

ON WORKING OUT

by

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The table before him was long and wide. It was old with the dull, dark brown look that conference tables acquire after years of meetings and discussions. It seemed out of place in the austere and modern offices that surrounded the conference room; an elegant relic of a time, perhaps, when meetings were places for communication and discussion, if such a time ever existed. As he entered the room, he noticed that the bankers had left a few empty chairs for the company and its advisors in the middle of the table facing across it to the large windows which extended the full length of the conference room and looked out over the western edge of the Chicago business district. The sunlight and movement of the clouds across the broad vista of the plain running flat and wide to the horizon line was distracting.

It was meant to be distracting. The chairs placed around the table were already flanked by bankers, enemy lawyers and consultants. No one evidenced any surprise when Dan Wilson walked through the door though he knew that his presence accompanying Robert Davis was unexpected and unwelcome.

The idea his hosts tried to express in the seating arrangement was that he and Mr. Davis were supposed to walk through the group on their way to their chairs and feel embattled, surrounded and vulnerable. It occurred to him that if the bankers spent as much time thinking about their loans as they did thinking about seating arrangements at workout sessions, they'd be sitting at a lot fewer workout meetings and might even start making money in their commercial lending business.

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The bankers controlled the head and foot of the table so that there would be no question who was running the meeting. Each person at the table had a copy of the company's financial statements in front of him or her. Banking and law were no longer male preserves; there were several women in the group. The lawyers had their yellow legal pads out to take notes. The bankers, to underscore their executive status, did not have notepads. They were there to talk, not to listen. They wanted it to be clear, or, more accurately, their instructors in their "negotiations for bankers" course had told them, their body language would make it clear, that the company had nothing to say to them that they did not already know and that it was the company and the company's advisors who had to take notes. They were the ones who had come to listen.

Whether the approach had any validity at some time in history, Dan Wilson thought it had lost a great deal of impact as young and even old, but newly-initiated, bank negotiators adopted the technique and hoped that their body language and the subliminal messages of their dark suits would intimidate their customers and substitute for the lack of comprehension of the issues they would discuss or encounter at the meeting.

Negotiation had become an academic discipline with principles and rules as structured as courses in accounting or valuation techniques. Like golfers and tennis players who discover their game late in life, the new students of negotiation were clumsy and obvious in applying their new learning and techniques.

Nevertheless, they were much better at the game than they had been in the past. Working with banks was easier in that they had a better sense of their vulnerability now than they had before the collapse of the leverage buyout business and the new and occasionally bizarre theories of lender liability developed in the courts over the past decade. Their goals had not changed, but the tactics were different. Good workout people were supposed to be subtle and non-directive in their approach. If they did their job right, there were to be no visible marks or embarrassing paper trails when their work was done. A bloodless vetting of the company that reduced the bank's exposure to zero was a coup to bankers in the workout business.

As he shook hands and said hello to the sullen and unfriendly faces, he recalled his discussion with his client as they sat around his office conference table that morning preparing for the meeting.

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"This is their chance to intimidate you, Bob," he began. There was little time to develop the scenario with Davis. He had first spoken to Randolph Parker, Wilson's law partner, only a few days before his scheduled meeting with the bank. Davis had taken his time looking for help, but nothing irreversible had occurred as far as Wilson could determine. "They'll be unfriendly," Wilson continued. "Not hostile, just unfriendly."

"So, what is it they'll be looking for at the meeting?" Davis asked. "When they tried to reduce the lending against my inventory under the Credit Agreement last week, I decided not to pay down the term loan. I kept about the same amount of money they should have given me in the first place. It seemed like a fair exchange as far as I was concerned."

"You're supposed to understand that you've done a bad thing when you didn't pay them last week," Bob Wilson replied. "They want you to know that they could have put you out of business on Friday," he went on, "but, since they go back a long way with your family and they're decent people, they'll forgive you. As long as you don't let it happen again."

"But, I don't see what they expect to gain from doing anything," Davis interrupted. "There's nothing I'm doing that doesn't make sense. Hell, they're better off now than they were last year. If we hadn't made the changes, we'd be out of business by now."

The frustration was growing inside Davis as he spoke. It was simply unbelievable to him. How could the bank really challenge his management? "What could they possibly do that I haven't done?" he asked. "The only thing that makes sense is for them to let me continue with the restructuring plan."

"As long as you do what you're told, Bob," said Wilson, "they'll want to help you. They may even loan you some more money. If you say the right things and do the right things, they may be sympathetic and helpful with suggestions."

"But remember, and believe me," he went on, "as far as they're concerned, they own the company now and you're working for them."

Davis could not contain himself when he heard Wilson's last comment. "There's no way that could be right, Dan," he broke in. "They've never said anything like that to me and it just doesn't make sense," he continued. "They've been lending us money through worse times than this."

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"That's not the way I see it, Bob," Dan answered, softly, lowering his voice to remove the feeling and color from his language as he tried to explain how unpaid lenders feel about a company that owes them money it cannot pay. "Bob, when you meet with them next time," he said, "they'll tell you that there's nothing left in the business for shareholders. They'll tell you that the Trust is wiped out and there's nothing in it for your family." He paused to add emphasis and hoped that his words would communicate the position Davis held in the eyes of his unhappy lenders. "As long as you follow instructions, Bob," Wilson went on, "they will let you stay and you may even end up with some equity in the company or, at least, a job with a new owner."

