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The Actuary as Entrepreneur—Growing the Small Actuarial Firm

Track: Smaller Consulting Firm

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Panelists: DANIEL T. COX
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Summary: Actuaries are not generally thought of as entrepreneurial. Many actuaries have established and operate small businesses, and a few have grown start-ups into large corporations. How did they do it? This session features some successful actuarial entrepreneurs.

MR. IAN G. DUNCAN: I'm a consulting actuary in New York. I am this year's chairperson of the Smaller Consulting Firm Section, which is sponsoring this session.

Last year when we sponsored a session on marketing and developing the smaller consulting firm in Orlando, Fla., I took a show of hands from the audience and asked how many of those in the audience were smaller consultants or sole practitioners. I was surprised that only about half the audience was in that position, but it turned out the other half comprised insurance company people who were thinking about their next career. I'm interested in a show of hands from you. How many of you are, as of today, smaller consultants or independent consultants? I'd say that's about two-thirds of the audience. The rest of you are concerned that maybe this is something that you might want to do in the future.

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Note: All handout materials are available through the link on the table of contents.

I have a second question for you. How many of you belong to the Smaller Consulting Firm Section? How many of you have never heard of the Smaller Consulting Firm Section? There's one honest person. We are a section that is devoted to the advancement of individual consultants and smaller consulting firms, and not only the technical needs of our members, but also the business needs: how to be a better businessperson and how to develop or grow your own firm. That's what today's session is all about.

We have with us three actuaries, all of whom have built, developed, sold or grown successful firms of one kind or another. They're from diverse backgrounds. I'll let them introduce themselves as they speak, tell you their stories and tell you what made them successful. We'll learn how they became entrepreneurs and how they got to the point of developing and selling successful businesses. Our first speaker is Dan Cox from Chicago Consulting Actuaries (CCA). He's going to talk a little bit about some of the financial aspects of raising capital to develop your firm.

MR. DANIEL T. COX: Ian asked me to talk a bit about capital-raising, and I've tried to give a fairly complete outline. I'm probably not going to be able to get to it in the detail I would like because there are certain points I want to dwell on, but I thought you'd like to have a checklist if you ever need to go back to the slides.

First I'll give you some perspective of where I'm coming from, and Ian asked me to cover my biography. I'll talk about what sets entrepreneurs apart, look at what investors seek, go over capital-raising checklists, discuss the business plan a bit, discuss sources of capital a bit and then talk about the capital-raising process itself. A brief reminder, which I think will be a good segue into the other session, is that while you're doing all this, you need to keep your mind focused on building the business.

First of all, I should say I'm not a venture capitalist. I started as a consultant and, as Ian said, did get the actuarial credentials more as a union card, but I started as a pension consultant for a small actuarial consulting firm in Nashville. It was the first firm that Mercer acquired after becoming Mercer, and we were doing all its pension calculations. I soon found myself running Mercer's Nashville office. Mercer then moved me to Atlanta, and I ran the Atlanta office in the southeast area, and eventually I found my way in Chicago, managing the Chicago office of Mercer and also the Chicago-Milwaukee area. I was with Mercer for about 12 years, and I left in 1986.

I then moved over to Aon Corporation and began to move into the entrepreneurial phase. I joined Aon in 1986 to help it get into the consulting business. I actually built and ran Aon Consulting Worldwide for 14 years, until April of 2000. During that time, I was doing some consulting but mostly was involved in looking at actuarial consulting firms, making acquisitions and trying to pull together what became a diverse organization. I think when I left there was about $750 million in revenue. Today it's in excess of $1 billion.

I also, while at Aon, ran a number of the life insurance companies but was the point person when we sold Life of Virginia and Union Fidelity Life Insurance Company to G.E. Capital back in 1996. I have also participated in life management and in life transactions on the sell side.

As far as being an entrepreneur, I've had brief skirmishes with entrepreneurship. My first organization was a bootstrap organization in 1980. The most recent organization that I've managed and run was a start-up organization in 2002, which was funded by a strategic investor. Since retiring from Aon in 2000, I've been primarily working as a venture *catalyst,* which is a term of art for people who don't invest a lot of money but can help in starting a business, and I'm currently working with a couple of start-ups and am invested in another one. I'm also working with CCA to help it build its health and welfare practice.

What sets entrepreneurs apart? If you're looking to become an entrepreneur, this is something you need to bear in mind. The first thing is placing your own capital at risk. Another is that you need customers to survive, and I think these are two big items that are different from working in a large corporation. You no longer are drawing the paycheck anymore, and you have your own skin in the game.

Your rewards are also heavily dependent. If you produce something, you can get a big payoff, but the bonus is more than 30 percent to 40 percent of pay. It can mean whether or not your family eats for a year or two years. Another thing that sets an entrepreneur apart in general is the need to wear many hats. You no longer worry about whether or not something is your job or whether or not you have the expertise, but particularly early in the game, there's a need to do whatever is necessary to survive.

What about actuarial entrepreneurs or actuaries as entrepreneurs? What are the special distinguishing attributes? One is the ability to step outside the comfort zone. A lot of people view this profession as one where people like to stay inside a comfort zone and not move out and begin to stretch themselves. If you're thinking about striking out in the business by yourself or moving your business to a higher level, you need to rethink that. You need to decide whether or not you are able to step outside your comfort zone and do some of the things that maybe you don't think you're good at. Because you need customers to survive, you have to learn to be a marketer. You're going to have to learn to sell your product and yourself. That involves certain skills, sales skills, which actuaries do not have a large reputation of possessing.

You also may need to take a broader view of your professional role. How many of you knew Jim Anderson or who he was? I had the pleasure to know Jim. He ran Tillinghast for years and also is credited with inventing universal life. One of his favorite subjects over cocktails was the fact that this profession is selling itself too narrowly. Actuaries tend to think of themselves too narrowly. One example he would always give his actuaries is: Who is better prepared to value companies? It's

interesting that actuaries today are beginning to get involved in the valuation of stock options, which I think may be one step in that direction, but you have to take a broader look at what you can do.

Maybe one of the best examples of this is a fellow by the name of John Dewan. Have you ever heard that name? John was with a company that Aon bought. I never had the pleasure of knowing him, but he started a company called Stats Inc., which provided baseball statistics. He sold it for about $45 million, and this was a hobby that he had, an avocation that he had, but he was good at it because of his actuarial profession and his actuarial skills.

