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Interview

with

MARTIN D. EAKES

October 19, 1994

by Jeff Cowie and Bill Bamberger

Transcribed by Jackie Gorman

The Southern Oral History Program
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START OF TAPE 1, SIDE A

MARTIN D. EAKES

OCTOBER 19, 1994

MARTIN EAKES: I'm the director of The Center for Community Self-Help.

JEFF COWIE: This is an interview on October 19, with Martin Eakes the director of the--.

ME: Center for Community Self-Help.

JC: Center for Community Self-Help. I wonder if you could briefly just begin with a brief biography, autobiography, about how you came to this position, and then a little bit about the credit union and how it works?

ME: I grew up in Greensboro in a predominantly black community during desegregation were kind of the salient facts for me. My friends were all black and basically over time most of my friends were destroyed in one form or another. Several have been killed, several have been jailed, and so somewhere along there I became really interested in social justice types of issues.

A story just a little flavor of who I am/was I played little league football on a church football team in downtown Greensboro and half of my fellow team mates were African-American. I can remember as an eleven year old taking my friends to join the church, this white, sort of, country club Baptist Church, and the church would not permit them to join as members. So I've basically been fighting to have people be able to get into churches and get into places that they were excluded ever since.

I would have been a jazz trumpet player or physicist if the world were a better place. That would be my real true love. Basically I went to law school with the thought of coming out and doing civil rights work. And the statement of how Self-Help got started, which started out of the back of a trunk literally with a couple of people with no budget, no pay. Our stated vision was to try to take the Civil Rights Movement and the women's movement and translate them out of the legal arena and into the economic arena. That, basically, many of the battles for civil rights had already been fought and won, but that they were irrelevant if they had no impact in the economic arena.

A couple of figures--. Just sort of statistical facts in the background that kind of motivate the kind of work of Self-Help getting started was the discovery that we found that in African-American communities there were only one-tenth as many businesses existing as there were in white communities. We kept asking ourselves, why is this true? I people tell me this, "Well, it's because black businesses fail more frequently." I said, "Well, that's possible. Let me go check it out." I checked out the data and found that was false that black and white businesses fail at exactly the same rate. There's no statistical difference whatsoever.

So I came back, and I refused to, having grown up in a black community, to believe it was a lack of entrepreneurial drive. Whatever else anyone could say, my community and the friends I grew up with had incredible entrepreneurial talent. And so we were very slow learners. It took us four or five years to finally discover what has become a real key fact and that is that in North Carolina, which is true for the country as a whole, black families have on average net wealth of approximately four thousand dollars. The net wealth a white house holds is approximately forty-four thousand on average. So there's a ten to one difference in wealth. Exactly the same order of magnitude at the difference in the number of businesses in communities. And so while we can as a society say that we have come so far from slavery and that we now have African-American jobs earning seventy cents on the dollar so we're seventy percent of the way. The truth is in terms of measurement of wealth, we've only come ten percent of the way from slavery.

Poor whites in North Carolina face exactly the same problem. Federal government policy and most media think of poverty as being low income. They forget that there is inner-generational wealth-transfer that takes place between family, within a family, and that problems of a hundred years ago do get transmuted with exception, I mean, people jump out and people fall back in, but all of our federal policy programs focus on income from food stamps to welfare, and income is only one half, if that much of the problems of poverty. Wealth has a real big key to it.

So Self-Help got started, basically, as a group of activists who had no intentions ever of being bankers or lenders or anything else with the notion that the way to make dialogue, to create dialogue between white and black, is to have people have a joint stake, a joint ownership, in enterprises. And so for the first four years, five years of Self-Help's existence, 1980 to 1985, we worked with industrial plants that were owned by families or by larger entities that wanted to sell them to the employees. And we worked to create--. I think we had maybe forty businesses of some form that got started during that period and roughly half of them survived for a period of time and half of them failed reasonably quickly. But the common thread was, how do you bring people who have been divided, either because of being poor versus rich or black versus white or young versus old, and have them have a common ownership in a business such that they basically are on the side of some imaginary line? That basically is and was the vision and philosophy of Self-Help getting started.

One more quick story and then we'll get into White Furniture. We found that we were spending most of our time trying to arrange financing for these efforts. That there was an incredible amount of interest. Every industrial plant--. North Carolina had an economy much like the rust belt in that we had between 1980 and 1982 somewhere around sixty to hundred industrial plants that shut down each year. No other southern state was anywhere close to that number. And about a third of those would call us asking if we could help to somehow figure out a way of having the employees buy the plant. We would work with maybe three a year or ten percent of the requests that we'd get.