It was a risk coming out so forcefully against the banks so soon, but Wilson was certain that he was reading the case accurately. He had gone through the financials and valuation reports and considered the exposure confronting the banks. The assets were nowhere near what the banks required to get their debt out. The business was highly competitive, cyclical, undercapitalized and losing money. The writeoffs of the old plants and obsolete inventory cut even more protection away from the liquidation value of the company.

If Davis balked and backed away from the confrontation he was in with his lenders, it might as well be settled now. If he was too timid or brainwashed to see where he really stood, Wilson wanted to confront the problem then and there.

In the end, it was Davis' company. It was always someone else's business for Wilson. If Davis didn't have the stomach or the interest to fight for it, nothing Wilson could do would make any difference. He could cushion some of the burdens, but a passive client was a dead client in Wilson's business.

"They aren't sure about you right now," Wilson went on, "so they'll be testing the water to determine how much trouble you'll be for them and how much resistance you'll offer. If they start trying to push you around at the meeting, I'll come in and take the heat," he said. "That's my job."

"I can't operate without money, Dan," Davis said.

"They know that," Wilson answered, "and they're counting on it."

"So what will they do?" Davis asked.

"This isn't the meeting that will settle anything," Dan replied. "It's

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our first dance and nothing any of them says to you reflects their final positions. Nothing's going to come out of it and that's the best result from our side."

When he made his speech to Robert Davis, Wilson noticed the look in Davis' eyes and his expression. Davis was sitting forward in his chair and leaning with his elbows on the table. His hands were grasped together holding up his chin. He had an intense, concentrated and troubled look that produced a deep line across his forehead. He was dressed in light tan slacks and a sports jacket made of some sort of tweed with an odd and dark shade of beige running through it.

Davis' blue oxford shirt was open at the neck. It was a casual look that seemed out of place at Parker & MacCormack or P&M, as it was known in Chicago. Dark suits and print ties were the uniform at P&M and his clients usually appeared in uniform for the occasion of their first strategy meeting. Dressing properly for the meeting was a sign of seriousness and, most important to Wilson, of submission to a passage into P&M's world and acceptance of their authority in directing their clients' behavior.

It wasn't accidental that Davis approached this meeting the same way he approached a day at the plant. He wanted to be in control. Either that or he was unconscious of his situation and he approached the meeting the same way he went to talk to P&M's estate lawyers about his will. They were the kindly gossips and dutch uncles in the firm. No one treated them seriously. He could sense that Davis wasn't sure how to react to his speech.

When people face the collapse of their businesses, Wilson thought as he watched Davis, they grow fearful and defensive. Often they embrace their bankers and hope their friends at the bank will somehow save them. Many of them come to see Wilson believing that their bankers really were their friends. The golf outings and boxes at the Bears games were always occasions for sharing the good news about the company and the value the bank placed on their history and relationship. They wanted to believe that there was some reservoir of goodwill they could draw upon when times were difficult. Many times people came to Wilson long after they had done all they could to work with the banks. By then there was little he could do for them and even less that they could do for themselves.

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Davis was considering what he should say in response to Wilson's remarks. He was thinking over where he should begin. He wanted to argue with Wilson and tell him that the Davis Company was not just any company and it was certainly not just any company to the Midwest Bank and Trust. The Davis family and the bank had done business for generations. There was a history and relationship between them that Wilson could not possibly understand.

One year, Davis recalled, as he considered Wilson's comments, the bank had even asked him to pose for a picture in an ad series on their most interesting clients. It ran in the *Tribune* and the *Chicago Examiner* on a full page. At the top of the page in bold letters it read: "Davis and Midwest: A Winning Combination." Bob Davis' picture was superimposed on a scene from the Tour de France with a statement about the long history of the Midwest Bank and the Davis Company written by the bank's ad agency. He had a framed copy of the ad on the wall of his office. The ad celebrated seventy-five years of banking and business growth for the Davis Company and the bank.

Davis Bicycles was a household name throughout the country and Western Europe. His great-grandfather had founded the company before the turn of the century. It had remained a privately owned company. With sales of over five hundred million dollars, it was one of the largest private companies in Chicago. Ezra Davis' portrait was prominently displayed next to those of the Armours and Palmers and other Chicago business legends in the main lounge of the Chicago Club where members of the family spent their time when they visited the city. Though their name was well-known, the family was secretive about its holdings and investments and avoided the charity circuit. Robert Davis was an exception. As the most visible member of the family, and president of the Davis Bicycle Company, he was a favorite of the local press.

As it approached its hundredth year, however, the business of the Davis Bicycle Company, the main operating subsidiary of the Davis Company, was not going well for the current generation of Davises. Robert Davis was worried about his business and he was worried about the bank.

He had never met Dan Wilson until earlier that week when he had called Randolph Parker to talk about the Trust. He had never heard of

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him either. Wilson looked to be close to his own age, a little older, perhaps, maybe forty. His appearance was unremarkable. He looked like all the other lawyers Davis had seen from time to time in his business. The horn-rimmed glasses, light brown hair and dark suit on a man of average height and weight placed Wilson in the middle of a large and drab herd as far as Davis could determine. He had always trusted Parker's judgement though, so he was willing to listen and hear what Wilson had to say. Nothing was set in stone. There were lots of lawyers interested in the Davis Company. One problem he never had to deal with was looking for lawyers. They pestered him constantly. He could spend the entire week reading newsletters, special reports, business alerts or law bulletins from the volumes of promotional literature they sent to him.