You also need to have networking skills not only to enable you to raise money, but also to help grow the company. The final thing is a high risk threshold. A lot of us actuaries spend our lives learning how to do better jobs of evaluating risk. We're perhaps the experts at it of all the different professions. If you look over the careers of some of the best and most successful entrepreneurs, possibly their strongest attribute was that they were too ignorant to know what risks they were facing, or they probably wouldn't have done some of these things in the first place.

Assuming that you're through the checklist, and you're still an entrepreneur and ready to move forward, as you're building your business or starting your business and are thinking about raising capital, you need to think about what it is that investors are looking for. The first thing they're looking for as you go to ask for money, and it doesn't matter what level you're asking for money, is an executable business plan. What does this mean? Basically, it means a business plan that is realistic and can likely be accomplished within the confines of the funds that you're saying are required to do that. It's something that's doable. It's not pie in the sky. It's not a vision. It's not a hunch. It's something that is doable. It's been well thought through and is realistic. We'll talk about the business plan more in a moment.

The next thing that they're looking for is a strong management team. For you young people, that's often a disadvantage because what they're looking for is a track record. They're looking for a bit of gray hair and somebody who's shown the ability to do this before. That's the reason younger people often team up with some people who have been in the industry longer, in some fashion: to establish that credibility and give them the credibility to move forward.

Investors are looking for investment returns commensurate with some of the other goals that they're seeking. If they're pure investors, venture capitalists, they're usually looking for much higher returns, for example, than strategic investors, who might be looking for other things. They might be looking to build a platform. They might be looking for you to build a platform that can be brought into the business or possibly for you to build a business that will be complementary to the ones that they already own or are expecting to acquire.

This can be an advantage for you, by the way, as you're building the business, as far as strategic investors are concerned. If you're building a business that's complementary to one that they have, they might have some businesses that can become good strategic partners for you as you build your own.

If they are angel investors, they may be looking to play a mentorship role and want to spend some time sharing their experiences as to where they're putting the money. You have to evaluate what the goals are of the investors that you're approaching, and to some extent, that would dictate the requirement for the investment returns.

Regarding the exit buyout strategy, if they're venture capitalists, they're often looking to see if you thought through your exit strategy because they're wanting to know when they'll get their return. But if they're strategic investors, perhaps they're looking for an option to buy the business some day when it becomes of a size that they think they can take in-house. All of them are looking for management at risk. They want your skin in the game as the management and want to know that you're fully invested in the business.

Let's look at the capital-raising checklist. These are my four S's of capital-raising. You need a compelling story—that's going to be primarily your business plan. You need a business structure in place. You need supporting evidence. You also need to think through what your staffing is going to be. That's going to be primarily your key employees and your upper-level staff at the outset. Let's talk about each of these in turn.

In terms of your story, we're going to talk about the business plan a bit more. I have a fairly lengthy checklist as to what that might look like. There's also the investor presentation. A lot of people don't think about that as they're developing their plan, but you are going to need to do one, and that's more than a PowerPoint slide show. When you're preparing an investor presentation, and you have an investor that's interested in talking to you, you need to learn as much as you can about that investor and what it's looking for. Think through in advance how that fits with your goals and the company that you're building.

You also need to think thoroughly through the questions that might be asked. There's a tendency to try to think through how you can fake answers to those questions and how you can smoke these people. If these people have a lot of money to invest, they've had a lot of these presentations before. The thing you need to think about doing is being honest and giving full and complete answers to those questions. If the answer is you don't know, say you don't know because at least they know that you're leveling with them, and that's where any of us likes to put our money.

You need to think through what the structure of the business is going to look like, and that means what corporate documents you're going to need and shape, what

type of corporation you're going to be, what the shareholder agreement is going to look like and what regulatory filings you need. You need to be aware of these things, but these don't necessarily need to be nailed down when you begin to talk to strategic investors because one thing that is sure to change is the shareholder agreement. That's going to change probably every time you bring in significant money.

Another thing that is likely to change is the capital structure of the fund as you begin to develop various types of debt and equity to be able to accommodate however it is the investors tells you they'd like to invest their money.

What kind of supporting evidence do you need? You're going to need financial statements. If it's already a business, you're going to need fairly detailed operating statements, income statements and cash-flow analyses. If you're a relatively small business, you're going to want to have available a fair amount of personal financial information because again what the investors are looking for is what resources you have and what resources you've invested in the business, and they want to see that you're invested in the business. Most of them would prefer you not be overextended because they don't want to become a black hole that you're going to just to keep the business surviving from day to day.

You also need a working plan or a case study. You need a working beta site, or something of that sort, hopefully with testimonials. This greatly improves your opportunities of getting investors involved, particularly as you're beginning to talk about significant money.

More and more people are getting involved in developing software plays, and it's difficult to sell vaporware. You need to have some type of working model, and hopefully you have this in place somewhere. If you can bootstrap the operation long enough to get it to that level, you're in a much better position when it comes time to talk about valuation.

If you can get letters of recommendation from people who have done business with you, that also is a strong case to take to the investors.

I've talked about the management team a bit. What about the board and the advisory board? The board and the advisory board are almost as critical as the management team because these are the people who are going to give you the credibility. They're going to help extend your network and provide a lot of the networking that you can't do, particularly if you're fairly early in the game. They may be knowledgeable in helping you build the business in terms of obtaining new clients and may be on the boards of clients that you want to approach. They may also be able to provide some money themselves, particularly if they tend to be angel-type investors who at that point in their lives are in a position to put up some money.

You also need to think about whether or not to have an advisory board in addition to your board. There are a number of people who like to help start-ups but because of some of the liabilities involved with being a board member or being an executive officer would just as soon forego that and take a lower-profile position in the company. That's often a reason in and of itself to create an advisory board. This is going to be critical for you as you move forward. You need to think through it carefully, and you need not to jump too quickly just because someone seems to have a lot of knowledge. There are a lot of people now who have taken retirement packages from large corporations and have led fairly narrow lives, frankly, and they tend to think that they're ready to do something new and want to do something new, but a lot of them have never built a business or have never been involved in building a business. You need to think through that as you're selecting your board and also your advisory board.

What about the business plan? I don't think you can spend too much time on your business plan, and even if you're not ready to raise money, even if you're going to bootstrap for a while, it's important to begin to frame this plan because it reminds you what it is you're trying to do, why you're trying to do it and how you want to go about it.

