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"BIG DEALS"

Speaker: Robert C. Wood, III

Prologue

"Don't you understand? You could lose everything." Ross Johnson pondered the question from his attorney, Steve Goldstone. But Ross Johnson, a swash-buckling, deal-making, free-spending, back-slapping, jock-sniffing (remember team Nabisco) CEO of RJR/Nabisco, a big deal, an iconoclast, had made up his mind. He was going to launch a stunning leverage buy out of his own company at a price that would buckle the knees of even the most battle hardened veteran of Wall Street. Ross Johnson had it made: he had his own private air force, apartments in Manhattan and Palm Beach, salaries and perks that would make Imelda Marcos blush, including company-paid memberships to 18 country clubs - he was a golf nut. It was risky, but not a foolish risk. He had RJR's directors in

his hip pocket and who would dare launch a counter-proposal at the price he was contemplating and where could any competitor possibly get \$17 billion? Besides, he had tried everything to boost the price of RJR's stock but it still languished in the low 50's. His brilliant idea of a smokeless cigarette had not been favorably received by his own directors or the public. A joint venture with Phillip Morris to promote the tobacco industry and food products in eastern Europe had been panned. The good image of Oreo, Ritz Crackers, Planter's Peanuts, Del Monte and Lifesavers just was not bright enough to overcome the haze of the public's distrust of Winston and Salem cigarettes. An LBO would be a good deal for his stockholders, and it wouldn't hurt any that it also would make Ross Johnson very, very rich. This was in every sense of the words "a big deal".

Ross Johnson picked the October 19, 1988 RJR Board meeting in Atlanta to thrust his proposal to his directors. Every director had been personally called and urged to attend. Johnson

worked his directors in his usual free-wheeling style: joking, wise-cracking, never appearing to be too serious. After dinner, Johnson reviewed his two-year tenure at RJR/Nabisco; profits and sales up 50% but the stock had not recovered from black Monday, October 19, 1987 - exactly one year ago. Johnson lectured: "It is as plain as the nose on your face - the company stock is wildly undervalued. Diversification is not working. Our food assets are worth 22-25 times earnings and we are only trading at 9 times earnings because of our tobacco products. The only way out is through an LBO."

Johnson continued "The wolf is not at the door. "No corporate raider was forcing him to do this. This is simply the option that I think is best for our shareholders. I believe it is a doable transaction, and it can be done at prices much higher than the present stock. We are not far enough along this road to make firm conclusions or to make a specific proposal as to price at this point." Johnson stopped and surveyed the reaction of his directors

- big deals, themselves - a who's who in corporate America. See list.

Most of the Board members were startled - only a few had been let in on Johnson's plan. Vernon Jordon, the civic rights leader, queried: "You realize that this will put the company 'in play'; other bidders will certainly come on the scene." That was all right with Johnson - he wanted to get the highest bid for the stockholders. There were other questions - why an LBO - this would probably lead to the break up of RJR - a venerable company of the old South founded by R.J. Reynolds and succeeded by Bowman Gray. There might have been more questions if the Board had known of the favors Johnson had negotiated behind their backs with his investment banker, Shearson, Lehman and Hutton. Johnson and the directors who had an interest in the LBO - the management team - left the room. After a powwow the remaining directors gave Johnson the go ahead to launch the largest corporate take-over in history, three times greater than any LBO ever attempted. \$17

billion. But at the instance of RJR's lawyer, Peter Atkin, his bid had to be made public immediately. This did not worry Johnson - he would have no competition - he thought.

John Mullin and his wife Susan had returned to their brownstone in Brooklyn at midnight after a dinner party in New York. John, a graduate of Washington and Lee and Wharton Business School, now a Lynchburg area resident, had risen through the ranks at Dillon and Reed, a prestigious Wall Street investment banking house, to Senior Vice President. One of his first accounts was R. J. Reynolds. John, an Atlanta boy who smoked Camel cigarettes, was an immediate hit with the financial officers of RJR; by 1988 he had guided RJR through numerous acquisitions including the RJR/Nabisco merger in 1985.

John had a message on his answering machine to call his partner, Fritz Hobbs, no matter what time he arrived home. John dialed Fritz; Fritz said "John pack your bags we are going to Atlanta tomorrow". He told John that Ross Johnson had just called

and wanted to retain Dillon-Reed to advise a special committee of the Board on an offer by him to take RJR private." Wow. John had guided management through numerous business deals in his career, but if Johnson was able to buy RJR, it would set a new, and probably unbreakable, record for a Wall Street LBO.

The next morning John and Fritz boarded a plane for Atlanta. "What do you think the deal is worth?" asked Fritz. John mused a few moments: "Well we charged a \$9 million fee in the RJR/Nabisco merger, and this will probably not be as complicated as that deal. What about \$5 or \$6 million?" Fritz said "No, John, it's going to be a bigger deal than the RJR/Nabisco merger. This is going to be the big deal."

Ira Harris and Felix Rohatyn of Lazard Freres, another big name on Wall Street, were also headed to Atlanta to make a presentation to the special committee. While Dillon-Reed had been the investment advisors for RJR and former CEOs, Paul Sticht and Tylee Wilson, Ross Johnson was a close personal friend of Ira

Harris, a real Wall Street smoozer - that is a guy who gets along well with everybody, tells good jokes, plays golf, and ingratiates himself with big deals like Ross Johnson.

Before the meeting with the special committee, the Dillon team and the Lazard team conferred. Harris said "God, the deal has got to be worth \$30 million." John said "Well, we are not going to take any less of a fee than you, Ira." They both agreed that \$30 million would be the figure they would present to the Board.

Charles Hugel, Board Chairman, flushed a bit when the figure of \$30 million was suggested as the fee. "Well, Hugel said, \$30 million is a bit high." "Well", said Hobbs, "we think this is a fair fee." After consulting among themselves and with their special counsel, Peter Atkins, the special committee agreed to retain Lazard and Dillon as advisors to the special committee; their task was to evaluate the offer of Ross Johnson to take RJR private; was it fair for the stockholders; their fee of \$28 million for about two months work. A goodly sum, but little did John and

Ira realize that \$28 million was a real bargain for RJR - one of the smaller fees charged in what would be the biggest fee generating deal in the history of Wall Street - a billion dollars.

