Service Bureau Pioneer Workshop
Session 5: Later History-- Adapting to Change

Moderator:
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Service Bureau Workshop Session 5: Later History – Adapting to Change

Conducted by Software Industry Special Interest Group

Abstract: This is the fifth session in the Service Bureau industry pioneer meeting. Key stakeholders from some of the early vendors in the industry discuss their approaches to mergers and acquisitions—the processes, what worked, what didn't. They also talk about the key elements they considered when evaluating potential acquisitions and the factors that affected an acquisition's success or failure. The discussion concludes with a review of how, when, and why the founders ceased to participate in each company, whether it was sold, acquired, or closed. If a company was acquired or sold, the founders outline the terms of that transition.

Participants:

Name	Affiliation
Burt Grad	Moderator, Software Industry SIG
Frank Casey	Custom Data Services
Jim Houtz	CyCare
Jim Mann	Dynatax. United Data Centers SunGard
Stu Miller	Accountants Computer Service (later ACS Data Services)
John Rollins	AZTECH Software
Bob Tessler	Data Processing and Accounting Services (DPAS)
Thomas Haigh	Historian
Doug Jerger	Fortex Data Systems, SI SIG
Luanne Johnson	Argonaut Data Systems, SI SIG
Oscar Schachter	Advanced Computer Techniques (ACT), SI SIG

Burton Grad: We're going to cover a number of things in this session. We've touched on some of these subjects before, but we'll try to pull them together with some kind of cohesion. We want to talk about acquisitions—the processes, what worked, what didn't work. The idea of culture and cultural integration is a very serious issue, and we'd like to talk about what worked, what didn't work. Jim Mann has had an awful lot of experience in that. Jim Houtz has also had that issue. Many of the others have acquired and/or been integrated.

The second issue we want to talk about is termination: How did you end your business, why did you end it, what was the resolution, were you happy/unhappy about how things turned out? Then I think Jim Mann brought up an issue I want to talk about: this business is still continuing, but it now is called Software as a Service (SaaS) or whatever other forms it has taken. I would like to talk about that a bit. From your perspective, what will be going on in the future?

Then I'm going to give a very short final sales pitch. If you're interested in the kind of things we're doing here, please support it. I'll also mention what is happening at the Computer History Museum. Then Jim Houtz is going to give you a 35-minute lecture on what's wrong with our society and how it will be improved in the future.

Jim Houtz: Thirty-five seconds. <laughter>

Grad: Jim has a book that he's written called *Saving America.* He'd like to give you a copy and would love to have you take it home.

Jim Mann: Bernie Goldstein says that the book he wrote has more autographed copies in circulation than unautographed. <laughter> Is this going to be one of those? <laughter>

Houtz: I'm behind that already, I think. <laughter>

AZTECH Software Acquisitions

Grad: Acquisitions. I gather this has always been an issue. Whether you develop and build it yourself, organically grow, go outside, or some blend of those things. Some companies, from the beginning, had an original strategy: "We're going to grow by acquisition. Buy it, don't build it."

Sam Wyly with Sterling Williams, from day one, that was the strategy. They didn't start the company until they had five acquisitions lined up. They lost one of them, Duquesne Software,

but they got the other four. That was their whole strategy. Once they got the companies, they let them build organically within their area. This was a conscious strategy on their part.

Many other companies followed a different strategy. We talked about Computer Associates and their strategy, which was buy 'em, strip 'em, and then live off their maintenance revenue. A whole different strategy.

I'd like to have each of you talk about, to the extent that you were in the business, whether you decided to acquire or not. What was your reasoning, and how did you go about it?

I'm going to start with a middle ground kind of a thing. John, talk about this from your standpoint.

John Rollins: I think I already mentioned the one acquisition that we did of any significance, which was the subsidiary of NLT Computer Services out of Nashville. They had the Washington, D.C. Association offices.

Grad: That was directly in your market so that was an obvious one.

Rollins: Yes, it was an obvious candidate to integrate because their whole back office and management, administration—in fact, their hardware in their D.C. office—was remote batch. Everything was actually processed remotely in Nashville. I don't want to repeat myself, but we integrated it, and it was difficult to integrate.

Grad: What were the problems?

Rollins: The culture of the people.

Grad: What do you mean by culture?

Rollins: In fact, one of the lessons learned is that, at closing, we didn't get signed employment agreements from every one of their employees who came to work for us. The employee agreement included stuff like non-compete and that sort of thing. Actually, two of the employees left after a period of time having never signed that. We were too trusting. We let them continue with us as employees without signing it, and when they left, they went to work for an IT firm and took certain of those customers to that IT firm, even though it was not an IT firm that focused on the association market. We lost those customers.

Grad: Did you sue them?

Rollins: No.

Grad: Why not?

Rollins: Wouldn't have been worth the time. They had never signed the employment agreement. We didn't have anything in writing that prohibited them from taking those customers. The lesson learned is don't make the acquisition unless it comes with the signed employment agreements that you need.

Grad: Talk a little bit about the process. How did it come to you that this was available? How did you negotiate it? Tell me a little bit about that.

Rollins: I was contacted, I believe, by Tom Collins [of NLT Computer Services], who I knew through ADAPSO, so it was another ADAPSO story.

Grad: It didn't come through Broadview?

Rollins: No.

Grad: Did you use the advice of a merger and acquisition firm?

Rollins: If Broadview was representing anyone, they would have been representing NLT, and they may have but we didn't pay Broadview a fee as the acquirer.

Grad: Who'd you negotiate with?

Rollins: With NLT.

Grad: Directly.

Rollins: Yes.

Grad: None of the people from Broadview or any place else were in the room with you in the negotiations?

Rollins: No. It was mostly done long distance. From their point of view, it was not a big deal. For us, it was a bigger deal because it grew our revenue base by about a third until we lost a couple of the customers, as I just described.

Grad: Any negotiation on price?

Rollins: Yes, they came down a bit. They didn't have another buyer as far as I could tell, so we got them down to what I considered a very low price for the amount of revenue involved. It would pay out in a year or two easily.

Corporate Culture in Mergers & Acquisitions

Grad: We keep using the word culture. What does that mean to you? What did it mean? Why do you say there were differences in culture? What does it mean?

Rollins: I guess it was mostly internal operating procedures. They were used to running a remote batch. We had our data center on site. They were in Cobol; we were in PL/1. There were just a whole lot of little things that were nagging. There was sort of a rivalry between their people and our people because of the languages and the differences and whatnot. It never jelled quite as well as it should.