There needs to be an executive summary. This needs to be clear and concise, preferably, and needs to be written in a way that hooks someone after a couple or three sentences. It does need to be a summary. I've seen executive summaries that are 30 and 40 pages long. That ceases to be an executive summary. You want something that is a quick read, and you need to recognize as you're drafting this that this is something that may get distributed by itself a number of times because at some point you're going to get into this phase of do we or don't we get a confidentiality letter. When you're making a preliminary inquiry about money, you typically don't send out confidentiality letters because nothing comes back. You might have the executive summary so that you can share it with people, and if you have trade secrets, keep those in the business plan because that may put you in a better position to do that to get it later, but it also should develop interest so that someone wants to read your business plan.

The first step I would suggest is to define the opportunity and the problem as you begin to develop the body of the plan. What is the opportunity that you're approaching or the problem that you're trying to solve? State how you plan to solve the problem. What's your unique solution for this particular problem or your unique way of taking advantage of this opportunity? Out of this often emerges a mission statement for the company.

Next, you want to provide a good company overview. Where is the company today? If you have one part-time employee, and it's your wife or your husband, say so. Don't try to hide where the company is today. Complete disclosure is what I always advise.

What do you plan to do? What's your business model? In other words, what's the basic business that's going to come, and how does it operate? How will it make money? Finally, what's your execution strategy? How do you plan to bring this all off? If you've done a good job of selecting your management team, you want to spend some time talking about your management team and laying out the members' credentials so that you establish the credibility fairly early on in the process. The same goes for the board and advisors.

If you have clients, it's a good idea to talk about them because again this gives you a working model of people who will say that you're doing a good job and also helps establish your credibility.

Regarding strategic alliances, you need to be able to talk about those if you've developed any.

You need a good discussion of the market. How big is the market? What is your target market? How do you plan to approach this market? There are lots of times people think the business plan is to say, "This market is $1 billion, and if I can get 1 percent of it, that makes my company worth X." You have to do a more thoughtful job of that, of talking about the market and what your niche is in that market.

Talk about the competition and show your knowledge of the competition. One of the most commonly found statements in business plans about competition is, "We don't have any. We're unique and have no competition." All businesses have competition if they're doing something. If not, if they have a good idea, they're going to have competition soon. When you say you don't have competition, you think that makes you look strong, but it makes you look naïve because you need to show you've thought through these things, know what you're facing and know what's going to keep you out in front, if, in fact, you're going to be in front.

Let's discuss a financial plan. You need to present at least a five-year plan of what you think the business can realistically achieve over a five-year period and what your uses of the cash are going to be. It's also a good idea to put a projected balance sheet in there, maybe one year out, three years out and five years out. If fairly detailed inputs are going into the plan, I always like to put it in an Excel spreadsheet because it's not at all unusual for people who are thinking about investing wanting you to send them the spreadsheet so that they can put in their own assumptions and maybe stress test your business plan. It should be backed up with an Excel spreadsheet that you're in a position to share so it's well-labeled and documented.

The financial plan also relates well to the capital requirements. Many times you see a business plan where there's a financial plan that looks like it's been thought through okay, and then the capital requirements aren't in sync with the plan at all. How much money are you going to need, and when you are you going to need it? Try to phase the capital requirements as much as you can. A lot of people going

into this say, "My mission is to raise as much money as I can." The more money that you raise when your business is in the infancy stages means that you're giving up more equity. You want to stage and think about how much capital you need and when you're going to need it, and be frugal. Be realistic but be frugal, and if you can have staged capital requirements, that means you're more likely to hold on to more equity in the end, which is what you want to do if you're building a successful business. Talk through the risks and the opportunities. Show that you're knowledgeable about the risk and what you expect to do about those.

Let's talk about capital sources a bit. First of all, I've mentioned entrepreneur or intrapreneur. That's probably the easiest way to be an entrepreneur and not have to take a lot of risk, and that's if you can get your company to let you put more at risk or some company for building a business for it.

Look at your own resources, and you have a lot more than you think you do sometimes. These are some areas that you might want to look at. Look at clients. I'm not advocating taking advantage of noncompete agreements or ignoring noncompete agreements, but most of the actuarial consulting firms that have been built have been built with existing clients. That's a fact. They're often a good source of capital if they're willing to give you a longer-term agreement. You can hang paper on that.

The Small Business Association (SBA) is also a good source, and I should mention the SBA has a Web page that you can go to that posts your business for possible angel investors. This is a laundry list. I'm not going to spend a lot of time on it because I want to be attentive to my colleagues, but this takes you through the other stages that you might look at in terms of looking for capital. Hopefully you know what these terms mean, but in terms of angel investors, they're typically individuals. It's often a good way to go if you're just getting started, and again they may want to play a role in growing the business. Select carefully because lots of times these individuals have a high expectation of their own abilities and may have unrealistic expectations for what kind of money they want to get back out of this.

Incubators are a good place to go. There's the National Business Incubator Association (NBIA), an incubator association. It has a Web page, and there are more and more incubators growing up. This is a good place to go if you need some infrastructure and possibly also capital sources. Venture capitalists are typically looking for companies of over $50 million of value or that will soon get to that level and then enter a high-growth mode.

I'll tell you a couple of places I've heard are good sources for looking for venture capitalists. Pratt Scott is the guide that I think lists about 1,200. There is another organization that you can find if you type in "venture capitalists" that will send you a subscription with about 15,000 names on it.

Public offering is probably the last step in the process. That's where a lot of people

want to go. The threshold is rising all the time because of all the regulation involved, and you're probably now looking at something north of $100 million of revenue to begin to realistically talk about going public. Maybe that number is $200 million.

This is a good segue into some of the remarks of my colleagues because it's here to remind you that as you're worrying about where you going to get the money to survive, the main step in the process is to continue building the business. It's the No. 1 priority, and cash is king. Always be looking for ways to conserve cash and build cash. Marketing and networking are important ways of doing that, and also I recommend staying lean during the process. Once you get your first fund raise, there's a tendency to splurge a bit. I don't care what size organization you're running; you always have

MR. DUNCAN: Thank you, Dan. That's helpful in setting the framework. Our next speaker is Mike Miele. I worked for Mike for two years in a start-up, and he's going to tell you all about being lean and mean.

MR. MICHAEL S. MIELE: I have a few more questions to ask the audience. How many of you have been in your own business for less than five years? How many for more than five years? How many of you who are in business for yourselves have fewer than five employees? How many have more than five employees? It's a good mix. I am going to talk about building the business, but I was hoping Ian would tell you my story because he would tell it better than I would.