LBO - three little letters - that add up to the big deals and big fees. How does an LBO work? The basic scheme is fairly simple. An investment group headed by either the company's top managers and/or buyout specialists (a/k/a corporate raiders who may or may not be friendly) raise cash, generally about 10% of the bid price (a friendly bid if management invites the bid, unfriendly if it does not). The balance of the purchase price is borrowed from banks and the public. Generally a bank or banks will lend 50% to 70% of the purchase price and secure the loans with liens on the company's assets. The remainder of the price is raised through the issuance of junk bonds which are sold to savings and loans, pension funds, banks and the public. Junk bonds are essentially unsecured debts or IOU's of the company to be paid out of the company earnings (if there are any) or sale of assets.

Once the cash is raised, the investors buy all of the outstanding shares from the public, thus taking the company private.

In order to meet its debt obligations, the company begins selling off portions of its assets to raise cash which is used to reduce the debt.

Managers are under pressure to cut costs to insure profitability and to insure that the company can meet payments on its swollen debt.

The consequences of an LBO can be severe and traumatic: employee layoffs, division closings and/or relocation, reduced research and development, a quarantine on expenditures for new equipment, and fallen angels - the devaluation of bonds that have been issued by the company - and bankruptcy.

If the company emerges stronger through the reorganization, its new owners can generally reap a huge return by taking a streamlined company public again - reselling it in the

market place. In addition, the owners and the managers are given incentives which, if met, insure them a larger share of the equity interest in the new company.

An LBO has been compared to buying a used car. The car buyer wants to talk to the owner, take it for a ride and look under the hood. An LBO specialist needs to make a similar inspection of the business, for his success depends on determining exactly how much debt the target company can take on. He needs to know company budgets and where they can be cut, what divisions can be jettisoned to produce cash to pay debt. To take the used car analogy a step further, the LBO buyer must estimate, in precise detail, how many miles the car has left, how many spare parts he will need, and how much maintenance will be required. His margin of error is so thin that a worn crank shaft or a blow gasket could prompt the bank to call its loan. Similarly, in an LBO, a wrong calculation or an inaccurate projection can bring both buyer and seller down in an avalanche of debt, i.e., Craddock-Terry; it crumbled under

suffocating debt and went bankrupt. However, LBO specialists generally invest other peoples' monies in the deal without any personal guarantees or recourse against them. If the deal fails, there is no recourse against the LBO buyer personally except for any equity investment in the new company. The real risk takers are the banks, and to a greater extent, the junk bond investors - the unsecured creditors.

There are intriguing ethical and moral issues surrounding an LBO. Consider the fiduciary duties of Johnson, his management group, and the board - Johnson is proscribed under corporate law from personally benefiting from opportunities belonging to RJR or at the expense of the stockholders. Is there an inherent conflict of interest when he continues to operate RJR - trying to get the best price for his stockholders at the same time he wants to buy RJR - at a favorable price to him. Would Ross Johnson be making an offer if it weren't in his best interest rather than in the best interest of the shareholder? When an offer is made does the RJR

board have duties, legal or moral, other than to the shareholders. Should they consider an LBO's impact and effect on (1) general creditors - will they be paid (2) present bond holders - will their bonds be devalued (3) employees and their careers - how many will be fired or relocated - will their pensions be jeopardized (4) how about the entire community - will it suffer - causing a ripple effect on all citizens in the community (5) are the buyers - or the raiders - honest - what are their motives, ethics and principles - should the board do a character or reputation check. What drives these big deals - the enhancement of business opportunities or fees. Is anyone worth \$14 million for two months work.

Ponder these questions, you may think of others, as RJR's board and Johnson square off.

Ross Johnson was not considering moral or ethical issues, he was looking out for number one: himself. He thought he had a big deal sewn up and he would be a lot richer. Yet perceptions are not always what they seem to the holder; and even a wheeler-dealer

like Johnson could not anticipate all the obstacles which lay ahead. Little did he understand the egos in the LBO trade, and the biggest egos of all, Henry Kravis and his partner, George Roberts, the kings of the LBO industry - they controlled 35 companies worth 50 billion. They have more money in their corporate war chest than Greece or Pakistan. They would not take Johnson's bid for RJR lying down; nor would the fee hungry investment houses on Wall Street; they were not going to merely blink at the news of the largest LBO in history; they all wanted part of the action; the stakes were too high.

As soon as Johnson's bid flashed across the Dow Jones news service, the pigs started lining up at the trough: one of the most fascinating and intriguing auctions for America's 19th largest company plunged like a tidal wave over Wall Street.

The players in this big deal are who's who in corporate finance: See list. Shearson, Lehman and Hutton headed by Jim Robinson, President of American Express, Peter Cohen, and Tom Hill

were Ross Johnson's investment bankers. Shearson was itching to display its prowess in the LBO industry.

Kravis and Roberts of KKR were on top of the LBO ladder, and they intended to stay there - LBO's were their "franchise". They would hire Morgan Stanley, Merrill Lynch, and a maverick Wall Street investment banker, Bruce Wasserstein, to advise it; Drexel-Burnham-Lambert was KKR's non-negotiable choice to market and sell the junk bonds.

Ed Forstmann of Forstmann and Little, a renowned LBO specialist who eschewed junk bonds and hated Kravis intended to stop Kravis, whom he considered a financial Faust - he would sell his soul for the right price.

Salomon Brothers headed by John Gutfreund and Tom Strauss desperately needed to do a big deal - it's Wall Street ego needed a massage, but it would fold under a KKR onslaught; Salomon would be relegated to a joint effort with Shearson to buy RJR.

Finally, late in the battle, First Boston, headed by Jim Maher, jumped in with a crazy idea about the financing of the deal; but its bid would only muddy the waters.

The War for RJR

Ross Johnson had squelched several prior efforts over the past two years from investment bankers that he consider an LBO. RJR was cash rich - a natural target for an LBO - and the Wall Street hounds were continually barking at his door. He had even talked about an LBO with Kravis. But Johnson had rejected the idea - too much debt - making for an unhealthy balance sheet, and he did not want to lose his perks. Still, his advisors and friends did not let the idea die - Peter Cohen, the hard nosed, brash president of Shearson wanted Johnson to do a deal. It would put Shearson in the front of the LBO industry, not to mention it would generate about \$200 million in fees.

Johnson changed his mind. "Why", many pundits have asked? Some thought he had grown bored with being a CEO - not enough action. Others opined that his son's serious injuries suffered in a car accident created a void in his life - another big deal, maybe an LBO would fill that void.