One of the very earliest projects we worked with was a textile plant that shut down in New Bern, North Carolina. It had a group, a work force, of about four hundred people, and there was a small core of people, about five to ten former employees, who were almost all black, all over fifty-five years of age, many of whom were disabled during World War II, who basically said, "If we don't start and do our own business we have absolutely no chance of ever being hired in a rural town in North Carolina." The primary person, his name is Percy White, who helped push that along had no money, no wealth, no family he could call on to start a small business so he started selling liquid carpet cleaner, you know, the kind of stuff that comes in the orange jugs that they sell for high school fund raisers. He sold that for eighteen months, door-to-door, in New Bern to raise fifteen hundred dollars to buy his first oven.

He called me one time and said, "I'm coming to the VA Hospital in Durham, and Martin, I want you to come see me." This is 1981, '82, somewhere in there. I went to see him and he was not even out of anesthesia yet, and I'm thinking, well, it's going to be like visiting my grandmother, and he reached up to grab me by the lapel and pulled me down close to his face and he said, "Martin, if you can help me get seventeen-hundred dollars more I can start." He's literally groggy still with anesthesia.

The people who worked at Self-Help at that time pooled--I think we had a total budget of about ten thousand dollars--we pooled our salary funds and made him a loan of seventeen-hundred dollars. So it was our first--Self-Help's first--loan.

He started his bakery. He succeeded. We had a conference, and he brought one of the first cakes that the bakery made and raffled it. And had seventy-seven dollars for the raffled cake, and he delivered the seventy-seven dollars to me and said, "Martin, I want this to be the first money for the Self-Help Credit Union so that no one will ever have to sell liquid carpet cleaner door-to-door to get a business started just because they're black or poor or rural or disabled."

So that is the kind of the spiritual legacy of Self-Help and so this year we passed Self-Help Credit Union--. The combined Self-Help has total lending assets of seventy-seven million dollars. So we've had a millionfold increase from that first cake. And we've passed somewhere around sixty million dollars of community development loans that have been made in the last ten years with a track record and a repayment record better than any of the major banks in North Carolina. So I'm proud of the borrowers, and I think that we--No one says to me anymore what they did ten years ago which is that if there is a viable project we are making loans to, there are no people falling through the cracks. No one even says that anymore because they know it's false. So we're basically old-time preachers, soap-box preachers

JC: Well, that's a wonderful tale. Now, if you could tell us how you first heard about White Furniture Factory, and then, if that was before you first heard about the buy out tell us about that, and then when you first heard about--.

ME: Let me see if I can get all the sequences together. There were two members of the White extended family who knew of Self-Help and knew our work to create worker buy-outs of factories. One was Zan White, who I think you've talked to. The other was Carter Garber. I can't remember which called first, but basically they were the two who were in some ways, you know, the black sheep of that family, I mean, they were activists within that extended family. They basically said, "We have, as a family business, Martin, you never knew this, you know, because, at least, at that age people whose background was connected to some kind of wealth, but who were in the activists community, they didn't advertise that so much." And said, "We have this connection, and our families are shareholders in a factory that looks to be having problems, and that it is having loses for the first time in its hundred-year plus history. Is there anything that Self-Help's programs could be useful in helping with?" Well, it was a larger venture than any we had actually invested in the past although we had worked with one's that were a hundred and two hundred people. This was--I don't even remember the exact size now- but it was six or eight hundred, I mean, it was bigger.

So we started having a discussion probably a year or two before the buy out.

JC: If I can clarify one point, now, were Zan White and Carter Garber interested in you helping the White family or helping the workers actually buy the plant from the White's?

ME: I don't think there was any real view of that being a division, but if the workers could buy it that that would be a benefit for, as a way of saving--. This was a time where industrial plants were shutting down all over.

BILL BAMBERGER: When the call was made was the company truly for sale or were --

ME: The very first conversations were, I don't think it for sale at all, it was simply--. The challenge Self-Help had found during its first two or three years was that by the time a business had already shut down or was close to shutting down there was no chance to salvage at that point. Once some of your strong employees had left, once your customers had started moving to other places, once your vendors had lost confidence in you, it's basically an avalanche, and you have to identify an opportunity for employees to buy a firm very early. And Zan and Carter had heard me preaching me that message for at least a couple of years. So I think they were saying, "Well, here, is --. This may or may not be --." I mean I don't think they knew. They knew they didn't have the authority to speak for their families, but they had that interest. And so there was some trading of information, but it was a very low key and not very pro active until some point.

I don't remember exactly what the catalyst point was, and I can't remember the exact timing of the chronology, but basically the two families, the two White Furniture families, the Whites' extended family, and the Millenders' were starting to come to real conflict as a shareholder group. And some of that was focused on the issue of transferring management control from the older generation to the younger. Basically, my perception at that time was that the Millenders', who I had virtually no contact with--I substantial contact with the Millender family--did not have confidence in the younger generation of the Whites'. That would probably come to focus primarily on Sam White.