Grad: It had to do with style of how they dressed, how they worked, how they talked, how they related to each other? Was that part of it too?

Rollins: Yes, that could have been part of it too. They just seemed like they were from a different place. I can't really articulate it, Burt, any better than that.

Grad: Let me go back to something Jim Mann was talking about earlier. Companies take on the coloration of their executives, of their leaders, a way of communicating, a way of dealing with each other, confrontational versus consultancy versus community kind of things.

Did they have a different set of experiences because they had worked for Doug Altenbern or worked for NLT? Was there a difference from what you had had in your company?

Rollins: I don't think they would have even known Doug or even Tom that much.

Grad: So, it wasn't them.

Rollins: There was a third-tier executive in Nashville—I can't remember his name—who the head of the office in the Washington area reported to, so it was not a highly visible situation. I guess they were used to running as an autonomous office, separate from anything else. They had their remote batch operation; they had their routines on how to do things. The good news was we picked up a key manager, a woman, who stayed with AZTECH all the way to the end

and then went to the company that acquired AZTECH in 2000 as one of the most important employees in the business. She was the vice president, a woman named B.J. Hanson, terrific employee.

Grad: From a payoff standpoint, you paid so little and it was part of what you were doing when you acquired it, so you probably got a hell of a nice payout out of the thing.

Rollins: We did get a good payout plus we got at least one good employee. Actually, we had a few other good employees too in operations, some computer operators, various other people. I would not say it was a failure by any stretch. It was a successful deal. We'd paid it off cleanly. There were no legal issues. We didn't sue them when these guys left, so I was happy with it.

Grad: Did you make any other acquisitions?

Rollins: We made offers for a couple of others that were not accepted.

Grad: So that was your one.

Rollins: That was really our only one until the shoe was on the other foot and we were selling AZTECH.

Grad: We'll come back to your sale.

NLT Acquisitions

Grad: Frank, how about yourself? Did you make any acquisitions during that period?

Frank Casey: Well, I was part of one acquisition with NLT. The company I worked for was acquired by NLT.

Grad: That's the other side of it.

Casey: That's the other side. During my run with Custom Data Services, and as a result of the President's Roundtable, I was introduced to a fellow in San Diego, California. He had a package that I thought would be very nice for our company. We didn't have any packages, so we made an acquisition.

Grad: Did you acquire the company or just the package?

Casey: The whole company.

Grad: Did you consider the alternative of just buying the license to the software?

Casey: No.

Grad: How did that acquisition work out?

Casey: Not very good.

Grad: Tell me why not.

Casey: What happened is that, when we finally got down to the nuts and bolts of the operation in San Diego, there was a culture shock. The people on the east coast, myself, we wanted them to work. <laughter>

Mann: Make a buck, eh?

Casey: Yes, make a buck. The California people wanted to go to the beach and just send them the paycheck and forget it. <laughter>

Grad: I have a question to ask both John and Frank. Due diligence. Did you do any?

Casey: We did. I had my lawyer go out there, had my accountant go out there. We looked over all the papers, and all the papers looked excellent. It was a fine operating company, but to the exception that we had some pitfalls along the way. About a month after we acquired the company, one of the main workers passed away, and she was key to the company. Without her, it reverted back to the principals and they didn't want to work.

Grad: I have a different question to ask. When we think due diligence, we think about the lawyers, we think about the accountants. To my mind, the most important due diligence is two issues. One, are the customers happy with them? Number two, who are the people and what are they like? That's tougher due diligence.

Casey: We did some of that. We did visit some of the customers and told them our intention. They all sounded like it was going to be pretty good.

Grad: Did they lie?

Casey: No, we kept some good customers. There were some very good customers for a long time.

Grad: How do you find out about people's lifestyles, whether they're willing to work hard or not? How do you find that out in due diligence?

Casey: Well, we found it out through a few of the subtle things that they did. They had, I think, 12 employees out there, and they had what they called a good news, bad news scenario. Every month, they would have an employee of the month, and they would buy them lunch but they'd take it out of petty cash. I said, "Well, every month, they're going to name a new employee of the month and pay him out of petty cash." I stopped that pretty quick. I said, "We can't do that." That was one earth-shattering type thing.

The other earth-shattering type thing was that the two principals were a father and son combination, and apparently, they thought the idea of the acquisition was much different than I did. They thought that I was just going to pour good money after bad and let them do everything they wanted to do, get all this new equipment, hire 18 more programmers, and so forth and so on. I said, "No, we can't afford that." That made them unhappy.

Grad: So, there wasn't a real meeting of the minds, a real understanding of what you intended and what they expected.

Casey: No, there was not.

Data Processing and Accounting Services (DPAS) Acquisitions

Bob Tessler: I made five acquisitions with a private company and one sale. One acquisition I talked about, which was the large one. There were four what I call tuck-ins after that. Tuck-in is it just tucks into one of your existing businesses. These were all within our region. I knew the principals, I knew the businesses, I knew the customers. The real due diligence, of course, was the financials. In all the cases, the principal was ready to retire or do something else. I think one guy was selling tax shelters, one company wanted to get out of the data entry business. I bought a business from Jeff Steiner at Online Business Systems. Also, a tuck-in. So, I'd known these people. In northern California, competitors were friendly. I mean, if a customer called you and said they're leaving someone else, you would call the someone else and say, "Have they not paid their bill, or did you screw up the service?" And you would get an honest answer. I mean, that's just kind of how we worked with one another.

Some of our issues were cultural. When I speak of culture, I think of something completely different. I think of the individual culture of the people, of the labor. We can't put two Indians

next to each other of a different caste. There are certain cultural groups that don't work together. It just doesn't work. That's more the type of culture issues that we had.

One business I sold, which is different.

Now, I'd like to talk for a few moments. After the public offering and the rollup. I did seven acquisitions in two years for the public company and that was altogether different. I was only concerned with the culture: where does it fit into the organization, what are the principals going to do, what kinds of problems are we going to have with the integration? That was a lot more of a challenge to me because we had geographical differences. These people were local, they were in Ohio, they were in Texas, southern California, Illinois, all over the place. Everybody had a different retirement plan, if they had one. Everyone had a different benefits plan so we were trying to compromise. You have to give up this, but you get this, you know? This vacation policy is different. You try to reconcile everything.

I spent most of my time with the principals. They were either going to stay and be part of a team or they weren't. We tried to get that resolved really quickly. If they weren't going to be part of it, how was it going to fit into the organization?