Whatever the reason for his change of heart, Johnson asked his legal counsel, Harold Henderson, to explore an LBO and outline its basics. Henderson explained the procedures; the process usually begins in secret and then the takeover is sprung upon the Board before it has time to react - known as a "gun to the head". Normally, an LBO adventure plays out in about ten weeks. Week 1-3 - preliminary work on stock values and price discussions with investment bankers; Week 4 - discussions with bankers to negotiate loans; Week 5 - banks make commitments for a loan; Week 6 - management decides if an LBO is worth the risk; Week 7 - directors of the target company are quietly informed and asked to secretly form an independent committee to analyze any LBO proposal;

Week 8 - management prepares a merger agreement between the buyer and the seller; Week 9 - management makes an initial proposal to the Board; negotiations begin with the independent committee; a press release is issued stating the Board is considering a buy out proposal; Week 10 - an acquisition agreement is executed and announced publicly - all of this done before any other potential buyer can get organized. An LBO specialist wants management in his pocket before its bid is made public.

Johnson called RJR Chairman, Charles Hugel, and told him he was exploring an LBO. Hugel was surprised and skeptical, but Cohen and Hill (Shearson) were giddy. An \$17 billion buyout, the largest LBO in history, would wash away a lot of Shearson's problems. It would catapult Shearson into the top ranks of merchant banking; merchant banking, a relatively new phenomenon on Wall Street, is where an investment banking house uses its own money rather than other people's monies in buying a company. They are no longer advisors - they are owners - part of the action.

Johnson was deprived of one of the basic tenets of an LBO strategy - secrecy until a deal had been cut with the Board. Atkins insisted Johnson's bid be made public. However, Cohen and Johnson were not particularly concerned because they believed the deal was simply too big for any competing firm to undertake a bid without management on its side. Both Cohen and Johnson discounted a KKR entry into the bidding because of the tobacco issue and Henry's gilded image - he did not do hostile deals - that is a bid from a takeover company that management would oppose and fight.

The price - \$75 a share, \$4 higher than RJR had ever traded. Cohen figured that he would need to raise \$15 billion. Cohen's bankers canvased the corporate finance departments of 50 banks worldwide; he concluded that he could raise about \$16 billion. Johnson informed Hugel that he would make his proposal to the Board at its October 18, 1988 meeting; on Johnson's request, he agreed to chair a special committee to evaluate his offer, but Hugel was not enthusiastic about an LBO. Hugel believed that LBOs

were weakening American industry because they diverted critical management attention from the emerging challenge of European competition.

Johnson was no babe in the woods when it came to negotiating his personal stake in the LBO. His proposed return and control of the post LBO RJR was embodied in a management agreement; it was down right avaricious - a paradigm of greed. Yet, Shearson had to agree to Johnson's terms if it wanted to do this deal; it needed Johnson on its side. Johnson's management agreement was unprecedented on Wall Street; its terms would shock everyone who would read it, including the press. Shearson puts up all the equity (or down payment), but it would only have two of seven Board seats, Johnson would take three himself and control. Johnson's team of executives (about 7) would put up no money for their equity stake in the new RJR - about 8.5% worth about \$20 million when the sale was completed. Management's stake could grow to 18.5% in five years if certain incentives or bogeys were met - worth \$2.6 billion

- Johnson's share - \$1 billion. Shearson would loan Johnson and his merry band of bandits the funds to buy their stock; the loans would be repaid through the use of incentive bonuses. Incredibly, Shearson would pay Johnson's taxes. Shearson didn't like Johnson's arrogance or his terms, but it had no choice if Johnson was going to stay with Shearson; He could always take the deal elsewhere and Shearson would lose its fee and its Wall Street image.

Yet as the deal was struck, Cohen warned Johnson's chief negotiator, Andy Sage: "Andy, you are setting yourself up for a big, big negative PR issue. People are going to look at the raw dollars and say management is ripping off the company." Sage's response: "We'll worry about that when the time comes." The time did come.

Johnson was not above tempting Hugel. He hinted to Hugel that there would be a couple of slots on the Board after the LBO. Johnson laid out the figures. Hugel would get a loan to buy stock from Shearson. A \$5,000,000 stake would probably be worth

\$20,000,000 in five years. Hugel was stunned. Was Johnson actually bribing him, or was he extremely naive? Whatever, Hugel said he would not join with Johnson; he was Chairman of the special committee, and he was going to be clean.

Henry Kravis sat at his office in New York when his secretary put a note on his desk: "RJR going private at \$75 a share." Henry nearly fell out of his chair. Stunned, it couldn't be true. Paul Raether, Kravis' top aid, wandered in; Henry asked "Have you heard? Ross Johnson is going private at \$75." Raether paused as the enormity of the news hit him. "Holy Christ," he said. "That's too cheap."

Kravis fumed, "I can't believe this. We gave them the idea. He wouldn't even meet with us." Henry, king of the LBO specialists, had to protect his franchise. Thus, a second, veteran and extremely rich bidder was about to enter the foray of LBO madness. There was too much at stake to sit on the sidelines.

Kravis met with his advisors, Steve Waters at Morgan Stanley, Bruce Wasserstein, and Tom "Mad Dog" Beck at Drexel. They all concluded that they had to make a fast strike if they were to prevent Johnson from locking up an agreement with RJR's board before another bid surfaced. But they had no financial information. They needed to talk to Johnson and Shearson. It made sense for both sides.

Kravis met with Hill and Cohen of Shearson. Hill was defensive and blunt. "This is Shearson's deal", said Hill. "Stay out". Kravis sneered; he had only contempt for Cohen. Shearson was infringing in his territory. Cohen didn't know the difference between an LBO and BO. Kravis: "We have to be in on this deal, and we will be on this deal." The meeting ended with no agreement, but Cohen suggested to Kravis that they get back together in a couple of days. Kravis was not lulled by Cohen; he knew he had to move ahead - and fast. His investment bankers contacted their usual banking sources Manufacturers Hanover Trust and Bankers

Trust. Shearson had already approached both banks; they could not give Kravis any commitment. Kravis was infuriated. This rejection by his banks fortified his decision to act - fast. The numbers crunching began. Not a single valuation put RJR/Nabisco's value below \$80 a share - \$2 billion more than Ross Johnson's suggested price at \$75.

KKR wasn't the only high flying investment bank looking at Johnson's LBO. John Gutfreund of Salomon Bros., its venerable boss, looked on this as an opportunity to become a major player in the merchant-banking deal making. His company has been known for trading, not as a merchant banker. In one fell swoop this deal would rewrite the history of Salomon Bros. and establish it as a major force in the LBO field. Gutfreund decided to go for it.