The first thing is, we did start a business in my basement and sold it in 2000. We managed to do it without doing a single thing on Dan's list, but I wish I had known about that stuff when I started the company because we probably wouldn't have had to sell it to keep from killing each other. I was a consultant at Price-Waterhouse, and in 1995, I left to start what wound up being a software company. The reason I started it was I was working seven days a week. I was never working in New Jersey, where I'm from. I was constantly on planes going somewhere. I said, "There's got to be a better way to do consulting. Maybe I'll do it a couple of days a week."

Some of my customers were willing to hire me as an independent consultant, so what started as a way to improve my quality of life quickly became a business that was growing fast. For those of you who are thinking about starting your own business, let me warn you about a few things. First of all, your quality of life will not improve if you start your own business. You'll have more freedom to do things that you want to do, but at the same time you have a tremendous responsibility to your partners, to your employees and to your family that goes way beyond working for a corporation.

I would encourage you to try it, though. I remember standing on the edge: Should I do it? Should I not do it? I'm afraid. I can't do it. My wife said to me, "What, are

you stupid? What's the worst thing that can happen? You'll have to get another job." The worst thing that can happen is if you go out on your own, and it doesn't work out, you'll have to go back to where you were and get a job. They'll take you back. Some of them will even be impressed that you gave it a try and it didn't work out. At Price-Waterhouse, there were lots of people who left, started their own company, didn't like it and came back. You can go back.

I'm going to focus on building a successful actuarial business. I think this is one of the hardest things there is to do because starting any kind of business is hard enough. Starting a restaurant, starting a health club or any of those businesses that I'd call old economy-type businesses are difficult. There are all kinds of things that actuaries have no training to do. How would you recruit and hire people and put them on the payroll? When you're working for a corporation, there's somebody to take care of all that stuff for you. Those are things that go with any normal business. What makes an actuarial business tough, in my opinion, is the heavy reliance on intellectual property. Think about it. If you're a practicing actuary, and you want to start some sort of a business around that, you have to come up with something that all these other smart people haven't thought of yet and that you can take into a marketable product or service. It's tough.

That's not to say that it doesn't happen. There are all kinds of things constantly coming up as products of regulation. Does anybody remember Section 89? Quite a few people thought they were going to build businesses around that, and then it got repealed. What about COBRA administration? When COBRA first came out, it was complicated—all those rules—and there were companies forming to do that. In the course of business, there are those kinds of opportunities.

Since I would say half of you who are in business already have a few employees, I won't spend much time on how I agonized. For two years, I didn't hire anybody. I said, "That's too much responsibility. There's no place to put them in my basement. What happens if I can't make payroll?" I struggled with that a lot, and I wish I had taken the plunge earlier because once you hire your first employee, the next one isn't so hard to do, and then the one after that. The part where I had trouble after that was then figuring out how you manage all these people. That's one thing that I have to say. Entrepreneurs are generally not good managers of people. Ian can attest to the fact that I was definitely not good at managing people.

Finding the right kinds of people to help you grow your business is so key. I can tell you stories all day about people who said, "I want to do what you do, Mike. It's so exciting." I call those the "grass is greener" people.

The grass is not that green on the other side. We're going to work you much harder than you've ever done before. Hopefully, you'll be signed up for it, but the thing that's funny is the actuarial calculation that ensues: I'm leaving a steady job and make X amount of money. Because I'm taking more risk, I would like 2X and want some equity in the company. The entrepreneur is thinking completely the other way

around. How about I pay you nothing, and I'll give you 5 percent of the company?

That is a real culture clash when you're thinking about joining a firm. To me the ideal employee was always somebody like Ian: hungry, independently wealthy, yet unfulfilled. I tease Ian, but it's hard to find those kinds of people to recruit into your company. Still even more difficult is finding somebody who shares your vision. I agree with Dan that entrepreneurs have to have a vision of the product or service that they want to have. Communicating that to customers gets you going, but if you don't communicate to your employees, they're not going to be able to help you carry the ball forward.

I'm going to segue to the next speaker, so we can get to questions.

MR. DUNCAN: I have to say that I agonized a long time before joining Mike, but I happened to do it at a time when my second child was almost finished with college, so that was important. I couldn't have afforded to put two children through college on what Mike was paying me. In the end, I'm sorry I didn't do it sooner because I learned so much from Mike. Everything I know about running my own business I learned from Mike.

MR. DAVID C. FLORIAN: I'm going to start with some key ingredients that were important as I began my venture back in 1998. I'll get into some of the real-life experiences that took place that definitely took me in different directions than my plans had originally intended. To start with, let's sneak into a timeline that I went through. This could be reorganized in a slightly different order, and it could be more detailed, as well. Dan went into a lot more of the details, and I wanted to get into some of the experiences and emotions that you might encounter starting your own business.

First, at least for me, it was a passion that I thought that I could do it better than it was being done out there. The business that I started was a 50-state, nationally licensed insurance agency, and the idea was mimicking the "Smiths" and select quotes that were out there at the time. This is before the Internet craze, taking the actuarial know-how that we had with product development and the pricing involved in these products. Maybe we could design a better mousetrap, bringing better economics and allowing for lower commissions and lower premiums to reach more customers. It was a great idea, and I had a lot of passion around it, but soon after we started the business, things started to change right away. We'll get into that a little bit later.

Step two is having a business plan. My guess is that we're all good in this room in putting together numbers, forecasts and assumptions and playing with those numbers, forecasts and assumptions to keep making things different. The one thing that I learned along with my partner, and some wise people told us this, was we thought we were padding the amount of time that it would take to break even, make money and implement the company in the amount of money needed.

However, whatever you think you're coming up with from a conservative standpoint, my advice would be to double both of them. Double the amount of money you think you need to get to the break-even point time. The capital funding can be staged, which is a good idea, and makes your investors feel a lot more comfortable. Also the amount of time that it takes is unbelievably longer than what you think as the real world starts playing.

Be assured as you put together all of your different assumptions that reality will be different from any scenario you had planned for. You have to be fluid and need to improvise as you go.

You need to sell the plan to the investors. We were successful in doing that. We were a little bit of that intrapreneur that Dan mentioned. We had to put in a lot of our own money, uncomfortably so, but then our corporation that we worked for at the time also put in most of the funding in the form of the debt with warrants attached that could be converted into equity down the road. That definitely helped us get going and allowed us to think a lot bigger than we would have had we just been using our own means.