This whole concept of a public company and acquisitions, this is ho-hum to those of you who have been public and certainly to you, Burt, but it was all new to me. To me, this was like the retail business. The retail business is you buy something for $1 and you sell it for $2. So, what happens is, we've got a public company that has 18 times earnings, so the key is to buy private companies at eight times or nine times earnings. Immediately, they get a 50% hit or 100% hit on the public offering and that's the business they're in. They weren't in the data-processing services business, they weren't in this business or that business. They were in the acquisition business and their motto, their mission should have been, we are in the acquisition business because that's how they really ran that operation. They'd let the individual managers from the initial companies stay and run their own individual businesses. But it was all about the spread from the buy and the sell.

Grad: The key really in those cases was whether the revenues added and the earnings added would roll up.

Tessler: They were looking for repetitive, sustainable revenue.

Grad: Did you do your own due diligence? How did you do that?

Tessler: They had professional accountants and so on do the financial part. Gil Mintz always taught me to do the smell test, you know? If it doesn't smell right, something's wrong. We looked at it; if it smelled right, we talked to the people.

Grad: How'd you find the seven companies that you bought?

Tessler: I didn't find them. I was one of the seven. This is two people who came through ADAPSO. One had come from Laidlaw, which was a big acquisition company. Another fellow was a CPA from Canada, and they went around talking to various people. I had discussed my story so they came to San Francisco, and they sat in my office and they had a little presentation. They talked about liquidity and that I didn't have to stick around for very long. I just kept moving closer and closer to the edge of the chair. I'm surprised I didn't fall off. <laughter>

Grad: Why?

Tessler: Because, oh, for me? I was ready.

Grad: Why?

Tessler: Because my kids weren't interested. I had to spend a lot of money to bring my equipment up to date. Technology was changing.

Grad: Okay. We'll get back to that.

Tessler: I didn't want to do it anymore.

Grad: Okay.

Tessler: I was tired. <laughter>

Grad: But you stayed with them for a while after?

Tessler: I stayed with them the appropriate two years.

Grad: During that period, you were involved in acquisitions?

Tessler: Mostly in acquisitions. I mean, I spent some time with the customers. By that time, I had a great infrastructure. I had a president. I had senior people. I had officers. Everybody had made money out of the acquisition, so that was all stable and I was really superfluous.

Dynatax Acquisitions

Grad: Jim, you were the biggest acquirer here.

Mann: Let's see if I can kind of summarize, so it might be interesting. First off, let me tell you a vignette about our first significant acquisition that Bernie [Goldstein] likes to tell. It was a company in Canoga Park, California, called Wismer Associates headed by a guy named David Wismer, who was the nicest guy in the world. He was a little intimidated because he was about Jim's size, and I'm not used to having to look up to talk to people usually. We had looked at the company. We decided it was a good acquisition. We made an offer. Bernie Goldstein had brought it to us.

Grad: Was Broadview part of the deal?

Mann: Broadview was representing Wismer. I think one Friday afternoon I got a call from Bernie about 4:00 in the afternoon and he said, "Jim, hop in your car and get up to my office." I said, "What are you talking about? That's two hours away." Bernie said, "Wismer wants to do the deal, but we've got some differences of opinion on price. If you get up here, we'll be able to close it today."

I hopped in my then 1983 Porsche 911—you know, being an ostentatious sort <laughter>—and drove up to Fort Lee from Wayne, Pennsylvania, without getting a traffic ticket. <laughter> Walked into Bernie's office and, sure enough, it was what he'd reported. It maybe took 10 minutes to resolve the price difference. It wasn't that big a deal to me, you know? But David Wismer had thought it would be a big deal with us. We got it resolved. That was our first acquisition. Bernie loves to tell that story about how he brought the principals immediately to the scene. <laughter>

Grad: You had not hired Broadview at that point to go find acquisitions for you?

Mann: Not at that point. Later, they were on retainer with us for a while but not forever. After that acquisition, we developed a pattern for them. Since we were doing so many, that seemed to work. One, when we would get to the point where we thought we might want to buy a company, and of course, the seller didn't want to talk about selling unless he got some idea what he was going to get for it, you know? My approach would be to say, "Okay, give us your

last fiscal year completed financial statements. Give us your forecast for the current fiscal year. We will accept that as being the absolute truth, and we'll make a bid based on it. Now, during the course of due diligence, if it's either better or worse than what we'd seen, we may make an adjustment."

We would give people a price within 24 hours usually if that had been occurring because it's not hard. Someone's net income, you know, what's going to be accrued, what isn't going to be accrued.

Grad: Stay with that. These were private companies primarily?

Mann: Mainly private companies, yes. Later on, I'll tell you about a couple of big ones that were public companies.

Determining Purchase Price

Grad: Did you have a standard ratio you were using for price/earnings and price/revenues? How did you decide the price?

Mann: Well, there's a rule of thumb. In those days, if you could buy a private company at five times EBITDA or cash flow, you had a sure winner unless they cratered. If you could buy them at seven and a half or eight, you had to be a little optimistic, but if you wanted it, you might do it. It wasn't hard to determine. It's not rocket science. In spite of what Gil Mintz says, it's not rocket science. <laughter>

Grad: You were using EBITDA as your primary factor?

Mann: That's right. EBITDA is a clone for cash flow. Had we been buying capital intensive businesses, we would have looked at EBITDA minus capital expenditure, but we didn't, so we had a quick price to give them. If they were looking for $100 million and we were willing to spend $20 million, you knew it quick and you didn't waste your time nor did they.

Then the other thing we did was we had earnouts in a lot of cases to resolve differences of valuation opinion, and we never chiseled an earnout. A lot of companies that did earnouts—like, say, Computer Associates, for example—would chisel on earnouts. Usually those agreements are so complicated you can find some way to chisel the price. We never did. In fact, I don't think we ever carved back an earnout number from what the guy thought it ought to be.

Grad: Well, part of that, though, was to some extent that you were going to try and keep the people, in most cases?

Mann: Yes.

Grad: And you were going to try and keep the unit.

Mann: And since I knew we were going to be acquiring companies, I wanted to have the reputation of a good acquirer.

Tessler: Yes.

Mann: I think we do still have many of the businesses. So, no chiseling of earnouts.

Grad: Stay with me a minute on that one. Earnouts are often so difficult to measure, to define. Doesn't it limit you in terms of what you can do in terms of investment or costs and changing things?

