YOUR FIRST 100 MILLION

Daniel S. Peña, Sr.

Your First 100 Million

Dedication

In the book you're about to read, I talk about the importance of mentors as a Quantum Leap to wisdom. Years ago, as a young hot shot in the corporate world, I learned the secrets of super success from three gentlemen who mentored me at critical times in my life.

Constantine "Costa" Gratsos had made his fortune as a lifelong associate of shipping icon Aristotle Onassis. He took a liking to me, became my first mentor, and showed me how to swim in the deep, dangerous waters of business.

Jim Newman, the business visionary who created the term "comfort zone" showed me how to expand my horizons. Thanks to Jim, after I attended one of his PACE Seminars in 1978, I moved out of my comfort zone at Bear Stearns and became a super successful oilman.

Jerry Ormand was already a legendary Texas oilman when I met him. Yet he took the time to introduce me to the fine points of the oil business, and how to survive and prosper amid the chaos of a rough-and-tumble industry.

Jerry... Jim... "Costa"... this book is gratefully dedicated to you.

-Dan

Your First 100 Million

by

Daniel S. Peña, Sr.

Your First 100 Million
Daniel S. Peña, Sr.

Guthrie Castle Ltd.
Guthrie Castle
Angus
Scotland DD8 2TP
United Kingdom

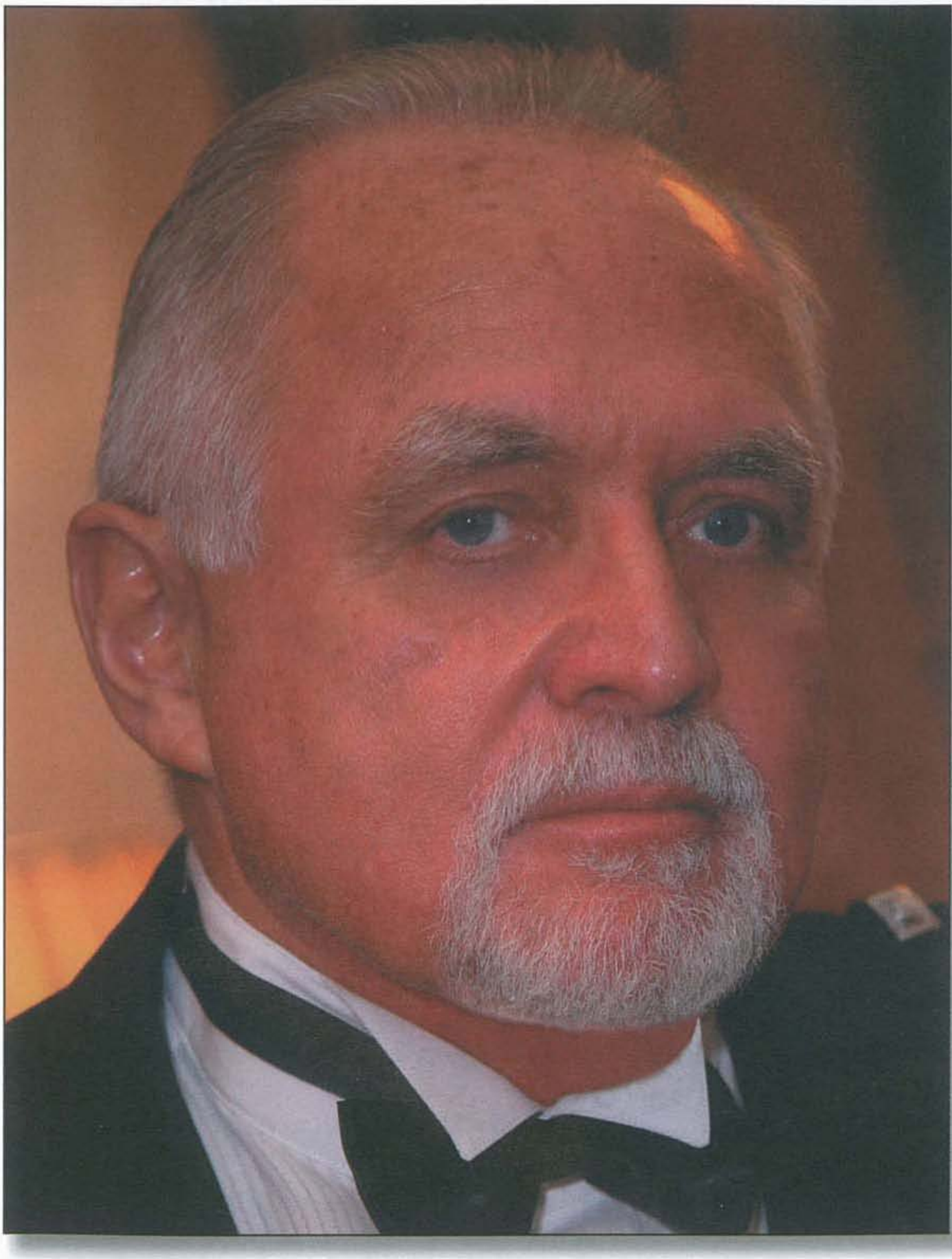
2nd Edition 2009

The National Library Cataloguing Publication Data
A catalogue record for this book is available from the National Library, Manila, Philippines

ISBN 978-971-94218-2-5

Printed by: AM Cleofe Prints, #75 Visayas Avenue, Brgy. VASRA, Quezon City, Philippines

DISCLAIMER: Seminar presentations, newsletters, books, QLA products and other communications are not intended to convey legal, accounting, tax appraisal or other professional or investment advice which is expressly disclaimed. You are expected to use your own due diligence and consult your own professional advisors before taking action or making decisions, and comply with all applicable laws. Remember: "Investigate before you invest!" I can't do that for you! No presentation or communication and nothing in this book shall expressly or implicitly bind any person or entity to any contract, agreement or course of conduct, or waive any part of this disclaimer.



Dan, father of QLA 2009

Table of Contents

PROLOGUE

The Price of Fear... the Reward of Courage

As this book goes to press, the financial world is free falling through the worst economic crisi since the Great Depression. Men of wealth and presumed integrity in the financial world have committe treachery on a scale of uncounted billions of dollars, affecting millions of "ordinary people" around th globe.

Bernie Madoff is the most despicable of these "pirates in pinstripe," committing fraud of som $50 billion, deceiving even his closest associates and oldest friends. By March 2009, Bernie was in custod while lawyers bickered over the bones of his frozen assets, and he awaited his turn to plead guilty in cour "So what?" say his victims. "Our life savings have vanished."

We cannot change the past, only recover from it. And perhaps learn its cruel lessons. The first lesso is this: the paralysis of fear can cost dearly; while the rewards of determined courage are incalculable.

In the meantime, concealed amid the carnage of financial ruin, are some stocks that dare to offe the prospect of profit. B2C, our own investing group, for example, is engaged more in "contravesting" tha investing – looking for stocks anywhere in the world that are undervalued, mostly paying dividends. We thin this period of bear market is an excellent opportunity to reach boldly for the bargains that are out there.

Our advice, as you seek to venture into the heady whitewaters of business acquisition, drean team building and Quantum Leap expansion, is to take courage. Grasp chaos. Force change. And follow th methodologies you're about to read. One day, sooner than you could have imagined, the financial nightmar of the first decade of this millennium will be a harsh but fading memory.

And you'll have survived to be the super success you knew you could be.

FOREWORD

By Dr Klaus Kleinfeld

Former CEO of Siemens, AG.

Congratulations! You have chosen an extraordinary book that describes a step-by-step framework and methodology for building a super successful business from scratch, while attaining the skill sets of a high performance person. The precepts described in this book are straight forward, yet very powerful. The author, Daniel S. Peña, has put into simple words how he achieved success at the highest level starting with nothing more than a dream and the passion to succeed. I strongly recommend "*Your First Hundred Million*" for those who have a dream, little or no capital, and desire a road map to build a significant net worth and achieve the life of a high performance person.

It is written in a style that will ingratiate you to the author, because he tells it exactly like it is, with no varnish or hesitation. At times you may even be shocked by how he describes what it takes to be a high performance person and achieve your dreams in today's rough and tumble ever changing business environment. He calls his precepts and methodology QLA, or Quantum Leap Advantage and it's based on his almost 40-year personal worldwide track record of success.

Over many years Dan has become a very good friend. I know Dan's comments might often raise your eyebrow with his candor. However you will truly enjoy hearing what it takes to succeed from someone who has really lived it. And you can tell this isn't theory, because he gives you real examples from his life and those that he has coached and mentored. Dan has operated in the same real world you do every day and succeeded against all odds. But more importantly, countless devotees have used QLA successfully and achieved their dreams and goals!

Read this book and I know it can be the first step towards the realization of your dreams and being a successful high performance person.

All the very best,

Klaus Kleinfeld

Introduction

Your Quantum Leap Advantage

"Always try to go into business with an unfair advantage."

You will never have read a business book like this one.

Because you hold this special edition, you may have heard me speak. You may have even been t my castle; you might even be a business partner. So you'll realize immediately this book is written the wa I talk to audiences at my ***"Quantum Leap Advantage"*** seminars. You'll also understand it's not a book fo everybody, because success (and the wealth it brings) isn't for everybody. But I know you'll profit from it because it captures under one cover - all the Quantum Leap strategies I've been pounding into people's head for several years now.

The Business sections of bookstores and libraries across America, the UK and Europe are packe with books that tell you how to become a successful entrepreneur. Some of them are written by men and wome who have achieved a respectable level of success. Others are written by professors who understand busines as a theory, but have never had their own business. These books typically take the reader through the step-by step mechanics of starting, growing and ultimately selling a business. Others are manuals that cover taking company public, tax issues, raising capital and other topics an entry-level entrepreneur needs to know. The include checklists, graphs and formats for business plans and letters of intent. There are probably nuggets o "how-to" information in these books. ***But I've found most of them to be as flat and lifeless as road-kill.***

But more to the point, *none* of these books tells you how to prepare your *mind* for being <u>supe</u> successful. They skip over how to adjust your perspective just slightly, so you can take what I call a ***Quantun Leap***...make *millions* of dollars...*and do it over and over again!*

What if you had access to the secrets of a man who has the strength, skills and self-confidence t make one *Quantum Leap* after another, even make them simultaneously, and knows he will ultimately becom a *billionaire* before he quits? What if you could receive, in his own words, the wisdom of this active multi millionaire - not one of those "real estate rich" morons or some silk-suited seminar mooches - but a man wh took his own energy corporation from an $820 investment to an incredible $400 million in market capitalizatio in just eight short years!

That's what this book is all about.

It's about achieving the mental toughness and laser-beam focus you need to make a ton of money. I've packed this book from beginning to end with the same strategies I've been thundering across the financial capitals of five continents. But I've left most of the detailed checklists to that pedantic crowd of pedestrian business people and dusty professors who write those "how to" books.

Putting it another way, most business writers give you some weapons, or at least a weapon's manual, and send you out to face the realities of business. Through my ***Quantum Leap*** methodology, I show you how to prepare and focus your mind and spirit for executive battle - against entrenched institutions ... vicious corporate assassins... and those nay-savers of success, the purveyors of conventional wisdom. Don't let anyone tell you, *'You can't do that!'* Because *you can!* That's the ***Quantum Leap*** difference.

They used to call me crazy...and worse. They'd say, *'Dan, you can't do that!'* And, by God, I'd do it. Then, when I made my first few million dollars, they started calling me "controversial." A London newspaper labeled me "the most controversial man in London in the Eighties." (A public figure is "controversial" when he's got too much money and influence to be called crazy. Besides, he might be crazy enough to sue you into oblivion.) My British advisors would shiver and say, *'Dan, you can't do that!'* So I'd do it. Now, in my early fifties, I'm mellowing into "eccentric."

I thought I would stay retired - I sure as hell don't have to work - but then I realized what poor advice most people are being fed about success by "feel good" frauds in the personal development field. You've seen them grinning and charming on TV. You *know* who I'm talking about.

I have become a business success coach to a selected group of entrepreneurs who I feel have seemingly boundless energy and determination to become super successful. I also conduct seminars in the U.S., the United Kingdom and the E.U. - and at my 15th Century home, Guthrie Castle, near the North Sea above Edinburgh, Scotland.

Through my U.K. enterprise, the ***Quantum Leap Organisation,*** my associates and I identify entrepreneurs, and nurture them along in pursuit of their dream. The success stories coming to fruition in Scotland and England are proving what I've said all along - that ***Quantum Leap*** strategies are universal in their application. You can sell a solicitor, a proper "City gent" in London, on your dream as easily as you can a lawyer in the United States, and you can take £500,000 from the Bank of Scotland as smoothly as you can from a Second Vice President of Citi Corp.

I call my basic seminar "The Quantum Leap Advantage," and I deliver others as well on more specific entrepreneurial topics. They are all hard-hitting, no-nonsense seminars, packed with the brutal truth about making big money and are delivered "in you face." One attendee wrote on his critique sheet, "Dan Peña is a bulldozer of knowledge..." - I like that!

This book, in content and tone, is an extension of those seminars. It is my answer to the questior I get continuously, *"Dan, you've said so much in three days. Do you have something I can take home anc read?"* I do have such a book, written in the late Nineties. The QLA strategies and methodologies – how tc make your first 100 million – are as relevant today as they were then. Like any good recipe, the QLA recipe for high-performance and super success never goes out-of-date.

But since our first publication, so much has happened in the world, the global economy and the business community. So I decided to update the book in time for the second decade of this century and for a new generation of passionate, fired up entrepreneurial achievers. Maybe like you.

Bear in mind that I didn't write this book to make you feel good inside or to stroke your self-esteem. Instead, I give you the unvarnished truth you deserve about how corporate business really works and how *you* need to think, feel, train and be prepared to make the system work for you, so you can take your first Quantum Leap.

And begin building your own dream.

Chapter One

Super-Success - Not for the Touchy-Feely

'Super success is not for the wishy washy. Victory in business, like war, comes to the toughest son-of-a-bitch in the valley.'

This is a book about making money.

I don't mean a few extra bucks in your spare time. Any moron can do that. I don't mean increasing your sales 20%, or buying real estate or getting into the discount mortgage scam. I'm talking about making so much money you can't count it - you've got to weigh it.

This is no "get rich quick" book either. "Get rich quick" implies "get rich easy," and if you think you can get rich easy in today's world, you're either about to murder your rich uncle - or you're stupid.

Nor is it one of those "wealth without risk" books. Accumulating money without taking risks is a fantasy fed to the faint-hearted or the elderly who are not so much interested in achieving wealth as they are terrified of becoming poor. The high performers - the super successful - *do* take risks. I sure did. Still do. Anybody who's not taking risks in business is not making *real* money. There is no super success without risk. There just isn't. And no *safety* in being a high-performance person. If you want safety, this book isn't for you.

Finally, this is not a book to help you feel better about yourself.

Conventional wisdom is that if you feel good about yourself, you'll make money. As you'll see - if you read on - I grew a company to over 400 million dollars in real market value, working on the premise that *all conventional wisdom is crap*. The truth is that when you make a lot of money, *then* you'll feel good about yourself.

So why should you read on? Here are some reasons. I've built from scratch more dollar value than any other personal development or business success coach who'll ever try to sell you a book. I've *lost* more money in just one bad deal than a lot of those slick-suited guys on the "feel-good-get-rich" lecture circuit ever made in their whole lives.

What else?

I've made over 75,000 business decisions during my 37-year business career. That's probably 70,000 more than anyone who'll read this book - or anyone selling success books and tapes. I've made more than 600 financial presentations on five continents (all but Antarctica - there's no money there!), raising over *one billion* dollars during times nobody else could raise a cent! And in between I've logged million of miles in travel, thousands of nights in hotels, thousands of business meetings, and more than 250,000 business phone conversations.

If anybody wants to talk about more business experience in the past 37 years than Dan Peña - in the trenches or in the peaks - let me know.

You should also read on because, *if* you can handle it, this book is written for <u>you</u>.

I'm writing to aspiring entrepreneurs who have the fire in their belly to *achieve super success***.** I'm talking to the owners of small or mid-sized businesses, people who are already successful and want more... and the CEOs, Directors and other top executives of companies who are now looking for geometric growth in a competitive, unforgiving marketplace. In short, this book is for "serious players."

But beyond that circle of capitalists, anyone who seeks a greater degree of success in their life can benefit from this book. To borrow from Joe Batten, the advertising legend and mentor to Ross Perot, whose accounts included the U.S. Army: *I'm writing for you if you want to "be all you can be."* Now that you've bought me - I assume you haven't browsed this far - let me assure you I've got more for you between these covers than you'll find in an entire library of sudsy proverbs and platitudes. Hence, the cover price.

When I retired the second time, a few years ago, I quickly got bored with doing nothing. I gradually became interested in sharing the brutal truths I had learned in the business world with others. After all, I had made tens of millions before I was 40 years old. Why not pass along the benefit of years of experience to those who were on the cusp of success, so that they could enjoy extraordinary business achievement of their own. And, quite frankly, my ego demanded it.

That idea led me to make a commitment to be a business success coach. I reasoned that if other super successful business performers could deliver their proven wisdom and strategies to a willing and receptive audience of eager listeners ready to take bold action, so could I.

I couldn't have been more wrong!

THE SEMINAR CROWD - PERPETUATORS OF THE BIG LIE

The Nazis taught us how effective a Big Lie could be. They shouted their propaganda so loudly and so often that we in the "civilized world" accepted their crimes until the brutal truth slapped us in the face. Today pimple-faced neo-Fascists scream there was no Holocaust - and a lot of well-meaning people give them an audience.

At the same time, a much smoother type, the "success evangelists," are infiltrating the country, filling conference rooms and convention centers, and feeding desperate audiences the Big Lie about personal success.

My introduction to the "seminar circuit subculture" was a real eye-opener. It didn't take more than five minutes for me to realize what the seminar business is all about. The sad truth is nearly all seminars look alike. Most of them are the same distillation of conventional wisdom, spoon fed to you in outline form so you can copy it down. And if you're too slow or lazy to take notes, you can always buy the $495 to $2995 tape-set, manual and even software packages conveniently set out on the table at the back of the room. They take all major credit cards...

Even more to the point, *if* you listen to the tapes . . .*if* you actually read the book, you get the overwhelming feeling of, "Yeah, that's right. I guess I already knew that, I just never saw it organized so neatly before."

Of course, doofus! It all sounds familiar because you grew up listening to the same conventional wisdom these guys did! Now they're making money *selling* you the stuff you've heard all your life.

'Achieve a balance between your business life and your personal life.'
'Make a list of what's good about yourself and stick it on your mirror.'
'Make a list of what you need to do this week.'
'Set achievable goals so you're not disappointed.'
'Buy a used car, because it's already depreciated.'
'Get a 15-year mortgage instead of a 30-year mortgage.'

Crap...CRAP...**CRAP!**

You may be one of those people who attends seminars, buys the books, the videotapes, the cassettes and the financial advice life support systems. If you are, then I suspect they're all lying around your home or office right now gathering dust; thousands of dollars invested in advice your parents gave you for free and against your will years ago.

But just as important as realizing the content of the typical seminar message is to expose tl "authority" of the smooth-tongued performers who deliver their wisdom around the country and on late-nig infomercials. I was appalled at the *lack of business acumen* of so many of the seminar presenters. Tho: personal motivation gurus that come to your city . . . those pearly-teethed infomercial guys . . . the so-calle authors that line the bookstores with "how-to" success books - they're mostly frauds!

You need to ask yourself, how many of these business success "experts" have made any seriou money. Damn few. Next ask yourself if they made their money is the *business* world? How many of the scrapped their way to super success in the kill-or-die corporate environment? How many of them starte from scratch and built a business empire worth hundreds of millions of dollars? Don't bother scratching you head. The answer is: hardly any.

It didn't take me long to learn that most of these phonies have made what little money they d have in the *seminar* business - taking *your* money!

I quickly discovered that I'm the *only* multimillionaire I know of on the seminar circuit wh made my money in the *real* business world, creating a hundred million dollar empire. As you'll learn in th next chapter, I wasn't just exposed to 400 million dollars of transactions one day. I created a company tha catapulted to a worth of over 400 million dollars on a major stock exchange - starting with a phone . . . leased fax machine . . . and $820.

Another question. These people are supposed to be teaching you how to become successfu which is a code word for "rich." But how many of them are multi-millionaires? Few *if any*. In fact, the onl one I know is a good friend, Ted Nicholas, one of the finest marketing copywriting and self-publishing gur in the country, maybe in the world. A lot of the rest live in rented properties and are dodging the tax mar Yet they're telling *you* how to get rich!

Before you buy your next book or tape, consider the author and ask yourself, *'Is this guy where want to be? Is his success story the blueprint I want for my success? And how did he make his money? I the business arena, or selling books and tapes, and putting butts in seminar seats?*

Think about it.

> *I'm not going to tell you what I think you want to hear so you'll like me. I don't care if you like me or not.*

I also discovered something interesting abou those roomfuls of seminar attendees I assumed were sc eager to take "bold action." I was stunned to discover the level of apathy of the average seminar attendee. Most o them are more interested in hearing feel-good stories anc pleasant proverbs than the *truth* about becoming super successful. Most of them just want to be stroked, to hear *"You've already got within you what it takes to succeed. Reach inside and draw from the wealth of your own potential."* They want validation that they're okay, in the tradition of "I'm okay, you're okay." What crap!

So why did Dan Peña, iconoclastic curmudgeon of the business world, decide to get into the seminar business and write a book? Because my goal is to change the way personal success development strategies and business success coaching are communicated to the world - and make another ton of money, of course!

I have implemented my success strategies continuously over most of the past 35 years and made tens of millions in the process, but I have another unique advantage that works to your benefit. *I'm not going to tell you what I think you want to hear so you'll like me. I don't care if you like me or not.* If you want a friend, buy a dog. *I don't care* if you don't listen to what I have to say. I'm not in this business to make friends and to be your friend. (If you personally knew the very few high performers of today, guys like Donald Trump, Richard Branson or Steve Jobs, you'd understand *they don't give a damn if people like them or not.* Personal acceptance by the masses is just not on their agenda.) I'm in this business to give you the opportunity to learn how to be enormously successful. Even though half-truths and misinformation are easier to sell, I'm going to give you the no bullshit, unvarnished truth.

When I first started lecturing, I talked to my audiences like I would talk to my staff, expletives and all. Half of those audiences, mostly women, would get up and leave in the first fifteen minutes. I didn't care, because I was speaking with passion and true to life. *"This is the way the super successful talk in the glass towers of success,"* I told them. *"So get used to it."* If they had seen the movie *Wall Street,* they had already heard a fairly representative dose of the language used in the real world. They left anyway. I was amazed to see their naiveté.

My marketing advisor and the people who schedule seminars finally said to me, *'Dan, you've got to tone it down. Some of these people are really interested in what you've got to say, but you're offending them with your language.'* So I toned myself down to become a kinder, gentler Dan.

Paying the Price for Super Success

Now that I've given you an idea of where I'm coming from, let's talk about some of the basics of becoming super successful. To begin with, *it's not easy*. Every worthwhile goal in life has what I call a "Pay Price to Action." To achieve that goal you must take action that requires you to pay a price in some other area. It's a trade-off. The mooches in the seminar circuit tell you, *"You can have it all. You can be a well-rounded parent, make a bundle of money and be loved by all."* That's crap. The truth is, you have to give up something to get something. Throughout this book, you've got to ask yourself - what are you willing to giv up, or to trade-off, to get what you want?

If you want to become an Olympic javelin-throwing champion, for example, your Pay Price t Action is giving up evenings and Saturdays with the boys (or girls) and throwing the javelin a zillion time: You may have to give up beer and go on a special energy-building diet. You may even have to give up yo job and get a new one that enables you to throw the javelin more. But you pay that price. You want to g to the Olympics. And you *don't* want to bring home a Bronze or Silver Medal. You want a Gold Medal an you're willing to pay the price.

At the Beijing Olympics in 2008, one superstar emerged at Beijing's National Aquatics Cent – the famous "Water Cube" - a young man who exemplified paying the price. During years of preparatio American swimmer Michael Phelps sacrificed the carefree life of other guys his age so that he could becom a Gold Medal athlete His motto was, "Eat, sleep and swim." As part of his monastic regimen, he avoide fans, friends and even family members who might divert his time and attention from achieving his goal. I was a price he was willing to pay to be the best.

It's not generally known, but Phelps was meeting and overcoming challenges long before he' even heard of the Olympics. When he was a child, a few "experts" doubted whether he would be abl to accomplish anything. Even in pre-school, teachers complained that he couldn't stay quiet, sit still, o concentrate. "Your son will never be able to focus on anything," one teacher told his parents. He was late diagnosed with ADHD - attention deficit hyperactivity disorder.

Somewhere along the way, young Michael learned to focus. His typical 18-hour day prior t competition at Beijing 2008 began at 5:00 every morning. Every hour, in fact every minute was schedule to reduce out-of-pool time. During the Olympics, to maximize TV viewer ship in the U.S., the preliminar competitions were held at night and the finals were held the next morning, a grueling day even for champions Phelps dismissed talk of making schedules less strenuous. "If you can't get up to swim in the morning, don' go."

That level of commitment leads to the next lesson: Super success, whether it's in the Olympics o in the boardroom, is not for everybody. When I was building my fortune, one price I paid was not seeing m family and not being home for 242 days during the first year of my daughter's life. And I was rarely home t celebrate the birthdays of my three kids.

You may remember how Michael Phelps' commitment paid-off. He won eight Gold Medals i Beijing, eclipsing the record set by American swimming legend Mark Spitz at the Munich Olympiad in 1972 I wonder if Michael's childhood teachers and the other "experts" were watching.

That costly Pay Price to Action may not be for you. It isn't for most people. That's why there are so few: Ted Turner's and Ross Perot's and, yes, Mary Kay Ashe's in this world. But - and this is important - *that's all right.*

Mark Zuckerberg followed the classic American success formula set by Bill Gates and other "technowhiz" kids. Mark paid the price, spending more of his young years tinkering over a computer than he did being a typical teenager. The pay off? He redefined "social networking" for the 21st Century and founded the enormously popular Facebook. That phenomenon now claims more than 70 million active users worldwide and gives Zuckerberg, a 23-year-old *very* eligible bachelor, a net worth of $1.5 billion. Yet I doubt whether he would recommend his path to super success for everyone.

If you put into action just *some* of the strategies I give you in this book, you'll be a whole lot more successful than you are today. And, by the way, you'll save a lot of money by *not* buying more tapes and books at future seminars.

A lot of people I talk to assume you have to be incredibly intelligent in order to be highly successful. I'm living proof you don't. But let's suppose for a second you have an IQ of, say, 100. That's average. In this example, I might be taking some away from you; on the other hand, I might be giving you a little. (Those who've spent a lot of time seeking Universal Truth through seminars, books and tapes, and those who ask me obtuse questions during seminars probably have what I call a "room temperature IQ" . . . a comfortable 72.)

Let's also pretend I've got a 100 IQ as well (although my old pals from school days would argue the point). Can anyone have *ten times* our IQ? As far as I know, the highest IQ's ever recorded were in the 240 range (160 will qualify for membership of an elite High-IQ group called MENSA). So it's not possible for anyone to have ten times our IQ - or even five times for that matter.

So how in hell do people *make ten times more* than you make? How do people make a *hundred or a thousand times* what you make if they can't have a hundred or a thousand times our IQ? How? I'll tell you how! Because they dream bigger than you. Their expectations are higher than yours. That's how.

One of my colleagues in recent years has been Peter Sage, an energetic and highly successful British entrepreneur, adventurer and international *bon vivant*. Peter says that when he has an inspiration for a new venture, if he has any idea of how to bring it to reality, he's thinking too small. Now *that's* my kind of thinking!

I'm often asked, if I had my life to live over again what would I change. I'd only change one thing. I'd set my goals higher. That's right. With all my mega-success, I'd *still* set my goals higher.

What about you?

Have you set goals that allow you to "be all you can be?" If not, reading this book will be an astonishing revelation. At the risk of overstatement, reading this book could change your life. Following the systems and methodology in the chapters ahead could change the course of your destiny. I say "could" because you must take action to change. Change is absolutely essential. I want you to understand right now that doing the same things over and over, like you've always done them, and expecting different results, is insanity.

You see, these high-performance individuals, like myself, achieve super success because they want it more than you. They forge favorable circumstances by using the two advantages of high performance business people - practiced skills and force of good habits. Or as Jim Ryun, the former world record holder in the mile said, *"Motivation gets you started; habit keeps you going."* Trust me on this. Intelligence has nothing to do with it.

Take some risks.

The super successful understand that risk is necessary to grow.

The super successful also have a different perspective on risk. Several years ago, a guy named Charles Givens made a ton of money on a book he called *Wealth Without Risk.* He put together a whole program based on money-making/money-saving ideas, hired some used car salesmen, and peddled his program in hotel conference rooms all over the country. A close examination of his book revealed that virtually all his "ideas" were little ideas to make a little money here, save a little money there – stuff any financial advisor could tell you.

The only people who grew anywhere near "super successful" were Givens and his inner circle of associates. His converts saved a few bucks on insurance premiums, made a little money in real estate – mostly "flipping houses" - and thought they were rich. But without taking risks, they were all small potatoes, and eventually the Givens organization was dragged into court and has long since disappeared. (Givens' legacy is the half-hour "Paid Advertising" TV program – the infomercial - and a generation of skilled and dapper pitchmen who still work the seminar circuit trying with only limited success to replicate the Givens phenomenon.)

The genuinely super successful understand that risk is necessary to grow. In my seminars I refer to the "Quantum Leap," an explosive, geometric growth in your company that merely more sales or new locations could never achieve. A Quantum Leap requires risk.

One of my favorite "disciples" was a young guy named Fidel Vargas, one of a group in the mid-Nineties I called the "Mexican morons." I quickly saw Fidel's potential and paid for him to attend the seminar at my own Guthrie Castle in Scotland. Much like myself, Fidel was a product of the Los Angeles barrio

– except that this Latino firebrand completed his undergraduate work and MBA at Harvard. He also made national news several years ago by becoming the youngest mayor in the United States at age 23 – of Baldwin Park, California. These days, he runs a venture cap fund for an investment firm in Southern California. QLA made some lasting impressions on Fidel.

"Dan Peña struck me immediately as larger-than-life," Fidel said recently, "somebody determined to squeeze every last drop of juice out of life. The lessons of QLA are simple but powerful. You've got to take risks to be really successful. You've got to be willing to throw your hat over the wall and commit yourself to your dream. Dan also taught me that most obstacles to success are created in an imagination driven by fear of defeat, and by listening to the platitudes of conventional wisdom."

If you're already in business, you understand risk. Remember when you first got started? Didn't establishing that business require risk? Doesn't marriage require an element of risk? Or raising kids, or buying a new home? Then why do so many people who take risks in other areas of their lives shudder at taking risks in growing their business? No matter how tight your strategy and how sure of success you are on a given deal, the specter of risk lurks at your side until signatures are on paper and the money is in *your* bank. And preferably spent!

I believe that if you're not taking risks to grow your business, it begins to wither. I hate someone to tell me everything is running smoothly. By definition, I know their business is not growing anymore - and probably dying. They have forgotten that from chaos comes order.

Some people take a risk or two, and fail, and retreat beneath their shell of safety. Failure destroys their self-confidence, sometimes for the rest of their life.

In 1955, at the height of the Cold War, everybody had atomic bombs on their minds. School kids were drilled to hide under their desks so a 50 megaton bomb detonated downtown would miss them. My father, the L.A. policeman, was lured into investing $10,000 in the Luck 13 Mining Company, an outfit with uranium mines in Nevada. It was a con job, a scam, and he lost his ten grand, which in 1955 was a small fortune. But maybe more damaging to him than the financial loss: he was disgraced in front of his family and friends and laughed at for years afterwards.

In 1958, Dad had a chance to buy an undeveloped piece of land northwest of Los Angeles for $3000 - the intersection of Topanga Canyon and Ventura Blvds. All four corners! He turned it down. No use being made a fool of twice, he must have figured. The next time that property was sold it went for $640,000. Then 3.5 million, then 8 million. The last time we looked, *one corner* sold for $12 million! For the rest of his days, Dad didn't like to drive up in Northwest L.A. around Woodland Hills. One failure drained his resolve to ever take another risk.

Never fear failure – Understand it.

The super successful also have a different take on failure. They understand that failure is what happens when you *do* something. The greatest successes in the world also experienced the greatest failures. The all-time strikeout record in major league baseball is held by... Babe Ruth. But we don't remember him for his strikeouts. We remember him for setting a home run record that stood for decades, long before performance enhancing drugs destroyed America's love affair with baseball. No one cares about the Babe's strikeouts. The point is he kept swinging the damn bat! Most of us never get out of the dugout - let alone up to the plate. Those people not only wonder why they never hit a home run - they even begrudge the determined hitters who do.

Donald Trump has lost billions in his financial deals. But who cares? He has *made* billions more with his successful ventures, and he just keeps swinging the bat. After stumbling into the New World, Christopher Columbus *failed* in his subsequent explorations and died a poor and disappointed man. But on Columbus Day do we celebrate his dying destitute? Of course not. We celebrate his success.

This reminds me of a story about Tom Watson, Sr., founder of IBM, being asked by a young management trainee, *"Sir, how do I get to the top of the management ladder here?"* Watson immediately replied, *"Double your failure rate, son. Double your failure rate."* His point was, of course, that more failures could only result from more tries, more initiative, more risk taking . . . all the actions required for growth.

Most of Thomas Edison's experiments failed miserably - thousands of them. He thought direct electrical current (DC) was the answer to lighting the world, and that alternating current (AC) was a passing fad. He was wrong. *And nobody cares*. Instead, we're indebted to Edison's genius *and* his determination whenever we turn on a light bulb, or hear recorded music, or watch a movie.

For the super successful, failure is a valuable lesson. It's a road not to take again, or at least under the same conditions. And then they move on. Failure is nothing more than testing. As Edison said, "Success is 99% perspiration and 1% inspiration." To the high performance person, "Fear" is <u>F</u>alse <u>E</u>xpectations <u>A</u>ppearing <u>R</u>eal.

> *As a high performance person, you have the confidence in your judgment to stand by whatever decision you make.*

The sure-fire formula for failure? Try to please everybody. That's the biggest reason most people never achieve success. They try to keep everybody happy. As a result, they fail and the people they were trying to please don't give a damn. Instead of listening to everyone around them, they should have consulted within themselves. They should have trusted their instincts. They should have listened to their intuition.

Listen to your intuition – It's almost always right.

Intuition plays a strong role in the decision-making process of a high performer. Over the years, women have tried to monopolize intuition. "Women's intuition" is a given, but what about "men's intuition." I think intuition is what we call instinct in animals, a primal survival skill. All of us have a sense, a gut feeling about situations affecting our best interests. Usually we run into problems when we ignore our intuition.

Nowadays the tyranny of computers has undermined our reliance on intuition. Too often we "Excel" things to death. Suppose you're a guy at a party and you meet an attractive woman. Her smile seems, well, more than friendly. She touches you a lot, innocently. You know she's hot. You don't need to run back to your office and "Excel" it. You don't have to think about it. You *know.* Business is much the same. But conventional wisdom dictates we over-complicate issues because, after all, our world is very complicated now. The Internet, personal computers and other electronic breakthroughs we wouldn't have dreamed of 20 years ago give us access to a universe of information we can use. I personally believe that reliance on the computer can be the single biggest drawback to being a high performance entrepreneur. But even I got on-line in April 2001, because it has become an integral part of all our personal and business lives.

Forget what others think.

Too many worry more about what others will think about their decision than they do the wisdom of the decision itself. What are the guys I play golf with going to think? What will obnoxious cousin Rudy say? Or Aunt Martha who has cartons of Amway products in her garage? Come on, do you think Bill Gates gives a hoot what others think? You think Trump gives a damn for the opinions of "experts" making a fraction of his money? Of course he doesn't. The fact is, you should have all the data you need to make a decision. You've done your investigation and due diligence. You've met and sized up the other players. Somewhere deep inside, your gut tells you this is an opportunity you need to seize.

In contrast, the high performance person such as myself measures the risks, makes the decision, takes action . . . and never thinks, *"Well, maybe I should have done this or that. Maybe I made a mistake."* As a high performance person, you have the confidence in your judgment to stand by whatever decision you make. And you've got more to do than second-guess yourself. You've got other important decisions - so you move on. Without looking back. I often say, *"I may be wrong - but I'm never in doubt.*" How else could I have made those 75,000 business decisions?

Never look back.

One more pre-requisite for super success. The high performance person never looks back. Do you know someone who suffers from terminal buyers' remorse? That individual shops for a new car, new home, new dress or new anything and then makes a purchase. The next day, he or she begins to revisit all the reasons the item they *didn't* purchase was a better buy. Soon they're miserable. If they can, they return the item for a refund, and start the same tortuous shopping process over again. They'll *never* be satisfied because they don't have confidence in their ability to make a decision. Make every decision as if it's your drop-dead final word on the matter. Down the line, you may have to do a mid-course correction based on the dynamics of business. But that's not looking back – that's keeping your eyes *forward* toward where you're headed. Big difference.

Make the sacrifice of Pay Price to Action....Take risks... Don't fear failure... Listen to your intuition... Avoid conventional wisdom... Ignore what others think... and never look back.

As we prepare to launch into the tactics and strategies of the high performers, you may have already figured out this is not going to be a comfy drift through mainstream thinking. Like they say in Texas, where I learned the oil business, this book is written for those who want to hunt with the big dogs - and pee in the tall grass!

Super success is not for the wishy washy. Victory in business, like war, comes to the toughest son-of-a-bitch in the valley. Not the touchy-feely. I cannot think of a single high performance success who is touchy-feely. If they exist, I've never met one. High performers are the gladiators of the glass towers. They're tough, they take action, but never take prisoners. They make mistakes and never look back . . . and they make *a lot of money.*

I don't care if I have to drag, push, slap, kick or cajole you to super success. You will not necessarily like me, but I don't give a damn. What I *do* give a damn about is making *you* into a super success, and helping you make enormous sums of money.

If you're interested, we'll get down to specifics soon enough. But first you need to understand who I am, so you know Dan Peña has the credentials to kick your apathy into action for the next 12 chapters.

Chapter Two

The Barrio...and the Castle

"If you aren't prepared to die for your dreams,
you aren't prepared to live for them."

One of the differences between man and the lower animals is that we humans continue to evolve throughout our lives. We have the capacity to make mid-course corrections. We experience pivotal, life-changing events. Men, for example, can be changed forever by the experience of war. Women are often transformed by the experience of childbirth.

In this chapter I want to trace the path of my own career and its pivotal points of change. When you understand the origins of my business strategies, you'll see more clearly how you can apply them to your business.

I was not always the laser beam-focused, goal-driven success-motivated individual I am today. Quite the contrary, I spent my adolescent years in a tough predominantly Latino East Los Angeles neighborhood, a "barrio" where you learned street-level survival skills early. Our main competitive sport was bar fights with guys from other neighborhoods. Three of my closest friends were Reuben Muñoz, Walt Wojak and Howard Stein. By 15, we were laser beam-focused alright - on perfecting our 9-ball pool, getting drunk and getting laid. The last I knew of Reuben, he was serving a life sentence in Florida's Raiford Prison for murder.

The Peñas had migrated from Spain to Mexico. My grandfather rode with Pancho Villa. In the only photo we have of him, he even looks like Villa, complete with drooping mustache.

My father, Manuel S. Peña, was a Los Angeles cop. When he came home, he was a stern disciplinarian, which means he beat the hell out of me when I screwed up. The house we lived in was long ago boarded up and then torn down after it became a crack house for local drug dealers.

My parents tried to get me into a better environment, so I wound up attending Reseda High School, in the San Fernando Valley north of LA. But the seeds of rebellion were already planted. I caused a lot of trouble during the times when I bothered to attend. In May, 1963, about three weeks before graduation, the Vice Principal gave three of us our diplomas and told us never to set foot on campus again. They were afraid we'd disrupt graduation. Reuben, Walt and I thought about it awhile, then went back and threw our diplomas in the guy's face. Three weeks later, we disrupted graduation on schedule!

In the fall, I entered San Fernando Valley State College. Today it is California State University at

Northridge. I soon flunked out, and drifted through a couple of other colleges over the next two years.

Finally, in June 1966, with no goals or ambitions, I enlisted in the Army. My father had been an enlisted man during World War II, and an officer during the Korean War. He gave me some good advice. *'As long as you are going to be in the military,'* he said, *'be an officer.'* By December, 1966, I was attending Officer Candidate School at Fort Benning, Georgia, and I earned my Second Lieutenant's bars on July 1, 1967.

Like so many Army "brown bars" in '67, I could anticipate becoming an Infantry Platoon Leader in Vietnam. Then, for some reason long since buried in the Pentagon, I was suddenly transferred to the Military Police Corps, and shipped to Ft. Gordon, Georgia.

The military proved to be my first life-changing experience... an organization that depended on personal responsibility and discipline to be effective.

By October I was on my way to Europe, attached to NATO as an officer in the 64th Military Police Company. For the next two years, at stations all over Germany, my responsibilities expanded beyond the usual MP duties. I found myself traveling back and forth through Checkpoint Charlie, involved in various intelligence assignments. It was heady stuff for a brash young lieutenant. I loved it.

The military proved to be my first life-changing experience. I became part of an organization that depended on personal responsibility and discipline in order to be effective. Just as it has done for countless other young men before and since, the military took an aimless kid and forged a rapidly maturing adult.

Intelligence work led me into the guts of real life geopolitics. I saw that there were no real friends in the arena of world diplomacy - only allies of convenience. No acts of benevolence - only strategies which advanced one's best interests. The instinctive tactics of survival, which had served me so well in the barrio, were the same ones nations were using as instruments of policy. Later, when I entered the business world, I discovered that corporate America operated the same way. By that time, I had been well trained.

I separated from the Army in late'69, and returned to civilian life, determined to make up for lost time. I en-rolled in Cal State at Northridge and earned my degree in two and a half years, averaging 20 units a semester. My final semester I made on the Dean's List with a 3.6 GPA while taking 23 units, studying like a man possessed.

Begin with Expectations of Super Success

I finally received my degree in Business Administration in January, 1971, and, while I worked on my Masters degree in finance and waited to get into law school on a scholarship, I got a job with Land Consultants of America, a commercial real estate firm in LA. We were selling land to people interested in investing in the California dream. Kelly Norwood, the guy I worked for said, *"Dan, you should sell everybody who comes through the door."* Hell, I didn't know any better, so I achieved a 94.6% closing rate, and felt badly about the other 5.4% who got away.

This experience was an important lesson about expectations. I *expected* to sell everybody who walked in the door, so I almost did. But what if my boss had said, *"Dan, real estate is tough. A new guy like you should expect to sell no more than 30%..."* My expectation for success would have been less than one-third my real potential!

In April, my boss sent me to become Sales Manager of the San Diego office. The first thing I did was fire every mooch in the office. Then I recruited a sales force of Navy pilots who were getting out of service at the San Diego Naval Air Station. These were shit-hot fighter jocks, Top Guns who had earned their wings in the skies over Southeast Asia. They were assassins in every sense of the word. And I was their leader.

I told them how easy it was to sell civilians on the California dream. '*You ought to be able to sell everybody who walks in the door*', I said. Then I proceeded to train my fired-up team of jocks, and I only had to shift their mindset marginally to turn them into real estate assassins. By the summer I was making $10,000 a month in sales commissions!

So even with all this activity, I was flying back and forth to LA where I was a commuting graduate student.

In late 1971, I decided to start fishing with nets instead of poles, conducting real estate seminars. Instead of training just a few staff people, I was teaching roomfuls of hopeful real estate magnates how to peddle dirt - and charging them for the privilege. By December of '71, I was driving my first Rolls Royce, and had a Mercedes for a second car. I had long since dropped out of graduate school, and forgotten my pursuit of a law degree.

In early ' 72, I was named company Vice President. Life was beautiful. I started thinking about marriage and shopping for a big home in Lake Encino, a sort of quasi-Beverly Hills community in Los Angeles.

Then the bottom fell out. I was about to board a plane to Switzerland on a land deal when I got a call at Los Angeles International. *'Come to the office. The IRS has shut us down.'*

I raced back to find our office sealed with yellow tape like some sort of crime scene. My partners had decided to skip paying withholding taxes. There was an IRS investigation, and I was cleared of wrongdoing, but was also unemployed.

I got a job in LA as a stockbroker at the firm which would later become Paine Webber. In the summer of '72, I was sent to New York City. I got an apartment in Manhattan, and spent invaluable time learning the financial business in the toughest, most unforgiving business environment in the world. Ideally, every individual pursuing success in the top of his or her industry should come to New York City and master their executive skills. Sinatra was right. If you can make it there, you can make it anywhere.

I made it by all conventional definitions. For five years straight I doubled my income. But it wasn't until 1976 that I was transformed from a micro thinker to a macro thinker, and began to redefine my own success. (The one man, who turned me around, Jim Newman, became one of my mentors, a concept we'll discuss in a later chapter.)

In late 1977, I left Paine Webber to join the investment banking firm of Bear Stearns & Company in Los Angeles where we served as investment bankers and financial advisors for large corporate and private clients across the US and overseas.

It was during this period I met a guy by the name of Pat Kennedy. Pat was an oil trader. He made his money moving thousands of barrels or crude oil around in an uncertain oil market. I was intrigued. Then in 1979 came the second oil crisis, as Saudi Arabia cut its production to boost prices. I had seen a lot of idiots get rich during the oil embargo of '73. I quickly decided to make my own ton of money this time around. More importantly, I *recognized opportunity* when it came along! I've long felt that we all have many opportunities presented to us in life, doorways that suddenly open and give us a glimpse of what we *could* achieve. But because we're so pre-conditioned, and so fearful of failure, we stand there each time telling ourselves to let the doorway close, rationalizing our inability to take action. Then the doorway closes forever.

I left Bear Stearns in February 1979 to become president of Kennedy Industries in Los Angeles. We handled investments in real estate, entertainment, oil and gas. By entertainment, I mean we found investors to co-underwrite movies, usually in return for getting to rub shoulders, and other parts, with rising and eager young starlets. I knew as much about filmmaking as I did about the oil industry, and we lost a bundle of money, but we sure as hell had a good time!

In 1980, we formed JPK Industries. I was CEO, President and 50% owner. Pat Kennedy used his Irish charm, and I used my business acumen and grit to forge a vertically integrated oil company from scratch. We were running oil and gas exploration and drilling operations, production, crude oil refining and marketing.

The decision to go into the oil business, even though I knew not a damn thing about oil, was one of those pivotal points in my career. It didn't matter that I didn't know the oil business. My accrued business skills, my years of financial management and my confidence in being able to focus those abilities on oil industry problems were impetus enough. Besides, if it didn't work out, I'd been unemployed before.

It did work out for a while and we made a lot of money. It was during this period that I met a gentleman named Constantine Gratsos. "Costa" was in his eighties at the time, near the end of a life spent as the chief lieutenant and confidante of the billionaire shipping legend Aristotle Onassis. By the time I met Costa, his old friend had died, and from his suite of offices at the top of the 52-floor Olympic Towers in Manhattan, he oversaw the sprawling Onassis empire. Costa took a liking to me, and he became my mentor. He called me his "oil expert", and whenever he needed to talk about shipping oil in his tankers anywhere in the world, he summoned me to his office.

Through Costa, I found myself traveling the world, negotiating oil deals with such figures as Imelda Marcos in the Philippines, "Baby Doc" Duvalier in Haiti and Chile's military strongman General Augusto Pinochet. Whenever I was in Manhattan, I'd work out of Christina Onassis' office in the Towers.

This was all an intoxicating experience for a 35-year-old wise-assed oil industry novice. It also led to probably the most unlikely international adventure of my life, one which for years was a closely held secret for reasons which will soon become apparent. Looking back to write about it so many years later, it almost seems like a dream - or a late-night B-movie. To my family, was a nightmare of apprehension… a living hell of dark plans and shadowy figures of which she only has frightening memories.

Haiti was known to have oil deposits, but oil had never been produced there because of lack of expertise and capital. Although Costa was negotiating with Duvalier for oil shipping rights, he detested "Bay Doc's" tyranny, and how he kept his nation impoverished while he moved tens of millions of dollars into his own private Swiss bank accounts.

Costa, in the finest Greek tradition, was a fierce believer in democracy. So in early 1980, he decided simply to remove the Duvalier regime. Although he conceded that thousands of people could be killed during an armed invasion, he calmly justified his idea with a rationale that usually began, *'When human rights are at stake, sacrifices are required...'*

Using his enormous wealth, leverage and influence, Costa convinced three very unlikely parties to co-finance and support an armed invasion of the island nation - the CIA, Mobil Oil and the Vatican. Mobil Oil would in turn get an exclusive on the oil market there, while the Vatican was interested in re-establishing the influence of the Church. One day I was sitting in a planning meeting in Costa's office, when he turned to me and said something to the effect of, "*Mr. Peña, you were in the Army, weren't you? You were in Intelligence, were you not?*" Yes, I had been, I admitted. "*Well, why don't I put you in charge of this project?*" Immediately, and with all the enthusiasm could muster, I responded, "*Yes sir! Absolutely! I'll be honored to lead this project.*"

Events moved quickly. Through Costa, I met representatives of the co-conspirators, including the CEO of Mobil Oil. Costa reassured me, "*Mr. Peña, you have my assurance you can trust all these parties - except one...the Vatican. Don't trust the Vatican, Mr Peña.*"

Through the end of 1980 and well into '81, we plunged ahead, with meticulous plans greased by enormous resources. Using French contacts, we recruited and armed and an assault force of some 300 mercenaries and assassins. We hired the special talents of the very best freelance demolition's expert, and brought in a widely respected mercenary, Colonel Mike Williams, who had served as the last commander of the Rhodesian Cavalry. These were men who had lived and fought on civilization's underbelly for so long they seemed to squint in the incandescence of normal society. They chatted idly about "jobs" in Angola or the Congo or the Bolivian jungle, and "getting trigger time" in ferocious firefights. Just beyond their quiet talk you could almost hear the rattle of automatic weapons fire and smell the sweat of war.

They brought to life the cliché, "a breed apart".

During our spending spree, we also acquired a couple of Army surplus helicopter gun ships through dubious channels, and a Vietnam-era C-47 "Puff the Magic Dragon." This unlikely killer, designed for "target suppression," was mounted with three updated Gatling guns, General Electric 7.62mm "mini-guns," each mounted and firing from the port side.

Ten or fifteen of the project's top leadership, myself included, were spirited by the CIA into Camp Cobray, an anti-terrorist school run by Lt. Gen. Mitchell Werbell in Powder Springs, Georgia. Working with CIA specialists, we practiced hand-to-hand combat, and negotiated obstacle courses under live fire. We also became skilled sharp-shooters. We went beyond aiming a weapon and learned to fire by instinct. I got to be such a good shot, I could almost toss a dime into the air and hit it.

The plan was to launch overland from the Dominican Republic, with air support, and with the element of total surprise, blow up the Presidential Palace and the Federal Reserve of Haiti, where Duvalier had stashed $200 million. We would liberate that money for our troubles, and then install a new president already selected by leaders of the Haitian community in the US. You see, we were 15 years ahead of Bill Clinton!

Although we were only 300 strong, our battle plan called for expending a million rounds of ammunition during the first day of the assault! Thousands, including the Palace Guard and most of Haiti's feared ton-ton macoute, would be terminated. It never even occurred to us that we might be killed as well. We were immortal in those days. In fact, I made sure I was slated to be aboard the first chopper to hit the ground in the palace grounds!

In the meantime, our designated president-to-be was sitting in New York drawing up a hit list of his enemies. It grew from a dozen to hundreds. And the CIA was getting nervous that our plan was becoming less than a clean, surgical strike. During the summer of 1981, a climactic meeting was held in Olympic Towers, attended by our new CIA contacts, our mercenary commanders and other key players. Suddenly the CIA guys announced they were shutting down the operation.

Talk about chaos! The mercenaries jumped up and pulled their guns, the CIA guys jumped up and drew their guns, and my own former FBI bodyguard, Dave Reynolds, shoved me under the conference table. At that moment, Costa strolled into the room, glanced around and said, *'It looks like I got here just in time for the excitement'*.

Once guns were re-holstered - and I came out from under the table - we accepted the fact that the CIA had pulled out of the deal. Then they added, should our mission fail and we were captured, they would deny all knowledge of us and the project. And, oh yes, they were keeping the money. Now we were furious. I told them to get the hell out, that we were going to hit Haiti without them.

Weeks later, I was bound from L.A. to the Dominican Republic, with a stopover at Miami International. Every element was in place. I had a message waiting for me in Miami that if we insisted on proceeding with the operation, that every leader would be whacked by the CIA. We would just disappear without **a** trace.

The project was dropped. And my friend and mentor Costa Gratsos passed away peacefully a short time thereafter.

It finally emerged that no less than Jimmy Carter's Secretary of State, Cyrus Vance, had squashed the project. Years later, at the wedding of one of our conspirators, I ran into Cyrus Vance in the receiving line. I introduced myself, and said, "*You really screwed me, Cy.*" The man was taken aback, of course, but said nothing as I continued, *"You owe me, Cy. Haiti, 1981, remember?"*

He stared back and never said a word.

By the way, the Vatican pledged $250,000 to the project. And I learned then and there that when a mega-successful mentor warns that you're about to get screwed, you either heed his advice or bend over.

The Church never paid a lire. And I realized that the whispered stories of intrigue I'd heard about the Church were probably true.

On February 28, 1981, newly inaugurated Reagan decontrolled the price of oil, removing the artificial price support. That same year, while I was involved in the Haiti project, Pat Kennedy decided he wanted to take a million dollars out of our company tax free and unreported. Actually, he didn't want his wife to know about it. I had been burned once before by unreported taxes, so I wouldn't let him do it. A proxy fight ensued, and I was ousted by my partners on January 7, 1982, a week after Dan, Jr., my first son, was born. I was unemployed again - but getting used to being thrown out on my ass.

Create Order From Chaos...and Make a Killing

But now I had oil in my blood. My brief initial experience in this exciting arena had confirmed that there was a hell of a lot of money to be made in an industry like this, which at the time was in chaos. In fact, the most valuable lesson I learned from that whole period is still true today. Find an industry in chaos, going through the agony of cataclysmic change. Bring order to that change, emerge from the battlefield chaos with a company that provides order and leadership, and you'll make a lot of money.

> *Find an industry in chaos, go in and bring order, emerge with a company that provides leadership... and you'll make a lot of money!*

Here's an example. A dozen years ago, the entire field of interactive communications was in absolute chaos. The so-called "information super-highway" was being built overnight across an uncharted frontier with no plans and specs. Young geniuses working in their garages developed the technology that runs our world today. Then, as savvy entrepreneurs, they went out, found the money, and created an empire. They set precedents with imagination, innovation and guts - then sat back and counted their money while the rest of the pack ran catch up. Ask Ted Turner about network TV. Ask Bill Gates about universal software. Ask Netscape about Web browsers. How many short years ago was it that "Google" was a theoretical number beloved only by nerds… that Dell was a publisher of comic books!… and "Yahoo" was something cowboys yelled during sex.

With a growing network of contacts and sources in the oil industry, I decided to go into business for myself. So on Friday, July 13th, 1982, I founded Great Western Development Corporation (GWDC). At least I'd never be fired again, right?

When you're looking to increase revenues quickly, who are the dumbest people to do business with? Why, the morons who buy those $750 ashtrays, of course - the U.S. Government. I immediately contacted the Defense Fuel Service Center, US Department of Defense. This agency bids out contracts every February and October to buy JP-4 and JP-5 jet fuel and diesel fuel.

We started GWDC with $1000. A friend of mine, Bob Anderson, retired Texas oilman and former Secretary of the Navy, chipped in $180, and I paid the remaining $820 to bid an initial $20 million contract. (I later paid Bob back his "investment".) I was working in my infant son's bedroom, with a spare telephone and a leased fax machine. That was the total extent of Great Western Development Corporation.

The Beauties of a Joint Venture: Other People's Money…and Other People

But not even the government does business with a company they've never heard of, with no track record. That's when I put together my first joint venture. I tracked down Marrion Refining Company, located in Mobile, a firm that currently had an excess fuel capacity. That means they had more time to refine crude than they had crude coming in to refine. The head of Marrion was a retired Army man, so we struck up a relationship based on our common military background.

For the paper-shufflers at the DFSC, Marrion Refining was a known entity. Partnering Great Western with Marrion gave us an instant track record. As a result we landed three fuel contracts totaling $50 million. Now, with government contracts in hand, GWDC was on its way. Suddenly, we were perceived as a company to do business with. And, as you've heard over and over, *perception is reality!*

> *Over the years, I've used Other People's Money (OPM) and Other People to continuously grow my company and make millions.*

Even today, I tell audiences, *"With $820, a phone and a leased fax machine in my kid's bedroom, I landed a $50 million contract and launched a company ultimately worth $400 million"* Everybody sees or hears that figure and says "Wow!" But you know what - *nobody* ever asks me how much the company *made* on that $50 million. The answer is just $90,000.

But how much of my own money did I spend? A thousand dollars. And who did I use to inflate my company's profile far beyond its meager size? Other people, with other skills, other contacts and greater reputations. Over the years, I've used Other People's Money ("OPM") and Other People continuously to grow my company and make millions. We'll talk about locating that money and those people in future chapters.

At the time I founded Great Western I set three goals for myself:

a) to grow the company to $2 billion in assets;

b) to become one of the top five highest paid energy executives in the country; and…

c) to make Great Western Resources the 50th largest energy company in the country. (At that time, Penzoil was ranked 50th. There were thousands of energy companies in those chaotic days.)

I achieved b) and c) above. I fell $1.55 billion short of the first goal, measured in market capitalization and value. But so what? And what if I had set my goal at $20 *billion* in assets?

I learned a lesson I wouldn't forget about setting goals too low.

After our initial successes, GWDC entered what I call a nurturing period. I decided to nurture my company by selling tax shelters. Remember - this was 1982. The Tax Reform Act of 1986 was still four years away. Both individual and institutional investors were clamoring for tax shelters. And chaos, my favorite business condition, ruled the market.

I had no broker or dealer's license which would enable me to sell tax shelters, so I formed yet another joint venture - with a brokerage firm run by one of the best salesman I've ever met. His name was Walter Levine, and he sold *me* a three-year tax shelter on $1.5 million in income. When I protested, he said, *"Trust me, You'll grow into it"*. What a guy.

Walter and I formed a little joint venture we called G&J. It wasn't on our business cards, but G&J stood for "Goy and Jew". We launched our first tax shelter venture in December 1982, in the form of an oil drilling fund.

Over the next two years, GWDC put together - and G&J sold three very successful tax shelters. The operating capital from the funds came in the form of general and administrative fees payable to GWDC. During those tenuous times when we couldn't afford the best New York lawyers and accountants, we got them anyway. How we hired them is a secret revealed in another chapter.

One California day in 1983, while I was running, the idea struck me to buy a castle I couldn't afford. Yes…a medieval castle on an island. The ultimate in ostentation. We were doing well with our tax shelters, but we still needed the help of Wall Street to remain successful. And, as I knew from my own Wall Street experience, if you wanted to do business with financial institutions, you had to prove to them you didn't need their services. My own castle would certainly make that perception a reality in their minds.

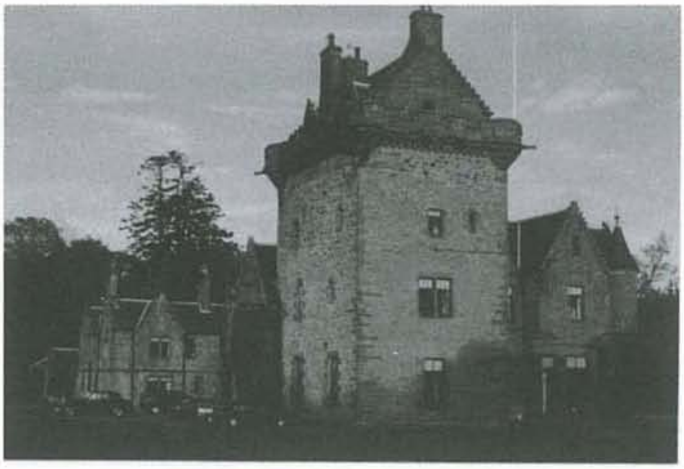
So…a castle became my goal.

It's critically important here to understand that *my* goal was indeed my total focus. But we'll get to that discussion later.

By the following Thanksgiving, I was shopping for castles in the United Kingdom. During this period, business coincidentally brought me to London a few times, giving me more opportunities to browse the castle market.

Then, one June morning in 1984, I drove through the ancient stone gates of Guthrie Castle, located in County Tayside, Angus, Scotland about five miles from the rocky cliffs of the North Sea.

Guthrie, dating from the 1460s, is a 55-room manor home, complete with turrets and a great stone tower. At its top, open parapets, built for defense against other clans and no doubt the English, look out across a formal walled garden in the shape of a Celtic cross, and the forested countryside. Endless corridors and high-ceilinged rooms almost echo the booted steps of five centuries of Guthries - and no castle is complete without a ghost. Guthrie has a ghost maiden who appears periodically, in addition to other sightings.



Adding to its appeal, Guthrie is surrounded by 156 acres of rolling estate, icy streams and a crystal loch. Perfect for my own golf course, I thought. I made my first offer within days. After negotiations, I made my final offer in August, which was accepted.

The interior had been stripped of every stick of furniture and decoration. Even the fireplace mantles had been yanked out for auction to pay taxes. The castle was destined to be razed had I not bought it. It took a year living in chaos to rewire, replumb, reroof, renovate, refurnish and decorate the place in time for my 40th birthday party in August, 1985.

I made a lot of local antique dealers and decorators wealthy during that yearlong buying spree! The result is an historic castle that is at once an elegant showcase of fine décor, and a warm sanctuary in the gentle hills of Angus. As far as the island the dream castle would occupy, Guthrie indeed stood on an island - the isle of Great Britain!

It occurred to me how far I had come during my first 40 years. From a Latino punk in the hard streets of an urban barrio… to the laird of my own castle in the peaceful Scottish countryside. Here, secluded in such timeless surroundings, I could ride my Arabians or just walk the grounds in the crisp northern air, renewing my strength and spirit.

I would need that strength. For the greatest adventure of my life had just begun.

Chapter Three

Conventional Wisdom – the Loser's Crutch

'Do business the way it's usually done, if you're satisfied making the usual money the usual morons do.'

Lenin was wrong.

Conventional wisdom - not religion- is the opium of the people. It is injected into our brains from birth by our parents, our teachers, our chattering neighbors and anybody else who aspires to leading a safe, anonymous and respectful life. *And dying forgotten.*

'If you're nice to people, they'll be nice to you.'