But Kravis moved too fast for his competition. His decision, \$90 a share - a blockbuster tender offer. The Monday editions of both the *Wall Street Journal* and *New York Times* leaked the bid before Kravis could announce it. The headlines carried:

KKR was sent to launch a \$90 a share bid. Kravis was irate - who made the leak - he thought Beck and Wasserstein were the culprits. The other potential suitors were flabbergasted. How could Henry have raised enough capital in three days to make such a gigantic bid?

Because of the premature press story, Kravis felt he had to contact Johnson. He reached Johnson on the phone. Johnson was unbelievably jovial: "My God Henry, I knew you were rich, but I didn't know you were that rich. That's one hell of an offer." Kravis replied "Ross, I just wanted to let you know as a curtesy. We'd like to buy the company; we'd be happy to sit down and talk with you and see if we can get together. We would like to have you run the company." Ross replied "Let's see if we can work out things. I'll get back to you."

Cohen was stunned. Why was Kravis doing this to him. This was Shearson's deal; besides Henry's leap into the deal was

contrary to KKR's philosophy - they just didn't do hostile deals - there was no invitation from RJR management to bid.

Ted Forstmann, Chairman of Forstmann Little, an LBO specialist, was furious when he saw the headline in the New York Times. "Those ____ ____ ____ assholes, they are doing it again." Forstmann had utter contempt for Kravis and the junk bond industry. \$90 a share was meaningless. "Hell", Forstmann regaled, "that little bastard could bid twice that much for all his junk bonds are worth." Forstmann's philosophy was simple: the economy would turn down and all the junk bond junkies would go belly up when they couldn't make their mountainous debt payments (was he a prophet?). Forstmann refused to use junk in building his firm which owned companies boasting \$8 billion in revenues, throwing off enough cash for Forstmann to live a lavish lifestyle, but with a clean conscience. Kravis did not have a conscience as far as Forstman was concerned.

Forstmann decided that he would show Henry. He would challenge Kravis and expose him as a fraud. "I know Ross Johnson and I know Jim Robinson. Henry Kravis will not run off with this deal."

Thus, three days after Ross Johnson announced his bid to take RJR private, there were three other formidable suitors: KKR, Salomon Bros. and Forstmann Little.

Johnson's initial reaction to KKR's bid: he couldn't compete with \$90 a share - too expensive - too much debt. Cohen analyzed Kravis' offer; he determined that it wasn't all cash. He had put up only \$79 a share in cash with the remainder in securities - junk securities of \$11 a share - known as PIK - pay in Kind - an example zero coupon bonds. However, Cohen realized that Shearson couldn't fight Kravis alone. It's bid of \$90 a share would require an equity investment in the neighborhood of \$2.5 billion, an investment which Shearson couldn't handle alone. That afternoon, he received a call from his good friend, Tom Strauss,

at Salomon. Bewildered by KKR's bid, Strauss wondered if there might be a role for Salomon to work with Shearson. Cohen and Salomon agreed to collaborate. LBO's make strange bedfellows.

Still Cohen had not ruled out a joint deal with Kravis - it made sense - why bang each other over the head if a joint effort would make the deal affordable. After a discussion with Kravis' lawyer, Dick Beattie, an old friend, soon to be a traitor, Cohen and Kravis agreed to meet.

Back at American Express, Jim Robinson learned for the first time about Johnson's management agreement with Shearson. Robinson was shocked. He confronted Johnson. "How many people are going to share in the \$2.6 billion?" Ross hadn't given it a lot of thought. "Maybe 8 to 20." Robinson suggested that he better define it more clearly, because he knew it would eventually be made public and it would be a disaster. How right Robinson was.

Tuesday, October 23: Cohen meets Kravis for discussions. Cohen realized that a drawn out battle with Kravis could be a big

loser for Shearson-Lehman and Johnson. Cohen asked, "Why don't we try and do something together." Kravis replied "Like what?" Cohen - "A 50/50 split." Kravis - "That's not going to happen. That's too much." Cohen - "I don't think it should be anything other than 50/50." Kravis - a curt reply "No."

Kravis had no respect for Cohen. Kravis knew Cohen was in over his head. He thought he could buy Cohen off. Kravis suggested that Shearson become KKR's advisor for a hefty fee of \$120 million and then go away. Cohen was outraged and considered the offer an insult. The meeting ended abruptly.

Johnson was frustrated; he was a take charge man; it was now time for him to make a move - take control. He himself arranged a meeting with Kravis; he would charm Henry, and they would do the deal together. The meeting didn't go well. Kravis didn't mince his words. "We are not going to do any deal where management controls it." "We've got the money, we've got the investors and we have to have the control." Johnson didn't like

the message, he was not going to relinquish control of RJR to anyone, not even Kravis; the meeting ended with Johnson suggesting that Kravis talk once more with Cohen.

Johnson called together his top team - Ed Horrigan, his tobacco chief, Henderson and John Martin. They had to decide if they would stay with Shearson or jump ship to Kravis? They knew what a joint venture with Henry would mean - loss of control and a smaller piece of the pie. These factors made the decision easy - they would stick with Shearson - Cohen was exalted. Johnson informed Kravis of his decision - "We are not abandoning Shearson." Kravis to Johnson - "We don't intend to split you up." Kravis knew this was no time to alienate Johnson - he did not want to be "hostile" - he knew he needed Johnson. So Kravis called Cohen again and suggested that they try once more to work a deal.

Inside Johnson's office, the air was full of electricity. Cohen's team (Robinson and Johnson) met Kravis and Roberts head-up. Cohen, instructed by Johnson to be diplomatic, didn't do a

very good job of it. Cohen - "This is our deal. We are not going to take a subsidiary role to you. Ross is on our side. That gives us an advantage. Your offer to pay us a \$125 million fee to go away is insulting."

Roberts replied in a cool manner: "We have come here to talk about this in a businesslike manner. Why don't you give us some idea of a way we can work together. We would like to explore these possibilities and see what we can work out."

They tried but nobody blinked - they were going nowhere. Tom Hill added a further insult: "This all raises the question of how you will be perceived, friendly or hostile. If it's hostile, we have our friends in the Carolinas. Jessie Helms will be very interested in this transaction."

This was the last straw. Infuriated, Kravis replied, "If that's a threat, that's ridiculous. I am not going to sit here and listen to you threaten us."