From what he had been told by Randolph Parker, Wilson sensed that all the early warning signs were up at the bank. He had gone through them briefly with Davis at their first meeting. He recalled Davis' cautious and apprehensive expression as he went through his list of what he called the "trail signs" of where he thought the bank was heading. Now a meeting with the banks was imminent and it was time to be specific.

"The bankers have a very small bag of tricks," he began. "They usually telegraph their intentions long before they take any action. When they've decided to move against the company, they sometimes try to make you comfortable. They'll start getting close to you. Visits from some of their other operating groups to 'get to know the company better' will give them a chance to talk to some of your operating and financial people. They'll try to identify the key operating people."

Wilson paused to give Davis time to reflect on what he had said and went on, "If they ever have to do something drastic, they want to know who's essential, who's loyal to the family, and who's open for an offer from the bank if they try to push the family out."

Davis had hired every sort of advisor imaginable over the past few years. No matter how different their areas of expertise, he recalled, they all felt they knew his company and its problems better than he did within five minutes after they arrived. Wilson seemed to have the same arrogant sense, that after reading a few documents, he could tell Davis how people he'd done business with all his life would treat him. Now he was saying that his employees were going to turn on him. Davis was impatient.

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"Aren't we getting ahead of ourselves here," he asked before Wilson could continue in his now tedious monologue, "talking about my employees pushing me out of my business?" It wasn't a question, but Wilson decided to deadpan his response.

"If the bankers are doing their job, Bob," he replied, "they're thinking about it right now. There isn't a banker alive who doesn't think he knows how to run a company better than its owners when it starts to lose money."

Or a lawyer, Davis thought. Wilson has probably never run a business in his life and he's lecturing me.

"They'll start looking for more regular financial, operating and asset reporting," Wilson continued. "Even though they're unsecured, their workout people are undoubtedly putting the numbers through a liquidation analysis and restructuring profile right now. They'll come up with a sense of the best way to exit the company. My experience with this bank, Bob, after looking over your financials is, that if you have good liquid assets which they can dispose of easily and quickly," Wilson continued, "I think they'll push for a sale and leave little room or time for you to operate."

"It seems odd when you first look at it," Wilson went on, "but the worse your financial condition and the less your liquidity, the better bargaining position you have with the bank. Sometimes it makes sense to put some money into fixed assets or some other illiquid investment that requires continued support from the bank to succeed. Your joint ventures in Europe and Asia are good defensive moves in that regard, though you probably didn't look at them that way at the time. You've got enough assets invested in them and enough residual liability if you don't support them that the banks will soon realize, if they don't already know it, that they've got to keep funding the operations."

"I don't believe they're just going to walk away from my company," Davis said.

"I don't either," Wilson responded. "But, not because they won't want to."

"If they can't get their money out easily," Wilson went on, "they'll be more willing to go along with a restructuring that keeps them in the credit. If they can get something better than seventy-five percent of their debt out immediately in a quick liquidation or distress sale,

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though, they'll be tempted to do it and wait for the rest of the money to come from your fixed assets or deferred payments."

"Have they pulled out of the Trust yet?" Wilson asked.

Davis had listened closely to his remarks but Wilson could sense that Davis was discounting a good deal of what he was hearing. The question about the Trust though provoked an involuntary and visible response in Davis. He stiffened as he took in the assumption in the question. There was a nerve there.

Davis thought that general comments about bankers from a bankruptcy lawyer were quite predictable and Wilson's pitch was just what he had expected. It was remarkably similar to what Bracket Arthur had told him he would hear when he said he was going to see Randolph Parker about the Credit Agreement. But he was feeling less certain about Bracket after the last Trustees' meeting.

Bracket had said that he should make a break with the past when he took over the Davis Company and show his independence by using the Oakshield firm, Midwest Bank's primary lawyers. Bracket had always been critical of Randolph Parker, but Davis had kept the firm. His father and Mr. Parker had been friends all their lives. He liked the people; and he wasn't ready to take any drastic action like changing his lawyers so soon after his father's death.

Bracket Arthur had been involved in the company and had counseled Davis and his father for as long as he could remember. Bracket was a trustee of the Davis Trust. He had expected Bracket's support as he tried to pull the company together.

When he had proposed the restructuring program to the Board and the Trustees (they were the same group of people since the Trust owned the company), Bracket had been encouraging and supportive. However, when the finance people told him at the meeting that the program would result in a writeoff of at least one-half and possibly two-thirds of the value of the fixed assets and require restructuring charges that could leave the company in a loss position for the year and possibly longer, Bracket became visibly upset.

"I don't talk to the commercial lending people about the company, as you know," Bracket said. "At Midwest, the trust department never deals with lending issues between the bank and our own clients, so I don't know how the bank will feel about the writeoffs, but I suspect that

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they will be quite surprised and worried about it," he added. "Have you talked to Seth Abbot about your restructuring plans?"

"No, I haven't, Bracket," Davis had replied. "I wanted to talk to you and the others about it before we went forward," he said. "Anyone who knows the company," Davis continued, "knows we have to do this if the company is going to survive. It's not something we have any choice about." Then he turned to the presentation book and said, "Look at the numbers, Bracket. We hired Marsh & Company to do a study of both the company and the bicycle industry. It's right there. Unless we stop manufacturing in the U.S. and start foreign sourcing the bulk of our line, we'll be priced out of the market and out of business."

"Even if we had the most efficient plants in the country, which we don't," Davis went on, "the Japanese will kill us. The Taiwan deal cuts our manufacturing costs by nearly forty percent. Our union would rather collect unemployment and their pensions than work for wages and benefits we can afford. We could never raise the capital we would need to build the kind of facility that would even give us a chance to produce products at a price that is competitive with Panasonic or Fuji," he added. "You know that. You've been with the company longer than anyone in this room."