Mann: Theoretically it does, but I never found that a problem. For one thing, our practice of leaving the company intact, letting them continue their own benefit programs and all that meant we didn't have a lot of stuff to argue about. We never found that a problem. We've had to terminate a couple of unsuccessful guys that we acquired because they just weren't working out, but earnouts were a useful tool.

Acquisition Leads

Mann: We pretty quickly then developed a pattern for these things where we got leads in two ways—some from Broadview, some came over the transom—but we also got a lot of them from our guys running the individual businesses who knew competitors or knew people that were doing something similar to what we did. We got a flow of leads, and we had a very disciplined corporate development department that consisted of one guy and me. We had a very well documented and practiced due diligence procedure. The financial due diligence was done by our chief financial officer. The operational and personnel due diligence was done by the guy who ran our business that brought the deal to us and who presumably had a feel for such things. It became such a pattern that, one year, we did 25 acquisitions. In a light year, we would do 15.

Grad: The person who brought you this, was it somebody inside the company?

Mann: Yes. I'm trying to think of an example. It would be like the current chief executive was in the derivatives, analytics business, and they brought us two other derivatives, analytics businesses as a result of competing with them in the marketplace.

Grad: Did you give them a finder's fee?

Mann: No. What they got is they got to incorporate it into their financial status the next year.

Grad: That was the motivation to bring it to you?

Mann: Yes, it was incorporated with the full amortization of the purchase price and they could look at it, we could look at it. If they figured they would make more money than they would have otherwise, they'd do it and do it happily.

Grad: To some extent, you were eliminating competitors. Is that a correct statement?

Mann: Yes, but it wasn't a big deal. The market niches we were in, and are in, are so esoteric and exotic to the general public and to the antitrust people that we never had any problems.

Grad: That wasn't what I was driving at. I was going to the other side of it. Was that a factor in how much you'd be willing to pay for the company because you wouldn't have to compete against them on price?

Mann: Never counted that. We just counted how much net of acquisition cost the company would make for us and whether it was positive or negative.

Grad: The other one that I've heard brought up, and I know we did it in Sterling, and I was involved with most of their 80 acquisitions over the years, was there was sometimes something that we could do with that product or that service that they couldn't do or with that market. We had something else to sell into that market, or we had some other place to use that technology. Therefore, it was worth more to us than it would be worth to anybody else.

Mann: I can't recall a case where that rose to the level of counting it in the acquisition model.

<u>Buy versus Build</u>

Grad: You weren't willing to pay a premium or feel you've got a bluebird as a result of that?

Mann: No, because, in my view, predicting the result of bluebirds is like estimating the cost of a huge programming project. <laughter> About as accurate as that.

One thing I didn't say at first was the reason I was a big fan of growing by acquisition is a result of my personal experience with developing this huge tax system. I concluded that every big application software project you undertook was, number one, going to take a multiple of X on cost and time as to what you thought it was. It was a question of whether it was twice or 10 times, you know?

Number two, unless you were doing something like tax returns where there was a known market for it, until you got it to market, you didn't know if the damn thing was going to sell.

I was perfectly willing to let some entrepreneur work 100 hours a week to make his product work, to sell enough of it to cover his costs, and then pay him a premium for doing that. It was a hell of a lot less risky than doing it myself, you know?

Grad: It was a proven thing by that point.

Mann: That's right. Sometimes people, I've discovered, who are new to the acquisition business say, "I'm going to pay that guy that much money for that? God, I could do it myself for half that." Well, number one, you're wrong on that assessment, and number two, you don't know if it's going to sell after you get it done if you do it yourself.

Grad: And there's a time sequence. It's going to take you a year to do it or more.

Mann: Yes.

Grad: When they brought you into SunGard? Did they already have that strategy of acquisition?

Mann: Well, since I was dealing with a board composed of venture capital investors, they were open to that attitude and the position. By that time, they knew enough about the position to know that our field of endeavor was highly fragmented and that there would be a lot of opportunities. The opportunities lasted a hell of a lot longer than anyone thought, but they were totally open to that.

Grad: This is the early 1980s? Was it 1982, 1983, 1984, around there?

Mann: It started in 1983.

Grad: This is almost the same time as Sterling and then Platinum? Don't they come into the business a little bit later?

Mann: I don't know them.

Grad: They came in and they must have had 40, 50 acquisitions as well.

Mann: Yes.

Grad: That buy, don't build, was really fundamental to your view?

Mann: Oh, that was the business plan.

Troublesome Acquisitions

Mann: Now, interestingly enough, the worst acquisitions I ever did, the single worst acquisition was during—I forget what year it was—but there was another bulge in multiples of computing companies. Some were in the 1980s, and SunGard was trading at a 30 or 40 multiple. Maybe not that high, maybe 25. This was when you could still do poolings. Well, poolings are magical. <laughter> As long as you can buy someone for a multiple less than your own, even if it's a little teeny bit less, you're going to make money on the deal.

We did one, and the company really was a nettlesome competitor, so this was kind of a defensive acquisition. We paid a huge dollar price and paid it at a 25 multiple with stock. The company was kind of a cosmetic darling in the marketplace if you understand my terminology there. Somehow or other, its luster began to dim the minute we bought it and had we not been doing very well otherwise, I would have had a very bad year that year. That kind of convinced me that, even if you've got a cheap currency, you ought to be pretty careful.

Grad: You weren't looking at intrinsic value, you were looking at using this inflated stock to buy something, in a sense?

Mann: Yes, this is multiple numbers, you know? All you had to do is know you're buying at a lower multiple than your own.

Grad: With all the companies that you bought, were there many of them that were really bonanzas that turned out to be 10 times as good as you thought they were going to be?

Mann: I can't recall a case like that but, in total, as we rolled them up and did them, they always increased our earnings per share and, of course, increased our top line revenue. As long as you could keep doing that, it was a worthwhile program. Like Bob, our management dictum was to make a buck, so we always had cash in the bank to do it.

Just as an aside, during that same era, the financial engineers began to rear their ugly heads in the corporate world. We were urged many times to borrow a lot of money because your return on equity isn't high enough. I'm a depression baby, you know? I thought, "I've got $500 million in the bank, I'm going to go out and borrow $500 million? Why in the hell should I do that?" And I didn't.

Grad: You didn't leverage?

Mann: No, not at all, and that served us well in the biggest acquisition we ever did, which was Comdisco, our competitor in the recovery business. Comdisco had a little succession problem of their own in that the founder and long-time chief executive, Ken Pontikes, died. I used to meet Ken at Washington meetings in a common group we belonged to. Every year we'd meet and I'd say, "Ken, how about I buy you this year?" and he'd say, "How about I buy you?" We'd shake hands and leave.