So there was a substantial minority stock ownership position that wanted to sell the business as a way of avoiding what they were starting to see as a decline in the fortunes and profitability of White Furniture Company which had always had substantial profitability throughout its history, I believe. And it was at that point that we really got called in as a viable option to think about is there a way that the employees can buy out. I can't remember whether the--what's the guy's name, the Chicago financier?

JC: Clyde Engle?

ME: I can't remember whether he was in the picture yet or not.

The learning that Self-Help had had over the years was that the absolutely critical piece to having any worker buyout succeed was having a very strong committed chief executive. It's the key to any organization succeeding whether it's a college, a non-profit, a small business. I, at that time, didn't believe that. I wanted everything to be Egalitarian: that any person, if you give them the ingredients, can at that point in time be a successful manager of a business. I was wrong, I mean, my ideology was.

So we recruited a person--.

JC: Are those usually recruited from outside rather from within the current management structure?

ME: It depends, I mean, you can use it--. Basically, say a business that is prospering quite well, probably has the leadership internal to the business to run it. One that is starting to decline, probably doesn't. It's just that simple, but, that is, my forty businesses that I worked with over those first four or five years, the ones that failed and the ones that succeeded, there was no difference in the markets they were in and the types of hurdles they faced in any single factor except for the skill, tenaciousness, stubbornness of the leader in a project. That we found people who were in tough markets, facing really tough challenges, with a strong enough person would still find a way to make it uphill, and those that had weak leadership, no matter how clear the path, no matter how big the market, they would find a way to bump their heads on an overhang on the way down.

People who are in lending, in business school, bankers, I mean, the sort of traditional business world, they already knew that, but as younger idealists we were not prepared to accept that at that point. They were right, and we were learning on that score.

JC: So you--. You started to say that--. It sounds like you were about to describe your search for a viable CEO.

ME: Well, we had identified a person that we knew to have really exceptional talents. Someone I went to college with who then had gone to Harvard Business School, had been several years in a very high-powered consulting firm in Cleveland. His name is Crawford Crenshaw. I mentioned his name to you. I called Crawford, and asked him if he wanted to run his own business. The guy has unlimited talent and really a very, very strong person, but he's young. I mean, he's hobnobbed with the CEO's of the Fortune 25, a really big company. And he basically said, "That's exactly what I'd love to do. I'm willing to explore it." And basically, he committed that if some kind of worker buy out could take place at White Furniture that he would come in and be the manager, which is a very risky role, I mean, you have some democratic processes in place so that weak management can be thrown out by the folks who work there. So it's a little bit tenuous.

BB: Before we move forward and talk about Crawford Crenshaw little bit, I'm curious, you had said that when you were contacted by the Whites' that they had said that this company is in trouble and to help us approach, help us deal with this. Did they elaborate or did they share any other information, more technical information, with you at the time to help you sort of assess where White Furniture was, and/or did you do any preliminary research before you contacted Crawford to see what the financial situation was at White Furniture?

ME: I can't remember the chronology, but we basically got the--. If you're doing an assessment of a buy out of any sort what you need are historical financial statements, and I think the early conversations we had--. It was not the White family in its institutional sense that contacted us. It was two children who were really not in positions of power who contacted me. And at some later date--. So there was a discussion, and there was really no follow-up with that because it wasn't at a point where there was really much interest from the real powers within the White family.

It was probably a year later, and I can't remember the dates exactly. You could probably refresh me of what happened at what date, and I can place them before or after. I think it was Zan who probably got me financial statements for a five or ten year period preceding. So we analyzed it. It was a very simple company, I mean, in a sense it's a simple business to analyze on the surface, and then much more difficult to analyze a level deeper.

The first analysis of White Furniture was to say, what has been the profitability trend? What has been the sales trends? And try to analyze those numbers and what those numbers showed was that the business had been stable and profitable, but that it was moving in the wrong direction in of profits so that the Millenders' had a legitimate fear, I believe, of what might be the future of that company. There were also the trends that businesses that were located around the I-85 corridor were facing higher labor costs than businesses that were in Mexico or even in Moore County. So that was certainly a factor that people would fear for a business that is largely based on materials and skilled labor.

For us, when we looked at it, the preliminary screen was to see, is there enough profits in the business to justify being able to do a buy-out. A buy-out always involves taking on some level of debt. A business that has no profits can never pay that debt back so that profits in a buy-out situation are absolutely critical no matter who it is.

JC: Sure.