Conventional wisdom stifles the risk-taking required for bold, creative action. It anesthetizes the mind with mindless platitudes.

'Real estate is the best investment. After all, they don't make any more of it'.

Conventional wisdom is the scripture of mediocrity - fortune cookie proverbs that make losers feel better about themselves.

'Your business is doing okay. Why risk it on some crazy idea? Better safe than sorry.'

In case you missed the point, I *hate* conventional wisdom.

And if you're going to make your own ***Quantum Leap*** to super success, you'd better learn to hate it too. And purge it from your mind as if you'd struck an enema tube in your ear!

Why? Because conventional wisdom is almost always *wrong!* Visionaries have always flown in the face of conventional wisdom. *"Columbus, don't you know the world is flat?"*

"Mr. Ford, you can't make a V-8 engine." "Wilbur and Orville, man wasn't meant to fly."

All my life I've had people tell me, *Dan, you can't do that.' 'Dan, you can't take 26 academics units in one semester.' 'Dan, you can't go into the oil business when you don't know a damn thing about oil. And you can't do it in a collapsing market. And you sure as hell can't do it in the middle of the worst energy* *depression in fifty years!'* In fact I've made a list of "You can't do that" people have told me over the years - 95 of them - and included it as an Appendix.

Another phrase I detest is "common sense".

Common sense is an excuse for mental laziness. Common sense is the biggest alibi of all for screw-ups caused by using conventional wisdom. *'Well, Dan, it just made common sense at the time.'*

Think about this: common sense would have to stem from common experience. If we were all born, raised and educated under identical circumstances, what sense we had would certainly be held in common. But the fact is, we're all from diverse backgrounds, and imprinted with a rich diversity of experiences. So how the hell do you suppose we all have common sense? There is no "common sense!"

In this chapter, while I continue the Great Western story, you'll see how I *constantly* flew in the face of conventional wisdom. We'll also begin discussing ***my Seven Steps for Super Success,*** and how to create your personal foundation to build that success.

Building Your Personal Foundation

Before you can create and run a super successful company, you have to re-create *yourself.* You have to cleanse your mind of years of conventional wisdom, and in the void that's left, build a personal foundation based on all new rules.

The first New Rule is an old one: *there are no rules.* Rules by definition are limiters - walls beyond which you don't allow yourself to venture. Rules, even your own, put you into a self-imposed box with four sides. To become super successful, you've got to think outside the box.

> *Your own mind, pre-conditioned by conventional thinking, is your greatest limiting factor.*

Your own mind is your greatest limiting factor. There's where all the "You can't do that" crap will gather to smother your creativity and cloud your vision. If you're my age, you remember when the four-minute mile was "impossible." Nobody had ever done it. Then, on May 6, 1954, an English runner, Roger Bannister, finished the mile in 3.59.4 minutes. *The very next month,* Australian John Landy did it in 3.57.9. Soon a growing list of runners were conquering the "impossible" four- minute mile. Beyond challenge of time and distance, however, was the destruction of the mental barrier that cleared the way to conquest.

This story has powerful implications for anyone striving for super success. Often the "impossible" in business is a feat that hasn't been attempted. It takes guts to move beyond the known into the unknown.

One of the legends of Asia was a Russian hotelier named Boris Lissanevitch. Trained in his youth as a ballet dancer, he escaped Russia during the Bolshevik revolution and became a world-class dance performer. While touring the cities of the Orient, he fell under the spell of Asia, settled in Calcutta to run a restaurant, and in 1951 decided to open the first hotel in the Kingdom of Nepal. His friends in India advised him it would be impossible. After all, they pointed out, his landlocked Himalayan nation was still stuck in the 15th Century. It was the mythical Shangri La, tucked beneath the world's highest mountain range with no telephones, and access to the outside world only by perilous air travel ending on a rough grassy "runway" outside Kathmandu.

With no roads leading in or out of the kingdom, the only automobile in Nepal belonged to King Tribhuvan. Boris was not to be deterred. He bought a rambling, rundown medieval palace. He brought the second car into the country overland through the jungle from northern India using porters, disassembling it into dozens of parts, and re-assembling it on arrival in Kathmandu.

From Calcutta, he ordered modern plumbing fixtures, power generators, refrigeration units, furnishings and all the other trimmings to turn a dilapidated palace into a first-class tourist hotel. Since Nepalese cuisine consists of rice soup and curry (as Hindus they eat no meat no drink liquor), Boris also had to air-freight in all food and drink. *'It simply can't be done,'* they continued to sniff back in India.

Today, the most prestigious address in Nepal is the Hotel Yak & Yeti. Host to royalty and celebrity guests for decades, it is a splendid testimony to the sheer guts of the late Boris Lissanevitch, regarded as the father of tourism in Nepal.

It takes guts to lead the charge…and guts to change. Suppose you've got a good business deal clinched, and the possibility of a better one comes along. All around you, conventional wisdom chirps, *'Don't blow this. Remember, a bird in the hand…'* It takes guts to ignore the advice of the tip-toers and meek-minded, and go for the better deal. If you've got a good product that's selling well, it takes guts to throw it out to introduce an even better product.

It Doesn't Matter What the Morons Say

I don't often pay attention to what others think - *especially morons.* Several years ago, in the box office hit *Evita*, Madonna in the title role sings, *"It doesn't matter what the morons say…"* My definition of a moron or a doofus (pronounced "doo-fus") is anybody whose advice or attitude would limit my success potential.

Morons are everywhere. They work with you, they commute with you, go to your health club, live next door, and are even in your family. They've limited their thinking and would feel much more comfortable if you'd limit yours too.

You probably even *pay* for conventional wisdom. Some professions exist to keep you in the box of "how it's done," and typically attract very careful and conservative men and women with buttoned-down minds. You've got a company doing several million dollars in business, for example, but you entrust your accounting and tax functions to a CPA (accountant) who has no more vision than to happily earn $70,000 a year. Even worse, you *pay* this furrow-browed bean counter, not to be creative, but to shake his finger in your face on behalf of the government and say, *'You can't do that!'* After all, accountants are trained and certified to follow studiously *rules that help the IRS get every dime they can* of your money, in a large part by making sure you think conventionally about your income tax.

You also risk the danger of retaining a lawyer whose conventional wisdom is focused on what you *cannot* do. This guy sure isn't going to clear you a path to pursue your objective; he's more afraid you'll take an unconventional step that'll make his job harder.

Over the course of my career, I've listened to the advice of scores of lawyers and accountants. I respect their knowledge. Some have been my partners. But with few exceptions I know they are conventional people dosing-out conventional counsel on how to tiptoe even when my strongest instincts and inclinations tell me it's time to stampede…time to kick ass!

Morons and doofuses travel in other guises too - stockholders, bankers, the press and, thankfully, the competition. All that conventional wisdom can make a lot of noise if you're behaving unconventionally.

That's why, when you operate under New Rules, you don't give a damn if you repeatedly embarrass yourself. By the way, in the beginning this isn't easy. One pearl of conventional wisdom reminds us that we don't want to embarrass ourselves by failing at *anything.* You just keep saying to yourself, *"It doesn't matter what the morons say."*

New Habits… New Companions

New Rules need the support of new habits and new companions. Two of the most dynamic business people I know are George and Deann Verdier. They own Sugarloaf Mountain Works in Gaithersburg, Maryland. They were already successful when they attended my Castle Experience in 1994. I hold this highly concentrated weeklong seminar once or twice a year at my 15th Century home in Scotland. It is limited to six couples, and has launched more than a few Quantum Leaps in recent years. The Verdiers listened when I said that the friends they had been socializing with might not be suitable companions during their drive for super success.

I was right. Deann and George returned to the castle for another "dose of Dan" in the spring of 1995. They reported that their old friends and acquaintances had sort of dropped them. *'We've been so successful that our old circle of friends was no longer comfortable around us'* according to Deann. *'Since I went from driving a $10,000 Miata to a $100,000 Mercedes convertible, we have nothing to talk about.'*

But the Verdiers and Dan Peña have a *lot* to talk about, and I'm proud as hell to call them two of a growing group of "Dan's Disciples." And just as gratifying, their son Bob has integrated many of our principles of success into his own life. As a youngster in his early teens, he was exposed to QLA during conversations I had with his parents. Then in 2000, Bob worked with me in a "remote internship."

"Rarely do young people have the chance to step back, evaluate and refocus the direction of their lives," said Bob. "Dan challenged me to do just that, and to develop habits and attitudes that foster success. He's not hesitant about pushing you outside hour comfort zone, but he gives you the skills and tools to think bigger and dream bigger than you might ever do otherwise. Dan has been a good friend and major influence on my life. We still get together whenever our schedules permit for a drink and dinner."

Bob Verdier has been an investment banker at UBS Investment Bank in Manhattan for several years and today specializes in Global Healthcare. There's no doubt he's on the fast track to success.

> *Logic is a cut-and-dried mental process that usually re-enforces conventional wisdom.*

I have always made a practice of hanging around individuals who were more successful than I was at that point in my career. When I was just getting started, I joined a country club in Los Angeles that I could hardly afford, so that I could enjoy expensive golf and free advice from men decades older than I was. Most of them looked like typical old farts in baggy pants, but they were retired CEOs and other top executives - men with fascinating success stories who *loved* giving a young buck like me the benefit of their experience. On the course, and especially over a cold beer at the 19th, I absorbed a lot from these guys. They knew what New Rules meant - and had built their success scoffing at conventional wisdom.

New habits begin with developing the habit of decision-making. I've already said that I've made more than 75,000 decisions in my life. I didn't say they were 5,000 *correct* decisions. But I *acted decisively* based on the available information and gut instinct I had at the time. And I certainly didn't depend on pure logic. Logic doesn't consider the illogical actions of illogical humans. But worse, logic is a cut-and-dried mental process that usually re-enforces conventional wisdom.

Making Important Decisions

Let's talk about "important" decisions. You may have seen the movie, *Sophie's Choice.* The choice that the lead character played by Meryl Streep, had to make was between saving the life of her son or that of her daughter. Now *that's* a tough decision! But for day-to-day business, it's a good way to put decision-making in perspective. Ask yourself *'Will anybody die as a result of my decision*?' Whether you're deciding on whom to hire as a Sales Manager… or how much office space you need… or which markets you're going to expand into… or the color of your office walls - *nobody's life is threatened if you make the wrong decision. It's just not a life-or-death thing.* You may lose some money. You may experience some inconvenience. Your mooch "friends" may scoff. But so what! The most so-called "important" decision you will ever make doesn't cause a ripple in the cosmos of time. The earth won't tremble in its orbit if you screw it up. And, unless you're a brain surgeon or a cardiologist doing a bypass operation, nobody is going to die based on what you decide. The next time you find yourself agonizing over a business decision, ask yourself, *'Is this a Sophie's Choice?'* If the answer is no, make the decision!

Another new habit is to listen to legitimate warnings. Who can give you a legitimate warning? Somebody who's been there. If you're trying to find capital to finance your business, listen to somebody who's already borrowed capital. If you're about to take on a partner, listen to his or her past partners. Listen to experience - not excrement! And *don't* listen to some seminar bum who's never run a legitimate business in his life. Or if he has, it was a pushcart to nowhere.

Your new personal foundation must include a New Rule about risk. We've talked about risk earlier. Conventional wisdom says, *'Be careful!'* But risk is absolutely necessary in order to become super successful. Think of it this way - you're not *taking* a chance - you're *making* a chance!

Your risk may even be a bit crazy. Most big risks in this world were once called crazy - sailing off west to find India… trying to make a heavier-than-air machine actually fly…putting a man on the moon…*So be crazy.* Just know the difference between taking a crazy risk and a stupid one. And go for it with confidence. As I've said for years, ***'I may be wrong - but I'm never in doubt.'***

Getting back to those tax shelters that Walter Levine was selling as G&J, we set as our goal a $5.5 million package. We only raised $1.4 million, closing the deal on New Year's Eve 1982. Tax shelters in those days were a dime a dozen, so we had to make each one of ours be perceived to be bigger and better than the last. Our second drilling fund venture raised $3.4 million… and our third, in December 1983, raised $5.4 million.

Our office in Palos Verdes, California was continually expanding, so that by early 1984, we occupied 2000 square feet of space with only six employees. These plush, spacious offices gave investors the perception of a large, prosperous firm.

Our research told us that the Denver-Julesburg (D-J) Basin, in northeast Colorado, held rich promise as an oil field. Using funds from our third tax shelter, we agreed to drill 24 wells in the D-J Basin. Then we decided to take the deal public. In March 1984, we purchased a $60,000 six-month option to buy a $2 million D-J Basin property with great prospects as an oil field. Then with Great Western's fourth fund venture, we raised another million dollars. Other people's money was about to make us all rich.

With two partners, whom I'll discuss later, I had purchased a small company in the United Kingdom in late '83, so I had become somewhat familiar with British business and financial practices. For several reasons, we decided to take Great Western public not on Wall Street, but in the venerable halls of "the City", London's financial heart of the Empire. This proved to be a historic decision, because no one had ever taken an option public in the United Kingdom. So why the UK?

We had practical reasons, of course. Our offering would have been too small to attract interest in the US market, even in normal times. But these were not normal times. You may recall that around 1984, Wall Street was aflame with junk bonds and LBO's generating fees in the tens of millions of dollars. Fees for bankers, stockbrokers, accountants and lawyers in the U.K., therefore, were significantly lower.

Interest in the oil market itself was at different levels on opposite sides of the Atlantic. While the U.S. oil market had been wrung dry and oil was old news, investors in the U.K. had only recently contracted "oil fever". The first oil had been discovered in the North Sea in 1975, and the British were still enthusiastic about exploration.

Finally, the regulations applying to such a public offering, especially by a natural resource company, were not as stringent in the U.K. By avoiding Wall Street, we wouldn't have to put up with a lot of bullshit requirements by the Securities and Exchange Commission.

But one important reason we went to London, which you won't find in any finance textbooks, is the nature of the people who drive the traditional British financial community - insecure, arrogant, chained by tradition and perfect targets for a rough and brazen American oilman. In short, they were pussycats!

We decided to go public on my 39th birthday, August 10, 1984. *"You can't do that,"* the starchy solicitors of London said, *"That's the day Jaguar is going public. All the available investment dollars will head for Jaguar, a great British institution being sold off by the government."* They should have told Jaguar that August 10th was the day Great Western Resources was going public. By the close of business that first day, GWR had 20 million shares outstanding of common stock which closed at about $2.50 a share. Beginning with our $60,000 option, the market value of Great Western Resources, with under $100,000 in hard assets, soared to 40 million pounds - or 50 million dollars! And 60% of the outstanding shares were mine! We sold 25% of the company for ten million pounds, and the shares closed at 25% premium to the initial offering price.

Bottom line: the company had £10 million in the bank and the cost basis in the stock held by myself was $820!

Next day's headline in a London newspaper, referring to Jaguar, read, *'Great Western Resources, The One That Really Roared!'* The paper characterized my impact on the market by concluding, *'...the most controversial businessman ever to set foot in London in the Eighties was off and running.'* The next month we moved to Guthrie Castle.

Was all this risky stuff? *You bet it was!* Could we have fallen on our butts? Probably. The secret is, aside from some astute salesmanship of possible oil-and-gas returns in god-forsaken Colorado, we focused on the ends - not the means. We thought big and moved fast. And we were confident that we could outsmart on our dullest day any stiff-upper-lipped, bowler-hated Brit in the City. And so we did. We acted as if we had no limits to our abilities, which is one of my Five Credos for Super Success we'll discuss in a later chapter. Another credo relates to "enthusiasm". We sold our deal with the enthusiasm of evangelists, throwing fresh meat into the British feeding frenzy for "oil exploration". It's no different nowadays. Each year there is a new "frenzy"! As I write, it is Internet companies that are commanding insane multiples of real worth.

'Wow, how does this apply to me?' you ask. Listen, I don't expect you to fly to London tomorrow and duplicate our achievement in the City. What about your own company? Your own dream? What about those poker-faced bankers down the street with the imaginations of mud hens? What about investors looking for a great stock in a company that would look like yours - *if* you gave it a fresh coat of paint and went public? In order to remove Other People's Money from Other People's Pockets to build your dream, you have to build a gold-leafed perception of value around your company. We'll talk more about that later under Exit Strategies.

Keep Your Eye on the Vision - and You Won't See the Obstacles

Let's talk about what Michael E. Gerber calls the "entrepreneurial personality". In his book, *The E Myth,* Gerber explains that the business owner is really sort of a schizophrenic; one mind with three personalities in continuous conflict - the entrepreneur, the manager and the technician. While the manager writes business plans and maintains order, and the technician tinkers with the day-to-day work and drives employees nuts, the entrepreneurial personality leaps beyond the present to dream the dreams and focus on the vision of where the company is headed. The entrepreneur is impatient with the present. He's through with it. It's been handled.

The entrepreneur clearly sees opportunities that are beyond the sight of his more myopic counterparts, and he understands that he must control both people and events in order to seize those opportunities. Gerber says that the entrepreneur who is absorbed in his vision is also impatient with those around him - his associates, his friends, his family, even his other two personalities - because they cannot see the vision and become excited by it. Their persistent foot-dragging is keeping him, the eager entrepreneur, from moving more quickly towards capturing that vision and making it his own.

As an individual pursuing super success, you have to keep your sights above the rush and worries of today, and free of the nitpicking details which will be required to realize your vision. In other words, building your personal foundation includes the newfound ability to focus on the ends - not the means.

When you keep your attention focused on the exciting, successful future that awaits you, a strange phenomenon occurs. You begin to transport yourself into that future. As you keep your eye on your goal the question ceases to be if you can get there; it quickly becomes a logistical one of *how* and *when.* You *assume* success. You visualize success as if it were already a reality.

This truth isn't confined to noble dreams either. A few years ago, ***USA Today*** did a management survey about daydreaming. It was based on anonymous responses, of course, but that's a good reason to have faith in the results. The questions ranged from *'Have you ever day-dreamed about getting your boss's job?* And *'Have you ever fantasized that you're going to quit your job one day'* to *'How often have you daydreamed about having sex with a co-worker?'*

It was a fun survey to read, but it produced a noteworthy fact - 71% of those interviewed had their daydream come true within 12 months. Now think about that. If a random sample of managers can achieve that kind of success rate with idle daydreams, what are *your* chances of success when you *focus* on your vision until it becomes an obsession?

We're not necessarily talking about visualizing years into the future either. The salesman who has already visualized a successful sale before he walks into a customer's office is already concentrating on *how* the sale will be made, not *if.* Objections will become temporary barriers to leap around. Every "no" he gets becomes a "yes" the prospect just hasn't spoken yet.

We can even visualize success occurring in the next minute. You've seen it happen in every sport. The incredible putt on the 18th green. The home run in the 9th. It's 20 seconds to the final whistle of the Super Bowl. A quarterback dodges on-rushing tons of defensive linemen, spots a receiver downfield, and then threads a football through waving arms and crashing bodies to hit that receiver for the winning touchdown. How? Aside from years of practicing for success, he has already visualized the completed pass. It was a done deal before the ball left his fingertips.

Hell, maybe it's only a mental trick. Who cares? I'm telling you it works over and over and has for centuries.

Because the high performance individual is impatient to get to the future, he's not afraid to take action. He'd rather "do it right away- instead of doing it absolutely right". Don't wait until every little detail is nailed down, until every variable is perfect. Eisenhower launched D-Day knowing full well the weather was lousy and seas were rough - and expecting at least a 50% chance of failure. But he played the best cards he had. He actually wrote an apology note and tucked it into his pocket to read to the world should the Allies get pushed off the beaches of Normandy into the sea.

During World War II, arguably the best field general in the last century, George Patton, kept his sights on Berlin and blew tank shells through anything that got in his way. He was impatient with the meticulous planning and plodding of other generals. He said, *'A good plan executed right now is better than a perfect plan executed next week'.*

But back to the story...

So there we were sitting on millions. Meanwhile, our drillers adjourned to the fabulous D-J Basin, where our illustrious engineers and geologists had told us that "without a doubt" there *should* be *millions* of barrels of oil under this wasteland - perhaps...

They drilled a hole. It wasn't dry, but it wasn't what it should've been. They drilled a dozen more. Nothing to speak of.

Eventually our high-priced experts reported that virtually the only gas and oil in the area was what they had brought with them in their trucks. Or in the hair of our British advisors. Actually, we might continue to strike oil, but not in the quantities we would needed to take a company public. We had the money to drill another 120 wells. But, I thought, for what?

It was at this point I called for a halt in drilling operations. I had long thought that internal growth, through operating profits, would not give the company the exponential, quantum success of external expansion. Even with moderate success, we could watch revenues ease up gradually. Or we could *acquire* growth, and watch our growth curve shoot straight up. We needed to bump up revenue.

My vision for Great Western told me to go for the latter. That's because the name of the game in business is revenue. Lots of revenue. You can control expenses and cut costs all you want and you'll realize nickel-and-dime improvements in profitability. In recent years, companies as large as IBM, General Motors, Starbucks and large financial institutions have been busy "downsizing" or "rightsizing" to cut salary costs.

They've instituted stringent cost controls, just-in-time inventory controls and TQM - all to become more efficient and profitable. But these are desperate eleventh hour measures put in place because companies can't generate revenue.

Sometimes seemingly very smart executives can get overly excited about tiny profit gains. I once heard the CEO of a box company in California brag, actually *brag* to a seminar audience about the 1.8% profit margin his firm had maintained for years suddenly skyrocketing to 2%. Moron! I was next on the agenda. I stood up and said something to the effect that if that was the best profit he could muster, he needed to take his gold watch and retire. As it later turned out he got the short end of the stick when his company merged with another firm.

I wonder why…?

So, seeking the high revenues that our operations couldn't create, and not being content to run Great Western defensively, I took up an aggressive offense. It was a hell of a mid-course correction. We began looking for companies we could acquire, so that we could grow laterally in the oil business. This search had to begin quickly, so that the poor financial performance of our non-oil-producing drilling operations wouldn't clutter our financial statements.

A High Performer is Passionate!

Talking about quick, decisive action is a good place to bring up an element not often discussed in Business Admin class - *passion*. High performance, super successful people are *passionate* about their business, *obsessed* with its rising revenues and rapid growth. Like myself, these executives don't play "not to lose". They play to *win*. There's a big difference. Even successful business people who make it big often begin to play not to lose. They lose their nerve because they're not sure if their first win was an accident of luck or timing. They're afraid they can't repeat that success, so they fold into a defensive mode to hang on to what they've made. That's not passion - that's just shutting your eyes, ducking your head and hoping to survive. But the truth is, they're already dead. I call that, "sitting on your assets!"

In the late Seventies, Steve Jobs co-founded Apple, Inc., the company that brought affordable personal computing to the public years before the IBM PC. After losing a power struggle with his board in 1985, Jobs was removed as CEO from the company he founded. But he would not be defeated, and his passion would not be crushed. Two years later, he founded Pixar Animation Studios, and remained CEO of that company until its acquisition by Walt Disney Company in 2006. Meanwhile, Jobs had returned to become CEO of Apple in 1997, a position he still held in 2008. In 2007, Jobs was named as *Fortune Magazine's* Most Powerful Businessman.

The wellspring of passion varies with the individual. Some successful people, such as Jobs, are passionate about computer technology. Others revel in manipulating the stock market or developing joint ventures, or setting the standard for high performance achievement in a given industry. I take particular delight in growing a company by Quantum Leaps, then selling it at the very zenith of its performance for tons of money. I don't care what kind of company it is as long as I believe from all available evidence that it has the potential to skyrocket in value. At any given time, I may own equity in a textile company, an auditing firm, a real estate organization - it doesn't matter as long as it's legal. (A few years ago, I had a Colombian businessman come to the castle and offer me millions to make their cartel operate more efficiently. I was flattered, but I politely declined.)

The source of your individual passion stems from your own personality. But whether you love dealing in the manufacture of hard goods, or buying and selling real estate, or the prospect of striking oil in a remote, windswept field, you'd better be driven by the relentless fire of hot passion.

Passion comes with a caveat, of course. Paula Nelson agrees in her book, ***Guide to Getting Rich***, that "passion equals profit," but warns excited entrepreneurs not to invest in a personal fancy simply because they happen to love it. If you're enthralled with the idea of property in Northern Canada, she says, buy a lot and build a cabin if you want, but don't expect to turn acres of frozen wilderness into a profitable venture.

When you're passionate about your business, it becomes your mistress. You think about it day and night. You think about it when you're at home, when you're traveling, when you're lying in bed at night, hell, even while you're making love. You have to give up other pursuits, hobbies and pleasures because your business beckons like a seductress. You have to leave your family to entertain themselves, drop friends who don't understand your passion, forget to eat, forget to go home. If you drink, you keep a bottle at the office. If your mind wanders, and you dare to think about time off, your business comes back to reprimand you for even a moment of infidelity.

There are no part-time high-performers. Super success is a full-time job.

Passion is required because being a super success is a *full-time job.* There's never been a part-time high performer. Some of those seminar gurus and infomercial morons will say you can do this or that part-time and be a success. Work whenever you feel like it, and grow wealthy. That's bullshit! Sure, you can make a few extra thousand by hounding old ladies to sell you their mortgage, or setting up a 900 number or some other trendy scam. But I'm talking about millions. And wealth in the millions requires a full-time, laser beam-focused commitment.

Remember what I said - super success isn't for everyone. But is for the very few who are willing to build that foundation, make those sacrifices and create major sea changes in the currents of their thinking.

The Strength of Self-Confidence - *and* Self Regard

The quickest way to begin your quest for super success is - to take action. Make a decision you've been putting off. Don't let it ride another day. Like the TV ad says, "Just do it!" It could be something as elementary as replacing a dead weight, a loser in your organization, with a bright, ambitious firebrand who can't wait to help you accelerate your quest - and then take your job.

What happens is, as soon as you take that action, and see how easy it really was, you'll have a higher level of confidence to take another action, some inevitable decision you've been delaying. And another. Now you've got your aspirations in gear! Now you've got the taste of what you can become, because *success feeds on itself - and is insatiable!* It transcends any lust you've ever had for *anything!*

Before you know it, you'll love the decisive and powerful individual you've become. When you look at yourself in the mirror, you'll really admire what you see. I've got to tell you, after years of this, *nobody* loves me more than I love myself. If that sounds like ego run amok, I don't give a damn. The fact is that out beyond the front lines of the big business battlefield, in no-man's land where the big dogs run and assassins cut your heart out for a buck, you can count on one trusty warrior to lead your charge, watch your back and whack your enemies dead. Yourself.

So what have you learned? To ignore conventional wisdom because it is almost always wrong, and serves only as a crutch to support the weak… to build your personal foundation for super success… to adopt New Rules, which means new habits, new companions… not to treat decisions as life-or-death situations… to focus on the vision, not the details… to be passionate about your business… and to take actions that will raise your own self-confidence and self-regard immediately.

What we are doing here is creating a whole new mental arena in which you can not only visualize your future success, but also predict it.

After all, the best way to predict the future is to create it yourself.

Chapter Four
Getting Comfortable with High Performance

"Success can be as frightening as failure. Begin preparing now for the new style and tempo of life that will come with success."

Practice makes… comfort.

Forget perfect. In an imperfect business world, even your sweetest, hottest deal is not likely to be perfect. Frankly, I'm always suspicious of a deal that is too "perfect". But before you can achieve super success, before you can run with the big dogs and track down the big deals, you have to be *comfortable* in the environment in which super success occurs. And that takes practice.

So let's talk about getting comfortable with the idea, the people, the setting and the actions associated with high performance and super success.

When I was starting out, I knew I was going to become successful. I knew it because I told myself that fact constantly. My success, really big success, was not some vague wish, some idle fantasy. It was my goal set in concrete, my inevitable destination.

If you know you're going to a destination, it only makes sense to prepare yourself for your arrival. Let's use a parallel example to illustrate the point.

If you were going to open a business in, say, Thailand, you would begin to prepare yourself well in advance. You'd learn about the culture and the climate. You'd study business conditions and the nature of the economy. You'd probably take language lessons and practice speaking some basic Thai. You'd find some Thai people and talk to them. You'd no doubt visit Thailand, getting every insight you could into how Thais think, and what they value and how they do business. In other words, you'd be practicing for your new life, so that once you arrived, you'd be as comfortable as if you'd always been there.

Super success is, in every way, a different place with a life that will be totally new to you. Your business will make different demands on your time and skills. You'll be moving in different circles of friends and associates, with different interests than those of the present company you keep. So you need to begin getting comfortable with all these differences *now*.

Expand Your Comfort Zone

> *You can expand your comfort zone by pushing its limits, by having experiences beyond its perimeter.*

I mentioned Jim Newman in an earlier chapter. Jim, founder of the PACE Organization, was a brilliant man, a behavioral scientist whose message and motivation have had a profound impact on my life. In fact for 20 years before his death in 1997, Jim was a mentor to me, a topic I'll discuss later. Jim originated the concept of the "comfort zone", a term which is now part of our language.

An individual's comfort zone is the area in which he or she performs most capably, because that person is comfortable in that area, or at that level or that intensity of activity or pressure. One's comfort zone is not fixed forever, like a locked thermostat. You can expand your comfort zone by pushing its limits, by having experiences beyond its perimeter. The problem with many people, mostly the doofuses who tell you that you *can't* do this or that, is that they stay encased in the limited zone they've created just by continuing to breathe.

Most Americans, for example, live in the same state, work at the same job, have the same friends and take the same vacations *all their lives.* Their comfort zone is like a coffin in which they live until they die.

Since I *knew* my destination was to become a stratospheric success, I began preparing early. As I mentioned earlier, I joined a club I couldn't afford in order to hang out with retired CEOs who talked about the deals and intrigues of their careers. I bought a Rolls Royce and Mercedes to see how it felt traveling in style like a super successful person. I drove around expensive neighborhoods looking at fine homes, mansions really, that I *knew* one day I could afford. Because I realized that perception was reality, I bought the finest suits from the best tailors, so that every first impression I made when I walked into an office was one of a high performance individual who was comfortable with success. In other words, I practiced being successful with as much determination as a world class athlete practices his skills. It's true: like a moth to the flame, money gravitates to those who know how to handle it with class.

Being a high performance super success is a learned behavior.

When I was around high performers, such as Costa Gratsos, I observed how they acted and reacted to the pressures and problems of business. I watched them stay cool under fire, or go into a rage if more dramatic action was appropriate.

Just as importantly, I listened very carefully to what they told me about the practices and politics of super success, because I knew they had been there. And, when my time came, I was determined to be just as comfortable as they were in performing under incredible tension; in making hard, far-reaching decisions; in committing millions and ultimately hundreds of millions of dollars with a signature; or in handling high-wire negotiations without a net. Without a blink.

I saw how they earned their penthouse towers, stretch limos and exclusive clubs - and I wanted to be comfortable with this side of super success as well.

What are the alternatives to expanding your comfort zone? Boredom, anxiety, even fear. And the certain death of any growth potential for your company and most assuredly you! Have you ever seen fear in the eyes of an opponent or enemy? It could have been in the boxing ring, on the football field or even on the battlefield. You're face to face and you see his eyes flinch and dart around in terror, and you say to yourself, *'I've got this son-of-a-bitch. He's dead meat.'* In the boardroom, those eyes, those sweating palms, that second of hesitation tell an adversary to go for the kill. This doofus is sitting with us, but he's not one of us. *Rip his lungs out!*

Even the trappings of super success can be intimidating. Have you ever seen some moron walk into a fine hotel, or a gracious, well appointed home, and gawk around him? *'Gollleeee! Nice place you got here,'* he might say. This guy is an embarrassment, because he is clearly out of his comfort zone.

Here's my favorite comfort zone illustration. If I were to lay a 10-foot long 2x12" plank on the floor, and put a pile of thousand-dollar bills at the other end, and told you that if you walked across the plank you could have the stack of money, you'd scamper across in a second wouldn't you?

What if I took that plank up on the third floor, stuck it out the window and over to an adjoining building, would you still cross over and pick up your money? Maybe. You might crawl over very carefully on your hands and knees.

What if I took that plank up to the 27th floor and stretched it across a narrow alley to a nearby building. *'Hey, that's a long way down,'* you might say. *'You think I'm crazy?'* No, you're just out of your comfort zone.

But suppose your darling child was over in the other building, and I doused her with gasoline and struck a match and told you to come over on the plank 27 stories up or else. You'd probably be right over with little hesitation because of instinctive parental love.

The super successful operate in a different atmosphere than most people. They're way up there, 100 stories high, in rare, thin air, and they're quite comfortable. That's what you have to be able to do - conduct business on that high plank without a blink or fear. And one way to do this is constantly to expose yourself to situations that by definition make you uncomfortable.

You have to expand your comfort zone. Another and easier way to begin getting comfortable with high performance is through visualization.

Clarify Your Vision

One of the best clarifiers is the written word. If you talk about an idea or a plan to a dozen people in the same room, you create a dozen interpretations of your plan. But if you write it down, one plan exists for a dozen readers.

Similarly, in order to clarify your vision in your own mind, *write* it on a piece of paper. The act of committing to paper takes the ambiguity out of your idea. You see it before you, perhaps for the first time. Then tuck that piece of paper in your wallet, and carry it with you day after day. It becomes as much a part of who you are as your driver's license or your health insurance card… or your credit cards.

> *If you aim at nothing, you'll hit it every time.*

John Gale wrote, *'If you don't think about the future, you won't have one.'* That's another way of saying that if you aim at nothing, you'll hit it every time. But beyond thinking about it you must *visualize* the details of your future - not just the generalities. Beside, you don't have to know *how* you're going to get there - but you *do* need to know where you're going.

On May 25, 1961, President Kennedy issued an incredible challenge based on his own vision. He said, *'... I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth'.* At that time, NASA was a fledgling agency with an unimpressive launch success rate.

The previous month Yuri Gagarin had become the first space traveler to circle the earth in orbit. Kennedy had no idea *how* the U.S. planned to land on the moon. But his vision illuminated the way, so that eight years later that vision was fulfilled. This, by the way, is also the best example I can cite of Quantum Leap thinking and macro-management. But we'll discuss these concepts in later chapters.

Focus so clearly that the day your vision becomes reality, you experience *deja vu*, the distinct feeling you've already been there. On April 13, 1997, a good-natured 21-year-old kid in a red polo shirt stunned the gold world by winning the Masters Tournament in Augusta, Georgia, with a record-breaking 18 under par. Everyone was surprised, but not Tiger Woods. He'd been visualizing that moment all his life. Earl Woods, his father, said, *'He's been talking about winning the Masters since he was five years old.'* In his first on-camera interview, Tiger said he didn't have an acceptance speech prepared because he'd only visualized as far as the 18th hole of the final round!

Years before Great Western moved into its suite of offices high above the Houston skyline, I visualized precisely how those offices would look. I step into an elevator that speeds me directly to the 17th floor of a downtown glass-and-steel business tower. I step out onto an Italian marble tile floor. I turn and directly ahead of me is a great golden logo that reads "GW". Underneath it sits a beautiful blonde receptionist. I turn left and walk down a long corridor, at least 150 feet, past the offices of associates, until I reach the corner of the building. There, with full glass walls on two sides, is my office, complete with a large mahogany desk, richly paneled walls, spacious conference room, library, bar and executive lavatory.

When the day came in 1987, and we opened our 44,000-square-foot corporate headquarters in downtown Houston, I pushed an elevator button and the above sequence unfurled before me just as it had in my mind for all those years. As my shoes clicked across cool Carrera marble toward the young blond receptionist, I felt not so much a feeling of achievement as one of closure… of touching the vision which had already been so real for so long. I knew it because I had visualized it down to the smallest detail. It was the fulfillment of a dream. It was coming home.

Armando Garcia was a successful entrepreneur and a recognized specialist in executive sales management long before we met. In August 1990, the company he founded, Arcom Electronics, was cited by *Hispanic Business Magazine* as the fastest growing Hispanic-owned company in the country. But in the years that followed, Armando realized that his company could be doing better. So in 2000, he attended the Castle Seminar. During that experience, I startled Armando by telling him what he needed most to hear.

"We were all sitting there," remembers Armando, "when Dan suddenly asked me, quite loudly, 'If you live in Silicon Valley, why aren't you a billionaire?' It was at that moment I realized that my set belief system would only allow me to go so far before slipping into 'idle mode.' I suddenly realized I had to expand that system." Armando came away from the Castle with the insight he needed to "see his dreams ahead."

"Another key lesson I brought home from the Castle was the need for laser focus," Armando said later. "I immediately applied this lesson to sharpening our product mix and increased our sales by more than 30%."

After he closed Arcom during the dotcom bust, Armando purchased a struggling software company called Bottlesoft. He subsequently lost about a million dollars and lots of sleep, but has since integrated another Peña-ism into his business thinking: *Investigate before you invest.* More recently, Armando has been practicing growth through acquisitions with greater wisdom, prudence and determination, and has purchased two companies to fuel the growth of his computer networking business, Dicar Networks.

The Five Credos of Success

Since the late Seventies, I've carried on my person what I call my Five Credos. It's the truth. Every month I copy them down on my Day Timer. They are an excellent framework for expanding and maintaining your comfort zone in the heady realm of super success.

1. Yesterday's dreams are today's realities.

This is another way of saying "Today's dreams are tomorrow's realities." Dreams come first, lighting and energizing your imagination, and gradually crystallizing into reality. Without dreams, you never progress. You never make *any* leaps, let alone Quantum Leaps. Instead you trudge through life taking whatever chances come along. Like the song says in the musical ***South Pacific,*** "If you don't have a dream, how you gonna make that dream come true?"

2. See your dreams ahead of time now.

This is a call to action. Don't just *talk* about dreaming. *Dream!* Virtually everything I've accomplished of any consequence I visualized and dreamed of before it happened. So dream like me about a super successful business career filled with sweetheart deals pried from the clutches of morons and their toady lawyers. Dream about a larger home in an exclusive gated community. Dream about a vacation to Tahiti.

Take another look at that study a few years back by ***USA Today.*** They asked 1500 readers what they daydreamed about when they were at work. Some 77% said they daydreamed about having sex with a co-worker, 23% lied and said they did not. Seventy-three percent daydreamed about becoming CEO of their company, and 69% fantasized about what they'd say to their boss the day they quit. The survey also found that over a twelve-month period, daydreams came true for that group a surprising 71% of the time. Why? Because the daydreamer had *visualized* it over and over and had willed that daydream to come true. So take time to dream now, so that your dreams have a chance of coming to fruition.

3. Simulation: Practice within then you're without.

This goes back to practicing being super successful. Learn to think and act like the high-performance person you'll become, so you'll be ready to act when the doorway of opportunity opens.

This is nothing new. These techniques have been used successfully around the world by individuals who became top executives, champion athletes - and even successful politicians. It has been said that Bill Clinton practiced being President from the moment he met JFK at the White House as a high school student. (Remember, I didn't say practice makes perfect!) Who knows how long Hillary practiced!

If your goal is to become Chairman of the Board, start by chairing a committee or activity. Whether it's in your civic club or church, volunteer to assume the responsibilities of the position. Practice being the chairperson until you're finally appointed or elected. You discover quickly that when you want to work, or want to take on responsibilities in any organization, everyone moves gingerly out of your way so you can do it. *'You want that job? Be my guest!'*

Life itself is like that. Most people don't seek more responsibility, more work, more success. They're humming along nicely at their own comfort level, thank you, but they'll be glad to get out of your way if you want the hassle.

In the early Seventies, I volunteered to be on the Board of Directors of my California State University, Northridge Alumni Association. I ultimately became chairman of a key committee. This experience, of stepping up to the plate, of practicing leadership and success, was invaluable later on in my career.

4. Act as if there are no limits to your abilities.

Once you draw a line and say, even to yourself, *"That's all I can do. After all, I'm only human,"* you've set artificial, arbitrary limits on yourself. Why sell yourself short? So many times, I've pursued a course of action long after my associates have given up. And every time, I've achieved more than I would have if I had just stopped when it seemed prudent to stop.

Even now, as I write this book, I am pursuing a "mega project" which had been written off by everybody years ago. (In fact, I plan to write another book devoted to "can't do" projects and call it ***You CAN Do That!)***

This Credo reminds me of an interview I was giving to the ***Financial Times*** in London, arguably the best financial newspaper in the world. I was asked how Great Western had been able to buck the energy depression to become the fastest growing energy company in the United States. I fired back without any hesitancy, *'We at Great Western created positive occurrences in our minds, and acted as if we had no limits to our abilities!'* The reporter shrugged his shoulders, and in the subsequent article reported me as saying, *'Great Western has no limits!'* Our stock price jumped 15% in the next few days. You see, when you act as if you have no limits, it becomes a self-fulfilling prophesy. And remember: And like a moth to the flame, money gravitates to those who know how to handle it with class.

5. "Enthusiasm" comes from the Greek word "entheos", which means "god within".

Regardless of your beliefs, you have the ability to draw special power from deep within yourself when you harness enthusiasm. Enthusiasm generates the passion, energy and determination to succeed that are absolutely necessary to achieve high performance. You can't borrow enthusiasm. Your enthusiasm can't come from deep inside your business partner or your spouse. You must generate your own fire and carry its flame yourself. Ask yourself the question: Have you ever known a successful person who *wasn't* enthusiastic? Remember:

"A man can succeed at almost anything for which he has unlimited enthusiasm".

One of the most enthusiastic individuals I know is a Canadian named Andrew Reid. Andrew is a born adventurer and sportsman. In the early Nineties, associated with the world's largest outdoor adventure company, he conducted executives into the mountains and up the rivers of Canada. Always ready for a challenge, Andrew and his colleagues pulled together a dragon boat team in the summer of 2000 and just three weeks later captured Gold in the 500-meter European Dragon Boat Championships.

As Andrew sees it, "Every day is race day!" With that level of excitement, that quest for adventure driving his life, Andrew became one of our most successful graduates of the Castle Seminar. He writes, "Within a few months of taking the QLA, I had tripled my access to funding, made much bolder choices around growth and helped turn my racing team into one of the fastest in the country."

Today, Andrew is the "Biggest Fish" and CEO of Big Fish Interactive, one of Canada's fastest growing training and consulting firms.

Aside from being super successful, Andrew is having the time of his life. Here is part of a letter I recently received from him:

I'm having a blast these days as I'm the high performance coach of several directors at international finance firms here in Canada. These days I receive special invites to executive events to share my message for positive, competitive change. My approach has been training on Entrepreneurial Thinking at these finance companies. The past is over. Time for new Thinking Models, not just new behavior. The QLA program is a strong influence on these new Thinking Models. Having fun in this very interesting time and the word is getting around!

Today, Andrew is the "Biggest Fish" and CEO of Big Fish Interactive, one of Canada's fastest growing training and consulting firms.

Mastermind Networks - Synergy or Silliness?

It's fashionable in executive circles to participate in mastermind networks, CEO clubs or other rare-atmospheric groups which meet and engage in mutual pontification and back-slapping. Many executives I know have become involved in these networks with varying degrees of success. But no *super successful* individual I can think of has become involved.

That may be because the really top performers - Murdock, Branson, Trump, Gates - are a species of lone hunters. They prowl and strike on their own counsel, not the consensus of peers. Besides, consensus decisions are almost always mired in conventional wisdom - which you know is what? Almost always *wrong!*

Too often, what begins as a mastermind network evolves into a social group. The spouses and kids get acquainted, and what began as a productive enterprise deteriorates into cookouts and golf games. If that's what you want, fine. But it's not a mastermind network.

With that caveat in mind, the rising top executive, entrepreneur or CEO can benefit from a mastermind group, to the extent the other members have as much to offer as they are willing to take from this relationship. In fact, your mastermind network *will* work if:

- **Your members bring to the group different areas of expertise.** If your group consists of five number-crunching financial types, or six executives from one industry, you've limited your base of expertise and potential for a wider perspective on problems you may be seeking answers to. Diversify your group. Bring in a retail executive, for instance, an electronics executive, a manufacturing person, a joint venturer, executives with legal, accounting or human resources experience. The wider your pool of expertise, the deeper the well from which you draw valuable knowledge.

- **Your members share a similar level of experience.** One "superstar" can outshine a roomful of rising stars. If one of your members is so successful that he or she intimidates and dominates your discussions, your get-togethers become counter-productive. Participants are naturally going to be more comfortable and forthcoming around others they regard as peers. So they're either all super stars or none!

- **Your members work in the same general geographic area.** You need to make getting together as convenient as possible, or you'll find members of the group hesitating to attend. Even in the age of cellular communications, many top executives consider travel time as lost time.

- **Your members demonstrate a similar commitment.** If one of your group frequently seems to be "too busy" that's probably a code for "I just haven't got the time you want me to invest in this thing." Don't saddle yourself and other committed members with having to carry an individual who is essentially dead weight in the group. Replace that individual.

- **Don't select or gravitate toward one individual to become chairperson of your group.** In the ideal network, everyone is equal, with the responsibilities for coordinating meetings rotating as necessary.

• **Your members must exhibit more traits of success than your own peers and contemporaries.** Seek out the acknowledged achievers, the "up-and -comers" in their industries, "firebrands" who are hungry for success, and who have ideas and energy to contribute to the network. If, ideally, you can bring together a select group of individuals who are building their own foundations for super success, every meeting can be an electrifying, synergistic experience.

• **Exit the group if the growth process falters**. No relationship endures forever, especially among a group of dynamic people such as you hope to attract. Interest wane, agendas change. When the nature of the group or the character of the meetings no longer seems to be in your best interest or worth your time and effort, get out. Probably no explanation will be necessary. But if you feel one is necessary, all you need to say is. "I'm not growing anymore."

Mentors - A Quantum Leap in Wisdom

The value of the mentor is perhaps the most universally acknowledged truth in the business world. A mentor, of course, is an individual who's been there, who's traveled the road you're embarking on, and sees the potholes and detours from the other side. A Chilean poet wrote, "He who has not been down the road does well to heed the traveler." Good advice, yet very few aspiring entrepreneurs or executives ever solicit a mentor relationship. I've discussed this topic with countless senior executives, retired CEOs and others whose experience represents a storehouse of acquired knowledge and wisdom. Virtually none of them has ever been contacted about the possibility of becoming a mentor.

Too often, perhaps, executives feel they would be imposing on a potential mentor. But the fact is that most successful seniors are only too glad to pass along their experience to younger people seeking the road to success. All it takes is a phone call, an introduction, and maybe an invitation to lunch - which you pay for, in case it needs to be said! After all, men and women of this stature are forever picking up the bill - and you want to experience with you to be completely painless.

I've had three mentors during my career. Each came along at the most opportune time for their special expertise to impact my life. The benefits I derived from their advice and counsel dramatically affected my life and propelled me forward toward super success. And I'll appreciate them and their contribution to what Dan Peña became to my dying day.

I've already mentioned Jim Newman, founder of the PACE Organization.

In 1976, I had been a stockbroker for four years. I was 30-ish, making big money - and my career was stalled. I had skyrocketed in real estate and had tasted enormous success by the time I was 25, but now I seemed to be spinning my wheels, lacking the traction to leap forward. I had heard of Jim's PACE Organization. His message was endorsed by an impressive list of high profile executives, politicians, celebrities, and even such personal achievement gurus as Denis Waitley, author of ***The Psychology of Winning.*** So I thought what the hell.

The PACE seminar was another of those pivotal points in my life. Jim Newman showed me how to get my head screwed on straight for super success. His concept of the personal "comfort zone" has been part of my business thinking since the day I walked out of his seminar.

One extraordinary mental exercise I use in negotiations is to determine the other party's comfort zone, i.e., what would they accept out of this deal in order to become comfortable with its consummation? When I find the perimeters to that zone, I picture it as a box. Inside that box are any numbers of deal possibilities. I could give the other party everything they want, to my own detriment, and place my offer square in the center of their comfort zone. That would be stupid for me to do, of course, but it would make them very happy.

Some business people, so eager to clinch a deal, aim for the center of the other guy's comfort zone and give away the damn store. I've done it myself back when doing the deal "right now" was more important than the terms of the deal. Instead, I usually place my offer at the uppermost limit of the other guy's comfort zone, at the very edge of what I feel he will accept. It works every time. He gets what he's comfortable with. I get what I want!

But even more important than a powerful negotiating skill, Jim Newman taught me how to expand my own comfort zone, so that I could move ahead rapidly and with solid direction toward my super success. I realized with clarity that, regardless of my income, I had been sitting on dead center for years, not crystallizing the dreams I had dreamed for the rest of my life.

It was shortly after this seminar that I joined Bear Stearns, where I found a greater opportunity to expand my horizons. And after attending a PACE Alumni seminar in late 1978, I left Bear Stearns to become the oilman that would propel me to super success and the life of "the rich and famous".

I have often returned to Jim's methodologies over the years. I recommend very few people in the personal and financial development business, but he was one. He was truly a grand master teacher of motivation, and I'm proud to day I'm out of the Jim Newman/PACE stable of mega-successful. Until his passing, Jim lived in semi-retirement in the hills of North Hollywood, occasionally holding a seminar or consulting with selected corporate clients. I cherished his friendship.

My next mentor was an oilman named Jerry Ormand. It was the late Seventies, and the oil industry was in chaos - my favorite condition for an industry, remember? Pat Kennedy and I had formed our partnership to capitalize on the energy crisis by building an integrated oil company. The Federal government, in order to encourage oil exploration by every moron with a drill bit, was granting special dispensations for small refineries producing below 50,000 barrels a day. We used the money we made in refining to help build our energy conglomerate.

The hills were alive with the sound of drilling. But "wildcatting," the business of independent oil exploration and production, is a risky venture. Just like the gold rush days of the late 19th century, there were precious few glory holes - and a shitload of dry ones. Probably 95% of wildcatters went belly-up after dropping all their capital - and anybody else's they could lay their hands on - down dry holes in the middle of nowhere.

The big oil companies were making tons of money, of course. They jacked up the price of oil with the usual bullshit excuse of "supply and demand," and generated the funds to drill more holes than termites. If the big companies were the battleships of the oil industry, the legions of wildcatters were little PT boats buzzing in and out trying to turn a quick profit on the scraps and droppings that an Exxon -Mobil couldn't give a damn about.

As a novice oilman with visions of becoming an oil tycoon, I was introduced to Jerry Ormand, founder, Chairman and CEO of Ormand Industries, Dallas. Jerry could have been the prototype for Jock Ewing. His daddy was an oil driller, and he rough-necked in the oil fields from the time he was a teenager. By the time I met him, Jerry had operated rigs in Kuwait and Saudi Arabia, and, out of an office in London, negotiated oil contracts across Africa from Egypt and Libya to the Congo. Even more important, his company prospered during a period of plummeting oil prices. Although he was a world class player in the global oil industry, Jerry took the time to guide me through the intricacies of the oil industry. He taught me how to pilot my own little PT boat among the big boys, picking and slicing my piece of the action in that chaotic arena. Hell, he turned a Wall Street stock peddler into a savvy oilman!

Sadly, Jerry Ormand passed from this earth in early 2004. Until his passing, he enjoyed retirement in Houston. He still did some consulting - and remained a good friend. In fact, he was a second father to me. Out on the golf course, I bounced my latest schemes and ideas off Jerry. Even after 60 years of business combat, Jerry still had that fire in his belly.

I've already told you about Constantine "Costa" Gratsos - Greek shipping icon, executive heir to the Onassis empire, and leading actor on a worldwide stage of larger-than-life personalities. And yet, he put his arm around me and brought me on to that incredible stage to learn a part for myself.

By the time our paths crossed, Costa had made his fortune and his name and had helped the late Aristotle Onassis navigate that enormous empire through a hundred crises with all the political skills of Bismarck, Metternich and Machiavelli combined. After having succeeded and thrived in a world of assassins, he defined his friends by their willingness to offer him three things, "friendship in trouble…courage in battle…wisdom in rage."

Costa died in December, 1981. But to this day, I often think of him and the genuine kindness he showed me. His presence seems to stand beside me at every negotiating table, and at the point of every hard decision. Often I ask myself, "What would Costa say?" The answer to my question is the answer to my problem. *'I told you what Aristotle and I did in this situation,'* I can hear him growl. *'Now just do it!'*

I recommend several requisites for selecting a mentor.

- Choose an individual *significantly* more successful than you are now - a person who has "been there, done that" and can shed the wisdom of vastly more experience on your present problems and situation.

- Seek a senior person you *genuinely like* and respect. Those are two different requirements. We all know people we respect for their success, but don't like as individuals. A close camaraderie can only develop through personal amicability.

- Your mentor should have achieved success in the same field of endeavor as your own, although this is not mandatory. Often the lessons you learn from your mentor deal with human relationships, decision-making and financial strategies which transcend specific industry problems.

- You and your mentor should share common interests beyond the business milieu. Some of the best advice I ever got was on the golf course. Mutual interest and pleasures provide a relaxed environment for you and your mentor to unwind and explore ideas. Minds often work most productively together when you allow them free run of a tennis game or other out-of-office activity.

Andrew Reid summed up the advantages of having a strong mentor. He concluded, "You can't be the best if you're not learning from the best." Putting that thought in the terms of his own life, Andrew said, "During the QLA course I knew I had met the legitimate mentor who had been there, done that. With Dan's techniques, I found the tools to make my reality as big as my dreams. The best way to become a bigger fish is to be trained by one. And sometimes that resource is found in a castle!"

In summation, then, get comfortable with super success *before* you achieve it, by practicing to expand your comfort zone. Clarify your vision, without focusing on *how* you'll bring that vision to reality. Instead, focus on the details of how that reality will look and feel. As a step toward clarification, *write down* your vision and carry it with you, so that it becomes part of your being.

Consider participating in a mastermind network, if you feel it meets acceptable criteria and you can benefit. Then, ultimately, don't hesitate to exit the group if your own growth process stops. Finally, seek out a mentor. Some of the greatest minds in the business world are available, and would be delighted to become mentors – *if* you but pick up the phone.

Now that we've talked about how you can condition your own mind and prepare it for super success, let's turn to how you prepare *others* to see the same successful person you do when you look in the mirror.

Chapter Five

Building Perception to Become Reality

"Super success begins with your masterful illusion that it already exists."

Never underestimate the power of illusion.

Not only does it help create what you'd *like* for other people to believe, it helps you create what they *must* believe for you to achieve your goals.

We live in a brutal world made more tolerable by the illusion of reality. For centuries, as an example, the true nature of war was masked in a grand illusion of colorful parades, splendid uniforms and flying flags. The warnings of those who returned from war, who quietly described its horror, were lost in the trumpet strains of marching tunes. Only late in this century, when TV news brought the carnage of battle home around dinnertime, did the general public finally realize that all the glory and grandeur was…illusion.

Illusion is one of the skills of leadership.

In the epic movie ***Patton,*** the fiery general played by the late George C. Scott becomes frustrated at being unable to break through German lines to relieve the siege of Bastogne. Suddenly, he roars in anger at his staff, **"***We're going to attack all night. We're going to attack tomorrow morning. If we are not victorious… let no man come back alive.'*

No one moves. No one speaks as Patton strides past them through the stunned silence.

Then his aide approaches him and says gently, *'General, sometimes they can't tell when you're acting and when you're not.'*

Patton replies, *'It isn't important for them to know. It's important for* me *to know.'*

Perception is reality in *any* business.

When I was a young hotshot real estate salesman in Southern California, I sold lots on Lake Havasu, an artificial lake on the Colorado River between California and Arizona; Lake Havasu later became the unlikely home of London Bridge. It was surrounded by miles of desolate desert, and wasn't the fashionable resort region it is now. I'd take prospective buyers out there, and we'd stand gazing across the lake. Aside from the expanse of water, it wasn't a very inviting place. So I didn't sell the place. I sold them their own perception of their dream.

I'd say something like, '*Look out there. You can see the sails of your boat as the breeze nudges you across the lake. Look over there. You can almost see the fishing dock, and that luxurious clubhouse where you meet your friends for dinner.'*

I sold a shitload of desert in those days…

Illusion is the camouflage behind which we pursue our dreams and goals for super success. It is the stage we set… the costume we don… the face we present to achieve our objectives. Within the bounds of law and ethics, illusion is your weapon to build the most advantageous perception you can in the minds of stockholders and stockbrokers, attorneys, competitors and the public at large - all for the accelerating advancement of your company.

"But, Dan," you ask, *"are you suggesting I create illusions about my company?"*

You're damn right! You've got to do what it takes! If you run a business, your job as head of your company goes well beyond making sure it produces a top quality product or service and sells it at a fair price. You've got to spend days and nights continuously pumping credibility into the facade that your company represents to the business community… to make it appear on the business skyline not simply as large as it is, *but a hell of a lot bigger... and infinitely nicer to do business with.*

The importance of perception was not lost on the Chinese government during the 2008 Olympiad in Beijing. Thousands of factories around the city burn cheap, dirty anthracite coal with no thought of the incredible pollution it creates. Diesel trucks and buses and an explosion in private car ownership have helped turn Beijing's sky into a perpetual brown haze. The foreign community laughingly calls it "morning fog" or "sulphuric sunset." Sports trainers and sponsors around the world hinted they might pull out of the Olympics rather than subject athletes to breathing the brown. The government said not to worry.

Meanwhile, many of the manicured avenues leading into Beijing from the new billion-dollar airport passed by the crumbling old villages, waste dumps and slums that are part of any Asian capital. The government said not to worry. At the same time, millions of Chinese people were spitting, blowing their nose and taking a piss on roadsides and against building walls – traditional Chinese customs all. Not a problem said the government.

So, in preparation to host the world, the Chinese government cleaned up their… perception. Some of the largest factories were literally pulled up and relocated hundreds of miles from Beijing, so that they could harmlessly pollute the countryside. Other factories across Beijing were simply shut down for 10 days by government decree. Owners of private vehicles with odd and even-ending license plates were *ordered* to stay home every other day, to carpool – or enter the city at risk of heavy fine. The skies cleared.

To make Beijing more beautiful, the government demolished countless homes and neighborhoods near the major traffic arteries and rail lines. Construction sites, industrial areas, waste dumps and apartment towers all over Beijing were concealed from view by enormous temporary billboards promoting the "One World One Dream" theme of the Olympics. Beijing was suddenly neither a city under construction nor a city in decline. But just about perfect in every way.

In China, if the government tells you not to spit and where to shit, you listen. In advance of the Olympics, a public relations blitz *warned* Beijingers not to spit, not to cheat "foreign friends" or offend them in any way. Basic English phrases were drilled into taxi drivers, bellhops and anyone else likely to come in contact with foreigners. Beijing, normally about as warm and fuzzy as New York City, sparkled clean, green and friendly for ten days. And that perception of Beijing became the reality that millions took home with them.

Cities with infinite human and capital resources are one thing. But what about the perception you are creating personally - as an individual and as the representative of your company? For starters, you only have *one* opportunity to establish a powerful initial perception of yourself. The cliché is correct - you don't get a second chance to make a first impression.

Suppose you had a young person call you for an interview appointment. Fifteen minutes after the appointed time, he shows up in jeans and a "Bad Boy" T-shirt. His hair should be on his sister's head, he's got an earring, a menagerie of tattoos and an attitude. Now this kid could have just graduated from Harvard Business School, but you couldn't care less. You've judged him by his appearance, and he's out of there. You don't give a damn that it would have been politically correct for you seriously to consider this bum, just to show what an open-minded guy you are.

(As far as I'm concerned, political correctness is an idea made up by psychobabblers to make habitual whiners and full-time victims feel better. But what the hell do I know? I'm just a "money-enabled white man.")

The point is, this kid created the instant perception of a goofy, worthless doofus- which was real enough for you to believe in!

When I go to a business meeting, and especially an initial meeting with people I've never met, I dress for the occasion. That means a Saville Row tailored suit, maybe with waistcoat vest, hand-tailored dress shirt, bold tie, antique gold pocket watch and free-flowing breast pocket handkerchief. The message to those people is, I don't look like them because I'm not like them. And when I walk into the room, I want those morons to know at a glance, *in a microsecond,* that their lives and destinies are going to change forever because I just walked in.

But you know what - I dressed like that *before* I was super successful.

I've used attire to my advantage ever since I returned from Europe after working with NATO. It was there, even as a young officer, that I first saw how the European well-to-do dressed, and how they created by their actions, even facial expressions, an immediate perception of calm, studied, self-assurance, an aura of arrogance regardless of how shallow and superficial they might prove to be.

Candice Noll remembers. I've known Candice since 1983 when I was traveling back and forth between London and Houston. She's a classy lady. Her company, Executive Lodging, was and is an upscale concierge service specializing in accommodating the needs and preferences of top executives. She's seen and dealt with plenty of high-priced business people.

"What I remember most about Dan was the way he entered a room – custom three-piece suit, breast pocket handkerchief tucked just right, gold cufflinks – every detail manicured to perfection. How could a banker not be impressed, even intimidated by the famous Peña presence?"

You bet they were intimidated. In the years that followed, when I'd go see a potential lender, especially one of those pasty-faced "loan officers" that makes $35,000 a year, I'd approach his desk like the Battleship Missouri about to dock. The suit, the attitude, the "eat-your-lunch" eye contact - the poor son-of-a-bitch would be asking himself, *"Why does* he *need to talk about a loan? We should probably be borrowing from him."* (Nowadays, with a multi-million dollar credit line, I send one of my associates over to handle financing transactions. That suits the bank just fine. They still cringe when they see me walk in.)

Along these lines, a great book I recommend you read is ***Winning Through Intimidation,*** written by Robert J. Ringer. It advocates assuming an assertive posture of strength in doing business in order to gain and hold the initiative. Although it was written in the Seventies, its strategies are still applicable in the 21st Century.

George and Deann Verdier, my friends who are experiencing a ***Quantum Leap*** in their own business, travel much of the year arranging and producing upscale craft expositions in major cities. Deann points out they always wear executive attire to take a commercial flight regardless of destination or schedule.

"We've avoided the temptation to fly in jeans and sweatshirts for several reasons," says Deann. *"First, we never know who among our associates or clients we'll run into or what potential business contact we'll meet on the plane, especially flying first class. But we've also discovered that the airline people actually treat us better when we're better dressed. They're friendlier, the service is better, and they're more likely to give us the nod if a first-class upgrade becomes available."*

But it's more than dress.

I mentioned attitude and eye contact earlier because they are among the most important non-verbal signals you can send to create the perception of power. Research has long confirmed that powerful people use eye movements to dominate and control a conversation. When they speak, for example, high performers look at others squarely in the eye, but then look away when they listen. An executive who continuously looks another executive in the eye while that person is talking is perceived to be too eager to please and easily manipulated.

The personality development books tell you to smile when you go into a new interpersonal situation. Make people feel at ease. If I'm walking into the corporate office of an executive with whom I'm negotiating, or into the cubicle of some doofus loan officer to talk about money, I *don't want* the moron feeling at ease. My intent is to create an instant perception of myself as a super successful individual who doesn't need to impress anybody with flattery. I'm not there to be this guy's friend or especially his whipping boy. I'm going to intimidate him in his own ballpark, so that he has to struggle just to stay on the defensive. He has to earn a smile and a pat on the head from Dan Peña, by saying what Dan Peña wants to hear.