Bracket was not a young man, but he was quite fit at sixty. He was still tall and thin and athletic looking. His hair was not thin as you would expect of a man his age. It was still black and straight. He wore his hair a bit long for a banker which he seemed to feel gave him a statesmanlike appearance. He always wore dark suits with stripes running through them.

Davis recalled commenting that the only exciting thing Bracket did was to decide whether to wear a narrow blue striped suit or a broad blue striped suit. He could not recall him wearing anything other than a white shirt and foulard tie. Lately though, Bracket had taken to wearing braces which Davis considered an effort to keep up with the younger set in the trust department. He had a marvelously cultured speaking voice that reminded Davis of some diplomat he'd seen in an old movie someplace. He couldn't recall the name, but he could see him and hear his voice whenever Bracket spoke. Ronald Colman, maybe.

Bracket looked up from the documents and spoke. "Robert, I've been a friend to the Davis family since before you were born," he be-

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gan. He looked pained and concerned as he spoke. "Your father was one of my dearest friends. Midwest has supported your family through depressions and wars. You really should talk to the bank before you plan anything so drastic."

Bracket paused for a second to take a full breath and lift his head back and jut his chin forward. His words seemed to be aimed over Davis' head as he spoke, as though he were delivering a speech memorized by heart and he was watching the words in his head as he read them off. Davis kept trying to get rid of the image of Ronald Colman speaking to him as he listened.

"Now, you know I do not have anything to do with the lending business at the bank," Bracket repeated. "As a Trustee and member of the Board," he continued, "the family and the business are what matters to me. But you should never start off on a venture of this magnitude without first talking to the bank and asking their advice. They know your company and they have loaned it a good deal of money over the years."

Bracket was obviously beginning to feel more comfortable as he spoke and grew more animated. "The Davis Company is one of the largest accounts at the bank," he said. "The bank has taken the lead in organizing financing for the company for years. Our own commitment to the company is the maximum that the law allows. It was Midwest that brought in the other banks in the group," he reminded Davis. "We've been helpful and supportive whenever you've needed us. I can't believe that you've gone this far in your planning and analysis without letting us know about it. You should certainly call Mr. Abbot and let him know what you're planning. You should also let him know about the operations. The third quarter is dreadful. You should let him know about it and seek his advice."

As Bracket spoke, Davis considered what he was saying and the passion in his comments. Since Davis was a little boy, Bracket had appeared to him as an austere and quiet man. He could not remember him having as much to say at any meeting of the Board or of the Trustees. Bracket never said anything; at least, anything about the business. Bracket rode horses when he was younger and used to hunt in Barrington. He would talk about it at length when given a chance. Davis was always reminded that Bracket "hunted the fox," as he would say, when he hunted.

Davis didn't ride, but he knew that hunting the fox was a very impor-

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tant distinction to people like Bracket. Other hunts followed a scented trail for the dogs created by dragging a sack that was supposed to have a fox in it or something that smelled like a fox—or just smelled (Davis had never checked that one out). Bracket's crowd viewed drags as quite tacky. Lower classes invading the hunt community was a favorite topic. Seldom the company though and never the bank.

He had inherited Bracket when he took his place as the head of the family business three years ago. His father's death seemed sudden to him at the time. He wasn't prepared for the change in his relationship with the Trustees, the bank, the customers and the hundreds of other people whose character and dependability seemed to change dramatically and suddenly once he assumed his new position. He was compelled to look at people differently now that he had the future of the company and the family fortune on his shoulders.

His perception of Bracket was the first of many evolving images that mixed his observations of the past with his perceptions of the people he had to deal with in the present. Bracket evoked some clear images of the past in Davis' mind as he went on with his comments.

When he was younger, Davis had overheard his father one day as he was talking to one of his friends at the company about Bracket. He had never said anything to Davis about him. He was always too young to discuss business with his father. When the time came that it would be helpful, his father couldn't talk to him. His stroke changed him and left him unable to talk about anything. He didn't die quickly. He just lay in his bed with his eyes open, unable to talk or do anything until it finally, suddenly ended. He hated the memory of his father lying still and helpless and sick. He couldn't get rid of it. It was always there just behind his thoughts. It was like the vision of a ghost when he let his mind wander during a meeting or while driving down the Edens Expressway into the Loop. He would never let that happen to him. Somehow, his children will not be subjected to that awful sense of helpless witness as he waited for the man to die, wished him dead, and hated himself for his feelings of frustration and disgust as his father failed to die.

Davis was nearly thirty when it became clear that he had to lead the company for the family. There had always been a Davis in the senior management of the company and the task fell to him. His father's comments that day long in the past had stayed with him.

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"Bracket's an asshole," his father had said in a half whisper loud enough to be heard and carry with it a tone of derision and disgust that he wanted John Baker, his Manufacturing VP to hear and understand. "Don't tell him a fucking thing," he added. "He's a fucking spy for Simpson. He's a Trustee, so we have to let him know about things—after they happen. He's an arrogant twit, but he's our twit. As long as we keep him stroked and talk to him about his dogs and his sailboat, he'll be just fine."

Then his father raised his hand and pointed his finger at Baker. Davis couldn't tell if he was angry at Baker or not, but he spoke more clearly with less of a whisper and moved close to Baker and said, "I don't ever want to hear that you've told him anything about the company again. Check with me first. If he calls, send him to me. He's no fucking friend of ours. If we lose a nickel he'll be on the phone to Simpson the second he hears about it and Simpson will be on our ass. Understand?"