ME: We felt like there was sufficient profits there. The business had not lost money for any consistent period of time. It had lost money for like one year which meant that, from the projects we'd looked at, was an easy turnaround. The level of decay in the business was not very substantial. I mean, we would see businesses in 1982 that had lost money for ten consecutive years or for five consecutive years, and they were already severely weakened.

BB: Could there be a --. Who did the research for you, I mean, the actual research and looking at these books? Was this something that you did hands-on or was this something that Crawford--?

ME: There were three key people on the Self-Help side that worked on this project; myself; a fellow named Steve Zuckerman who is a very smart, very young fellow, a Yale graduate who had gone to Bain consulting--a big consulting firm in Boston--and then came here before he went back to Stanford Business School, and now he's running a big investment banking firm in San Francisco; and Crawford Crenshaw, the three of us.

JC: And your basic assessment was?

ME: Totally viable. It was viable as a business. It needed new leadership. We felt like Sam could contribute, but that he was not the CEO potential for the next couple of decades. We sort of took that issue head on. We were going to bring in an outside party to supplement the leadership needs of the business.

The next level of analysis really Crawford did primarily himself. He came in and basically did a product by product assessment of profitability which you will find in businesses that have lost control is that they will show you that product by product every product is making a huge profit, but somehow the company as a whole is losing money. And so that means that the analytic assessment of the business is faulty or something, a mistake being made. So Crawford went through and basically analyzed the basic contribution of the profit lines--the product lines--to see which ones could continue. Which ones could you expand? If you don't know that basic data you don't know which things to expand and which to contract within a company.

The second piece of analyzing the technical side of the business was to understand the tax implications. Our plan was to use an ESOP structure, an Employee Stock Ownership Plan, as the method for employees to buy out the former owners. The critical thing for an ESOP plan to work--there are two or three critical factors--one, the business has to have profits because you didn't have any tax--. The tax benefits in an ESOP don't accrue unless there's profit in the business. White Furniture just--. There was just no question that that was strong potential. It had profits forever.

The second piece was that you had to have a firm that is at least fifty employees in size to be able to justify the administration costs of doing an ESOP 'cause you have to do annual appraisals of the stock, and you're basically are going to have between ten and fifteen thousand dollars of expenses, ten to twenty-five thousand of expenses each year to maintain an employee stock ownership plan which is like a retirement plan, but the employees own the stock in the company.

Basically what that allows you to do--this is probably more technical than you will ever want or need--but it basically allowed the profits of the business to pay off the debt in a pretax form. So that it basically means you can have a cushion of somewhere around forty percent--forty to fifty percent--greater than a traditional buyer of a company could have. So all other things equal, a traditional purchaser of this plant versus a tax-favored employee buyout, you have a forty percent advantage in doing it as an employee, roughly. Which basically for us, our sense was there's no way that if these--. There is no way if you have comparable management that a outside purchaser can compete with an employee buyout if you have comparable leadership.

JC: What about the capital necessary to upgrade the equipment within the factory if that needed to be done? It might be available with an outside purchaser and might not be available with an ESOP

ME: An ESOP has the ability to borrow better and more than an outside purchaser. So again, someone would have to judge the viability of whether or not the plan was viable and whether or not the people carrying it out, which I think is a totally valid critique of the effort that we were doing of saying, "Well, how experienced is Crawford at this level? You know, he's done all these other things that he's been a superstar at."

BB: On that point, White Furniture have any debt at that point?

ME: I don't remember it having any substantial debt at all. I mean, I have files. I haven't had a chance to go look and see if I have my old file.

BB: The street rumor was that they had never borrowed money. That they had never believed in that, I'm being coach to project.

JC: [laughter]

ME: Speak up louder.

BB: I had heard that they hadn't, you know, from folks that they were one of those old-fashioned companies that had never borrowed. Would that make it more desirable, as well, that they would have no debt when you're looking at a company?

ME: Well, makes it easier. Makes it easier if you have assets there. And what the primary assets of White Furniture at that point, the financial assets, were it's plant and equipment and then a huge amount of inventories. They had tons and tons of wood in inventory. I mean, we believed that there was two to three, I mean, that there was a substantial amount of the purchase price that was in the inventories of wood. It was huge.

BB: We have heard another rumor--I can test rumors of people--set you up with this but this is what I have heard: that there was enough inventory in the plant at the time of purchase to pay for the purchase price in and of itself. Is that something that--.

ME: We would have had--.

BB: Could you tell us where to look to document something like that?

ME: We would have had that data. I'll need to go back and try to see if I can find my files or someone who was there contemporaneously. I believe that that's true. I'm trying to remember ten years ago, but our sense was that the plant obviously needed substantial work so that the plant itself was not a major value asset. This was before the environmental issues. I think it was just before that became a really major issue for lenders so that facility would have--. Anything that existed for a hundred years as an industrial sight would today be very suspect for environmental hazards. And I just, I can't remember exactly when that came in.