Once you do have your investment from outside investors, they tend to freeze the numbers and make you live by what you said you were going to do. Your strategy should never freeze. Again, the idea that you think you know all the things that might happen going forward is a bit foolish, and you need to be ready to improvise as reality teaches you some new lessons.

Raising money is a never-ending process. It's a primary job, and fortunately my partner was extremely good at it. He came from an M&A merchant banking background, so we never had a problem finding people who were interested in investing in us and our business. That freed me up to concentrate more on the business, which is critical. Again, they want a significant personal investment, which we covered earlier and which shows our commitment and confidence in the business plan.

Number four is personnel. This is a place where I feel that if you can turn back the hands of time to do it all over again, that initial team is so critical, and we had a great team with the right attitude and emotions. The members also felt that they could do it better. One of the problems was that most of the team came from the same company, so we were all born in the large insurance company corporate America, and none of us had experience in starting our own business. It was a wild ride, and we'll get into that a little bit more later.

You want to look for people with strengths. You don't want to just look for a bunch of entrepreneurs. That would probably be intolerable. You want to look for people who can complement your skills. If you are a big thinker and a salesperson and like to do marketing, you're going to need someone who's back there crunching the numbers and making sure that you're hitting your targets and watching your

pennies.

A great team will also help you come up with a different and fluid business plan as you get going as members recognize some of the weaknesses and some of the changes that you need to make. I can't emphasize enough that you should feel comfortable going after the most experienced people who can help you in this endeavor.

It's a looping process you need to execute, but then you need to revise, as you learn. We made numerous revisions to our business plan, and we'll get into that later.

I mentioned my experience. I started with a competitive term underwriting company called the Midland in Columbus, Ohio, not the one out in the Dakotas. From that, my partner and I decided that we thought we could offer a better way to sell term life insurance, which is what we started with. Of course, the competitive term wars of the late 1990s made it a great business to be in as prices continued to come down. There was a great deal of interest in people buying term and buying it again, as the brakes fell far enough. We learned to improvise. What we learned was that even though we were critical of the high cost of commissions that we had to pay to the agents to sell term business, and that was one of the reasons we thought we could do it better, one of the good things about paying an agent is that you pay them only after you have a paid policy. What we learned was that it takes a lot of money to attract leads into our call center, having no idea whether or not you were going to turn those into paid policies.

We had a motto, "Life insurance made simple," underneath our company name. One of the first things we did was change it to "Insurance made simple" as we immediately began to branch out and offer more than one product line. It was still expensive to get customers in-house, so you immediately wanted to not only sell them the product that they came to you for but be able to offer a suite of products to save them even more money and, more important, lower your overall cost of lead or cost of in-force policies.

Then came the Internet craze. About a year or so after we got started, we decided that we needed to branch off and offer additional products. Of course, Midland, being primarily a term underwriting company, said, "We have enjoyed the investment thus far, but why don't you think about finding other people to invest in your company? We'll stay involved since you're branching out into other product lines."

So we did. We went out looking and thought we had a perfect match as an Internet company. It was a publishing company called Bank Rate Monitor. It had been around for years, basically reporting metrics on banking. It had decided that it was going to become a personal finance site where you could go not only for your banking needs but for your insurance, investment and tax needs. It was going to be

a content site surrounded by sales sites, sites that could conduct commerce such as Pivot. After you researched your insurance needs, you could connect directly to a quote engine and a needs assessment calculator and purchase that product.

The goal was to wrap all of that with an electronic wallet, a lot of the things that are already happening today, but back in 1998 it was an innovative thought. The good news was that was a great marriage when it happened, and the company began to push. We always had a Web site, but it began to push our business over the Web more so, and the idea was it was going to feed us with our customers, which would lower overall costs.

Unfortunately, that was about the same time in 1999 to 2000 that the first Internet bubble burst, and the first bubble to burst was content sites—the idea that you couldn't have enough banner ads and enough click-throughs to make enough money. The same people who were writing about how wonderful these companies were and giving them valuations that were ridiculous began writing about how silly everyone was to value those companies at those incredibly high numbers. Of course, it began to burst. When it burst, the problem was the parent couldn't raise any more money.

Another revision to our plan was that it's a lot cheaper to attract customers if you go to the B to B model, which is business to business. Go where people already have customers. Go to employers, go to large Web sites and go to banks and broker/dealers. That's what we started to do. We said, "We have a solution now. Rather than our reaching out directly to the consumers, why don't you take our tools, and you can private-label them with your name, place them on your site, and as your customers come in to do their banking, investment or group employee enrollment, they can also choose from all of the individual products and personal line products that we offer."

That was born out of necessity. It was a wonderful idea, and we got going with it. About the same time we got going with it, the parent needed to start selling off some of these different sites and businesses that didn't meet its core, and the core was back to the publishing. Being a commerce site, we were up for sale. About that same time, First Union Bank, which is a successful seller of annuities and life insurance products, decided that it needed to have an Internet commerce site for insurance to be married to its bank site. Rather than build it internally, and I can definitely attest to this, which would take a lot more money and time, it decided to buy it. Because we were already known as a private-label site where you could drop in and immediately start commerce, we were a perfect solution. That's how Pivot eventually was owned by Wachovia, as Wachovia and First Union merged. Soon after that, it decided that it liked how efficient we were because we were watching our pennies; being careful not to hire people until we needed them; and using LAN-based and PC-based technology, which meant when we needed something fixed, it was fixed within five minutes to an hour as opposed to days or weeks and many thousands of dollars in large corporations. It liked it so much that we made our first

mistake: "We want you now to use your Pivot platform, that passion that you guys bring and that efficiency, and we want you to manage 200 employees down in Charlotte who are processing annuities, term applications and insurance applications."

We did that for about a year and a half, and it became clear to both me and my boss at Wachovia that I wasn't a good operator. About that time, Wachovia also thought that since it writes several billion dollars of annuities and insurance products each year, maybe it should investigate co-insuring that business with the direct underwriting companies. This idea of starting a reinsurance company within Wachovia was born, and it thought it would be a good idea if I, being an entrepreneurial-type person, start that for them. That's what I've been doing for the past couple of years. Pivot is still alive and well and being run by people who were protégés of mine, and I'm still proud of it. I hope that it keeps going for as long as possible.

