

# FINDING MIDAS

INVESTING IN ENTREPRENEURIAL CEOs  
WITH THE GOLDEN TOUCH

PRESIDENT AND CEO OF RENN CAPITAL GROUP

**RUSSELL CLEVELAND**  
with Bette Price

# INTRODUCTION

WOULDN'T IT BE GREAT to wake up each morning knowing that you're vested in a viable, safe and sound, realistic investment strategy that will allow you to sleep well at night and to enter your retirement years able to live a very comfortable lifestyle? Start reading now because that is exactly what is in store for you. Entrepreneurial CEO Investing is at the heart of a system we call "finding the mega-stocks," that is, stocks that appreciate to 10-20-100-1,000 times your investment. If you are patient, a small investment could turn into a sizable fortune, as illustrated by the examples we include of Entrepreneurial CEO Investing and the mega-gains that occurred in each case.

We have also selected ten entrepreneurs across ten industries, all of whom would meet the criteria described in this book. Part II of *Finding Midas* contains a case study of each of the CEOs, and the book's conclusion includes an investment grid and the companies' annual growth rates. You will probably

agree, the numbers are staggering and beat all the various stock indexes by miles.

<b>\$10,000 INVESTMENT</b>			
<b>CEO Name</b>	<b>Company &amp; Symbol</b>	<b>Year Company Went Public</b>	<b>Current Value*</b>
Warren Buffett	Berkshire Hathaway (NYSE: BRK/A)	1965	\$54,425,000
Michael Dell	Dell (NASDAQ: DELL)	1988	\$2,917,000
Bill Gates	Microsoft (NASDAQ: MSFT)	1986	\$4,257,000
J. R. Hyde III	AutoZone (NYSE: AZO)	1991	\$207,000
Herb Kelleher	Southwest Airlines (NYSE: LUV)	1971	\$1,600,000
Lowry Mays	Clear Channel (NYSE: CCU)	1981	\$1,175,000
Angelo Mozilo	Countrywide Financial Corp. (NYSE: CFC)	1969	\$3,000,000
Howard Schultz	Starbucks (NASDAQ: SBUX)	1992	\$335,000
Sam Walton	Wal-Mart (NYSE: WMT)	1970	\$60,000,000
Meg Whitman	eBay (NASDAQ: EBAY)	1998	\$427,000

\* Based on prices as of January 4, 2007

*Finding Midas* will teach you the following:

- How the Entrepreneurial CEO Investing approach works, and why

- Why most traditional investors fail over the long term
- Why the entrepreneurial CEO's significant ownership is so critical
- What to look for when researching the entrepreneurial CEO
- What to pay as a reasonable stock price
- How to determine when to stay with winners and when to dump the losers
- Why investors lost money during the recent corporate scandals
- How to avoid investing in the wrong entrepreneurial CEOs
- How to spot the best entrepreneurial CEOs
- How to apply the Entrepreneurial CEO Investing principles
- Why you must build a portfolio rather than invest in just one or two stocks

You will not want to wait to start applying this system to your own investment strategy because you will clearly see that the returns are incredible. To take a new twist on an old, yet appropriate slogan, the famous Fidelity fund portfolio manager and author, Peter Lynch, had a good quote, "It's not the stock market, stupid, it's the company," in explaining results. I believe another appropriate slogan is "It's not the stock market, stupid, it's the CEO."

As you read through the case studies in particular, you will see that incredible financial success came to the investors of these companies not because of the industry itself, but because of each company's CEO.

*Entrepreneurial rich or poor determines  
whether a country is prosperous or not.*

## ABOUT ENTREPRENEURSHIP

Because this book concentrates on investing with Entrepreneurial CEOs, it would be good to define exactly what we mean when we use the term *entrepreneurial*. First, what is the difference between entrepreneurial management and professional management?

We believe entrepreneurial management concentrates on seeking new opportunities and trying to fulfill the needs of others. Entrepreneurialism is moving ahead with a clear vision, often with limited assets. An entrepreneur is an owner. Professional management is mostly about making assets more effective and efficient. Both types of management are important, but in our economy and the world economy, it is the entrepreneurs who create most of the economic growth and the wealth for everyone else.

This has been true over the past two hundred years. A small group of entrepreneurs in England began the industrial revolution by automating and mass-producing textiles. This continued

in the United States through the efforts of such familiar names as Carnegie, Rockefeller, Edison, Ford, and Watson, to name a few. Entrepreneurs continue to drive the economic success of the United States today.

The new economic miracle of China is not the result of the government but the rising up of individual Chinese entrepreneurs. These people are creating great wealth for themselves, but they are also lifting up the entire Chinese economy. One of the best stories about this era is Dong Ying Hong, a poor teacher who was living in Datong, in northeast China, and making just \$9 per month. She owned a sewing machine and began making socks—mainly because they wear out so fast. This turned out to be a good business to be in. Without any government help or direction, this provincial woman and her company now produce nearly 10 billion socks a year, about one-third of the world production. Her enterprise employs thousands of people and has made Dong Ying Hong a very wealthy woman.

Johan Norberg, author of *In Defense of Global Capitalism*, wrote an article in the October 2, 2006, edition of the *Wall Street Journal* in which he stated that entrepreneurs are “humanity’s greatest achievement.” He went on to speak about how little credit is given to the few who do so much for the many. In the United States, for example, 5 percent of the population pays 55 percent of the taxes! Almost all the new jobs in America are created by smaller, growing companies headed by entrepreneurs. As Norberg advised, “Thank entrepreneurs, not government, for prosperity.”