Sounds reasonable, doesn't it?

By the way, part of my persona as super successful multimillionaire is my refusal to carry business cards. Why not? *Do you think Ted Turner carries business cards? Or Donald Trump?* The super successful do not distribute business cards. Instead, they say, *"Have your secretary call my office. They know where to reach me."*

Yes, first impressions are important. But even more important than the first snapshot of you walking in is the consistency of your impression. After all, the multi-dimensional image you mold in the mind of a potential investor, lender or equity partner is only a compilation of several smaller meetings and contacts. Each contact adds another facet to who you are, another quality of your character, personality and business style. It's important that as you build this dimensionality you don't create confusing, contradictory images. Every face you show must agree with the overall image you wish to create.

In his bestseller, ***The 110% Solution,*** Mark McCormack made an astute observation about putting first impressions into perspective:

"Think about the long-term relationships in your life, in or out of the workplace. The chances are they didn't blossom because someone overwhelmed you the first time you met, but rather because they continued influencing you on the second, third and fourth occasions."

Consistency of perception is also vital with your own associates and employees. They need to know Action A will generally provoke Response A. Employees perform more effectively when they're not constantly beating their brains out trying to guess what your reaction will be, what mood you're in or what executive mask you're wearing today.

That's not to say you should cultivate the image of an unemotional, unflappable boss. A little well placed and justified rage now and again does wonders. But save your table-pounding theatrics for special occasions, so they'll make a more profound impression. Mark McCormack recommends some occasional unexpected behavior. If your people are expecting you to yell, speak softly but forcefully. If your counterpart across the negotiating table is expecting a certain tactic, change fields and run another pattern. While consistency is a virtue, certain predictability is boring as hell.

As far as corporate perceptions, some moderately successful corporations maintain an image much like the punk kid I described above. At one Florida marketing firm, the boss comes to the office in a sweat suit, the employees wear jeans or shorts, and the atmosphere is more like a factory floor than an executive office. All day long the air is filled with chaos – sophomoric screaming and cursing to the extent other business neighbors have come over to complain. What kind of perception does this create for walk-in clients expecting professional behavior? Or even suppliers who talk about this company to the competitors? The owner, a perennial wise guy, will never change. And his company will *never* become super successful.

Instead of pulling a company down, perception should boost the company *up* to the plain to which its leadership aspires. I related in the second chapter how I tied the GW dinghy to the seaworthy reputation of Marrion Refining. It never occurred to the gray-metal-desk government weenies to ask about the size and worth of Great Western *vis-à-vis* Marrion… that I might be just one man working out of his kid's bedroom.

That simple ploy, of associating my company with larger companies in what appeared to be equal joint ventures, became a key rung in the ladder of our success. *"They* must *be legit,"* so the reasoning went, *"Look who they're partnering with"*

Here's another perception that paid off handsomely for all of us:

From day one, Great Western Resources paid a dividend. We had no earnings to speak of, but we paid dividends to shareholders however we could. That's because I wanted us to be viewed from the beginning as an income stock. That way, mutual fund portfolio managers would consider including Great Western in their more conservative income producing funds.

When investors looked in the newspaper at Great Western Resources dividends, it didn't say "dividends paid since 1975 or two months ago." It just said "dividends." We had instant credibility in the market! We got bought up by income funds like crazy! The stock price went through the roof, almost doubling in just four months.

Nobody ever called up, not once, and asked us, *"How long have you been paying dividends?"* Perception was reality. (Later, after I was gone, but still held substantial stock, the company decided to stop paying dividends. I don't know why. As stockholders, the new management people were getting dividends too. It turned out they cut their own throats. When the dividends ended, the stock plunged into the toilet, and they all lost a lot of money.)

One of my disciples – we'll call him "Wilber" - was an entrepreneurial pilot. He worked out of his house near until his business took off, or out of hotel rooms wherever he happened to be laying over between flights. But he was thinking well beyond his career in the cockpit, continuously interviewing major accounting firms, investment bankers and others as he built his "dream team." And all the while, he was creating the clear perception of an established and knowledgeable businessman.

If you had called Wilber in those early days, he didn't pick up his home phone and say *'Hello.'* His calls were routed through an answering service that acted as his corporate switchboard. *'Good morning, The Diversified Company.'*

The caller, once identified, would be put through as if Wilber was back in the executive offices. He even used remote call forwarding so that, if he happened to be laying over in some Holiday Inn, the perception was maintained. *"Hey,"* he would tell me, "*it costs me about $100 a month, and for all they know The Diversified Company is a large corporation in an executive tower in downtown Philadelphia."*

The Verdiers work to maintain the perception of their craft shows as prestigious events, admitting only the most qualified exhibitors and sponsors. *"In a few of our markets, our shows have to be staged in fairground arenas. That means we have to work even harder to project that upscale image and to put as much distance as possible between our expositions and the other flea markets that come along. As our shows have grown in popularity and reputation, we've had to be more and more particular about who we accept to sponsor them in each city. As part of maintaining our quality perception, we limit our sponsors to such respectable entities as newspapers, radio stations which appeal to our demographics - no rap, no rock - banks and soft drink companies."*

George Verdier points out those perceptions will only endure for so long. In order to produce a successful and profitable event, he and Deann must build the perception of their show's quality in a given market long before the show ever opens. *"Once we open, image gives way to the quality of our performance, and we replace our carefully constructed perception with reality and reputation. If you can't follow through, all the perception in the world is a house of cards."*

Early on in the development of Great Western Resources, it grew increasingly clear that if my company and I were going anywhere, we both had to look as if we were already there. I knew that our business partners, investors and the financial community in general had to see me now as I planned to become in the future, or we wouldn't even *have* a future! I needed a quick transfusion of perception, one so dramatic that it was virtually inarguable.

So, as I mentioned earlier, that's when I decided to buy the castle I could hardly afford.

It was an expensive project, and a huge task, emotionally and logistically, to relocate from a major U.S. city to rural Scotland. But it worked. Acquiring a Scottish castle quickly becomes grist for conversation and grudging awe, even in the jaded corridors and conference rooms of Manhattan. As soon as Wall Street realized I didn't need their help, I got it. It was a case of using reality, the purchase, to create a perception that drives a greater reality.

Speaking of illusion, I decided that in order to accelerate our castle shopping, I had to be perceived as a serious potential buyer. After all, there are those who play "Let's pretend" with high-end properties for sale. They read the classifieds of European publications, then drive out to view this or that castle or chateau just to gain entry and "see what it's like." Real estate people can smell an imposter instantly, and reserve for them a special level of disdain.

So for the purpose of putting separation between myself and the proletariat, and to create the perception I could even *afford* a castle, I would hire a chauffeur-driven luxury automobile before every viewing appointment. You can imagine how the appearance of such a spectacle gliding onto the grounds would affect the attitude of a real estate representative. I was warmly welcomed and afforded every courtesy, of course; but more important, I forced the issue of serious negotiations. In this case, I used perception to cut to the chase of purchasing my dream castle.

Granted, Guthrie Castle is an extreme example. But what about the perception of success you need to cultivate in order to be even more successful? When you buy a new luxury car or join an exclusive club as a way to accelerate business success, aren't you acting as if the perception you desire is already a reality? Of course you are!

Sure, you could drive a Chevy until super successful, and *then* buy a Rolls. But not only would you continue to think in a Chevy mentality about your success, you'd be encouraging others to do the same. (*"I noticed he drives an old Chevy. Looks like he really needs the money... we'd be safer not to approve his loan."*) The exceptions to this rule are Bill Gates who drives a bright blue '99 Porsche 911; and Warren Buffet and Steve Ballmer, CEO or Microsoft, both of whom drive Lincoln Towncars.

As another exception, Rick Scott, former CEO of a major healthcare corporation, drove a Buick with no radio while he was building his empire. But his social events were elaborate affairs, attended by some of the wealthiest men and women in America.

The lesson here is to position yourself where you believe people will perceive you as being successful. The Hollywood crowd, of course, has been doing this for generations.

This strategy has benefits beyond the doofus lending officer. When you're perceived to be a success, business people *want* to be associated with you. You become sought out by others with a potential deal. You spend less time fishing for opportunities because the fish begin jumping into your net and even your boat. My own perception as a dealmaker, of course, became reality. As a result, over the years, I've been continuously deluged with plans, schemes and even a few good ideas presented by individuals and corporations looking for a champion for their venture. They know I'm always looking, and I am a real and serious player!

Using perceptions to create realities is not limited to image-building for up-and-coming companies or individuals. It permeates every phase of business operations. A successful company needs to pump up its image at strategic times throughout its corporate life.

When you're preparing for your initial public offering (IPO), you want brokers and purchasers alike to perceive an enormously shrewd, dynamic and aggressive company poised for skyrocketing success. You want editorial column space in ***The Wall Street Journal,*** and your top executives to be seen in the most exclusive circles exuding acumen, confidence and *comfort* about taking their company public.

You want stockbrokers and potential buyers talking hungrily about you at lunch, licking their lips for your stock long before the day you go public. Remember - the perception of that stock isn't based on any face value, but on the *demand* that has been generated for that stock. If you do it right, the result on the day of your offering, as it was with us in London that August 10th, will be that of selling shares at spiraling prices to eager investors quite willing to pay those prices.

Finally, well *before* the time comes to sell your company, you begin using a number of proven strategies to build the perception of a successful, profitable corporation. We'll cover those strategies in a later chapter.

We live in a world of perceptions. Virtually nothing is really as it seems, only as sleight-of-hand manipulators would have us believe. Don't forget that others with whom you deal - or would deal -are busy building perceptions for *your* consumption. They range from resumes filled with lies to financial statements with more juggling than Ringling Brothers!

Politics is the continuous example of a juggling act, of putting a spin on every political event so that even the poor sap that debated with his fly down comes off looking terrific. During campaign season, when politicians actually want to hear from voters, perceptions can make or break candidates.

For years, Hillary Clinton has been perceived by much of the public as cold, calculating and ambitious. She has polarized Americans who either love or hate her. During the 2008 presidential campaign, she faced Senator Barack Obama in the Democratic primaries, a smooth, personable and very likable African-American. As a result, this dapper, affable black man with virtually no experience, but strong in vague and lofty rhetoric, was preferred by Democratic primary voters to a woman with several years of experience as a Senator from New York, a Washington insider whose husband Bill was a former president. These two contrasting perceptions, *not* their stands on major political issues, swayed primary voters to nominate Obama over perhaps the best known American woman in the world.

That's why, wherever you're called on to believe a perception, it's absolutely vital for you to look beyond the illusions others would have you take as reality.

In an ideal world, everyone would be forthright and honest in presenting themselves and their corporate entities, "warts and all". But until that ideal comes along, perception will be the reality others accept about you. So it's up to you to craft that reality to your fullest advantage.

Fortunately, you need not do it alone. You can gather around you the resources of some very skilled individuals in many disciplines… the Dream Team we discuss in the next chapter.

Chapter Six

Creating Your Dream Team

'The first method for estimating the intelligence of a ruler is to look at the men he has around him.' - Niccolo Machiavelli

No matter how good you are, you can't do it alone.

You can do the work of two or three people - and to achieve super success you'll work that hard most of the time - but you can't *be* two or three people. You can't be in a Los Angeles bank to nail down financing at noon, and sign a deal in Manhattan at two. The most determined, passionate, vision-driven high performer does not have the expertise, energy or hours in the day to carry out every action, check every figure and review every contract generated by a company assuming a growth position.

Your company, your entrepreneurial creation, is understandably a source of pride. Nobody else loves it, frets over it and perceives your vision for it like you do. Nevertheless, the time comes when you *must* give up some, in fact a significant portion, of that creation to others in order for it to become what you dream for it. You must relinquish pride of authorship to the hands of others inside and outside your company.

Pride of authorship has been the death of countless otherwise promising companies because its "founding father" wouldn't let it go. Let's follow that parental parallel for a moment. You have a darling daughter you helped bring into the world. Your highest ambition is to nurture that little girl, shape and form every phase of her young life so that she blossoms into an intelligent, happy and successful woman. But you can't do it alone. Along the way you have to entrust her to school teachers, piano teachers, camp counselors and drama coaches. With luck you'll achieve your ambition for her, but to do that, you have to share control with other, carefully selected specialists.

Your entrepreneurial relationship with your company is much the same. You have to hire and retain experts in finance, accounting and tax law to help give your enterprise the direction and counsel you can't give it. You need the skills of stockbrokers, investment bankers, merchant bankers and commercial bankers, attorneys, accountants and consultants in several fields whose knowledge you value. Finally the day comes when, for the sake of a few million dollars, you sell out piece by piece to legions of profit-driven shareholders, strangers who view your entrepreneurial creation not with your passion but with undisguised greed, or at least as a potential source of security for their retirement years.

That's why you use *two* levers to pry open the way to super success - Other People's Money… and Other People. These other people, recruited from a variety of sources, are what constitute your "Dream

Team". Let's talk first about your board of directors, the initial Dream Team members you need to assemble before you can recruit the others.

Your Board of Directors

When I mention a board of directors, your first reaction might be, *hey this is just a little hip pocket company. Isn't a board of directors sort of premature?'* Not at all. Directors are your first and most immediate requirement. You wouldn't think of playing a baseball game, and fielding every position with no other players than yourself until about the fourth inning. So why would you begin your company with yourself being the one and only expert filling every position of responsibility.

You may think of your enterprise as simple and uncomplicated, but if you're preparing for a Quantum Leap into the big leagues, you've got to fill all the positions on the field *now! Before the game starts.* So incorporate, if you haven't already, retain the titles of President and Chief Executive Officer, and begin your search for your Dream Team directors.

The most immediate benefits your board of directors bring to your Dream Team are credibility and prestige. The best source of directors is recently retired CEOs and other top executives of local, regional and even national companies. And they're not inaccessible. As with finding a suitable mentor, pick up the phone and call. Explain your situation and the direction in which you're moving, and how you have some fantastic ideas on consolidating a cottage industry or whatever your goal may be. Express your desire to have the individual add his or her knowledge, experience and prestige to your company. You'll be surprised at how receptive even high profile people can be. One of my partners discovered that e-mail is the most effective way to get their attention. How do you get their e-mail address? Call their company and ask, or look on their Web site.

These senior individuals are rich with experience and wisdom you can call on, they're probably frustrated because nobody asks them for their opinion anymore - and they've got time, between golf games - to give you whatever time and attention you need. And they're not likely to try to interfere with how to run your business.

One question many senior and retired people ask is, *'How can I contribute? I wouldn't want to be involved if I couldn't contribute something.'* It's very disarming to have a former CEO of a Fortune 1000 firm ask you if you think he can "contribute" to the success of your company! So just flip it around. *'Sir, I would look to you for recommendations on others we might consider for director positions.'*

Select an experienced chairman first, an individual with an established reputation though not necessarily in your own industry. Your chairman should be, to the fullest extent possible, an executive heavyweight - a highly experienced person who has done dozens, even hundreds of business transactions over the course of his career. In real estate, they'd call him an "anchor tenant". I myself am the chairman of number of corporations, and in every instance was brought in because no matter what comes up for any of these fledgling companies, I've "been there, done that."

The rest of your board positions should be filled with individuals from varying backgrounds who share one common quality - ***they all have more business and financial experience and acumen than you.*** Your board ideally should include a financial person, an accounting specialist, and one or two other individuals who have already achieved what you're trying to achieve in your field of endeavor, particularly in growing a company geometrically through acquisition. Your accounting expert might be a former regional managing partner of a Big Four accounting firm. Your financial-based director might be a retired investment banker.

All these people, no more that four or five in number, will inevitably "contribute" contacts, tips and ideas you'd have never dreamed of otherwise. They are the core from which you will now proceed to build an aggressive, acquisition-hungry corporation.

By the way, your board must be what I call "lawsuit-aware". Although it may go without saying, at some point mention it to them anyway for the record: you accept litigation as a part of exponential growth. You regard litigation as a legitimate business tool (and if you don't you should). If the idea of filing suit makes you uneasy, and the thought of getting sued frightens you away from acting in the best interests of your company, stop reading here and go get a good romance novel.

In business as in life, disagreement happens. Assassins abound. Trust me - I've been involved in about 200 lawsuits and have only lost a couple of times in the U.S. or the U.K. The greed, arrogance and the stupidity of others need to be kicked out of your path to glory without a second thought, without a break in stride. Be mentally prepared to do battle in court whenever you have to - and have a board of directors prepared to back you up.

As for compensation, don't even bring it up the first or second time you and your prospective directors talk. Whatever you may offer is table scraps compared to the wealth they've accumulated after 30 years of business leadership. Eventually, almost as an afterthought, mention you'd like to offer each director 2% to 5% of your company, depending on the extent of their time and participation involved. Offer a few points more to your board chairman, based on the projected depth of his involvement. Then the issue of compensation is covered.

Remember that you assemble your board of directors *before* you begin your search for outside accounting and legal professionals. Assuming your board is complete, it's time to continue building your Dream Team.

Your Mission Statement

Before you make the first phone call to the first accounting firm, sit down and write your Mission Statement, to articulate your vision and the overall strategy you intend to pursue in your quest of that vision. The Mission Statement is important to most professional minds, in that it reveals how much you understand about where you intend to take your company, and the boldness and clarity of your vision.

Though most Mission Statements tend to be pie-in-the-sky crap, there are some "magic words" you want to incorporate into this brief document to make it stand out form others. You want to "dominate the industry", for example, and become a "major force" in determining the future of that industry. "We're going to consolidate a fragmented or cottage industry" tells the reader you plan to grow geometrically through acquisitions, an exciting prospect for any accounting firm that would like to boost billings the same way. Do not confine yourself to a time frame - that's a detail at this point.

While you and your directors fine-tune your Mission Statement, also pull together executive profiles of your directors. When all the documents are complete and professionally bound as a presentation handout, begin setting up interviews with accounting firms. Your new directors will no doubt have contacts among the Big Four. Use those entrees. If not, pick the phone and start making cold calls on accounting firms.

Retaining the Right Professionals - For the Right Price

What kind of accounting firms? For starters, you need the expertise of a highly reputable CPA firm – or Chartered Accountant firm in the U.K. My contention has always been that you avoid hiring your neighbor or your cousin the accountant, or even the hometown CPA company. From the very beginning, use a Big Four accounting firm. How can you afford the best? – PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or KPMG? We'll get to that later. (By the way, each of these firms is actually an enormous group of companies operating globally, with between 120,000 and 150,000 employees and annual revenues of around 25 billion dollars.

Set up preliminary interviews with all the Big Four accounting firms with offices in the city in which you'll be doing business. If you are not close to a Big Four firm, you will have to consider a firm in the top ten. Schedule yourself and one of your directors, but not your board chairman. If possible, have the accountants meet you outside their office. If your new offices don't have a conference room, try to arrange one elsewhere. If you must meet at the accounting firm, make note of the size of the conference room they put you in, as well as the seniority of the accountants you're meeting with. It'll indicate their initial estimate for your potential as a profitable client. Make sure that a partner is present.

Many successful individual started by interviewing regional accounting firms and then moving on to the Big Four when their comfort level increased. I strongly recommend this practice.

The first meeting is a brief one. Your presentation should last about 20 minutes, during which you simply expand and elaborate on your mission statement, re-emphasizing the fact that you intend to consolidate through acquisition an industry that is fragmented and basically in chaos. You also tell them up front you're interviewing four other accounting firms, and you'll go with the one which offers your company the best deal. The whole meeting should last no more than 40 to 45 minutes. It's a beauty contest!

During the second round of interview meetings, you may have narrowed the field to maybe two or three firms. You should expect these interviews to be attended by an audit partner and/or a tax partner, plus someone who has experience in corporate finance.

When you're obviously an aggressive company seeking growth through acquisitions, accounting firms will listen to you for two reasons. First, they envision their own geometric billings growth riding on top of yours. Second, a company in an acquisition mode is less likely to change accountants once their accounting firm picks up the rhythm of the company and understands its vision, pace and tempo.

This gives you the opportunity to leverage your potential with regard to their fees. Accountants will work on a contingency fee basis (except for auditing), with fees linked to success or failure. "Audit independence" is important to accounting firms, as defined for them in the Generally Accepted Accounting Procedures (GAAP). Nearly all countries have similar rules and procedures.

So you talk to accountants about "*value-added fees*" and "*success-oriented fees.*" Underline these terms! They are very important phrases for you to use. Recently I made presentations to a number of accounting firms, and in every instance, the partners immediately responded to those terms.

One Big Four partner suggested they will bill only 50% of their hourly rate until we made a successful acquisition; then 100% and then play catch-up until they made their 50% balance. Another Big Four firm said they would wait for six months *after* our first transaction to begin full billing. The point is that accountants are flexible as long as the aura of professional "independence" is respected.

At each of your second meetings, accounting partners will be selling to you. You should expect them to respond to your previous presentation, and be prepared to discuss your specific needs and expectations of them as a Big Four firm.

By the third meeting, you should have the input and intuition to have narrowed your choices to one or two firms. Attend these meetings with your board chairman and/or another senior director. In addition to moving toward your final selection, ask for recommendations for a law firm. You will benefit from the fluidity of working with accountants and lawyers who already understand one another. Also request that each accounting firm send you a draft engagement letter, spelling out the terms of your relationship. With the help of your board massage this draft to your best advantage, and return it to them. Several times if necessary. This document is important, that it may be the basis of your accountant/client relationship for years to come. Then, based on which firm has spelled out in writing the best deal for your company, make your selection.

Once your accountant has been selected, you will also want to retain the services of a top law firm. I prefer an international law firm, but you want one that's at least nationally active. Our lawyers or "solicitors" in London, for instance, were Freshfields (now part of an international conglomerate), a British law firm that's older than the United States! Freshfields also represented the Queen and the Bank of England. I preferred to think that the Queen was using Great Western's law firm. (They were pretty damn prestigious. Conventional wisdom in London had advised us, "These chaps would hardly consider representing you Americans, I should think." But they did, of course.) At any rate, when our lawyers spoke, with advice or opinion, people listened.

Have I mentioned perception/reality lately? At the outset, our choice of law firms enhanced the perception that we were more successful than we were - but certainly as successful as we intended to be. (Incidentally, one of our lawyers at Freshfields was a cocky Australian named Allen Murray Jones - smart, yet converted to become our mole at Freshfields. Even with the amount of business we ran through Freshfields, he never did make partner. After centuries of tradition, Freshfields just couldn't be swayed by enormous billings of an upstart American oil company. When Jones left to join another large international law firm, Durant Piese (now part of a much larger firm), we followed him, and the leverage of our business helped him become a partner there.)

Here's another tip for assembling your Dream Team. Whenever possible, within the oak-paneled offices of any attorneys or CPAs, I've always sought out a hungry young lawyer or accountant I could trust, an up-and-comer with greater ambitions and more talent than his employer appreciated. I cultivate such bright, motivated individuals, because inevitably they become my moles within their own organization. Their allegiance gradually shifts from their employer to me, to that instead of telling me what I *cannot* do, they find ways of *enabling* me to do what I want to do! Now, in no way are they doing something wrong. But they *are* now looking at and digesting information in a much different light. You are no longer merely a client. You're *their* client.

A caution: be kind to your mole. In my younger, less sensitive days, I often screamed unkind language to our mole at Coopers & Lybrand (now PricewaterhouseCoopers). She served us well enough for years, but when I left Great Western, she found ways to repay my verbal indiscretions, although I have to say she was always a first-class professional.

What's in it for a hotshot lawyer or accountant? I continuously remind their employer how valuable they are, and how worthy they are of raises and promotions. But dearer to everyone's heart, given the right individual and the right circumstances, I can offer them equity in the entrepreneurial success they're helping me create. When that occurs, of course, you'll find that they almost always leave their firm to join you full-time.

That brings us back to your venture. During the early stages of your pursuit, when you're just building your Dream Team, how can you afford to retain a top law firm? You bring them into the equation.

"C'mon, Dan, you can't do that. You can't walk in and buy them with a piece of action that doesn't exist." I sure as hell did. I also secured the services of blue chip brokerage firms in the same way. More than once.

Top legal counsel costs, say, $450 to $850 an hour or more. I mean the clock starts when your lawyer picks up the phone. It costs you a quarter to say good morning. But lawyers are not as concerned with "independence" as their counterparts in accounting. Regardless of what they'd have you think, lawyers are people with needs and greed just like you. And they'll listen to a deal.

Here's how. *"You say you're good, counselor? You say you can make this deal happen. I believe you can. So here's* my *deal. Your fee is $475 an hour? I'll pay you $550 or even $600 an hour when we're successful... or $100, maybe $200 an hour if it crashes.'* (The lower figure is meant to cover their real costs, such as paralegal and administrative expenses.) But any fee must come out of a successful transaction, and fees for unsuccessful deals are rolled into the next transaction.

My rationale is that *any* fee for a deal is too high if it crashes. But almost *no* fee is too high if we score. Hey, if we make $10 - $20 million, I'm delighted to share the wealth with the lawyer who worked nights for six weeks, who found loopholes that would choke a gnat, who worked for *me* rather than the IRS or the SEC. Accountants, of course, are bound by certain restrictions that preclude them from taking direct equity positions and direct contingency fees, but they will work with you on non-audit issues. Believe me, they will cooperate. In some of their most recent deals, my partners in several growth companies have found professionals quite willing to defer fees altogether for six months.

Along the way, that lawyer will perform feats of acrobatic prowess even he never believed possible. Why? Because instead of getting a flat fee regardless of outcome, he's got equity in *success.* And believe me, since adopting a "success : success" strategy, I've never had a professional advisor kill a deal. In fact, I've had them resurrect a number of deals, each one a financial phoenix rising from the ashes on the conference room carpet!

So… you've got an experienced and influential board of directors, a Big Four accounting firm and a top, perhaps international law firm on your Dream Team. You're as prepared to begin your Quantum Leap as anyone on Wall Street. And you're ready to begin your search for financing. Incidentally, the credentials of your dream team will be noticed by every banker you approach. They know that Ernst & Young or PricewaterhousCoopers won't accept a client without doing thorough due diligence. With the light of powerhouses such as these behind you, you cast a hell of a shadow in the offices of any banking institution!

Partners and Staff

As your enterprise gathers momentum, the next person you're likely to seek out is a partner, a co-parent for your venture. This should be an individual whose skills, talents and temperament *complement* your own, and fill critical gaps in your own range of strengths. After all, you don't want another *you*. You want somebody you're *not*, in as many areas as possible.

Mark McCormack, writing in ***The 110% Solution,*** pointed out that individuals perform beyond their normal capacities when they are teamed with a partner who is better than they are. In sports competition, we quite often see a tennis player or a golfer stretch their potential to keep pace with a higher ranked player.

McCormack believed that choosing a superior partner is an instinct we have in childhood. The smaller playground team captain automatically chooses the biggest kid for his team. As we grow up, however, we become aware that our own performance is being judged and compared against others. *"Self-interest makes us seek weaker partners who make us look stronger by comparison,"* McCormack wrote, rather than the "big kid" who can help elevate our performance. As if to reinforce such thinking, conventional wisdom dictates that you find a partner that won't show you up or even make you look like a fool!

Just as important to a dynamic, successful partnership is the personal chemistry between you and your partner or partners. In sizing up a potential partner, you are essentially considering and ultimately proposing marriage… a business marriage. You go through a period of courtship as you get acquainted with one another's business style, goals and operating philosophies. If either of you already have employees, you've even got "in-laws" to fret about your best interests (and theirs).

But what if you're friends? Can you be business partners without destroying your friendship? The answer is an emphatic "Yes!" The fact is that the two (or three) of you will be spending so much time together that you're going to have to be friends. Or you will certainly become enemies! My partners and I did many things together. Our respective families became entwined, so that we developed a sizeable rooting section cheering on our success. This experience convinced me - if you can't be friends, you can't be business partners.

Beyond partners, hiring key associates is not for the timid. It takes guts to do it right. The temptation for a lot of entrepreneurs is to hire individuals who can be controlled, so that their own pride of authorship can be sustained. That's insane. Why would they bring in some doofus with less imagination, less initiative and dimmer vision, and think for a minute he'd help them propel their vision forward? Instead of adding powerful engines to their venture, these entrepreneurs are only adding ballast.

One of the most obvious qualifications is experience. Read the résumés. And read between the lines. Has this guy spent his career as an executive clerk for some top corporations that read terrific on his résumé? Or has he *done deals?* Can you see from a couple of sheets of paper that here's a corporate squad leader who has wrestled through the hell of negotiations and actually won?

Think of your staff as an elite fighting team. And to be elite, they must have *fought.*

There are other considerations as well. I seek out potential associates and partners with enormous talent, who have strengths I do not, whose energy and vision match my own, and who nurture enormous egos! In short, I'm looking for people who want my job! But good help is hard to find… and bad help is abundant!

I also hire people more on attitude than credentials. You can't browbeat them into enthusiasm. You can't pump them up if they were born deflated and have never been pumped up. They have to bring a good solid "can do" attitude with them, so you can harness it to help pull your dream.

Hire people with an appetite for adventure too. Because that's what they're about to have if they sign up to join your high wire quest for super success. When you begin looking for associates and staff personnel, you talk to a lot of qualified, certified people who prefer the serenity and predictability of the status quo. They value their safety and security, and lead neatly patterned lives. And they're boring as hell. In my mind they're already dead, lying around waiting for the undertaker.

But for every 15 to 20 of these losers, you discover one man or woman, one uncut jewel who salivates at the prospect of helping you explore and conquer new territory. You're the chance they've been waiting for! And you can bet they'll forsake everything for a chance to join your adventure!

Another key factor to be considered in bringing-in associates is personality. Like the weather, we can't change personality but we can talk about it. Growing an idea into a marketable company requires enormous mental and physical energy, and a focused commitment of personal time and resources that you cannot allow to be sidetracked by conflicting personalities. Your key personnel simply *must* have the interpersonal chemistry to get along. If not, their ego and personal agendas will divert the energies you need of them toward widening the chasm between them. And your Dream Team will give you nightmares!

At the same time, beware of staffing your organization with people just because you like them or they get along with one another. You're not putting together a social club, and a team of dim bulbs, no matter how compatible and congenial, will never accomplish anything.

I want to hire people who can surprise me. Nothing pleases a high performer more than for an employee or partner to have an idea *first.* Remember - the high performer values the idea, the inspiration, the solution far more than pride of authorship. Personally, I'm delighted whenever one of my partners surprises me with a spark of genius. It confirms what a perceptive guy I was to bring him or her onto the team. And it tells me I'm getting more then my money's worth. (By the way, I use the term "partners" because all my staff have equity of some sort.)

Finally, I look for commitment. I don't mean 9-to-5. My people *must* be willing to work nights, weekends, holidays or whenever necessary during critical periods of growth. They *must be* instantly available at home, on the golf course or in any airport in the world. They need to fly to New York today. They need to revise the proposal tonight, hammer out a deal tomorrow morning and meet me in Houston tomorrow night. I don't want to hear about Junior's softball game or a house full of company or any other personal bullshit. I want to hear, *'See you tomorrow night!'*

When I'm building a Dream Team, I give potential partners what I call the Doofus Test. I put them in a conflict-of-interest bind or time constriction which requires them to make a decision and take action. I schedule meetings on early Sunday mornings or Saturday nights. I find out when they have birthdays or anniversaries, so I can set up meetings that screw up party plans. Okay, I'm a son-of-a-bitch, but the Doofus Test gives me two essential pieces of information about people: first, how they react under emotional pressure, and second, how committed they are to me and my agenda. Sure, it's fine if they've promised to take their kid to a ball game and can't change their plans. But they can't work for Dan Peña. Otherwise, down the line, they might have the birth of their first child take precedence over all of us making millions of dollars!

Having talked in abstracts about personalities and commitment, it's time you heard about two brothers who, years after the fact, still personify total commitment in my mind. In August of 1994, I was holding a board meeting of my holding company, Great Western Development Corporation, at Guthrie Castle, Scotland. The meeting was set to begin August 17th, and it was expected to be a two or three-day meeting. One of the participants was a young man in his late twenties. We'll call him Jon. I had brought him on the team mostly on the recommendation of his older brother, Adam, who already worked with me. Neither of them was yet 30 years old.

Unknown to me, Jon had confided to one of my assistants that he was a little anxious about the "two or three day" meeting in Scotland, because he was getting married on August 20th. But he never mentioned it to me. Not a word! He and Adam flew to Scotland and gave a great presentation. And still no one told me about the imminent wedding, Jon's desire for success enabled him to risk getting home the day of his wedding, and he never wavered. He never asked "what if?" Instead, he committed, knowing he might be racing from the airport to the wedding aisle, dressing in the car, and missing all the social rituals that precede any formal wedding. Not a very auspicious beginning for a marriage, he surely must have thought.

As it turned out, Jon arrived a full 24 hours before the presentation. No problem, right?

But let me ask you - what would *you* have done? Would you have demanded such commitment? And would you have *given* such commitment? Had I known, I would not have excused Jon from the meeting. I would have left the choice up to him, as indeed it was anyway. The mark of a high performer is that he both demands *and* delivers total commitment to the business. I've never asked any of my team to do something I haven't done. In fact, I still do whatever it takes, no matter what.

And let's talk about the older brother, Adam. I was holding a Quantum Leap seminar in May, 1995, in Los Angeles, and was expecting about 800 attendees. (I had met him at a previous Jim Newman PACE Seminar, and he became a member of my team in late 1994. In fact, nowadays, I find most of my future business partners during my own seminars.) I asked the two brothers to be there, since we could use any spare time to talk business. What I didn't know was that Adam's wife was expecting their second child that same week. Adam didn't hesitate, and never mentioned the impending baby. He arrived for the seminar and stayed through the weekend, helping with the seminar and discussing business issues.

Again, what does conventional wisdom say? And what would most people have done? But the larger question is, what do these two brothers possess that generates such a high level of commitment? How are they different? They both had twelve years of Catholic school education, played college soccer at Texas Christian University, joined a fraternity, graduated and married. Adam has an MBA, although I've never held it against him. Then they both left promising positions with large corporations, and took enormous pay reductions to join my team.

I gave them each equity in one of my companies at a time when the company was little more than a dream of mine, with the growing potential to be worth tens of millions of dollars over the next few years. We'll talk later about giving equity to achieve your Quantum growth.

Once before in my career, I had two partners who were as close to the ideal as I can ever hope for. They shared my fervor for success, and were driven by their own dreams to commit their lives to Great Western. In fact, one arguably gave his life in pursuit of Quantum growth.

Mark Harrison was a lawyer who specialized in oil and gas matters and corporate law. I met Mark while I was still with JPK Industries, and he was handling our legal affairs for a nationally known law firm.

He was a young, energetic partner. Because of his brilliance, I sought to cultivate him initially as a mole, and ultimately as *my* partner.

Mark started out with Great Western Development Corporation in 1983 on a part-time basis. I gave him a verbal deal for one year, and his law firm gave him a year to decide whether he wanted to cast his lot with Dan Peña and GWDC.

Mark became my Chief Operating Officer at Great Western, and was given 10% ownership in the company. By virtue of his legal background, he had the skills to visualize and nitpick every aspect of an issue, every phrase in a contract. I never once heard him say, *'Hmm, I didn't cover that... I'll have to get back to you.'*

When we came to London, guns blazing for Great Western, Mark's equity paid off handsomely that August day we went public. At that precious point in time, the three of us- Mark, Charlie and I - were invincible. We were Wyatt, Virgil Earp and Doc Holiday at the OK Corral, just like in the movies where they never ran out of bullets and take no prisoners. We acted day after day as if we had no limits to our abilities.

In the coming years, differences of management style and opinion would remove Mark from operational authority at Great Western, and in 1991, he was terminated with a seven-figure goodbye handshake by me.

I met Charlie Soladay when he was part of an acquisition team we formed in the late Seventies. At that time he was a partner with Coopers & Lybrand in the Fort Worth office. He was an audit partner. He knew health care best, but had a good base in oil and gas. I was immediately impressed by Charlie's highly defined sense of ethics. He knew right from wrong and acted accordingly. In a business world which normally operates on "situational ethics," Charlie was a refreshing change of pace. I eventually weaned Charlie away from the big-company comfort of his firm, took away his safety net, made him my Chief Financial Officer - and a born again businessman! He was a natural "workaholic," and as one energy company CEO put it, "wore his clothes out from the inside".

Charlie was a fine, totally competent CFO. But more important to me was the fact that he was a dreamer, one who could use his talents and technical skills to make his dreams become realities. He was also a great "people person," and the best "numbers man" I ever saw. But his value to me and GW lay in his wisdom. I sought his counsel. I trusted his judgment and his loyalty. I knew without a doubt that in the heat of corporate battle, Charlie would follow my lead and cover my back no matter what. I knew if I went in a corporate gunfight, he wouldn't leave me to suffer, but put me out of my misery, grab the flag and run with it.

Like Mark, Charlie was in for the equity, 10% ownership, but for the first five months I couldn't even pay him, He and his family moved to Los Angeles and lived in a Holiday Inn, and then rented a small house in case he ever got home at all. So many times, we would analyze, evaluate, plan our strategies far into the night. Then he would sleep at my place (sharing a couch with my two great danes), fly off into the early morning to another meeting across the continent, and see his family whenever he could.

From the time we decided to take GW public in March, 1984, through two major acquisitions and several smaller ones by the end of 1986, Charlie, Mark and I blazed like a comet across the financial skies. The second acquisition was that of a U.S. subsidiary of a foreign multi-billion dollar natural resources company, and involved coal mines and gas and oil properties across the country. It was a long, tough negotiation I'll get into later, but by the time the deal was closed in December, 1986, we were all exhausted.

Our ship had come in - and it was loaded with money for all three of us. Jackpot! All the dreams, the work, the pressure, the doing without a "normal life" with family, friends and sleep had paid off. My Dream Team had come through for me. We were wealthy beyond the dreams of most mortals… invincible! I went home to Guthrie Castle, my own Camelot, to heal wounds and savor our victory. We were, as the Roman legions, "Invextus" We were not conquered!

The next month, Charlie Soladay died of a heart attack at 40. Just inside the threshold of his greatest super success, it was over. John Lennon said, *'Life is what happens while you're making plans.'*

Dan Peña says, *"Man plans…and God laughs."* My life was changed forever. It took almost three years to recover from an acquisition eight to ten times our size… and Charlie's death.

No matter who you recruit for your Dream Team, and how gifted and committed they are, they're going to need leadership. Even more to the point, they're going to *want* leadership. And you're the leader. It's no wonder reports say that almost 70% of the Fortune 500 CEOs have military backgrounds.

The toughest thing about being a leader is that you're always alone in the lead position. Leadership is a towering peak with standing room for one. Sure, you can turn and get advice from this or that team member, but there's only one captain, one driver, one pilot in the cockpit. *You.* You can save your company from mistakes the others may make, but the others can't save the company from you! The guy who said "It's lonely at the top" had surely been there. I often tell my business partners they must learn to be *alone* without being *lonely.*

You're only a leader if you have followers. You can buy quasi-loyalty with money - and we'll talk about compensation shortly - but you can't *make* people follow you. They have to want to. Another misconception about leadership is that too many entrepreneurs think of leadership as a static condition. They sit in a position of leadership and assume that, by definition, they're leading. Any CEO who is not moving his or her company forward is not leading. The word "leadership" implies action. Leading is convincing others to *move,* to follow you as you proceed forward in a predetermined direction. If you're not moving, or if you seem to be moving erratically as if you've lost your way, your associates and employees immediately perceive they've lost their leadership, and begin to lead themselves in whatever direction they like. And I can assure you it won't be in the right direction.

World history has proven time after time - people much prefer to follow a madman with a clearly defined purpose than a nice guy with no apparent goals. And high performance people are often perceived as madmen. Conventional business people consider them to be loose cannons, eccentrics, even buffoons. Sometimes the most loyal employees, stretched on the bone-breaking rack of demands beyond all known capacities, are exasperated by working for high performer. But they don't quit. Great entrepreneurial madmen include Richard Branson, Ted Turner, Donald Trump and Rupert Murdock. Howard Hughes was a madman long before he went crazy.

One of the most demanding high performers was Thomas Edison. In 1884 he hired a young Croatian engineer, Nikola Tesla, to work in his laboratory in Menlo Park, New Jersey. Edison was convinced that direct electric current (DC) was the way to light the world. Tesla believed that alternating current (AC) would be more practical. Already a world-famous inventor, the supremely self-confident Edison had little patience with employees and disagreed with him, and fired Tesla. In 1889 Tesla patented an AC power system, and sold it to George Westinghouse who built an empire generating AC electricity.

As you work with your Dream Team toward achieving your super success, it's fine to be regarded as a little mad by the world beyond. Your perceived madness in the minds of conventional thinkers is a sure sign you're on the right track. I'd be disappointed if some investment bankers I know *didn't* shake their heads when they talked about Dan Peña. I relish my reputation. But remember Edison. Give your employees the latitude they need to be creative on your behalf. Exponential creativity and imagination by your people will accelerate your achievement of exponential and Quantum growth. In fact, you can't achieve it without it!

One of the great lessons I learned form Jim Newman was to keep my eyes focused on the macro picture, and leave micro-management to my staff. The Dream Team you assemble has to be capable of that day-to-day micro-management, so that you can press ahead with *your* job, your responsibilities as both leader and player on your own team. Don't bring me a problem so *we* can solve it. Solve it yourself and brief me later.

As the CEO or president of your company, your job is *not* to design a better product, or reduce operating costs, or review sales figures. You have engineers, cost accountants and marketing executives to handle those tasks. Your greatest danger is getting bogged down in the office, and mired by the minutia.

You have three jobs - and they're all *outside* the office. The first one is... *kissing frogs.*

You've got to kiss a lot of frogs to find a prince. I tell my audiences you do not only have to kiss those frogs, you've got to *love* to do it... and just *love* those little pus-filled warts on those frogs' faces. (Okay, I know only toads have warts, but it's *my* story.) Because one day, one of those little frogs, at a bank, at a brokerage firm or in a state legislature, is going to be able to help you, to croak you a good word, to give you a nod, to become the prince-in-need to make you millions. So get out there, smile *...and start kissing frogs*!

Your second job as senior executive is to look for expansion opportunities. I'm talking about deals - or "schemes" as they say in the U.K. That's how you make the big money - equity on deals. And you won't find hot deals in your own shop. So get out into the market, go to trade shows, overhear conversations, talk to your moles, keep your ear to the earth of the financial world. And remember - unless you're Kobe Bryant or Madonna you won't get rich from income! You become wealthy from equity in a string of transactions. Pay attention to your industry. Watching business is like standing by a river - every time you look, the water is different. Keep watching. Check out rumors and ask questions. If you run a mid-sized business right now, chances are good there's another mid-sized business you could buy tomorrow with OPM - and make a Quantum Leap. Then another Quantum Leap. Quantum Leaps are repeatable! *Three*peatable! And more!

Your third job is finding Other People's Money - OPM. In Chapter 9, I talk about raising capital, finding the OPM you need to seize opportunities and take decisive action. My God, there are so many sources of capital out there it should be embarrassing for anyone to say, *"We don't have the money right now."* As you'll find out, it's only because you haven't looked.

Some of the plumpest, tastiest frogs you ever lay a lip on are sitting in financial institutions all over the country, just waiting to lend you money and make *themselves* look good to their bosses. Help them out! As I write this, the economy is heading toward recession. The banking industry is more cautious than it has been in many years. Institutions from AIG to Washington Mutual have disappeared from the banking landscape. But regardless of the economy, whether it's in the clouds or the toilet, bankers make their money lending money. A nervous frog is still a frog.

So... while you're out looking for frogs, deals and money, who's running your show? Other People. Your carefully hand-picked Dream Team. And hopefully, with a free hand from you - and with their owning a part of it themselves. (More on that later.)

I discovered long ago that less control, not more control, is the key to effective management. You hire people you trust, empower them, and then trust them to perform. If they can't, and you can't trust them, find people you can. It's not the end of the world if you brought someone in, gave him 5% or 10%, and then had to get rid of him. *"But Dan,"* you say, *"now he has a piece of my dream."* Calm down. You can draw up buy-sell agreement, and you have a number of ways to get around this potential danger. Don't worry about it and just *do* it. Anyway, being a minority shareholder in the US (or anywhere else) just doesn't mean much. All a minority shareholder can do is see the books and get his share of any dividends paid. Of course, if you don't issue a dividend, he gets nothing.

Rules for Keeping a Good Staff – and Keeping Them Happy!

I have four rules for dealing with staff in my organization.

1) Pay your people good money, and they'll do anything. They'll arrive early, work late, come in Saturdays - whatever it takes to get the job done because they're getting good money and they know it.

You start by paying them the best salaries in the market. Employees continuously compare their salaries with friends at other companies, and you want your employees to win every time. Give Christmas bonuses, new account bonuses, birthday bonuses - whatever you can to assure your people they've got a sweet job worth working hard to keep. Some bosses periodically hand out unexpected "Appreciation Bonuses," strolling from desk to desk with checks. I personally tie compensation to deals and profitability - plus, you'll recall, all my people are equity partners.

At Great Western, my people knew that paychecks were tied to income so they all continuously thought of ways to make money. They all worked hard and the enthusiasm was incredible.

I've previously referred to an extraordinary Brit named Peter Sage. Peter was a spectacular achiever long before we met, owning four companies by the time he was 20 years old. Today he's a globally active entrepreneur, highly sought motivational speaker and high-end real estate investor.

A few years ago, he decided to reward his staff of 22 – and his mother – with a Christmas party. Fair enough. Oh, by the way, the party was to be held at the seven-star Berj al Arab, the most elegant, most expensive hotel in Dubai. For four breathtaking days, Peter's Mum and everyone in his company - receptionist, sales staff, bookkeepers – lived in the extravagance of the super rich. Opulent two-level suites, private butler, 42-inch plasma TV screens, panoramas of the Arabian Gulf. Uncommon loyalty was loyalty uncommonly rewarded.

Unfortunately, money is used in some companies as a substitute for respect. It amazes me how much crap employees will take for the right money. From the mail clerk to the Executive Vice President (EVP). I know a guy who runs a company of about 35 employees. He calls his women "sluts" and his men "dickheads," even in front of clients. He abuses and yells at them continuously, blames them for his screw-ups, and buries them with more last minute work with no instructions and tighter deadlines than they could possibly handle. During one crisis, with his office in chaos, he took off with his pals and went boating.

But no one quits. Ask them why. *"Well, he pays us good money…" " I'd quit, but nobody in town would pay me what he does…" "For the money I get, he can call me whatever he wants…"*"

Of course I'm not advocating that kind of treatment for any employee. In fact, I did just the opposite. I paid them well *and* treated them with respect. But the point is that employees place three things at the top of their priority list: money, money and money. Above pleasant working conditions, above benefit packages, above health club memberships. Employees don't want to be your extended family, even in the 21st century. *They want to get paid as much as they can haul down the elevator in a wheelbarrow.* And when you add respect and recognition, the results are tremendous. Then you've got their loyalty forever. As Napoleon Hill said in his classic, ***Think and Grow Rich,*** after some 20 years of interviewing the 500 richest men in the world, *"The financial motive must prevail"* above all. It was true 80 or 90 years ago, and it's true now.

2) Never reprimand. This is pretty elementary stuff, but most employers forget it in the heat of crisis. The cliché is, "Criticize in private; praise in public," but, occasional well-placed rage notwithstanding, I try not to even criticize my people in private. ("*Sure, Dan,"* I can hear them now.) Instead, after I've cooled down enough so I won't rip their heads off, I invite them in, close the door, and in my gentlest fatherly voice ask them questions about their mistake that almost cost me my castle.

'What was your reasoning behind taking this action?'

'What happened as a result of that action that was not in our best interests?'

'What action would you take next time, given the same circumstances?'

"Next time" is the operative phrase. "Next time" tells them you respect their basic judgment and intelligence enough for there to be a next time… *this time!*

Since my company doesn't normally employ absolute morons, I make the reasonable assumption that a) this person has redeemable qualities that make him or her worthy of continued life and employment; and b) he or she is intelligent enough to learn from the fiasco they've just caused by screwing up royally.

But more importantly, if employees know they'll be reprimanded for mistakes, and especially humiliated, they'll never venture out where they can make mistakes. They will never get out of their own box. They'll never expand their comfort zone.

Bill Gates pays bonuses for making mistakes. It's true. Gates does this to encourage creativity and imagination. He knows good people will make honest mistakes, and he doesn't want them to become apprehensive and timid about making decisions.

Besides, I've found that one of the biggest reasons for employee mistakes is lack of information. Employees don't make decisions the same way as the CEO because they don't have the same information.

The days of the closed executive office doors are past. Corporate paternalism is dead, killed by e-mail and the ease of information flow up and down the hierarchy.

We no longer judge the discretion of an executive, even the CEO, by how much information he or she can keep from the rest of the company. Today we live and work in the Information Age, with staff who has the sophistication to receive and process information about their company, and act intelligently based on the input. The smart CEO uses that ability to "de-control" his organization, to let responsibility trickle down to competent people eager to accept that responsibility.

3) Train one or more employees for *your* job. Or your jobs, which are to kiss frogs, find deals and raise capital. You want to train others to do what you do, so together you can get to more frogs, ferret out more potential deals and get in from of more lenders. It is essential that you bring your people into a sense of ownership by doing what the CEO or owner is doing. They'll work harder, longer and with more commitment when you allow them to help steer the future of the company, and not just its present.

4) Never make decisions for your employees. Once you give them the information they need, allow them to make their own decisions. At the same time, give them the responsibility and authority to implement their own actions. Give them chances to make mistakes from which they can learn.

Your employees must grow as your company grows. It is far preferable to have the same number of enthusiastic, capable employees handling more jobs than it is to hire, say, seven more people to handle seven new tasks.

How you present new challenges will determine how quickly they learn. You can tell them how to do a job, and they'll forget. You can *show* them how to do it, and they may still forget. But if you involve them in the process, they'll understand, remember and grow.

One interesting example of how employees grow to fulfill the expectations you have of them is in spending limits. When I increased the spending authority of mid-level managers, spending actually *decreased.* They began to consider every expenditure as a personal one, and monitored costs more closely and more conscientiously than ever. And when I removed limits totally, the expenses went down even more.

Along those same lines, I've also found from my own experience that you want every employee to think of themselves as an independent contractor. Virtually every job can be "businessed," or turned into a business run by an employee. A floor supervisor at the Ritz-Carlton can easily think of himself or herself as the "CEO of the Fourth Floor." With that kind of attitude, capable people work smarter and with more pride. Look at the Saturn story. Every auto worker at the Saturn plant thinks like a CEO of some area of sub-assembly. There is no better example of empowerment at work in American industry.

When it's Time to Say Goodbye…

Regardless of the health and vibrancy of a relationship with a partner or associate, conditions, circumstance and requirements change. Personalities change. And although you and your partners or senior executives may stay together for a lifetime, the time may come when you need to get rid of somebody, even someone you've been through hell with. An incident or a pattern of behaviors confirms that it's in the company's best interest to terminate someone who helped accelerate your super success.

Getting rid of people is one of the hardest jobs for a senior manager or executive. Call it early retirement, work furlough, "downsizing" or "rightsizing" - it's no fun for anyone.

And don't think it's any easier just because you don't like someone personally. If they're good technically, if they're super competent, if they can work magic with numbers or negotiations, they're going to be hard to replace.

On the other hand, don't delay the inevitable.

Harvey Mackay was right ***in Swim with the Sharks*** when he said *'It isn't the people you fire who make your life miserable, it's the people you don't.'*

The individual who needs to be fired, is almost begging to be fired, but is still around, often performs counter-productively just to see how much you'll take. However unpleasant the act of firing may be, as long as you put it off, you expend energy in a continuous test of wills. An about-to-be-fired employee is like a corpse lying in the hallway. Somehow, everyone in the office knows when one of their associates has become superfluous, and tiptoes around the cadaver. And the longer that body lies there for apparently no reason, taking calls and drinking coffee, the greater the impact on office morale. Get rid of such a person *before* it's obvious even to the temps you need to, but haven't.

But however you approach terminations, remember this rule: when you get rid of someone, never, *ever* give them a hook with which to get back into your organization.

Make a clean, definable and irrevocable break. Separations at the management level can be very expensive for a company, especially where employment agreements are involved. But regardless of cost, sever the relationship surgically and completely.

Don't try and save money by offering such hooks as stock options to the person you're terminating. Any money you think you're saving will be peanuts compared to the expenses and aggravation which you inevitably incur later on.

Creating your Dream Team, then, is the process of involving others in your adventure, to join with you in scaling the heights of super success. You won't need all of them all the way up. But you'll need some of them clear to the top. Choose them carefully… treat them well… give them the chance to make mistakes… work their butts off… make it worth their while… and if that sad day comes, let them go swiftly and finally.

Chapter Seven

11 Steps That Make the Deal

"You can leapfrog to Quantum success but you still have to do the deals one sure-footed step at a time."

Throughout this book, I've told you over and over to make decisions…incur risks… and take immediate action. You can guess by now that I've never been one to sit around and cogitate, especially when I knew that swift, decisive action would make the difference between a vice-like grip on a multi-million-dollar deal and a handful of air. I couldn't have made 75,000 business decisions during my career by hesitating in the clutch.

Warren Buffet puts it another way. "Never suck your thumb." He looks at whatever information he needs, makes up his mind quickly and takes action on his decision. He calls any unnecessary sitting and thinking "thumb-sucking."

When the legendary Andrew Carnegie asked young Napoleon Hill if he wanted to embark on the enormous task of distilling the characteristics of the 500 richest men in the world, he pulled out a stop watch and, unknown to Hill, gave him just 60 seconds to make his decision. Hill took just 26 seconds to accept a challenge that would take him on a 20-year quest. Old man Carnegie knew the value of decisiveness as an essential attribute to completing an epic task such as Hill's.

Being careful doesn't mean moving slow any more than taking immediate action means you have to rush-in unprepared and do something stupid. We all make decisions in our lives, even trivial ones, based on several types of input-information available, previous experience, intuition, and the advice of others.

You decide where to take your car to be serviced. You decide how to handle your health insurance, and who to hire as your administrative assistant. If you take time to weigh the factors involved in these relatively minor decisions, how infinitely more complex must be the process that takes you and your business from an initial idea to the closing of a deal worth tens of millions?

In this chapter, we walk through the Eleven Steps you need to take - hell, you'd *better* take - between your bright idea and the time, a seeming millennium later, when ink hits contract paper (or when it's a matter of history).

At my seminars, I look into the hopeful faces of hundreds of moderately successful business owners, budding entrepreneurs, frustrated "wannabes," and, of course, the usual seminar groupies, perennials who would attend a group dynamics seminar held by mass murderer Charles Manson. Unfortunately, most of them came to hear me say, *"Now you just keep a positive attitude, because you're a special person, and your dream will come true."* But you know me well enough now to realize they'll never, *ever* hear that feel-good crap from Dan Peña. Not because I wish it weren't true. Hell, I wish it *was!* But life is like a balancing scale. You have to balance what you *get* with what you're *willing to give up.* Period! Regardless of what they expected me to say, most if not all of them come into the seminar with at least the germ of an idea for making money. At the close of every seminar, I solicit their ideas by inviting them to send me a *one-page* fax that explains their deal. Not one word more, or I shit can it. And over time I am deluged with ideas. Some of them are even *good* ideas!

The point is that *everybody* in your life, and in your organization, has a "money-making idea" sometime. You pick up a tip from a loose-lipped broker. You read a small item on page five of the business section. You overhear a scrap of conversation. And a small voice inside you says," *'Hey, that could be something."*

For our purposes, a "deal" is an equity transaction that generates income. It could be a public stock offering, or the acquisition of another company. Since I've made so many tons of money buying and selling equity, I'll use an acquisition as an example.

> *Fly First Class. You're not going to find a deal in Row 38 sitting beside Joe Lugnut and his family.*

The biggest deal in my life at Great Western Resources began with a chance conversation on a commercial flight from Houston to Denver. In the iate summer of 1986, Charlie Soladay, my Chief Financial Officer, happened to sit next to an executive of MAPCO, a large multinational energy corporation based in Kentucky. (Occasionally some moron will ask, *"Why do you always fly first class? That's a lot to pay for free drinks and silverware."* Of course, with as much as I travel, I upgrade with frequent flyer miles, but in case you haven't heard, top executives fly first class so they can strike up conversations with other executives, and conversations can lead to deals that lead to more deals and more revenue. You're not going to find a deal in Row 38 sitting beside Joe Lugnut and his family.)

So this energy executive, confident and relaxed, confided to Charlie he was working on a project to acquire the assets of a Canadian energy company's U.S. subsidiary, a firm called Bow Valley USA. The banks, including CitiCorp Canada, were squeezing Bow Valley's multi-billion dollar parent company for repayment of loans, so it was planning to liquidate assets to pay down its debt load.

As usual, Charlie was paying attention. He recognized that this guy, in a moment of accidental indiscretion, had inadvertently opened a window of potential benefit for Great Western.

To appreciate the significance of what was happening here, you need to understand where the oil industry was in that summer of '86. Due to worldwide over-supplies, the oil recession was deepening by the day. The spot price of oil had dropped from $28 a barrel in January to less than $10 by June. (That seems like an eternity ago, with the present-day price around $125 a barrel.) Great Western stock had plummeted from three pounds (about $3.50) on the London Exchange in December 1984 to about 50 pence, or 80 cents, by late June, 1986. Even the monetary exchange of dollars to pounds worked against us.

Every company in the oil industry was digging in, assuming the fetal position, and covering its head to wait out the recession. That was fine with me. I had decided that Great Western was not going to participate in the recession. I knew this was the perfect time to make the Quantum Leap we'd been waiting for - if we could just find the right acquisition out there in the bone-filled desert of distressed energy companies. I knew the financing was there for the right deal. I knew that we could move quickly across the terrain in our search, because nobody else was out there looking to expand. They were all quivering under their boardroom tables! We had already looked at a lot of possible deals, but so far nothing quite right had come along. Until Charlie met his talkative new friend.

So as soon as he landed in Denver, Charlie called me at the office in Houston, and reported what he'd heard. Mark and I immediately sat down and began to kick around ideas and postulate some possible strategies for somehow getting a piece of what might be a major opportunity for Quantum growth that Charlie had uncovered. What we were doing was taking Step One.

Step One - Identify the Idea.

This is absolutely the first thing you have to do - define and clarify exactly what you want to do, or what deal you want to develop. Not only do you and your partners have to agree on the basic strategy of the idea, you have to agree that it *may* be feasible *and* will benefit the company. Just as important, if it proves to be feasible, you'll ***have** the desire* to do it.

In many cases, the major benefit of an idea is not so much profit-driven as it is a vehicle to move you closer to your long-range vision for your company. My vision of Great Western was for it to become a natural resources company, and a major player in the international energy industry. And my grand strategy for achieving these goals, as you may recall, was through *external* growth through acquisitions, versus internal growth through continuing oil drilling and production.

We were established in oil and gas, but Bow Valley's assets were based 75% in coal mines and mining operations. Was there an opportunity here for us to look beyond our oil and gas-based assets to something larger? Could our little GW snake digest so large an egg? Or, as we so often said, could the minnow swallow a whale? Looking through that brief, passing window of opportunity, we had a lot of thinking to do about how to shape an idea into a plan. My instincts, which I knew were almost never wrong, told me immediately that this was the deal we *had* to have to make the breakthrough into the energy big league. As I've said in a previous chapter, the deal was obviously hot! I didn't have to run a spreadsheet. This was Pamela Anderson running up the beach stark naked toward me, saying, *'Dan, here I am! Take me.'* You bet, Pamela! Somehow, some way, we had to make this son-of-a-bitch happen!

There was yet another factor that urged me to go for it.

We had achieved a string of conquests that had begun with taking the company public. Our people were confident, even cocky, about taking on the whole energy industry. We were young, undefeated, obviously immortal, and "ready for the title fight." The mood at GW was electric with anticipation of our next victory. I would have found it hard to deny them - and deny *me* a shot at the big one. A shot at glory! But no matter how eager, even bloodthirsty we were, we still had to follow the Eleven Steps. It was the process we needed to discipline our actions, and to train and prepare our minds and spirits for the battle we were contemplating.

There were even more basic reasons for giving shape and form to our idea. If you rush past Step One, you and your partners may well be hurtling down different paths of thought, pursuing different objectives, until it's too late to regroup and re-strategize. Just like getting overrun by the enemy in battle, it's nearly impossible to recover your original positions.

Another reason to identify the idea is that you'll need to communicate it to others in your organization who may be working nights and weekends to bring it to fruition. And at times like this, virtually everybody is working nights. In addition, of course, you'll have to commit your idea to paper with crystal precision so investment bankers, brokerage firms and nervous shareholders will understand your objectives and support them. (Again, we're talking about clarifying your vision. Funny thing about a fuzzy idea - it doesn't stick to paper very well!)

Once you've identified and agreed upon the nature of your idea or plan - not the details - and its potential for benefit to your company, you're ready for Step Two.

Step Two - Investigate Generalities.

More specifically, investigate *before* you invest time, effort and especially money you could more profitably allocate somewhere else. Any action being taken by another organization, group or individual which may impact you or your company raises key questions that *must* be answered. Why was MAPCO, a Kentucky coal company, interested in Bow Valley's oil and gas assets as well as its coal interests? We learned that they wanted to purchase the company, then flip the oil and gas assets over for resale for a tidy no-risk profit. Why should Bow Valley sell assets direct to Great Western, they reasoned, when they could buy those same assets, mark them up and sell them to us? More to the point, why sell to a much smaller company such as Great Western, with no apparent financial horsepower, and certainly not as strong as MAPCO? That was the conventional wisdom they were using.

What was Bow Valley's financial status? What was the extent of its operations, in Canada, the US and worldwide? How strong were its coal contracts, with whom and under what terms? We had volumes of investigation to do quickly, but we couldn't afford *not* to turn over every rock and look beneath it.

Investigation is a search for "red flags." How many red flags do you need to see? One. Read your investigative reports… and listen to your intuition. When the first red flag pops up, when you get an answer you're not comfortable with - or don't get an answer at all - exit *immediately.* The tiniest wrinkle in the fabric, the smallest contradiction can explode in your face later. (Our Red Flag Check-list, as well as the 11 Steps to Execution are listed in Appendix C and A).

Investigation is an integral part of a high performance, and is vital to protect the interests of the high performance individual who runs the company. These days I'm pursuing deals potentially even larger than anything we did at Great Western, so I retain the services of a full-time private investigator even now who looks into every company I even think about seriously, and every person I consider hiring or becoming associated with. We call them "targets."