His father had never talked like that when Davis was around and it frightened him when he heard it and sensed the violence and anger that seemed to lie under the words as they came. He couldn't connect the image he observed with his father. He felt as though he had intruded upon a secret part of the man and he felt threatened by it. As he grew older and wandered through the plant and offices over the years, he discovered many things about his father that were extraordinary and uncomfortable.

He often wished he could talk to him now to seek his advice on what to do with the company. He knew that his great-grandfather's legacy to his family was in danger and that he was the Davis people would compare to Ezra when they discussed the fall of the Davis Company if he didn't succeed. He could hear it now. One more American institution collapsing as the younger generation shows that it doesn't have the same stuff as its forefathers. He was determined that he would never let that happen as long as he ran the company.

His father's comments about Bracket troubled him. His father wasn't unapproachable. That wasn't the word that fit Davis' feelings. He just wasn't approachable about some things. The Davis Trust was one of the things that were simply never discussed at home or family gatherings. His dad ran the company and was the head of the family. Davis never

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questioned the source of his father's position. He assumed it was the natural order of things and seldom thought about it. Now he wished he had spoken with him about Bracket and about the Trust.

He felt a connection with his father on that day when he heard him pronounce judgement on Bracket to John Baker. Bracket was a twit, even though he was over twenty years his senior. Bracket was also an asshole, though Davis hadn't thought about it clearly until that moment as he listened to the old fart tell him how he should have gone to the bank before he had any thoughts about the business. He could feel the anger of his father growing inside. It was a strange connection with him, but it felt good and rich, almost tribal and atavistic, like discovering the source of some ancient hostility, a legacy and lesson for him and his children.

His initial sense was to tell Bracket to go fuck himself, but he knew that wasn't the right approach, so he listened and tried to appear concerned and receptive to Bracket's comments. As he looked at him, Davis thought again about his father's comments of over a decade ago and the way he had treated Bracket and behaved as though they were close friends and associates. He wondered if Bracket was too stupid to sense the contempt behind his father's behavior or if Bracket felt the same way about his father and the Davis family. Davis could almost feel the cold hostility now. It was Bracket's job to stay close to the Davis family and watch over the bank's money.

Bracket was a spy for Abbot now, Davis thought. Simpson had died. Davis had been at the funeral. He knew Simpson's son. In his case, he didn't need his father to tell him that young Simpson was a jerk who couldn't be trusted. No one trusted him and he held a phony job at the bank and didn't count. Abbot counted and he had a spy at the company. Davis' dad knew he was a spy and made use of it over the years. As he sat there, he thought that Simpson and Abbot probably knew that his dad knew that Bracket was a spy and didn't consider his information significant. His dad probably knew that they knew and that made the whole thing a big joke.

Davis stopped listening to Bracket as he went on and started to grow angry with himself. He didn't know that Bracket was a spy. He hadn't been let in on the joke. He had confided in Bracket when he was called to take his place in the business. Bracket had sent him to Abbot and told him to think of Abbot as an advisor.

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"Your father valued our help, Robert," Bracket had said. "When Mr. Simpson was alive, your father looked to him for advice and counsel when there were financial matters that affected the company and the family. Seth Abbot is fine man and a good friend to the Davis family," he went on. "He's not Mr. Simpson," he cautioned, "but few of us are. I think he has the capabilities to lead the bank and help it prosper as much as Mr. Simpson. He may become as much a leader in the Chicago financial community as Mr. Simpson was. We are fortunate," he concluded, "that he has taken such an interest in the Davis family and the company."

It was, of course, bullshit he realized now. Bracket hadn't been in on the joke either, he concluded. Simpson and Abbot probably thought that Bracket was as much of a jackass as his father did.

It was like being initiated into a secret society to Davis. He was taking up the game where his father had left off. But he had to watch Bracket. He had a certain low cunning that made him dangerous. He sensed it as Bracket spoke out at the meeting and he felt it in the days following.

As he sat with Wilson that morning and let the images of Bracket and his father dissipate, he felt vulnerable and exposed, almost angry, as this lawyer he hardly knew confidently described Midwest's game plan as though he were sitting with Abbot and Bracket deciding how to move against the Davis family and bail the bank out of the "seventy-five years of banking and business growth" they had shared. Had they pulled out of the Trust yet? Davis was growing more angry with himself as he prepared to respond to the question. His stupidity in trusting Bracket and Abbot would stay with him but as far as the lawyer was concerned, what he told him today was how it was. His foolishness in the past was his secret and behind him now.

"Bracket Arthur has resigned from the Trust and the Board," he answered. "He told me that it seemed appropriate that he resign so the company would not feel that there was any inappropriate influence on the part of the bank in determining how to deal with the negotiations. He said that it was not a reflection of any concern on the part of the bank, but that the lawyers mentioned some technicalities that made it better for him to leave so that my family could deal with the bank without any undue concern over the position of the trust department."

"You know that's nonsense, don't you?" Wilson asked as he sat back to read Davis' response.

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"Yes, I know," Davis admitted. "I would rather not admit it to you, but, at first I was taken in by Arthur and by Abbot," he continued. "You don't have to tell me that they're no friends of mine. It took me a while to get it straight, but I know about them and I understand what you're telling me." Then Davis paused and added, "They've also told me about you."