MR. DUNCAN: Thank you, Dave. We've had an opportunity to hear from a couple of people who've done it themselves, and we have a little bit of time left over for questions if people would like to come and ask questions. To get it going, I have a question for the panel myself. It's something that nobody touched on, but from my observation of being inside a start-up, it seems to be important, and that's the area of focus. Would anybody on the panel like to comment on the need for focus in a start-up and how difficult or easy it is? What are your thoughts on the need for focus?

MR. MIELE: I think it's the most important thing. When you have such limited resources, you have to keep all the employees focused on what product it is that you're doing because as a natural progression of what you're doing, other ideas are going to be spawned, and companies that chase every idea generally aren't successful because they don't have enough resources to pursue them all. In our case, there were a lot of related businesses we could have gotten into, which we decided or I decided we didn't have the resource to pursue.

MR. COX: I'll add to that a little bit. There's a tendency when you don't have a lot of customers or a lot of relationships to try to put yourself in the mode of whatever the person you're talking to is seeking. That's possibly one of the most common traps to fall into where you try to become everything to everyone. The key is to keep your eyes on exactly what it is you're trying to do and what the best way to get there is. This is probably one of the reasons a lot of companies fail. They do tend to get stretched too thin and try to do too many different things. It's often the person you're trying to do business with who pulls you there. It's not because you can't stay focused yourself.

MR. JOHN PENNISTEN: I work for the New York City Department of Finance. I'm an employee right now but at one time thought about starting my own company, and I worked with consultants for about nine years. I think if somebody has a

problem, you want to try to solve it, but then you need a little revenue. You're trying to get going. You have to look at the picture: Can I solve this problem at a reasonable price? Yes, I can solve that, but it's going to take up too many of my resources and get me off in a wrong direction. I'll spend so much money on this and not be able to bill for it, and it starts a downward spiral. That's my reaction to that, and I saw some of this the nine years I spent in consulting. I wanted to throw that comment out.

MR. FLORIAN: I would say that we did do that. We had our original focus, which was to concentrate on the life insurance side. We saw that there were a lot of inefficiencies in the underwriting and application process. As things weren't going according to plan, we did get distracted, and as we were purchased by an Internet company, we focused from radio and television spots to the Internet. As we got purchased by a bank, we started to focus on what product it was best at producing, which is annuities. It did happen to us, and in the end, we did unravel it again, and now the Pivot that is remaining is entirely focused on distribution of life insurance products again. It can definitely happen, and it is seductive to think, "I have a client right here. I don't have enough revenue over here. I need to make a slight detour."

MR. PENNISTEN: Like a detour and then all of a sudden the detour is taking you someplace.

MR. FLORIAN: It keeps branching. That's right. It's tough. Ian and I talked about this, and that might be why he asked the question. I think I told him at the time that that would be one of the key differences that I would make. I would have stuck to my guns that we stay with the more focused product set. In hindsight, though, it's probably what kept the company alive as we needed to go and find another buyer each time—having a variety of solutions that could appeal to a broader range of potential buyers.

MR. DUNCAN: Yes. I have an ulterior motive that allows me to tell you the following anecdote. When I joined Mike's company, I had all these great ideas for business development and so forth, and Mike listened patiently. Patiently is not a good word with Mike, but he listened, and then he said, "When I started this company, we brainstormed all the things we could do." He took out a piece of paper from his desk drawer and said, "We're doing number one. When we finish number one and do it right, we'll go on to number two," and he put it back in his drawer. Every time anybody came to him with a new business idea, out would come the piece of paper. He'd add it to the list, and back it went in the drawer. One of the key things I learned working with Mike was the need to pick a subject and focus on it.

MS. JANET G. DESKINS: Can each of you comment from the beginning and to when you felt that you were more mature how much you were spending on marketing as an overall budget percent?

MR. FLORIAN: We probably had a unique opportunity because we did have a large corporate parent that was helping to bankroll us to begin with. Our whole business plan was to reach out directly to the consumer through print, radio and television ads. We spent upwards of $3 million in 18 months to build that constant influx of leads. Not after we spent the $3 million but soon after we started spending the money is when we realized that we needed to branch out and offer more products than term life insurance. It also taught us that term life insurance is not a must-have, as opposed to auto, homeowner's or apartment renter's insurance. We immediately went after the personal lines as something that we could try to tag onto the people who called us.

MR. MIELE: We didn't have any money. We spent none of our money on marketing. I never mentioned this, but we did evolve into a software company where we licensed our technology to HMOs. The way we did our marketing because we had no money was we spoke at conferences. I don't know how viable that is today, but in the 1990s, we were able to speak at various conferences, and all of our target market was there. It was a wonderful way, and sometimes we even got paid. We spent negative money on marketing.

MR. DUNCAN: We also came from an actuarial and consulting background, where we were used to more of a one-on-one interaction with potential clients to try to win business. We did come from perhaps a different background than David did.

MR. COX: I think that's key. I don't think you can generalize. So much depends on your business model. If it's a software play where you're trying to sell things over the Internet, obviously you're going to spend more on marketing than if you have a B to B play or if you're trying to build a personal service business, where lots of times you're spending more time networking. A lot of people have built good businesses where they already had large clients, and it became a matter of taking care of those large clients and then word of mouth built the business for them. It's difficult to generalize.

MR. LES LOHMANN: I started my business in 1991 after getting canned, and you guys had money to start out with. Apparently Mike didn't, but I admire that, and I usually describe myself as one of the most successful people around because I intended to start a small business, and after 13 years, it's still small. In any event, I was hoping to hear more about the different consulting models. I have been trying in my own case to run the model as an hourly fee-type arrangement, and I find that a lot of potential clients, and even sometimes my existing clients, have a hard time with the numbers. I'm a little arrogant and think I'm one of the smartest guys who ever walked, and, of course, I haven't any money, so probably you should question those opinions. In any event, what are different people doing with those models? You seem to be selling stuff, but in fact the typical thing that actuaries do is sell their brains and their thoughts. At least I think that's what we typically do. That's certainly what I'm doing. I'd like to know the different models that we can see perhaps in this room on selling our mental contributions to businesses and

people.

MR. MIELE: As we started as a consulting firm, the first mistake I made was to think that since at Price-Waterhouse my billing rate was $500 or $600 an hour, if I charged $100 an hour, people would naturally hire us. What I learned was the big clients that we consult to don't care what you charge them. If they're getting what they want when they want it, they're going to pay. We did encounter a lot of fee sensitivity in the middle market. What we wound up doing was charging based on how many members an HMO had in terms of cents per member per month. We said, "We'll do this service for you, we will save money, and we charge this much for your size HMO," and that worked out to a much more palatable fee structure for the clients. They would also in turn say, "I want some kind of guarantee on how much savings we're going to get," and we would negotiate all that. By the time we sold the company, I don't think we had any hourly fee schedules.