He died unexpectedly and his son took over the company. His son was an investment banker who implemented the investment banker financial engineer idea of how to run the company, and it immediately got in financial trouble and literally went into bankruptcy. We showed up at the bankruptcy court door and made a bid, and Hewlett-Packard made a bid, and we were picked. But then Hewlett-Packard, somehow or other, did an end run on us and got someone in Comdisco to sign something saying they'd sell to Hewlett-Packard at a lower price. We went to the bankruptcy court and cried foul.

By this time—not simultaneously, but later—the antitrust division of the Justice Department became interested and challenged the thing. It was a pretty big gamble because the legal meters were running at some incredible rate. <laughter> What I said around the company—people thought I was nuts—was that doing this deal after competing with them for 20 years or whatever is a moral imperative. <laughter>

Lo and behold, the bankruptcy judge reversed things and compelled Comdisco to sell to us, not Hewlett-Packard. We actually went to court with the Justice Department and won that one too.

If we hadn't have done that, I might be on the outside looking in earlier than I was because I would have had about a $10 million legal bill with no way to cover it. That was a fun one.

Grad: You mentioned what you think was the worst one that you did.

Mann: The worst one I did was the one when we had such a high multiple that we were trading funny money for what proved to be other funny money.

Grad: Is this still the strategy of the company today?

Mann: Yeah, but since they piled on, I think the debt now is down to $6 billion. This is all private because it's a private company. When we started out after the buyout, we had about $8 billion in debt. That puts kind of a burden on your return on investment

Grad: We'll have to come back to that. That makes a big difference in terms of the way you operate.

Mann: Anyway, since then, they've done about somewhere between two and five acquisitions every year, but they're in the $30 million range I think the biggest one was $100 million.

Grad: Much smaller than the others.

Mann: But it's still a program.

<u>Pooling and Other Financial Tactics</u>

Mann: Like I said before, it seems that people keep thinking of stuff we hadn't thought of and building businesses with it. It looks like the field of prospects is like an evergreen contract. It just keeps renewing itself.

Grad: We hadn't talked about this. The pooling, which meant you basically could treat it as though it always had been part of your company fundamentally.

Mann: Yes.

Grad: When was that discontinued and everything had to be on a purchase basis? Did that affect your ability or the economics of acquisition?

Mann: Yes, it sure did. What it did was it knocked out a way of capitalizing on a high multiple. Now, at other times in SunGard history, when our multiple was lower, the pooling didn't help that much. If you merged two companies with the same multiple, you got no accretion to earnings.

Grad: I got involved in some of this, but going to purchase accounting, the way deferred revenue was treated, was very negative. That revenue sort of disappeared from the balance sheet. It just was not there anymore. It was gone.

Mann: There were more problems to it than that. For one thing, you had to put a value on the intellectual property—namely, the programs—and who the hell knows what a program's worth or how to figure it out. Then you had to put a value on the customer base, which was again an arcane and mysterious way of doing things. It was just a pain in the ass, and I was pretty active in lobbying in Washington with the FASB on doing away with that.

I still think pooling acquisition accounting is entirely legitimate because if two shareholders agree to swap stock, where the hell is the expense in that? Where in the balance sheet do you put the expense? Since they haven't repealed double entry accounting, they had to next invent a place to put the other side of that transaction.

Grad: That was to try and match up with the international rules, to some extent, I was told.

Mann: It was a political thing. Politicians thought it was free money. They viewed it as a sinister way for companies to bilk the government out of something. It was kind of like this furor now on derivatives. I mean, derivatives are not villains, but they're being made villains by politicians. I don't think there's 12 politicians in Washington, elected representatives, who could tell you what the hell a derivative is, and they're getting ready to regulate them.

Houtz: I don't think there's that many. <laughter>

<u>Dealing with Deception and Misinformation</u>

Grad: Thank you very much, Jim. Jim Houtz, your acquisitions. You want to talk about your process, and how you went about it?

Jim Houtz: Our first acquisition and our last acquisition were the toughest. The first acquisition we knew the three partners were having a problem getting along with each other, and I thought I could solve that problem just by talking. I couldn't solve it. We finally had to send

the key individual out to run the business from Dubuque to Spokane, Washington. Then our last acquisition, I was pretty sure they were lying to us about some things, but I thought, “We’ll find it all in due diligence,” but we didn’t.

The rule of acquisitions is if you think they’re misrepresenting, you walk away, period. <laughter> I knew the rule, but I didn’t do it and it cost us. One time, we were looking for a small system for the small system market, and we figured it would cost us about $1.2 million to build one. If we could find something out in the marketplace, we could buy for that price range, it would make sense because we’d have it right now instead of in two years.

We bought a little product that ran on a Wang system, and our development guy was really against it. He said, “Jesus, we don’t want that system.” But functionally, it worked well. He said, “If you’re bound and determined to buy it, make sure you get a long-term contract with the developer,” which we did. But then we looked to replace that system with another one, bought a second one, and finally the third one we bought worked the way we really wanted it, so it took us three shots to get a small system. This was over a period of about seven or eight years.

Grad: How did you identify these potential acquisitions?

Houtz: All the acquisitions we did, we worked with Broadview. My very first acquisition, I went and talked to Gil Mintz. The company [what was Broadview] at that time was Gil and a secretary; that was it. I told him we wanted to be in hospital inpatient billing services, and he found a little company for us in Spokane.

Grad: They were your representative in all these kinds of things?

Houtz: Yes, they were.

Grad: Were there any of those cases where they were on both sides of the equation, where they were also representing the company who wanted to sell as well as you, who wanted to buy?

Houtz: Well, they brought us some deals. If we found a deal, we got them involved.

Grad: Not my question. The other way around.

Houtz: I know it wasn’t your question, okay? I was trying to evade your question. <laughter>

Mann: Bernie and Gil were pretty good at finessing conflicts like that. <laughter>

Rollins: They really were.

Grad: Were you comfortable when they were in a "conflict" situation, that they were giving you the best price you could get?

Houtz: I think they were telling us if they were involved in both sides and that they weren't involved in both sides very often.

Mann: You know, I had no fears because I had known Bernie for so long, and we always had positive business experiences and I never worried about that.

Grad: It didn't bother you?

Houtz: In fact, when Bernie was on our board; George Grodahl worked on all our deals. We would tell him, after we'd go through our planning process, "Hey, we don't have an office in a certain part of the country. We'd like to make a certain type of acquisition here." They would do a search for us, try to find two or three companies. We'd go out and talk to them.