That means you do more than call up the references on a résumé, or chat with a few happy customers who are pre-selected and conveniently listed in a company presentation piece.

If you're thinking about doing a deal, you need to check out two targets - the company, and the individual principals of the company. So where do you start? You start with what you know - full name of person, address, approximate age, occupation and name of his or her company. Basic information can come from business cards, industry directories, the Standard and Poors directory, telephone directories, conversations with others in the industry and annual reports. When you're waiting in a lobby or an outer office, don't pick up the damned ***TIME*** magazine. Check the desks and walls for awards, certificates, photographs and diplomas with specific information you can jot down.

While you're in an executive's office, look around discreetly as you chat. Compliment your host on some piece of art or knick-knack, and get him to talk about himself. If you spot evidence of a common interest or background - golf, fishing, travel, military experience - use that as a lever to pry out more information. People, even busy executives, enjoy talking about themselves - and you should enjoy listening.

Information is only hearsay until you confirm it. How many times have you accepted credentials on a resume, for example, without checking them independently? You read, "Notre Dame, B.S.,'78/Major:

Structural Engineering" on a handsome résumé from a likely prospect. You pick up the phone and call the Administration Office of the School of Engineering at Notre Dame. If they've never heard of your prospect, that's a red flag - and all you need to terminate consideration.

Begin the verifying process with the names of individual targets. The easiest thing in the world is to have business cards printed with an alias. Call the County Registrar of Voters to check voter registration and to confirm complete names, addresses and dates of birth.

A lot of records are filed at the county level, at the County Recorder's Office. You can investigate an individual or a company by calling the County Recorder and requesting a "General Index", listing all filings involving your targets, including document title, document number, any other parties involved and date filed. Filings with the County Recorder may include:

- property documents/deeds;
- grantee/grantor records;
- tax liens;
- notices of default;
- judgments; and…
- power of attorney.

Civil suits and criminal records are valuable sources of information, but the procedures required to search these files vary from county to county and state to state. Rather than getting bogged down in an infinite number of bureaucratic variables, let's talk about this area of investigation in general terms, so you understand why this depth of investigation is important.

Check to see if an individual has a pattern of litigation. Civil litigation files are kept in the county level and the Federal District level. While you're checking individual targets, check the company for litigation as well. You might find civil suits over breach of contract or debt payment default. Anybody can be sued for anything, of course, but if a principal of the target company or the company itself has a record of breach-of-contracts suits, you need to know before you make a decision about pursuing your deal.

Check to see what law firm they use while you're at it. A high-profile law firm means they are sued and sue often, that they're combative and are willing to pay top dollar to enter and win a suit. That's good to know up front.

It's also good to know if the guys who may soon be smiling at you from across the table have criminal records. Check them out long before you sit down at the table. You may not realize it, but criminal *conviction* information is available on many county and state levels, as well as the federal level. *Arrest* information, by contrast, is not available in most states. Begin with the County Clerk's Office, and check your target for both felony and misdemeanor convictions. Check at the state and federal levels as well. Again, procedures vary. The point here is to check for past criminal convictions. You can do all this yourself, of course, but by now you can understand why you might need a good, experienced private investigator to expedite the process!

You can also check at the County Tax Assessor's office for property ownership. Verify professional licenses, i.e., real estate brokers, building contractors or attorneys, at the state level.

'Hey, Dan, do you really go through all this investigation?' You bet! By the time I'm sitting down to hammer out a deal with an individual or team of people, I'm going to have a file on every one of them. If one of those mooches has a birthday coming up, for instance, I'll know about it and make damn sure we're still negotiating late that afternoon, so he's under pressure to make a deal and get to his birthday party.

Step Three - Investigate Specifics.

Re-check your sources for details you might have missed. Then if you're in doubt about your sources, investigate them. Go deeper. If you're about to risk millions, don't think twice about probing beneath the calm surface waters of an apparently straightforward company or individual.

Before you bring in a partner, for example, check not only with his previous associates who may give you a prepared story, but with their employees who might give you a different perspective. Does this guy drink too much at parties? Does he do drugs? How is he to work for? Does he abuse employees? Does he beat his wife? Does he chase skirts around the office? Is he gay? Remember, you're not gathering information for a testimonial dinner in his honor. You're running your fingers over the fabric of his business and personal life, feeling for stitches that are out of place. Maybe you don't care if he's a cross-dresser, but you need to know.

By the way, in case you haven't noticed, I've talked throughout this book in the male gender. One reason is that I'm not going to stop and say "he or she" every time just to mollify the "politically correct" crowd. Another is habit. It's an inescapable fact that 98% of America, the UK and Europe's top executives are men. This book is not about equal opportunity; it's about making money. But if you're more concerned about the ditsy details of Political Correctness, you've probably already tossed this book anyway.

Having said that, if you're a woman, I encourage you to push beyond the gender issue in the knowledge that the number of women business owners and entrepreneurs grow every year. Also, if you've gotten this far, you're a serious player with potential to make your ton of money. So stick to your guns.

Re-investigate and continue to check throughout the negotiating period which may follow. As a matter of fact, your interest, once it's discovered, could generate a flurry of cosmetic action by the target - filings, financial shuffling or other activity you need to know about.

Targets of investigation, especially in business, are *moving* targets. Companies and individuals continue to leave tracks as they move forward in time. Never take your eye of the target while you're aiming at it!

Step Four - Commit to the Idea.

It's one accomplishment to ensure that every member of your Dream Team holds the same idea you do - your objectives, how they relate to your long-range vision, your grand strategy to achieve your objectives, and even some of the tactics and maneuvers you may have in mind. It's quite another feat to begin lining up commitments to get into the fight if it begins, and to see it through.

An acquisition deal, even for a world-class specialist like Dan Peña, is not a picnic. Your partners and your top executives should be required to commit themselves publicly to the project at the outset. Given the individual knowledge, experience and personalities of any group sitting around any conference table in the world, you're bound to get varying reactions. It's inevitable, unless you've surrounded yourself with lobotomized sycophants. If some of your people have reservations, if there is some facet of the project they're uneasy over, they need to get it on the table so that it can be dealt with and overcome, or a least acknowledged. Even I, with all my self-confidence, have tinges of misgiving sometimes.

Stick to your knitting. You want to deploy your assets, resources and capabilities in your areas of expertise and experience.

The preliminary decision-making time is when you ask yourself, *'Is this an area in which I have, or have any access to, real expertise?'* When Pat Kennedy and I were partners in building a vertically integrated oil company, we strayed into areas of the oil industry we didn't know beans about. And paid dearly for the experience. One of the lessons I learned was, *'Stick to your knitting.'* Deploy your assets, resources and capabilities in areas of your expertise and experience. I thought a lot about that lesson as I now considered moving into the coal business. I ultimately decided to proceed with the acquisition on the strength of another Peña business rule: Dream big. Think big. Be big! Besides, my instincts and intuition were screaming - this one's *hot.* Pamela was so close I could touch her.

There may be cases where one of your key people simply cannot buy into an idea. For whatever reason, that individual is opposed to the project you know will launch your Quantum Leap to super success. Even before you make a final decision, you need to ascertain whether the individual is going to perform his duties and responsibilities regardless of personal feelings, or whether his opposition is going to become a dead weight, a counter-productive stumbling block during the negotiating battle that will follow. During the preliminary discussions about the acquisition of Bow Valley USA, for example, my Executive Vice President of Exploration resisted the idea of getting into the coal business. Frankly, he didn't like the prospect of his oil-and-gas division taking a back seat to a newly acquired coal operation. When he realized that we were moving ahead with or without his blessing, he eventually came over, and even convinced himself the project was his idea. Whatever works.

Step Five –Make the Preliminary Decision.

Your Dream Team, including those with questions and uncertainties, buys into the commitment and makes it their own. Make it clear that this is not the final decision, but a working consensus or agreement to move ahead. Your investigations thus far have turned up no red flags which would cause you to reconsider or walk away from the deal. The deal still looks red hot. You have begun to prepare for battle.

It's at this point, in the preliminary stages of the process, that your people have to become obsessed with an idea that is now going to rise like a monster, assume a life of its own, and dominate their waking hours for weeks and months. You're the leader, so now you have to be the cheerleader. I was called the Vince Lombardi of the oil business. You've got to help your team get absolutely psyched up, generating enough energy, adrenaline and momentum so that, when the battle is joined, they suck up their pantyhose and charge into the cannon with no thought of defeat, fatigue, hunger, sex or any other pre-occupation. If that means stringing banners across the conference room, or pep rallies, or promises of bonuses when the deal is done - do it! Do it all. But ignite that obsession, so that your people, from your partners to the mail clerk, know it's not business as usual. You're on war footing and like MacArthur said, *'There is no substitute for victory.'*

For the record, my warriors at Great Western made me proud. We never lost in battle, nor knew how to lose. *We acted as if we had no limits to our abilities.* That became our war cry. If you want similar results, you should act the same.

Step Six – Continue the Investigation.

This is not a redundant step. Frankly, your investigators, whether staff people or an outside firm, should continue their work for as long as your project is a viable one. By definition, you don't trust the poor bastards you're trying to buy, nor those who may be competing with you for an acquisition. You simply don't believe anything they tell you, or that you hear or read about anyone, since all parties are now posturing to be in the best negotiating position. Over the course of a major deal, you'll be bluffed and bullshitted and plain lied to, directly and indirectly. You'll be lied *about* as well. Where hundreds of millions of dollars are on the line, or even hundred of thousands of dollars, integrity is usually the first casualty. Make sure it's not yours! If this sounds cutthroat, I've made my point. It is!

As you can see by now, these Eleven Steps are not necessarily sequential; in many cases they run parallel. Investigation never stops. Affirmation of your goal should be continuous. Your pep talks, your obvious enthusiasm, your total commitment all service to replenish the emotional drain on everyone in your organization for as long as it takes, even unto death, to consummate your deal… or in our case, for the minnow to swallow the whale.

Step Seven - Formulate Your Action Plan.

There comes a time in your planning and talking when you have to draw the line in the conference room carpet Every indicator, every director, every partner may say go, but *you* have to push the button - or pull the trigger. Once you're convinced you can do the deal, and you can almost feel your toes digging in, your muscles tightening to make that ***Quantum Leap***, you may have to persuade, cajole, beg, scream and bully - whatever it takes to make *all* your partners step over that line of final commitment. Chances are, however, you've chosen partners with the same clear vision and sense of mission you have, so at some point in your strategizing, everybody sort of looks at each other and knows in his gut… *God, we're going for it.* You put your heads together, load your guns, count to three and come out smoking like Butch Cassidy and the Sundance kid. It's a magical moment, that fusion of minds, spirits and souls - it's a rush you will continue to search out forever!

And before it's all over you're going to need all the magic you can get! Once you're committed, and your company is committed, it's up to you to keep initial momentum at fever pitch. Regardless of the roadblocks, snags and ambushes you run into, you *never* by word or groan, express a doubt. As I've said before, I may be wrong, but I'm never in doubt. Even the slightest negative reaction can rip like wildfire through your company's morale. During periods of high company stress, employees who are working hard as hell for you need constant re-assurance that everything's going to be all right. Like little kangaroos, they want to stay in a warm secure pouch. Give them that pouch.

I learned this lesson the hard way. During the heat of our negotiations over Bow Valley USA, I made a casual comment to one of my associates to the effect it was looking pretty touch-and-go right now. Then I flew off somewhere on business. My associate mentioned my comment to his wife. She ran into another company wife over at the health club and told her. By the time I got back, I had all but hari-kari in the hallways. *The word was out from the CEO himself - we're going to lose this deal! We're going down in defeat.* I stomped through our offices, stamped out the fire, and re-learned a lesson I already knew: Share a hope, share a dream - but *never* share a doubt.

At this point you begin to formulate your Action Plan. This is the blueprint that keeps you pointing in the general direction you want to be headed as you travel through the process of the deal.

The first step of your Action Plan is: *Define your Desired Outcome.* What do you want? What do you need to get out of this deal? The answer is not something vague like "a lot of money" or "a bigger share of our market." Have your pencil-necked analysts run several what-if scenarios that spit out your worst-case, optimum and best-case results.

Number and write down the elements of your Desired Outcome. Start with the whiteboard in your conference room in front of all your decision-makers. Make hard copies and distribute them to associates and staff. All those people who are going to be busting their chops for the next several weeks or months need to know what you want to come out of the nights and weekends you're asking them to sacrifice.

Step Two in your Action Plan is: *Define your "Pay-Price-to-Action."* Remember - your pay-price-to-action is how much you're willing to pay, to forfeit in order to achieve growth. Even the sweetest deal, unless you're a purse snatcher, requires that you give up something in order to gain something. If you don't decide in advance how far you're willing to go, how large a price you're willing to pay, the momentum of events later, in the heat of negotiation could well push you into giving away the store. Define your parameters now- and stick within them.

Step Eight - Establish Your Critical Path.

By this time in your Action Plan, you and your other decision makers need to chart the critical path, the sequence of events which must fall into place for you to achieve success. You also need to set up an instrument by which to *measure* your progress toward that success. How in hell can you know where you are at any given time if you don't know where you're supposed to be? Like a construction manager or a project engineer, for example, you develop a flow chart, an optimum time line for securing bridge financing, nailing down loan guarantees, and starting face-to-face negotiations. You need measurement, because it gives you a sense of discipline and order. And when the battle is joined, when the smoke of corporate combat obscures your field, you're suddenly struggling hand-to-hand with both foes and fair-weather financial friends, and you're calling in air support on yourself to kill the bastards so the deal can live - you're going to need all the discipline and order you can muster!

Step Three of your Action Plan requires you to: *Modify your Plan as Necessary.* The route to the best deal you can make is not a straight shot across an open field. Minds change, spirits fall, rates rise, alliances crumble, conditions change. And you have to react quickly and cleverly to every twist in the road. In my seminars, I tell my audience to think of a rocket that takes off from earth, headed for, say, a rendezvous with Jupiter. The son-of-a-bitch is *off-course* 95% of the time. Technicians on earth are continually beaming up mid-course corrections to offset conditions in deep space they never dreamed of. Think of your deal as a great juggernaut hurtling through time in *approximately* the right direction. You just have to keep nudging it to hit the ideals expressed in your *desired outcome*.

Step Nine - Implement and Follow Up.

That means don't take anything for granted. Or anyone. Even your key decision makers. Your most trusted and reliable partner, being human, can let a detail slip, forget a phone call, overlook a loose end. Even the most solemn pledges of support from others are often made on shifting sand.

> *Don't take anything for granted. Or anyone. Even your key decision makers. Check every detail yourself.*

In order to relate how minds and loyalties change, let me give a little background. We had originally had in mind to purchase just the oil and gas assets of Bow Valley USA, but MAPCO shunned our interest in a joint venture acquisition. They treated us like a pesky little kid, which pissed me off. But I saw their rejection of Great Western as an opportunity - to go for the whole company! Of course, we hadn't set up the financing for the oil assets yet. But this was an opportunity staring us in the missionary position. And we jumped on it!

The complexities of pursuing a multi-million-dollar business deal are akin to constructing a giant house of cards. Every link at every level has to hold in place simultaneously. A high performance individual must have the tact, patience, strength and delicacy to add one "card" after another without the whole damn thing collapsing… and the clarity of eye to catch trembling, wavering elements and shore them up before they snap and fall. That's where follow-up becomes a fine art.

Great Western's largest shareholder was an arm of the Kuwaiti government. Although, only one guarantor was initially required, the Canadian owners of Bow Valley USA now insisted that both our largest shareholder, the Kuwaitis, *and* our stock brokerage firm, in London, guarantee the deal. The Kuwaitis had reluctantly agreed to guarantee the entire transaction, but suddenly they were backing away from their agreement, because they didn't want their name disclosed in the documents. Meanwhile, our brokerage firm in London was going through senior personnel changes, and our allies in the deal were replaced by other company personnel we weren't so familiar with. I flew to London to steady up our "friends." And negotiations began in Los Angeles, handled for us by Mark. Why Los Angeles and not their office in Denver? Or better yet, our office in Houston or London? Because Mark's wife was about to have a baby in LA. Nice gesture… bad mistake.

Finally, just as I got the guarantees, and Charlie got bridge financing in New York, negotiators for the parent company of Bow Valley USA closed their briefcases and walked out on Mark in Los Angeles. They were actually heading for the L.A. airport while I was holding a board meeting in London to secure approval for the deal.

The final outcome of what was becoming an intercontinental fiasco is not so important here as the fact I had constantly to follow up, almost hour by hour, on events in New York, London (where the Kuwaitis were) and Los Angeles. Step Nine says you never, *ever* take the smallest detail for granted, the greatest victory for final, the closest ally for loyal. Money in the millions turns good men, companies and *countries* into snakes and weasels. Greed turns men into beasts, and beasts into demons.

You've implemented all your processes, investigated yet again, followed up, checked every commitment for leaks - and you're ready to begin.

Step Ten – Execute!

Bomb bay doors open! Your supporting elements of financing and guarantees are in place, hopefully by the time you sit down in the boardroom across from your adversaries to begin negotiations. At this point, more than any other, *you* have to lead from the front. No more phone calls from your home office. No more faxing instructions. No more e-mail. Your intimidating presence, your scowling face, your hardened, blood-splattered determination must stand in person, laser-beam focused, before the enemy across the table. If execution still isn't feasible, one or more of your previous nine steps was a misstep. That's why you need:

Step 11 – Review and Re-evaluate.

Return to review every detail of Steps One through Ten. Tighten the bolts of every phase. Chances are you'll run across some glitch, some uncrossed "t" or undotted "i", from weeks or months ago, which now prevents you from taking the Execution Step.

Six days had passed since the team from Canada had packed up and left Mark in L.A. Our Kuwaiti associates had lost face and were fuming. Foreign tax issues had arisen. Now the Canadian government ostensibly had to approve any deal. My Executive VP of Exploration was running through the corridors of Great Western saying, *'I told you so!'* Even our own auditors had recomputed real taxable income before and after the proposed acquisition, completely changing our projected rate-of-return. The whole deal was disappearing down the crapper. Conventional wisdom pronounced it dead. Imagine what Dan Peña had to say about that!

During those six days of hell, I took direct command of the littered battlefield, and began an offensive of threatened injunctions, motions and filings in New York, California and Canada. I promised to sue every moron on the Canadian board of directors, their mothers and their unborn children. I spent more than $100,000 in legal fees in 48 hours.

And on the seventh day… it worked. The pouting Canadians and Great Western, with key advisors led by Dan Peña, convened in one room around a 40-foot conference table. Our team of six stood against their team of 20. Our lead transitional lawyer was Rick Scott, one of my first "disciples," who went on to found a 20-billion-dollar healthcare corporation, at one time the largest in the world.

We had met their demand to hold talks in their lawyer's office. But I took control. I stood, looked every Canadian in the eye and told them that we would *"either breathe life back into this deal or crush the son-of-a-bitch out of existence. And nobody leaves this room until one or the other has occurred. We have trashcans in the corners of the room to serve as urinals. Period."*

And so it began. From the outset, no figure, no projection provided by Bow Valley's parent company was taken at face value. Our accountants at Coopers & Lybrand had combed through the financials the Canadians were required to provide us, and by the time we sat down we had a clearer fiscal picture of Bow Valley USA than its own parent company had!

Bitter arguments erupted like gunfire at the slightest provocation. As an example, their books showed Net Operating Losses (NOLs) of $10 to $12 million, on which we figured to pay maybe 50 cents on the dollar. It was built into our purchase price. Then they announced a new NOL estimated at $50 to $60 million, and demanded the same 50-cent payment. That was insane! Out of the question! To agree to such a demand would jack the purchase price far beyond our ability to pay, and collapse our tediously constructed house of cards. We raged in disagreement. Our attorney advised me, *'Don't roll on this one, Dan. Don't cave in. Screw 'em! Let's walk!'* But we were committed. We had to fight - so we charged! We eventually discovered closer to $100 million in NOLs, even more than the damn Canadians had figured. And we wound up paying 10 cents on the dollar.

Finally, 72 hours and two fist fights after we'd begun, the deal was done. No one was ready for the kind of gut-wrenching ordeal we lived through. No previous experience could have conditioned any of us, including me, for what happened in the name of "negotiation." Anyone who was there during those three dark December days will never forget it. I get goose bumps and a lump in my throat just writing about it. A thing of beauty born in terrible conflict.

Bottom line? Great Western paid $116 million for Bow Valley's coal operations and $25 million for their oil and gas interests. Additional oil and gas assets cost us another $7 million. We raised $168 million in cash: $85 million in short-term loans from our bank; and $85 million from Series B preference shares of

Great Western stock, which were gobbled up by our Kuwaiti friends. Great Western kept another $20 million for "future projects."

It was quite a cost to pay. It took the minnow years to digest the whale. But at the interim report to GW shareholders in March, 1987, we presented total assets of $272 million and some change, a Quantum Leap growth of $191 million from the previous fiscal close of $81 million.

Another cost? Charlie was dead within a month. A massive heart attack.

REMEMBER: You are always responsible for your decisions. That's why I put those important disclaimers at the front of this book.

Chapter Eight

The Plan with No Escape

"The leader who anticipates the failure of a bold plan, and prepares for it... will fail."

In 204 BC, the Chinese general Han Hsin led his army to a position near the camp of his enemy, the army of Chao. In sight of the fortified camp, he aligned his army along the length of a river bank, placing their backs to the deep, swift waters.

Sun Tzu, in his classic, ***The Art of War,*** relates that the soldiers of Chao enjoyed a good laugh watching their enemies line up along the river. Then almost immediately the army of Chao left its fortifications and attacked Han Hsin's army. With their backs to the turbulent water, Han Hsin's men fought so fiercely they overwhelmed the army of Chao, put them to flight and killed their king.

After the battle, some of Han Hsin's officers questioned his strategy. The general replied, *"It is written, 'Place your army in deadly peril, and it will survive; plunge it into desperate straits and it will come through safely.' "If I had not placed my troops in a position where they were obliged to fight for their lives, but had allowed each man to follow his own discretion, we would have suffered a rout."*

For five millennia, Chinese militarists have subscribed to the strategy of "burning the boats and breaking the cooking pots," acts that told their armies, in effect, *'We have no Plan B. We fight or die.'*

My return to military analogies throughout this book is no accident. Many of my skills and attitudes about leadership originate from my years in the Army. (At the same time, of course, I know a lot of tough-minded high performers who never saw the inside of a military base.) I believe strongly in the need for discipline which military training instills in individuals. Without personal discipline we are little more than animals. A leader with a self-imposed code of discipline commands the high ground to impose discipline on others, and to lead, whether platoons or corporations, by moral force. And make no mistake, much of being a high performance super star is leading yourself and others against the popular pap of conventional wisdom.

Many of the strongest American presidents - Washington, Jefferson, Jackson, Lincoln - were tempered as young men in the fires of war. General Dwight Eisenhower built an enormous fighting force of uneasy Allies, coordinated the advance of thousands of ground, air and sea forces, and orchestrated victory on the cruel beaches of Normandy. George Herbert Walker Bush was nothing more than a rich preppy kid until he saw brave men die in war against dictatorship. Years later, the former Navy fighter pilot still had the resolve to craft an unlikely alliance of Americans, Russians, Arabs and Israelis to crush the armies of another dictator, Saddam Hussein. (In 2004, the elder former president Bush, still full of grit, celebrated his 80th birthday by making a successful parachute jump!)

The military trains you to be decisive, quickly to analyze information and take action immediately. (How else could I have made more than 75,000 business decisions during a 37 year career?)

During the Civil War, Union General George McClellan looked and talked like the consummate leader to bring the North a quick victory. His men loved him. His army of the Potomac was larger than the forces it opposed. But he couldn't bring himself to make the decision to fight. He acted as if didn't believe in his own abilities to conduct war.

In business, as I've said, you must act as if there are *no* limits to your abilities. Add to that - you must act as if failure is not an option.

In the late summer of 1986, I sent Charlie Soladay to New York with instructions not to come back without bridge financing for our deal to buy Bow Valley USA. He stayed ten days, and worked day and night, negotiating with CitiCorp, our bankers, for bridging financing, and Salomon Brothers, the old line Wall Street brokerage firm, to underwrite the required loans. It was year's end, and as with all major players in this industry, their plates were full with bigger fish than us.

I knew they'd be listening to our proposal very carefully, and watching us closely for beads of nervous sweat. Investment lenders use intuition too. So our strategy was to act from an irrevocable position of incredible confidence, as if the deal was virtually a given, the financing was a fairly standard proposition, and the chance to participate in that financing was a privilege sweetened with potential for enormous profit. Accordingly, Charlie calmly paid CitiCorp $250,000 and Salomon Brothers $500,000 up front *just to look at the deal!* That money, which would become part of the overall fee if they handled financing, was *non-refundable.* Even in the Eighties, $750,000 was an impressive sum, and represented a huge portion of cash for Great Western to lay out, considering we only had about a million total in cash! And admittedly, this was a radical departure from the way I usually handled fees, but in desperate times, "you gotta do what you gotta do!"

Imagine how those buttoned-down bankers, conservative by nature, perceived our level of confidence. Charlie had just pushed them to the table by handing them $250,000 in advance.

Over at Salomon Brothers, meanwhile, we had gotten their attention as well. I can see them wide-eyed, rubbing their little palms greedily, saying, *"This must be a hell of a deal, for Peña to plunk down half a mil in advance. We better take a good look at this coal deal. Look at the fat fee we might be missing now.*

Plus all those fees down the road." They must have been salivating on their pinstripes.

But Charlie pushed even harder, acting as if he had no limits to his abilities. He told the bankers if they didn't act in ten days, he was taking the deal to our bankers in the U.K. Ten days, boys, or kiss it goodbye!

But our backs were to the river. We had no backup. Our bank in the U.K., Samuel Montagu, had already turned us down. We were fighting tooth and nail for the survival of this deal. The bluff worked. And we got the financing - $85 million in short terms loans from Citicorp, underwritten by a takeout commitment by Salomon Brothers with bonds to be issued by early '87.

The lesson is that you've got to plan for *and expect* success. That means no backup plans. No ripcords. No fail-safes. Or you *will* fail. The finest high-wire acrobats work without a net. The only faint hearts are in the audience. In our opening tale, the Chinese commander knew that armies fight best on desperate ground. With no alternative, the hungriest salesman closes the hardest. Facing death, the cornered animal is the fiercest.

Returning to the wisdom of Sun Tzu, the ancient strategist advises advancing generals not to press a desperate foe too hard, or block a retreating enemy, for he *"will fight to the death against any attempt to bar his way, and is too dangerous an opponent."*

Look for ways to make your people "dangerous opponents" when the stakes get high by creating for them - and yourself - a level and an atmosphere of risk. This goes back to your comfort level for taking risks. No matter how many risks you take and how often, they're still scary. The only risks that *aren't* a little scary are the ones not worth taking. If you're experiencing no anxiety or occasional fear as you grow your business, the so-called risks you're taking are probably not worthy of you.

Let's talk about dealing with fear. Fear and pain are related in that they're both signals that you've crossed a line beyond which your mind or body is not comfortable. Just as a blister creates pain, risk creates fear. They're both natural, primal responses. The trick is to become comfortable in the presence of those responses. The athlete who learns to win regardless of pain has raised his or her comfort level to deal with that pain.

There's a story about T.E. Lawrence, known to history as Lawrence of Arabia. He and another British officer stationed in the Saudi desert were talking about pain. Lawrence walked over to a candle to demonstrate his disdain for physical pain. He held his open palm over the flame until the flesh reddened, then removed it. The other officer was astounded. "Doesn't that hurt terribly?", he asked.

"The point is not that it hurts," replied Lawrence. "The point is that you don't mind if it hurts."

As a high performer, you must do the same with fear caused by risk. The fear never goes away - you just deal with it, and become comfortable in its presence. Does Dan Peña still feel a tinge of fear? Sure. But is he ready when it's time to fish or cut bait? Damn right! I've told people for years, I was *born* ready!

But the reality is that I've trained myself by exposing myself to thousands and thousands of uncomfortable, even perilous situations, so I would be comfortable with my abilities when the testing time came.

I'm not unique. High performance individuals flourish in an atmosphere of conflict, crisis and trouble. In fact, progress often masquerades as trouble.

As an aside, I avoid and detest the bastardization of the words "challenge" and "opportunity" as synonyms or euphemisms for "trouble" or "problem". When some cheery- faced office moron chirps, *'We've got a challenge to meet.'* I want to throw up. Did the Captain of the Titanic, wading in sea water, discuss *challenges and opportunities* with his crew? Did Custer turn to his troopers at the Little Big Horn and say, *'Men, with regard to arrows, we have a challenge this morning...'?*

If you're in big trouble, have the respect for your executive staff to say so without having to sugarcoat it as a "challenge." We'll talk more about conflict in a moment, but now let's examine the relationship of Strategy and Structure in a high performance environment. I'm not talking about sharing doubts here - keep your doubts to yourself. I'm talking about BIG problems that need stating up-front, and solutions to be found.

Strategy and Structure - and Which Comes First

In the knowledge that unforeseen problems will arise to screw up the best laid corporate plans, let's discuss the utilization of two separate elements of company organization - Structure and Strategy.

Structure describes the organizational make-up of a firm's being - the form and nature of its existence. Evidence of structure includes such elements as the ubiquitous organizational chart, and the chain of command; executive committees; individual job descriptions, typeset and posted in every cubicle... and a "the way things have always been done" mentality. Structure requires no human thought to continue to exist.

On a day-to-day basis, structure is a permanent framework within which every project, every potential for new revenue, every lurch forward must be filtered. Structure, if immovable and inert, becomes over time a temple of conventional wisdom... and an impediment to quick decisive action. A structure that may once have facilitated strategic planning and implementation, now hinders and discourages it. And the larger the company, the more complex and intimidating the structure.

In recent years, such corporate giants as Sears, GM and IBM have become classic examples of this truth. And, of course, the federal government, plodding through its paperwork and bureaucratic bullshit, is the grand daddy of them all.

Having said all that, we need to remember that structure itself is not inherently bad, indeed it is absolutely necessary in some form, so that a company maintains a semblance of orderly operation.

Strategy is entirely different, almost the antithesis of structure. It requires thought to exist. Strategy implies movement toward an objective, and is fluid in nature. It is a plan created to propel and utilize people and resources efficiently, cost-effectively - and especially profitably. Whereas structure has no known origin but is framed and hangs in the lobby, strategy has many sires, and is scribbled in marker on a whiteboard.

In too many companies today, strategy follows structure. Executives trying to develop strategy in pursuit of a passing opportunity must scramble through the gridwork of existing structure, seeking approvals, following form, observing protocol. The aforementioned corporate entities, e.g. Sears and GM, are textbook examples of strategy following structure. (During the mid-Nineties, this trend abated, as companies returned to more flexible, more participatory management structures.)

At Great Western, I emphasized continually the dictum that "Structure follows Strategy." We maintained a basic organizational structure, of course, - a CEO, three EVPs, mid-level management, etc. But as soon as we made the decision to take action on a project, such as an acquisition, and formulated strategy, we had the flexibility to remold structure and streamline it to meet the needs of that strategy. Job descriptions changed. Procedures were compressed. And "normal" working hours became days, night and weekends. When we were on war footing, we defined structure as whatever the hell it took to keep strategy on target and on schedule. And our target was winning at *all costs!*

Even more importantly, structure in support of strategy enabled us to maneuver through crisis, to handle the ambush of an unforeseen problem as quickly as it arose, and move on.

Thriving in Conflict

Conflict is part of life. It is a natural phenomenon that results when people act in pursuit of varying interests, priorities and desires. Kids fight over toys. Primitive tribes fight over territory. Gangs fight over turf. Companies fight over market share.

Contrary to what mush-brained idealists would have you believe, conflict is not necessarily bad. Conflict weeds out losers, while confirming the right of the superior to prevail. It is *how* conflict is managed or mismanaged that defines its quality. It's very evolutionary, almost Darwinian, how the doctrine of survival of the fittest reveals itself across the corporate landscape in the form of downsizing, mergers and major consolidations.

Business deals, especially at high performance levels, distill and concentrate conflict, because the stakes are so high. In global politics, when negotiations break down irretrievably, the parties can go to war, since killing in war is not illegal. But in business the force of law and ethics - mostly law probably - discourage executives from physically harming one another to get their way. So the ultimate corporate arena for conflict resolution, short of legal action, is the negotiating table.

Winning on Your Turf, on Your Terms

Negotiating, like super success itself, is *not* for the touchy-feely. People who'd rather be loved than victorious invariably lose their ass at a negotiating table. As another high performance oil man, J. Paul Getty, once said, *'The meek shall inherit the earth - but not its mineral rights.'*

I love the dynamics of negotiation. Skillful negotiators, of which I am among the best, are forceful, persistent, perceptive and patient. I thrive on seeking out and defining my opponent's comfort zone, that imaginary box we discussed in Chapter Four, and then placing an offer on the inside rim of that comfort zone ***closest to my own best interests.*** This delicate placement gives the doofus the absolute minimum he'll accept to close the deal and still be able to convince himself he won, that he really stuck it to me.

Negotiation is a poker game, played with fortunes at stake instead of chips. To win - and this is key - you *must* make the other guys think they want what *you've* got more than you want what *they've* got. And, in Kenny Rogers' words, *"You've got to know when to hold 'em, and know when to fold 'em."*

Negotiation is the ultimate in power play. Knowledge of your foe is your most powerful weapon, of course, and I maintain a full-time private investigator on my staff for exactly this purpose. But control of the physical element of a negotiation is also crucial. From the moment you enter the room, you want as much accumulated power on your side of the table as possible. Accordingly, I have five ground rules for my people or myself entering a negotiation:

1. Suits required. That seems obvious enough, but I've bargained against morons who wore their golfing attire to a morning session because they anticipated getting out in time for an afternoon tee-off. You think Dan Peña adjusted his negotiating strategy to make sure there was no golf that day until he had

Dan's deal on Dan's terms? You bet! But beyond that, your custom business suit and "power tie", even at 6:00 on Saturday morning or 10:00 Sunday night, tells your counterparts that you came for business, and that this negotiation is your absolute top priority. A clown in a sport shirt tells me he's got something else on his mind.

2. My place. Like any other "contact sport," negotiations favor the home team. In my conference room, the familiar furnishings, the familiar feel of the chair beneath me, even the lingering aura of past victories won there, all contribute to my power level. By contrast, my adversaries are on unfamiliar ground. They are dependent on me and my staff for coffee and other amenities, and to tell them where the restrooms are - if I decide to tell them. When you're getting ready to hammer a negotiating opponent before he realizes it, there's no place like home.

3. My contract. Always volunteer to draw up the contract. *'I'll go ahead and have my people draw up the contract... it's no problem.'* It seems innocuous enough to offer the courtesy of handling this detail. But now everyone will be beginning with *your* contract, and the language *your* Dream Team lawyer has carefully, cleverly written to earn his equity. And *you* get a first and longer look at what it says and how it reads. You enter negotiations with the perfect instrument from your perspective, so the burden is on the other side to find and recognize terms, terminology and clauses not to their advantage.

4. Nobody leaves until the deal is done. You tell your counterparts in advance that you expect the deal to be signed at the end of the upcoming negotiation meeting, and for them to make whatever preparations required for a non-stop marathon. In fact, memo them to that effect. They'll agree, because from the comfort of their own offices, they can't envision the type of meeting you are already mentally preparing for.

5. Everyone necessary for a final, definitive decision *must* be present at the meeting - or there is no meeting. It's like a salesman who must have the "buying committee" present in order to close a sale. If one executive is "not able" to attend an important negotiation where million of dollars are at stake, one of two dynamics are occurring. The other party does not *want* to make a final decision and put ink to paper before the doors are unlocked... or a key player is revealing an attitude problem and by his absence is saying: *"I don't like this deal, I don't like you, and I reserve the right to veto every decision and negate all the work invested by both parties"* Either way, it's a negative force which must be resolved before serious negotiations can begin.

With all the above ground rules met, the other team arrives at, say, 9 o'clock in the morning. You greet them with friendly formality, offer coffee, and escort them to where you want them to sit. Then you buzz your assistant and instruct that no one is accepting calls. You ask all present to turn off their cell phone, iPods and other sources of interruption. You get up, go over to the conference room door, and lock it, saying.

'I know this is as important for you as it is for us, so we don't want to be disturbed, do we?'

How can they disagree? At the same time, your message or memo about remaining in negotiations until the deal is consummated is starting to sink in. *He means it.*

You have to make some allowance for potty breaks. After all, you did give them coffee. That's why the conference rooms of high performance companies have adjoining restrooms. But the point is that you expect no one to leave. Not for another meeting, not for golf at three, not even for meals, which you thoughtfully order in. In handling the meeting in this way, you are exerting total power over these unsuspecting doofuses. *Your place. Your contract. Your rules.*

The most successful negotiation is the "win-win" deal. That doesn't mean necessarily that both sides win, although that could be the case. An apparent "win-win" means that each side *believes* it got enough of what it sought to declare victory. Of course, there is no *real* win- win situation. That illusionary phenomenon is a product of today's feel-good rhetoric, dribbled from the lips of intellectual cream puffs who've never been there and done it.

Negotiating styles range across a fascinating spectrum. We Americans, for the most part (except for Dan Peña), have a basic need to be accepted, and maintain a low-key, patience-driven style. Most executives have been conditioned to be comfortable with a genuine "win-win" that results in everyone departing filled with satisfaction and mutual respect if not joy and love for all humanity! Because perception is reality, this occurs in theory, but rarely in reality.

The other end of the spectrum is to stay brutal, abusive and inflexible. Such negotiators frankly work on the premise, *'We win and take everything; you lose and get nothing.'*

During the Cold War, U.S. negotiators played hopelessly by win-win rules against Soviet negotiators who wouldn't budge an inch. The Soviets were *absolutists,* meaning they would settle for nothing but *absolutely everything.* Their "negotiations" with fellow countrymen in Chechen in '95 and '96, consisted of leveling whole cities and killing entire populations. This dichotomy of negotiating styles has always worked to our disadvantage, and gave rise to the saying, before Vietnam, *"We never lost a war, nor won a peace."*

Today's equivalents are the despots who rule China, North Korea, Venezuela, Syria and Iran, absolutists who only respect power and the will to use it. (Iran will not respect Israel's right to exist until Israeli bombs reduce their nuclear facilities to a hole in the sand. If then.) I am not a despot, but I don't mind being perceived as one in a negotiation with those starting with the usual "win-win" crap.

Have someone on *your* team record the proceedings, or at least take thorough notes, especially of the details of the deal as they're hammered out. At the end of negotiations, or even at the end of a lengthy session, have those notes typed and printed out in hard copies for the two chief negotiators. It's amazing how people forget little negotiated points, especially concessions they've made in the heat of the moment. So memorialize your deal as your notes reflect it - and leave a little space at the bottom of each page for you and the other chief negotiator to initial.

Initialing such a memo shouldn't be a problem, if verbal agreement has already been achieved. Say something like, *'This is pretty standard. We always do this to protect both parties. Hell, sometimes I forget things myself.'* You read the memo first, before you hand a copy to your counterpart, as if checking for accuracy. Then you initial your copy first to demonstrate your good faith.

"But, Dan, what happens if they send you a contract later in which minor details have been changed?" Send it back. They're testing to see how your resolve weighs against your desire to get the deal done with no further delay. Send it back immediately. You might even attach a copy of the memo they initialed at the conference table, highlighting the item they've tried to renege on or "adjust." Don't let them weasel out on one percentage point, not one digit or dollar.

Sometimes, even your most adroit negotiating, your cleverest ploy, will not dislodge a position taken by your opponent. If you can't agree to the point in the deal, say so. *'This proposal is unacceptable to us as it stands. If you can't work with us to solve the impasse, we'll have to break off negotiations.'*

They'll call you on it, by replying something like, *'At this point in the proceedings, we're not prepared to compromise on this particular issue. But we can talk about it some more at a later date.'*

So… without a word, you gather your papers, put them into your briefcase and slam your briefcase shut. Your associates mechanically do the same. Then you look at their senior man in the eye and say, *"You can reach me through my office."* You and your associates stand up and walk out. If you're in your own conference room, you've left the other side to scratch its head in disbelief and find its own way out, or be shown out by a secretary.

If the meeting happens to be in their offices, or their attorney's office (the worst place), it's even cleaner for you to execute your walk out. Just remember - when you get outside, keep walking - and never, NEVER look back. They're watching you from the windows. Then you disappear from their day, giving them time and space to reflect on their stupid intransigence.

The point is, don't be afraid to walk out. A dramatic exit is a killer because it's always unexpected.

Just like those bastards did to Mark in Los Angeles. A lesser company than Great Western would have accepted defeat, but we wanted that deal. No, we *needed* that deal more than blood in our veins! And we did what it took to get negotiations back on track. Walking out is a tactic as surely as sitting with your back to the window so the other guys have to squint.

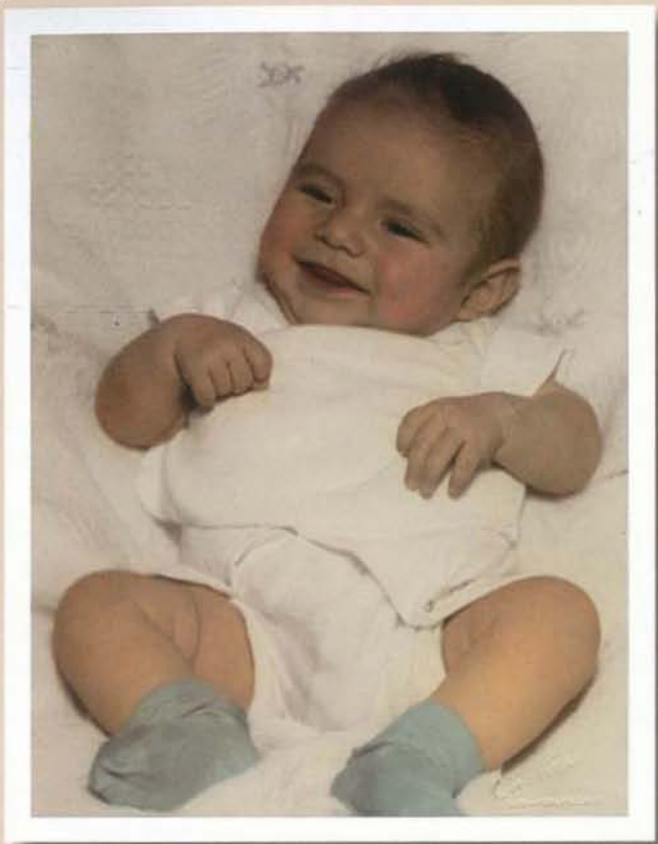
By the way, *never make an empty promise or an idle threat.* Mean what you say, then do it without a blink - as if you've done it a thousand times. If you say you're going to walk, you'd better damn well walk no matter what. Or they'll never believe another word you utter again. Don't worry… you can always resurrect another day.

I'm not going to get into the nuts-and-bolts strategies of successful negotiating. Those books have already been written. My message is - *learn to thrive in the conflict of negotiation.* Know your foe, master your tactics, enjoy the poker game… and win! No matter what happens!

So… create a plan with no safety nets, no escape. Make sure Strategy drives Structure - not vice versa. Learn to thrive in conflict… and become a master poker player at the negotiating table.

Now, let's go raise some capital.

"Dan's father on knee of mother 1919."



"Dan at two and half months, 1945."

"Dan with father 1947."

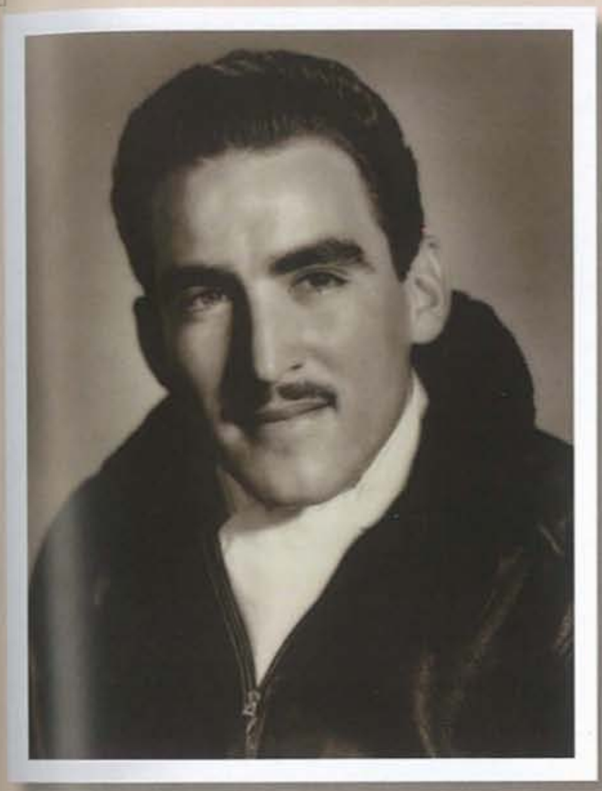
"Dan Peña Sr. at two years of age."

"Dan Peña Sr. at age 5 with Santa."

"Dan 5 years old, 1950."

"Dan and Mother 1951"

"World Jungleland, Dan and MGM's Jackie the Lion 1955."



"Dan's Father - Manuel Peña 1943."

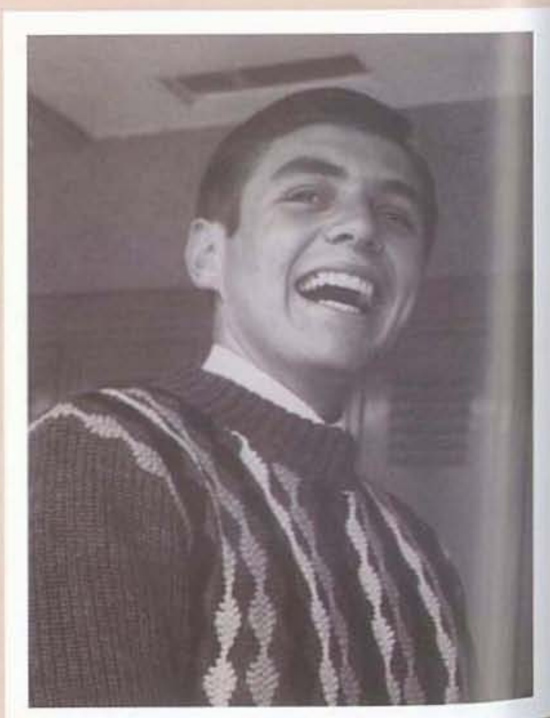
"Dan's Mother - Amy Peña 1942."

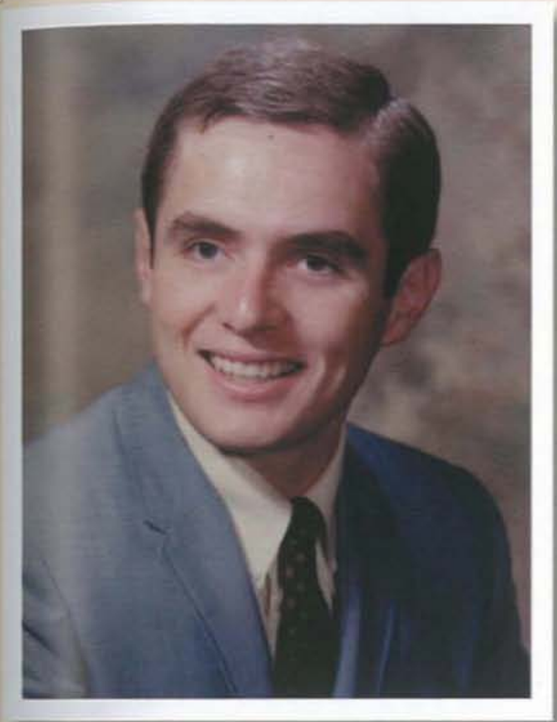
"Dan's Mother - Amy Peña 1946."

"Dan with first girlfriend Harriet at 8 years old, 1953."

"Dan receiving Army Award in Europe, 1968."

"Dan at 17 years old during High School, 1962."





"Dan 1966"

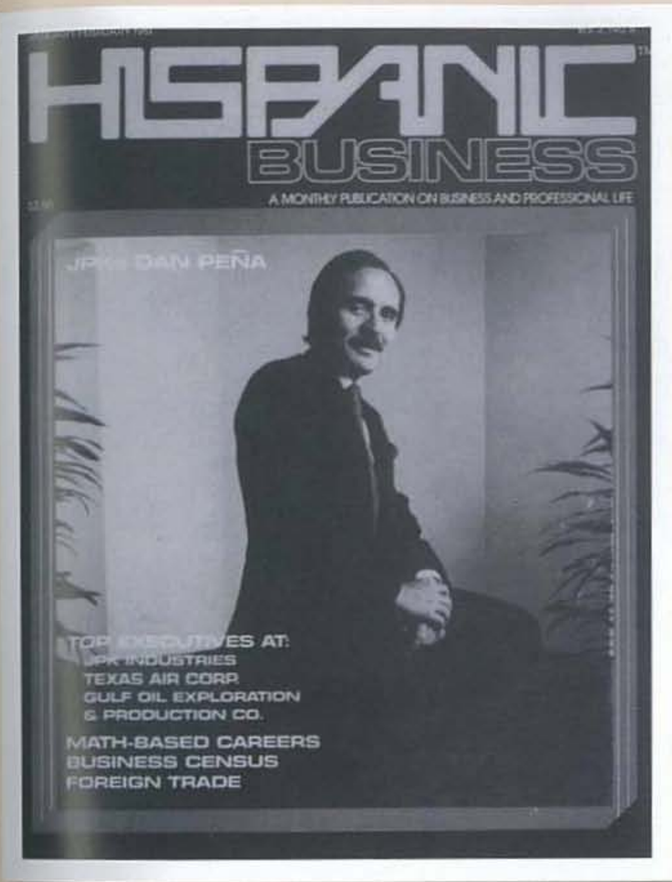
"2Lt Officer Candidate School Graduation, 1967"

"1966, on leave from the Army. Meeting mother in Hawaii."

"Dan's parents 1966."

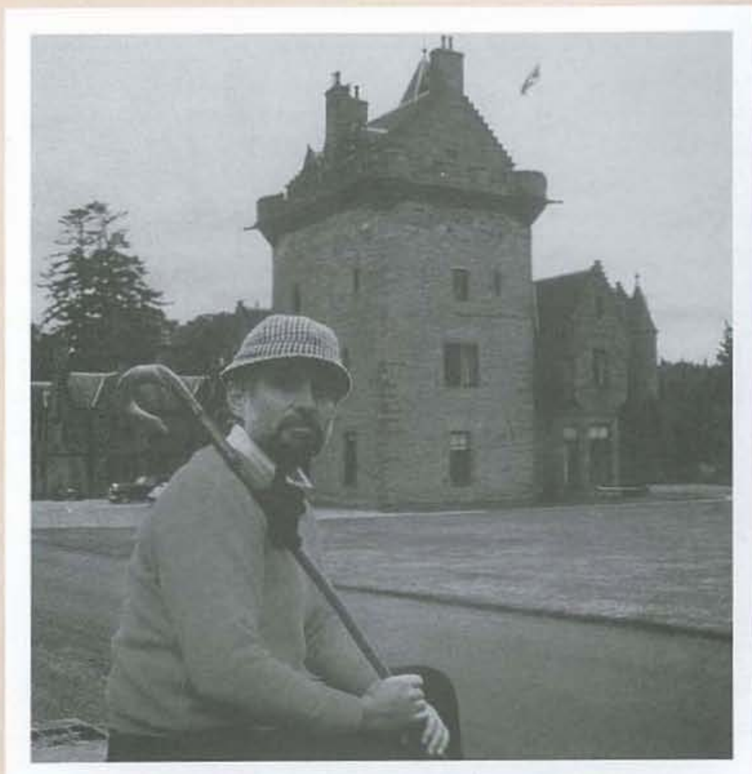
"1968 at Toga Party while serving in US Army in Germany."

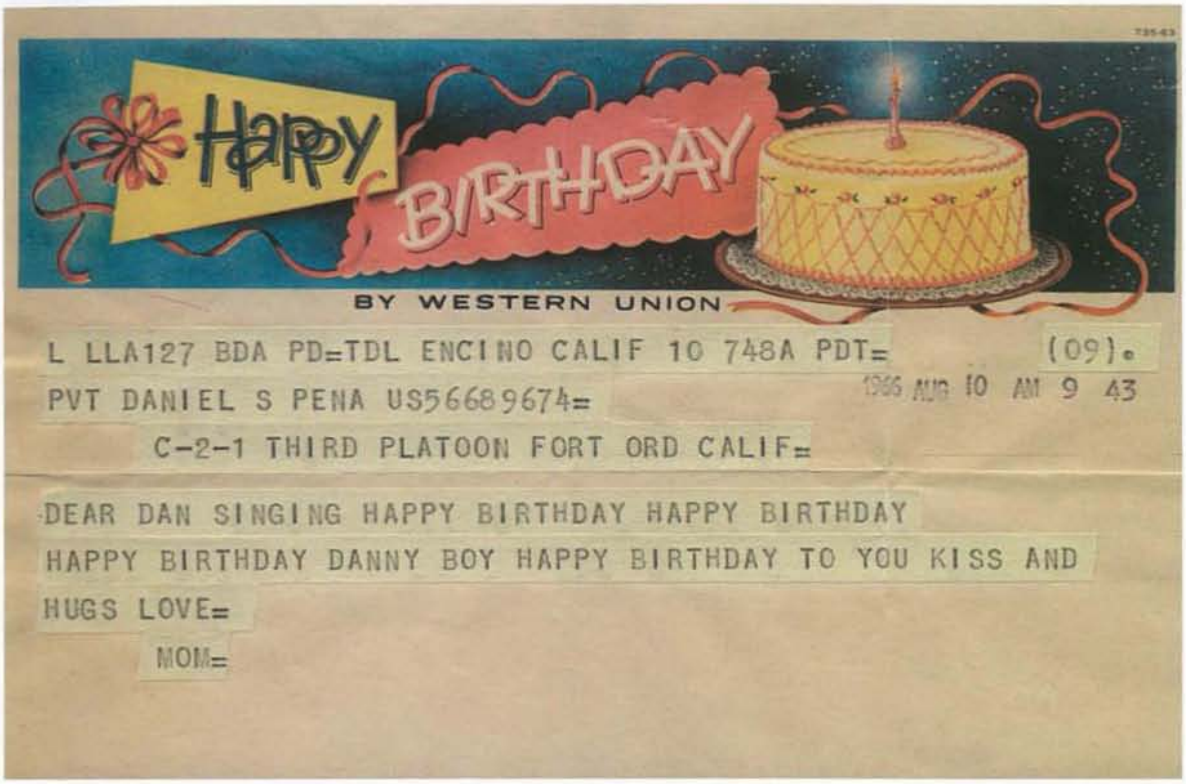
"Dan's Parents 1968."



"Dan makes the cover of "Hispanic Business" in 1981 while with JPK Industries."

"The squire look, Guthrie Castle in the background."
1985




Happy BIRTHDAY

BY WESTERN UNION

L LLA127 BDA PD=TDL ENCINO CALIF 10 748A PDT= (09).

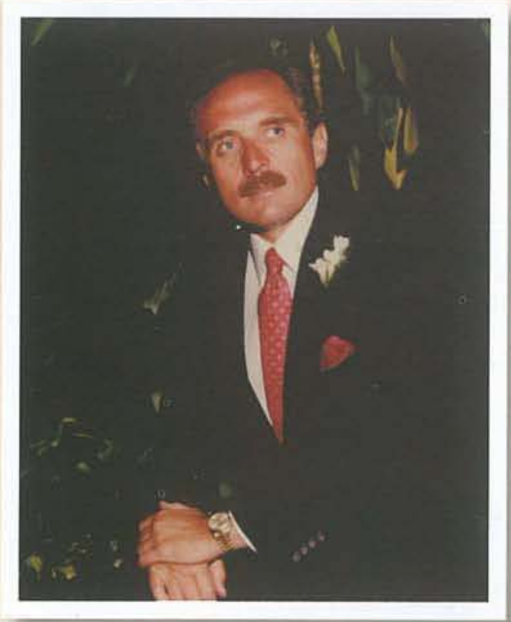
PVT DANIEL S PENA US56689674= 1966 AUG 10 AM 9 43

C-2-1 THIRD PLATOON FORT ORD CALIF=

DEAR DAN SINGING HAPPY BIRTHDAY HAPPY BIRTHDAY
HAPPY BIRTHDAY DANNY BOY HAPPY BIRTHDAY TO YOU KISS AND
HUGS LOVE=
MOM=

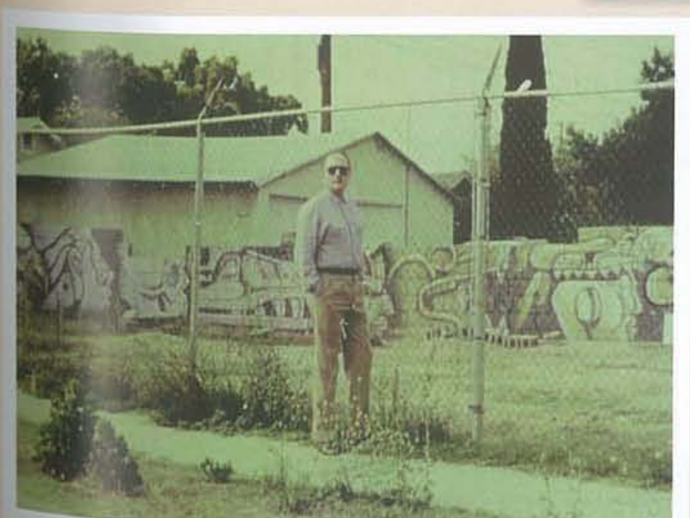
"Telegram from Dan's mother on his 21st Birthday while in Army Boot Camp, 1966."

"1970, As university student."



"Dan 1983"

"Dan with sons Derrick and Danny 1986."



"Dan standing in front of where his barrio home once stood. 1993."

"Daughter Kelly Peña, 1990."

"Dan with daughter Kelly and best friend Driller 1992."

"Giving away Winneke (Meentee) and Babes at 2006 wedding."

"Second Generation Mentee, investment banker Bob Verdier, 2008."

"2008 AIREEC Inspirational Leadership Award and Man of the Year."

"Guthrie - Dinner at Seminar."

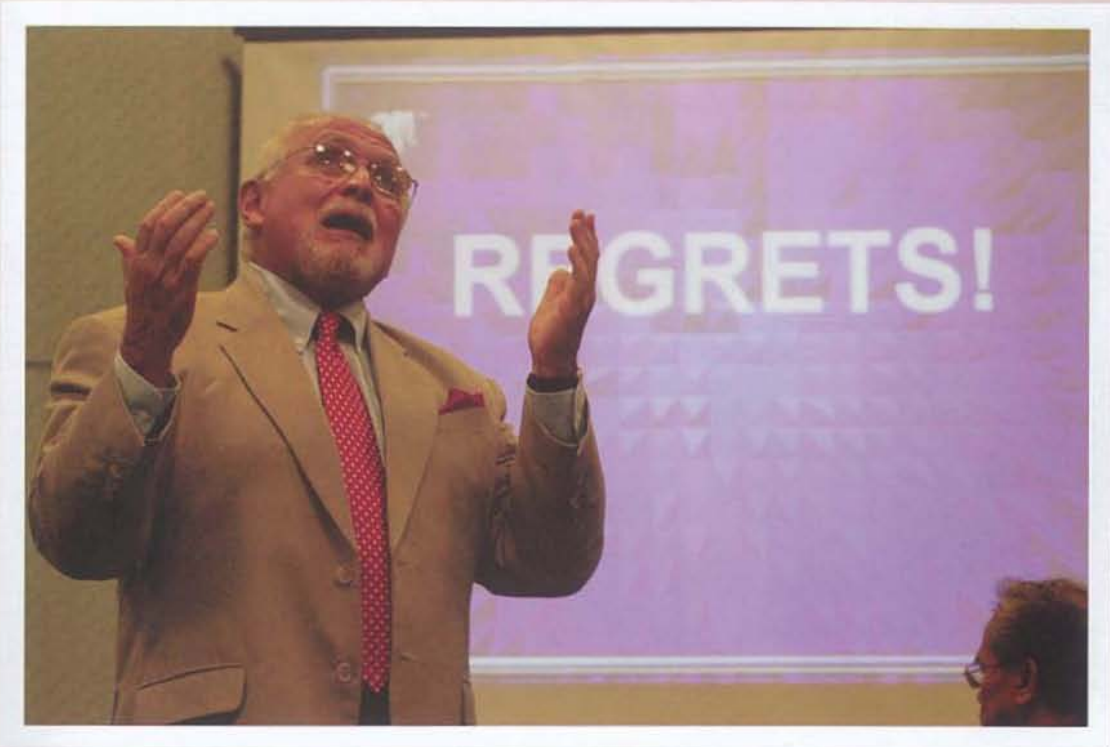
"Dan with mentees in Philippines."

"Dan with mentees in South China Sea."

"Mentees in Beijing 07."

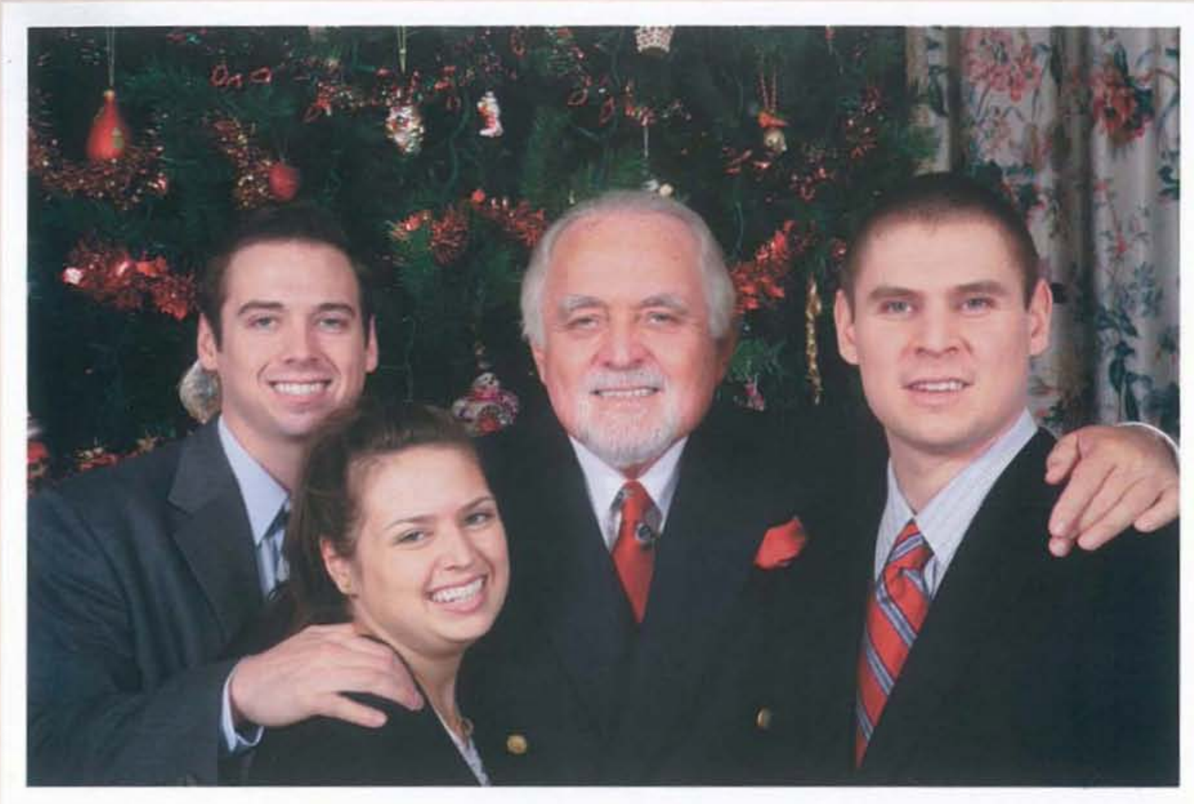
"Guthrie Castle, my storybook 15th century home, as seen from the formal gardens."