Another obstacle - one that would prove to be intractable - which investment bank would supervise the bond offerings. Besides the return on an LBO investment, running the books or leading the bond offering was a plum assignment for an investment bank. Kravis wanted Drexel, but Cohen would hear nothing of it. Cohen - "We are not going to take a back seat to Drexel. That's not negotiable."

While all these negotiations were taking place, Forstmann waited in an adjoining room for three hours to make a presentation to Johnson. He was peeved. He refused to take a back seat to his hated enemy. When the negotiations with KKR broke off, Johnson needed to keep Forstmann interested in the deal. But there was too much junk in the deal for Forstmann; there were just no common grounds. Forstmann, frustrated and annoyed that Johnson was playing him off against Kravis, felt it would be almost impossible to work a deal with Johnson. " _ _ _ _ him," said Forstmann, as he left Johnson's office.

With the peace talks ended, the bottle heated up; the Wall Street Warriors continued to press their troops in this war for fees and prestige. The Kravis group flirted with Tylee Wilson and Smith Bagley, former CEO's of RJR, in hopes of getting an insight into RJR operations, but Kravis quickly rejected both of them; they were outdated and out of touch with RJR. Shearson continued to consult with Salomon as its partner; Forstmann sensed that Shearson would not collaborate with KKR; and he continued to work the deal. He thought he could arrange a blue chip consortium to buy RJR - but with no junk bonds.

The financial structuring was complicated. There were bridge loans, junk bonds, returns on equity, cash flow, senior debt, junior debt, the management agreement, and fees; \$120 million to Shearson and Salomon if the take over was successful; a 5% fee paid to investors who put up equity; \$103 million in fees for auctioning off RJR/Nabisco assets after the LBO; \$23 million for committing to debt; \$30 million in fees to Forstmann, Little for

its services; \$425 million to issue and sell on junk bonds to take out the bridge loan; bank fees for the bridge loan; \$375 million in bank fees; \$75 million for legal fees. It was staggering.

The management group was solidifying its strategy. Should it bid \$92 a share, just enough to top Kravis' bid of \$90; or should it bid something higher like \$100, a decisive blow that would bring a swift end to the conflict.

The special committee set ground rules. They would accept a formal bid on November 18 at 5:00 p.m. from the management group and any other investor; then it would analyze the bids and then make a decision.

Each bidder was supposedly to have equal access to financial information of RJR. This is called due diligence - an opportunity to assess the financial data so that the investor can make an intelligent decision about values and price. However, RJR executives did not cooperate with KKR; it never had access to

information it needed or should have been given by RJR. This stonewalling would come back to haunt Johnson.

The press was having a field day, particularly with a faux pas made by Kravis; he purportedly was quoted that he had to "protect his franchise". The cover of *Business Week* headlined: "Is KKR's Henry Kravis headed for a fall". Johnson was also getting his share of the heat from the press - and it never abated.

Linda Robinson, wife of Jim Robinson, President of American Express, owner of her own P-R firm, was a friend of both Kravis and Johnson; she was disgusted with both of her buddies. There was no earthly reason why Henry couldn't do this deal with Shearson and Salomon. From her viewpoint, their disagreements really had nothing do with about shareholder values; rather it was a test of wills among an intensely competitive click of macho Wall Street bullies in pinstripes. Linda made telephone calls to Johnson and Kravis; they agreed to meet one more time to see if they could come to terms on a joint bid. Johnson, Robinson and

Cohen face to face with Kravis and Roberts. The negotiations went well. In 30 minutes they had outlined an agreement. Control would be 50/50; stock would be split down the middle with Johnson's share coming out of Shearson's take; Kravis' investment bankers would each net \$25 million in fees; KKR would take its customary fee of 1%, a mere \$200 million, three times the size of any previous merger fee in Wall Street history. Johnson was relieved - euphoric; he thought the big deal was done and left to celebrate - he would leave the details to his lieutenants. Yet, incredibly, when the pinstripers begin to sort out the details, there was one intractable disagreement: who would lead the junk bond offering. Kravis insisted upon Drexel, the junk bond powerhouse. Salomon would not hear of it; it would be degrading. Shearson was ambivalent, but it had to side with its ally, Salomon. It would be the straw that broke the camel's back. The attempt of Kravis and Johnson to join forces failed because Salomon would not play second fiddle to Drexel in a bond offering. It was only a symbol -

"your company name on the left of the tombstone" advertisement: but a symbol of power and prestige on Wall Street. Thus, in the end perception was the issue; who was running the bond offering. To Johnson it didn't make any difference, but he had lost control of his own deal. Despite its status as a full partner with Shearson in Johnson's deal, Salomon's principal mission wasn't acquiring an ownership interest in RJR. It was selling bonds; it was willing to sacrifice Johnson's interest - indeed his entire deal - to avoid the perception that it was taking a backseat to its hated rival, Drexel. Through all the bravado, all the greed, all the discussions of shareholder values, it came down to the fact that John Gutfreund and Tom Strauss of Salomon weren't going to take a backseat to Jeff "the Mad Dog" Beck or Mike Milkan of Drexel. Salomon scrapped a joint venture with KKR for the largest takeover of all time because Salomon's firm's name was going on the right side, not the left side, of the tombstone advertisement buried among the stock table at the back of the Wall Street Journal

and the New York Times. Sadly and most unfortunately for Johnson, the final attempt of Kravis and Shearson to come together came to a deadend, crashed upon great egos of Wall Street. One hour after final negotiations with Kravis, the management group put out over the Dow Jones news service "they were making a formal bid of \$92 a share." The bid was made without Johnson's approval or knowledge.

The details of Johnson's management agreement broke in an article in the *New York Times* - "Nabisco Executives to take huge gains in their buyout." The public's reaction was overwhelmingly negative. The directors of RJR had never seen the management agreement; they were horrified and embarrassed. \$52.5 million golden parachutes for Johnson and his executives; the equity ownership for free; Johnson's control of the Board and his veto power. A letter from the public to the Board summed up the feelings of many: "This is the ultimate in insider trading, this group of insiders were entrusted with the management of the RJR/Nabisco company. In return we are lied to, cheated and used

by a small group of insiders for their own gain. I fail to see the difference between what Ross Johnson is doing and armed robbery, except that you will let Johnson get away with it for his own personal interest."

It is 11 days before the deadline - November 18. Johnson was despondent and desperate. He made one last attempt to reach a merger agreement with RJR's board, but Hugel squelched the attempt.