We didn't like to be the first one to ever talk to them because they'd always have pie in their eyes about value. We would try to get an early estimate to them of what kind of range we thought was doable, followed up by due diligence.

The thing that I think we learned on our very first acquisition, which we never really deviated from, was do your due diligence and get everybody involved. We tried to get our CPAs involved in the company as quickly as possible because sometimes you'd get carried away with the value and the CFO would say, "Jim, it's only worth half that." We did a lot better job when they were involved.

The thing we did after we got to evaluation, after we did our due diligence and after we knew we wanted to do the deal, then we would sit down with the principals and lay out a post-acquisition plan. If we were going to change the chart of accounts, which we wanted to do, and we were going to change payroll and fringe benefits, which we wanted to do, we would lay all that out. If it was what I think you called a fill-in? What'd you call it?

Tessler: Tuck-in.

Houtz: That's a neat term. If it was a tuck-in type application, then we would really strip the company out, but we would go through it with the founders or the people we were buying from. We'd say, "Hey, we want to keep this person, this person, and we're going to eliminate these other jobs."

Grad: You were up front with that.

Houtz: We thought it was the only way we could make things work.

Grad: The whole idea of the other shoe dropping can kill morale. You can lose your best people.

Houtz: We told them up front, and they would obviously tell everyone else. Then we'd do the deal and we used one lawyer, our lawyer in Dubuque, who was a real street-smart attorney. He took us to Chicago for a big firm to do our first acquisition. Got all screwed up from a legal standpoint. Our attorney said, "I think I can do these all for you from now on," and he did all the rest of them. Big firms would charge us $100,000, and he'd charge us $35,000, so we had a pretty good system.

Grad: Sounds like a good system you had set up.

Houtz: We bought four companies in practice management, and the ratio of purchase price to sales was 40% as opposed to service bureau, which was 80 to 90%.

Grad: You were paying 40 cents on the revenue dollar?

Houtz: Yes. It was a little tougher business than we thought. We quickly built up a revenue base of about 25 million from about 12 million. Got in after a couple of years, really understood the business a lot better. We sold it and we made about $10 million out of it so that was good.

Grad: That was a good deal.

Houtz: It was tough. We couldn't make it grow because Medicare was going down every year. It was based on percentage of claims. We said, "We got to get out of this." And we did. We made some good acquisitions, but first and last one, we could have skipped those two. <laughter>

Selling ACS Data Services

Grad: Given our time, I want to cover these last subjects. Each of you briefly, termination of the business. Why did you sell or close it down, whatever you did, and who bought it and why?

Stu Miller: We closed it for a couple of reasons. First, I think I've mentioned one, we were looking for capital and we decided, rather than going to the banks and get it, we would just sell the company. We had no succession plan, nobody within the company that we felt could take it over. We were approached by several companies to buy it, which we thought was interesting.

We were using a company called the Breckenridge Group in Atlanta—if you know Wilkie Collier or any of those folks—to find buyers for us. They came in with a couple, and the one that we decided on was called Hickory Financial Services, which happened to be right there in Nashville. It was run by a fellow named Rick Harrington—little Ricky, as we called him. They bought the business in 1983. The problem was that they were all a bunch of MBAs. No offense. <laughter> I'm an MBA also, but I got mine after we sold the business. <laughter>

The new owners apparently really didn't understand the service bureau business. I think they were looking at it as just some kind of cash cow. What they were saying was, "Well, we need to even out the revenue system by not doing special jobs or small jobs," which were actually the grease, you know? They were actually making the payroll. Well, larger systems were being developed and tested. They managed to level out the revenue stream to below breakeven <laughter>, and they finally closed the doors three years later in 1986.

Grad: They actually closed the business?

Miller: They actually closed the business in 1986.

Grad: Didn't sell it to anybody?

Miller: They did not sell it to anybody. The Dynatax part of it. In fact, I think Bernie Goldstein came to Nashville and talked to Terry Higgins because I think, at this time, Tymshare was trying to get rid of it.

Mann: Oh, yes. An aside, I got re-involved in it because we got sold to the same venture capital people—or at least some of them that bought SunGard. It immediately got in trouble under Pete Dios, and I was the de facto chief executive of that for about eight months.

Miller: I think it was sold back to Welsh Carson, Anderson and Stowe.

Mann: Yes.

Miller: Anyway, they did close the business three years after they paid us a handsome sum.

Grad: What happened to the Dynatax license that they had?

Miller: It went to some company called IFS or something in Atlanta. That was the last I heard of it.

Mann: I forget the name of it too.

Miller: Peter Dios was the one that was running that company, and I think he shut it down in 1990.

Selling CyCare

Grad: That's terrific. I guess we'll go around the room on this one. Jim? Selling the company.

Houtz: Our business was sold in 1996 for about $240 million. We were doing about $74 to $80 million a year. Five years prior to that in 1991, we had a sales contract. We were doing $72 million then. Everything done to sell it to a company that was an Atlanta-based credit reporting company. It's one of the top three credit reporting companies.

Tessler: Equifax.

Houtz: Equifax. Equifax had a contract to buy it for $54 million, which had been approved by our board. They came and said, "Well, we've been looking at this thing on a discounted cash flow basis, and we've spread it out over the next 20 years." Long story short, they said, "We're going to change our bid to $53. Million." Well, shit, that's a million dollars. Not a big deal. I talked to the board members who said, "Okay, we'll go ahead." Signed it. Addendum. They came back again. "We looked at this again. We're only going to pay you $51.5 million."

I didn't call any board members. I said, "Hey, it's really been nice knowing you. We'll see you later." Put out a press release that the deal was withdrawn. We're not going to do it. That was the end of it. The chairman of the board came out to see me from Equifax and tried to put it back together. I said, "No, we're going to go put some points on the board, and we'll see what happens."

So, $72 million, that included $25 million in this practice management revenue, the low-cost billing. We sold that soon after that. We brought in our last new president, David Keller, the operations guy. He went on a program to really improve customer service, customer satisfaction. Five years later, when we really weren't trying to sell the business, we had our satisfaction rate at the highest, our growth was 14 to 16%, our IBT has gone up two points from 12.5 to 14.5. Everything was positive. HBOC comes along and offers us $240 million, which looked a lot better than $54 million. <laughter>

Grad: Why were you interested in selling five years earlier? Were you trying to cash in? Were you tired? Why did you want to do it?