"Dan receiving award."

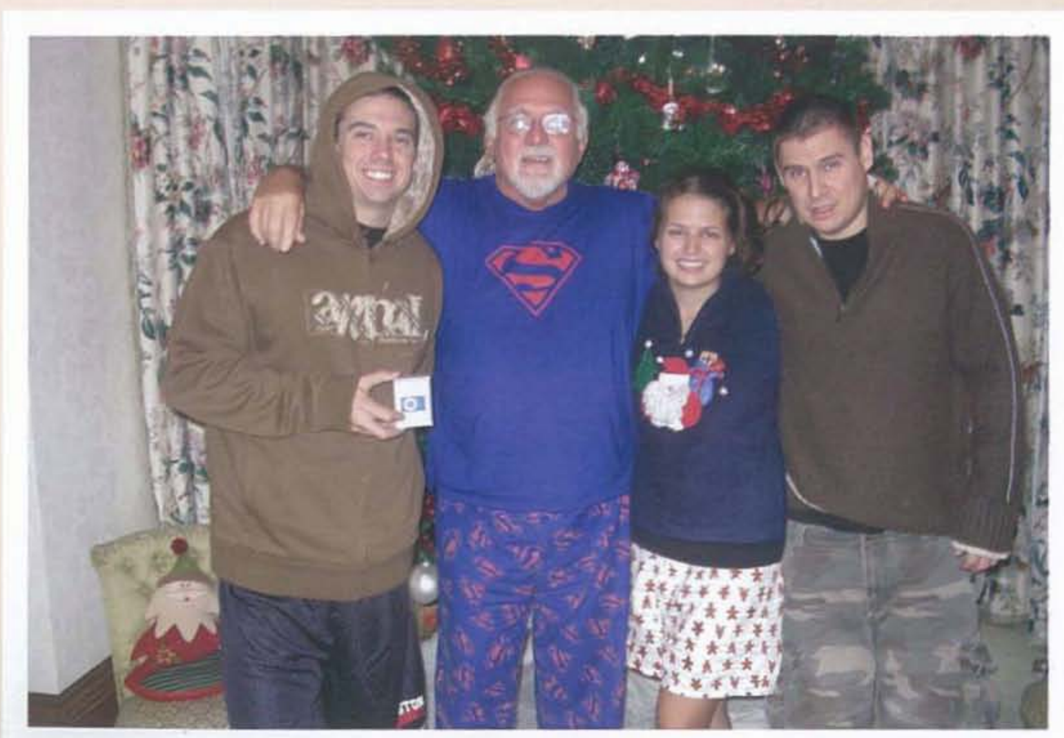


"Dan Speaking Regrets."

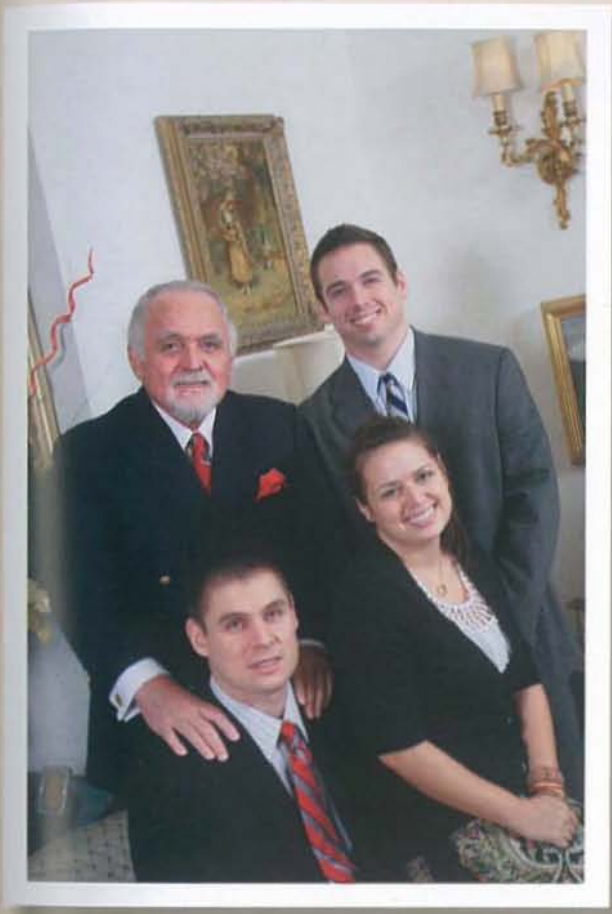
"Dan doing his seminar stuff."



"Guthrie Christmas 08."



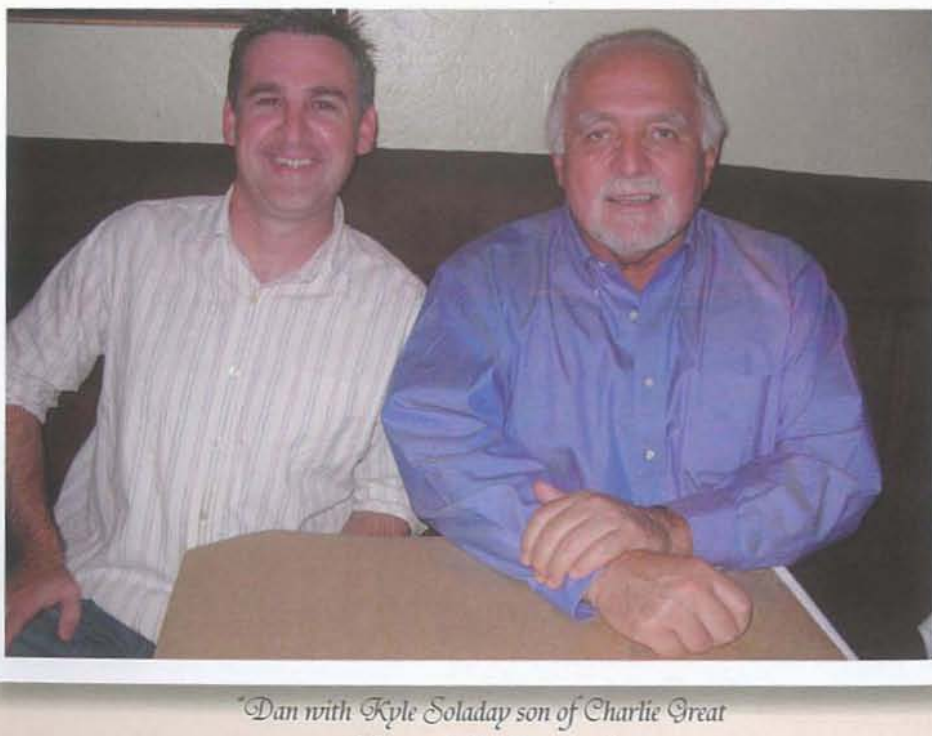
"Family at Christmas 08."



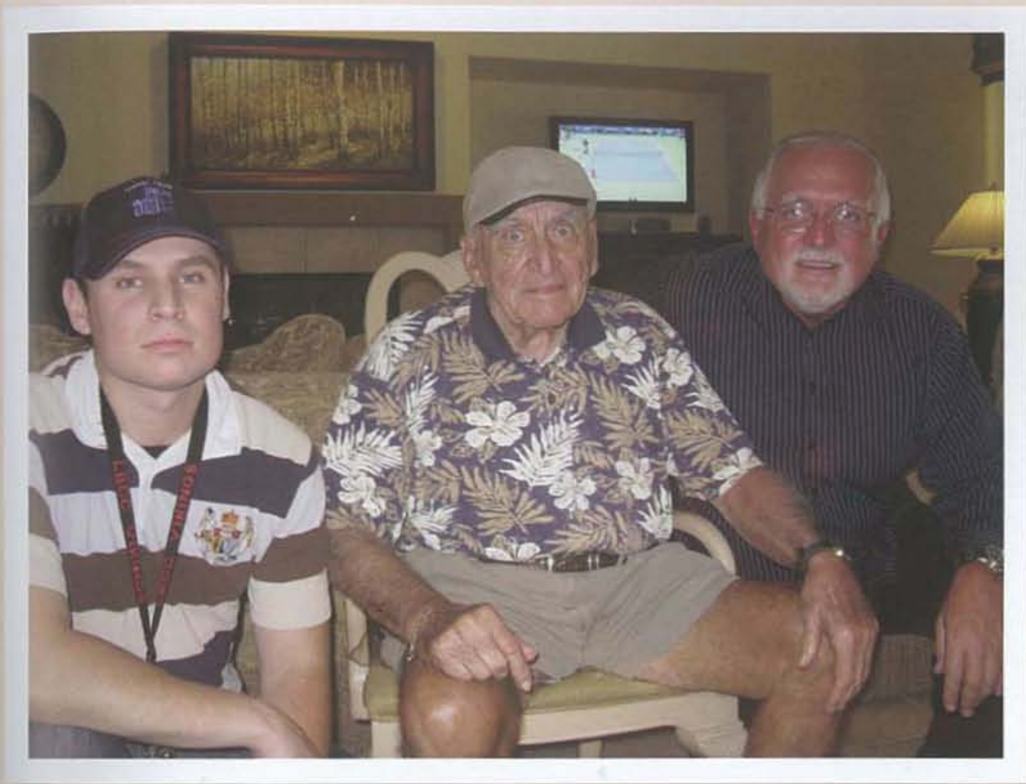
"Guthrie Christmas 08."

"Guthrie Christmas 08."

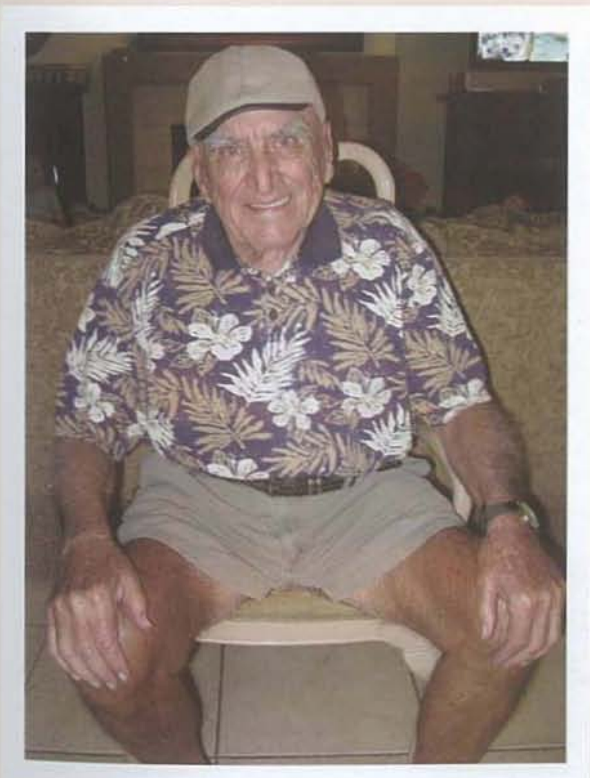
"Dan, Sally Hall, Vivian and Bob Donato."



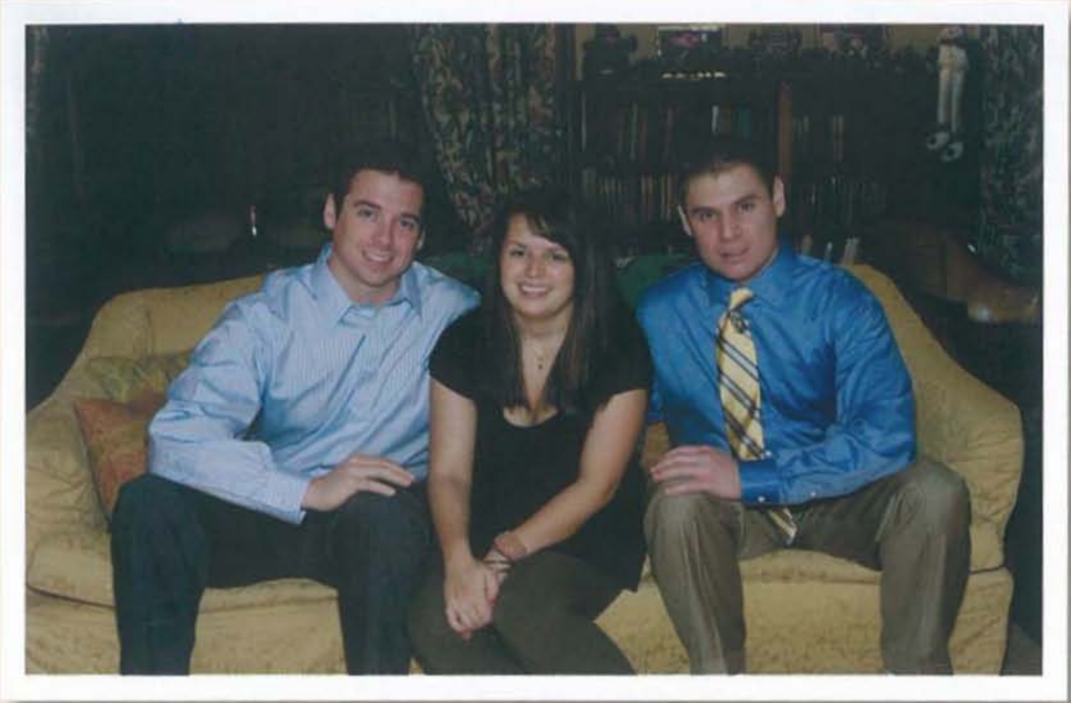
"Dan with Kyle Soladay son of Charlie Great Western's Co Founder."



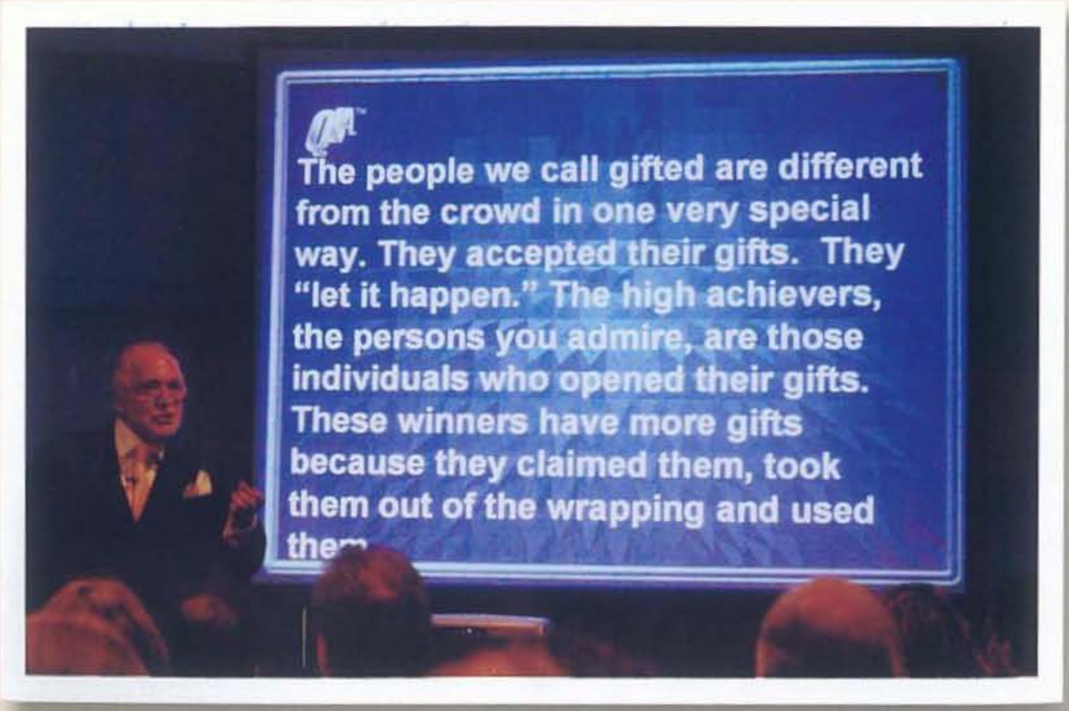
"Three Generations at Dad's 90th."



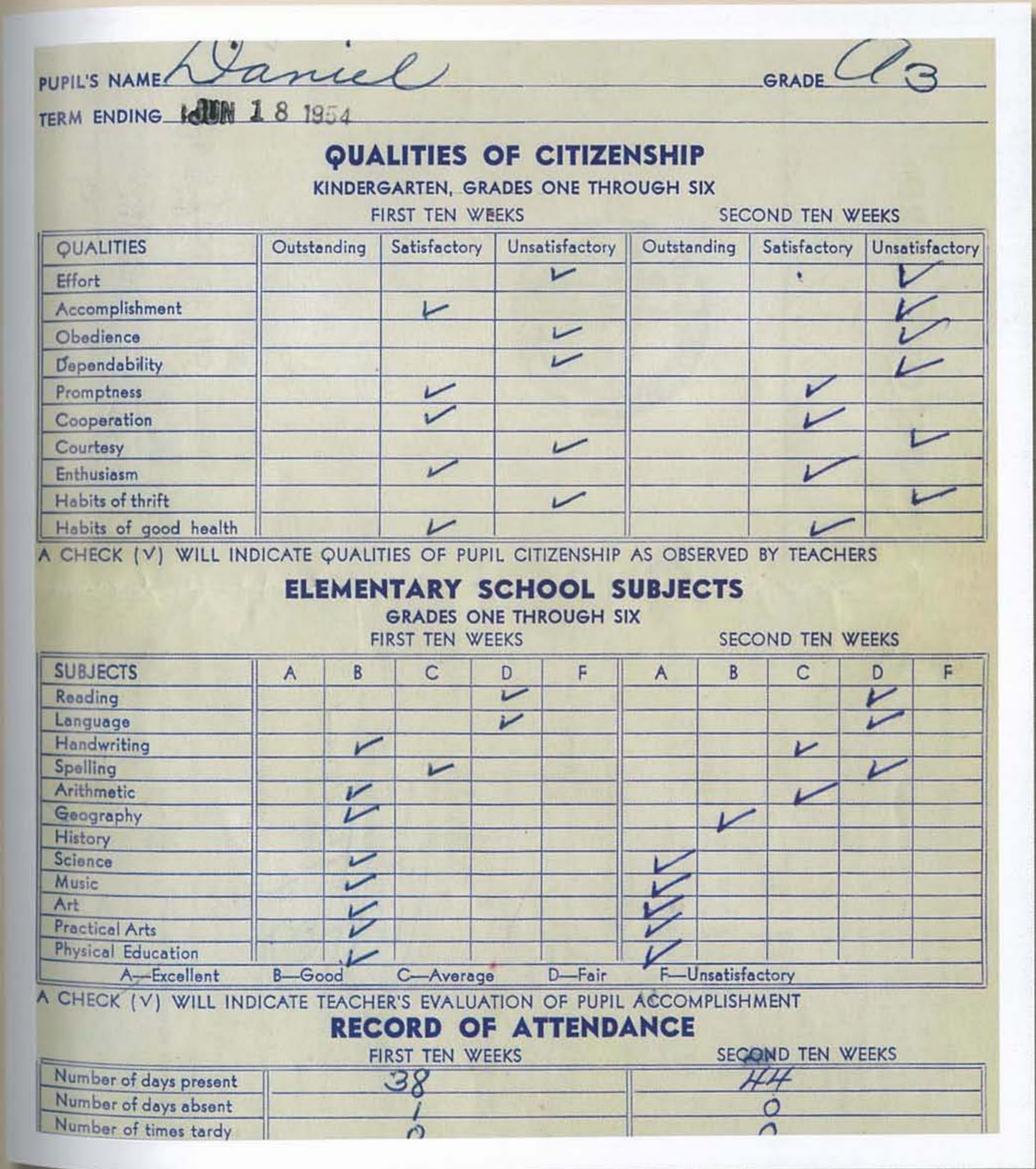
"Dad's 90th Birthday."



"Derrick, Kelly, Dan Jr."



"Dan saying accept your gifts!"



PUPIL'S NAME Daniel GRADE a3

TERM ENDING JUN 18 1954

QUALITIES OF CITIZENSHIP

KINDERGARTEN, GRADES ONE THROUGH SIX

QUALITIES	FIRST TEN WEEKS Outstanding	Satisfactory	Unsatisfactory	SECOND TEN WEEKS Outstanding	Satisfactory	Unsatisfactory
Effort			✓			✓
Accomplishment		✓				✓
Obedience			✓			✓
Dependability			✓			✓
Promptness		✓			✓	
Cooperation		✓			✓	
Courtesy			✓			✓
Enthusiasm		✓			✓	
Habits of thrift			✓			✓
Habits of good health		✓			✓	

A CHECK (V) WILL INDICATE QUALITIES OF PUPIL CITIZENSHIP AS OBSERVED BY TEACHERS

ELEMENTARY SCHOOL SUBJECTS

GRADES ONE THROUGH SIX

SUBJECTS	FIRST TEN WEEKS A	B	C	D	F	SECOND TEN WEEKS A	B	C	D	F
Reading				✓					✓	
Language				✓					✓	
Handwriting		✓						✓		
Spelling			✓						✓	
Arithmetic		✓						✓		
Geography		✓					✓			
History										
Science		✓				✓				
Music		✓				✓				
Art		✓				✓				
Practical Arts		✓				✓				
Physical Education		✓				✓				

A—Excellent B—Good C—Average D—Fair F—Unsatisfactory

A CHECK (V) WILL INDICATE TEACHER'S EVALUATION OF PUPIL ACCOMPLISHMENT

RECORD OF ATTENDANCE

	FIRST TEN WEEKS	SECOND TEN WEEKS
Number of days present	38	44
Number of days absent	1	0
Number of times tardy	0	0

"Dan was not a great student in 1954, as evidence by his report card."

"Dan was a great salesman as a graduate student 1971."

MANPOWER DEVELOPMENT
FACT SHEET

Office: SAN DIEGO

Week Ending: 4/17/71

Dir. of Recruiting: DANIEL PENA

Recruiters:

Goal: 25 week 100 month

(Cumulative for Week)

	MON.	TUES.	WED.	THUR.	FRI.	SAT.	SUN.
Survey Dept.							
No. phone calls	36	70	116	138	151	151	
No. Appts. set	29	61	102	121	132	132	
% Set/Calls	81%	87%	88%	87%	87%	87%	
No. Appts. Broken	1	4	11	17	23	23	
% Set for day/Kept	93%	89%	80%	80%	77%	77%	
Recruiting Dept.							
Prospects interviewed (unlic.)	14	32	45	64	80	82	
No. Recruited (unlicensed)	7	18	23	37	46	48	
% unlic. recruited/Interviewed	50%	56%	51%	58%	58%	59%	
% Recruited/Responses	19%	26%	44%	25%	30%	31%	
Real Estate School.							
No. Recruits Testing							
No. Passed							
% Passed/Tested							
Due to test in:							
15 days							
30 days							
45 days							
60 days							

"Portrait of Dan,
Dan Peñas oil painting on display at
Guthrie Castle."

Chapter Nine
Offering Lenders the Chance to Finance Your Dream

'Borrowing money from a bank is like having sex. You both want it, but they need reassurance of your intentions - and foreplay.'

No matter what business or profession you happen to be in, there are processes and procedures you do so often, that you regard as so basic, you take it for granted everyone knows how to do them. If you were to ask a master carpenter how to drive a 3-inch mail through a board, he'd look at you funny and say, *"You just do it!"*

I feel the same way about raising capital. I could almost sleepwalk into a bank and walk out with several million dollars. It's so basic to what I do, that I didn't realize it was a "secret".

I conduct ***Quantum Leap Advantage*** seminars at my home, Guthrie Castle, Scotland. This extraordinary weeklong Castle Experience for business owners and entrepreneurs at my story book home is beyond compare. At the conclusion of every seminar, I ask attendees to complete critique sheets, and to offer suggestions with regard to seminar content, delivery and overall value. In reviewing these critique sheets, I realized that a significant number of respondents were asking, in one way or another, the same question: *"How do I get the money?"*

I was astounded. I assumed that when seminar attendees began thinking like high performance individuals, and applied the strategies of high performers, they would instinctively know how to find and secure the capital they needed to take action.

Two simple facts emerged from these critiques. First, most potentially super successful people are still held back by a residue of fear about asking for money. They still approach even the *idea* of talking to a lender with trembling lip, sweaty palms and pounding heart.

If the idea of walking into a banker's office strikes mortal fear in you, let's put this in perspective right now and move on. Not long ago a news article entitled "What Kills Us?" listed the statistics for the most frequent causes of death. Heart disease is the number one killer, followed by cancer, then stroke and lung disease. But *not one death* has ever been attributed to rejection by a banker, or indeed the rejection of any deal. Presenting a deal is *not* "Sophie's Choice." So get over it! The second fact I learned was that the techniques of dealing successfully with bankers remain a mystery. Even some of my fiercest protégés were hesitating before the barricades of uncertainty, artificial barriers I had trampled to splinters so long ago I'd forgotten about it.

As a result of these revelations, I developed a new seminar in 1995, called the QLA Raising Capital Program, dealing exclusively with finding and securing capital. It focuses on the step-by-step details and techniques of this apparently mystical and forbidding process. We even do role-playing, often with myself cast, or *mis*cast, as the doofus banker. This chapter and the next briefly summarize the content of this seminar. But if you're serious about giving lenders the opportunity to lend you some of the cash they're sitting on, I urgently recommend that you attend this ten-hour exponential explosion of information (of course you can also buy the CD!) My standing guarantee to attendees is that, if they stop their moaning, get into gear and follow my methodology, and *don't* get their capital funding in one year, I'll refund their seminar tuition. Period!

Capital Finances Quantum Leaps - Not Pussyfooting!

As you'll recall, the two primary jobs of a CEO are to find money - *Other People's Money* - and to find deals. If you're the owner or CEO of your company, you should leave operations, marketing, administration and group insurance to the competent people you've hired, and spend 95% of your time kissing frogs! And if you don't have any employed yet, find people to handle these tasks as quickly as you can.

And why do you want money and deals? Because, unless you're selling drugs, *there's no way* you can grow internally faster than you can externally. *There just isn't.* Forget new sales territories, forget new products, forget cutting costs. All you'll achieve from these piddling efforts is humdrum arithmetic growth - widget sales up 7%… 13% less spent on paper clips. Who cares? You want to grow your business exponentially, in Quantum Leaps, "as fast as humanly possible." While arithmetic growth means 1+1=2, 2+1=3, etc., exponential growth means 1x10 =10, 10x10 =100, 10x100 =1000. Isn't that a little more exciting?

There's an old Chinese proverb, "You don't leap a chasm in two bounds." For high performance business people, that translates to, "You don't pussyfoot yourself to Quantum growth." After you've practiced for success, flushed conventional wisdom, visualized your dream, incorporated new rules and started running toward that chasm between you and Quantum success, you're probably going to need more money than you've got to finance your leap. Besides, not even the most obliging banker is likely to lend you money just "to get your feet wet." Your wholehearted, enthusiastic commitment is as important to him as it is to you. He wants to be assured you're going to use your loan to *create revenue* - so both of you benefit from the transaction.

Locating Your Financial Partner

No matter where you live, you have a choice of financial institutions to consider when you begin thinking about borrowing capital - banks, savings & loans, venture capitalists, finance companies and other sources. Since banks fund about 60% of business ventures, we'll discuss banks first.

You'll recall I said that ***Quantum Leap*** strategies can be universally applied. The fact is, many of my capital raising skills were developed in the United Kingdom, then perfected in the US. I know British lending institutions better than most Brits. That's why I remind my British audiences how many banking offices there are in the U.K. to approach for capital. (China's HSBC alone has some 1800 offices throughout the United Kingdom – approximately as many as Barclay's and more than Standard Chartered Bank. Lloyd's Trustee Savings Bank, who took over HBOS -Halifax Bank of Scotland – already had more than 2000 offices. If you're in the U.K., don't tell me you can't find a bank to pitch.)

Wherever you are, look in the phone book. Read the business section of your newspaper. A lot of major metropolitan newspapers publish quarterly a list of banks which are *looking* for borrowers. Call the business desk of your newspaper and secure a copy of the most recent edition of that report. Ranging further afield, such magazines as ***Entrepreneur*** and ***Inc.*** periodically publish a state-by-state list of financial institutions that seek to publicize their desire to lend capital. So you shouldn't necessarily limit your search for financing to your local market or even your state. In fact, I would strongly recommend you go outside your local market, no matter where you are. Of course those banks aggressively using traditional advertising have money to get on the street. Those banks advertising on the Internet also have money to lend.

In seminar after seminar I wave the latest special newspaper section or magazine edition with all these listings in the air, and ask to see the hands of all those business owners or entrepreneurs who have used any of these publications to seek capital. I get *maybe* one hand. Or no hands. It's like these listings were published on Mars. I raise hell with the audience, and tell them that, even today, I keep an active file on banking news that regularly appears ***in The Wall Street Journal, The New York Times, The Financial Times of London*** and other major publications. If they're serious about finding capital, they should pay attention to the wealth of information that institutions are disseminating. And so should you!

So, using all the resources available, make a list of banks which begins with "First Megabig Bank" headquartered in the tallest skyscraper in the state… and ends with "Community Corner Bank," down at the strip mall by the tattoo parlor. Then you do some homework to find out who the managers are of your most likely prospects. and who the lending officers are. Go down the list, call each bank and ask. The names of these bank officers are not a state secret. Stop by and ask the receptionist or even the security guard.

What financial institutions are most likely to lend you the money you need? At the very top of the list is *any* newly opened branch office. Why? New banks have no customers. They are stacked to the ceiling with money they need to shovel out the door in order to begin generating income. And they're run by a shiny new manager who has a desperate need to prove himself by generating loans. Consider this actual promotion recently written for a new bank in Florida:

Midstate Bank of Florida is now open at the corner of Robinson Street and Magnolia Avenue to handle all your personal and business banking.

At MBF, our style of community banking is based on building personal relationships with our customers. We get to know the needs of your business, so we can provide the best mix of financial services, adapting them to meet your specific business requirements. When you need a loan or a line of credit, relationship banking means approvals come quickly from local management people who already know you.

This bank is really saying, *'Please give us the chance to lend you money.'* In the world of finance, we call this bank a "lay down." They should have their grand opening in the vault and hand out shovels. If I were shopping for capital in Florida, I'd be at this bank like a lion on a fleeing wildebeest!

I recently read where two women banking executives had joined together to open their own bank. If I were a woman trying to secure funding for my dream, I'd be on the phone to them in a heartbeat. And that's not a sexist observation. Who can deny that, all other factors being equal, a strong chemistry pre-exists between the founders of this bank and any female entrepreneur?

In his early years, Michael Pilarczyk was a Dutch radio personality, a career he had dreamed of since childhood. But then, in 1998, he quit. While he was casting about for his next career, his good friend Colin met me at a seminar. The two of them signed up for the Castle seminar, but when the time came, I was too sick to play host to a crowd of eager faces. So I cancelled.

But Michael and Colin would not be cancelled. They showed up at Guthrie, dressed to the nines and ready to become immersed in the deep waters of QLA. "What an incredible experience," said Michael. "For three days, day and night, we had our own private Castle Seminar. We learned, step by step, how to start our own business. We learned the importance of staying focused – you can't hit two goals with one ball - and most important, to *just do it*. No fear!"

Michael told us how lack of fear and total confidence worked wonders when he went looking for money, when he went about offering lenders the chance to finance his dream.

"Moved by the conviction that anything I wanted to achieve was possible," Michael said, "I went to the bank. I had a great story, and the ability to convince potential lenders of how successful my project was bound to be. I got my first half-million guilders in a week. I made up a business plan, and found a partner and an investor. I continued to pull funds together and in 2001 signed a contract with a private equity partner for 70 million guilders! All this happened within a year after I left Guthrie Castle, and at a time we were just six people working in a huge, empty building.

"Within a year, we bought several TV production companies, had grown to more than 150 employees and were enjoying a turnover of more than 20 million guilders.

"It often happens that the officers brought into a corporation to run it have different management styles and goals than the founding entrepreneur, and outnumber that individual into forced departure. The day after I was given the opportunity to leave, I started on my next venture. Seven years later we sold our company to a major publisher for seven million. Throughout these experiences, Dan's lesson kept coming back to me – dream big… and just do it!"

For lending purposes, there are basically two types of banks - centralized loan institutions and branch bank institutions. The centralized bank pools its loan requests from several branches, and this bundle of requests is forwarded up to people who've never heard of you. Your deal will be weighed objectively in competition with all the other requests, and regardless of its merits as a splendid opportunity, it's likely to get lost among more promising deals, backed with stronger collateral and other advantages.

Instead you want to approach a branch bank institution with local lending approval power. Like Midstate Bank of Florida, this is likely to be a "community" bank or a "hometown" bank, run by "neighbors in the banking business." The loan committee is comprised of your individual banker, who becomes your advocate, and three or four other bank officials, directors or community business people and golf foursomes to whom bankers look for guidance.

Suppose you've picked five banks which are possibilities. Which bank do you try first? The one that's *least* likely to provide you financing. That's because you need to practice your presentation skills, both on the phone and in your face-to-face meetings. Make all your mistakes, expend all your butterflies before you get to the serious prospects.

What's your first point of contact? If you've recruited your Dream Team, I recommend you have your accountant or your lawyer make the first call on your behalf. Either one of these individuals is likely to have more clout with the banker than you. In fact, the banker will take the call of a lawyer or accountant long before he'll take or return your call. And an intercessory call made on your behalf suggests you are a significant or at least knowledgeable player in the local business community. ("Perception is reality").

Your accountant, hopefully a prominent CPA (Chartered Accountant in the UK) associated with a respected, even a Big Four firm, calls the banker and says, *"As (YOUR NAME HERE)'s accounting firm, we've recommended that his company consider your bank to establish a business relationship. They're in the so-and-so industry. Do you foresee any conflicts?"* Of course not. *"Good, I'll have him call you and set up a meeting."*

But suppose you're still selecting your Dream Team, and have to make that first call yourself (of course, you shouldn't!). No problem. You start with the manager. But you may be passed to the Vice President/Lending. Most likely, however, you may find that Mister J. Fred Banker is "not available," and some assistant will take your number. Do *not* sit by the phone and wait for him to return your call. Like most bankers, he's a *very* busy individual being phoned constantly by people he already knows, who are more important than you, a total stranger. Call him back. Call him again. If he has a voice mail, saturate the system with your patient, professional messages. (If I find out he has no time-called indicator, I'll call 13 times in ten minutes!) Finally, J. Fred will realize, hmmm, this guy's persistent, and he's going to screw up my voice mail if I don't call him back. So he calls.

You introduce yourself, graciously thank him for returning your call, and begin the same basic opening routine: *"I'm in the so-and-so industry, and we're experiencing rapid growth, with opportunities in several directions. I'm looking to establish a financial relationship for my business, and I'm in the process of interviewing several banks which have been recommended. But rather than go into details over the phone. I'd like to set up an appointment to meet you and talk personally. When would be the best time for me to come by?'*

Notice you *didn't* say, *'I need to borrow some money, and I need it by next Thursday.'* Bankers, you see, are very much into relationship banking. They want to know who you are, see your face, understand what the hell you do, and begin forming a judgment as to whether you'll be able to pay back any capital they may ultimately lend you. Personal chemistry - not the numbers - is absolutely key, both for you and J. Fred.

By the way, it's part of your strategy that you inform Fred you're "interviewing" banks. This puts him on notice that, as far as you are concerned, *you're* the one doing the selecting...*you're* in control of hiring a bank, *maybe* his, to handle your affairs. It also tells him you're talking to his competition, and if you are a significant account for him, he's going to have to earn it. Doesn't that approach beat the hell out of how you always thought it would be - crawling on your knees to grovel for a loan?

So, in order to begin developing your mutually beneficial relationship, you might suggest lunch. Bankers always pick up the tab. It's part of their training. I've been dealing with bankers for over 35 years, and I've *never* had to buy a banker lunch (except in Scotland!). It's even better if you can arrange for one banker to see you having lunch with another banker.

Your first meeting is to get acquainted, for each of you to see what the other looks like and sounds like, so the bonding process between you can, you hope, begin. Your initial presentation of your project should still be general, and last no more than five to ten minutes. You also have two other things to do during this meeting: listen… and ask questions.

As you discuss your ideas, give the banker a chance to react to what you're presenting him. After all, he'd had a lot of dreams come over his desk, some dissolving into smoke, others becoming realities. This guy can probably offer some suggestions and ideas you can incorporate into your thinking, help you sharpen your focus, and even give a better presentation to the next banker you talk to. His advice is free, and it's based on experience. So listen to him.

Most "wannabe" borrowers sit in front of a banker with no idea of what to ask beyond *"Can you help me?"* They don't understand that they should be in the interview mode, asking questions to clarify just what this bank is all about - and if it's the best bank to fund your project. In Britain, that means you've got to know the differences between say, the Royal Bank of Scotland Group and Lloyds TSB. Let's talk about some of the questions you need to ask each banker with whom you have a meeting - and why each question is important.

1. What is your personal lending limit? Secured and unsecured? Every bank manager and loan officer has a credit limit that he or she can approve without having to check with a superior. *Ask.* In fact, ask this question on the phone *before* your first meeting. You may be talking to the wrong person. And don't let them hedge around with relationship doubletalk and bullshit. It's a specific number. If they tell you $50,000, you're going to probably need about $48,000. If it's $400,000, your requirement will coincidently be about $350,000. But if you determine that this person does not have the authority to approve as much as you may need, move beyond him immediately.

2. Who do I have to go to for an approval on the next level of financing? When J. Fred tells you who the official is at the next approval level, that's the person you want to meet. Don't waste your time making presentations to the wrong people. While you're asking about lending limits, inquire about the credit limits of the bank itself. When you ask a banker about his employer's' unsecured credit limit (usually 1% of assets), he begins to think of you in terms of maximums.

3. Are you a centralized loan institution that pools loan requests, or a branch-based lender? We've already said you're looking for a branch-based lender and why.

4. Is your bank presently in a lending mode, or in a downsizing mode? This is code for, *'Have you made some bad loans in the recent past, to the extent the government is watching your lending practices very closely?'* It's not classified information, and your banker will respect you for knowing to ask the question. If he says something like, *"Well we're in a holding process right now,"* that's his coded response for, *"We're in a death spiral right now. Do you have any openings for a former banker?"* Before you escape, you may want to buy *his* lunch.

5. What type of ventures do you like to make loans on? Some institutions focus on telecommunications; others on healthcare, or international trade. If you're opening, purchasing or expanding a chain of hardware stores, for example, you want a bank which had a comfortable lending record in retail ventures. If you're in the retail liquor business, or want to expand your chain of "gentlemen's clubs," you need to be aware that some banks as a matter of policy try to avoid "vice" industries. (The thought of a $20 million deposit, however, might change that policy.)

6. What was the last deal your bank turned down? And why? Another unexpected question. But get your banker to tell you about that deal, even hypothetically. As he relates to you a case of what he was *not* looking for, you gain a new insight into what he *is* looking for in a lending relationship.

7. What was the last $5 million deal you did? You might not ask this question to a VP at UBS, Bank of America or Barclays, but for some likely lenders in your community this is a significant question. You're asking your banker, in effect, to demonstrate his comfort level and skills at maneuvering both of you through the multi-million-dollar lending process.

8. Can your institution take me to the next level of my Quantum Leap? How much are their assets? Once again, as a rule of thumb, banks can lend 1% of total assets unsecured, and 2% to 3% of total assets on a secured loan.

9. What is your bank's policy on "asset lending" versus "cash flow lending?" By now, J. Fred is sitting up in his chair, regarding you with a degree of awe. You're already sounding more sophisticated than 95% of the morons he talks to about loans.

In **asset lending,** the loan limit is determined by loan-to-value of asset. Take 50% as an example. If you've got approximately $100,000 in tangible assets, the bank will lend you $50,000. Many banks these days steer away from asset lending, because in the past, loan defaults have forced them to become reluctant property owners. You should look for an asset-based collateralized loan, since most banks will bend over backwards to work with you in a pinch rather than take possession of your chain of dry cleaners or pet stores.

Cash flow lending bases lending parameters on percentage of existing cash flow revenues less operational expenses, cash costs and taxes, typically between 50% and 65% of cash flow (without "smoke and mirrors"). If you're already producing income, many banks prefer this basis because they can get their hands on income without the hassle of property ownership or attempting to realize tangible assets. If you're just starting, show them how much income your project generates, so that they might consider giving you the loan based on *future* cash flow.

10. Are you an interstate bank, or do you operate just within this state? I'm talking U.S. banks, of course. You'll already know the answer to this one by the time you and Fred sit down. You will prefer an *intrastate* bank, since it's simpler to deal with an institution which operates in only one state. Besides, interstate banks are subject to more federal red tape and regulations. But again, you'll bank with *whomever* has the funds and buys your dream!

11. Could you give me some recent examples of companies for which your bank has approved business loans? *'Come on, Dan. Isn't that a little presumptuous, asking a banker who he's lending money to?'* Damn right! So what? You're interviewing banks, and what do you ask for during any interviews? *References,* of course. They're going to check yours - so you check theirs. You're not necessarily asking dollar amounts or terms - just who. (I will ask about amounts. In fact I'll keep asking questions as long as they give me answers.) If your banker is eager enough to lend you money, he may actually give you a list of recent lending approvals. But even if he mumbles some crap about confidentiality or bank policy, these questions keeps him sitting up straight. And it reminds him who's running this meeting. You!

12. Do you anticipate any conflict with your present clientele in handling my banking business? This is an incidental question that signals to the banker your sensitivity to one of his possible concerns. Chances are slim of a conflict of interest, but it's better to have that question - and its answer - addressed and acknowledged.

Suppose you establish a working chemistry with an individual banker. You meet for lunch periodically. You play golf. You nurture the relationship for months or years - and then he takes a position with another bank. Do you stay with the original bank? No! The spirit and substance of that relationship is with the individual, not the bank. The bank is nothing more than a mechanism for getting the capital your banker arranges because he's comfortable with you. Unless there are unanswered questions about the move, *always* go with the banker instead of the bank. Otherwise, you're back to square one at your present bank.

Finally, under the area of choosing a bank, don't overlook the option of spreading your capital requirement out over two or even three banks. We'll talk more about that later.

How to Deal with Financial Institutions

Most business people make two false assumptions about lending capital: first, that there is a *finite* amount of money available for an *infinite* list of potential borrowers; and second, bankers are your adversaries, using their office to keep you from borrowing their money. If *you* forget everything else about dealing with bankers, remember these two statements:

1. There is more money out there *crying* to be borrowed than there are people trying to borrow it; and...

2. Bankers *want* to lend you money, because that's how they put food on their own table.

Their money ***does not produce revenue*** sitting in the bank. That means if they're even halfway convinced of the viability of your dream, they'll give you the benefit of the doubt. No wonder most banks, regardless of what they'd have you believe, are "lay downs," especially with the right romancing. An associate of mine at Clydesdale Bank told me in early '97 they were £788 million under-loaned. That's a lot of "dosh" gathering dust! *"Bring me a deal,"* he pleaded, *"If the numbers stack up, the money's yours."*

British entrepreneurs should look across the channel as well, where they have access to an enormous wealth of funding sources through an economically burgeoning Europe. European banks are flush with capital.

The fine points of how to deal with your financial institution begin to surface during the selection phase we've just discussed. The operating premise is that you want to develop rapport, understanding and chemistry with a banker from the first words he hears you speak, and from the first time he lays eyes on you. That's why you *practice* what you're going to say before you blurt it out to the banker. And that's why you dress like the sort of business executive that a banker feels comfortable talking to and being seen with in the restaurant where he buys you lunch. Remember our discussion about comfort zones? Bankers have comfort zones too, and you want to put yourself smack in the middle of it!

Let's talk about what you say first. Words have meanings. Words are both weapons and tools. Remember "interview" and what it signals to the banker? If you haven't guessed it by now, bankers like to hear words like "relationship," "partnership," "long-term," and "mutually beneficial." When you're communicating to a banker you don't ever "need money." To a refined and sensitive banker, that's pretty coarse. Instead, you have "capital requirements." You don't call your accountant a "Cee-pee-a." or say *'my Chartered Accountant'*. Everyone assumes you have a CPA or equivalent, but if you *use* that term, it sounds like you're impressed you have one. Use the word "accountant" in all parts of the world. These are details no one would ever tell you but me.

Delivery skills will come with practice. After I'd been doing this awhile, I made a financial presentation to a large English institution that, in my estimation, went particularly well. I did charts, graphs - the complete dog-and-pony show. One of my little techniques for strengthening my performance is, if the opportunity arises, to ask how I could improve my presentation. After this presentation, as is the custom in England, the head of the institution walked me to the elevator; in this instance it was Lord Baring of the old Baring Merchant Bank. I was feeling good about what I'd just done, but I asked the gentleman, as I pressed the elevator button, how I could improve my presentation. The doors opened, and he said nothing as I stepped in. Then, as the doors slid shut, just before he disappeared from view, he said *'Mr.* Peña, *could I suggest that you develop a stutter?'* The lesson, of course, is that there's a fine line between a professional and knowledgeable presentation and a slick one. But that's an advanced lesson you probably needn't be concerned with for now.

You live in laid back Southern California... or casual, steamy Florida... or in the rural farmland of Northumberland, Texas or any other place on earth and you need financing for an acquisition in an agricultural-related industry? What do you wear to go see your banker? A conservative business suit. Period.

I don't care if you're about to open a pig farm in Peterhead, Scotland, you show up for your banker meeting in a black, dark grey or dark blue suit with a white shirt, yellow or red-pattern power tie, dark socks (no kidding!), lace-up shoes and short hair-cut.

Leave your gold chains at home, In fact, wear no jewelry other than a tasteful watch with leather band. (No Swatch watch - too trendy; no Rolex - too extravagant for a person looking for capital.) Your watchband, shoes, belt or suspenders ("braces" in London's Threadneedle Street) must all match - preferably black. As they say in the banking business *'Dress British, think Yiddish.'*

If you're a woman, of course, you know which business suit in your wardrobe corresponds to the male attire I just described. You can bet that top female executives show up for important business meetings in their pinstripes.

You already know why, but I need to remind you. A banker is most comfortable talking to and being seen with a person who looks like *him* and his associates. But you'd be surprised how many otherwise bright business owners stroll in for a major lending presentation in sport shirts and Dockers.

The Omnipotent Business Plan

Attendees at my seminars look at me like I'm either nuts or lying when I say I've rarely relied on a business plan to borrow capital - and I've made over 500 financial presentations, and borrowed hundreds of millions during my career. In recent years, as regulations have tightened on financial institutions, more and more bankers routinely expect a business plan, a piece of eye-wash I often wonder if anybody at any lending institution ever reads through. There are already books and software on the shelf describing the step-by-step textbook procedure for putting together business plans. But on the assumption that someone, somewhere will actually read it, let's talk about how to *prepare* for preparing your business plan.

Most fretful borrowers go to their first bank meeting with a business plan in their briefcase, or under their arm, so they can produce it immediately after the initial handshake. Wrong. Take nothing but your dream, in your most general terms, to the first meeting. Remember, this is a get acquainted meeting… a first date. You talk about your business and where you're planning to take it in the long term. But, if the opportunity arises, you also get the banker to talk about himself. What are his leisure interests after he stops being a banker? Does he play golf? Fish? Travel? Tinker with his '62 Mustang?

The point is, take to your first meeting absolutely no information on your financials. Beginning with *no business plan.* You don't want the bank to have anything at this early stage they can get a hook on, and form a premature opinion. In fact, if the banker never mentions a business plan, *you* never mention a business plan. You'd much rather get a loan he can approve straight away. But suppose he does ask for a plan. You reply, *"Oh, I'm glad you asked. I prepare a plan for you, I'd like to know what type of plan you're looking for, and , when the time comes to acquire growth, the minimum rates of return you require."*

Okay, let's stop.

Banks have several ways to evaluate a deal when they lend for acquisitions. Two include:

A cash-on-cash rate of return. This measures the revenues of a company you may want to purchase against the total equity of the company. Suppose the total equity is $1 million and that revenues or profits after interest and tax are about $330,000. This translates to a cash-on-cash rate of return of 30%.

Payback Period. This lending qualifier equates an initial investment amount with future cash flows in terms of annualized paybacks. Say you want to borrow $700,000, for example, and the bank wants payback in four years. But your best projections of cash returns for those four years - $130,000, $150,000, $180,000 and $220,000 - add up to only $680,000. You need to negotiate at least a five-year arrangement to pay back the $700,000, or reduce your loan amount - or go find another banker.

Your banker, again startled at your ability to speak his language so fluently, tells you his bank will take, say, 11% cash-on-cash, or a six-year payback. Now you've got ammunition for your business plan.

Let's face it. The figures in any business plan are only educated guesses. The economy fluctuates, markets change, nothing is certain about business next year. So you give the bank what it wants to see by backing into the percentages they're looking for, making sure you establish a healthy margin over their minimum. That's not in any way dishonest, because since nobody can predict the future, *anybody* can predict the future, including you in the future of your ***Quantum Leap.***

Besides, my experience has been that even if all figures don't exactly stack up - and they probably won't - you'll find financing somewhere. Remember, *any* deal can and will be financed somewhere by somebody - if you want it done badly enough!

Next, you ask the banker about the physical requirements of the business plan you'll be preparing, custom-made for the eyes of his loan committee. What are they comfortable with? (Have I mentioned comfort zone lately?) What sort of document would they not be ashamed to pass along to associates and supervisors? Among the specifics: how many pages? They'll no doubt want charts reflecting profit-and-loss projections, cash flow analysis, and pro forma balance sheets, all for the first three years, plus a break-even projection chart. Do they prefer bar charts or pie charts? Do they like full color graphics? What kind and color of paper? Is a PowerPoint presentation acceptable? Do they prefer it spiral bound or in a ring binder? If this sounds elementary, it's because bankers do sometimes receive *handwritten* plans on yellow legal paper; three hundred page, full color leather-bound tomes - and everything in between!

And you'll need more than one version of your business plan if you intend to approach more than one type of funding source. Bankers will be *very* interested in how solid the security is, so your business plan must reassure them of your wealth of collateral. Now don't panic when I refer to "wealth of collateral." By this I mean if you only have equity in your house or automobile, you'd better be ready to put equity on the table to show commitment, on the basis if *you* aren't prepared to take a risk on your deal, how the hell can you expect the bank to back your scheme?

The venture capitalist, on the other hand, is more concerned with the nature and extent of risks involved, so a second version should address these concerns.

John Doerr is one of today's most dynamic and successful venture capitalists. As a partner at Kleiner Perkins Caulfield & Byers (KPCB), near Palo Alto, California, he has seen stacks of business plans, and puts them in perspective. *"Don't obsess over the plan,"* he advised entrepreneurs in ***Fast Company*** Magazine. *"The better plans we've seen are the shorter ones - often 30 pages but sometimes just three. The Intel business plan was one page. The Sun Microsystems business plan was three pages. What we're looking for in a plan is how that team thinks about its business. We can figure the rest out in conversation with the founders."*

Ask the banker if he can get you a copy of a recent business plan which was approved, so you can duplicate the format. *'C'mon, Dan,'* you say. *'Isn't that a little like asking the examiner if he'll slip you the* *answers?'* Hell, no! Listen, these guys will work with you. If one won't because he's stupid, work down your list to the next one. A good, savvy banker will do everything he can to help you because he *wants* to loan you the money. An investment banker may even rewrite your plan for you before he submits it. (An investment banker will certainly write your prospectus in preparation for a public offering.) Remember – bankers *need* to get money out the door. They *want* you to qualify. How else can I say it?

Do you recall what I said about demonstrating your enthusiasm? Whenever you talk to your potential lender, let him see the fire of enthusiasm in your eyes and hear the dream in your voice. But enthusiasm also includes the language in your business plan. Write it like your deal is going to change forever the way people live their lives. Pump pizzazz into your plan and sell, sell, sell! Hire a professional copywriter to punch it up. Even if they see your touch of hype for what it is, they'll appreciate it as an expression of your enthusiasm.

What Your Banker Wants to Hear - Most of All, Loud and Clear

All this preliminary stuff - lunch, meetings, chat, and if you must, business plans - is foreplay, so that the banker becomes comfortable with one fact: *You fully intend to pay back the money he's going to approve***.** No matter what! The amount and payback schedule of interest is negotiable, but it's absolutely indispensable to the approval process and his personal comfort zone that *he knows his bank is going to get the principal back at the very least.* And he *wants to believe.* Mark this in your book. The banker *wants* to sell you his money.

He also wants to know that you plan to bring him as much business as you possibly can. Give him all the reasons you can think of to go to the loan committee more than once if he has to, to pitch your deal.

What You *Never* Tell Your Banker

If you're unsure about some element in your plan, if you have a seed of doubt that it won't work, *never* mention those doubts to your banker. As with your employees who look to you for confidence, *never share a doubt.* While you're keeping things to yourself, never say something like, *"The last time I tried a stunt like this I lost my butt, but I think I learned from that, and this time it's gonna be different. Leastways, I'll give it my best shot..."*

An associate in one of my companies gets to stay home during financial presentations, ever since he blurted out, *'Hey, the last time I went under I took two banks and an insurance company with me!'* One stupid statement like that can spill negativism on your plans like indelible ink. So keep the conversation focused on the positive - on future success, not past failures.

You have a couple or three meetings with a promising bank, and the requirements become more and more specific. They may want to look at your recent financial statements. That's fine, because your Big Four accountant (not your "cee-pee-a") has prepared audited financials on his firm's embossed letterhead. It's an impressive document before the banker even picks it up. It spells out your cash flow, existing capital, long-term debt and short-term debt. It is an accurate snapshot of your business. And, again, if you're starting from scratch, you will have found a joint venture partner whose track record you can use while you build your own.

There are several levels of documentation your accountant can provide. The most basic is a compilation and review without opinion, which essentially reports the figures you give him on a prestigious accountant's letterhead. You might get an assurance letter which deals with an isolated specific, such as receivables.

The next level is a financial review, which is the least expensive document, and tells the banker your accountant has not checked the figures, but has prepared and formatted what you have given him according to Generally Accepted Accounting Principles (GAAP). This says virtually nothing, and means nothing to a good banker.

The most expensive and comprehensive is a full-blown audit, with an attached opinion. This tells the banker your highly professional accountant has personally audited and checked your figures, and they are true and correct to his best knowledge. Pay the fee and take audited financials to any banker who requests financial statements. Banks will always lend more on audited numbers. And bankers will always feel more comfortable with Big Four audit numbers.

By way of summary, as the time approaches for the bankers you've been courting to make their decision, they'll have for their consideration any or all of the following:

- your articulated enthusiasm over your project and its overwhelming chance of success;
- your business plan, prepared, formatted and presented exactly the way they want it;
- your audited financials, prepared by your prestigious accounting firm… and the answers to as many questions as they can think of.

But suppose they ask you a question you haven't anticipated. After all, you're not the first sparkling, hopeful entrepreneur they've talked to. Recently a banker perused the names on the board of directors of one of my companies, and spotted my financial credentials. I wasn't in the meeting, so he asked my associate, *"Why don't you get Mr. Peña to* underwrite your venture?" Without missing a beat, the associate replied, *'Of course, Mr. Peña could write a check for this whole project. But he's already generously agreed to give us his time. And we'd rather have Mr. Peña's time than his money.'* Terrific answer. Brilliant! And it satisfied the banker's curiosity.

The rule of thumb, however, is that if you don't have an answer, never try to bullshit your way through it. Chances are that they're asking some questions they already know the answers to, just to check your BS level. Simply say, *"That's a good question. And, frankly, right now, I don't have an answer, but I can certainly get you one."* And you dutifully make a mental note, and one on your notepad.

Finally, what happens if you get turned down? What do you do? I'll tell you what I've done in the past. I scream, *'What? How can you violate the trust of your shareholders by refusing to participate in a deal so obviously in the best interests of your institution?'* And it has worked. But I probably have a little more leverage to scream than you do! The reason you've been turned down may well be that somewhere along the way, one of your selling points fell through the cracks. A "No" really means, *"You haven't given us sufficient data to approve your concept. You haven't covered every base and done your job adequately."*

Your response should be, "*What element do you feel you're missing from the proposal equation? Where do you have a problem?"* A breakdown in communications is often the simplest of reasons why a deal falls through. When Great Western was negotiating to purchase Bow Valley USA for $135 million the deal stalled for some reason. The president of Bow Valley wouldn't return my calls. I finally got hold of him at home, and asked him, *'What the hell's going on?'* He said they needed $139 million to close the deal. Damn, is that all, I thought! After all the financial gymnastics we'd been through, another four mil was nothing. I threw it in the pot and the deal was on again.

So ask!

There's a legitimate reason you've been turned down, and you're not out of line to ask what that reason is. It could well be something you can easily fix.

Here's a great success story to wind up this chapter. Barbara Baade was founder of an employee benefits consulting firm headquartered in Brookfield, Wisconsin. Barbara came to the Castle seminar in May, 1995, and the following August attended my Quantum Leap Advantage Capital seminar in Los Angeles. Her company was in a growth mode, looking for acquisitions. After her first "dose of Dan," she went back and formed her Dream Team. Later in the year, she decided to approach a bank with which she had not previously worked, to see if she could get a loan. She invited the president of the bank to come to her office to talk about beginning a relationship. Here's what happened in Barbara's own words.

"We spent an hour 'establishing a relationship.' That means we talked about business generally, and the banker became comfortable in the realization that I was a knowledgeable, responsible business person with a good business. I didn't give him a business plan - I didn't give him anything. Just like Dan said, I offered the guy an opportunity to grow with us. I asked him what his personal lending limits were. He told me he could approve an $800,000 unsecured loan, which would be no problem, and if I needed more, he was

confident his board would take his recommendation for more funding.

"Containing my delight, I told him that $800,000 was all I needed for now. Besides, collateral was such a hassle with that paperwork. He agreed. We shook hands, and he said he'd send one of his lending officers around the next week with the papers to sign. That was it. All I could think of was, Dan Peña was right. I used his methods, asked his questions, and $800,000 of growing money floated across my desk."

Bankers are not gods, regardless of what some of them would have you believe. They're people with human needs representing an institution with corporate policies and guidelines which have a great deal of resiliency. Make your banker your partner, your co-conspirator in helping you realize your dream. If you're prepared, if you're knowledgeable and professional, and court your banker step by step into what promises to become a long-term, mutually profitable relationship, it will suddenly seem he's working for *you* instead of his employer.

Now let's move along to some more so-called "secrets" of raising the capital to launch your ***Quantum Leap.***

Chapter Ten

More Capital Ideas for Financing Your Deal

"The business community offers a universe of funding sources – but not one will ever come to you."

[NOTE: As I write this, the nation is in the depths of the worst economic crisis since the Great Depression. Many of our largest banking institutions, unable to collect mortgage payments resulting from bad loan have floundered, or have been taken over by other banks. Right now, because banks don't trust other banks to repay loans to them, lending from all sources is in jeopardy.

Nevertheless, the borrowing strategies and tactics I set forth in this and the previous chapter are as valid as ever. I encourage you to make presentations, to present yourself to shell-shocked lenders as a confident entrepreneur determined to ride out the crisis and prosper. You may be surprised. To paraphrase Frank Sinatra, "If you can make it now, you can make it anytime!"

After conducting keynote speeches, workshops and Quantum Leap seminars on both sides of the Atlantic and Pacific oceans, I'm still amazed at the enormous gulf that exists between attendees' *academic understanding* of searching for capital and *their emotional commitment* to push that search.

Over and over I ask audiences, '*How many of you have made a financial presentation in the past 24 hours? Raise your hands.*' No hands. '*How many in the past three days?*' No hands. '*The past three weeks?*' Maybe one hand. *Maybe.* Each time, I'm talking to a roomful of CEOs, business owners and aspiring entrepreneurs who seem to be *paralyzed with fear.* We're not talking about a tightrope walk over the Niagara Falls here. You may hate rejection but, as I pointed out in the previous chapter, you will not die or suffer injury from making a financial presentation.

So how do you overcome fear of rejection or fear of presentations? *Practice.* You raise your comfort level by forcing yourself to make presentations. I used to practice my presentations in front of a mirror, getting down the content, the rhythm, the sequential flow. I practiced when to talk quietly and firmly, when to pause for effect - and even when to roar in their faces. (My people today think I've forgotten all but the last skill.) Nowadays, as much as I know about growing a business - and that's volumes - I still prepare and practice before every one of my seminars. Every time you make your pitch, even to your dog, you get better, smoother and more comfortable with it.

If you're still nervous, take your accountant with you. *Pay* somebody to go along. But you *must* get out there and make presentations. If you ever want to take that *Quantum Leap* to super success - and make shitloads of big money with every equity transaction, you can't escape, you can't circumvent making presentations. Are we clear on that? I hope so.

I recommend, even demand, that my protégés make two presentations a week. That's two lunches or two meetings with two bankers. After about a month, you'll get pretty comfortable with your pitch. You'll even start to vary it based on what you perceive to be the most important factors to your banker-of-the-day.

Two pitches a week isn't that much. Some weeks, since I own significant portions of some 20 companies, I make five or six presentations. Keep in mind that two measly presentations is a modest Pay-Price-to-Action for the prospect of netting a small fortune for yourself through your Quantum Leap.

So get off your dead ass... start checking out banks today... and begin making those presentations.