Each bidder was working around the clock; it became nasty. Cohen accused Forstmann of a conflict of interest. Forstmann was outraged, he shot back an indignant reply, denouncing Cohen and his attack on his reputation. There was no love lost between Salomon and Shearson; they grew to dislike each other and an air of distrust pervaded their attempt to work together. One director, Ronnie Grierson, thought it was highly improper for Johnson and the management group to be making a bid for the company at the same time running it. Relations between Johnson and the chairman of the

special committee, Hugel, deteriorated. It was not the way Johnson had envisioned his takeover of his company. To make matters worst for Johnson, John Greeniaus, chairman of Nabisco Brands, who had been spurned by Johnson as a partner in the management team, defected. He sought at an aid of KKR, Paul Raether, and laid bare to him all the operating secrets and strategies of Nabisco. If the company were operated more efficiently, it then could increase operating income 40% in a single year; profits margins could be taken to 15% from 11%; cash flow could increase over \$1.1 billion. With these revelations, KKR knew it could boost its bid from the low \$90s to nearly \$100 a share.

On the other hand, from his analysis Forstmann, once again decided to drop out. Any bid over \$90 a share was too high unless it included junk securities; and Forstmann, true to his principles, would not stoop to issue funny money, even if it meant forgoing a change to earn \$130 million in the biggest deal ever on Wall Street. He had his principles and reputation to keep in tact.

It was Monday before the Friday deadline, November 18, and another bidder leaped into the foray; First Boston headed by James Maher. His company needed to do this deal to regain prestige; Wasserstein jumped from First Boston a short time ago and Maher needed to establish himself as a Wall Street rainmaker. Maher and his top aid, Brian Finn, had a strategy based on an esoteric tax loophole which included installment notes; it could create a savings of \$4 billion. Maher contacted Atkins, but he and the advisors snubbed First Boston; there would be no opportunity to do due diligence; they had to bid blind. The reaction to First Boston's entry was one of contempt. The Wall Street Journal called it "Mighty Mouse". Shearson reacted in dismay. Maher was so desperate he would do anything pontificated Tom Hill. John Mullin called it crazy - an air ball.

Two days before the auction, each side was still punching numbers. KKR got cold feet. One of its analyst assessed that \$1.3 billion had to be lopped off their projections, roughly \$6 a share.

First Boston figured with the tax savings on installment notes it could make a bid higher than anyone else. The big question: would it work.

Unbelievably, Johnson's group still had not decided on the exact figure to bid. Like Kravis, Johnson and his advisors were nervous. It was just too big a deal for anyone to have a complete grasp on all its ramifications. With three hours to go to the November 18, 5:00 deadline, Johnson still had not decided upon a bid price. The circus was playing out in three rings, and it was in its last act.

November 18, the deadline - 5:00 Friday afternoon in New York traffic. Johnson's delivery of his bid to Atkins' office in midtown Manhattan was comic. Ross Johnson's lawyers got caught in traffic, the attorneys had to jump out of a cab and race on foot to Atkins' office to deliver the bid - a Wall Street version of the keystone cops - it was two minutes later. First Boston missed the deadline by two hours. Only KKR had their bid delivered on time.

Bids came from all around the country - Wall Street's equivalent of crank calls. A Marylander faxed a bid of \$126 a share or \$28.4 billion. A Winston-Salem stockbroker bid \$127 a share and stated "While I currently do not have a major investment banker retained for this purpose, I am confident that upon acceptance of this proposal the services of several will be available to me." A Toronto banker offered \$123 a share with this interesting twist. He would pay each member of the special committee \$7 million for his vote.

The bids were place; it wasn't even close. Kravis bid \$94 a share or \$21.6 billion; Johnson's group swamped him with a bid of \$100 a share or \$23 billion - a winner - it seemed. First Boston's bid was between \$105 and \$118 a share, depending on the tax aspects of the installment note strategy. The special committee could not brush it off. While First Boston had no financing in place, it's bid needed to be reviewed by the tax experts. Dillon and Lazard had to evaluate all three bids anyway

because each one contained funny money - PIK - pay in kind - securities whose values are difficult to evaluate. For the next 24 hours, Dillon Reed and Lazard interviewed the bidders - Shearson, KKR, First Boston - and analyzed their bids. First Boston's air ball was kept aloft; if it worked its bid was \$118 a share; Maher needed time to firm up the bid - to get financing. Besides an angry letter from Kravis hinted at a legal challenge because it had been denied access to critical financial information by RJR. So on the advice of Mullin, Harris, and Atkins the special committee decided to throw out all bids. There was to be a second round of bidding. A new deadline, November 29, was set. Johnson was disgusted. KKR was pleased, and First Boston was elated. Yet, not everyone on the special committee was happy with the decision. There were dangers. Suppose Kravis and Johnson teamed up and First Boston dropped out. The bid could fall back to \$93 a share; Johnson's team was mad - they blamed Ira Harris of Lazard for letting First Boston spoil the pot.

Kravis realized that the special committees needed KKR to stay in the battle. Kravis and Roberts deftly mapped their strategy; they would play the sly fox. They would keep the special committee and its competitors in doubt about whether KKR would make a second bid. If they were going to come back strong in the second round, they didn't want any one to know it. They would let the news of their uncertainty leak out through their investment bankers; they could be depend upon Mad Dog Beck and Wasserstein to leak information to the press.

Dick Beattie, Kravis' crafty lawyer, helped lay the trap. He called an old friend, Bob Millard at Shearson and congratulated him on his bid. They discussed First Boston's bid and agreed it was a sham. "Why don't you call Peter and congratulate him", Millard suggested. Beattie agreed to do so. He reached Cohen, a friend and client, on his car phone. "That's bid is a winner", Peter, Beattie said. "I've got to tell you nice job. What do you think of the First Boston thing?" Cohen said. "It's crazy," said

Beattie, "It won't work. We have gone through the analysis ourselves. It's got to be finished by year end and there is no way."

Beattie closed the trap. "Everybody around here is pretty depressed, I don't know what we are going to do about this second round. We may not do anything. I think Henry is going skiing." After hanging up, Beattie thought to himself he hadn't lied. He had intentionally mislead his old friend. It was true. Kravis didn't know what he was going to do. If Cohen got the impression Kravis was out of the bidding, so be it. Machiavellian tactics in the truest sense of the term. And Cohen and Shearson were Beatties' clients.