Wilson assumed that the bankers had tried to steer Davis to a captive law firm, but he was surprised that his name had come up in the conversation. He had met Davis only a week earlier when he was introduced to him by Randolph Parker. Shortly after that meeting, Parker had come by his office and told him about the Davis family.

"We've been their lawyers since the firm was founded, Dan," Randolph said as he sat in a large chair across the desk from Wilson. He spoke as though he were sharing a confidence of great significance. "George Hopkins and Horace Davis were friends," he went on. "The Davis family has trusted us to help them for nearly one hundred years. What I just heard today could put an end to everything if it isn't handled right." With his last comment he sat back in the chair and folded his arms to ensure that Wilson understood the importance of the matter. Wilson had been a partner at Parker & MacCormack for nearly twenty years. He had his own special clients and friends to worry about, but no matter how long he was at the firm, if Randolph Parker came in and made a request as though he was seeking a special favor, there was only one answer in the manual.

"I know the company, Randolph," he said. "Tell me what you need. If they're friends of yours, I'd be pleased to help." If the problem took a lot of time, Wilson thought, Randolph had better be there at year-end when the money is handed out or, to be more accurate, fought over and divided up. If the Davis Company costs him time on his own matters, Randolph owed him and he had better deliver.

"Midwest has started putting the squeeze on the company," Randolph continued. "They haven't said it to Bobby, but I think they're going to push for a sale. If I know Abbot, and I do know the cocksucker, he probably has a customer that wants to buy the company and bank the acquisition with Midwest. Bobby's not a fool, but he grew up thinking these guys walked on water. I think he went to Andover with Simpson's kid.

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"He's not prepared for this sort of thing," Randolph went on, "but he's as much a man as his father was. I've known him all his life. I think he's got balls, but he's never had to prove it to anyone. You may have to take a little time to teach him the facts of life, Dan. The silver spoon's been in his mouth for a long time. Big Bob died too soon to teach him the score. That prick Arthur has been working on him for years, but I think Bobby realizes what's going to happen if he listens to him."

He rose from this chair preparing to leave and said, "You'll like him once you get to know him, Dan. He's about your age. Take care of him. He's a friend of mine."

Randolph seldom put the arm on Wilson with that heavy a layer of schmooze. For him to evoke George Hopkins, the son of a founding father of the firm and, until Randolph cut him out, a name partner in the firm of Hopkins, Parker & MacCormack, was like invoking the gods to Randolph. When Randolph invoked the long dead victims of his putsch in 1970, it meant he was asking for more of a favor than he disclosed. The big buildup meant that he was worried.

Midwest must really have a hold on the company for Randolph to call on him, Wilson thought. Randolph usually kept his clients away from anyone in the firm he considered at all like himself. He preferred to keep the work with junior people or his own retainers who owed him their jobs and livelihood. Wilson seldom worked with him. He would call only when things were very bad for his clients or himself. It could also be that, since Randolph had always detested the people at Midwest, he wanted to see to it that they got their heads handed to them for trying to move against a client of the firm. Randolph was nothing if not entrepreneurial though. If things worked out, there would be a *Tribune* or *Wall Street Journal* piece celebrating his brilliant restructuring of the company and deft handling of the creditors.

Wilson didn't like the people at Midwest very much either. It was an old bank by Chicago standards. Not as old as the trust companies in Boston, Philadelphia or New York, but the people there had the same pretensions. The commercial lending and trust departments were over-run with the children of the bank's clients and controlling shareholders.

For the most part, they were educated in the east at second-rate prep schools with a few failures from St. Paul's or Trinity Pauling added for leavening. The standouts had somehow secured spots at Brown when it

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was at the bottom of the Ivy League. With its new popularity, even that place was closed off to their children. Nevertheless, a few of them could read and write and they worked for the bank and minded the businesses of the bank's old customers and their families.

The bank hadn't grown over the years. Its commercial lending group was a dismal failure when it tried to move outside its established business base, but its jewel was the trust department. Wilson could not criticize the trust department, though he would disparage it whenever he could and send his clients elsewhere.

Midwest had cornered the market on trust management and safekeeping. It had developed a bookkeeping system for assets that no one else had bothered to think about doing. As a trust company, it was the real thing. The green eyeshade image of the trust department which made the bank seem dowdy became very attractive to managers of large trust and asset portfolios who were overwhelmed by the information and data management deluge of the seventies and the eighties. Midwest had a computer system and management program that just wouldn't quit. The trust officers scoured their old school yearbooks and drummed up business from the wealthiest families in the nation.

Many analysts suggested that the trust department should get rid of the bank and concentrate on its real business, trust management. What they often overlooked though was the amount of lending business that the trust department steered to the commercial bankers. Every trust-controlled company had a Midwest banker on the board and every one of those boards resolved to borrow money from Midwest. The pensions deposited their money with Midwest or named Midwest as their trustee. Midwest's preferred lawyers and accountants were retained by those companies and returned the compliment by steering their trust, lending and fiduciary business to Midwest. There was an entire subeconomy of reciprocity and favors generated by the trust department.

Parker & MacCormack had also been a participant in the Midwest trust department economy in its early days when the Simpson family controlled the bank. Over the years though the branch of the family that succeeded to control of the bank had gone to war with P&M's branch of the family. While it was Randolph Parker's finest moment as far as Wilson was concerned, Randolph's response to an unannounced Sunday evening meeting with Jock Simpson over twenty years earlier

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had placed P&M on Midwest's enemies list. Jock's sister-in-law was the widow of Horace Simpson, Jr. Randolph Parker had been Horace, Sr.'s lawyer and looked after Horace, Jr.'s affairs while he was alive and his wife Mollie after his death.