When to Begin Meeting with Bankers

In Chapter Nine, I mentioned not waiting until you need the money by Thursday before you call a banker. That was facetious - occasionally I'm facetious - but the fact is, a lot of business people do just that. They decide on Monday to buy out a competitor, grab a hot deal or double the size of their plant, and pick up the phone to call the bank where they have a checking account. They regard commercial lenders as a multi-million-dollar ATM machine. *It doesn't work that way.*

With banks, you start romancing in May for sex by September. During your first conversation with a prospective banker, you start *positioning* yourself. Say something like, *" In six to 36 months, we're going to have a funding need, for somewhere in the neighborhood of (x number of) dollars..."* quoting a figure higher than you think you'll need. Then, later, you mention you may need "interim financing" in three to six months. And after a few weeks, after two or three meetings, and maybe a round of golf, you hit them for the amount you need with your drop-dead presentation.

The Value of Your Board of Directors

Bankers enjoy all the dancing around before they go to bat for you. Your banker doesn't want to be embarrassed by your *not* paying the loan back, so when you mention your board of directors, he's likely to say, *'Oh I'd like to meet your board the next time we get together.'* You think, this moron doesn't believe I have a board. You say, *'Oh, good. In fact, my board members have expressed an interest in meeting you too, if that would be helpful to the lending process.'*

You'll recall that in the chapter on building your Dream Team, we discussed the value of a board of directors. So if you don't have a board of directors, *get one.* It can be very helpful to you, and has virtually no drawbacks. But rather than your drinking buddies and cousins, go for business people with some recognition in your business community. Bankers understand that retired successful executives, with no financial worries, are usually very concerned about their reputation. They would not be associated with a company they feel would damage the good name they've built over decades in the business community. Once again, as with a joint venturer, you're borrowing their credibility to boost your own.

Using Your Banking Business as Leverage

Your present bank may be your strongest possibility for a loan. It's certainly the most obvious. Even if all you have is a deposit relationship, you should approach them, using whatever current business you may be doing as a stick. If your present bank isn't interested, and another bank is cooperative, even eager, for your lending business, move all your business down the street. Your bookkeeper will hate you, but who cares.

Then, when you have a lending relationship established with your new bank, and you're still on your honeymoon with them, begin negotiating to move your deposit business, payroll and other miscellaneous business. Demand concessions for the inconvenience of moving everything. Begin with personal lines of credit for all your executives and managers. Request re-financing of home mortgages at the best possible rate. And of course you'll need credit cards for yourself and your people at the highest limits issued. In return, you may want to accept no interest on your deposits, as I did when I was starting out. (I don't mean demand deposits or CDs.)

Types of Finance and Capital

Part of the expertise of raising capital is understanding what the hell your banker or a specialist in any other type of lending is talking about, especially when they discuss such often esoteric items as debt, equity and credit. For example:

• **Long Term Debt vs. Short Term Debt -** Long Term Debt is a debt to be repaid over a period longer than one year; Short Term Debt is debt to be repaid in less than a year, usually to raise operating capital to purchase inventory or equipment.

• **Secured Debt vs. Unsecured Debt -** The debt you are likely to incur at this stage of your skyrocketing career is all going to be secured by collateral, i.e., business assets, projected cash flow, your home, automobile, other personal property, patents you may own and any other items which, if worse comes to worse, the lender can convert to cover its loan principal. Unsecured debt is a signature loan, the bank's acknowledgement that you have proven yourself as a reliable borrower.

- **Guarantees -** I tell my seminars that the definition of a Guarantor is "a fool with a pen." Unfortunately, as the owner of a newly forming or small company, you can't avoid getting your name "on the paper," to be ultimately responsible for debt repayment. So suck up your pantyhose, sign your name, and go for it. Are you really prepared to back it yourself? This is the acid test of whether or not you believe in your own dream.

- **Lines of credit -** You absolutely need an unsecured line of credit - or an "overdraft" in the UK and other parts of the world - from a banking institution. Thanks to tireless marketing, virtually everyone has a line of credit these days, if only Visa, MasterCard or Discovery. But as an entrepreneur looking for credibility, you'll need something a little more substantial to point to when a potential lender asks, *"Do you have an unsecured line of credit?"* When you can say yes, your lender understands that some other banker somewhere has investigated your credit record and has put enough trust in you to give you unsecured credit. It doesn't matter what amount. But if you have to say no, your lender is likely to sigh and say, *"Well, you'll need a secured line of credit."* And one more asset in your life or business becomes collateral. In today's skittish lending market, this is especially true.

Start with your own bank. Even if the only people you know there are the drive-in window tellers, they should be able to give you a small line of unsecured credit. If they won't, get a new bank.

While we're talking lines of credit and business banking, suppose you need to raise your line of credit? Your banker says no. You reply, *"Well, we've had a good relationship here, but your bank doesn't fit the profile of the sort of bank we want to be partners with during our period of high growth. You just don't fit our pistol anymore, so I think it's time to withdraw..."* Your banker may then say, *"Uh, how much of a credit line do you need?"* But if he *still* doesn't budge, you must leave and find another bank.

This reminds me of a story about one of my disciples, a Doctor Bokhari who is an alumnus of one of my three-day Quantum Leap Advantage seminars. He's a plastic surgeon doing quite well these days in Dubai. When he was setting up his practice, he wanted his own operating room adjacent to his offices. He went to his bank for a loan, and they refused him. He went to a second bank, and was also turned down. The third bank he approached agreed to finance his operating room, so he switched all his banking to that bank. Dr. Bokhari's experience demonstrates two points: first, he understood that *he* made the rules, not the banks; and second even a plastic surgeon who is not primarily a businessman has to go to certain lengths, however inconvenient, to achieve his *Quantum Leap.*

The Care and Feeding of Your Banking Relationship

Once you get your financing from a commercial bank, you don't just take the money and run. It is in the best interests of both you and your company to nurture that relationship, to maintain contact with the banker or bankers who made your loan possible. After all, you never know when you'll need more financing for another *Quantum Leap* in the future. In fact, if you stay in business, I can guarantee you'll need more financing.

But beyond that, you want to give your bankers a call every few weeks, have lunch, play golf or whatever, just to find out how things are at the bank. If, for example, conditions change and they find they need to manage their capital more conservatively, your lines of credit could be cut back. It just pays to stay in touch with your banker.

I also recommend that you take out a loan and roll it from bank to bank. Borrow, say, $50,000 from Bank A. Then three months later, borrow $52,500 from Bank B and pay off Bank A. Four or five months later, borrow $53,750 from Bank C and pay off Bank B. This rotation of your loan and the act of paying it off will give you a *track record* as a reliable borrower with several banks. Borrow the original amount from Bank A for whatever purpose you may need capital. Tell Banks B, C, D etc, you're "consolidating debt," which will be the truth.

Some business owners worry about bank fees. Let's face it - bankers will smile and say, *'We'll just charge you within the normal range...'* then stick it to you with fees as large and as often as they can. Bank fees are one of life's mysteries - and certainly one of its necessary evils. *But* - if that's what you worry about, you're not entrepreneurial material and need to put this book away. Bank fees are simply not important in the great scheme of things, as long as you have plenty of money...*all the time.* As I told my banker at the Bank of Scotland, *"I really don't care if I pay one or three point over libor (their term for prime rate) as long as I have the money when I want it."* I've said before that a deal is either hot, or it's not. If your deal is so lukewarm or even cold that the odd percentage point is "make or break" then you need to find another deal. Right?

Receivable Financing

We've talked about asset lending and cash flow lending as two types of collateralized financing. If for some reason you can't get these or any type of financing - and as a newly emerging entrepreneur you might not - try for what is called "receivable financing." This is borrowing money against the receivables your customers owe. Some banks will do receivable financing. With receivable financing, you will normally maintain the credit relationship by collecting the receivables yourself.

Receivable financing is sometimes referred to as "factoring," and is usually available from other third party lenders such as finance companies which lend you the money you need - or part of it - at interest rates just under what's allowed by usury laws. Most banks will not enter into a factoring relationship. The advantages of factoring are that the finance company becomes responsible for collecting the receivables they buy and for the bookkeeping involved. Also, banks take into consideration that another party has contracted with you to handle collections, so they may become more comfortable in partially financing your entire required amount.

Remember - the main difference between receivable financing and factoring is that, with factoring, you will normally give up control of the paper.

There are about six "paper" classifications of clients who might apply for receivable financing - "A" through "F". While an IBM might be an "A Paper" borrower, you'll no doubt be an "F Paper" borrower. It's an expensive proposition, but, as I've said, sometimes "you gotta do what you gotta do."

Debt Financing vs. Equity Financing

We've been talking about various ways of financing your *Quantum Leap* through incurring debt. Of the three ways to grow your business - allocation of revenues, debt and equity financing - the chances are overwhelming you won't be able to accrue the revenues you'll need to finance a *Quantum Leap.* Debt financing is my least favorite, because you're committed to a debt obligation, plus interest, well into an uncertain future. A rise in interest rates or a downturn in business could screw up your ability to service your debt. Also, if the deal blows up and you lose your ass, your frantic lender will want his money back - even out of your flesh.

I have always taken the position that equity financing is more advantageous, in that fresh Other People's Money is infused into your company in exchange for equity ownership. This puts those Other People in the same boat you are vis-à-vis the company's survival and profitability. They buy into a share of your dream knowing they could lose their investment. Unfortunately, depending on how you structure your equity offering, it also gives them a say in how you go about pursuing your dream. Therefore, before you dilute yourself below 50%, make sure you're well on your way toward your *Quantum Leap.*

Don't misunderstand! You will have to pay some interest on almost all forms of equity infusion, and it is often a higher rate.

When I started out with Great Western, I owned 100% of the company. Then I gave Mark and Charlie each 10%. Then we sold 25% when we went public on the London market in 1984 and created $50 million in market capitalization. That still left me with 60% and my two partners with 15% ownership.

During the process to finance our acquisition of Bow Valley USA in 1986, we subsequently sold almost 15% of our voting shares to the Kuwaiti Investment Office (KIO). My own percentage dropped to less than 45%, even though KIO had put up 78% of all the money. Further financial restructuring during the late Eighties and early Nineties ultimately reduced my portion of my own dream to just over 15%, but it was 15% of a $300 million energy conglomerate which would grow to more than $400 million in value (market capitalization) - all from that $820 investment in 1982.

During those incredible years, we did equity financing wherever we could, and debt financing whenever we had to. Under my leadership, every nickel of debt principal was repaid, and our shareholders made a ton of money. All in all, not a bad track record for a punk kid from East Los Angeles who was expelled from school three times before third grade.

Venture Capitalist - Lenders with a Different Agenda

Venture capitalists are professional management companies who manage high-risk funding. Their capital comes from such institutions as corporate pension funds, insurance companies and limited partnerships, and they typically concentrate on investment opportunities beginning around $500,000. Venture capitalists, myself included, will also use their own money to finance a very promising start-up company with high growth potential.

Although a venture capital fund will consider many investment instruments, it is not particularly interested in a fixed income such as interest would generate. Instead, it likes to take equity positions in anticipation of taking the company public or selling out in the future. Then, through a public offering (its exit strategy), it stands to make a ton of money. The timetable for execution of their exit strategy varies, but usually between three and seven years.

Venture capitalists prefer to become involved in the early stages of a deal, and we are especially interested in small companies with big promise (but some Venture Capitalists are only interested in second-stage funding). They look for such indicators as sound management and proven track record. If you're just starting out you might consider a joint venture partner with a track record the venture capitalist would accept. This is the primary reason people bring me deals.

Venture capitalists are more comfortable risk-takers than bankers too. That's because, unlike your typical Vice President/Commercial Lending at Pussyfoot Bank & Trust, venture capitalists are likely to be successful entrepreneurs who tend to make sound decisions more quickly. For that reason, you should insist from the beginning that venture capitalists communicate with you clearly. Venture Capitalist John Doerr suggests, *"When the first meeting is over, the entrepreneur might say, 'I'd like a yes or a no right now, but I understand you will need more than one meeting, So what's your level of interest, and what's the next step?'"*

With so many other items on your starting-up checklist, you would no doubt prefer a decisive "no" to a long, drawn out "maybe." Few people venture to push for that kind of action. Besides, if one venture capital group decides to pass immediately, you've got more time to focus on others you're courting. Believe me, a quick "no" is a real blessing.

There are more that 150 Venture Capital Clubs around the world where entrepreneurs can present their plans and ideas to potential investors. At a typical monthly meeting, an entrepreneur may stand up and explain his need for $150,000 or $500,000 to make a *Quantum Leap* (although he probably doesn't call it that). At the same meeting, a venture capitalist may get up and say he represents a group of investors with $5 million to invest in one or several projects. These clubs present a great way for entrepreneurs and venture capitalists to chat and make contact in an informal atmosphere.

The National Venture Capital Association (NVCA) in Arlington, Virginia, publishes a membership directory with a listing of hundreds of members - venture capital organizations, financiers and individuals -including addresses, phone numbers, Web sites and contact names. Association staff members can also give you information on federal regulations and the most recent legislation regarding venture capital. In the UK, get the equivalent, a free copy of the *British Venture Capital Association Manual.* And the *Venture Capital Journal* is available in both UK and European editions. For more information, click on www.nvca.org

PricewaterhouseCoopers provides several publications on venture capital, including *Three Keys to Obtaining Venture Capital; Venture Capital: the Price of Growth;* and *Charting a Course of Corporate Venture Capital.* In fact, all the Big Four accounting firms publish similar information.

Pratt's Guide to Private Equity & Venture Capital Sources is a valuable resource for any company seeking to raise venture funding. It is a comprehensive list of active venture firms published annually, and includes such source data as location, investment preferences, contact persons and capital pool. Email: tf.publicationssales@thomson.com

For the most comprehensive listing of venture capital networks and organizations, and several discussions on the nature of venture capital, you can Google "Venture Capital" and spend the rest of the week getting up to speed on that fascinating topic. The Internet is flush with venture capital listings. In fact, two of the leading associations are British and European venture capitalist associations. Searching for capital is, more than ever, a global adventure.

The point is that venture capital, like bank money, is not buried in some secret vault known only to a privileged few. Information is readily available from many sources. And you need not tiptoe around venture capitalists. Seek them out and sell them your deal. Give them an equal opportunity to invest in your dream.

How much venture capital is available? In 2008, more than 600 active institutional venture capital firms were managing over $35 billion of capital available for investment in early, expansion and late stage growth companies. Even in today's gloomy economy, these figures continue to rise, and indicate that hundreds of billions of dollars are available from venture capitalists nationwide for growing businesses. Including yours.

Corporate Bonds – the IOU's of Business

Issuing bonds, or fixed income securities, is yet another way for a corporation to raise capital. **Bond holders** received a fixed rate of interest - the coupon rate - each year, with their original principal being paid back when the bond matures on a pre-determined future date. There are a variety of bonds which a company can issue, based on the nature and structure of its business and its capital requirements.

- **Subordinated convertible bonds or debentures -** The company pays the buyer, say, 12% interest on bonds sold to a venture capital firm. Then, at some time in the future, hopefully when the company takes off, the holder can exchange them for common stock or just collect the interest, or redeem them for the original face amount when they mature, having collected interest along the way. In the meantime, debentures are "subordinated" in that they are usually unsecured, and are secondary or "junior" to bank loans made concurrently or even later. If the company goes belly up, the bank has first claim against assets, then comes the subordinated bond holder.

- **Royalty bonds -** The holder receives income from the proceeds of a royalty on a product or other specific source of income.

- **Zero coupon bonds -** This popular type of bond was created in the Eighties to attract investors looking for predictable returns on their investment for retirement or a child's college education. Zero coupon bonds don't pay any interest, but are sold at a big discount. These bonds, sold by investment bankers to finance a company's growth, can be a safe investment if the bankers hold Treasury bonds as collateral.

Other Sources of Capital

Insurance companies and **pension funds** often seek out investments among corporations attempting to raise long-term capital, although more typically for purchases of equipment or real estate which can be taken as collateral. The advantages of this type of funding are usually lower interest rates and long-term maturity of loans.

Angels exist! In the corporate world they take the form of individuals or organizations such as private foundations that seek to encourage and underwrite entrepreneurial efforts which prove themselves worthy of angelic support.

Private Foundations, such as the Ford Foundation and the MacArthur Foundation, are often open to funding company growth, especially firms which are active in specific areas of interest or commitment to the foundation, such as social progress, health care or environmental protection.

Finally, add to this list of possibilities **individuals** who have amassed personal wealth often put that wealth to work by underwriting carefully selected corporate growth projects. W. Clement Stone, founder of *Positive Mental Attitude* (PMA), is an excellent example of an angel, one who takes no hand in management and only asks a pro rata share of corporate profits in return.

Warren Buffett, the legendary investor, is a frequent angel, although he might argue the term per se. I recently read where, if you had invested $10,000 with one of the original Buffet partnerships in 1956, and then nine years later reinvested in Berkshire Hathaway stock, you'd have earned well over $100 million by 1995, and upwards of $270 million today after all fees were paid. If he isn't an angel, I don't know one!

Public Versus Private Funding

Taking your company public is one of the great and heady experiences of the free enterprise system. The day we watched Great Western Resources make its debut on the London Stock Exchange, August 10, 1984 (my 39th birthday), is memorably engraved in my mind as an experience I hope to duplicate again in my lifetime. Going public is risky and expensive, costing in fees and other expenses typically 10% to 20% or more of your entire offering, or total capital raised, depending on where you go public.

But to you as a founder who has probably made a substantial investment to grow your company enough to go public, your percentage of return in relation to the net worth value of the company can be incredible. A stock share might score a 10 to 12 price-to-earnings ratio (P/E), which means it sells at 10 to 12 times the company's net after-tax earnings. During a small initial public offering (IPO), this ration may well skyrocket to 30 to 40 times the company's earnings. At Great Western we turned our initial investment, a $60,000 option on mineral rights into $50 million. Even today, it's hard to imagine making that much money that quickly without a mask and gun! It triggers an adrenaline rush with an emotional high that cannot be duplicated!

As with any other business option, there are disadvantages to going public. *All confidentiality is forfeited.* Your business transactions, financial records and even marketing methods must be open to the scrutiny of government regulators, suppliers, stockholders, prospective stockholders and even competitors.

A public company must also subject itself to internal accountability, particularly the transactions between the company and its officers or directors. Government regulators are forever sniffing around for conflicts of interest, insider dealing and special favors which, if not illegal, would be construed to be not in the best interests of the shareholders.

Another disadvantage, and a supreme irony, is that as you get the financing to reach your dream, you simultaneously lose total control of that dream. As in the example of Great Western Resources during the course of its IPO and subsequent offerings, every time we made a public offering, my own share of my company was substantially reduced.

Finally, what I call the "dark side" of choosing to go public is the almost inevitable consequence that one day you'll have to leave your company, forced out by many of those you invited aboard your dream along the way. The fact is that the days of the entrepreneur with his public company are limited. He may be a genius at envisioning, siring and breathing life into his dream. But unless he also has the patience and skills to be a management genius and a great leader, the entrepreneur will sooner or later recognize the approach of his own departure.

The bright side of the "dark side?" He leaves with his pockets *stuffed full of lots of money.* And he can begin exhilarating adventure again any time he pleases.

The Gulf War in 1991 was my Waterloo. I was ultimately removed as head of Great Western when my Kuwaiti "friends," preoccupied with invasion and other internal strife, subsequently transferred their loyalties and their voting power to a faction in the company that felt my own time had passed. Although we had to go to court to settle the issue, Great Western Resources paid me handsomely with a "golden parachute" in the millions, plus a start-up subsidiary in the textile business. And I was the largest individual GWR shareholder until its sale in January 1997.

Questions I'm Always Asked About Raising Capital

Aside from the basic *'How do I get the money?'* seminar attendees inevitably ask other questions over and over. To prevent someone from asking one of those questions at a future Quantum Leap seminar, I want to conclude this chapter with a quick "Q&A".

Q - How much money should I ask for? How do I figure what to ask for?

A - No matter what you figure your acquisition or IPO or any other *Quantum Leap* is going to cost you, you can bet your numbers will be short. The only figure you can be sure of is that the bank will loan you a maximum of up to 2-3% of its total assets on a secured loan. My advice is to ask for three to five times more money than you think you need. If you get it, you've got a pot of capital you can always use; if you don't you've at least cleared yourself some negotiating room for a smaller loan.

By the way, it's actually easier to finance a larger deal, because the bank is more anxious to "sell" you more money if you're approved. Bankers have to do *less* to get *more* money out the door - and their bonuses are tied to how much they lend. These are all reasons to ask for more than you think you're going to need.

Q - I don't have a track record. I'm a new company with nothing to show the bank.

A - Find a joint venture partner who does have a track record. Attach your company to an established name. You'll recall that nobody at the Defense Fuel Service Center had heard of GWDC, but they had done business with Marrion Refining Company. Put together a Board of Directors which includes prominent and successful business people who can lend their reputation to yours. ***Borrow credibility, so you can borrow money.***

Q - How many financial presentations should I make?

A - That's like asking *"If I'm trapped in a burning house, how many times should I try to get out?"* As many times as it takes, Doofus! Make as many presentations as you can! Set your goal for at least two presentations a week, more if you're trying to raise your comfort level faster.

Q - Should I fight for a certain number of points over prime or the lending rate?

A - Worry about getting the damn loan, not how many points above prime your interest is going to be. If that's an issue, if the amount of interest you're going to pay is a big thing, your deal is too tight. You're asking for a loan that gives you no room for error. And you can bet your executive ass there'll be costs slapping you in the face you never heard of! It's just as easy to ask for 2.5 or three million as it is to ask for $750,000 or one million. Maybe easier. Go for it!

Q - I've made some presentations, but I was turned down. What's my next step?

A - Go back to those institutions and try to find out *why* you were turned down. You may have not answered their questions to their satisfaction. Try to revive your proposal by filling these holes.

If you can't get back in, your next step is to move on to other sources: other banks, venture capitalists, foundations, insurance companies, pension funds, angels - the list is as endless as your determination should be to get your funding.

Q - Won't being turned down by financial institutions ruin your credit?

A – No. Searching for finance does not hurt your credit. In fact, I think you must make five to seven presentations before you understand what the procedure is. What hurts your credit is proving to be financially irresponsible, for whatever reason, with the money you do borrow.

Q - When is the best time to go for a loan?

A - Without question, the end of the year. About 75% of all business loans are made in the final quarter of the year. And remember - like car dealers at the end of the month, bankers are scrambling to boost their own end-of-year bonuses based on how much lending money they've pushed out the door.

Stop Writing Checks on Your Emotional Bank Account!

I tell my seminars we all have two bank accounts - financial and emotional. As low as you think your financial bank account is, you may drain your emotional account even faster. Fear of failure drops the balance. Fear is **"F**alse **E**xpectations **A**ppearing **R**eal", at least in your mind.

My emotional bank account stays high, because years practicing my skills in uncomfortable situations have reduced my fear and anxiety level to virtually zero. As I've said, I may be wrong from time to time, but I'm *never* in doubt. I'll bet you've never heard of a high performance individual whine and say, *'Well, I don't know if we're gonna make it.'*

Failure is testing. Failure is learning. Every financial presentation you make, even if they laugh you out of the bank (which they'll never do), even if they shred your little business plan (which you probably don't need) and throw it in your miserable face, is a positive experience - and no reason to debit your emotional bank account.

So get moving. Make those financial presentations - and make some more. You'll find somebody somewhere to lend you the money to reach your dream.

Not only that, when you see Dan Peña in a seminar screaming about who in this room of doofuses has made a presentation in the past three weeks… you can raise your hand.

DISCLAIMER: I can't advise you on the details of your decisions. That's why the disclaimers in front of this book tell you to consult your own professional advisors.

Chapter Eleven

Acquisitions - The Secret of Quantum Growth

"For the high performer, arithmetic growth is unacceptable. Geometric exponential growth is demanded."

Throughout this book, we've talked again and again about Quantum growth, and making your *Quantum Leap* to becoming super successful - and, by the way, enormously wealthy. In this chapter, let's nail down the specifics of Quantum growth and the best way I've found to achieve it - through acquisitions.

But first, I want to focus a minute on one of the most abused words of the current generation. "Success" has almost become a cliché in a world where everything is relative. The feel-good mooches in the seminar circus will assure you with a straight face that you're a success if you're feeling better about yourself - if you've achieved harmony. Hell, these days, you can be "successful" if you're happy shoveling horse dung, or if you achieve contentment living under an overpass.

We don't want anybody to think they're a loser, that they're basically worthless to themselves and to society. In more and more elementary schools, so-called educators are banning competition sports, or at least no one keeps score. That way, no child loses and everyone wins. Those precious little self-images are preserved through artificial "success." What kind of preparation is that for real life? Thanks to such inverted thinking, nowadays even failure is success! George Orwell's *1984* has come to pass on the playground.

In the Nineties, there a snake-oil artist on the seminar circuit who charged $7000 a head for taking all your assets away so you could learn to live with nature in abject poverty! *And the morons bought it.* It should be illegal to be that stupid!

So let's get back to reality. The only success in life, and especially in business, is that which you can quantify to measure. Otherwise, you're playing word games. I define success in terms of the most universally accepted quantifier of all; money - *cash!* Nobody argues with cash. "Money talks and bullshit walks." If you're making *Quantum Leaps* and pulling down millions in personal wealth - and a lot of people are doing it - you are without question successful.

Remember in Chapter One we discussed people who were uncomfortable talking about money? That's because the morons never had any to talk about. You've got to become as comfortable with lots of money as you do with success - because *real* success begets *real* money!

Let's define Quantum growth by what it's not.

Quantum growth is not making more sales than last year… or picking up new clients. Or adding more products or stores or branch offices, or reducing costs. All of those are indicators of growth all right - *internal* growth. And more to the point, *arithmetic* financial growth. We're already talked about this. One plus one equals two, two plus one equals three, etc. The healthiest internal growth in any business is always going to produce only gradual long-term arithmetic growth. Nothing more.

Why do entrepreneurs settle for gradual, boring growth?

The best that can be said for arithmetic growth is that it's better than no growth at all. And, in fact, if your company is only growing arithmetically, it's probably dying. But why does an entrepreneur, an uncommon individual who once had a bold vision to build a company, and worked days and nights to see his vision come to life - why does this same person now accept the humdrum growth of 4% better sales than last year… or a 2.5% higher profit margin?

It's not as if this person has never known Quantum, skyrocketing growth. The fact is that, in the beginning, the founder of a successful company *did* experience Quantum growth. And it was exhilarating! He no doubt spiraled from zero to enormous success, maybe growth in the hundreds of thousands of dollars in the first year of business. All business was new business. All money was new money. The growth curve shot almost straight up and soared across the chart like a comet!

Then inevitably, the company settled into a routine. The entrepreneur became a manager, and got mired in sales figures, group insurance and payroll. The growth curve flattened out, the comet fizzled… and the once bold adventurer accepted it all as part of owning a business. After all, the other companies in his industry were doing about the same. So *everyone* was successful. Actually, everyone was satiated. They became part of the "less than all you can be" herd. Their expectations settled into "average."

Average. God, how I hate the sound of that word!

If I had continued to drill wells in Wyoming in 1984 with all that capital we got from our public offering, and pumped out a respectable number of barrels of oil our engineers had projected, Great Western would have grown internally, gradually and arithmetically. Our GW shareholders in the UK, still clutching their prospectuses and getting their dividend checks, would have been happy as pigs in shit. *'Look, we made 12% on our investment. Those noisy yanks are a bit of all right after all.'* But punching hundreds of holes in Wyoming was not where I wanted to take my company, myself or my shareholders. My vision was light years beyond theirs.

I knew that Quantum growth, the kind of warp speed financial performance I wanted, would only be achieved through *external* growth. And, as I've said, external growth is only possible through a series of equity transactions.

Let's examine the difference between what we'll call a "product" transaction and an equity transaction. A *product transaction* is essentially an even trade. The profit produced by an almost even trade of goods for money is negligible. We use the term " profit margin," because the damn profit may be a barely visible sliver of the whole transaction. So sales people have to do a zillion product transactions to generate substantial profit.

An ***equity transaction,*** by contrast, *creates* value. A board of directors decides to sell equity to raise capital. It votes into existence half a million shares of common stock for a public offering. When shares sell, value has been created from nothing but the perception of value!

If you're not willing to risk everything you own... don't try to buy a business.

Investors, in fact, are buying, not a product, but a *future* value that *may* exist. It's sort of like buying thin air. And paying cash up front for it! The down side, of course, is that a company cannot go on diluting its ownership indefinitely.

Accordingly, the equity transaction which is the real secret of Quantum growth is *acquisition* - the purchase of equity assets which enables a company to boost, actually to multiply its net worth *geometrically,* so that it can be turned around and sold to generate a ton of money.

In the first years of the new century, one of the rages among seminar gurus in the U.S. was "real estate investing," which is code for buying and selling cheap residential properties, or "flipping" houses, with little or no money down. Those so inclined could buy "fixer-uppers," slap on some minimal improvements, sell them to the next buyer and make a quick profit of a few thousand dollars.

Then, around 2004, the prices of residential real estate began to skyrocket out of sight. You remember how it was. Greedy investors, large and small, bought houses as their value ballooned beyond all reason. Banks joined in by offering sub-prime interest rates to buyers whose avarice outran their common sense.

Then…bust! And for the rest of the first decade of the 21st Century, the real estate market stagnated. Home values tumbled, so that those inflated home deals that seemed too good to be true turned out to be just that! There were more For Sale signs than trees in some markets. (In 2008, big lenders who had been so cavalier with their loans went down the tubes – Bear Stearns, Fannie Mae and Freddie Mac - only to be rescued by the federal government with taxpayers' money. AIG was saved by the intervention of the Federal Reserve, who agreed to lend up to $85 *billion* to AIG in return for an 80% stake in the company.)

Thankfully, that was an election year and Congress vowed financial relief for all those ignorant morons who lost their ass and their home to the land mines of sub-prime mortgages.

But even in the best of times, these types of investments are only the beginning, not ends in themselves. Flipping houses are the poor man's equity transactions. How infinitely more lucrative is the equity transaction in which a company is acquired for, say, $5 million of Other People's Money (OPM), pumped and prettied up, and sold for $10 or $12 million!

The Perils of the Leap

If you're contemplating your first business transactions, you need to approach your venture knowing in advance the three greatest personal hazards you face. Having the will and determination to clear these hurdles, as you'll recall from our first four chapters, is what becoming a super successful high performer is all about. Here are the three hazards:

1) The depth of personal commitment required. Your acquisition deal *must* take precedence over normal personal considerations. You have to make a total commitment of time and energy. Buying a business, especially the first business, is a full-time proposition. If you are trying to hold a job at the same time, you'll either have to quit that job or give up making your Quantum Leap through acquisition. You'll be spending days and nights figuring, re-figuring, analyzing and strategizing - and then doing it all over again. Because if you don't, if you do a half-assed job of planning and calculating every step and every nitpicking detail, you're likely to fail. All this means no days off, no vacations, constant travel and continuous meetings. Remember my "doofus test," which put a prospective associate under pressure? When you're working an acquisition, your whole life is a doofus test! You sleep on your couch, eat at your desk, work on your bed. Your lawn goes to hell, your friends think you're crazy, and your family stays mad at you for ignoring them, forgetting their birthdays and missing their recitals.

You *must* have a commitment of support from your family. If not, you have to make a decision - your Quantum Leap or your family. I'm not fooling around here. When I hold my week-long seminars at Guthrie Castle, I stress the importance of couples attending - wives or "significant others" - because the depth of commitment required is such that the "other" in the personal relationship *must* be a signatory to the *Quantum Leap* his or her partner is about to make. On occasion, a castle attendee has ultimately divorced his or her spouse or business partner, because the other person was unwilling to make a corresponding commitment to "The Dream."

2) The total financial risk involved. You must be willing to make a total commitment of your financial resources… to put *everything* you own on the table. Sure, a lot of Other People's Money is available, but many sources of OPM are looking to see how willing you are to lay your resources on the line first.

Mark this sentence*: If you're not willing to risk everything you own, now and in the uncertain future, don't try to buy a business.* If you can't afford to, or are unwilling to risk your savings, your home, your car, your child's education - everything you own - find another way to earn a living and file your Dream under "Nightmares I have Avoided."

3) The degree of stress you must endure. Here is an important reason why I practiced being a super successful high performer long before I achieved my greatest success. I knew from what I saw and from what others told me that the *Quantum Leap* would be no picnic. I knew I would have to suck up my panty hose, act tough, slash enemies, take hostages and kill prisoners to reach my goals. I knew, almost instinctively, the pressure would be enormous to equivocate, to compromise, to surrender. I foresaw times when, unless I practiced, I would be too wound up, too stressed out, too beat up or just too damned tired to take actions in my best interest. So I practiced. I thrust myself intentionally into one uncomfortable situation after another. I led charges when others retreated. I picked fights while others prepared to surrender. And, except for a few modest vices, I've kept my body and spirit in peak fighting condition for more than half a century. In Texas, where I battled with the energy giants, they called Dan Peña "twisted steel and panther piss." Among other things.

Sooner or later stress can kill most people. Stress no doubt contributed to the loss of my dear friend and partner Charlie. But the fact is, life eventually kills us all. My feeling is that - no blasphemy intended - life after death isn't so important as life *before* death. So I live the son-of-a-bitch, play the cards, and seize the day, stress be damned. I give ulcers, I don't get them! If you can't handle stress, if your health is of more immediate concern than your *Quantum Leap* - move away from that terrible chasm. Once again… ***it isn't for everyone.***

How to find Your First Acquisition

We've discussed in detail the process of raising capital for the purpose of acquisition. But well before you arrive at the point of beginning to interview capital sources, there are several basic issues you need to clarify in your own mind.

You're an energetic, ambitious individual with a three-digit IQ who sees less capable people than you run a successful business, live in luxurious lifestyle, then suddenly sell their company and retire early to a tropical island. You're an employee now, maybe, but you have the imagination, self-discipline and *chutzpah* to run your own company - and you're tired of working your tail off to make your boss rich.

Your first question is - what kind of business? I have some guidelines for answering that question.

First, as I preach to my disciples, "Stick to your knitting." Look for a business in which you already have expertise. You'll face enough problems (not "challenges") borrowing capital, assembling your Dream Team, taking over your company and learning to become a CEO, without having to acquaint yourself with the technical processes and jargon of a whole new industry. Do what you know. Later, after you've made several *Quantum Leaps* and become more comfortable with the acquisition process, you'll see common characteristics, and be able to handle acquisitions regardless of the industry, much as I do now.

Do what you *like* as well. Regardless of the problems you run into, your *Quantum Leap* will seem less harrowing when you're making it in an area you know and from which you derive pleasure.

There are other, practical criteria too. You want to make your acquisitions in an industry which is *fragmented, and dominated by mom-and-pop companies***.** You want an industry that's large enough to handle your acquisition aspirations. If you're planning to purchase one of three companies that serve what is essentially a limited market, such as buggy whip repair or carbon paper manufacturing, you have nowhere to expand.

You want industries that enjoy a 20% to 40% margin. In my own experience, these include such wisely diverse industries as retail jewelry, landscaping, building maintenance, publishing, home improvements and trailer parks. If you get into a business with 3% or 5% profit margins, you'll take forever to build your dream. Narrow your focus. You might be interested in healthcare, for example, but you need to find a niche no one else is consolidating, such as child care or senior living facilities.

The size of business you want to acquire depends on the size of your goal, and the clarity of your vision. My guess is that if you've read this far, you're looking for more than a steady income and a secure retirement from a couple of dry cleaner operations. I sure as hell hope so! I want you to be getting ready for a *Quantum Leap* to haul in an obscene amount of personal wealth. That means your acquisition must be in order of a large manufacturing firm or distribution business that will catch the eye of investment bankers.

How big a company? As a general rule, you as an owner can reasonably expect to receive income, before debt service, of about $25,000 from intangible services or consulting fees of $50,000, since there is no inventory, and usually no equipment beyond office furniture; about $25,000 from retail sales of $100,000; and the same from manufacturing equipment, depending on the degree of automation and cost of materials.

The bottom line is - take some quality time to define exactly what you want before spending money and effort "shot gunning" the market. Ask yourself if you are more comfortable in consulting retail or manufacturing - to name but three.

Conducting Your Search

Once you've defined the type and size of business that meets your requirements, there are several avenues to take for locating likely prospects. The most important thing to remember at this point, in your eagerness to buy, is *not* to buy the first "great deal" that comes along. If you looked at 20 houses or more before you purchased your most recent home, why would you grab the first business that sticks a For Sale sign in your face? Even if you find the perfect sweetheart deal the first day of your search, shop around anyway. Take the time to analyze and compare several prospects, so you'll *know* a great deal when one comes along.

Begin by scanning the "Business Opportunities" sections of your local and regional metropolitan newspapers and *The Wall Street Journal.* If you don't yet subscribe to such magazines as *Forbes, Entrepreneur* and *Inc.,* my first question is why not? Get current copies of each of these and look for opportunities that match your criteria. Get copies of trade publications in the industry of your prime interest, and check the "Marketplace" or "Classifieds" section for businesses for sale.

Contact local business brokers, and explain in writing, exactly what you're looking for. Otherwise, like real estate salesmen, they'll show you every listing from ice cream stands to funeral homes. Typically, the seller of a business pays broker commissions, so it should cost you nothing for a broker to help you during your search process. But don't sign any exclusive contracts. One of the largest business brokerage firms in the U.S. is VR Business Brokers, headquartered in Newport Beach, California, with almost 50 independent offices in 15 states. According to VR's Chairman, Don Taylor, a professional business broker has the expertise to accelerate the process leading to an equitable acquisition. Although VR's brokers are reputable, my experience in over 25 years has been shabby at best using business brokers. I would advise extreme caution.

Sources of information abound. Ask your banker, your accountant, lawyer, industry suppliers and wholesalers for any companies which might entertain a purchase offer. An inside tip gives you a head start on any deal.

The most direct approach is to contact a list of qualified companies directly. A lot of burned-out owners are hiding in the corporate jungle, desperately wishing they could retire. You could be their salvation.

In fact, you'll be amazed at how receptive so many business owners are to at least considering selling their business. My partner in a tax consulting firm decided the best way to approach prospects in his industry was a cold phone call to the owner himself. He says that he frequently got a response to the effect, '*Our company is not for sale. We're having a great year. When do you want to get together?*'

Another of my partners was an ambitious publishing entrepreneur. He sent out 240 inquiry letters to publishers he found through Dun & Bradstreet. The letter was intentionally vague as to the size and type of publishing companies he was looking to acquire. What it did say was that he was "in the process of building a unique kind of publishing company."

From those 240 inquiries, he got more than *80 responses* - about a 35% response rate! Of those, he qualified his pursuit list to about 50 publishing companies which satisfied his revenue parameters, and whose principles wanted to discuss selling their firm. By the way, the first question many of those who called asked was, *'What do you mean by a unique kind of publishing company?'* A little teaser on the bait never hurts.

That partner has continued to refine this simple yet powerful inquiry letter. It is so effective that I have included it as a handout at my high-ticket Doing Deals and Acquisitions seminars. As an added value, I've included it for you in the Appendix M, along with other letters and outlines used successfully by my protégés and partners - all for the price of this book.

Want another example? The fired up Philadelphia airline pilot turned entrepreneur sent me a copy of a letter he has sent out, under his company's impressive letterhead, to prospects in his target industry. You could literally change the industry and price range and use it yourself.

His letter is reproduced below.

Mr. John Winchester
HEALTH CARE CLINICAL LABS
8229 Lake Drive
Corona, CA 90701

Dear Mr. Winchester,

We are interested in acquiring a medical laboratory firm located within the greater Los Angeles area, with sales ranging between $2,500,00 and $5,000,000. Our preference is for a company that supplies the needs of most local physicians; however, we are flexible and will consider other opportunities.

We are principals (not business brokers) with adequate capital and financing, and we're prepared to close very quickly on the right situation.

If you have an interest in selling, please call us at your earliest convenience. You have our assurance that all matters will be held in the strictest confidence. We enclose our business card for future reference in the event you have no present interest in selling. Of course, we would greatly appreciate your directing this letter to any of your colleagues within the field whose business may be on the market.

Sincerely,

(Name)
Managing Director

Every element of this letter nurtures the perception of his company as a large professional, well financed organization. He assures the reader he's not a broker fishing for leads, that he's got capital in stacks of large unmarked bills sitting on his desk, and that he'll buy immediately if the company and terms are right. Hey, if I were Mr. Winchester and wanted to say *"Screw it, I'm retiring to Barbados!,"* I'd pick up my phone in a heartbeat and call this guy!

One of my finest deal hunting partners was an Aussie named Martin Heller. Martin was already a committed entrepreneur, but after listening to my tapes, attending my seminars and reading the first edition of this book, he decided he was ready to hunt with the big dogs. Here's what he later wrote: "By the time we met at a London Hotel in December 2000, I had fully absorbed his mindset. I felt I knew him very well already. Dan had formed The Guthrie Group (TGG), an investment consortium specializing in facilitating transactions. I was determined to join them. Many 'doofus tests' later, and after three months of investigation, he finally made me an offer to join TGG. I stayed with the group for over five years, lived at the Castle for a time and eventually became one of the principals.

"Dan taught me how to best hunt for deals. We had over a hundred meetings that I set up with banks, venture capitalists and private equity firms. We interviewed CEO's, assessed acquisitions and divestments, MBO's and SMBO's. We worked on industry consolidations, and all of us working together sent thousands of e-mails.

"It was hard graft, but excellent grounding. Whilst no two deals were the same, the Credo's for Success Dan teaches *never* change. For anyone interested in super success, I recommend Dan's training exclusively. Few individuals come close to his attitude or knowledge in business. Classic comments like, 'super success is *not* for everyone' and 'if you want a friend, buy a dog,' are very unlike those happy-clappy feel good seminars. More important, they re-enforce the fact that without a serious 'pay price to action', without grit and passion, in his words, you can forget about it!"

Selling the Seller on You

Most business owners, particularly those who have founded and grown their company from scratch, are very protective about their firm. It's their baby, and even though they're entertaining the idea of selling it, they want that baby in good hands. They want their employees protected and secure. They want their customers taken care of.

The first question they're going to ask, at least in their own mind, are, *'Who are you?'*... and *'How do I know you can run my company the way it should be run?'* They do *not* want to sell it to a *kamikaze* pilot who's going to drive it into the ground. That's why it may be best for your lawyer or your Big Four accountant to make the initial call on your behalf. You get instant credibility. Or, if you prefer to make the first call, and you detect those questions bubbling around, offer as references the names and numbers of your lawyer, your accountant and maybe one or two of your directors whose names he may recognize. Once the prospective seller has chatted with your man at Deloitte & Touché or Ernst & Young, you can bet his due diligence is done.

Another method that is equally good is to send a short letter which includes the profiles of your board of directors, much as you did when seeking your accounting firm. This also gives you instant credibility, and should remove any hesitancy on a prospective seller's part.

What if your prospect cuts to the bottom line, just to see if you're serious? He says, *'Well, I may be willing to sell, what are you willing to pay?'* you say something like, *'Oh, three to eight times your after- tax earnings, but of course we have to look at the books. I'd probably do an acquisition audit. But we can talk about that later.'* You've sidestepped his probe with an answer that tells him you know what the hell you're talking about, so don't ask any more stupid questions!

Regardless of the deal you eventually hammer out, here's a key point. Make the other side part of the transaction, so that his net worth increases. If it makes the deal, factor the seller into future revenues for a specified period. Give him cash or stock. Or cash *and* stock. Pay him a consulting salary for a specified time. But give him his spoonful of sugar. Make his departure from his company as honorable and as painless as you can. And the most comforting balm you can apply is...money.

What if you find the dream company, meeting your criteria beyond your expectations, and the owner says it's not for sale. *And means it.* You may well move on to the next prospect. Or you may employ a strategy Dan Peña uses on occasion, especially with companies that are in big trouble but are in denial vis-à-vis their real financial condition.

Virtually every company in business has debt. Your target has $300,000 of credit with $60,000 outstanding. You find out which bank is holding the paper and pay the banker a visit. You negotiate to purchase the note at a premium from the bank - yes, you can do that because banks enjoy profit as much as you do - and then visit the reluctant prospect. You ask him nicely once more if he'd care to sell, and when he says no, but before he throws you out, you advise him you own his note, you're calling it, and you demand immediate payment in full. Now, sir, let's talk quietly about buying your company.

"That's chilling," you think. *"Somebody could do that to me."* Not if you have your lawyer draw up your own lending document which specifically forbids purchase by a third party. You don't have to use the bank's "standard" document; most companies just do without questioning it - and without reading the fine print.

Another tactic is to contact your prospective customers, and offer them a deal which makes you a more attractive supplier than the present ownership.

Or, you may prefer to move to the next prospect on the list. That's fine. But I give you these alternative strategies because business is hardball; and if you're more comfortable pitching softballs, somebody, sometime, is going to knock your butt right out of the park!

Speaking of hardball, I tell my seminar attendees that in any deal there's a high road… and a low road. You should always assume the other side will take the high road. Give them the benefit of the doubt. But if and when they step off the high road - be ready.

I've referred to litigation as a legitimate business tool. Of course you always want to avoid litigation. It's costly and it takes your focus off your real priorities. But if the other party even *mentions* litigation, sue the bastard. *Never threaten to sue. Sue!* That's because you want to be the plaintiff. The plaintiff gets two shots at the jury - and picks the venue for the civil trial. How do I know? Dan Peña has been involved in about 250 lawsuits over his career. His record is 250-3 in the U.S. and England.

So whether they're just testing your resolve, or maneuvering to "stick it to you," instruct your lawyer to act quickly and decisively with sufficient force of law to have them realize their miscalculation. Then resume negotiations.

Doing Your Pre-Purchase Homework

After you've got some prospective acquisitions identified based on type and size of business, take a look at the profit picture of each. You want a company which has shown *increasing* profits over at least the past three years. Look for a trend, rather than a sudden spurt of profit growth. Comb through their books with a lice comb!

Then invest in an acquisition audit by *your* accountants. Since it's a Big Four firm, they will have staff people who specialize in acquisition audits. If you have already made a tentative offer, and your own audit indicates your offer is too high, adjust it. If your prospect protests, just tell him what he already knows - that the numbers your audit revealed did not agree with his and do not support your initial offer.

Your capital source, especially investment bankers, will want your annual return on investment, after you take your salary and make debt payments, to be about 35%. Regardless of where you get your funding, you should accept nothing less in ROI than 20%. Of course there are acquisitions you may consider that have no profit but which you might be able to turn around, but I would be hesitant unless I had a couple of buyers tucked under my belt.

All the answers you're looking for are not in the books. Books can be cooked and simmered to perfection. So begin your investigation immediately. Check court records for outstanding lawsuits or claims against the company or companies in which you have interest. Investigate the owner and senior management. Are they honest? Are they who and what they say they are? Look for red flags. And don't ignore red flags because you want the acquisition so badly. Be willing to walk away from the most promising deal if a flag pops up.

As you can see, the financial and legal considerations become complex quickly. Now you can better understand why you want the best acquisition lawyers and the best accounting firm you can get!

Some of your investigation is best done by you. Once you've narrowed your search to one or two companies, and you've made contact with their owner, it's time to talk to key management people. If and when the company is purchased, do they plan to stay? Or is their primary loyalty to the former owner? In instances where highly technical processes are involved in manufacturing, how do the skilled technicians feel about staying on? These are vital issues because existing customers look for continuity.

The fact is - *everybody* wants continuity. Especially you. Continuity of operations, and the strength of that continuity to generate increasing profits, is what you're buying. A ***Quantum Leap*** is actually a direct leap from zero to full profit-making capacity, giving you the opportunity to skip all the growing pains in between. And your ability to convince employees, suppliers and especially customers that nothing will change after the buyout, and make them believe you, will do more than anything else to get your money's worth out of the new company. Unfortunately, every predatory corporation which buys out a competitor grins and says, *"We have no plans to make any changes in personnel or operations at this time."* Besides, you may have a better Vice President waiting in the wings. So the best you can do is create the *perception* of continuity, and feed it to those who need it.

Your investigation should include a lot of listening as well. When I visit a prospective acquisition, the scenario goes something like this. First I have dinner with the CEO. Just the two of us. No wives, husbands or 'significant others'. I listen to see where he's coming from, and what he's looking for. Most important, I'm trying to get the measure of this individual that I'll soon be negotiating with.

Then, preferably the next morning, I have breakfast with the company's Chief Financial Officer or its equivalent. This gives me a different perspective of the same target. And I can compare what the finance man tells me against what the CEO said the night before. Afterwards, by prior arrangement, I spend the morning talking to employees from several departments. Meeting with them one at a time behind closed doors, I ask them what they do, how they like working here and other questions that reveal facets of the company from the bottom up. Ideally, I have lunch with a partner in the company, or some other key executive, as I continue to build my picture of the company.

Finally, I try to invite the marketing and sales people, always a gregarious bunch, out for a few drinks after work - on me, of course. After a few rounds we're all asshole buddies, and they do what drunken employees do best - bitch about the company. This is invariably the most instructive meeting of all.

You want to acquire a company with a broad customer base. The last thing you need after you sit down in your new corner office is to get a call from the customer who represents 40% of your billings saying, *"We've decided to move our business down the street."* The largest customer of any company you consider should account for no more than 15% of total billings. Part of your preparatory work should even include a chat with the largest four or five customers, to see how they feel about dealing with a new owner. If less than 20 or 30 customers are involved, you may want to see all of them.

I buy and operate companies wherever I find them. So I fly hell of a lot. But I don't mind, because my business life has always necessitated travel and my procedures are geared to working on planes, in hotel rooms and by e-mail.

One day you may feel as comfortable with out-of-town or out-of-state business ownership as I do. But right now your first acquisition should be local if possible. Otherwise, when the inevitable problems arise, commuting back and forth will become a colossal pain in the butt. If you have a family, and want to keep them, it's even worse. Staying local not only means less traveling, it also puts you into a business where you already know the market, you may already know some of the customers, and where you're established in the business community.

Finding the best possible acquisition target is not easy. Unless you happen to know somebody who knows anybody trying to sell exactly what you want to buy, or beginner's luck turns up a gem, you can expect your acquisition search to take six months or more. Even if you find your dream company the second day, you still need to validate it by looking for a lot of other companies. This process is important, because you eliminate half **of** your problems when you select and go after a qualified target. But remember… the deal is either hot - or it's not. Period! You still have to investigate even the hottest deal.

When you're satisfied with your investigations, and the deal looks good on paper and *feels* hot, it's time to tie up and move to closure. I use a letter of intent which spells out the specifics and gives me an option to buy at a certain price. My letter of intent concludes with a sense of urgency, saying, in effect, *'Please let us know as soon as possible (*or by such-and-such date), *so if you do not intend to act we can move on to our next choice.'*

I don't use contracts, because a letter of intent is just as effective and less intimidating to the prospect. At the same time, I have begun to search for my funding, since I intend, as always, to use Other People's Money.

Let's buy a hypothetical company. We'll call it Rufus Electronics. My acquisition audit tells me this company is worth $10 million. I tell Mister Rufus, who is looking forward to retirement, that I can pay him $9 million cash. After some requisite hesitation, he accepts my offer.

Now all I need is $9 million. But I have it all worked out. Rufus Electronics has shown a fairly steady three-year cash flow of almost $90,000 a month. That figure supports a $60,000 per month debt, based on the Peña rule-of-thumb that cash flow should be about 1.5 times debt service. Since current cash flow determines debt level, my banker has determined Rufus Electronics can support roughly a $720,000 annual debt service. At 10% of total debt, this figure in turn supports approximately a $7 million dollar non-equity loan. And as always to preclude escalating debt service, I try to borrow at a fixed rate.

A good rule to remember is that if cash flow will not service the debt, *you're paying too much!* Of course, there are exceptions, i.e., a company that is *losing* money. But I really want to purchase Rufus Electronics, and to demonstrate how to make that purchase without using my own money.

So all I need is $2 million to cover the shortfall. What are my options?

1) Old man Rufus takes back $2 million in paper, a promissory note to pay him in monthly installments for a predetermined number of years.

2) I generously make Mister Rufus a part of the Dream with 12%, 15% or even 19% of the company still his, based on my accountant's recommendation. I give him an office and an emeritus title, and the reassurance that when I sell his former company he shares in the profit, which might be even more than a paltry two million. This option is especially attractive for the Rufus mooch heirs.

3) I find an equity player, a venture capitalist who'll give me $2 million in return for maybe 30-40% equity in the company. In fact, the capital needed might be $2.2 million - $2.4 million to cover all fees and professional expenses and in many instances a coupon at some fixed rate will have to be paid on the equity portion of the purchase. Obviously, cash flow will have to cover this debt level as well.

4) I locate another lender who'll take assets as collateral, with cash flow as secondary collateral.

By the way, since I've run my figures so cleverly, my bank loan is actually for $7.2 million, and I have $200,000 of slush to play with - or even better, to distribute as bonuses to my new employees who, in a sudden burst of love and loyalty for me will forget all about the years they devoted to old man Rufus.

The point of all this is that there are many ways and combinations of ways to secure OPM. You just have to keep probing the financial market until you find the right combination. But trust me - *the money's out there!*

Sometimes, however, in spite of your most adroit deal-making skills, a promising acquisition negotiation begins to unravel. Most people then try to fix the deal. It's a natural urge to say, *'Hey, we've spent too much time on this to let it fall through now.'* Or maybe you hang on because you don't want to admit you've made a mistake.

The time and expenses you've invested to that point is nothing compared to what you are likely to lose with a patched up, compromised deal that closes on crutches. Step back and give yourself the clarity and courage to cut your losses, and move on to the next deal. *And there will be a next deal.*

The Second Acquisition - Not a Carbon Copy!

Let's assume the best. You found the perfect company for your first acquisition, you located financing, you maintained continuity and this morning, some time later, you woke up with ***Acquisition Fever.***

If you're like most budding high performers, the "fever" is really an outgrowth of your realization that you'll never achieve another ***Quantum Leap*** out of your present company until the day you sell it… until you make an equity transaction. Profits are inching up, revenues are steady, sales are up from last year - *and you're bored.*

Before mold forms on your elbows, it's time for more Quantum growth.

A few years ago, this exact scenario was being played out in the business life of a close friend and protégé of mine, Casey Stephenson. Casey, who passed away in 2008, was an energetic, ambitious guy from

Hanford, California, near Fresno. He owned his own jewelry store by the time he was 21. After a couple of years, he had "been there, done that" in jewelry sales, and wanted more. He tried to grow his company by opening new locations, but he was just working harder doing the same thing, perpetuating his job at the same level.

Casey attended my first seminar, in May, 1993, and heard me talk about Quantum growth through acquisition. *"I was overwhelmed,"* he told me later. *"That idea would work, but how could I use it?"* He targeted the acquisition of a jewelry store two-and-a-half times the size of his own. Everybody thought he was crazy.

The owner didn't want to sell. He didn't even care for Casey as an individual. Casey remembered that Dan Peña says, *'No means yes,'* so he approached the country's largest jewelry store acquisition company - and they tried going behind his back to buy it for themselves!

Casey wanted that store. So he finally made the owner an offer he couldn't refuse. In addition to the purchase price, the guy would receive 50% of all profits during the first 90 days after the acquisition, when they would liquidate the assets. He made the seller a generous part of the transaction…soothed his pride with money…and the deal went through.

Casey later wrote, *"In following the same steps Dan Peña did when he was acquiring multi-million-dollar companies, I was able to: purchase the oldest jewelry store in the state of California in just three months after attending Dan's seminar, battling against the biggest jewelry store acquisition company in the US; and without using any of my own money or taking on debt. Minnow swallows whale! And the revenues in my business will triple in one year due to this acquisition, which is the real Quantum Leap in my success."*

As you consider a second acquisition, there are some rules of thumb to consider. Your first acquisition should have established or continued a profitable track record - but that's not mandatory. If your first company is struggling for breath, a second company won't pump life back into it automatically. A good idea is to give the first company about three years of operation after your acquisition, so you and your "Cee-pee-a" can make a qualified judgment about its long-term health. Also, during those three years, your first company will have had time to establish a reputation within the business community.

These are all rules of thumb. <u>But</u>… if you find another hot deal and your instincts say yes - go for it!

In your first business no doubt **you** became a managing owner. In your excitement and enthusiasm, you got in early every day, reviewed receivables, walked through production, checked orders, talked to customers and monitored every figure for signs of profitability. Your employees would look and say, *"Here* *he comes again."*

You can't do that with two plants, two stores or even two offices. You have to hire or train another individual - or several - to take over your management duties so you can spend more time *kissing frogs* for your acquisition. Your second acquisition, in fact, signals the end of your role as a hands-on kind of owner. Otherwise you become your company's worst confusion factor. And worst enemy.

You also want to pay off your short-term debt. You're going to need plenty of short-term cash during the second acquisition - and this time it should come from revenues of the first acquisition, not your own wallet. So pay down the operating line. And do it all over again.

I tell my seminar attendees, *'Never apply short-term solutions to long-term problems.'* The same holds true here. Never use operating funds to make the equity contribution in a second leveraged buyout. Don't use short-term borrowing to make a long-term purchase.

Look for a second company that complements the operations of your first. "Stick to Your Knitting - Part II." At Great Western, we stayed in the energy business, expanding only from oil and gas to coal, constructing pipelines, drilling and marketing.

Our acquisitions were energy support companies, so that we were vertically integrating our organization in an area in which we were already familiar. Casey Stephenson, the jeweler, stuck with what he knew. A few years ago, Time Warner, already a communications giant, targeted Turner Broadcasting Systems. And putting a very complex deal very simply, Disney sought outlets for its entertainment products by purchasing Capital Cities/ABC.

You will have learned volumes from your first acquisition which you can apply to your second. At the same time, you'll be regarded in a different light by bankers, lawyers and owners of potential acquisition targets. Your first time around, you were regarded as a novice, and given slack and consideration for your lack of experience. This time, you may be regarded as a greedy capitalist, reaching out to grab other men's dreams to extend your own. You may be met with suspicion, and every word you say or write will be examined for content and implied meaning. Your best defense is calm reassurance of your intent, and the determination to remain fair to all parties.

Once you've done a successful acquisition or two, an amazing thing will occur. Deals will start to seek you out. Accountants, lawyers, owners and brokers will bring you deals because you're a proven player.

The acquisition of a company, its development and improvement as a player in the marketplace, and its inevitable sale for millions in profit - that process has been for me the most exciting part of my career. And certainly the most profitable. I'm a committed frog kisser. I hunt for acquisition deals every day. I solicit deal proposals for consideration from those who attend my seminars. I am always ready to participate in any deal which will help and enterprising individual make more money that he or she ever dreamed possible. And, naturally, make a bundle for myself.

I encourage you to think beyond cost reduction and more sales. Adjust your thinking and your vision just 10% and look past day-to-day business banalities, toward the chasm beyond. Go for your ***Quantum Leap*** with the acquisition of a company just waiting for your level of excitement and caliber of expertise.

As Casey Stephenson said on the heels of his success:

"Now I look at everything differently. I'm able to see opportunities. And there are lots of them around. I've got so many things coming at me now. People in the industry are calling me to buy their stores. It's phenomenal."

Finally, when you get just a glimpse of your potential for success, quantified and measured by the flow, the *flood* of money into your bank account, I guarantee with no reservations that you'll never *ever* be the same again.

Chapter Twelve

Your Grand Exit - Dying or Selling

"Some long for the glories of this world; and some sigh for the Prophet's Paradise to come. Ah, take the cash and let the promise go..."

Omar Khayam: *The Rubaiyat*

The CEO world is largely populated with careful, comfortable founders and owners who were once bold and courageous entrepreneurs. No matter where you live, they're familiar names... "business leaders" who speak to the Rotary Club or head up the United Way drive. They run a mid-sized CPA firm or a lumber company, a car dealership, an ad agency or a manufacturing plant. They're all perceived and respected as pillars of their community.

At one point in their lives, they snatched control of their destinies, stacked all the chips they had on the table, and created or acquired a business of their own. They took a ballsy chance and succeeded.

Then, recoiling from the shock of their own unexpected success, they decided that their one big score was a lucky break, a fluke, and they could never repeat it. So they took up a safe defensive posture to protect what they had "miraculously" achieved. They dug in, and frittered away the rest of their career trying *not to lose* what they had achieved. Today, years or even decades later, they're still dug in, basking in respectable mediocrity. Their names are on the letterhead, their portraits are in the lobby, and their stupid sons are in the Vice Presidents' offices down the hall waiting for them to die.

I've come out of retirement again and committed myself to saving as many energetic, determined entrepreneurs as I can from the fate I've just described. If I kick you around and hold your attention long enough to inspire your first ***Quantum Leap***, I'll be damned if I'm going to let you do it *once,* then quiver behind your desk for the rest of your career.

The truly successful high performer understands that the strategies and skills which he marshaled to generate the first ***Quantum Leap*** can be called upon to repeat that success over and over. That's why he doesn't hang on to this first venture like some sort of corporate teddy bear. He's secure enough in his abilities to build it up, then *sell it off for a bundle.* And start the process over again.

You, as a progressing or even entry-level entrepreneur, can make one ***Quantum Leap***, hold on to your company, and sit on your assets the rest of your life. Or... you can keep your dream humming along for a few years, improve its profitability, then dress it up and unload it for a substantial profit.

Succinctly put, unless you're thrown out by your own shareholders, you have two exit strategy options - ***die or sell.***

I can't help you prepare for the first option. Fortunately, I've never used that strategy nor talked to anyone who did. I'm far more familiar with the latter - selling. And I can give you some pointers on how to "puff up the hog" ready for the fair, and get it ready to bring you top dollar.

Owners sell their companies for several reasons. Some are simply ready to retire, take the cash and enjoy a more leisurely life. Others want an injection of capital to continue to grow their company, or an affiliation with a larger company for greater distribution, marketing or manufacturing resources. The best reason I can think of to sell a company is to free up assets and turn equity into cash. *Lots* of cash!

Selling is the natural end of a cycle that began when you decided, years ago, to begin or acquire your first company and make your ***Quantum Leap.***

If you're young and energetic enough - and most of us are - you can take part of your newly liquefied assets or the leverage it provides and acquire a second or even third company, and start the process over again. One thing I learned quickly - making an enormous amount of money suddenly, from a single transaction, is habit-forming. Absolutely erotic! You're 18 again – and you can't get enough. The more you do it, the more you want to!

Pay Yourself First!

Before we get into the specifics of implementing your exit strategy, let's talk about paying yourself and your people. A company owner whose aim is to grow the company arithmetically will characteristically plow profits back into the company to strengthen its financial profile, to purchase new equipment or expand however necessary.

I can't emphasize enough that you as a company owner need to pull money out of the company to pay yourself, so you can begin to enjoy the lifestyle that you and your family have earned. Many owners feel guilty about rewarding themselves, as if they're betraying the company. That mentality is fine *if* you *never* intend to sell. But if you do plan to sell - as I hope you do - you'll fell less obligated to squeeze every penny out of the deal if you've been paying yourself all along.