But our sense was that there were several things that an outside buyer--. Basically the dynamic that took place was the Millenders' were pushing, the White family--from my perspective--was very passive, I mean, it was a very southern, genteel--. That dealing with real avid lawyerly conflict was something that they just had never encountered before, and did not know exactly to what it would do and how quickly can we respond. The Millenders' may have been shut out of information, and so I think they had a fear that if it weren't sold now that the business would deteriorate and go into bankruptcy, and their stockholdings would be worthless. That was the mind set from my perspective from a distance.

JC: You put together a proposal?

ME: Put together a proposal. As best as I remember it we were going to buy the plant for somewhere in the six-million dollar range, and we were going to have debt that would be secured by the assets as part of the buy out, and use this tax favor at ESOP and bring in a new CEO to the plant. It would have--. I believe to this day that it would have worked really well.

JC: And what happened?

ME: Well, basically, it became a battle, and I can't remember, again, without some prodding all the sequential steps, that it became clear who the bidder was, and I can't remember what the name of his company. I can't remember whether it was Hickory Chair at that point or whether it was--. Clyde Engle owned dozens and dozens of different hierarchical, very complicated corporations. We were essentially competing with a proposal, and I guess there was always the third proposal which was to do nothing and to continue as it was.

And the weak spot. I mean, in retrospect the two critical weak spots which I think are really fair critiques of the Self-Help proposal at that point was that we didn't have all the financing lined up. We needed to have the company's cooperation. We could not do it as a hostile takeover. We were not interested in that kind of scenario. But we had very strong contacts with Chemical Bank and Citicorp and large lenders so that, I believe, we would have put that together. We have since then--Self-Help--has done significant financial transaction. We had the access and contacts to do that, but we didn't have that money to put on the table like we could now. I mean, we didn't have seventy-seven million dollars that we could invest. If we had I think we would have done that project.

And then the leadership, I think, that we had was less tested than the leadership of Hickory Chair Corporation. The plusses were that we had the tax-favored treatment, and we had a much stronger commitment to the local economy. There were reasons that--. We felt like we knew exactly what would happen after we did a literature search--just really as a lark--and were the first to uncover the *Fortune* article on Clyde Engle. So we delivered that to the plant. And we did a bunch of other research on the IOK filings which are the Securities and Exchange Commission filings and all of a sudden we're saying, "Hey, this guy is not a pristine, pure industry operator of furniture. That he has been alleged to have milked pension plans, and there were certainly the assessment at White Furniture that the pension plan there had the potential of overfunding, of pulling out a million to two-million dollars. We believed--I had no idea what actually happened cause I didn't track it after the event-- but we felt like there was the potential for an amount of money to come out of the pension plan which was certainly the allegations that the SEC and others had made against Clyde Engle and a bunch of other companies. He did have a pattern of having companies that he took over five years later filing bankruptcy and looking for what happened to the assets of that company.

We felt like what would happen with White Furniture is the inventories would be depleted, there would be a gradual sell off of the most sellable assets, that there could be some reassessment of the pension plan overfunding situation, and that basically he would--. That there would be the potential of pulling the purchase price back out of the business and leaving the carcass to rot.

Now, I can't say that that is exactly what happened, but that's what we believed would happen. There are at least pieces without knowing all the facts, without knowing what happened to the inventories, without knowing what happened to the pension plan, we certainly saw them sell the Hillsborough Plant which was far more modern than the one in Mebane. It was a rape.

JC: Well, given this context you've just set up was there, and especially the commitment to the local economy that you described, were the Whites' or the Millenders' more sympathetic to your proposal just out of those interests?

ME: Well, we were very young so we had a credibility hoop to overcome. And I think Carter and Zan were not the most--. They had a credibility hurdle within their own family. I think it was a very gradual thing that people were saying, "Well, let's go with a sure fire thing." Someone from within the industry. There was a consultant who had been hired. There was a very high powered law firm from Charlotte who--I don't fault as much now as I did then--who was very strong-armed, very experienced in how you do these mergers. They were using a mechanism called a cash-out merger which basically says that if you have a majority vote you can force all the other shareholders to sell out. The majority completely rules. And they were good.

JC: [laughter]

ME: And so we were really a little bit out of our league in that negotiation process and yet, what we had uncovered was that this is not your bonafide pristine purchaser of like industry-type, and so that really created a fire storm. So we were in there basically at midnight in my living room trying to figure out, okay, how do we fight for fight with these lawyers? It was procedural battles that became like a hostile proxy battle. And what that means is there was a day that we had this big shareholder vote. I was there. And their lawyer was there, and they were running it. And the vote was very, very close. I mean, I don't know exactly what it came out to, but in my memory it was like fifty-four to forty-six percent. All the Millender family voted to sell it.