When the war broke out among the Simpsons and the rest of the family lined up against Mollie to challenge Horace Simpson's will and cut her and her children out of the bank, Randolph took her case. Jock Simpson had co-opted most of the legal talent in the city by threatening to cut off the Midwest business and to line up some of his board members to cancel their business if anyone opposed him and the other members of the family in their quest to secure control of the bank.

He had called on Randolph to offer some business as an incentive and threaten a boycott if he was unresponsive. Several of Randolph's partners were very close to Midwest and had earlier let Randolph know that they had received calls from Jock Simpson and that they would not be staying with the firm if Randolph went against him. They told him that he didn't have a chance anyway since Simpson had already greased the Circuit Court and Mollie was going to lose even if she had Clarence Darrow and Stephen Douglas representing her.

They were right about the Circuit Court. Cook County was no different then than it is now, Wilson thought. Randolph had the word from other sources that Midwest had put enough money on the street that the fix was assured. Wilson always felt that it was the perverse thrill of the futility of the position that attracted Parker to the case, rather than the high moral tone he affected when he spoke to Jock Simpson. Everyone else thought he was being foolish and self-destructive when he refused to go along with Simpson.

No one knew exactly what went on at the meeting between Simpson and Parker, but on the next day, Parker entered his appearance in the case and half the firm pulled up stakes and joined Oakshield, Wolf & Capstan, Midwest's regular lawyers and Jock Simpson's lawyers in the estate litigation. Of course, Randolph lost, but Jock Simpson had to pay to stop the appeal. The newspapers were looking into the stories Parker had given them about the payoffs and threats, so Jock Simpson had to come up with some money to buy peace. Mollie Simpson got some money for her family in the end and Randolph picked up a reputation as an eccentric.

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Randolph Parker claimed he would have settled for the same amount before trial, so he claimed a victory. Chicago-style justice was done in the case. In a round about, accidental way everything more or less ended up the way it should have ended up in the first place. Along the way people made some money in the courts, reporters wrote a few stories, nervous bagmen made a few calls, and the wheels of Chicago justice moved along in their strange elliptical course.

Somehow the firm survived and Wilson joined it as a young lawyer just out of law school a few years later. P&M continued to carry an odd reputation in the city as a result of Randolph's fight with Jock Simpson. The history was long forgotten and many of the participants and their audience were dead, but the feelings about the firm continued in conversation over the years. Without knowing exactly what it was in particular, people knew that there was something out of step about the firm even though it was one of Chicago's oldest and continued to represent the corporate establishment in the city.

Many businessmen liked to have P&M on retainer or somewhere in the fold if they were doing business with Midwest or a company with close connections to the bank. Chicago, being the way it was, was a town in which having an honest lawyer meant doing some homework to find out who had the clout to lean on a law firm's business or take aside a key partner for some heart-to-heart discussions. The judges were bad enough since there was little businessmen could do about them, but selecting a lawyer was something else.

Eccentric though he may be, Randolph had demonstrated to the community that he would rather go broke than work for Jock Simpson. In Chicago, people understood that. Randolph's hatred for Simpson was as good a guarantee of, or substitute for, integrity when it came to Midwest and its friends in the city.

Wilson let the recollections of P&M's history with Midwest pass on as he considered Davis' response. So Bracket Arthur had resigned from the Trust already, Wilson thought as he considered its implications. The bank was clearing the way for action by removing any fiduciary duty problems it may have in working for the company as trustee while it moved against it as a lender, he concluded. But Arthur, it seems, didn't just fold his tent and go. He still had advice for young Robert Davis as he left the company. Wilson didn't know Arthur. He had met him

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on a few occasions when he did business with some companies under the Midwest trust department's influence. He had also seen him at a few charity balls sitting at the bank's tables and enjoying the free meal. He wondered what Arthur had to say. Someone at the bank must have told him to warn Davis away from the workout lawyers at P&M. He couldn't resist Davis' invitation to ask what it was Arthur had to say about him. To that extent Davis had turned the table on him in their discussion. Now he was searching for some information from Davis. He began to think that he and Davis might get along very well in the day's negotiations.

"I haven't had much business with Mr. Arthur though I do know his bank pretty well," Wilson said with as casual a tone as he could affect in the conversation. "I can't imagine he had all that much to say about me." While he wanted to seem unconcerned, it always bothered him when some competitor or flak at a bank he hardly knew passed on his character or his competence.

"He said it would be a grave mistake to get myself involved in Parker & MacCormack's feud with the bank," Davis said. "It seems that Mr. Parker and the bank still harbor some hard feelings over the Simpson estate. He also said that you would not be interested in doing anything to help me other than encouraging a bankruptcy filing that would make you rich while the company died and found itself taken over by some front man for the Japanese or some European bicycle company." He paused for a few seconds and added, "He said that neither the Midwest Bank nor any other bank in the bank group could work with you and that selection of Parker & MacCormack and you, in particular, as the company's advisor in dealing with the default would be viewed as a hostile act and a sign that the company was no longer interested in working with the bank. He said they would all probably just walk out of the meeting if I came with you on Friday because there would be no point in going forward."

"Well, you're here now, Mr. Davis," Wilson said as a counterpoint to Arthur's last comment. "Apparently you didn't feel the need to follow Mr. Arthur's last bit of advice on how to deal with his bank before he slithered away."