While you're paying people, never forget the employees who have made your company successful enough to become a marketable item. Your employees may love you for your charismatic leadership, but trust me, *they're in it for the money.* If they do everything you tell them to, everything they feel is expected of them, they don't care if business is temporarily lousy, they expect you to reciprocate. They need a bonus now and then - especially at Christmas or end-of-year - which confirms their value to the company.

So take money out and put it aside for you and your employees so you can pay deserved bonuses in *all* business conditions and cycles. When you borrow money, borrow enough to tuck away for employee bonuses. Don't make yourself wait, and don't make your people wait for the rewards they deserve. The cliché is true - take care of your people, and they'll take care of you.

How Much is Your Company Worth?

The market - not you - will determine how much you will ultimately get for your company. The *fair market value* is what your company, or any commodity, can bring in open exchange between a buyer and a seller in an uncontrolled market environment. You should bring in professionals to perform valuations so you have at least a ball-park estimate of how much to ask.

Be assured that any serious buyer will conduct his own valuations, because *nobody* believes projections or even current figures provided by the seller. Buyers make their decision based on what *they* think the projections are, after examining your records from three years back.

Regardless of who does it, there are four universally accepted means of valuing a company - plus one which is all too often used by business owners:

1) **The Asset Approach based on fair market values** - This method adds up the fair market values of company assets, after netting out the total of the firm's tangible liabilities. A real estate holding company might use this approach. Quite often a company in financial trouble will do an asset-based valuation just before a "going-out-of-business" liquidation sale. This type of evaluation would be appropriate for an outdated manufacturing plant sitting on a valuable piece of property.

2) **The Income Capitalization Approach** - This valuation method, also called **discounted value of future cash flow,** is based on the current worth of economic benefits that will be enjoyed by the buyer in the future. It tracks the company's expected future earnings stream over a predetermined payback period, expressed in present value dollars. This method is filled with "iffies," because who can predict interest rates, inflation, or hypothetical future revenues and expenses? Nevertheless, most prospective buyers want to use this approach to assess your company's value, since it stresses future performance. (Buyers will typically pay three to five times annual cash flow, all others factors being equal.) Accordingly,

if you use the same type of valuation, you get a clearer idea in advance of how much a prospect may be willing to pay.

3) The Market Comparison Approach - This method is similar to that used in the real estate market, comparing the financial performance and ratios of similar companies, i.e., return on assets, debt-to-equity ratios, return on sales rations, return on equity and price/earning (P/E). Average industry ratios are published by Dun & Bradstreet, and by the US Bureau of Census in their **Quarterly Financial Report for Manufacturing, Mining and Trade Corporations.** The P/E ratio is perhaps the most widely used measure of comparison, since it provides the most accurate reflection of a company's earning power and growth possibilities. It expresses a company's value as a multiple of net earnings after taxes. The higher this key ratio, the higher is the firm's growth potential.

4) The Gross Revenues Approach - This method is for companies like the ones I like to run. They gush torrents of income and matching expenses, with few if any retained earnings. In most cases they have few assets and little capital investment. Examples of these a re consulting firms, retail companies, radio stations, employment agencies, dealerships, professional service businesses, and public relations and advertising agencies. A specific company's value is expressed as a multiple of annual gross revenues.

The multiple is based on such factors as the company's reputation, time in business, sales record and the strength of its industry. Multiples are very subjective, and are based as much on educated guesswork as industry figures. This is the best way to value a company which is referred to as a "cash cow", a company which only requires the buyer to survive and keep quiet to make money on his investment.

5) The 'Here's How Much I Want, Take It or Leave It' Approach - Some business owners, especially those who have developed a deep emotional attachment to their company over the years - or who have specific cash needs - will begin their valuation, not from the worth of their company, but **from the amount of money they want or need** out of the company. Unfortunately for them, companies are valued on their respective strengths and weaknesses - not on the personal desires or agendas of the owner.

Puffing Up the Hog to Take to the Fair

"Puffing the show hog" is no idle phrase, as any former 4-H kid will tell you. When your prize porker is going to be judged by the "pound and the round" of its figure, you make sure that before the two of you head up the fairgrounds, the fat sucker is fed to the snout with his favorite corn. What better scrap of Americana could I apply to your taking your own prize company to market!

Timing - The Search for the Perfect Wave

As you will have learned after you've been in business for a while, you compete in a cyclical economy and a cyclical industry. It goes without saying that you want to sell your business in a strong market; the problem is that there are several indicators you need to read and consider before putting your company on the block.

The ups and downs of the economy sweep over your company likes waves, influenced by interest rates and periods of stable growth and general confidence in business. Concurrently, your specific industry may be in an upswing or downswing. The mid-nineties, for example, saw such industries as computer technology, communications and health care sweep like tidal waves into the hearts of investors. Others, which cater for fairly stable wants and needs, hardly feel the bumps and dips. Add to these variables the condition of your own company, and its profit picture over the past three years. You're hardly in a position to demand top dollar if your revenues over the past few years have been flaccid. Achieve at least three years of solid profit, and make it jump out of your books to grab the attention of the most casual reader.

You're likely never to ride the crest of all three of these waves at the same time; nevertheless, you need to monitor them - the economy, your industry, your company - so that you can at least aim for a seller's market when you decide to sell. If your overall plan calls for you to sell in five to ten years, you'll track through several cycles of change before you finally sell. As a rule of thumb, however, I tell owners that it they're over 40 years of age, to sell during the next up-cycle and get the hell out. Period!

A Clean House Brings a Higher Price

The snapshot of your company on any given day - its financials, its contracts, even its physical condition - is *not* the picture you want to present to potential buyers.

When a potential buyer strolls through your premises, the most insignificant images stick in the mind - the receptionist's greeting, the clutter in the stockroom, dirty carpets, the crowd in the lounge, the awards on the walls, the demeanor and noise level of employees.

Remember - whether a person is buying a car, a house or a business, much of the decision is *emotionally based.* Above and beyond the financials, buyers *feel* whether a company is right or not, just as you, the seller, can *feel* whether a buyer is the kind of individual or conglomerate you want to sell your hard-earned company to.

Prior to trying to sell your pride and joy, paint and repair as needed, clear corridors and storage areas of accumulated files and boxes, replace outmoded equipment, repave the parking lot if necessary and redecorate your offices to reflect an efficient, productive yet warmly human working environment. This is called puffery!

Shoring Up Your Organizational Structure

Housekeeping at the most elementary level requires that you update - or create - salary guidelines, board meeting minutes, job descriptions. In fact, even the smallest company needs a policy and procedures manual for employees, covering hours, vacations, health insurance, retirement plans and record keeping procedures. An organizational chart, complete with titles and lines of accountability, will convey a sense of organization, and suggest that you as a CEO are already grooming others for senior executive positions.

A Credible Board of Directors

Another preparatory step is one we've discussed relating to establishing your company in the financial community, that of assembling a distinguished board of directors (in some parts of the world, these are called Advisory Boards). Just as a list of respected executives on your board impresses a banker, it also speaks volumes to potential buyers. Recruit them carefully, person by person, as if you were putting together a team of all-stars. Offer them free stock, or options and warrants, to compensate them for the use of their name and the time they may spend advising you and your successor. Far beyond window dressing, in fact, your board can provide you, and your potential buyer, with a wealth of business acumen and wisdom well worth purchasing. And remember, as I say in my seminars: *" I bought my first dream-team board of directors."*

Corporate Literature

Your company also needs some literature to add to its legitimacy. A brochure tells prospective buyers, as well as clients, of course, that the company is prosperous and aggressive in its marketing program. Brochures for high-tech firms are especially effective in explaining what the company does in pedestrian language. An illustrated color brochure will add pizzazz to the most seemingly mundane or complex businesses. _

Clean Financials

Clean up your financials too. I'm sure you wouldn't do this, but a lot of companies use "tax avoidance strategies," such as excessive compensation, to camouflage earnings from the tax authorities. Such tactics may well have a negative impact on a potential buyer who says to himself, *'Hmmm... what else are these guys hiding?'* But beyond ethical issues, buyers will typically only recognize your *traceable* profits.

They're not going to pay for earnings that are invisible or not clearly documented, no matter how blatantly you nudge and wink…

In order to avoid getting caught between the tax authorities and the concerns of a potential buyer, I suggest that in anticipation of putting your company on the market that you "invest in taxes" for a couple of years. Yeah, when all else fails, *pay your taxes.* Just keep in mind that your company will be acquired based on multiples of earnings, so your investment in one or two years of taxes should bring you multiples of that amount when you sell.

We've talked about audited financials. Such a report issued under the logo of a respected accounting firm will lend credibility to your company. This is another reason to "get honest" on your tax avoidance schemes, since a reputable national CPA firm will "tsk-tsk" you for these practices. As you'll recall, these eye-shaded bean counters are really trained to work *for* the tax-man and *against* you unless you can convince them otherwise.

During the normal course of business, you may have gotten a little loose in collecting your receivables and tightening up your inventory. Uncollected receivables that you'll never collect should be marked down, as should those dated and cobwebbed items in inventory that you'll never sell.

Sure as hell, a prospective buyer will dispatch his auditor to find these untidy holdovers. So you find them first, and write them off. None of my companies will ever enter into an acquisition without an acquisition audit by a Big Four firm.

Stable, Long-Term Contracts

Another clean-up chore is to strengthen and lengthen contractual agreements. Any potential purchaser wants to buy into the same pattern of arrangements which have helped make you successful. These arrangements include any property and equipment leasing contracts, and, in a union environment, any labor contracts. If you're anticipating selling, negotiate ahead of time a long-term labor contract that subsequently gives any buyer a sense of stability with regard to his union workers. Although this isn't always possible, it is definitely worth trying.

Customer contracts are equally important. When we were negotiating to purchase Bow Valley USA, we looked carefully at the extensive coal contracts the company had with utility companies all over North America. Those contracts were part of the firm's assets as surely as were its coal mines.

Also solidify any contracts you have with suppliers, to provide you with raw materials or other products at a certain price for a number of years. The more contracts you nail down, with every party, the more stability you craft into a promising deal for a likely buyer.

Cleaning Up Your Paperwork

If you're like most owners of private companies, operating outside the public spotlight and SEC disciplines, you've got a hell of a lot more to do than keep clean, timely records - like run the damn company! That's fine if you never intend to sell. Otherwise, it's in your best interest to maintain all the data a prospective buyer looks for as evidence of an organized and efficiently run operation. For example:

- Payroll records
- Tax records, reflecting up-to-date filings
- Documentation of any bank loans
- Documentation of copyrights, trademarks or patents.
- Copies of current licensing, distribution or franchise agreements
- All documentation required by OSHA, the EPA and other bureaucratic tentacles of government.

Speaking of the Environmental Protection Agency, make sure your company is in compliance with any appropriate environmental regulations and guidelines. Hire an outside evaluator to check your procedures and processes for dealing with handling and disposal of any waste your company may be generating. And document everything.

Information and Financial Control Systems

Buyers who see a working system of controls in place are more likely to pay a premium for the company. They know that your systems will save them the agony of having to install these processes at a time they're going through post-acquisition transition. I suggest you have your accountants or an external consultant review your controls and data processing systems to ensure they meet your needs. The cost of this review will be more than recouped in the price paid by a satisfied buyer.

The Transition Management Team

Buyers want assurance that you're not going to hand them the key at closing and disappear, along with all the expertise which has made your company successful. You may now be running your company single-handedly, but if you're planning to sell, you'd better begin to develop a management team, a second level of competent management and control which will ultimately make you dispensable, and raise your buyer's comfort level about the people he is inheriting. Especially key to this management team is a conscientious, certified Chief Financial Officer who continuously feeds data into the system.

In addition, almost any buyer will want you personally to be around during the transitional period, leading him through processes you know by heart, and helping him establish relationships of his own with employees, customers, suppliers, bankers and anyone else in the business community who can continue to provide him support.

Depending on the size and complexity of the company, and the confidence and experience of the purchaser, you might be asked to stick around for anywhere from 90 days to two to three years. Negotiate for the shortest period in your buyer's comfort zone. You want to get on with your life - and begin your next ***Quantum Leap!*** Besides, former owners, becoming increasingly irrelevant to all parties, tend to take on the aura of a ghost from the past if they hang around too long.

Lawsuits in Progress

While you're tidying up, clean up your lawsuits. If you're the defendant, settle wherever possible and put litigation behind you. On the other hand, if you're the plaintiff, keep the suit. Make sure you advise the buyer of the particulars of the suit, and emphasize why you feel it's important to pursue it to the end. The buyer will appreciate your being forthright, and you give him the option to continue or drop the action after purchase.

Structuring Your Deal

The financial and legal form your company sale takes depends on your liquidity objectives, tax strategies and other goals which may or may not be in conflict with those of the buyer. The structure that emerges from acquisition negotiations is typically a compromise of what you need and what the buyer wants.

There are four basic ways you can structure the sale of your business:

- the purchase of your corporate stock for cash and/or other considerations; and you pay taxes on the purchase price;
- the acquisition of your stock in a tax-free exchange of stock;
- the taxable purchase of all or a portion of corporate assets for cash and/or other considerations;
- the acquisition of all or part of your assets in a tax-free exchange of stock.

The S Corporation

With regard to taxes, in the US, if you're at the stage of founding or purchasing a company, talk to your accountant about establishing it at the outset as an *S Corporation*. This is a vehicle that has been popular with qualifying companies since the Tax Reform Act of 1986. It gives companies the protection and structure of a corporation, but the tax treatment of a partnership. An S Corporation sells assets, passes the gain or loss to individual shareholders who are then taxed at their individual rates. There are no corporate taxes.

The law stipulates that to qualify as an S Corporation, your firm must have only individuals as shareholders - not investment groups, for example - only one kind of stock, and no more then 35 shareholders. Before you think about converting your existing company to an S Corporation, bear in mind that the IRS says you can't sell or liquidate within ten years of your conversion. If so, you'll be taxed like a regular corporation.

In summary, the time to begin thinking about your exit strategy is at the *beginning* of your entrepreneurial experience. From the first day you open your doors, keep full records and documentation, maintain written policies and procedures, and regardless of how much of a pain it is, *operate as if you were planning to sell in three months.*

Watch and learn to anticipate economic and industry trends and cycles. Keep an eye on what companies comparable to yours are selling for. The whole time you're in business, you'll be preparing to exit on your terms. And, should a buyer happen to appear in your lobby unexpectedly some morning, you won't have to scramble around at a disadvantage that could cost you hundreds of thousands, maybe millions in purchase price.

Finally, whether you're just starting out or you're already in business, think of your dream company as a stepping stone, not as the end product of your dreaming. You can grow and nurture it, but never develop such an attachment that you cannot bear to sell it some day, regardless of your best interests.

High performers regard companies as a means to a greater end, that being enormous wealth and total independence to pursue further goals in life. Your ***Quantum Leap*** will have already propelled you further than most people dare to dream. And put you at the starting mark for a *lifetime* of Quantum Leaps!

Chapter Thirteen

Take Action Now! - or Never

"If you don't take action to begin your Quantum Leap within 21 hours after finishing this book, you never will!"

If you've read me this far, you've had a damn good "dose of Dan".

We talked about creating your personal foundation for success by thinking yourself out of the box of conventional wisdom. You will recall that I told you conventional wisdom is almost always wrong. I am talking here about "doofus wisdom" not the expert opinion of people who have achieved success. You will know from experience that you can't talk about your goals and aspirations with your business peers, your friends, neighbors or even family, because they're all mired in conventional wisdom. They also have a "loser mentality". The only advice they'll give is, *"You can't do that," or a quizzical look and a "Good luck, pal."*

Now you know you can.

When values are clear, decisions are easy.

You also know you have to get comfortable with making decisions, by realizing that every decision is not a " Sophie's Choice," and nobody is going to die if you screw up. You have to take risks too, understanding that failure is only a learning opportunity, not a social disease. Risk means you're not *taking* a chance - you're *giving* yourself a chance for super success. There is absolutely not the slightest hope that you will succeed by sitting smack inside the middle of your comfort zone. I guarantee that. The more mistakes you make, the more action you're taking toward achieving your final goal. *Action is the key!*

You know now that you must focus on the ends, not the means. Think macro and big picture, executing a good plan right now, to paraphrase Patton, instead of a perfect plan next week… or never!

As an entrepreneur, you've *got to think big,* not only for yourself but for those you take along with you. Your dream - and that's what it is - must be big enough for everybody to see… like the flag at the front of a parade… like a beacon of clarity that cuts through the fog of bullshit. You must have *passion*, and be obsessed with your dream, and the values it represents. As we learned from President Ronald Reagan, *when values are clear, decisions are easy.*

You know you can't just wake up one morning and be successful, any more than you can wake up and play the piano. Seminar gurus who tell you that you can have it all - and instantly, are lying just as surely as the ads that promise you will be able to play the piano within ten hours of receiving their course.

You have to *practice* success. Take actions that assume you are successful. *Act as if there are no limits to your abilities.* Put yourself in risky situations and work your way out. Build your confidence. Expand your comfort zone. And all the time, ***visualize your dream down to the smallest detail.*** The carpet style in your corner office… pictures on the wall.

I agree with the strategy voiced by success guru Denis Waitley: write down your dream, keep it in your wallet and read it every day. Don't just think it - "ink it!"

Find a mentor too - a super successful executive or CEO who has been where you're going. Some of the nation's finest minds are retired from active business, and have the time and wisdom they'd love to share with you. Retired successes are national treasures we ignore. Claim one as your own!

While you're taking care of all these substantial tasks, you have an image-building task as well - *to create and feed the perception that you already are who you want to be.*

Act successful. Dress and travel in the style of your success. Never share your doubts. Like Trump in bankruptcy, keep on smiling and keep on dealing. If you are perceived to be successful, people will want to be associated with you.

Start working on your Dream Team immediately. Today! Make the first telephone call the instant you finish this chapter. You'll need first-class accountants, lawyers, bankers and associates. Why? Because you *can't* do it alone. Get help. And give equity. And don't hire credentials so much as attitude… people with an appetite for adventure! Then *lead* them on that adventure. Give them responsibility; enable them to make decisions - *and* mistakes.

Pay them well, but pay yourself, directors and team - first!

I gave you my "11 Steps That Make the Deal."

Start with *identifying* your idea and *defining* the deal, then *investigate* thoroughly and continuously throughout the process. Then you make the *commitment*, establish *your critical path*, continuously *modify* as you need to… *follow up* every step to make sure it's taken. And *execute.*

And forget about Plan B or safety nets. Just like the Chinese general who posted his troops with their backs to the river, *fight or die.* Commit yourself and your people to fight for your deal, your dream as if there's no tomorrow. If I had to identify one factor which is seriously lacking today, it is guts. And that grim unalterable determination to fight and win. If you are a gutless tree-hugger, a new age mystic or at all touch-feely, then this path is not for you. This book will have been an invaluable aid towards defining what you *don't* want to be in life, i.e. super-rich and super-successful.

As far as raising capital is concerned, you have more hard information about how to find Other People's Money and get your hands on it in Chapters 9 and 10 than 98% of the people who ever tiptoed into a bank. Use it! Nothing you can do in a business suit is more satisfying than to outflank a doofus banker, shake his hand and take his money.

We also talked about the heart of any *Quantum Leap* adventure - equity transactions. This is where the *real* money is made. You should begin immediately to search for likely acquisition targets.

Finally, you now know that, unless you plan to hang on to your company, sit tight and be buried someday under your mahogany desk, you should begin planning your exit strategy - now. There are two main exit strategies. One is to clutch at your heart one day and slump forward, face first into your file marked "Cost Reduction Targets 2010".

The second is to find "the greater fool" to off-load your turkey and stagger away with barrow-loads of green, folding lucre. And then, start again if the mood takes you.

You choose.

With such a wealth, a trove of information, you've no reason not to get your ass off your couch and get moving. Adding to your urgency is that once you finish this final chapter, a *proven* countdown kicks in.

> *You must have passion, and be obsessed by your dream, and the values it represents.*

I used to tell my seminar attendees that if they didn't take at least some small action toward making their *Quantum Leap* within *21 days* they never would. I've since come to believe that the "take-action" time is far shorter. Now I'll tell them that if you don't take action within *21 hours*, it's almost guaranteed you'll never do a thing but stick this book on your bookshelf with all those "feel-good" volumes you wasted money on.

Call an accounting firm. Call a local banker and use Chapter 9 as a script at least to set up a practice interview. Call your local newspaper, or the nearest metropolitan paper to where you live, and ask the Business Department for the most recent list of financial institutions who are currently *begging* for the chance to lend you capital. Do *something,* for God's sake!

Get off your dead ass <u>NOW!</u>

'Well, Dan,' you may be whining in your mind, *'it all sounds good, but how do I know what you've said is valid for anyone else but a Dan Peña type... a guy with an in-your-face approach to business!'*

I'm glad you asked such an obvious question. After my seminars, there's always some moron who writes on his critique sheet, *"How does this apply to me!"* A lobotomy would be a step in personal development for people like this. Instead of re-stating everything I've said so far, I want to introduce you to some of the business people I've worked with over the past few years. In every instance, these people were already successful entrepreneurs, individuals running their own companies and making money. You've already heard one success story, that of Casey Stephenson, the young jewelry mogul in California. Casey passed away too young and too soon. I'll always remember him as the minnow who swallowed the whale.

Here are some more.

Candice Noll, whose Houston-based company has handled the custom accommodation needs of thousands of top executives over the years, never attended a Castle seminar or to my best knowledge any other QLA event. Instead, she benefited from QLA through direct, personal contact.

"Back in the Eighties, Dan broadened our caliber and scope of service," said Candice, "just by requesting many of the same services he was accustomed to receiving at the five-star hotels of London. He and his team really expanded our idea of premium hospitality with special requests for cable service – at that time a novelty – advanced telecommunications and other personal requirements. Inspired and challenged by Dan's expectations, we moved into the custom furnishing of apartments, condos and homes, and then expanded into residential sales."

Beryl Henderson was a successful land developer in Ottawa, doing million-dollar commercial land deals. In September, 1993, she attended one of my first seminars, and has been back to the Castle several times. She honored me by showing up for my 50th birthday party at Scotland's famous Glamis Castle. Here's what Beryl would tell you.

"I'm not a rocket scientist. In fact, I was a registered nurse before I got into commercial development. Since I began using Dan's methodologies, I've experienced tremendous growth in my personal as well as my professional life. My net worth has increased 300%. I went from doing small deals- $2 million or $3 million - to much larger deals. I've made a lot of money. Dan's methodology works! It's very easy to follow, and for a small business, or a large business... anyone can use it."

Today, more than 15 years later, Beryl's life has taken a new turn with a venture – and an adventure

– only Beryl could happen into. These days her real passion is humanitarian. She's working with the chief of a village in West Africa to upgrade living conditions and human services for his people. How? It seems this village is rich in natural resources, specifically raw gold, but has no means to turn that readily available wealth into benefits for the village. Just the kind of challenge Beryl loves!

She affirmed recently that my principles and Peña-isms are still integrated into her thinking no matter what the deal. "Once a Dan man, always a Dan man – or woman!," she said with a hearty laugh. In fact, right now she still does commodity deals in scrap steel.

When some woman tells me she can't do what Dan Peña has done, and can't get away with some of the assertive strategies I talk and write about, because she's a woman, I'm liable to think about Beryl and say, '*Excuse me, ma'am, but bullshit!*'

Act as if there are no limits to your abilities.

Closer to the truth is that most women won't let themselves *try* to implement my strategies, because they've been pre-conditioned by conventional wisdom to keep their expectations low. Quantum growth is harder for most women in business, not because of some sex-based deficiency, but because they've been told all their lives that, in essence, super success is for men. *'You can marry it, sweetheart, but you can't make it!'* Ask Beryl about that.

Or ask Deann Verdier. During the mid-nineties, she and her partner George, who happens to be her husband, were already making good money with Sugarloaf Mountain Works, organizing upscale craft shows in the mid-Atlantic states. They were working hard, and growing a little each year. By every *conventional* standard, they had no reason to change their thinking or their mode of operation. A year after her "dose of Dan", Deann wrote to me to say:

"*As a direct result of attending your seminar, many changes have taken place. On the cash flow front, we've already found and instituted a way to increase cash flow this year by $500,000. Since your seminar, we've also added four new shows to our (next year's) schedule - a 50% increase over the number we're doing this year.*"

More than a decade later, as I wrote this chapter, the country seemed to be sliding into a recession, but the Sugarloaf Craft Festivals were doing good, measured as the Verdiers say, by the "new good" of 2008. They have ten Festivals scheduled for the fall of the year, with eight more already in the works for early 2009. And today, their market ranges from New England and New York to Michigan, from Maryland and Delaware to Atlanta, Georgia, with almost 20 shows a year.

Deann points out that Dan's Peña-isms are firmly incorporated into their business thinking.

"Perception is reality," she says. "Share your dreams, but never your doubts."

So ladies, I'll repeat *this* Peña-ism just for you, and I'm sure with Deann's blessing: Act as if there are no limits to your abilities. You can't make your *Quantum Leap* with your head down, looking at goals in the dirt. You've got to see clearly the other side of the chasm, and have the unbridled confidence to *know* that the next time your feet touch the ground, it'll be on the far cliff.

In addition to acquiring a new and bolder mindset, QLA practitioners come away from my training with a tool kit jammed with tidbits of business wisdom. My long-time "hunting partner," Martin Heller, sure as hell agrees. Here's what he says.

"I have personally applied dozens of killer ideas to my businesses including an e-commerce start-up that soared to £80,000 per month turnover in just eight months and then to a seven-figure total turnover in the first 24 months. In another current business venture, in just a few years, we've grown our company to become one of the leading private healthcare companies in Europe and the U.K. We focus on sleep-disordered breathing - sleep apnea - with a number of U.K. and E.U. exclusive product deals and license rights in our portfolio. We are now planning larger acquisitions with the 'build or buy, sell or float' focus in mind."

Robert, one of the brightest stars I have mentored over the years, is like so many of the super successful who have passed through the castle. Laid off in 1997, he wound up washing 18-wheelers on the graveyard shift for a grocery chain. But along the way, he heard me speak and bought some QLA tapes. He says that his success has been built on the ruins of many failures. But he never gave up.

A determined entrepreneur, he started his own Internet company in 2002 and became quite successful. Then, in 2004, we reconnected. The next year, he sold his Internet business for what he calls "a nice sum." Today, he does consulting work and is involved in some projects in Asia, where he currently lives.

Robert has attended several Castle seminars. He says that QLA has helped him "remove the brakes" from his potential. "We all place limits on ourselves, and, tragically we also allow others to place limits on us. If there is anything I have learned from Dan it's that there should be no limits to our abilities… In the heat of the most difficult battle, with the odds against you, you should go in knowing you will win.

"I credit Dan with where I am today and where I'll be in the future. Everyone should be lucky enough to have a mentor who pushes you to the place you want to be."

Thelma Box thinks of me as the old friend who once urged her to redefine "enough" for retirement. Actually, Thelma and I have been friends for about 30 years. We go back long before Great Western and the

Castle and the seminars. I was just getting into the Texas oil business and stayed at her motel in Graham for months.

"Dan doesn't understand the word 'enough'," says Thelma today. "His prodding challenged me to rethink my own definition of 'enough'. As a result, I more than doubled my retirement funds, and now run a personal development program called Choices. I want my godson to look to Dan as a real role model and mentor in his life. But most important, I think of Dan as a loyal friend, one who values friendship regardless of the divergent paths friends often take. He certainly changed my life… and has left footprints on my heart forever."

Dr. Bernie Schindler should have retired from his chiropractic practice years ago. After all, he was running 12 successful clinics. But instead he met me. Several years ago, I did a seminar in Los Angeles. Bernie had heard about Dan Peña so he made a point to attend – and bring five of his children.

"I bought four of Dan's books that day," says Bernie today. "But more important, I met a man who inspired me to advance to the next level of business without having to see patients everyday. Along the way, I suffered a back injury that kept me in bed virtually every hour of the day. Inactivity and painkillers resulted in serious constipation. I retrieved an anti-constipation formula from my interning days in the late Fifties, taught myself Internet marketing, a sales vehicle that was still in its infancy, and started a new mail order career."

Bernie was probably one of the oldest entrepreneurs to come to Scotland for the Castle seminar – but is also one of the most energetic. I mean, anybody who gets so excited about relieving constipation you've got to love. Today, I count Bernie as one of personal friends, and a great example of how a passion for your business is good medicine at any age.

Tim Cohn is a successful marketing consultant, a recommended marketing resource for IBM Business Partners and a certified Google Adwords Professional who handles more than 70 clients from his office in Oklahoma. In the late nineties, before he met me, he had a dream of expanding his business. In Tim's words, "I knew where I wanted to go but didn't know how to get there. Dan provided the missing piece to the puzzle. He was the guide who showed me how to make high-velocity decisions with the skill and confidence of a super performer. I'd heard other 'experts' talk about growing a business, but when I met Dan, I knew he was the real deal."

One thing Tim learned was how to talk to bankers and potential investors. When he was ready to open an office in London, he took his associates in to meet some of those "city gents". His secret weapon was that he'd learned at the Castle how to talk to those people in their own language. His associates were dumbfounded as Tim romanced the bankers into negotiating a sizable loan. They even issued his partners each a Barkley's card with enormous limits. I love to hear stories like that!

Today, Tim Cohn is an international expert on earning income based not simply on products or promises, but on "booking transactions in the ether of the Internet." "I work in a pure meritocracy," Tim said recently. "I'm judged solely on the statistical results of my applied knowledge. I review about a thousand Web sites every day to monitor performance. But more important is my approach to what I do. I act, in Dan's words, as if there are no limits to my abilities."

Tim has found a niche in Internet marketing using a process that is so technical and so esoteric that few, including myself, could probably understand it. Yet the methodologies of QLA work in that business environment as they do in every other industry.

Doris Primicerio has been operating telephone call centers for more than 36 years, starting in the business at age 16. She started her own call center 22 years ago. Her niche is the telephone answering service that handles after-hour calls to and from hospitals and doctors. Her employees are trained to take all type of medical emergency call and speak knowledgably with callers to reassure them in a time of urgency. Her business was moderately successful when she heard me speak at the Hyatt International Airport in Orlando in 1995.

I challenged her to expand her business exponentially by buying and merging with other call center operations around the country. In recent years, Doris has done just that, purchasing and consolidating those acquisitions at her Orlando, Florida, headquarters. In fact, less than a year ago, she went international, with a call center in the Philippines employing some 50 agents. In the meantime, she fulfilled one of her long-time dreams by attending a Castle Seminar in early 2008.

"I love Dan's Peña-isms," Doris said recently. "One of my favorites is "investigate before you invest." That one has save me thousands of dollars in purchasing companies that were not as stable or forthright in their reporting as they seemed on the surface.

"Not long ago, I challenged my son Jered to memorize the first 21 Peña-isms. What I didn't tell him was that I would pay him $1000 for every Peña-ism he memorized. He learned 15, and kicked himself when I gave him $15,000 instead of the $21,000 he could have earned. Peña-isms are that important to me, and I want them to be important in his business and personal life as well."

"My only regret is that I waited 13 years to attend the Castle. I put it on my goal list back in 1995.

If you are thinking about it or have it on your goal list, don't hesitate. Go to the Castle and listen to what Dan Peña, who I call the $400 million man, has to say. The entire Castle experience was absolutely incredible."

One of the best testimonies I've ever received came from a world-class professional in the field in which I am only beginning. I previously mentioned Ted Nicholas, one of the few other seminar lecturers active today beside Dan Peña that I'd recommend hearing. Ted, who spent a week with me in Scotland during a Castle Experience, said this:

> "I think this is the greatest seminar I have ever attended. This information is worth millions of dollars in the right hands. You could go to Harvard or Stanford and never get the practical, hard-hitting information Dan presented this week. It's often said that if you get one good idea from a seminar, it's time well spent. I've counted 103 specific notes of ideas I've gotten from this seminar, and I plan to use them in my activities."

I've alluded to one of my current entrepreneurial partners, Peter Sage, several times. I've saved his story for last because just as many of those I quote here represent how far QLA has come, Peter's vision launches us into the future – and off the planet!

Peter is the co-founder of Space Energy, Inc., an international corporation pursuing a project to build and launch the world's first commercially viable space-based solar power satellite systems. Imagine a network of huge satellites in geosynchronous orbit some 22,500 miles above earth. What a vision – "to enable environmentally clean and sustainable energy – electricity – to be safely broadcast to earth 24 hours a day from space with zero pollution!"

"Dan is my mentor on this project," wrote Peter recently. "By the end of 2008, we were putting our dream team together to pitch for the big money at the best commercial terms." He added, "It's funny, years ago when I first heard Dan use the term 'your first hundred million,' I thought, wow, I need to up my game. I now find myself putting together a $15 billion project that can change history and I finally understand what he meant."

Americans tend to think myopically of high-priced energy and dwindling sources in terms of "gas prices at the pump." But meeting global demands must include satisfying the growing need for energy in such burgeoning nations as India and China. China alone, with 1.3 billion customers, is opening a coal-fired power plant every week for the next ten years! The energy needs for these two emerging giants alone cannot be met with currently available energy resources. In addition, the continuing use of fossil fuels such as coal releases more and more CO^2, SO^2, NOx and other harmful emissions into our fragile atmosphere.

The space solar power satellite program is ambitious, ballsy and supported by leading aerospace research organizations. Design, launch and operational technology exist. And Peter has incorporated

Quantum Leap thinking into bringing the vision of clean and cheap energy, as infinite as the sun, into bold reality in a few short years.

How many ways and through how may people can I say it? *This stuff works.* And after you laser-focus on your vision, ignite your passions, and practice your success, and then you land on your feet after your first *Quantum Leap*, you'll want to do it again. You'll look at your bank account, suddenly the size of the Matterhorn, and say, *"Hey, Dan, that was fun."* Yes I know. I'm *still* making my own leaps - for the love *and* the money of it. It sure beats business as usual for the rest of your life! And if you don't make $20 million… if you aim for $20 million and only make $7 million - so what?

I look for deals everywhere. At my seminars, where 400 people or more may attend, I conclude my lectures with an invitation. I tell my audience of established business owners, entry level entrepreneurs and "wannabes" that if they have a project, a deal they think I might be interested in, fax me a one-page memo. Not two pages or one page-and-a-word, just one, single page. I can read that page, and tell if it's hot, or just a mush-brained fantasy. If it is hot, I can determine in a heartbeat what it needs to take off, to become a multi-million dollar *Quantum Leap.* I extend this offer only to those who have attended my *Quantum Leap Advantage* seminars, and we have hit it off and discover a certain level of chemistry! Think about it. ***I can be your mentor!***

I almost never put my own money into a deal. Instead, the bearer of a deal he or she believes is hot can approach me in one of two ways. We can enter into a formal mentor/mentee relationship wherein I get at least 25% in direct equity or options of the deal, plus a monthly retainer's fee, plus other expenses. (After 15 years of dealing with mentees and protégés, I know too well that advice, even from me, that costs nothing is very often not followed. Remember "pay price to action?" And in the end, I am stuck with a minority interest in a privately held company with no exit.). *"Dan, you'd take 25% or more of my dream?"* Damn right! Which would you rather have? Seventy-five percent of several million I can pump your hog up to - or 100% of nothing? The choice is yours.

If you're so proud or so sure of your deal that you want to hold 100% of equity, you can hire me and my nearly four decades of experience on an hourly or daily rate, plus expenses. But be forewarned – I don't come cheap.

My Final Words

If you've stuck with me this far, you've passed a doofus test of your own. You're probably a serious individual, scratching and clawing your way towards a dream that you may have seemed further away this morning than it did yesterday. You may be, even unconsciously, doing the same wrong things over and over - and expecting different results. As I've often said, this is my definition of insanity. You've got a good business that's getting by paying the bills. You're on the cusp of giving birth to a new venture, but just can't get her going. Or you've got a hell of an idea, one you've been tweaking for years, one every expert says will make you rich and famous… but after all this time, it's still just an idea.

Other people are doing it. You *know* something's missing in your formula. Maybe that's why you go to all those seminars and buy those books and tapes at the tables in the back. So what the hell's the answer?

I had a guy who filled out a critique sheet at the end of a recent seminar, and it was like to light of knowledge had just burned right through his eyeballs into his brain. *'I've been looking for the secret to raising money and building my super success. I found out the secret today. There is no secret! Dan Peña explains why people who I'd never suspect of financial acumen... are out there building monster companies and monster deals, while I'm on the sideline trying to figure out how they did it. Now I know.'*

And now you know. And you have no one to blame but yourself if you don't make it happen.

Action really is the key to making it big in this world littered with lay-abouts and armchair dreamers. Anyone can *say* they want super-success. Anyone can *set goals* for super-success. Anyone can *dream* of super-success. But the rewards come only to those who actually DO SOMETHING, *not talk about doing something.*

I hope I have made my point.

Look at your watch. Your 21 hours have started…

###

Appendices

Appendix A

Eleven Steps From an Idea to Its Execution

1. Identify the Idea
2. Investigate Generalities
3. Investigate specifics
4. Commitment to idea - get obsessed!
5. Preliminary Decision (you and other decision makers).

a) Get Obsessed
b) Live it Totally

6. Investigation continues.

7. Action Plan (you and other decision makers).

a) Get Others Obsessed
b) Walk Your Talk (never share a doubt)

8. Critical Path (other decision makers).

a) Detailed Observation of Time Line
b) Continual Measurement

9. Implementation (other decision makers).

a) Focused Follow up at other levels
b) Focused Follow up at Decision Maker level

10. Execution

a) Laser Beam Focus
b) Lead From the Front (Never second-guess yourself or others)

11. Re-Evaluation of monitoring process.

The Four Step Action Plan - Abbreviated

1. Outcome
- Desired Completion

2. Commitment
- Pay Price to Action

3. Measure
- Periodically

4. Modify
- Change Plan as necessary
- Measure Modified Plan

Appendix B

Quantum Leap Advantage Action War Plan

Complete this form *before spending one dollar or one minute* on your project or venture, or the implementation thereof. It is very easy to rush headlong into a business venture without taking the time to sit back and analyze whether this is a good decision for you and your business at this stage of your business life.

1. Is this really an exponential growth vehicle? Explain why:

2. Am I prepared to *investigate* before I invest? (Refer to Investigate Check List.)
Summarize the "who, what, when, where and how" aspects of this venture.

3. Do I have the requisite credentials in the area? List them.
If not, why am I even considering this vehicle?

4. Does this vehicle fit into my current Quantum Leap Action business base?
Describe how:

5. Do I have an entrée into this vehicle? Describe it:

AND: Do I have access to experienced people? Name them:

6. Am I dedicated to the success of this vehicle? Prove it. How will I dedicate myself and my employees to my new obsession?

7. Can I laser focus on this vehicle? Here's what I'm willing to forsake ("pay price to action") for its success:

8. Can I finance this vehicle? Explain How:

9. Have I dreamed of this deal? For how long? How often:

10. Have I *visualized* its success? Was it in color or black-and-white? What did it look like (Be specific):

Now that you've answered these questions, follow the 11-step "Idea to Execution" and 4-step "Pay to Action" methodology.

Any unanswered questions? Have a hard time answering any questions?

FORGET IT! *Exit now.* Go find another deal or continue at your own peril!

Appendix C
The Business Investment "Red Flag" Check List

Want to realize exponential growth from investment in your business and your life? Here is a checklist of items you will need to consider *up front* to have any reasonable chance of achieving a high level of success in your business, your investments, or your life.

Investigate before you invest. Find out every detail on the who, what, when, where and how. Update continuously from start to finish. Ask questions. If you don't get reasonable answers, immediate answers or the right answer, exit *immediately.*

Doofus Test. Are the individuals involved willing to pay the price for success? Schedule meetings at night, on weekends over holidays, birthdays, and during peak traffic hours.

Stick to your knitting. "Jack of all trades, master of none". Remember that last part: "Master of none". Average. Tepid. These are not words associated with ***Quantum Leap*** and exponential growth. Deploy your assets where they have the greatest probability of achieving geometric success - in areas that you know well and/or in areas your team knows well.

Stay laser-beam focused. Distraction is the only luxury of poor people. Extra focus is mandatory for new investments.

Plan well, but then implement and execute. The heap of never-used "proformas" is the stark testimonial to business failures. If you know - *really know* - that you're not going to implement because of time commitments or whatever, *don't waste resources planning***.** It's debilitating to you and your employees.

Avert avoidable mistakes. You've all heard the saying, '*Well, shit happens.*' And it does, except not as often in the lives of successful people. There it occurs by design, not happenstance. You must design out avoidable mistakes - always, always.

Forget about that which you cannot change. *"If only...," "Just once...," "Maybe..."* FORGET IT! You must accept things as they are. If you cannot overcome them, then work around them; if you cannot work around them, then neutralize them; if you cannot neutralize them, then exit immediately.

Seek advice of those who you respect greatly. You're not so smart: seek guidance. But don't waste time and money needlessly. Gather only that information you intend to use.

Dedicate yourself. Be absolutely committed! Be prepared to alienate yourself from everything not connected with the investment or idea. Be prepared to stand alone with your success.

CHECK LIST FOR INVESTIGATING PROSPECTIVE BUSINESS ASSOCIATES

Base your search on information you have. Start with verifying what you know.

Name of person
Address
Physical description of person
Age - approximate
Occupation
Name of company

Voter's Records

The County Registrar of Voters (the number will be in the phone book) will usually verify if a person is registered to vote and often will confirm a complete name, address, and date of birth. In the UK, consult the Electoral Roll.

Lawsuits

Check the county in which the person lives and/or works for lawsuits.

Look in the phone book, under the county name, for the Court Clerk. Call and say you want to find out if someone is involved in a lawsuit. They'll tell you how to do it, either over the phone, by mail, or in person.

Lawsuits are usually filed at the county level, not the state. But each state can be organized differently, so ask questions.

Federal Courts are organized by jurisdictions which include several counties. Look in the phone book under U.S. Government and find the listing for District Court. Call and ask how to go about it. Often this must be done by mail for a $15 search fee.

Criminal Convictions

Basically the same steps as for lawsuits. Look for Criminal Court listing.

Usually you can get criminal conviction information, but this doesn't include arrest information. This can be done at the county and federal level. Next. You need to check both individual names and the company names.

Company

Check with the State Division of Corporations. They will tell you the date a company was incorporated, *if* they are incorporated. Also ask for the names of officers and directors. In the U.K., Companies House will provide all of this information.

A company might not be a corporation but a "Doing Business As" – dba -, or a fictitious business name. This is usually filed at the county level. Check the phone book under county name. Some counties require business licenses. Check the phone book for the county in question.

Libraries are tremendous source of information. Contact the Reference Librarian and explain your inquiry. She will either tell you how to go about searching, or do it for you. Ask to review any newspaper/ print media microfiche for information. If you subscribe to a cutting service, use their facilities to search. Also, try a Google search. It's amazing what a good search engine will turn up on the Internet!

There are also a number of business directories. For example, the Standard and Poors directory gives business summaries of many companies. There are also directories which list company executives.

Special Licensing

If the person purports to have a license, such as a real estate agent/broker, lawyer, or building contractor, this can usually be checked at the state level. Call the state information operator and ask who you contact to verify the license in question.

Schools

If someone says they're a graduate of a school, call the Administration Department of that school and ask for school records. They will usually tell you if someone graduated and what degree they earned.

Property

The County Tax Assessor's records will confirm if someone owns real property.

Grantee/Grantor Records

Counties usually have a Hall of Records where they file Tax Liens (county, state and federal), property deeds, and mortgages (including second mortgages). Check the phone book for the number, call and ask how to do it. Usually one must go in and search in person, or they may search some records over the phone.

Appendix D

Words to Help You Make Your Millions

Peña-isms

The world's greatest teachers are able to boil down pages of text and hours of oratory into a pithy phrase or quick parable. Over the years I've used the quotes of others and a few nuggets of my own wisdom to better clarify ***Quantum Leap*** concepts. My protégés have come to call them "Peña-isms".

1. Tough times don't last. Tough people do.

2. Don't waste time on things you can't change.

2. When you deal with the opinionated or egotistical, always give credit where it isn't due.

4, Business deals start and end with people - the interaction of flesh and blood, bone and sinew, heart and mind, emotion and soul.

5. Dream big… think big. *be* big.

5. Dream big… and dare to fail!

5. The more you investigate, the less you have to invest.

5. Never, ever second-guess yourself.

5. Cash only prolongs death. It doesn't avoid it.

5. I've never seen a "part-time" super successful, high performance person.

5. A deal has to *sound* good before it *is* good.

6. During Quantum growth, any problem you solve will be replaced immediately by a larger, more complicated problem.

7. Every party to every negotiation has a comfort zone. The effective negotiator is the one who can define the boundaries of the other party's comfort zone, then place the deal inside the boundary of that zone nearest his own interests.

8. Stick to your knitting. To maximize the return on invested capital, deploy your assets, resources and capabilities in those areas wherein lie your expertise and experience.

9. Man plans; God laughs.

10. You won't always have all the answers. Only take seriously the advice of others whom you greatly respect.

11. The consequences of a misguided decision are *insignificant* in the cosmos of eternity.

12. Always shoot for the moon. Even if you don't hit the bulls-eye, you'll at least get 80%

13. Always, always, always pay yourself - and your employees - first! Through *all* economic cycles.

14. Plan for success. With no back-up plans, no ripcords, no fail-safes - or you *will* fail.

15. Management performance sins will always be forgiven during periods of rapidly increasing revenues.

16. Learn to play bad golf well.

17. Become more disciplined. The pain of discipline hurts less than the pain of regret.

18. Hunger makes beasts of men, and demons of beasts.

19. Everybody else is worried about life after death. My concern is about life *before* death.

20. The business world is divided into people with great ideas, and people who take action on those ideas.

21. If you want things to change, first *you* have to change.

28. A man who dwells on his past, robs his future.

28. There's a big difference between playing to win and playing to lose.

29. The difference between a failure and a high performance individual is how each deals with fear. *We are all afraid.* A high performance person uses his fear to galvanize his actions.

30. Ignorance is a steep hill with jagged rocks at the bottom.

31. The only difference between a champ and a chump is "U".

32. To succeed in business you must do more than take a step in the right direction. You have to take a ***Quantum Leap.***

33. A good plan executed today is better than a great plan executed next week.

34. In order to really succeed in business, you must have outside advisors. These must be trusted advisors, professionals at your accounting and law firms with whom you have a very special relationship. These advisors become your moles within their own organization, more loyal to you than their employer… motivated, aggressive, ambitious and bright enough - but not as bright as he or she thinks.

35. You can't win at poker or business with scared money. It gives off a stench that is repugnant to the other side. If you're going to play, leave your money at home and play with OPM - ***Other People's Money.***

36. The fulfillment of your dream is directly proportional to your desire to succeed… and how much you're willing to sacrifice. *If you are not prepared to die, then you are not prepared to live.*

37. When you get rid of someone, never give them a "hook" with which to get back in. Always make a clean, definable and irrevocable break.

38. ***Quantum Leap*** success means fishing with nets, not just with lines.

39. To achieve "hyper-growth", avert avoidable mistakes, and let your successes run their course. Do more of what you're doing right - and less of what you're doing wrong.

41. You always need a reason to overlook the obvious.

41. Never underestimate how wrong you can be. Even the most careful planning can be overtaken by external events and circumstances.

42. Always maintain your personal relationships on the same plane upon which they were formed. True friends will rejoice in your professional successes. Allow them to enjoy them with you. Never reassess *their* personal and professional lives in terms of your own.

43. Your most valuable natural asset is your own gut instinct. Don't be afraid of it. Your instinct has more power than all of the conventional wisdom in the world.

44. Business opportunities abound - but formidable barriers exist. And the biggest barrier is psychological. It is <u>you.</u>

45. Your greatest idea, born out of revolutionary thinking and passion, will die of indifference, apathy and the cancer of low expectations.

46. Conventional wisdom is almost always wrong.

47. Absence of evidence is not evidence of absence. Just because something has never been done doesn't mean it can't be done. The fact you have never seen or heard something is not proof that it doesn't exist.

48. Every worthy dream has a "pay-price-to-action". That means you have to give up something to get something. ***You can't have it all.***

49. The old Kenny Rogers song, "The Gambler" has a message for CEOs. *"You've got to know when to hold 'em, and know when to fold 'em."* As a CEO you'll get more advice from your staff than you know what to do with. But it's up to <u>you</u> to know when to "hold 'em" and when to "fold 'em". Listen to your staff. Listen to your gut. Make your decision and move on.

50. I never met a super successful, high performance person who wasn't enthusiastic.

51. The best way to predict the future is to create it yourself.

53. A deal is either *hot* - or it's *not.*

53. You don't have to know how you're going to get there. But you do need to know where you want to go.

54. If you have no destination, wherever you end up will be acceptable.

55. It costs nothing to aim high - but if you aim at nothing, you'll hit anything.

56. FEAR is… <u>F</u>alse <u>E</u>xpectations <u>A</u>ppearing <u>R</u>eal.

57. c

58. "Thinking it over" is for people who can't take action.

59. Quantum Growth eliminates clear sailing. So you'd better learn to navigate troubled waters.

60. From chaos comes order. In chaos is opportunity - **Chaordic**!

61. Whoever said money can't buy you happiness doesn't know where to shop.

62. Insanity is doing the same thing over and over and expecting different results.

63. More of the same usually just gives you more of the same.

64. It doesn't matter what morons say.

65. Give potential associates and partners the "Doofus Test". Place them under stress to see how they react to pressure as a high performance person.

66. You are paid in life not for what you know, but what you can *do.* Or get others to do.

67. Ideas are a dime a dozen. The person who puts them into action is priceless.

68. You've known all along it's tough to be successful. But you'd rather hear the fairy tales.

70. Half-truths and misinformation sell easier - and return harder.

70. Excuses are the crutches of the untalented and unambitious.

71. Everyone knows how to manage success. But no one ever asks, *'How do we manage failure?'*

72. Regret for the past is a waste of the spirit - and makes no money!

73. Minutia never makes money. It only makes manure.

74. Super successful people are macro managers who know that less control means more control.

75. Always respect the individual on the other side of the deal. He is not as stupid as you may think. And you're not as smart as you think.

76. Logic can be a logical process which leads to a wrong conclusion.

77. It isn't a case of *taking* a big chance. It's a matter of giving *yourself* a big chance.

78. The more self-esteem you give others, the more you have. And the more you have, the easier it is to give away.

79. Most successful people do it poorly until they do it well. Just keep blundering along. You can't wait until it's exactly right. The product of your quest for perfection is… paralysis.

80. High performance people get paid for performing their hobbies.

81. I may be wrong - but I'm never in doubt!

82. Don't hire credentials. Hire attitude.

83. Surprise your associates - *and* your enemies.

84. Structure follows strategy. If you base your strategy on your existing structure, you limit your potential to what you've already done.

86. Watch your peaks *and* troughs. As long as your lows are higher than before, your Quantum Leap Action War Plan is working.

86. A guarantor is a fool with a pen.

87. No matter how tempting, never accept short-term solutions to long-term problems.

88. Too many companies try to patch when they should amputate. *'Let's reorganize and save this mess'* is a clarion call to disaster. Cut your losses, kick the cuttings out of your way, and move on.

89. If you want to travel above and beyond the herd, don't try to be better. Try to be different. Or better yet, be *first*!

90. Your doubts are not the product of accurate thinking, but habitual thinking.

91. Find your passion and wrap your career around it.

92. Live your life on purpose!

93. You'll be motivated by inspiration… or desperation. It's your choice.

94. People with low self-esteem protect themselves by not taking risks. High self-esteem gives you the power of confidence to take chances.

95. Give yourself permission to make mistakes. It's called learning.

96. The only things in this life that you'll really regret are the risks - and adventures - you didn't take.

97. "Hell" can be the video of your life *if* only you had taken the actions to become super

successful.

98. Nothing you'll ever do in business is a matter of life or death. In the cosmos of time, any decision you make is a fart in the wind.

99. You cannot make a ***Quantum Leap*** if you don't share the wealth with your Dream Team and employees - be it cash, equity, options or warrants that are tangible rewards for performance and loyalty.

101. Never, *ever* share your doubts with *anyone.*

101. Being all you can be is possible for anyone, but…

102. … super success is not for everyone. Period.

103. Fear of failure is caused by lack of self-esteem and confidence. Dealing with fear is the key to super success.

104. Don't take high performance advice from your peers, family or friends *unless* they are high performance people themselves.

105. You cannot grow exponentially by yourself. You need the support of others.

106. Don't set time limits for achieving goals. They should transcend time.

107. Set goals you cannot achieve in your lifetime.

108. Business should not run smoothly while you're making your ***Quantum Leap***. Chaos is normal. The business on quiet waters is still in the harbor.

109. Life is what happens while you're making other plans.

110. The road to success is always under construction.

111. Get ruthless about trying something different.

112. Motivation is your "fire in the belly". But unless it's fueled it goes out.

113. I have no more mountains left to climb - but *me!*

WARNING LABEL: If you violate these immutable laws of the Quantum Leap Advantage, you don't just run the risk of failure. You will not succeed at the Quantum level. If you apply them, you run the risk of being ridiculed, scorned, ignored or ostracized by the doofuses of conventional wisdom.

But take heart - these are sure signs of your Quantum success!

DISCLAIMER: If you're going to be an achiever, you know you are going to be responsible for what you do. Some people will come back to me when the fail claiming that I "told them" how to handle a specific investment or business. Wrong! You have to do your own homework, and get your own lawyers and professional advisors! That's why we have included the disclaimers in front of and periodically throughout this book.

Appendix E
Your Own Natural Resources for Success

I delivered the following speech as a commencement address to the 1991 graduating class of California State University Northridge:

President Cleary, Dean Hosek, parents and graduating students of the School of Business Administration and Economics - I am pleased and honored to be here as your commencement speaker! As you've been told, some 20 years ago, I too, graduated from this same school some 20 years ago.

When first asked by Dean Hosek to be your commencement speaker, I was honored yet somewhat bewildered. What would I speak of, or about? How could I relate to students graduating two decades later?

In short, things have changed a great deal in the last 20 years. Yet they haven't.

I was surprised to find that your average age is not much different from mine when I graduated in 1971! I was surprised to find that most of you have had to work to put yourself through school, as I did. Most of you were born during the Vietnam War. My generation was born at the end of the Second World War. You are graduating at the end of the Persian Gulf War. I was graduated from college during the Vietnam War. You, as students, did the same things to get by as my generation did and the same that all generations of college and university graduating students have done since higher education became a necessity.

We have all wondered, did we take the right classes? Did we have the right minor? Should or shouldn't we have changed our major? Should we have taken more statistics? And on and on! Students have asked themselves these questions for generations! But the real quandary all graduating students have belies a more in-depth theme. Will these years we've spent laboring for a piece of parchment really make a difference out there in the "real world?" Will we be happy? Will we make a contribution? Will we be satisfied? Will we be content? Will we be successful? And for some of you, will we be rich and famous?

I wish I could tell you that the School of Business Administration and Economics asked me to be its first commencement speaker because, as one of our own graduates, I have all these answers.

But that's not why I'm here. I can't give you any panaceas <u>because there aren't any out there.</u> Sadly, I do not possess this wisdom, but I do have acknowledge of accomplishing goals, against the odds. It is my enthusiasm I wish to share with you; and that is why I am here today - to share with you my wisdom of what worked to be a success, not only in business, but in life.

There are certain proven guidelines that I believe can be enormously helpful if you choose to use them. They worked for me and there is no reason why they can't work for you.

Some of them will be easy to comprehend. Some others will require a little more thought. And then, my fellow graduates, there will be things I say that you will need a great deal of blind faith to follow. I have been exactly where you are now. This advice comes from my deepest convictions of what it takes to survive in the world of business today.

My speech this morning will treat the following points:

(1) your college education and what you have really achieved;
(2) how business perceives recent graduates and what will be expected from you;
(3) how to use what you've learned to the utmost;
(4) how to acquire the knowledge you don't have yet;
(5) how to make what you've learned work for you; and finally,
(6) real life, concrete examples of what I'm illustrating.

As many of you know, prior to attending CSUN I was raised and educated just a few miles from here. When I started my education at CSUN in September 1963, I had no idea of what my future would be.

My idea of education was that it resulted in parties, drinking and basically outlandish behavior. However, my education was interrupted by the Vietnam War. I entered the Army in June 1966 and served for 3+ years. During my time in the service, I went through OCS and was commissioned as a 2nd Lieutenant.

There were many men who served under my command. Some were my age, but most were older. My entire outlook on life changed during this period. I had responsibility not only for *my* well-being, but for *their* well-being as well. It was at this time that I learned to value people's worth, their integrity, and their actions. Therefore, when I returned to CSUN in September 1969, I was no longer an inexperienced youth but someone who knew what he wanted from life. I came back with a vengeance, taking an average of 20 units per semester, with 15 units in summer school and graduated January 1971 on the Dean's List. And I thrived on it.

I saw my professors as equals, men and women who were there to assist me with my goals. I took many of the same classes as you did, and yes, some of the same professors. Shirley Teetor, Sol Buchalter, Joe Bachwald and Fidal Zuwaylif remember me well!

Now, let us look at what you have received from CSUN; and more importantly, the advantages I believe you have over your competition from other recent university graduates.

You are receiving your degree from a good school with a fine reputation. In certain disciplines you have national recognition. You have had good-to-outstanding instruction in many subjects. Except for a few of the top business schools in the country, you will be perceived to be on equal, or better, footing than those with whom you will be competing for jobs, or new positions within the company where you already work. As your career unfolds, you will come to appreciate that you are definitely equal and usually superior to your competition.

However, that realization of your ability will become evident only through time!

Thus far, we have established that you are intellectually equal to or slightly better than a majority of those you will be going head-to-head with in the real world. Some of your superiority has resulted from the fact you worked in business while attending CSUN, or you graduated with distinction - Bravo! But whatever the reason for your business edge, take it and make it work for you. Remember, you only need a slight advantage in life to be successful. A case in point is Las Vegas. There, too, you only need a slight edge!

Now we will discuss what business expects from you.

It has been my experience that employees are expected to be competent in many tasks performed, and especially well-conversant in just a few! These few are the future roads to your eventual success! The few - not the many! Nobody expects you to be a whiz kid at everything you do, but most seasoned managers expect to promote people that excel at something in particular. That is not to say that being the best in statistics won't get you put into Personnel, but management looks for trends of excellence that they can fit into their corporate structure. Into their corporate strategy - not yours!

How to achieve this level of excellence in a given endeavor is the question you must answer. Corporate America wants you to make their system better. It is not likely that you will devise a better system than our forefathers, so stick with it and make it happen within the system.

Let us examine what we have learned here at CSUN. It is only now, twenty years later, that I appreciate why you are given a bit of many individual disciplines within the School of Business and Economics. Albeit some of the courses are less than exciting. However, it is the exposure you need to be a least verbally aware. You will find out that there is a great deal of "OJT" - On the Job Training! And from the dark recesses of your brain, bits of knowledge will spring forth at the most advantageous times. It will become apparent to your employer that you are a most valuable asset.

For example, you may have studied finance as your core discipline but there is potential opportunity in marketing. Because you have read much about marketing, you are not shut out or boxed early in your career. The bottom line - always be prepared to take opportunities where you find them! *Be courageous. Take that* *chance! You will be rewarded.*

Now that you have mastered the preliminaries of getting ahead, let me focus on the hardest to fathom portion of your career path. You must not only keep abreast of everything in your area, but also in any area you feel might provide an opportunity to excel. Managers are aware that it takes time and a lot of effort to be conversant in another area. And you may ask

"*Why is this the most difficult part of my career path?*" Well, ladies and gentlemen, this additional education will be acquired while you are working. Most or all of your leisure time will be used for the purpose of educating yourself. Your formal education has ended, but your real education has just begun.

Some people call this part of self growth the "school of hard knocks" but it doesn't have to be. There will be disappointments, but if you keep up your perseverance, they should pale in comparison to your many successes and accomplishments. The perseverance that I speak of is the same perseverance that each of you has exhibited, bringing you here to this moment today. And fellow business and economic graduates, that's what really differentiates you from most of the working masses. You persevered in the good times, but especially in the face of many adversities. We all know these adversities because we have shared them together.

Now, for the last and probably hardest guideline to digest vis-à-vis turning your education into what you want. On this point, I've given a great deal of thought. I want to say the right things and yet I don't want to make it sound so unrealistic that it becomes a self-fulfilling turnoff. Making a success out of yourself, whatever that means to each and everyone of you, is about commitment - commitment to yourself and your loved ones! It is about all the corny things that we have heard since we were children.

It is about great men and women since the beginning of time. People such as Joan of Arc, Abraham Lincoln, Golda Meyer, Martin Luther King and Margaret Thatcher. All of these well-known men and women had one thing in common. These were people who chose to be committed to a principle; such as Abraham Lincoln - the freeing of the slaves; Golda Meyer - the bringing together of the Middle East with the newly formed nation of Israel; Martin Luther King - equal rights for all; and Margaret Thatcher - a new British economy.

But we don't have to look for examples of commitment on a national or world-wide basis. We can look right here at CSUN and our own School of Business and Economics. We can look right here at this podium. President Cleary is a man of commitment. When I returned after my military service to CSUN in September 1969, Dr. Cleary had just assumed his new position. I know how this school has changed for the better in countless ways. Without the commitment of purpose shown by Dr. Cleary and many of his staff, the benefits we have enjoyed over the years would have been nothing more than an intellectual exercise. President Cleary is definitely one of those men who know about commitment. He had a dream about what this institution could become; and without his constant perseverance, this would not be the fine university it is today!

It goes further to the present dean, Dean Hosek, and the deans of past, some of whom I've known personally. And they all had their dreams of what might be. And some of those dreams have come true and some will come true in the not-too-distant future. I speak today notably of our soon-to-be constructed School of Business Administration and Economics. Do you think it was easy to get this concept, let alone the dollar amount, through all the committees and budgetary process and legislation? It took commitment to an idea and iron-willed perseverance for many years.

Now to the theme which is very important to me. That is the commitment in oneself and to another human being. Most people would automatically think of one's spouse, parent or child. But I'm speaking about a different kind of bonding commitment that transcends marriage and parenthood. In my life I have been very fortunate. I met a professor here at CSUN who was an associate dean who believed in me at a time when many did not. He allowed me to take up to 26 units a semester when everyone else advised me not to. I take this opportunity to thank you, Dr. Jim Bennett. You are a man committed to the system of education and to its students. And then there was a man who actually could see my dream. His name was Charlie Soladay. Together we dreamed of a natural resources company. And that company exists today. He and I went against all the odds. But he believed in me. Unfortunately, his untimely passing at the age of 40 never allowed him to see the dream come to fruition. Now I do not only carry my commitment, but his commitment as well. These special acts of purpose are never forgotten. And without the Jim Bennett's and Charlie Soladay's, there would be no point in dreaming.