Worldwide you can easily see those countries where entrepreneurs are succeeding and creating the highest growth rates.

China is in the lead, with India and certain Asian countries like Korea, Malaysia, Taiwan, and Japan also participating. Russia, Africa, Latin America, and even Europe are not experiencing rapid economic growth, due to a lack of entrepreneurs. For investors, the entrepreneurial economic climate in a country is the most important factor to consider. Entrepreneurial rich or poor determines whether a country is prosperous or not.



## CASE STUDY 2

# NOW COMPUTE THIS: MICHAEL DELL

One of the greatest entrepreneurial CEOs of the past twenty years is Michael Dell. Like many other successful entrepreneurs, Dell got his start early. In his case, he sold computer parts from his college dorm room. But being a trend in the industry wasn't the thrust of his success. Over the past decade, the computer equipment industry has been a complex "minefield" with few competitors having the tenacity or business savvy to continue to exist. Dell, however, has prospered, making multi-millions for many.

DELL HAS BECOME ONE OF THE WEALTHIEST MEN in America; yet, as a young man, he still has much in front of him left to accomplish.

Dell, Inc. (NASDAQ: DELL), went public in June 1988 at an adjusted price of \$0.09 per share. A \$10,000 investment at that time would now equal 111,111 shares. At the current price of \$26.25 per share, that would equate to \$2,917,000. Each dollar invested would have multiplied 291 times. Now that's something to compute!

If Michael Dell had not followed his natural talents and interests, instead of reading about him as the founder of one of *Fortune* magazine's most admired companies, you may never have heard of him. Unless, that is, you needed medical services. Yes, when Michael Dell entered college he intended to become a doctor. But his true love was working with computers—a love that won out.

Not unlike his role model, Sam Walton, Dell was not about to let lack of money deter his quest for venturing into a dream he believed in. With little money at all, Dell began conducting business out of his University of Texas dorm room in 1983. According to him, being an entrepreneur wasn't something he consciously set out to do. Instead, it was vision, innovation, tenacity, and a willingness to take a risk that was compelling to Dell.

At a time when other computer makers were marketing to the general consumer through traditional retail outlets, Dell had an idea to sell computers to consumers directly and to design these computers based upon the customers' own specifications, not what Dell thought they needed. So, one year after he started

selling custom-made PCs and components from his dorm room, Dell officially set up his business with a mere \$1,000 in capital. The rest, as they say, is history.

It is Dell's innovative thinking, strong work ethic, and willingness to take risks that have enabled his company to enjoy phenomenal growth and profitability. The importance of having a clear strategy continues to be one of Dell's greatest strengths. Dell has been quoted as recognizing that within a company of more than forty thousand employees, his ability to impact anything but strategy is "pretty small." Dell admits, "Strategy is the biggest point of impact I can have." It is that strategy—that innovative thinking that enabled Dell to launch his unique concept more than twenty years ago—that serves him so well in continuing to create tremendous value for Dell's customers, employees, and shareholders. In 2007, Dell, after relinquishing the CEO job in 2004, has returned to his original position after unfavorable results. The entrepreneur is back!

Published by Greenleaf Book Group Press  
4425 S. Mo Pac Expy., Suite 600, Austin, TX 78735

Copyright ©2007 Russell Cleveland

All rights reserved.

No part of this book may be reproduced, stored in a retrieval system, or transmitted by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

**Legal Disclaimer:** This book provides general information that is intended, but not guaranteed, to be correct and up-to-date. The information is not presented as a source of tax or legal advice. You should not rely on statements or representations made within the book or by any externally referenced sources. If you need tax or legal advice upon which you intend to rely in the course of your business or legal affairs, consult a competent, independent accountant or attorney.

The contents of this book should not be taken as financial advice, or as an offer to buy or sell any securities, fund, type of fund, or financial instruments. It should not be taken as an endorsement or recommendation of any particular company or individual, and no responsibility can be taken for inaccuracies, omissions, or errors. The information presented is not to be considered investment advice. The reader should consult a registered investment advisor or registered dealer prior to making any investment decisions.

The author does not assume any responsibility for actions or nonactions taken by people who have read this book, and no one shall be entitled to a claim for detrimental reliance based upon any information provided or expressed herein. Your use of any information provided here does not constitute any type of contractual relationship between yourself and the provider(s) of this information. The author hereby disclaims all responsibility and liability for all use of any information provided in this book.

Distributed by Greenleaf Book Group LP

For ordering information or special discounts for bulk purchases, please contact Greenleaf Book Group LP at 4425 S. Mo Pac Expy., Suite 600, Austin, TX 78735 (512) 891-6100.

Design and composition by Greenleaf Book Group LP  
Cover design by Greenleaf Book Group LP

Publisher's Cataloging-In-Publication Data:  
(Prepared by The Donohue Group, Inc.)

Cleveland, Russell.

Finding Midas : investing in entrepreneurial CEOs with the golden touch / Russell Cleveland, with Bette Price. -- 1st ed.

p. ; cm.

ISBN-13: 978-1-929774-43-2

ISBN-10: 1-929774-43-5

1. Investments--United States. 2. Investment analysis--United States. 3. Chief executive officers. 4. Leadership. I. Price, Bette. II. Title.

HG4529 .C54 2007

338.7 2007922309

Printed in the United States of America on acid-free paper

07 08 09 10 11 12 10 9 8 7 6 5 4 3 2 1

First Edition