"No, I did not, Mr. Wilson," Davis replied. "I did visit a lawyer at the Oakshield firm whom Mr. Arthur recommended before I called Mr.

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Parker, but he told me that he was too involved in the bank's work to help me, so he referred me to Richard McCarthy at Lovejoy, Strickland & Miller. I had planned to speak to both you and the lawyers at the Lovejoy firm before I make a final decision about the company and the bank."

Wilson knew McCarthy. Most of his work was with debtors, companies on the verge of bankruptcy or already under court control. His business came from a group of banks in the city and referrals from lawyers who didn't know any better. His passive approach to the business made him a favorite of the financial community. By the time his clients were packaged for him by their creditors, they were truly repentant over their inability to cover their loans and often grateful to McCarthy for liquidating their businesses or arranging bargain sales to buyers financed by their lenders.

As it was, Davis didn't go to see McCarthy. Wilson cancelled his appointments for the day and they sat at his conference table going over the financials and the history of the negotiations with the bank. As he went through the numbers and the loan documents, it was obvious that Midwest had never paid any attention to the company's assets or the changing nature of its business.

Davis Bicycles was such a metaphor for the history of the manufacturing industry of the Midwest that he would have thought it was a practical joke if it were laid on him cold. How Midwest Bank could have been in business in Chicago over the past fifteen years watching the steel, auto, and heavy equipment industries disintegrate and shed their manufacturing facilities and labor unions without noticing that Davis bicycles were manufactured in the Midwest by UAW workers in old plants with ancient tooling reminded him that it was not only the industrial segment of the community that had become moribund. Heavy industry in the Midwest and on east into Ohio and Pennsylvania had changed forever as the low labor costs and incredible efficiency of the Japanese and Taiwanese, to identify the key culprits in the story, offered American industry and consumers superior products at lower cost.

The Asian assault on the auto industry was apparent to anyone who set foot on a street in the country. The inability of the steel industry to compete was also familiar news. Somehow, bicycles didn't show up on

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Midwest's radar when it adopted its exit strategy from heavy industry in the Midwest and followed their redlining policies against American manufacturers. The bankers from Midwest were looking for other customers. Their money was to go to real estate, distribution businesses and medical technology companies with proven and protected markets and products. To the extent Midwest was locked into loans to the heavy industrial sector, they were participants in credits originated in New York by the truly big players in the business. They took a hit with Harvester and LTV, but most of their money was out of that market place. They had resisted the South American credits and felt they were safe at home with borrowers they understood. But they did not understand Davis and they could not believe they had thirty-five million dollars out to the company on an unsecured basis when they finally focused on it. In addition, they shared in a total loan facility of over one hundred million dollars in which they were the lead bank.

For twenty years, the Davis Company had paid its interest with regularity and increased its borrowing in small increments. Bicycles were hot in the sixties and early seventies. But they attracted a lot of new competitors in the eighties and the foreign products almost put the company out of the market. Their product was over-priced, inferior in design and out of touch with the consumers. It took a crash program and extraordinary effort to jump into all-terrain bicycles to keep their dealers with the company.

In the past two years, Robert Davis had redesigned the entire product line, recaptured the company's historic market share and increased sales. It was a sparkling achievement that saved the company. But there was a cost. In the process, the company had lost money for the first time in its history. It had lost a lot of money. At the same time, Davis had gotten rid of his union and closed ninety percent of his manufacturing operations leaving idle plants and real estate assets which were sold for a fraction of their carrying value on the books.

When bankers put out money to a company, they expect to get it back. While it's out there, they expect to earn interest. They look at earnings and assets before they listen to projections. Davis had great projections but no earnings. And its assets seemed to be evaporating before their eyes.

No wonder Arthur had jumped ship, Wilson thought. He must have

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choked when he saw the writeoffs. He was the bank's snitch at the company and he didn't let them know it was coming. Of course, it was their own fault they didn't know it was coming for putting a jackass like Arthur on the Board of the company. The Davis family had kept him so well-stroked over the years, the deal was done before he woke up to stop it. If Davis held up under the pressure, he could force them to finance the turnaround, hang on to the family's equity and move the company into the health and fitness boom with new products and make some real money. The market place was never safe, but it was an insignificant problem now compared to the insurrection going on in his credit line. If Davis was not very lucky and very careful, Seth Abbot would force a sale of the company to protect his lending position and cut the Davis family out forever.

As he sat down among the bankers and their retainers, he wondered if Davis had really believed what he told him would happen at the meeting. Davis' behavior and demeanor at the first meeting with Wilson at his side would set the tone for the process as it went forward for the next few weeks. There was no correct or calculable solution to the company's or the banks' problem. There was only the negotiation and the deal that emerged from the process.

Each side had to measure the risk of miscalculation. The banks did not want to lose control over the company's finances and they did not want the company to self-destruct in a war. Davis did not want to lose his company. So Wilson wondered, Was he willing to threaten to kill the company if they wouldn't let him keep it? Would he follow through on the threat if he were called? Would he continue to follow Wilson's advice if the company was put up against the wall by the banks and the family started to pressure him to give in?

Wilson ran through the questions in his mind as he opened his notebook. The images of the bankers and lawyers sitting about the table grew quiet as he and Davis sat down.

"Good morning," Wilson began. "I'm Dan Wilson of Parker & MacCormack. I'm glad we were able to get together on such short notice. The company very much appreciates the support you all have shown over the past few years. We hope that the information and the plans we show you today will give you the confidence in the future of the company that will justify your already substantial support and assistance." It was time to talk.

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