Houtz: I don't know. <laughter>

Grad: Honesty is a good policy. The $240 million, when that comes in at that price, that's sort of a too good to turn down, isn't it?

Houtz: Well, that's kind of what I thought. <laughter>

Mann: What were sales at that point?

Houtz: You could say they were $72 million both years except, in 1996, we had an acquisition lined up for about $5.5 million that we had done with a company in the northeast. I'd say $80 but it was really about $74. They were about the same.

Grad: That was all stock?

Houtz: Yes, it was all stock. Now, at the same time, we have SMS come in and they matched the offer.

Grad: Why did you choose HBOC?

Houtz: When we looked at the financial reports for HBOC, it looked like they had a stronger company financially. We knew they were growing better. They had a line of products that was more similar to ours, fileserver based, a lot of minicomputers. Whether they like to admit it or not, SMS was still mainframe-based. It would have been a good fit, either one of them.

Grad: So, you chose HBOC, concluded the deal. Did you stay with the company after the deal was concluded?

Houtz: No. The day it was concluded I knew what was going to happen, and I didn't really want to be a part of it.

Grad: What do you mean by that?

Houtz: I knew that HBOC was going to come in and purge the company.

Grad: You were willing to sell, even though you knew that was going to happen?

Houtz: Well, yes. <laughter>

Mann: $240 million convinced you.

Houtz: You know what? Our management team knew it.

Grad: Okay. So, no surprise.

Houtz: Our board knew it. Most of the managers in the company knew it, but at that time, 60% of our employees owned stock. The day we sold, we had a management team of about six guys, and boom, they're all millionaires, day one. At that point, they hadn't really been able to sell any stock. Everybody kind of knew what was going to happen, but there wasn't anybody in the company who was not in favor of it. SMS, in a lot of ways, would have been better, but on the other hand, HBOC had advantages also. We had two or three discussions about it, but $240 million looked like a pretty good number.

Grad: That was a big number. I still remember Bernie Goldstein, when National CSS got the price from Dun and Bradstreet. He said, "How can you not take that price? They're paying too much for the company."

Mann: Well, Bernie would never say they were paying too much.

Grad: Well, yes, he did. I heard him say it.

Mann: Privately.

Houtz: Bernie told me that he asked Dun & Bradstreet for everything he could think of and they kept saying yes and, "I kept asking them. I couldn't think of anything else to ask them for." <laughter>

Grad: When he sold National CSS to D&B, he said, "How can we not take that price? D&B offered so much money."

Jim, you couldn't cash in right away, correct?

Houtz: I could sell half of it right away.

Grad: Did you?

Houtz: Yes. <laughter>

Mann: As soon as you could get to a broker.

Houtz: My attorney said, "Jim, you've had a good run with this. You ought to keep this." My stockbroker, who is a kid I played high school football with and grew up with, said, "Jesus, this stock has really taken off. I think you ought to sell as much as you can and diversify." That's what I did. I still had half of it. I couldn't sell for two years.

At the end of two years, I was in the process of selling that. After I got it sold, I read in the *Wall Street Journal,* about two weeks later, there was a little accounting irregularity in the sale of HBOC to Mckesson. Stock went down to 60 a share.

Mann: You got out before the drop?

Houtz: Yes, but not because of any brilliance, just because of pure luck. Three months later, it comes out what the actual amount is on the discrepancy. It's not $25 or $50 million that we told you, it's $250 million. Stock went down to $20.

<u>Selling AZTECH</u>

Grad: John? Your decision to sell AZTECH and to whom and why?

Rollins: As you recall, our strategy was just to continue growing organically and hope that we would someday have an attractive offer to be acquired. It happened actually in two pieces. In 1990 there was the first piece, and in 2000, we sold the rest of the business.

1990 was what we, at that time, called the legacy business, the batch processing, all the mainframe stuff. I was approached by a guy I met through John Puhala through ADAPSO. He had been in one of my roundtables along the way and I trusted him. He was basically doing a

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rollup. He had acquired a competitor of ours from the old days that had never moved into turnkey systems. It was still just doing Association batch processing. He wanted to combine AZTECH's batch-processing mainframe business with his. We negotiated a price, and it was a payout in cash over a period of, I can't remember exactly, two years, I think, something like that.

I didn't bring those notes with me, but it seemed like it was the part of our business that was declining. It was going to hit zero at some point because people were leaving the batch-processing side and moving to the turnkey side. I figured if they moved to a turnkey system at some point, since they know AZTECH, they'll probably call me when they want to do it, and I'll get that business later on.

In fact, I did in a couple cases, not as many as I would have liked, but I got paid cash for the legacy business that I disposed of. I had a phone call in 1999 from a competitor, same space, Association nonprofit organizations, who was headquartered in Chicago. He was actually backed by some venture capital, including somebody I had met through ADAPSO long before. I can't remember that name right now.

Luanne Johnson: Eskra.

Rollins: Thank you. Dave Eskra. Dave Eskra was an investor in this company in Chicago along with some other venture money. They were looking for an exit at some point through an IPO. They really, as it was explained to me, needed a couple of things that AZTECH could provide. We had a lot of customers; we were the biggest in our space. We served something like 700 different Associations over a period of years. We had the Washington, D.C. headquarters, which is where the Associations were moving to, the headquarters for more Associations than any other city in the world. By acquiring AZTECH, they could achieve that. Their plan was to negotiate a deal with us.

It was the end of 1999, the bubble's rising on the NASDAQ, and we decided on a deal that they would do some due diligence in the month of February, and if everything looked good, we'd close on March 1. I would retire because it was the kind of deal where they wanted to integrate it into their business, and I was happy with that after 32 years. I was 55 years old and thought, "Gee, this is a great time to retire."

There were a couple of issues we had to deal with during the due diligence with the attorneys and all the different parties involved, but it did conclude, and we did close on March 1, 2000. The NASDAQ did peak on March 10, 2000. <laughter> Nobody saw it coming. In fact, I had asked some people I was negotiating with at a firm called GoMembers.com, a classic dot com name, out of Chicago. I asked them if I could have, in lieu of cash, some equity since they were

going to go public and prices were going to the sky. Nobody knew that it was going to burst. They had said absolutely not, Rollins. It's going to be cash or nothing. <laughter>

Grad: You were really smart, weren't you? <laughter> So the deal closed, and you were out of it.

Rollins: Actually, we got a note for part of it, so we could spread it out over a couple of years in terms of the capital gain. But we were a sub-s corporation which got really nice treatment when you were acquired in terms of the tax side. It's all long-term capital gain to the shareholders, flows straight through to the shareholders, so I personally was out of it. I asked them to hire every one of my employees and they did. I'm not sure they all stayed there that long, but that was their business so it was a clean deal.