Johnson continued to stew - he felt Hugel had shafted him - he felt he had no more friends on the Board - and Johnson was right - his directors had had enough of him - the management agreement had tarnished him irreparably. But Shearson was not

going to give up. Johnson was not giving the orders any longer - he was only a pawn in this Wall Street slugfest.

To the horror of the special committee and Johnson's advisors, Johnson appeared on the cover of *Time* magazine - the cover read "A Game of Greed. "This man could pocket \$100 million from the largest corporate takeover in history. Has the buyout craze gone too far."

Time interviewed Johnson - he fell on his face. In response to a question about the effect of the LBO on employees Johnson said, "The Atlanta people have very portable types of professions: accountants, lawyers, secretaries. It isn't putting them on the bread line. We have excellent severance arrangements."

First Boston went to work. It had to raise \$15 billion - a very difficult task - and it needed an equity investment. Jay Pritzker, a wealthy investor from Chicago, agreed to invest \$200 million. The intricacies of the tax aspects had to be solidified and put in terms that Mullin and Harris could understand. Maher

and Finn were working like crazy, and Greeniaus, the Nabisco President, the traitor, once again plied them with information.

Lazard and Dillon were worried; they had to ensure that this would be competition in the second round to ensue the highest value for stockholders. They had no faith in First Boston's tax scheme. And the news had leaked to the press - KKR may drop out. This worried Mullin, the advisors had to keep Kravis' interest. Harris and Mullin told the special committee that RJR had to have access to all financial data - RJR executives were not to play "financial keep away" from Kravis any longer. Mullin's orders were carried out by RJR.

Shearson's team took Kravis' bait - hook, line and sinker. "Kravis won't be there for the second bid." Their second bid - \$101 a share - a tacit conformation that the management team expected no competition; for the second time they had naively discounted Henry Kravis.

Ira Harris and Mullin had their own scheme to ensure the bid would not fall back below \$100 a share. They proposed a ceiling of \$100 a share and informed all three groups. Kravis continued to play his aloof role, "I have had so much bad publicity, I don't know if I'm going to bid at all."

But Kravis had made up his mind; he was not going to let this deal get away the second time around. He was going to bid to win. On Friday, November 29, afternoon - 3 hours before the second deadline, Kravis gathered his investment bankers; they did not know what KKR was going to do - they had been kept in the dark. Stomachs churned as Kravis and Roberts entered the room. \$100 million in fees lay on the line. Roberts glanced at Kravis. "What is the bid Henry?" Henry - "I think it is \$106." The reaction - jubilation; dollar signs light up like neon signs in the eyes of the brotheran of KKR.

November 29, 1988: the bids were placed again - Johnson, \$101; KKR \$106; First Boston \$116. The advisors made one review of

First Boston's bid - still an air ball - its bid was dismissed summarily by the advisors. The fate of the two remaining Wall Street titans - two big deals - vying to win the grand prize - lay once again with John Mullin and Ira Harris.

Atkins called Beattie and invited Kravis and Roberts to his office to review his bid of \$106.

"Is this your best offer?" asked Mullin.

Kravis, "Yes".

"Well if we can work out the securities and get comfortable with regard to financing we are prepared to recommend your bid to the special committee."

KKR was the winner - it appeared.

Having heard nothing from Lazard or Dillon, Goldstone - nervous and anxious - called Atkins. He got no reprieve from his anxieties. Atkins told him, "you can tell your people to go home tonight." Johnson knew - the lights were out. But Johnson's tigers - Cohen, Hill and Goldstone - remain combative - they

refused to capitulate. They had to find out KKR's bid. Through their connection with Hugel, Goldstone was told that KKR's bid was \$106, and it was laced with PIK securities.

Goldstone called Atkins and told him Johnson wanted to bid again: Incensed when Atkins refused, Goldstone challenged Atkins. "You have a legal obligation to hear a second bid."

Goldstone was right in one sense. There are no hard and fast rules governing the bidding process - there are no laws which provided legal ground rules to end an auction - a dilemma for Atkins.

Through the wire service, Kravis learned that Cohen and Shearson were going to make another bid. Kravis fumed: "some asshole had leaked their bid of \$106." Roberts was outraged; as far as he was concerned, the bidding was over - neither Robert nor Kravis would tolerate being trifled with. Kravis could not stop Johnson from making a second bid, but he would assert pressure on the special committee; he placed a deadline within which to accept

its bid - 1:00 p.m. two hours after the RJR board meeting the next day - November 30. KKR was playing hard ball.

On November 30, 10:00 a.m., Kravis and Roberts strided confidently into the RJR board meeting. They outlined their bid - the board members were impressed - KKR's bid was sound. "How firm is your one o'clock deadline?" asked a director.

"Firm" said Roberts.

12 o'clock - one hour to deadline. At Shearson, Cohen and his staff were in a frenzy. With Johnson's approval - he had no choice at this point - Shearson tendered a new bid - \$108 a share - \$25 billion. When this new bid - its third - was relayed to the Board, Atkins told Kravis "We can't live with our 1:00 deadline. We need an extension. We received some other news."

"Absolutely not."

"Outrageous" fumed Roberts. "You are not going to shop our bid."

Calm down, Beattie counseled Kravis. "Be patient," he said. "Atkins, Mullin and Harris are under a lot of pressure."

A few minutes later, Beattie got a phone call - he choked - 20 minutes from victory - Shearson had bid \$108. The score was now \$108 to \$106. Shearson. It reminds one of an overtime game in the NBA. (If you can remember, Johnson's first bid - one that was "fair" for the stockholders - was \$75.)

After a caucus, Kravis told Atkins they were prepared to extend the deadline for one hour on one condition - pay all our fees to date. "How much?" asked Atkins. "\$45 million" said Kravis. "I think I can sell that to the special committee" said Atkins. Can you believe it - \$45 million to wait 60 minutes. Hugel and Atkins thought it was a good deal.

Atkins told Cohen the bidding was reopened. He wanted Shearson's best bid in fifteen minutes. Cohen took a deep breath - he and Hill knew they had to be aggressive. With Johnson's

approval and his agreement to cut his equity share down to 4% (Remember it had been 8.5%) Shearson bid \$112 a share.

"Holy shit" said Shearson lawyer Jack Nusbaum when he was told to place the bid with the special committee.

The score now - in double overtime - Shearson \$112 - KKR \$106.