Notwithstanding everything I've said to this point, all of you will not achieve everything you set out to accomplish, but I can guarantee if you don't set goals and standards for yourself early on, you will have little chance to achieve even the most rudimentary status in life.

For those of you that have very definitive aspirations, such as VP of Marketing, CFO, VP of Personnel or CEO, etc., practice within when you're without.

This means simulate the position you aspire to fill in various situations.

You will be surprised how much it will be like *deja-vu* when it comes to fruition! You will have already been there and experienced the action before.

We have already done it as children. How many times have we practiced asking parents for something? How many of us have practiced asking someone out for a first date or to a prom? Believe me, it works! You come to realize very quickly that many of the principles that I am referring to have been used by you and your contemporaries already.

I'm not suggesting you reinvent the wheel; I am suggesting that you expand your horizons and use these already proven principles that have worked for many, myself included.

Of these principles, two of the most difficult, yet extremely effective, to grasp are: "act as if you have no limit to your abilities". And perhaps the most notable thing I'll say today, "you must act with great enthusiasm in everything you do".

If you think back, you'll be able to think of situations where the person who exhibited the "can do", positive and enthusiastic attitude got the nod or opportunity. And, fellow graduates, what you will come to realize early on in your career is - *all you want or need is the opportunity to excel* - just the opportunity and the rest will take its natural course!

How many times have you wished you had done something but didn't, then wished that you had! Virtually all of us have had this experience. If you merely reduce such occurrences, your career goals will be enhanced.

Now, I will relate an example that exhibits these concepts - an example that is real and understandable about myself and the natural resources company I co-founded nine years ago, of which I am still chairman and CEO; the other two co-founders who were a part of "my dream team"; and how we reacted in our first five years of existence which happened to be the most devastating period for energy companies in 50 years!

Let me put the situation in perspective:

After the second oil embargo in 1979, oil prices rose to $40 per barrel in the early 80s, then plummeted to near $8 per barrel by mid - 1986. Our company was founded on Friday, July 13, 1982 with $820, a phone, and a leased fax machine. None of us had any real oil or energy experience to speak of! Least of all, me!

Now its 1987 and I am being interviewed by a London-based newspaper and I was asked how in the most trying period the energy business has ever know - 1982 to 1987 (called by some as a 5-year depression) - did Great Western Resources Inc. become perhaps the fastest growing natural resource company in the US with assets of near $300 million?

I thought for a microsecond and fired back with as much enthusiasm as I could muster, '*We always acted as if we had no limits to our abilities and decided not to participate in the energy depression'*.

I told him it didn't hurt us not knowing it was the worst of times, because we had no experience, bad or good - but more importantly, we always simulated positive occurrences! We would have been surprised if we hadn't succeeded!

The reporter looked stunned and went to the next question.

I tell this story not to make light of all the tremendous hard work that it takes to become successful and fulfilled. It is not easy, but it is attainable if you have the real desire to get down and roll up your sleeves. It's like raising children: If you have the *true grit* to stick with it, especially during adversity and are willing to go the extra mile in a positive and enthusiastic manner, you will make it.

I guarantee it!

Another example of what I've illustrated this morning was to have a dream. I have dreamed many times of being here on this day, of giving this commencement speech. Why would I have such a dream? I believe it's because I had something that needed to be shared with you. It is my way of saying '*thank you CSUN for all you have done'*. And also I hoped someday I would have an opportunity to help lay out a framework for the future of graduating students.

Everything I've discussed today really works. It is not theory or rhetoric. Notwithstanding I've told you to have faith in some instances. It is not faith that will be rewarded in your afterlife - it's faith that will be awarded in *this* life! *And that's why you went to college in the first place!*

There is no doubt in my mind and there should be none in yours.

We have shared experiences that others cannot duplicate. Remember, we are one! We are the same! We are CSUN graduates of the School of Business Administration and Economics!

It is a basis for which you can build your own recipe for success.

It has given me great pride and satisfaction to be with you this morning as your first commencement speaker for the School of Business Administration and Economics.

In closing, I'd like to read something that was written to me by my father (long before I attended CSUN):

"The future is yours. Approach it with honesty, and ambitiously, with the will to fight for the rights of mankind. Always balance the rights of man with the right s of society. Have faith in yourself and faith in people; for if you trust no one, you cannot trust yourself!"

Appendix F
Once or Twice in a Lifetime - Knock! Knock!

I spoke to you earlier or being in the position to hit not a home run in business, but to *hit a grand slam!* As in baseball, there are a great many things that have to happen to get into a "grand slam" position in business. I've been fortunate enough to be in that premier position three times: once in 1984, in December, 1986 and again in 1993.

I was able to put my company in the right place at the right time. In the first instance, I hit on the first pitch; the second, it was the first inning and the count was 3-and-2. I had to score not one, but four, runs just for Great Western Resources to survive. In the third, it was the bottom of the ninth and the count was 3-and-2. Was I scared? You bet! Was I apprehensive with the situation? You bet! Was I ready? No way! But was I comfortable with the fabulous opportunity? You're damn right I was!

No one knew how bad we needed these deals except me and my partners (who had respectively loaded he bases and already struck out). The other teams had a killer fast ball pitcher and all the great relief pitchers money could buy. We were clearly out-gunned, but not out-manned. Though I didn't look like Casey at the Bat, I acted like I had been there before. And I swung like the Great Bambino, like the "Sultan of Swat". All three times I even called it. I said, '*Right center field, you fools! Right center, upper deck, you infidel bastards!*'

You see, I merely *acted* as if I had no limits to my abilities. And I thought as the bat connected with the ball, this one is for all entrepreneurs that have been crushed out of existence by big business, before they even got started.

Little Great Western Resources taking out great Bow Valley USA was unheralded as one of the great deals of the '80s. And less than 30 days later, my best friend and partner died. Both occurrences changed my life forever. And winning a life/death struggle against the company I founded further changed my life forever. The point of this storey is that in four years and four months I went from never really hitting a home run prior to July 1982 when I founded Great Western, to hitting a few home runs and two grand slams. I went from running a company of $820 by myself to a very large company of $300 million. And again in September 1993, I hit another out of the park with the bases loaded when I beat my own former team that I personally trained.

How much had my experience grown in that time? Surely a lot! But in no way was I really, really ready to be the CEO of a large diverse company. You see, as an entrepreneur looking for rapid growth, a ***Quantum Leap*** or any kind of real growth, you will never be ready. In fact, I can guarantee if you wait until you feel ready, you will never, ever achieve real growth let alone exponential growth. The problem is, *most entrepreneurs sell themselves way short!*

The Quantum Leap Advantage seminar is *all about growing into a position of experience, even though you're not ready now. I* give you the tools and framework and make you comfortable that they really work. The QLA seminar is about being *comfortable* with the position. It's about being comfortable with the potential for real success. The key to geometric growth is less control, not more.

It's about being comfortable at the plate with the bases loaded and the count's two strikes in the bottom of the ninth. *A player is never really ready to hit a grand slam.* All he can be is comfortable with himself and the potential of the glorious position he is in. I will coach you in the nuances of getting to the plate enough times so you can at least have the opportunity to swing away *comfortably.*

Super-successful, high-performance people feel comfortable not just with themselves, but also with the trappings that accompany success. You may have all the tools, but if you don't believe and you don't adapt to the new socio-economic milieu, you cannot sustain exponential growth.

Some call it a "mind set", I call it a feeling. Capturing that "special feeling" is what success seminars should be all about. Because once you've captured that feeling, "they" can never take it away! You know beyond a shadow of a doubt - You *Can* Do That always and forever!

It's why people that have "made it big" and lost it usually make it back again even bigger. I urge you to take advantage of the various QLA seminars. What this experience is worth to you is incalculable.

To Your ***Quantum Leap,***
Daniel S. Peña, Sr

Appendix G

Charlie Soladay's Eulogy

Like all of you here today, I stand here with a heavy heart and weak of limb.

Cindy, Cassie, Eric, Kyle, Mr. and Mrs. Simms, loved ones and friends, Charlie wouldn't want it this way.

Even though I only knew Charlie six years, I believe, outside of Cindy, I knew him best. Charlie, Mark Harrison, and I lived in a lifetime in those six years, sharing relationships that transcended business and friendship. Because this relationship affected Charlie's life in the last several years, I believe Charlie wouldn't mind that instead of a eulogy, I shall attempt to extol some of his outstanding traits by way of a story relating how I met this man, whom some of us affectionately refer to as "CB" – Charlie Big! A man not big in physical stature, but a man big in character – in loyalty – a man that could always be depended on no matter what – steadfast like the Rock of Gibraltar – truly a man for all seasons!

It seems like yesterday that I met Charlie in Graham, Texas, though it has been almost six years to the day. He and his former college roommate, Mike Baylor, were relatively new partners with Coopers and Lybrand. Charlie had been sent out of Fort Worth to run an acquisition audit for the company that I ran at the time. I was not only impressed with Charlie's ability during that transaction, but I was more impressed by his tremendous sense of morality. It was this morality that set Charlie apart. Kiddingly, we often called it West Texas ethic! What's right is right!

Too often in life all of us have taken the easy way out: the least uncomfortable, the more acceptable. Not Charlie. Though he might have couched it in a slightly more palatable way, he still did what he felt was right. This feeling for his morality never left him. And it's with me today!

A short year after our Graham experience, when placed in the uncomfortable position of choosing between representing me or the company I formerly ran. Charlie decided to represent me. He did this in the face of many obstacles. Not the least of which was that they were a large fee-paying client and I had little money, no company – only a dream! But in spite of this, Charlie chose to be Dan Pena's accountant and ultimately share that dream – and seven months later, Great Western was born. Why would a man allow a fee-paying client to be replaced by the hope of big things to come? Simply, this man of character had felt that the treatment which another human being, me, had received was against his own moral code.

A little more than 18 months later, Charlie left Coopers and Lybrand to be my partner. A partnership between Mark, Charlie and me that was based on trust and a handshake. For the first five months, I could not pay him. He and his family lived on savings and accumulated vacation pay from Coopers and Lybrand. During those first months, Charlie lived with my wife, Linda; our 18 month old son, Danny; me; and our three Great Danes in Palos Verdes, trudging back to Texas a couple times a month to see his family. We used to joke about Chewie, our largest male Dane, opening the door to the sports lab where Charlie slept and startling Charlie by breathing on him until his eyes opened.

What kind of man leaves the security of a lifetime job as a partner with one of the largest accounting firms in the world? Doing this with nothing more than a promise and a mutual dream? Only a man with a sense of purpose. A man that didn't know the Wall of China can't be built. A man who truly believed that if you don't have a dream, you can't make a dream come true!

Now it's a few months after, the beginning of 1984. Charlie and his family's lives really start to gyrate. The Soladay's come to California, first living in the Holiday Inn, then in a rented house that was decorated like a brothel. But Charlie persevered, telling Cindy how great it was and trying to sound convincing. At this juncture in our relationship, I discovered one of Charlie's greatest strengths – his relationship with his loving wife, Cindy, a very special lady, to say the least. Through it all, Cindy would lend all the support Charlie needed. While asking herself how much more hectic can it get? Little did she know!

Soon thereafter, Charlie, Mark and I went off to London to take our company, our baby, our dream, public. All of us gone for weeks on end. Away from our families. Yet through all this, Cindy, even though she had just arrived from Fort Worth to a place that must have seemed like The Land of Oz, was as supportive as a human being could be. She believed because Charlie believed. And because Cindy believed in him, he believed in himself. His desire and belief were infectious.

It sounds funny now because I'm considered the origin of our source of strength, but when I ever had second thoughts about an issue, I would just think about Charlie with all his resolve, and any second thoughts I might have would instantly disappear.

And, Charlie, it will not be any different in the future – for benchmarks of excellence for a man, a true friend, and wonderful human being, don't change.

While we were in London trying to go public, it was that "benchmark of excellence" that made out task substantially easier by "CB". Because the professionals we were dealing with were so awestruck by his professionalism, his integrity, an extremely difficult task under trying conditions was made possible merely by having him as a principal of Great Western.

Many things transpired subsequent to our initial public offering – mostly bad! Oil sliding from $30 per barrel to less than $10 per barrel, law suits, dry holes, shut-in gas, major personnel consolidations, closing offices, cutting salaries and moving our corporate headquarters to Houston (which necessitated Charlie and Mark commuting back to Texas Monday through Friday). Yet, during this time of turbulence, there was not one word of complaint from Charlie. Just, '*Dan, what else can I do? Where can I help? How can we make this positive? Don't worry Dan, You'll have it when you need it!'*

Charlie, Mark and I often joked about what we, as a team, could have accomplished in a rising oil market. Charlie will never see that. But because of Charlie, Cindy, the children and the company he helped start will get that opportunity.

Charlie, not only did you leave your progenies a legacy, you left what Great Western and grown to today and what it will grow to in the decades to come. Because as much as you were a father to Cassie, Eric and Kyle, you were a father to a dream we shared together.

Charlie often said that I changed his life, and perhaps that's true. But Charlie changed every person he came in contact with. For each person he met was a better person for having brushed by him in the cosmos of time. What better epitaph can any man have than, Charlie, you enhanced my life by merely passing by.

As my son, Dan Jr., was taught by you, Charlie, "Hook 'em horns", true friend and God be with you forever!

Appendix H
A Profile of Daniel S. Peña, Sr.

Daniel S. Peña, Sr., is Chairman and Founder of The Guthrie Group (TGG), an investment consortium specializing in facilitating transactions, founded in 1997. With offices in the UK and Asia it has acted as principal, advisor and agent to global and regional companies and institutions. Mr. Peña was also founder, former Chairman, President and Chief Executive Officer of Great Western Resources Inc., (GWRI), a Houston-based natural resource company public on the London Stock Exchange (LSE). At the time of Mr. Peña's decision to retire, GWRI was operational in the US, the Gulf of Mexico, the UK and South America and had a public market capitalization of $450 million, with interests in coal, and oil and gas exploration and production, drilling and construction pipeline. At the time the company was acquired in January 1997, he was the biggest individual shareholder.

In an 8-year period, starting with only $820, Mr. Peña grew Great Western Resources to $450 million while energy prices collapsed, the price of oil dropped from $40 to less than $8 per barrel and more than 10,000 energy companies in the US alone went out of business. During this massive energy decline GWRI grew 542,000%, or an average of over 67,000% per year!

Prior to Mr. Peña's founding of GWRI, he was the Chairman of JPK Industries, Inc., a vertically integrated company in the petroleum industry, involved in oil and gas drilling, operating, production, crude oil refining and marketing. As cofounder he helped grow the company to $50,000,000 in three years. Prior to JPK Industries, he was with the investment banking form of Bear Stearns and Co. where he advised clients throughout the US and internationally.

Subsequent to this tenure at Bear Stearns, he served as President and CEO of Kennedy Industries Inc., a company with major interests in real estate, insurance, financial services, and the entertainment industry. While still in college, he was made a principal in a real estate firm and led the nation in sales.

Since leaving Wall Street and while building his own companies exponentially, Peña has successfully negotiated transactions with many multinationals, all BIG 4 accountancy firms, many major international financial institutions and many governments. In addition, he has successfully transacted business with both the Church and Bank of England.

He has been a lecturer for the Continuing Education for CPA's program and has taught pro bono a year long course to minority business students on entrepreneurism at his alma mater, California State University. He also volunteered his time to rebuild LA subsequent to the devastating riots near his childhood home in Los Angeles and served at the request of the mayor on the Executive Committee for The Alliance for a Safer LA.

Mr. Peña is an extremely dynamic and powerful speaker, motivator, and grand master entrepreneur. His Quantum Leap Advantage™ business success seminars have been in demand in the United States, Canada and Europe. His seminars have been sponsored by various US and foreign universities and corporations *such as Dell as well as The National Association of Women Business Owners (NAWBO).*

In recent years, since retiring, he has given keynote addresses, interactive workshops, seminars and conferences on both sides of the Atlantic and Pacific on building businesses exponentially and has been recognized as a "super success business coach" and mentor.

As a quantum growth strategist, Mr. Peña was the principal speaker at the prestigious Center of Entrepreneurial Management's annual management course. Mr. Peña was also the speaker at "Success Magazine's First Annual Conference" on entrepreneurism. He was asked to articulate his methodology on "Managing Growth and Diversification" as well as "Growth Strategies". He has also articulated his methodologies on "How to Achieve Explosive Growth" to the YPO's (Young Presidents Organization) North and South America International Resource Convention. In addition, Mr. Peña has written a column on "Explosive Growth Strategies for Agora Publishing", one of the largest financial newsletter publishers in the world. Agora Publishing researched, produced and distributed the highly successful financial instructional product – Financing Your Dream – where Peña walks you through a step by step methodology to achieve your Dream.

Peña has been a major benefactor (through The Charlie Soladay Award, named after his deceased partner and The University of Texas graduate, J. Charles Soladay) to the Moot Corp.'s International Entrepreneurial Challenge at the University of Texas, at Austin.

Peña also participated as keynote speaker in the launching of The Entrepreneurs Club by the Grampian Enterprise Board for the regional government in Aberdeen, Scotland, near his home, Guthrie Castle.

He has also been keynote speaker at the prestigious De Amstel Club in Amsterdam and The World Trade Center Clubs both in Rotterdam and Amsterdam where his topic was "Explosive Growth". Mr. Peña also led The Executive Studies (London) series Chief Executive Program featuring the "21st Century Boardroom and Quantum Growth". He was also retained as a consultant to bring QLA methodology to one of the top 25 companies in the world. In that capacity, over the next ten years, Mr. Peña mentored Klaus Kleinfeld, who became CEO of Siemens, AG., which had over 400,000 employees and annual revenue/turnover of $95 billion.

He has been on the roster of Who's Who in America, *was a nominee for* INC *Magazine's Entrepreneur of the Year in 1989, and was chairman and major shareholder of Success Development, Inc. (SDI), a company on INC's 500 1996 and 1997 list of fastest growing privately held companies (# 152 and #195 respectively) in the US. He was also chairman and stockholder of the company which was presented with the "MKB Innovation Prize of 1998" award for company of the year by the Economic minister of the Netherlands (Holland). The CEO of that same company was nominated "European Entrepreneur of the year, 1999".*

He was appointed to the US Presidential Roundtable Senatorial Commission in 1991. He has served on the Alumni Association Board of California State University, Northridge, where he graduated with a BS in Business Administration in 1971. He has also served as a member of the University's Trust Fund Board, serving on the finance and investment committees, and the University's Foundation Board. He is a

1972 graduate of the New York Institute of Finance.

Mr. Peña was a financial advisor to entities as diverse as the Vatican and the Los Angeles Police Protective League.

He has been the recipient of many awards including: the "1981 Latin business Association Outstanding Business Owner" award: the "1994 John Regan Award for Excellence" by the Center of Entrepreneurial Management; the American International Real Estate Expo and Conference (AIREEC) USA 2008 "Man of the Year Award"; and the 2008 AIREEC "Inspirational Leadership Award". He has been featured in many US publications such as the Los Angeles Times *(an article which won the Pulitzer Prize), as well as dozens of U.K. publications such as* The Times, *and* The Financial Times, *along with the Dutch publications* OBJEKT, Bouwteam *and* Limburg Bagblad. *He was also featured on U.S., U.K. and German television.*

Peña had a distinguished career with the US army, entering voluntarily as a private and graduating from infantry Officer's Candidate School (OCS) a 2nd lieutenant at Fort Benning, Georgia, serving as Military Police, Intelligence Officer and Security Officer at NATO Headquarters during the late 60s.

Mr. Peña is also an active sportsman, having received the Bronze Show Award, 1976, from Los Angeles Athletic club, and the Award of Merit in 1977 from Sports Illustrated. *He was featured in* People's Court *Judge Joseph Wapner's book,* A View from the Bench, *as one of the most courageous cases he adjudicated in his thirty year career.*

He is a member of the Jonathan Club in Los Angeles, The London Capital Club, The Clermont Club and Mosimann's in London and Manila Golf & Country Club.

Though he still travels extensively throughout the US, Asia and Europe over seeing business interests, he splits his time between Manila, Monte Carlo and the UK where he spends the summers and holidays with his three grown children, Kelly, Derrick and Danny at their 15th Century storybook estate, Guthrie Castle, Scotland. Peña and his sons play golf on their own private golf course and he and all three children work out in their fully equipped fitness center.

Dan Peña currently serves as Chairman of his personal holding and other growing companies in various industries in the US, UK and Asia.

In addition, Peña stair masters and/or lifts weights almost daily in spite of his busy schedule and has recently taken up golf again as a form of relaxation.

Appendix I

You Can't *Do That!*

Purveyors of conventional wisdom have told me for years that I couldn't *do this or that. But I did.*

I've also kept a list of things I "couldn't do" – but did!

The message, of course, is that you can *do that!*

Ninety-Five "Can't Dos" Which I Did!

1. *You can't take 26 units in one semester of college!*

2. *You can't take 15 units during summer school at two universities!*

3. *You can't leave Bear Stearns and go into the oil business, a business you know nothing about!*

4. *You can't play 72 holes of golf in one day!*

5. *You can't run 1000 miles in one month!*

6. *You can't run 100 miles in 24 hours!*

7. *You can't run 38 miles of your 38th birthday!*

8. *You can't build the 50th largest exploration and production company from scratch!*

9. *You can't buy a castle!*

10. *You can't build the fastest growing natural resource company during the worst recession the energy business has experienced in 50 years! GWRI grew at 67,000% per year for eight years, or over 5000,000% in total!*

11. *You can't convince the Kuwaitis to a restructuring that will sell in The City (The London financial district)!*

12. *You can't hire the Kuwaiti Investment Office's (KIO) own brokerage firm and use them as a mediator to negotiate a restructuring with the KIO!*

13. *You can't convince the KIO to back a long-range plan to build a natural resource company!*

14. *You can't go public using a $60,000 option on property you don't even own and turn it into $50,000,000!*

15. You can't buy Bow Valley USA ("BV"); it's too large!

16. You can't get financing to buy Bow Valley in such a short time frame! (seven weeks).

17. You can't tell a **Financial Times** *journalist he has feces for brains!*

18. You can't marry a virgin!

19. You can't leave the US to raise your kids!

20. You can't change your social economic milieu!

21. You can't go to college!

22. You can't finish 3 years of college in 1-1/2 years!

23. You can't change your major over and over again and still graduate!

24. You can't live an outrageous life and ever amount to anything!

25. You will never reach the age of 21...30...40...50!

26. You can't get quality people to leave their jobs for less money, no contract, and relocate at their expense!

27. You can't do $50 million in revenue your first year in business with only one employee (me)!

28. You can't get a major contract with the federal government with no employees, no office or money, and only a phone and leased fax machine!

29. You can't be engaged to be married for 2-1/2 years!

30. You can't marry, and stay married, to a woman who parents loathe you!

31. You can't plot to overthrow a communist government in the western hemisphere in 1980!

32. You can't do a major equity offering on the back of a major restructuring of Great Western Resources Inc. ("GWRI)!

33. You can't get the KIO to participate pro rata in a restructuring!

34. You can't get the KIO to put up money pro rata in a major equity offering a week after Desert Storm!

35. You can't get The City to participate in the growth of GWRI when your persona is so outrageously controversial!

36. You can't take GWRI public when you have no experience in the energy business.

37. You can't get the most prestigious law firm in the UK to represent you for the public offering!

38. You can't get the Israeli government to choose GWRI over major oil companies to drill in Israel!

39. You can't sell your first drilling fund in late 1982 with an injunction against Great Western Energy Corp. ("GWEC")!

40. You, an unknown, can't compete in a drilling fund market that is already satiated!

41. You can't get a New York Stock Exchange member firm to sponsor your drilling fund!

42. You can't get a "Fortune 200" – size firm to affiliate itself with your drilling fund sales!

43. You can't build a refinery with no engineering experience, fighting the unions!

44. You can't get Orthodox Jews to sign to contract for the Israeli government on the Sabbath, while in Israel!

45. You can't resurrect the Bow Valley negotiations once they've left the table and headed on back to Canada!

46. You can't convince Bow Valley you can perform!

47. You can't get a bank to put up $85 million to buy Bow Valley's coal operations when you have no coal experience!

48. You can't get Citicorp to back you when no one at the bank has ever done business with you!

49. You can't get W. Greenwells & Co. (stockbrokers) to guarantee the Bow Valley transactions!

50. You can't get the KIO to guarantee the Bow Valley transaction!

51. You can't get the KIO to underwrite GWRI while in the acquisition mode!

52. You can't get a major accounting and law firm to carry GWRI like a bank during the growth mode!

53. You can't turn down $30 million of your shares in GWRI! (the 1989 attempted takeover).

54. You can't be one of the highest paid energy executives in the US (Top 5, 1986-1988)!

55. You can't get a major multimillion dollar rent-free lease in Houston when your company is sill in the "minor leagues"!

56. You can't pay an extra $1 million for an acquisition when the deal was already cut!

57. You can't honor an acquisition deal when oil prices collapsed before funding and when the price of oil dropped in half!

58. You will never get the KIO to back you after your mole's departure!

59. You can't get a court to issue an injunction to stop the issuing of the Los Angeles Athletic Club's October Marathon first place award to a bogus winner!

60. You can't get blue-blood advisors in The City.

61. You and your wife can't go to the Cotton Club in Harlem in 1978! (The only white attendees).

62. You can't out-drink the biggest drinker in The City!

63. You can't change the way you think about raising children!

64. You can't change the way you think about being a husband!

65. You can't volunteer for the draft at the height of the Vietnam War! (June 1966)

66. You can't continue to lift weights with a torn rotator cuff and double hernia!

67. You can't go public the same day as Jaguar (a UK government-owned legend).

68. You can't change the investment direction from the public offering prospectus so soon after receiving the money!

69. You can't cut overhead (senior salaries (40%), benefits, etc.) so soon (90 days) after a public offering!

70. You can't go public in the UK!

71. You can't buy a foreign company over the phone on New Year's Eve!

72. You can't buy a foreign company for less than it has in the bank!

73. You can't have a dream come true unless you have a dream!

74. You can't restore Guthrie Castle in less than one year!

75. You can't live off-post (against army regulations) as a single junior officer.

76. You can't buck the Mafia...and win!

77. You can't find anyone who'll take GWRI's paper in an acquisition!

78. You can't double GWRI's share price (in a few weeks) in order to make an acquisition in December 1985!

79. You can't grow GWRI without giving up control!

80. You can't shove a major energy company out of an acquisition deal while you were a non-player!

81. You can't run GWRI from Guthrie Castle!

82. You can't continue to out-trade KIO!

83. You can't write a seminar manual in less than four months!

84. You can't do a seminar entitled "You Can't Do That"!

85. You can't start a Wall Street financial planning seminar (TFC) from scratch! (1975)

86. You can't interest people in the "You Can *Do That!" philosophy!*

87. You can't double GWRI share price I four months from the initial public offering!

88. You can't write your book (first of a trilogy) in less than 100 days!

89. You can't build a golf course at Guthrie without planning permission!

90. You can't sue **The Financial Times** *newspaper (arguably one of the most influential financial papers in the world) and win!*

91. You can't coach unsophisticated neophytes to acquire and consolidate fragmented ("cottage") industries!

92. You can't coach individuals with no financial acumen to engage international accounting and law firms to act on a strict "success orientated" fee basis only!

93. You can't teach sophisticated "neophytes" to finance deals at 100% (or more) using debt/ equity financing and other people's money (OPM) entirely!

94. You can't spread your Quantum Leap Advantage methodology throughout UK and Europe!

95. You can't rent Glamis Castle (the Queen Mother's home) for your 50th birthday!

Appendix J

Proud Moments – and Sad Ones

1. July 1, 1967 – Standing with my 2nd Lieutenant bars pinned on.

2. Being on the Dean's List (after originally flunking out) with a 3.6 GPA after getting back in college on a special waiver and taking 23 units in one semester.

3. Renewing my wedding vows with my wife on our 10th and 18th anniversaries.

4. The birth of all three of my beautiful children.

5. Getting a $20 million contract from the Federal Government in Great Western's first year of business.

6. Being chosen "Business Owner of the Year" by the Latin Business Association in 1981.

7. Walking on the floor of the London Stock Exchange on August 9, 1984, after taking GWR public with a $60,000 option that created a $50 million company in four months.

8. Celebrating my 40th birthday by hosting a gala at Guthrie Castle.

9. Closing on the $150 million acquisition after it "fell out of bed" and was pronounced "dead" by everyone associated with GWRI, i.e. partners, lawyers, bankers, merchant bankers, board of directors.

10. December 1989 – Closing the restructuring of Great Western Resources Inc. after almost two years of negotiations with the Kuwaiti Investment Office.

11. Raising $70 million in equity one month after the start of Operation Desert Storm (Sept. 1990) with the KIO still as a 30% shareholder.

12. The May 1991 commencement speech at my alma master, California State University, Northridge and being recognized as the most successful business school alumni.

13. November 1987 – First money-raising offering in The City after the October stock market crash.

14. Buying and renovating Guthrie Castle from scratch.

15. Being featured on the front page of the **Los Angeles Times,** *an article that won a Pulitzer Prize.*

16. Buying the Farrish (founder of Exxon) estate in Houston for my wife on our 17th wedding anniversary.

17. Winning a brutal lawsuit (after a seven week trial) against the company I founded – GWRI.

18. Celebrating my 50^{th} birthday at Glamis Castle, home of the Queen Mother (mother of Queen Elizabeth).

19. Playing golf on my own golf course at Guthrie Castle with my two sons, on my 50^{th} birthday.

Profoundly Sad Moments

20. Offering the eulogy for my best friend and partner, Charlie Soladay, in January 1987.

21. The realization that my vice-chairman and directors had turned their backs on me when I left Great Western Resources Inc.

22. The death of my loyal dog, Driller, in my arms (June 27, 1992).

23. The realization that as we get older, the expectations of others get lower while mine continue to get higher.

24. The extremely profound fact that very, very few people want success enough to pay the price required.

25. When my wife filed for divorce on our 30^{th} anniversary – a woman with whom I had planned to grow old and spend the rest of my life!

26. When my Mother passed on Christmas Eve 2003 after just moving to live with me at Guthrie Castle. I had to acknowledge I had not been the son I should have been to my mother, a fine lady who had always been super supportive towards me in all I ever did my entire life! This is a time in my life I've thought a lot about, a sad moment that continues to be a truly monumental regret! Forgive me, Mom!

Appendix K
What People and the Press Have to Say about Dan Peña

" Best seminar I have attended by far, It's often said that one good idea makes a seminar worthwhile. I got 103 great money ideas from the mind and heart of a great communicator".

Ted Nicholas
Best Selling Author
Switzerland and Florida

"Dan Peña's program is worth any price if you want to find the path to achieve maximum growth presented by one who has been there… It gave me the answers I've been searching for".

Stanley Davis
San Francisco

" As a direct result of attending your seminar, we had a cash flow increase last year of $500,000".

George and Deann Verdier
Gaithersburg, MD

"Your Quantum Leap Seminar in Houston…was a cobweb-destroying and eye-opening experience for me…You did for me exactly what I needed. I came away with re-definition, re-focus, and re-invigoration… Accept my profound gratitude…"

John Allen Chalk, P.C.
Gandy Michener Swindle & Whitaker, L.L.P., Fort Worth, TX

" The Quantum Leap seminar with Dan Peña was by far the best program I've ever attended. I've seen Jay Abraham once and Tony Robbins' seminars three times and did not receive as much information as I did in the first two hours with Dan! Dan's program is the *future* of the seminar business."

Beryl Henderson
Co-founder
Doberca Contractors Ltd.
Ontario Canada

"Since 1989, I have seen many of the top world business resources through my participants in the Young Presidents Organization. Your seminar had more "take home value" than any YPO business presentation I have experienced."

Craig Hofman
President
Hof's Hut, Los Angeles, CA

"I attended Dan's Dallas and Houston 'QUANTUM LEAP' sessions and listened to the most exciting, dynamic presenter I've ever heard... he motivated people to positive action better than anyone... Dan's methodology helped me negotiate a deal that will double my profitability over the next six months..."

Rebecca Richardson
President
Richardson Advertising Cincinnati, OH

"Bravo! Your 'Quantum Leap – You Can Do That!' takes the seminar industry of how to run a successful business to a new level. No one else I've ever heard of (and I follow this business for new ideas daily) has actually done what they're coaching: creating and managing a multi-million dollar business... But none I know of have actually done it. Except you. You're unique. And you add a bonus. While Tony Robbins gets most of the applause for passion (and I've seen him in action), your passion is unexcelled... I say this from my perspective as a professional communicator for 28 years, including several years as a television anchorman and reporter and service on Ronald Reagan's communication staff".

Bob McCafferty
McCafferty and Co.
Fair Oaks, CA

"...Mr Peña... takes you on an incredible journey that's a Quantum Leap beyond what you would have ever imagined you were capable of. This seminar is about four or five years ahead of its time... his unique style, integrity, and commitment made my heart pound and palms sweat throughout the 17 hours (that's right, 17) that our seminar lasted... The most powerful aspect of the seminar...was...Mr Peña as the only seminar speaker out there that really made it in business – Big..."

Andrew Harris
Founder
American Olympic Karate
E. North Port, New York

"His energy is combustible, his manner kinetic...with the intensity of a matador entering a bullring..."

Al Martinez
Los Angeles Times

"I had the opportunity to hear live an amazing individual named Daniel S. Peña, Sr. who built a company from scratch to $400,000,000...This is not theory. He did it. He will show you how to do it. His powerful ... Quantum Leap seminar... reveals secrets he learned the hard way. Dan is really powerful...You have no risk! Satisfaction is guaranteed... I'm sure you will join me...in knowing 'you got 20-times your money's worth... I want you to share this tremendous learning experience"

Dale C. Bullough
Founder
Dale Bullough & Associates, Dallas

"Daniel Peña is a real-life J.R. Ewing."
Chris Mullinger
Sunday Mail
Glasgow

"Dan Peña...took $800 and made it into $400,000,000...It's one of the great entrepreneurial stories of success in America..."
Joe Mancuso, Ph.D
Founder
Center for Entrepreneurial Management
New York City

"This program will force you to make a decision...If anyone is worth their salt, they will move forward following these principles or else they can keep their head buried in the sand..."
Vince Eysoldt, President
Vince P.Eysoldt, Inc.
Cincinnati, OH

"Dan Peña is a bulldozer of knowledge."
Joe Polish
Phoenix, AZ

"The business success business has diarrhea and Dan Peña is Keppectate."
Kevin Paschke
The Nurture Marketing Institute
Seattle, WA

"Mr Peña is an entrepreneur of classic American design".
Dominic Lawson
Financial Times
London

"This seminar has opened my eyes to other avenues of problem-solving. It's been very definitive as to plans of action, etc. This seminar picks up where text books leave off, with practical, applicable experience...It was realistic and believable, and not a 'pep rally'."
Diana Guerin
Senior Partner
B&G Associates

"...the most controversial American businessman to set foot in The City of London in the 1980's"
Jim Levi
Sunday Telegraph
London

"Most business people have to learn how to get away from the conventional way to do business.

Dan gave me a new and refreshing way to look at business. He taught me how to look outside the box of everything I'd been taught. And the good thing is, he teaches you through his own real life experiences. You learn more from real life experiences than from books and theories."

Barbara Baade
Process Works, Inc.
Brookfield, WI

What People have to say About Guthrie Castle

"Guthrie Castle is one of the finest appointed estates in Great Britain".
Lloyds of London

"I didn't know people lived like this anymore".
Keith Kretschmer
Senior Managing Director, Oppenheimer & Co.

"What a breathtaking home it is…every room is filled with periods furniture bought at auction, fabulous paintings adorn the ten-foot walls…priceless ornaments are everywhere, yet Guthrie Castle is no Dynasty palace or stuffy museum…It is a real home."

Chris Mullinger
Sunday Mail
Glasgow

"…an American oil billionaire…Daniel Peña…has spent millions restoring this historic castle…A 50 room establishment,…set in 52 hectares, has a trout-filled lake, tennis court, shooting range, stables and a huge walled garden."

John Betley
The New Age,
Melbourne, Australia

Appendix L

You're Right Dan. This stuff really Works!

There are two ways to inspire people to go out and become successful. The first, used by most so-called experts on the seminar circuit today, is to fire up your emotions with 'feel good' platitudes. These are basically high-priced, rah-rah, pep rallies. And the fire they kindle is quickly extinguished by the cold winds of real life and real business.

The second way is to give people real information. I give my listeners ideas, of course, but most of all I lay out strategies, concrete steps and specific instructions. I know they work, *not only because they made me a multimillionaire but because they're making my seminar attendees rich;* very *rich, today. Right now!*

I love to read the surprise in their letters when they say, 'Golly, Dan, this stuff really works!' Of course, doofus, *I say to myself.* 'Did you pay for my seminar thinking you'd get stuff that *wouldn't* work?'

The following ten success stories are some of the most recent, as we went to press, of my newly converted 'disciples'. Read their stories. You can almost hear their amazement at suddenly becoming incredibly successful. They can't wait to get up in the morning and get started making more money. I'm laughing as I type this because I know them all so well, and can hear them saying what you're about to read.

I want to turn a growing band of "Dan's disciples" into legions *of successful entrepreneurs.* That includes you. *I hope you've read this book. Now hear the excited words of these people already on the playing field. Then get your ass off the bench, get out there and start running your own plays!*

"Dan's information is right on target. In the past we had grown incrementally, not dramatically. We used to have 10% annual growth, but we've had 50% growth the first year after Dan's seminar. And the first six months of this year, the business has already grown 70%. Today, I signed the papers to start two new corporations that are related to what we're already doing."

"Other seminars might be able to show you how to build your business up to ten to twenty million dollars in your lifetime. Nobody – except Dan – tells you how to take a business and build it to a $100 million or $200 million business or more in five to ten years. The reason is that his approach is completely different. It's done in Quantum Leaps like Dan teaches."

"Like Dan says, for example, it takes just as much time to do a $20 million deal as it takes to do a $200,000 deal."

"Dan Peña has been responsible for making me so much more money. I'll talk to anyone who wants to call me."

George R. Verdier
Sugarloaf Mountain Works, Inc.
Gaithersburg, Maryland

"I broke through the ceiling. Dan helped me unlock the limitations."

"Dan gave me a new and refreshing way to look at business. He taught me how to look outside the box of everything I'd been taught. And the good thing is, he teaches you through his own real life experiences – not theory and hearsay.

"I especially like what Dan teaches you about negotiations. I always thought I was a good negotiator, but when I got up against the more sophisticated business people, I let them control the direction. Dan's information took me to a new level. Now I'm negotiating from a position of strength. I take control and position myself equally no matter who I'm up against."

"Dan comes off as a rough, tough business person, but he does have a heart. He is as tough as nails because he cares. If he didn't, he wouldn't push us like he does. My goals have always been very big. Dan Peña gave me the tools to achieve those goals".

Barbara Baade
CEO and President
Process Works, Inc.
Brookfield, Wisconsin

'My net worth jumped to $20 million in less than three years.'

"I don't run a business like most people. I don't have any employees. I work from my home. I make money doing deals like Dan Peña taught me. And my net worth skyrocketed to $20 million in less than three years. On the first deal I worked on, I got an offer of one million dollars. Dan advised me not to do it because the deal was worth much more. So we didn't. Later I got another offer for $18 million. Dan was right."

"The best part is that I haven't even scratched the surface of possibilities. I'm on my way to making more money than most people can even dream of. I'm astounded how just a marginal shift in my way of conducting business has reaped such lucrative rewards in a very short time."

"'Being a woman doing business Dan's way is difficult at times, but I'd tell any woman, 'If you don't step up to the plate, you'll never get the chance to swing.'"

Beryl Henderson
Cobe Land Developments, Inc.
Ontario, Canada

'Using Dan's strategies, I bought a company two-and-a-half times larger than me from owners who didn't want to sell!'

'It was the oldest family-owned jewelry store in California. But the owners wouldn't budge. The deal was in the toilet. Dan gave me one simple piece of advice, and I saved the deal.'

'We increased the revenue of the business I bought by 250% immediately –and we fully expect a 500% increase over a three-year period. I work about the same amount of time as I ever did, I just do things differently like Dan taught me. And it works!'

Casey Stephenson
Casey Jewelers
Hanford, California

"'It's either hot or it's not' – the best words of wisdom I ever got"'

"Dan's seminar was the kick in the butt I needed to help me refocus. Instead of growing one step at a time, we're looking at moving exponentially. We are looking at two more sites for our health clubs. I just finished shooting a bunch of videos – and have also finished producing an infomercial."

"If you want to be super-successful, Dan's strategies are a must. Everything I've done I've learned through the school of hard knocks. I know I want to grow in Quantum Leaps now, and the only way I can do it is to spend time with someone like Dan."

'Meanwhile, we are also showing Dan's videos to everyone in the company. All our managers are being indoctrinated into the Quantum Leap program. It's going great!"

Lynne Brick
Brick Bodies Fitness Services
Timonium, Maryland.

"My income shot up 1200% I went from charging $800 a day to $10,000 a day. Before I went to Dan's seminar, I had three businesses. After listening to Dan, I immediately dumped two of those businesses, and put all my focus on Reading Genius, a reading improvement seminar. Now I'm the best in the world at what I do. I get paid $10,000 a day, or $2,500 for a private lesson which takes an hour-an-a-half. I've taught at two US military academies, England, Ireland, Australia and New Zealand. I'm also producing an infomercial. None of this would have happened if Dan hadn't convinced me to narrow my focus – and taught me to do it with explosive force. Don't expect Dan's message to be sugar-coated. If you're thin on reality and thick on fluff, Dan's not for you. As a seminar and ex-corporate trainer myself, I can tell you Dan pulls no punches. You hear it like it is, instead of how you think it should be. A 'dose of Dan' is time and money well spent."

Ed Strachar
Reading Genius
Cupertino, California

"In one year my business went from $50,000 to $250,000. That's a 500% increase! Dan Peña is the only seminar speaker out there who really made it big in business – like a real entrepreneur. Dan has spent decades dealing with bankers, stockbrokers' lawyers and employees on a day-to-day business level. No wonder what he says is so credible."

'One of my lifelong goals was to set up a corporation to do international business. Now it's becoming a reality. I used to fear dealing with banks and accountants, but I don't anymore. Instead of going in thinking they are doing me a favor, it's just the opposite. Putting his teachings into practice has resulted in a 500% increase in my business over a 12-month period. Dan Peña is like a Rambo of the business world'.

Andrew Harris
American Olympic Karate
East Northport, New York

'I went from owning a Mazda Miata to a $100,000 Mercedes with one idea I got from Dan Peña.'

"Before I met Dan, I was promoting craft shows. I was doing home shows and my husband and I had an advertising agency. Since meeting Dan we sold the home shows, and closed the ad agency even though it was making money. "We used to run craft shows in eight markets. Right now, I'm moving as fast as I can to establish shows twice a year in twenty urban markets coast to coast. We have 12 this year and plan to have 16 shows next year."

"Dan helped me to raise the level of my own self-confidence too. I used to be scared of making decisions. I was choking the business. Now I look forward to the challenges, to taking on more risks. I used to dread negotiating with people. Now I look at it as a game. It's great fun. It's amazing. And it works. Every time I turn the key on the new Mercedes, I'm reminded…Dan's stuff works!"

Deann Verdier
Sugarloaf mountain Works, Inc.
Gaithersburg, Maryland.

Appendix M

Sample Letters
Mission Statement
Notes For Personal And Phone Interviews

Letter To Target Board Member

Address

Dear ______________________

I enjoyed speaking to you (day), and look forward to meeting with you. As we discussed, I have enclosed an executive summary of our plan, and the professional profiles of our current Board of Directors.

Our strategic plan is as follows. The ________________________ industry is undergoing a consolidation in which larger firms are looking to capture market share through the acquisition of smaller local and regional companies. We see an excellent opportunity for quantum growth in the chaos surrounding these mergers.

Our goal is to acquire several companies, consolidate them to eliminate redundant operations, and then take the organization public with an IPO.

We have several acquisition negotiations in progress. I would like to share the details of these negotiations with you when we meet. We do, however, expect these acquisitions to exceed $/£ _______________ in 20__. Members of our Board of Directors, of course, will receive an equity position.

I will call you soon to schedule a short meeting.

Best Regards,

Sample Acquisition letter

Address

Dear _______________________,

I would like to discuss the possibility of acquiring your ____________company.
I am not a business broker.

Like you, I am a successful business owner/entrepreneur who happens to be in the process of building a unique kind of ________________company. My partners and I feel that your company could fit our organization in a very positive way.

Please understand that as we experience rapid growth, we'll need successful business people to become our future partners and associates in building this company to the great height we anticipate to attain. So, if you have no intention of retiring from ___________________, that's great! You could have the opportunity to become a big part of what promises to be an exciting and rewarding future.

You risk nothing by picking up the phone and giving me a call on _____________. In fact, two minutes on the phone will not only satisfy your curiosity as to whether we can perform, but it will also tell us both if this is worth pursuing further. All discussion, of course, will be held in the strictest confidence.

Sincerely,

PS. I am also interested in discussing possible product acquisitions – just pick up the phone and give me a call.

PPS If this letter doesn't interest you, how about one of your colleagues?

Acquisition Target Letter

Address

Dear ____________________,

I enjoyed speaking with you on the phone, and look forward to continuing our discussion in person.

As we discussed, I have enclosed a copy of the professional profiles of our Board of Directors. I am the Chief Executive Officer, and have been engaged in ____________________ for the past _____ years.

I am sure that as you review this, you will be impressed with the professional management expertise and financial resources available.

As I indicated on the phone, we have a genuine interest in discussing the acquisition of your company. We also understand that any transaction must provide mutual benefits in order to be viable. I look forward to meeting with you, and will call you to arrange a convenient time to visit with you in _____________(city).

Best regards,

Enc. Professional profiles –Board of Directors

Potential Acquisition Letter

Address

Dear___________________,

I received a copy of the confidentiality agreement sent to you by_______(lawyers).

In anticipation of moving forward, I have outlined below the specific information that we would like to receive, initially. The review of these materials will be limited only to those individuals needed to perform our analysis and obviously our confidentiality agreement will govern the terms under which this material is reviewed.

The items required are:

a. The past five years financial statements

b. Any forecasts that exist.

c. A summary or copies of all employment contracts

d. A summary or copies of any significant lease obligations

e. A summary of any law suits.

After our review, it is our intention to begin substantive negotiations arriving at a letter of intent and continuing due diligence efforts. We look forward to the receipt of this information and continuing our discussions.

Your sincerely,

Sample Mission Statement

Atlas Global Enterprises Inc.
Specializing in Mobile Home Parks *("caravan parks" in the U.K.)*

Our basic premise is fairly simple: To grow at a rapidly increasing rate from now until the year 20__.

We are achieving this growth by vigorously acquiring mobile home parks over 50 spaces. In 20__ we will acquire a minimum of 20 such parks with an asset value of £3,000,000.

We are concentrating our efforts on existing 2-4 star mobile home parks. These parks have positive cash flow of 30-75%. We are consolidating the industry and plan to acquire between 50 and 100 parks in the UK. We will continue acquiring parks throughout 20__ and plan to go public in the Spring of 20__.

Atlas Global Enterprises Inc., has a group of very experienced persons specializing in finance, accounting, real estate and mergers and acquisitions. A copy of their profiles is attached.

The chairman, Daniel S Peña Sr. has a track record of building companies, taking them public or selling them off. Currently there are no other significant players aggressively acquiring 2-4 star mobile home parks. For the most part, entities with financial means are in the newer "vacation home" end of the continuum. These new vacation homes are too expensive for many people, and require length development processed and years to fill the vacancies. The time is right to aggressively acquire vacation parks with the intent of building a company comprising 50-100 parks and then taking it public.

Sincerely,

Meeting Accounting Firms (Notes)

Here is a sample of the type of notes you would use when interviewing a Big Four accountancy firm. Always send your Mission Statement and profiles before *the meeting. Do NOT bring them with you. They will read them beforehand and you will be much better positioned. Presentation should be about 15 minutes. Be ENTHUSIASTIC. Sit at the head seat of the conference table – very effective. Here's a good way to start:*

'Thanks for taking the time and trouble to meet with us today. I want to cover several things in this meeting:

1. *Our Long Term Plan*
2. *Our short Term Plan and implementation of that plan.*
3. *How you can play an integral role in our future success. We are interviewing several firms with regard to their capabilities of fulfilling our needs.*

At this point, refer to the mission statement and summarize it. Then make the following type of points (example used is mobile home park consolidation).

1. *The mobile home park industry is mainly "mom-&-pop" owned. They don't handle marketing, finance or administration very well.*
2. *There have been major trends in consolidating such mom-&-pop industries recently, notably (Use current examples) Industry consolidation is extremely profitable.*
3. *My marketing and management experience is as follows. I have five years experience as a sales manager in this industry. In 20?? I operated a park in Florida with 38% vacancy, changed the management and advertising and in less than a year I increased the value by 35% by increasing the occupancy rate. Expenses pretty much stayed the same so the last 25% of the occupancy is almost completely profit. We can fill these parks. Our methods are tested and they work.*
4. *We are building a team to do this and turn it into a $_____ million asset, or more.*
5. *The structure of the deal is a holding corp., and LLC's*
6. *Our exit strategy is to buy, build up, get better management, fill up the parks, raise rents and then sell (or go public).*
7. *I am head of a very experienced group – finance, accounting, real estate and marketing. My partner, Mr. Peña, almost 40 years of experience in mergers and acquisitions.*

8. *We are actively seeking audits, forecasts and acquisition audits.*

Then turn around and ask: "How do you differ from the other of the Big Four? What different services can you provide?" Then shut up!

After their presentation, mention: "This is really a service business, and we're looking for a firm who will refer us lawyers, financial institutions, etc. Can you help?"

Use a slightly varied version of the above presentation to attorneys, and financial institutions. Try to get one of the Big Four to refer you to these other professionals. This will make your job much easier.

Sample Phone Conversation

<u>*Accountant:*</u>

I am interviewing accountants for our new corporation __________________________

We will be acquiring several real estate properties in the Phoenix area and want to establish a new accounting relationship. The chairman of our company is Dan Peña. Dan was founder of Great Western Resources, a natural resource company which he took public.

At the time he retired as CEO, Great Western had a public market capitalization of $445 million.

I am CEO of ____________________ and my background is in ________________________-.

I own a manufactured housing community which, within 12 months with better management and marketing is worth 35% more than when I purchased it (Adapt to suit your own story)

Do you have any conflicts?

I'd like to set up a brief interview. I can do it on ________________

I'll send some additional information on our company and offices or Board of Directors. To what address shall I send it?

Interviewing Banks and Financial Institutions

When you make the appointment, make it with the loan officer or bank manager, or highest you can get to see. They must have lending authority.

Here are three things you must do:

1. *Talk generalities, not specifics.*
2. *Use the magic phrase 'We're looking to establish a new financial relationship.'*
3. *Mention that you are interviewing several financial institutions with a view to establishing a long term relationship.*

Things NOT to do:

1. *Don't say: 'We're looking to borrow money'. The magic phrase is in 3 above.*
2. *Don't' go cap in hand.* You *are the one driving the show.*
3. *Don't appear nervous. Radiate confidence.*

Qualify the bank by asking the following questions:

1. *What is your personal lending limit?*
2. *What is the bank's secured and unsecured lending limit?*
3. *How far up do I have to go to get a lending limit of my size?*
4. *Who would I talk to for a higher lending limit of say, $10 million?*
5. *What was the last deal you turned down, and why?*
6. *Do they have a minimum rate of return you lend on? If so, what is it?*
7. *What was the last $5 million deal you did?*
8. *Who needs to approve such a deal?*
9. *Are you in a lending mode or a downsizing mode? Do you have FDIC or other regulatory problems at present?*
10. *Are you a centralized or branch lender? Do you loan from the base, or from a pool of branches? (You want commitment from the bank to take a hard look at your deal).*
11. *Who do you like to lend to? (Tech., medical, agricultural, manufacturing, etc.)*
12. *Are you a cash flow or asset lender?*
13. *How important is a secondary source of payment?*
14. *If I can show you proof, is there* any *reason why you can't finance this?*

Letter From A Large Law Firm

This is an example of the sort of letter you want to receive from firms with whom you are dealing. These are the actual words from a letter written by one of the largest firms in Los Angeles to one of my mentees after we explained what we wanted.

Mr. Thomas Jones
Wonderful Books, Inc.
123 Biblioteca Drive
Los Libros, California
USA

Dear Tom,

Supplementing our engagement letter, this will confirm our several conversations concerning the billing procedures we will follow for services rendered to Wonderful Books.

We both currently contemplate that there will be a series of acquisitions, and we all hope that all of the proposed acquisitions will result in completed transactions. However, it is possible that some transaction will not close.

You have requested that, if requested by you, we defer billing for transactions which don't close and transfer such unbilled fees to later transaction for billing following successful closing. We agree.

However, I would like to reserve the right to review this matter if the deferred fees become too substantial or if the deferred fees become too delinquent, with both situations being decided after mutual discussions and with the benefit of the facts that both of us can consider at that time.

Please let me know if this is satisfactory.

Sincerely

EXAMPLE OF WHAT TO DO

(Faxed deal proposal to Dan)

1. *OVERVIEW: Consolidate U.S. mobile home parks, put in better management, decrease vacancy rate and sell to insurance co, pension fund or go public (REIT); 0 revenue; niche markets – seniors and low incomes.*

2. *Advantage #1: Me! I will do everything humanly possible to make this deal work. Whatever it takes. Other advantages – much, much better marketing, better management. Good business because you only own the dirt, no repairs to caravans, less lawsuits, etc.*

3. *Me – 70%; David (my partner) – 10% will work at it full time, has already met with our first billionaire, Fred Smith; has experience in marketing and buying foreclosures; want John Doe, CFO of ABC & Co to meet w/ me next week – will give 2%; want David Jones (have been begging him to meet with me – probably will give up and meet with me within two weeks) – will give 2% ; also looking at two other top people; need accountant – met with ex-Deloitte & Touché (10 yrs) guy who is interested but I don't think he's the right one – not creative enough – will give account 5-10%; want experienced park manager to train the others, looking at quite a few – will give 5%.*

4. *Major players – Acme Nationwide Mobile Home Parks Ltd owned by United Industries – 32 sites, £100 million assets; next Aram Leisure – 26 sites. Trends – According to Bureau of Statistics 28% of all holidays taken in '00 were caravan holidays, 1 in 16 Brits have used a caravan; if you buy into the theory the middle class is disappearing, there will be a lot more people who can only afford a mobile home vacation which are half the cost of a hotel-based vacation; cash cows – expenses run between 25-45%, the rest is profit and to carry debt load.*

5. *Opportunity – know marketing and how to fill up sites, since expenses pretty much stay the same regardless of vacancy rate, last 25 of vacancy is (almost) pure profit; growing industry especially because of baby boomers getting old; another opportunity is to target smaller resorts and buy up all sites since the big players stay away from smaller resorts and smaller sites; then raise the rents.*

6. *Risk is fairly limited because the chances of having all 500 of your tenants move out in one month are nil; when times are rough, people tend to buy cheaper mobile home vacations rather than going aboard or using a hotel.*

7. *Aggressive marketing – Most people rarely move their caravan, period – too expensive, too much hassle, Can get them to buy 2 ways; I have them buy a new van that is really nice and there are institutions that will lend to them, 2; buy older vans and carry the paper – can easily make 70% return i.e. I bought a mobile home for $________cash, sold it for $_______ down and $_______/ month for 30 months – easy to get owners that way – then maybe could sell off the paper but a little*

hard because no investor wants to have paper worth more than the asset is; also will aggressively target timeshares and show them that they can own their own mobile home for less money – hitting on pride of ownership, getting something for their money, peace of mind, a real place to call home, etc., also aggressively target employers w/ low end employees – talk to human resources and keep in contact – brings lots of leads; get tenants to refer others – friend, co-workers – simple marketing that NO park is doing.

8. Grow as fast as possible or faster, sell to Ins. Co., pension fund, or go public – w/in 12 months could easily eclipse ACME's 100 million in assets.

9. Can be fully leveraged and still be profitable.

10. Best – buy 10,000 lots/vans (each park varies in the number of lots), go public, get rich, or sell for $_________ extra for each lot (all 10,000 of them) – wouldn't be too hard if made the right buys, do for mobile home parks what B. Wayne Hughes did for mini-storage (Public Storage Inc, he is now worth billionaire, Forbes); Worst – makes little money for us after paying banks and investors.

11. Most communities operate at a 45% expense rate, w/larger parks it is less, can cut it down to 35% or keep it at 45% and bombard w/savvy marketing increasing gross about 25% (includes filling vacancies and raising rents). Many parks pay 10% gross to a property mgr and then pay on-site management on top of that. Can eliminate that by giving 1% gross to on-site mgr, plus ½% -1% to higher manager who looks over 4 or 5 on-site managers or own separate management company that makes the money.

12. You (Dan) get 25% now and monthly retainer's fee, plus expenses.

13. Have park in St. Petersburg that the seller just agreed to pretty cushy terms; small park though – 60 sites, plus 4 apts and house, asked $_________ with $____________down, carry rest 15 yrs at 8%, negotiated $__________ down, rest same but payments of only $_______first 90 days then full $_________, get investor to put up $__________, take $__________out at close, give 17% return plus 20% equity kicker (I learn fast), as-is will cash flow to us $_____/month, can double that by increasing rents $___/space. Was going to keep this park separate and just do another test site but it does not have to be that way. Also looked up all parks in St. Pete area, know where they are, how many sites, who owns, when they bought and how much they paid, picked out 23 very attractive (because they didn't pay much for the park) targets and am mailing them this week. Looking at a couple next week.

14. Me – I'm the absolute best part of this deal. I'll do whatever I have to, I get things done and learn very quickly. I don't put up w/bullshit, which is why doofus' hate me. I delegate well and *don't micromanage. I think big and am creative. I strongly believe that there are absolutely no limits to my abilities. I wasn't trying to 'pitch' you on my obsession (I guess I should have), I just wanted some answers. I pitched Roth and Stacey on it (for practice) and they both said if it weren't for their project they would work on it. I'm good at selling.*

The above fax fitted onto one side of one page of A4! I have adapted this example from several similar one-page faxes, which got my attention. You can see that it is focused and coherent – also it is tinged with enthusiasm and passion. This is the way to pitch your deal to everyone you talk to.

EXAMPLE OF WHAT NOT TO DO

(Faxed proposal to Dan)
To: Dan Peña

Dear Dan:

Congratulations on your seminar. I have just heard the beginning of your 'raising Capital' tapes. Wild!

What I thought were my weaknesses turned out to by my strengths. I like that.
Here is a hot deal:

THE BUSINESS – ABC Company is a 13 year old company in Texas with two main divisions: TV programming and Internet Broadcasting Technology. With $4.2m in sales and $5.8m in assets the TV programming division showed a $900,000 profit last year and is projecting the same for 20__.

As for IBT it is on an exponential growth path (their words). Started last May, IBT sells a network technology they developed for the internet, allowing computers immediate access to web sites, solving the major complaint of today's users. Current potential market; 100 million users. Projected potential market in 4 yers: 1 billion users.

THE DEAL

The present owners of ABC, acquired last year, after creating IBT, are starving for cash to promote their new product. They want to go public to raise $5m. They hired a 'Doofus' NASDAQ approved CPA for $20,000 to audit their accounts (and thought the $50,000 paid to a Big Four would be too much, being hard to explain then how much easier and higher the IPO will go by having one of these. We will let that for later). They need to raise $1m now (They do not have a banking relationship!) And they are willing to trade it for equity. It looks hot. It is my first acquisition and your help would be most welcome.

Best regards,

(This is the wrong *approach because this guy is just seeking to buy a small chunk of the equity of a cash-starved company. This is* not *what I teach. There is little difference between the above proposal and a proposal to buy 10,000 shares of British Telecom. This is* not *an acquisition, and the writer has completely failed to grasp the Quantum Leap methodology.)*

Appendix N
The Strategy of Consolidation: The Secret of Exponential Growth

Growing a company from scratch relies on successful internal growth *and usually takes many years of hard work. During that time, success is often measured in profit margins of 3%, 5% or even more. Entrepreneurs often find themselves spending more time counting modest revenues and wondering whether they can pay the rent next month. Internal growth requires time that could be better spent focusing on* external growth. *Remember? Kissing frogs? Seeking opportunities?*

Building groups *of enterprises through acquisition however, equals* external growth *and as such can be achieved in a relatively short time-frame, maybe three to five years, with staggering financial rewards.*

Quantum Leap practitioners search for, identify, evaluate and target **fragmented industries.** *A fragmented industry is one in which several, dozens, even hundreds of companies compete quite independently within a marketplace, the combined revenues of which have a significant overall value.*

Consolidation *of a fragmented industry is the process whereby some or all of the individual companies operating within the same market niche are acquired, normally through leveraged buy-outs and put together as a new "group" of companies*. **The objective is to generate a combined value in this group, and achieve a synergy by which that bottom-line value is substantially greater than the sum of the individual operations.**

And here's the beauty of such a consolidation. The net difference between the new combined value of the group and the cost of acquiring these companies can amount to a multi-million capital gain.

Consider for one moment, the following household names:

* *The Virgin Group*
* *Time Warner Aol*
* *Thorn EMI*
* *General Motors*
* *American Airlines*
* *The Disney Corporation*
* *Chevron Texaco*
* *Daimler-Benz*
* *Unilever*
* *Grand Metropolitan*
* *Exxon Mobil*
* *Proctor and Gamble*
* *TWA*
* *Bank of America*
* *US Steel*
* *IBM*

The most significant factor common shared by each of the above companies is that they all began as the dreams of determined individuals, who then built their business up into a legend largely through buying, selling and consolidating companies (e.g. Richard Branson – Virgin Group).

Get the point? Real wealth *is created through the repeated acquisition, sale and/or floatation (IPO) of businesses.*

The following are examples of business sectors within which entrepreneurs working with Dan Peña have been active and at various stages of consolidation:

* *Residential Homes for elderly.*
* *Independent Financial Services*
* *Public Houses and Off-Licenses*
* *Hair Salons*
* *Physiotherapy*
* *Craft shows*
* *Real estate (property)*
* *Information technology*
* *Digital video services*
* *Landscaping*
* *Mobile home parks*
* *Publishing companies*
* *Mental health care*
* *Security*
* *Coin operated laundries*
* *Video stores*
* *Optometry*
* *Business information services.*

If you sat down with a pen and paper and did some mental scavenging, you could probably double this list in three minutes. The point is, the consolidation of companies in fragmented industries offers limitless potential for quantum financial growth. So why spend your energies counting pennies when you could be weighing profits by the pound? Think about it!