Grad: So, you were out?

Rollins: Yes.

Closing Custom Data Services

Grad: Frank?

Casey: Mine is unlike the two gentlemen before me. I just closed the business down in 1996. My revenue stream was declining. I just had an unfavorable acquisition, which I was unhappy with. My people could see the revenue declining so they became unhappy, and I said, "The best thing to do is to just shut it down."

I sold my computer for five cents a pound, and I sold my building and I retired. This is after 48 years in the business. There was no acquisition for my company. I would have liked there to have been.

Grad: You didn't see a buyer for your company?

Casey: There were no buyers. The business was, I guess, me.

Grad: Idiosyncratic, they call that.

Casey: There was nothing there to buy. I lost a couple of my big accounts. The government was getting more difficult to do business with. They were becoming more

competitive. Cigna, after 20 years, changed managers and that had an adverse effect on my business by them, so that was it.

Selling DPAS

Grad: Bob, you spoke a little bit about how you ended. Just finish that story up.

Tessler: The offering was in 1996. I took 50% cash, 50% in stock. I was locked up for two years on the stock unless there was a piggyback. I stayed there two years, left at the end of two years. Cashed out all my stock. Company changed its name to Source Corp. They went private about three or four years ago. I didn't pay attention to what happened. I never looked back on customers. I talked to some of my senior people, but just never looked back.

Personally, I waited. Everyone says if something major in your life happens, wait a year before you make any decisions. I looked at several things and kept remembering: wait a year, wait a year. After that, I invested in small businesses, technology-oriented. I'm involved in a records management company. I've done a lot of real estate developing and investing and managing, so I've been busy.

Grad: A whole different career.

Tessler: Yes, just a whole different career.

SunGard Going Private

Grad: Jim, just to close up on yours. With SunGard, you said it went private?

Mann: Well, it's a fairly quick story. In 2005, these private equity firms were raising huge sums of money, enormous sums of money, and they came around unsolicited to SunGard and approached Chris Conde, the chief executive. I was chairman. Their first approach, as I recall, was $30 a share. I forget what we were trading at then. We were trading at $27, $28, or something. I was totally unenthusiastic about that. I figured if we just stayed on our own for five years, we'd earn more than that and be in better shape.

The price went from $32 to $33 to $34, and as it kept marching up, I could see that our directors, one by one, were turning from frowns to smiles. <laughter>

Finally, the investment banker handling the case, a guy named Boone Simm, said, “I’ll get you another $2,” and I said, “Oh, you’re crazy. They’ll never pay that.” He did. At that point, I turned to smiles. <laughter> For the same altruistic reason that Jim did, the money. <laughter>

Grad: What was the nature of the deal?

Mann: Cash. Cash for stock. $11.3 billion for stock. I also did another thing then. I dispatched my wife to Florida to buy a condo and establish residency before we got paid. <laughter>

Rollins: Can you establish it legally in that short period of time?

Mann: Absolutely. She was down there only about a week finding a place. It turned out to be a great place. I went down for one day, got a voter’s registration, a driver’s license, and lo and behold, no Pennsylvania income tax.

Grad: Now, let’s keep going. You stayed with the company?

Mann: Yes, I stayed with the company, being the founder and all. I don’t think anyone would have felt good putting a big foot in my back, in spite of the fact that I wasn’t doing much then. But I was not on the board. During this negotiation, Chris Conde was doing all the negotiation, and I was maintaining my position as an independent director, which was handy because I could vote on the deal in that position. The other directors, I think, tended to listen to my opinions more than they would have otherwise.

The investor said, “Soon as a year passes, you can come back on the board.” I did. I bought for cash some of the founder’s stock at the same price the management had. Although their exit plan has been deferred due to market conditions, I think they’re still going to make a good return on their money, which means I will too.

Grad: Very much of a leveraged buyout, though?

Mann: It was a really huge leveraged buyout. <laughter>

Grad: Of the $11.5 billion, how much did they borrow?

Mann: I forget the exact number, but it was between $8 and $9 billion.

Rollins: Where did they borrow it? Do you have any idea?

Mann: Oh, the usual suspects. Banks were jumping through hoops to make any money.

Rollins: In 2005.

Mann: Yes. The interesting thing is the SunGard bonds; we have a lot of bonds out that were part of the financing, and SunGard bonds, at one point, were trading at $82. They're now trading at $106.

Grad: They think it's going to pay off.

Mann: Yes.

Oscar Schachter: Are they convertible?

Mann: Nope, they're just bonds.

Schachter: What kind of coupon did they have?

Mann: Whatever was current then, maybe on a high-risk bond, 7%, something like that.

Rollins: I think that's the answer. It's got a high coupon.

Mann: Yes.

Rollins: Interest rates are low now, so it's at a premium.

Mann: Yes, you'd call it a junk bond, you know? It's in that category.

Grad: Well, 7% isn't a junk bond, is it?

Mann: Well, apparently the market doesn't think so or they wouldn't be trading at $106.

Grad: That's my point. Interesting. Very different endings of each of these companies.

Tessler: Fascinating.

***Saving America* Book**

Grad: Mr. Houtz. Gentlemen, on your way out, if you'd like, stop by the table there.

Houtz: Not selling them. Giving them away.

Grad: He'll autograph it if you ask him.

Houtz: Some new fans, and I want you to know I'd be honored if you'll take it and read it.

Mann: Is this some liberal political screed?

Grad: Gentlemen, I want you to put this on tape. I promise you I will send you a liberal treatise to counterbalance. <laughter>

Houtz: Burt has promised me he would read it and critique it.

Mann: If you're going to put down all the liberal reasons why it's wrong, use a half a sheet of paper to take care of that.

Grad: I have a feeling I'd be outvoted here about eight or nine to one.

Houtz: This is my third book.

Mann: What were the other ones about?

Houtz: My first two were on entrepreneurship. First one sold about 6,000 copies. I gave away about 2,000. Third book is entrepreneurship, and it comes out in December. This one's been out about three weeks.

Mann: I don't see the autograph here on the front page.

Grad: Would you go around and autograph for people, please?

Houtz: I have an autograph for you.

Tessler: The book's free, the autograph's 20 bucks. <laughter>

Mann: Like signing baseball cards. <laughter> Signing baseballs.

Grad: Gentlemen, ladies, I'm going to thank all of you. This is going to be a terrific set of tapes.