a sudden, the Chairmanship went from a little bit of time several days a week, to something where I was physically at ADAPSO one or two days a week, and a lot of time on the phone beyond that, because it wasn't just Jerry leaving, but then it was trying to find a replacement, bringing in Luanne James as an interim [executive director], and then bringing in, subsequently, George DeBakey [as the permanent executive director]. That all took place the year I was Chairman, so I was really on the front line of all of that.

Grad: You mentioned the IBM suit. I thought the IBM suit was settled by then, that President Reagan had withdrawn the suit.

Raymond: It was still dragging on during that time. The other major thing was really the advent of the PC, the growth of the PC industry, and our trying to bring the PC software guys into ADAPSO. At that time the two big fish were Lotus 1-2-3 with Mitch Kapor, and Microsoft with Bill Gates and Mike Maples.

Grad: I remember that being a very heavy issue during the 1980s.

Raymond: Another issue which I don't believe it started on my watch might have started during either Arthur Kramer's term or Doug Altenbern's term who was the separation of the software group, the creation of a totally unique software group with their own name. But during this time the software section kind of spun themselves out and became semi-autonomous called themselves The Software Industry Association, and they wanted a direct allocation of dues.

Grad: Yes, that whole issue of dues allocation was a primary issue, I think, during the entire 1980s. It was pretty serious.

Raymond: Well that also was taking place around my reign.

Grad: So this was really a much more trying job than it had been for the people before you or for the people after you?

Raymond: It was a cakewalk before that. It was a ceremonial thing. One of the worst days of my life was when I got a call from Milton Wessel, who was the general counsel, telling me that we had a serious problem, then proceeded to tell me how bad the problem was.

Grad: Did you continue on with ADAPSO after you were Chairman?

Raymond: I ended my chairmanship in 1987, sold the company in 1988. I stayed on with ADP for six months, until early 1989, and then threw in the sponge, and left everything. Once I sold the company, I ceased my role in ADAPSO entirely.

Grad: One thing you didn't mention, which I remember, is that you were the founder and chair of the ADAPSO Foundation.

Raymond: I was and that was when I was Chairman of ADAPSO. I did it along with Milt Wessel's help. I conceived the idea, and Milt loved it, and thought it was something worth doing, and my first speech at ADAPSO was to announce the creation of the ADAPSO Foundation, and by that time we had already raised as I recall almost five million dollars before we even announced it. We got million dollar donations from several people, and we got off to a good start.

Grad: Bernie Goldstein was also active in that, if I remember correctly.

Raymond: The key guys who were involved I recruited as the handpicked Board of Directors: Bernie Goldstein, Rick Crandall, Bob Weissman and John Imlay.

Grad: Four terrific people.

Raymond: Four very terrific people. Four of the finest people I've ever met in my life.

Grad: I remember working on that on the project side and helping to organize some of the projects and follow up on them. I found that to be very rewarding working on that, what you and the other guys had put together. It was really tremendous. [Editor's note: Luanne James (now Johnson) was the director of the ADAPSO Foundation]

Raymond: I wish it had kept going, but it kind of lost interest.

ADAPSO Round Tables

Grad: Yes, it just hung in for a while. ADAPSO had formed round tables during the late 1970s, early 1980s?

Raymond: Yes, that's when they began.

Grad: Tell me about the round tables that you joined. You joined one and helped to form another one, didn't you?

Raymond: I actually helped to form two.

Grad: Two? Tell me about them a little bit.

Raymond: And I kind of became the round table guru, and I spoke at a number of meetings on how to establish a round table, and what they meant, and why they were valuable, and why they would be useful to you, and encourage primarily new ADAPSO members to become involved in round tables; we found it was a very good way to keep members involved in ADAPSO, because of the round tables. But one of the round tables, one that I helped to found, is still going today. None of us are working, all of us are retired, but we still meet, generally once a year. We meet with wives, and we go to some nice location, and we spend three to four days together, and instead of talking about problems in our business, and how to deal with them, we wind up covering a wide range of subjects. Several of us have brought our sons' entrepreneurial attempts into these meetings, and let the round table work on them, and we talk about retirement issues, and maintaining the family fortune, so to speak, and how to pass it on, and just a wide range of subjects. We still have an active bunch of guys.