BB: Were they all there at this?

ME: Everyone was there.

JC: Voted to sell it to you?

ME: No, no, voted to sell it to the Hickory Chair. And the White family, I think, along that way they were sort of measuring between these two evils. In their mind, I think, this young group that could have an answer that seemed smart, seem to have an answer, and certainly had information about the other guys that was very damaging, and then another party, who seemed to have lots of good industry solidity, but all of a sudden who looks like they're rapists.

So ultimately the majority of the White family voted against the sale, and there was this anecdotal--I wish I could remember exactly--but I believe the swing vote was Sam. I believe his stock was voted--. That that was the vote that made it be sold, and that he had the impression, which is, again, if you're experienced that's what people do when they're doing buy outs is they dangle not the commitment that they will keep you as the manager but the possibility, and Sam was looking at whether or not he kept his job. I may be wrong in this. That really needs to be verified.

But it was in the mid 40 percent that voted against it, and it was not until that day that it was clear. I mean, it was not until the vote was finished that it was clear that we had lost, and Hickory Chair had won. It was in one of those meetings where I was standing up and saying, "These guys are corporate raiders and pillagers," and whatever strong language I could have that their lawyers said--and I think a measure of protectiveness to me, and I don't know whether he liked his clients or not, but he was a professional in his work saying--"You need to be very careful in the language you're using. This person has sued people for liable before. He has plenty of money to wipe you out. Just be very circumspect in how you present this case."

I was saying, you know, "It's not like Fortune Magazine is some pinko publication that is far left or anything, I mean, this is a mainstream American business journal--

BB: Do you need to flip the tape?

JC: Yeah, let me just flip the tape. I don't want to break the momentum here, but --.

END OF TAPE 1, SIDE A

START OF TAPE 1, SIDE B

MARTIN EAKES

OCTOBER 10, 1994

ME: But basically we believed that what would happen, at least from a distant perspective, is exactly what did happen. That the company's assets--whatever was of value--would gradually be transferred out of that community, and the business would be left to languish in. And White Furniture had an incredible name in the industry. Virtually all the major--you know, take someone like Henry ( )the principals of Henry ( ) had worked at White Furniture. Almost all of the major high quality case goods--is what they call it--hard furniture had worked at White Furniture. It was the granddaddy of the furniture industry in North Carolina. It had this reputation of being right up there on the very top end in terms of quality which is something--. You can't create that. That comes from quality craftsmanship and materials and a long history, you know, and they just destroyed it.

BB: Then why close a company like that that has a reputation like that? What would be their motivation for buying a company like that and closing it? Would it be immediate profit?

ME: Upstream of cash, I mean, I don't have the facts to ascribe bad motives, all I have was the history. I never met Clyde Engle. I never met with him.

BB: I realize I'm asking for speculative, you know, for you to speculate a little bit.

ME: Well, we felt like they could take the inventories out, that the inventories--. Have you got the facts on what the final purchase price--? I know we were offering more money.

BB: Do you know?

JC: I think I have the purchasing price somewhere.

BB: I've heard around five million.

ME: Yeah, I want to say somewhere between four and a half and five with several contingencies, I mean, I've just--. The way these transactions work is you have someone who comes in, they make a purchase price, and they have adjustment potentials. And so I would bet that by the time it was all adjusted out that they had paid well under five, maybe between four and five. And so our offer had come in somewhere in the six range, six-million dollar range which we could do only because we had tax-favored financing, I mean, interest. Banks who make loans on employee buy-outs were able to get a tax-free interest on half of their interest. So you can get loans for that kind of situation that is prime minus one instead of prime plus two. So there are real benefits, and really what people were having to choose between was the fear of the unknown with the employee buy-out versus the fear of the unknown with what looked like a corporate raider buying. It was a pretty awkward situation. And the fear of continuing on as they were which looked pretty-

JC: You also implied that maybe some implicit promises or suggestions were made to Sam White.

ME: Well, they kept him on. They fired him a month or two after the buy out.

JC: Right. Do you know what they said to him?

ME: I don't know specifically, I mean, Zan would probably know. I mean, Sam told me at your Open House, he said, "You know, they fired me right after."

BB: Sam has told me the stories sort of off the record, not that it was off the record, but in the Byrd's parking lot one day standing across from the plant which was kind of a pretty powerful place to hear this story. He has agreed to go on record and tell us the story. But we sort of have wanted to wait a little bit and talk to some folks.