MR. DUNCAN: We did an occasional consulting job, but primarily we had morphed into having products. That was one of the key learnings: If you want to make money consistently and continuously in the business, how do you manufacture products that you can have, in our case $30,000-per year analysts, deliver and then make a real profit off of that?

MR. COX: If you talk about the different types of business models, again, it's difficult to generalize because there are so many different types of businesses, but there are a number of business models that are based on some blend of fees and something else. We're seeing some of that playing out in the newspapers right now, with some of these bonus arrangements, reinsurance arrangements and things that some people are reading about. If you're taking a fee, anything else that you take is as likely to create conflicts as anything else. What I always ask myself, and I've gotten paid a number of different ways in the various businesses I've been involved with, is whether I'm being conflicted in being paid that way versus some other way, particularly if you're getting a blend.

As long as the client understands the way you're getting compensated, and you're prepared to disclose that compensation and can look yourself in the mirror every morning and say, "I wouldn't mind this arrangement showing up on the front page of the *Wall Street Journal*," I don't think there is any one model that's superior to another. I do believe that because of some of the things that are playing themselves out right now, we are going to be going back to more toward an advice model, where it's fee business and fees and rates are fully disclosed.

FROM THE AUDIENCE: Isn't the key word in all that disclosure?

MR. COX: It's disclosure and lack of conflict, too. If there's not full disclosure, there's always the appearance of conflict. They do go together.

FROM THE AUDIENCE: That was the point you were making at the beginning of

your discussion. It's about honesty and being upfront with the people. If you don't know, say you don't know. If you're doing something in terms of fee, say "This is how we're billing you." They know that. They can't come back two years later if somebody does an audit and say, "You were doing something that wasn't quite so good." You're in the clear.

MR. COX: I had a period of time where I was chairman of a consulting firm and also two insurance companies at the same time, and I was still doing some client work. I had a large client, and the first question to ask is which hat are you wearing today? I made it clear to the client which hat I was wearing that day, and it was clear to me what I was representing. That's what's important. You need to have the relationship, and the clients must understand where you're coming from and know what your agenda is.

FROM THE AUDIENCE: I'd like to ask a question related to your first presentation. When I began my business, I knew what my competitors were charging and things like that because in fact I had been my competitor prior to that. One of the issues that you raised is that your competitor or the person who is not hiring people—the business itself—always thinks he can do it. How do you keep that knowledge up without losing clients? I always get to know what my competitors are doing when they come and underbid me, and I'm able to get that information. Do you guys have any particular way that you get that kind of information?

MR. COX: It's one of the most difficult things to do. Frankly it's something that we tend lots of times to lose focus on the necessity of doing because you get focused on what you're doing and put blinders on. If you want to get more insight into what certain people are doing in an area where you want to become more active, one thing that can work depending on the situation is to get a client to hire you to do a survey or something, or get it to hire you to help select someone so that what you're doing is simpatico with what you're trying to look at and the direction that you're trying to hit. Otherwise, it's a matter of networking. I can't talk enough about how the Internet changes things because everybody has a Web page, and you can go on Web pages and find out a lot about what people are doing and the way they're working.

Other than that, it's a matter of continuing to ask questions. You can ask clients. Even though they're your best clients, the competitors are approaching them. Don't be afraid to ask the clients how what you're doing compares to what they're seeing in the marketplace. It's one of those things that you have to force yourself to do. Sometimes you'd just as soon try to stay focused on what you're doing, but it's important to do, particularly if you're trying to get somebody to put up a lot of money to do something that someone is doing as well or better.

MR. DUNCAN: Let me ask a related question about something that intrigues me. For those of you who are small consultants or independent consultants, what percentage of your potential billable time do you devote to nonbillable research or

development work where you're developing something for the future as opposed to currently billing clients? If you insist, I'll include this meeting. You're spending 70 percent of your time developing stuff for the future? That strikes me as being high. What about 25 percent? What do you think, Dan? Do you have any sense of what you might think people take in terms of nonbillable development time?

MR. COX: A lot depends on the size of the company. If you're small because you're trying to keep money coming in the door, you tend to spend a lot of your time billing, and lots of times it's difficult to say marketing because you're trying to stay covered up with work. As you begin to get employees in, typically you're getting employees in who are doing the work, and then you're spending more and more of your time developing the business and the vision for the business. By the time you get to a point where you have 15 to 20 employees, if it's a consulting firm, you're probably spending less than 50 percent of your time billing. That would be my guess.

FROM THE AUDIENCE: You mentioned part of the business plan is making marketing plans, doing marketing projections and saying, "This is a $1 billion industry, and if I have 1 percent, I'll be doing okay." That's a lot of detailed marketing projections. Could you shed some light on a good way to make marketing projections?

MR. COX: If it's a consulting firm, and you're going to be in the advice business, it doesn't have to be a vast market because you're probably not going to be asking for a lot of money. But if you're trying to get money to build some type of model or you're going to have to put some capital into hardware, it's important to know what the market is, and you need to demonstrate that you know the size of the market. I've seen so many business plans where the next thing is to take a percentage and say, "That's the percentage we're going after," and then they run the math against the percentage.

What I meant to impart is it's important to show that execution plan of how you're going to get there and then go back and build the plan, step by step: First we're going to get three clients, and they're going to produce this, and then we're going to get four clients, and this is how we expect to go from three clients to four clients. You have to begin to build it from the bottom up. You need to show what the market is, but you need a nuts-and-bolts approach that's realistic of how you're going to get to some point and then say, "By this time, we'll have 1 percent of the market."

MR. DAN CASSIDY: I run a small consulting firm outside of Boston. To answer Les's question, I do a combination. I mostly try to do project billing, in a sense; come up with a budget; don't show them any hours at all; and hope they don't ask. If they do ask, I'd make something up that is realistic. My question for the panel is when you run a small firm and it's grown to a certain size, you start attracting some attention from people wanting to buy you. There are a lot of public companies

and small consulting firms that approach you. Do you guys get approached from public companies, or do you have any advice or thoughts you could share with a small, private consulting firm being approached by a public company?