Grad: Let me ask you a question, just again, for the record here. What was the original purpose of the round tables from the point of view of those who joined them? What did they expect to get out of them?

Raymond: Well, the way I viewed them, and I would tell them that I'm an entrepreneur, I do not have a Board of Directors; I wish I had a Board of Directors, but it's hard to recruit a Board of Directors for a small entrepreneurial company. So in effect, these fellow round table members became my independent Board of Directors. And because we trusted each other, we learned that we could talk about virtually any kind of a business issue, or even personal issues, and we could rely on the advice and counsel we got from each other. That was the selling point.

Grad: But these were companies that were competing with you, or relatively competing with you, weren't they?

Raymond: Not really. No, we never really had any competitors in the room, so to speak. I don't know of any round table that really had competitors.

Grad: I do.

Raymond: What, the one you were in?

Grad: No, we were consultants, so that was easy. No, for some of the other ones, there would be multiple service software companies who were competing in certain specific areas with each other. But you didn't have that problem.

Raymond: Well. We didn't have that problem in any that I was involved in. I may have had guys in payroll processing which was fairly common, but they weren't doing it in my territory, so I didn't have a competitive issue.

Grad: But you had opened up a number of different locations, weren't you concerned that some of them might open up in your locations?

Raymond: Long term, what I was really after was I wanted to get control of other companies.

Grad: Did you actually ever buy any of the companies that were in your round table?

Raymond: I did buy some companies that I met through ADAPSO. I bought Marty Kogan's company. I bought one company that was owned by a round table member.

Grad: Let me go back for a minute. You said that you did make some acquisitions. Can you mention what some of them were?

Raymond: Well, I bought Marty Kogan's company in Atlanta.

Grad: What was his company doing?

Raymond: They were doing payroll. It was a relatively small company. I would say he had maybe three quarters of a million, or a million dollars worth of business. It wasn't a big business.

Grad: Okay, did he stay on working for you?

Raymond: He stayed on working for me for a while. And then he left and went to work for his father-in-law's trash company.

Grad: What other acquisitions did you make?

Raymond: I bought a company in Washington, D.C. from a fellow named Joe Speroni, who was an ADAPSO member. You probably never met him. He's kind of a quiet guy. He did not keep working for me. He wanted to retire, and he did.

Grad: You said you were setting up 15 locations. Did these become some of those locations?

Raymond: Yes. Most of the 15 locations I started from scratch. Three of them I bought. The third one I bought was one in Pawtucket, Rhode Island, which is just outside of Providence. I bought one from a fellow named Bob Halkyard and was a member of the original round table.

Grad: But all the other 12, you started on your own.

Raymond: Yes.

Grad: Let's go back to the round tables. To continue for 30 years is pretty amazing.

Raymond: It is. We became, first of all, real friends, and then as we got the wives involved, the wives became friends, and we all became friends, so there's a real camaraderie now.

Board Memberships

Grad: That's incredible. I know some of the others are still going, too. Not many, but a few of them. Let me go back. You've become a member of a lot of boards. You're particularly a very active, and you must be a very good board member. Tell me how you got involved doing that.

Raymond: Well, it started off slowly. I started with a hospital board for a major hospital in our area, and then I wound up on another civic type board that's an organization that helps support people with handicaps and disabilities. And then I joined the board of what was the largest local bank in our area, which went through about six mergers and I wound up on the board of the largest bank in New Jersey. In fact, I am on the board of the largest bank in New Jersey/Pennsylvania through mergers and being invited to move up.

As a direct result of ADAPSO, I joined the board of a company called BMC Software. John Moore, who was the founder of BMC, was also one of our round table members, and he asked me to join his board, and it was a relatively small company then, it was eight million dollars in annual revenue, and now does a billion dollars a year. So that was probably the most exciting board I was ever involved in. I was involved in that board for 20 years. But primarily through contacts, through people I know through business and social activities, I wound up joining – I once made a list — and the list had 30 names on it. The vast majority of them were public companies, companies that either were private when I joined, and then we went public, or were public when I joined. I've been put on three boards by General Atlantic, I was asked to join one board by a company called TA Associates, an investment firm out of Boston.