ME: Sam has got, I mean, Sam is really the tragic figure in all of this. He's the person that is goodhearted, he cared about the community, I think he wanted to do the right thing. He, himself, was right smack in the middle. He was heir apparent. He's the one that people were saying--the Millenders' were saying--"We don't have faith that he can run it." And if my memory is accurate that his stock and his votes were the swing vote between yes or no, he's going to have a lot of revisionist history incentive, I mean, it's going to be a terrible, horrible burden for him to carry that he cast the deciding vote. I mean, it's like Pilot. It really is--.

JC: Did he express any regret to you at the Opening when he said that they had fired him?

ME: We didn't have a very long conversation. I think it was--. People saw me as being a very strident voice of purity and clarity, and I think that that would be the perception, I mean, I had mentioned to Bill I went to Steve White at the Open House and he didn't recognize me, but his wife, who had been working in the plant at that time, she immediately, she said, "Oh, I know you. I remember you exactly. You were the lawyer from Durham. You were the first one to find what these guys were all about." So I think there is now a pariah, a prophetic sense among the folks who still remember, who were there, that this was what we said would happen, and it happened. And that they were, well go ahead.

BB: Did you talk with Sam White directly, and did he inquire as to what his place might be if the employee buy out were to succeed?

ME: As I recall, we were completely clear and candid from the front end that we were bringing in Crawford. Crawford would be chief executive, and we felt like there was a strong role for Sam in the business, but not as the CEO. We were really--. If there was anything, that was our--. You know, if your thinking about how these transactions were done, that was a difference for us. We were far more candid than people who are experienced are. They just simply do not reveal what their intentions are until they have control, and then they do whatever they damn well please.

I don't remember there being any discussion he would be fired or that he would kept. He would not--. There was never any discussion that he would be the president--CEO--Crawford would was going to be that person. Crawford was a stronger person, stronger.

BB: When you made your presentation before the stockholders was the vote that was taken whether or not the company should be sold to the Clyde Engle group or financed through the credit union or was, in fact, simply a vote to--?

ME: The credit union didn't exist then.

BB: Okay.

ME: Self Help Credit Union did not exist.

BB: What I'm getting at was it a vote between them or you or was it a vote whether or not they would move forward with them, and, if not, you would then have a chance to make your offer available and begin to negotiate? That wasn't really clear to me.

ME: I think the procedural vote was whether or not to merge with Hickory Chair. That was the official vote. I think these were the only two options out there, but I don't think that had the vote gone fifty-one to forty-nine the other way it would not have been a vote to do. Basically, these were the two options that were on the table, but they could have decided--. I think there was certainly still room to decide we don't want to do the Clyde Engle transaction, and we don't want to do this one. But it had pushed to a point that those were the only two live options that were out there.

BB: Your offer was on the table and there and it could have--. Had their vote been turned, had their offer been rejected yours could have come to the table for a vote subsequently?

ME: Yeah.

BB: Is that offer still available? I mean, is it in written form? Is it something that we might go look at?

ME: Oh, I had everything in my file. I just don't know whether I still have it or not. I had files from this and four or five equally compelling cases, and I just cleaned them out. I just threw a bunch out. I don't know whether I still have it or not. Other people might have it.

BB: Any notes or tapes of your actual presentation and theirs on that day?

ME: There are no tapes that I know of unless they have them. The lawyers might. We had notes because basically what was going on is there was a series over, let's say, a two month period before that vote that were legal maneuvers of saying, "Okay, here are bylaws. How can we challenge this process?" Cause it was a--. A cash-out merger is a hostile takeover. It's basically saying, if you don't buy in at this point, if you are a dissenting shareholder you have certain rights that a court can do, but you lose certain benefits if you buy in right now. If you get more than fifty-one percent you can force everyone else to sell out. And that for me was a new thing. I'm saying, "How in the hell can it be legal that if a large number of people do not want this to happen that they can be forced, not only to have it be sold, but to give up what they've owned for over a hundred years?" It just seemed outrageous. I now am less outraged by that piece of it because there are situations with businesses where you need to not have--if you think about divorces in families and you said, "Well, you guys just simply have to live with each other for the rest of your life no matter how much you hate each other"--you would destroy homes, and in this case, you would destroy businesses and people's jobs. Sometimes it's better to have one demon in control than having a divided house.

But we were doing all kinds--. It was all kinds of parliamentary, and we looked at getting law firms that do what's called a tender offer, which is where you directly to the shareholders to buy their stock in advance of them being able to vote it so we can vote. [laughter] We simply were not substantial enough financially to win a battle against someone who had acquired a hundred corporations in his tenure. It was David fighting Goliath.

JC: Was this project ever discussed with the workers?