Atkins, Mullin and Harris took Shearson's \$112 bid to the Board. The issues grew more complicated. KKR's bid was firm. The securities were fixed - KKR terms guaranteed their value in the market place. However, this was not true of Shearson's bid. There were no "reset" mechanism to guarantee the value in the market place of the securities to be issued to the shareholders by Shearson. This made the two bids not so far apart as they appeared.

In a quandary, Atkins told Kravis he could not accept his bid at the present. "Do you want to do anything with your bid?" Kravis was steaming: "What do you mean - I have given you my

bid." He paused, and again counseled with Beattie; he relented "We'll go to \$108".

The Board was sweating - \$112 to \$108. But Shearson refused again to provide for a "reset" mechanism. This was critical for it ensured that the securities to be issued by the new RJR would trade at a fixed value. The Board didn't want Johnson to win. They had had all they could take of him. When KKR raised their bid again by one more dollar - \$109 - Kravis was declared the winner at last. The Big Deal had finally been done.

Ross Johnson took his defeat as a true sportsman. At a postmortem gathering, he congratulated his troops for a battle well fought. As his colleagues departed from his apartment, Johnson was alone with his wife, Laurie, and the Robinsons. He could not resist a chance to be a philosopher - he gave Robinson his three rules of Wall Street: (1) never play by the rules; (2) never pay cash; and (3) never tell the truth.

EPILOGUE

In the wake of history's largest takeover battle, where have all the big deals gone? Ross Johnson resigned the day Kravis took control of the company, pulling the cord on a \$53 million golden parachute. His replacement, Louis Gerstner, ironically, President of American Express, signed a contract almost identical to the contract that had become a public relations disaster for Johnson. KKR pulled down a \$25 million fee for negotiating the deal and it takes a mere \$40 million a year fee to "manage" the company. John Greeniaus, the man who turned on his old mentor, remained the President of Nabisco; he endeared himself to Kravis by delivering on his promises to cut the fat and increase cash flow and profits of Nabisco division.

RJR managed to keep its head well above water in year one of the LBO by trimming the air force and selling off about \$5 billion of food business that provided generous fees for Morgan

Stanley. Gerstner closed RJR Atlanta headquarters, moved to New York, and cut payroll by laying off about 10% of its work force. The City of Winston-Salem was knocked back on its heels. Johnson was given the blame - he was the despicable culprit.

RJR's junk bonds sunk to only about 2/3 of their original value, and Kravis saw a dark cloud settled over the company. However, RJR reset its bonds to their original value in April 1991 by reducing its debt and increasing the interest rate. RJR is going strong. It has sold stock to the public, and I understand there will be another stock offering soon.

The junk bond market collapsed. With the bankruptcy of Drexel, the imprisonment of Milkin, and the failure of several other LBO firms, the luster was suddenly gone from leverage, and the roaring 80's were abruptly over. The bank lenders and institutional investors who so eagerly poured money into RJR in late 1988 would not touch debt driven deals by 1990. The RJR saga is indelibly cemented as the high water mark of an amazing business

era. Ross Johnson likes to take a personal measure of credit for the demise of the LBO. No chief executive would dare launch one after seeing what had befallen him. "I scared them all back into the closet", Ross jokes.

Peter Cohen eventually broke with the Robinsons and was forced to resign from Shearson in early 1990. By Spring of 1990, Cohen was unemployed, spending much of his time in a nasty fight over his severance agreement.

John Mullin retired to a beautiful estate in Charlotte County. He was tired of Wall Street and all its "big deals". He traded the glitz of leverage and the hustle for big fees for the serenity of the countryside, its streams and fields, hunting and fishing.

Ted Forstmann, though defeated in his own quest for RJR, felt thoroughly vindicated by the collapse on the junk bond market, proving to many that his warnings of a dire economic collapse did come true with the LBO - the savings and loan debacle, bank

failures, many LBO companies going belly up, greedy executives now convicted felons.

The proud founders of both RJR and Nabisco - R.J. Reynolds and Adolphus Green, must be turning over in their graves - what has happened to their companies? They must be asking themselves: where was the steady head of the CEO - the corporate steward whose mission was to preserve and protect RJR and Nabisco - not break them apart? Why did Johnson and his advisor care so much about themselves and so little about the employees and the products that came out of their factories? Why were they so intent on breaking up instead of on building up? What did all this have to do with doing business? Where was the wisdom of Wall Street in all the carnage. Was the LBO craze too much self interest rather than business interest? Did greed become the order of the day?

THE SPECIAL COMMITTEE

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Charles E. Hugel . . . Chairman of Combustion Engineering
Martin S. Davis CEO of Gulf & Western
Albert L. Butler, Jr. Winston-Salem Businessman
William S. Anderson Former Chairman, NCR Corp.
John Macomber Former Chairman, Celanese

The Advisors

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John Mullin Dillon Read & Co.
Franklin W. (Fritz) Hobbs, IV Dillon Read & Co.
Felix Rohatyn Lazard Freres & Co.
J. Ira Harris Lazard Freres & Co.

Others

J. Paul Sticht Former RJ Reynolds Chairman
J. Tylee Wilson Former RJ Reynolds Chairman
H. John Greeniaus President, Nabisco Brands

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BIG DEALS

The Players

At RJR Nabisco

F. Ross Johnson President and Chief Executive
Edward A. Horrigan, Jr. Chairman, RJR Tobacco
Harold Henderson General Counsel
John Martin Executive Vice President
Andrew G. C. Sage, II Consultant and Board Member
Steven Goldstone Of Counsel

At American Express

James D. Robinson, III Chairman and Executive

At Drexel Burnham Lambert

Jeffrey Beck, "The Mad Dog"

At Morgan Stanley & Co.

Eric Gleacher Merger Chief

At Wasserstein Perella & Co.

Bruce Wasserstein

At Forstmann Little & Co.

Theodore J. Forstmann Senior Partner

First Boston Group

James Maher Merger Chief

Brian Finn Investment Banker

At Shearson Lehman Hutton

Peter A. Cohen Chairman and Chief Executive

J. Tomilson Hill, III Merger Chief

Robert Millard Risk Arbitrage Trading

Jack Nusbaum Of Counsel

At Salomon Brothers

John Gutfreund Chairman

Thomas Strauss President

At Robinson, Lake, Lerer & Montgomery

Linda Robinson

At Kohlberg Kravis

Henry Kravis General Partner

George Roberts General Partner

Paul Raether General Partner

Richard I. Beattie Of Counsel

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