And there was a company called Safeguard Scientific, a subsidiary of the same Safeguard that I made the deal with, that was quite a sensational company back about 15 years ago. It was a very high flyer in the Philadelphia area, that was an early investor in a lot of software and technology companies and I was on three or four of their boards. And now there's a finance company in Philadelphia by the name of LLR, that does equity financing and I've been on three of their boards. So a lot of these boards come from my contacts on other boards, and people will say to me, "Would you be interested in joining our board?" Or, "We've got a new company that we've invested in. We'd like to have you serve on the board.

Grad: Now these take considerable amount of time, though, I would think, don't they?

Raymond: I won't say it's a full time job, but it became a job, it became a real job, and I took it very seriously, and spent a lot of time at it. With the advent of Sarbanes Oxley, and because of my background, I'm almost always Audit Committee Chairman, so I've learned a lot about being an Audit Committee Chairman. But with the advent of Sarbanes Oxley, that Audit Committee Chairman job ratcheted up to new heights so that became even more demanding on

my time. It's been very rewarding, both financially and intellectually. I've met some terrific people.

Grad: I'm going to ask two questions about that. Do you take stock positions in the companies that you become board members of?

Raymond: I generally don't purchase stock, but generally when you join a board, there are stock options made available.

Grad: They're not expecting you to buy stock in order to join the board?

Raymond: No. No one has ever said to me, "You have to buy stock to join this board."

Grad: Have you found yourself in a conflict of interest situation in some cases because of the different boards you're on?

Raymond: No, never. In fact I'm often in a position, because of my fairly wide experiences with boards, that I can take from one board to another without dealing with confidential stuff; but there are experiences that are very valuable.

Grad: Are you now starting to wind down on this?

Raymond: Well I'm down now to three boards, and there is another board that is on the horizon that I may or may not join. It's a startup, and a good friend is starting it up, and he has asked me to be on the board. We'll see whether he's able to come up with financing to get it off the ground, but if he does, I'll help him for a while. But right now I've got just three.

Grad: What are the ones you are currently active in?

Raymond: Well one of them is the fifth largest credit card processor in the country, a company called Heartland Payment Systems. I got on that board through a combination of a couple of things. LLR introduced me to it. They were one of the original backers of the company, and Heartland is now a major player. It's a big time company. And also they happen to be in the payroll processing business. So that kind of was my link to Heartland. The second one is a company that is a staffing company located in Detroit. An interesting company; it is a black-owned company, owned by a family, and the fellow who's the current CEO was on a board with me. He was on the BMC Software board with me. And when I left the BMC Software board, he asked me to join his board in a company called Bartech.

Grad: They're a private company?

Raymond: Yes. And then the third company is a small US software company, 25 million dollars in revenue, located up in Parsippany, New Jersey, called Cybershift, and it's an LLR company also.

Grad: So some of the VCs or investors have gotten you into these things, and that's sort of evolved over time, hasn't it?

Raymond: Right.

Grad: When you go off of a board is it because you wish to drop it, or how does that work?

Raymond: No, I have never actually quit a board. Generally one of a couple of things happens. Many of them for profit companies have been sold and then I've left. In a couple of cases, I reached an age limit that we had set for the board, so I had to step off because of age. But almost always it's because of the sale of the company.

Conclusions and Advice

Grad: I would like to close by asking you since you have been in the business for a long time, and during these last 20 years, you have served on a whole range of boards, not just in the software industry, but in other industries. Are there some conclusions, some things that you'd like to say in sort of summing up your business views, and what you'd recommend to other people?

Raymond: That's an interesting question to ask. I would say that my business experience has been—particularly my board experience — for the most part, heavily weighted toward software. I think that I've really become pretty much of an expert, as far as being a software board member, not from a technological point of view, but from a business point of view. I think the software industry has been such a marvelous industry. I am so impressed with what this industry has produced, in the way of great software companies and even not so great software companies, and the job that we have done in this age of computer technology, unlike the rest of the world. I mean, we have, up until now, we have been the 800 pound gorilla out here in this world, and maybe we're not the 800 pound gorilla any more, but we're still a major force, and I'm just so very proud of the companies that I've been associated with, and the companies that we've competed with and seen what else they do. I had a great experience. In one of the companies that we haven't even talked about I was on the board for about ten years. I joined the board when they were doing \$200,000 a year in revenue. They're now doing \$50 million. And they are the leading company in the space software business. Now anything that happens in space, somehow these guys have their hand in. Their main product is a thing called the

satellite tool kit, and anybody who is associated with anything to do with satellites has got a satellite toolkit on their computer just like they would have Windows on their computer.