MR. MIELE: Yes, that's how we sold. We were being pursued by a number of public companies. Remember that this was at the Internet craziness. We were getting a lot of offers for lots of seashells, basically. They were offering a lot of stock in their company. I want to spin that a little bit toward Ian's comment about focus. One of the reasons I finally agreed to sell the company was I couldn't take it anymore. All the venture capital companies were coming through, and we had to hire an auditor to audit our financials. When you're a small company, it's a pain to have all these people running around. My advice would be to be careful because if you're thinking about selling the company, you may not have a choice at the end because it becomes a self-fulfilling prophecy. The employees don't know whether they're coming or going. I never had so many meetings with all the employees. We had 21 employees when we sold the company. People ask questions: "Are we going to still have our jobs? Are we moving?" There are a lot of things that you don't even know how to answer depending on who is going to buy you this week. Yes, they find out about you, don't they? Ask for cash, though.

MR. DUNCAN: It's a huge distraction.

MR. FLORIAN: We had two public companies buy us. Again, my partner would have been a much better person to answer this question, but once it was known that we were available for sale, we were inundated, too, and it was a crazy time. I think times have changed a little bit and definitely for the better. I think for the first go-around before First Union/Wachovia bought us and the Internet company bought us, we had over 100 people who were interested in pursuing our company. It absorbs you, and you're incapable of doing anything other than make the decision whether you're going to sell or not sell, and we didn't have a choice. It was easier for us, but you do want it to be over with soon after it begins. It's like looking for a home. It can be exciting to buy a home, and after you see your first five homes, you just want to buy something fast. I don't know whether that helps or doesn't help, but there seem to be a lot of people out there who are always looking for a good investment, and a company that has positive cash flow will not have any problem at all finding a buyer.

MR. ANDRE CHOQUET: First I want to thank you for great presentation. I'm a pension actuary at a small firm in Toronto, Canada. I want to stay in the domain of the small consulting firm, but maybe not the one that's waiting to be acquired by the public company. Mercer hasn't knocked on our door yet. I was thinking of the picture where a small firm wants to merge with another small firm or acquire an even smaller firm if possible. My two questions are first, how do you value a small consulting firm that is so dependent on intellectual capital from perhaps two partners? My second question is what are things to look out for in terms of merging with another consulting firm? What are the caveats to pay attention to?

MR. COX: Acquiring another consulting firm or being acquired by another consulting firm particularly if you are in different locations, but it applies if you're in the same location, is like hiring a bunch of people. Your assets do go home every night. What's more important possibly than anything else is whether the cultures are going to meld, and is it going to be an accretive, from the standpoint of culture and the firm's ability to continue to do what it does well. That's the way you need to look at it. There's needs to be a lot of time spent getting to know each other, comparing business models and making sure that particularly the key people know where they're going to fit and are comfortable with that. It's like hiring a bunch of people at once.

In terms of how businesses are valued, it may be a little bit different in Canada, but probably not that different. If it's a consulting firm, typically what you try to do is look at the cash flow, at earnings before interest, taxes, depreciation and amortization (EBITDA), and because your assets are generally your people, there's usually not a lot of plant and equipment, so you look at what the expected cash flow is, and you impute some kind of growth rate. You've heard in the United States for a number of years one times revenue as a number that people throw out. The way you get there is it's generally a multiple of EBITDA, and if you can get a firm at four times EBITDA, you buy it. If you have to pay seven or eight, it has to have a high growth rate. It's somewhere in that category, and a lot depends on what kind of efficiencies you're going to get.

In the consulting business, it's primarily a people acquisition gain, so you're taking that earnings stream and adding it to yours, and if you work through a 20 percent margin at five times, that gets you to one times revenue. That's where that comes from, but it's typically a multiple of cash flow, and I would buy companies back when I was doing that type of thing all day long at five to six times. Many times the problem becomes establishing what EBITDA is because if it's a small company, it generally has not been run for profit, and the owner is spending a lot of money doing things that don't have to be done, or for which there is a more tax-efficient way of taking money out of the business. You have to build a projected income statement that builds that in, but then you start talking about earnings multiples, typically.

MR. MIELE: I would add to what to look out for. Early on, we were approached by another consulting firm that wanted to merge, and it was going to be a culture clash because one group was a bunch of pension actuaries, and we were at that time all health actuaries, and there was no way it was going to work at the size we were both at. The other thing to watch out for is sometimes when somebody thinks of selling, they're thinking that that's the end of whatever it is they're doing. Some people think it's the beginning of what they're doing. If you buy somebody who's generating a million dollars a year in personal production, and you pay a million dollars or something for it, and that person say, "Okay, I'm done," who is going to sell the next piece of business? You are. We just bought you, so you could keep that going.

Usually, there's an earnout tied to that. Do you guys work with earn-outs?

MR. COX: Yes, earn-outs are a good idea if you're small and are buying a relatively small company. The problem with earn-outs, and frankly I've never been a big fan of them, is it's difficult to merge businesses together because once someone is in an earn-out, you have to keep that entity separate to be able to see how it keeps score. Lots of times, that undermines what you're trying to do in terms of putting the businesses together. That's part of the evaluation process. You wouldn't hire somebody who is tired and wants to sit down. You want to hire somebody who still has fire in his eyes and is looking for an opportunity to help climb the next mountain.

That's the reason that this whole evaluation process is important because that motivation and that continuing drive are what you're looking for many times in addition to clients. That's what you're bringing into the business. Many times the guy is 75 years old and wants to retire. That creates a different type of negotiation because you're going to be paying a stream of payments over a period of time, possibly, and maybe you do want to tie it to continued revenue if it doesn't undermine the business. That's the reason it's clear. The first thing you do before you talk money is understand what everybody's motivations are and what everyone is trying to accomplish and then try to come up with an arrangement that accomplishes that and properly incents and protects both parties.

MR. DUNCAN: I would throw into this that if one is going to be acquired by anybody, it's probably a good idea to be acquired by somebody who has experience of acquisitions. From bitter experience, you do not want to be their training wheels in the acquisition business.

Thank you for your participation. I appreciate the fact that you've all contributed and asked questions. Here's a little commercial for the smaller consulting firm section In each issue of our newsletter, *The Independent Consultant*, we do a profile of an entrepreneur. Both David and Mike Miele have been featured in different issues of *The Independent Consultant,* which you can see on our Web site. I would draw that to your attention and also look for on the smaller consulting firm Web site coming soon a resource center for those who want to go out and start their own businesses. There are all sorts of materials that you might find useful. Thank you once again to our speakers.