ME: Well, there were several meetings that we had with sort of the leadership of the business. I can still

remember one which was really fascinating, and I think it was telling where someone--and I don't remember who it was--said to Crawford, he says, "And just what is it that makes you so interested and concerned about Mebane, North Carolina?" The skepticism of an outsider whose motivations were not solely to make money and that is a telling critique on the culture of America, that people are more trusted with outright self interest than they are--. Idealism or altruism of any sort is basically a distrusted commodity in our culture. People cannot--. If you know that someone is after it for greed then you can at least trust that you understand it, but the other you can't.

Crawford met, I mean, we met with virtually all the different financial and product people to try to access what the product lines were. Our determination was we had to be comfortable that the business could be viable before it was worth spending all this time and energy to, and not to mention, the employees' livelihood and that was a pretty heavy responsibility for us to be saying, okay, it's a fair amount of hubris and arrogance. You don't do that lightly, at least, not for people like us. Our sense was, if this can't work with a ninety-five percent confidence level we don't want to do it. We were that confident, I mean, we were that confident that it could be a viable, long-standing, profitable business in Mebane, and I still am, but you have to have leadership that is committed to that.

JC: But to your knowledge this idea was never circulating on the shop floor amongst the workers?

ME: I'm sure it got out. No, I'm sure that--

JC: But never formally in any way?

ME: I don't remember ever having a big, you know, five hundred person meeting, but there were a lot of people. I feel certain that people knew in the way that rumors are within a plant that they knew of these two options. My guess is that they were equally concerned, I mean, I would bet that at the work-force level they didn't know much about either one because businesses, when they are going through a sale and a fight among shareholders, they don't usually try to enlist their employees because there's the perception that that would scare them.

For us, we had it as a condition of the offer that there would have to be a process of presentation to every department and a vote by a majority of the employees before we do it. It's ludicrous to have an employee-owned business where the employees have not had a chance to say that they wanted it or didn't want it. I don't ever remember it getting that far.

BB: Did you any sense of how strongly the White and Millender families felt about the legacy of White Furniture and selling to a company that would, in fact, keep the company alive? Was that something that came to the table in terms of Hickory Chair's presentation, i.e. we're going to buy this company to make a profit, to run, and to continue White Furniture?

ME: Well, people want to believe what they need to believe to be able to do something. In this case, you had a company that had been identified with one town forever, but it had also passed through the generations so the stock now was very dispersed. In any family owned company that lives three generations has like heir property to farm as a hundred heirs now who have, as it cascades through the generations, a number of people many of whom no longer lived in Mebane. So those folks did not have the tie to know.

My perception of the Millenders'--again I never had a direct conversation with them at all--was that that was a false choice. Their perception was, this business will not succeed if it continues the way it was. I think they were overly panicked, but I also understand if they had grown up and they made an assessment that Steve White or Sam White or someone could not lead this into the next decade that their choice or their view was that either they got the value that they could do, and they could put it back and do whatever they were going to do or there was not value for anyone-

Clearly, Steve White and Louise White and that piece of the family had strong feelings about what this meant for them. They wanted it to continue as it was as the legacy of Mebane. The question is. how do you do that? So I think when Hickory Chair came in--I can't remember the consultant's name--but there was an industry consultant who is paid a commission to bring about the sale in a combination of companies like that, who was an industry known, respected person who basically said, "You should sell it to Hickory Chair. They've got the expertise to add value and keep it." He also had incentive to say that, you know, that's how he got paid.

So I think folks like the Millenders' and others--. No one wanted to believe the information that we were presenting to them. It was like--. Hickory Chair is well known. What about Clyde Engle? That was a real confusing point, but when you are seeing the righteousness of your path it's hard to get distracted from it. Hard to let the facts pull you away. So I think people had a strong psychological need on all camps to feel like they were doing the best thing; doing the right thing. There was the good southern moral--. I don't believe among the shareholders on either side that there were camps that I would say were malicious. There was honest disagreement and what is the right thing? Yes, people may have viewed the facts differently, but I don't view the Millenders' as being the bad guys here. I think they did what they believed would produce value for them personally and that would create the best opportunity for the business to continue in Mebane. We believed in good faith that they operating in good faith but that they were making the wrong choice that within five to eight years the business would be milked and shut down.

JC: How we doing on time?

ME: We're bad.

JC: We're bad?

ME: Yeah.

JC: Do you need to wrap it up?

ME: Yeah, we really do. It's twelve twenty-two, and I've got to be--.

JC: Great. It's been a fabulous interview. [laughter]

BB: We can wrap it up that quickly. [laughter]

ME: I'm sorry. I didn't realize we had--.

BB: I had just looked at my watch as well.

END OF INTERVIEW