Grad: What's the name of the company, George?

Raymond: Analytical Graphics Inc., AGI. And it's a terrific little company. It's grown into not such a little company with a bunch of really bright guys, a lot young PhDs, and computer engineers. When one of our Predators, one of our drones shoots down somebody from Al Qaeda in his hut in Afghanistan, it's our software that's allowing them to do that job. When we send the space shuttle up into space, and they're able to go in and link up with the orbiting station, it's our software that lets them do that. And on and on, when the Russian satellite was going to crash into the Pacific Ocean a couple of years ago, and the Russians were saying they knew exactly where it was going to land, they had no idea where it was going to land, and they brought over four of our engineers to help them guide it down so that it landed in the middle of the ocean, and not in the middle of China. This is just a little company in Melbourne, Pennsylvania. It's a terrific little company.

Grad: How did you get connected with them?

Raymond: I was speaker one day at a group called the Benjamin Franklin Fund, which is a funded by the State of Pennsylvania to help entrepreneurial companies. I was one of their speakers, and after I spoke, the CEO came up to me, and said, "I'm trying to put together a board, and I need somebody like you on the board. Would you be willing to serve on my board?" He said, "I'm only doing 200,000 dollars a year, and I can't afford to pay you, but I'd love to have you on my board." I said, "You don't need to pay me, I'll come out and help you." Well, I have now spent ten years with him. Anyway, it's those kinds of stories that I really enjoy.

Grad: I can see why you would. You know, the software industry and what it's done in this country has been just absolutely unbelievable, and I actually feel very proud to have been a part of that for all these years. Anything else you'd like to add, or bring together? Your family today, your kids, do you want to mention anything about them?

Raymond: Well, as of about 3:45 this morning, I have a new granddaughter.

Grad: Oh, Mazel Tov, as we say in French. That's wonderful. How many grandchildren do you have now?

Raymond: That makes number nine.

Grad: Are all doing okay?

Raymond: Everybody seems to be doing okay. We were visiting before I got on the phone, and mother and daughter seem to be doing fine. Mother is smiling from ear to ear, and daughter is sleeping soundly, so it's okay.

Grad: You spend part of your year in Florida as well?

Raymond: We spend about eight and a half months in Florida, and the rest of the time in New Jersey. But when we're in New Jersey, that is our traveling time, so we really don't spend a lot of time in New Jersey, but we're accessible all the time.

Grad: You've kept your house and stuff there?-

Raymond: Yes, we still have our house that we've been in for a long time, and the kids think of it as their home, and now the grandchildren sometimes think of it as their home.

Grad: Did any of your children want to go into the business?

Raymond: Not when they had the chance. I can tell you that my son has lamented it since then, that he wishes that he had taken over the business, but they didn't say anything when they had the opportunity. Now all of them did work in the business. Every one of them worked there. My son spent three summers working as a computer operator, my daughters both worked in the accounting department each summer, and so they had their opportunity to get to meet the employees and see what the world was like. But they didn't step up at the right time.

Grad: George, thank you very much. It was a very interesting interview. I hope you enjoyed it. IO certainly did. We'll get these all transcribed, edited and get it back to you for your final edit.

Raymond: I hope you got what you were looking for.

Grad: We got exactly what I was looking for. And what I've enjoyed particularly, you've really approached this from the business standpoint, and you're not the typical entrepreneur, and yet you've been a very successful entrepreneur, in the sense that I think of it. With most of the other people we've interviewed, there's a high degree of risk taking and you've been very cautious when the chances came; when you could have bet everything you owned, you chose not to. And yet you've been a very successful businessman for all these years, and obviously a very successful advisor to a lot of businesses. So again, congratulations on your career, and thank you for joining us.

Raymond: Okay, you're welcome, Burt.