MANAGEMENT PLANNING, INC.

"Management is Everything"

20 PINE STREET, NEW YORK 5, N.Y.

September 7th, 1945.

Mr. Amon G. Carter
Carter Publications, Inc.
Medical Arts Building
Fort Worth 2, Texas

Re: Purchase of WLW by
Aviation Corporation

Dear Mr. Carter:

Because so many people on the radio field have asked who handled the negotiation of the Aviation Corporation's purchase of the Crosley Corporation, we thought you, too, might be interested in knowing more about it than the enclosed news story discloses. It is possible that such information may suggest how certain facilities could be helpful to you.

It is not our intention to suggest that you consider the sale of your station, the purchase of another station or a merger between your station and any other. On the other hand, if you are already considering such action, Management Planning, Inc. is uniquely qualified to assist you. A brief perusal of the actual cases in "Fiscal Counsel -- Plus", the attached leaflet, will prove this.

Experience has amply demonstrated that negotiations of this kind fail in 98% of the cases unless, as one client put it, "an outside disinterested party, such as Management Planning, handles the transaction." He was referring particularly to the need of an impartial adviser to help determine the proper values to be used for each company -- one who had no financial stake in either company to influence his thinking on the values involved.

But, in addition to helping work out a fair price, the negotiator above all else gets action. Neither the seller nor the buyer ever wishes to press the other for action lest he appear too eager and thereby weaken his trading position. That means neither will take the lead. Inevitable result:-the matter drags on interminably and nothing is accomplished.

Furthermore, just as was the case in the Crosley-Avco deal, there are many more than two principals to be satisfied. There are always lawyers on both sides. Frequently accountants are called in. Usually there are two groups of bankers whose approval is desired, and, nearly always, other stockholders and directors who must agree. Getting all these groups in agreement takes an immense amount of time, resourcefulness and specialized ability (such as finances, taxes, etc.) and a great deal of selling.

We have no reason to think that you are contemplating a sale, merger or purchase of any business — broadcasting or otherwise. We do, however, want you to know that Management Planning, Inc. is unusually equipped to serve:

Any Corporation which seeks additional capital, or wishes to purchase or merge with other businesses, or sell one or more of its divisions,

Any Large Stockholder who seeks protection against future inflation hazards and confiscation of his estate by death taxes or wishes to change unmarketable securities into liquid assets,

Any Manager who wishes to become part owner of his business.

In these fast-moving days, it is always possible that changing conditions may at any time make the above services of vital interest and importance to you.

We are enclosing an excerpt from a book shortly to be published by our organization, entitled "Fiscal Counsel -- Plus". It tells how one company increased its salable value from $440,000 to $1,650,000 in two months, how a management-owner conflict was settled within a year in spite of 10 years' failure previously, how two younger men without capital secured control of a business. Also included are other solutions to difficult business and financial problems.

Should you desire to discuss any of these problems with us, we will be most pleased to do so without, of course, any obligation to you.

Very truly yours,

Raymond E. Hartz

Raymond E. Hartz
Executive Vice President

REH:aew
Enc:2

FISCAL COUNSEL

___ *PLUS!*

This booklet is the first chapter of a book entitled "Fiscal Counsel—Plus" which will soon be distributed by Management Planning, Inc., of 20 Pine Street, New York 5, N. Y.

"Fiscal Counsel—Plus" is something NEW in finance. It interests the top financial executives of corporations; offers hope to corporate managers who wish to become owners; provides stockholders protection against economic, political and personal hazards. The best way to describe Fiscal Counsel — Plus is to show it in action. Let's look at a few actual cases:

FISCAL COUNSEL—PLUS
Increases $440,000 to $1,650,000 in Two Months

CASE No. 1. The chief executives (who were also the principal owners) of a comparatively small manufacturing company discovered, in one small division of their company, profit possibilities which caused them to decide to make this their principal business after the war. They decided to dispose of the company's major business.

LOCAL INVESTMENT BANKERS: They took up their problem with one after another of several local investment banking friends. And one after another, with virtual unanimity, the security dealer friends pointed out that the entire business, from a statistical viewpoint, was worth only about $440,000. "If you segregate one division of the existing company and make it into a new corporation, the resulting company will be too small to justify either a stock or bond issue." Furthermore, their attorneys stated that grave and apparently insuperable tax difficulties would be encountered when they came to establish a value for the division which they wished to remove from the main business. The tax question was passed along to the investment bankers. They had no solution to offer.

INSURANCE COMPANIES: Insurance company financing was next considered. The company's executives learned, however, that financing by life insurance companies is based upon the collateral value of the assets plus the expected stability of future earnings. In this case, the assets consisted largely of building, machinery and equipment known as "special purpose property." From a life insurance company viewpoint these assets had very low collateral value. There was also the hazard that, if the present management left the business, the future earnings might decline—and there was no way to forecast probable earnings under different management. The life insurance companies admitted that their facilities did not offer a solution for this problem.

COMMERCIAL BANKS: The matter was discussed in due course with the company's commercial banking connections. Short term bank loans are based largely upon inventory and accounts receivable and long term loans of from five years to ten years, like life insurance company loans, are based largely upon the collateral value of the assets, plus the stability of future earnings. The business did not qualify, therefore, for even a modern-type commercial loan.

From their bankers, however, the management did receive two suggestions—first, to discuss the situation with real estate brokers, and second, to approach large underwriting bankers to determine if they might be interested in merging this company with one of their client corporations.

REAL ESTATE BROKERS: The real estate brokers were approached, but their facilities proved disappointing. Their experience in this field was limited. Their activities were confined largely to their own localities; thus they lacked a national outlook. Obviously, real estate brokers did not provide the solution to the company's problem.

UNDERWRITING BANKERS: A large mass of figures on the company history was then presented to a nationally known underwriting banking house, with the idea of merging this company with one of the banker's corporate clients. The executives claimed that their stock was worth at least $20. per share or $440,000 for the entire outstanding issue of 22,000 shares. Statisticians investigated the figures, arrived at the conclusion that the stock was not worth $20. per share, and the banking firm decided that the case was of no interest to them. They did propose, however, that the management might suggest a merger to some of the many Detroit manufacturers.

DETROIT MANUFACTURER: A prominent Detroit manufacturer was then asked to consider making this company one unit in a group which he was getting together. His auditor visited the home office of the company and reported substantially as follows: "These people do not keep their books properly. They have failed to include a substantial liability which we think should be included, therefore their balance sheet is not a correct presentation of the company's financial status." The Detroit manufacturer decided that he did not want the company at $20. per share.

FISCAL COUNSEL – PLUS: During the course of these discussions, the management heard of the financial service which Management Planning, Inc. calls Fiscal Counsel—*Plus*. The problem was placed in our hands. The figures which had been accumulated were studied by the statistical department, next the head of the engineering department made several trips to the plant, following which the top management of the company and our negotiators held several conferences. *Result:* We came to the conclusion that the stock was worth at least twice the price quoted and that there were several places into which the business of this company would fit ideally. This was

not evidenced by the mere figures prepared by the statisticians, but was based upon the joint findings of our engineering and negotiating staffs. As the management was willing to sell at $20. per share, we offered to demonstrate our belief in its value by joining with some of our closest friends in purchasing 8,000 shares for $160,000. The offer was immediately accepted.

Following this, one of our top executives was given the job of selling this business with the instructions, "Do nothing else, think of nothing else until this sale is completed." Within two months, a large percentage of assets was sold to another larger manufacturer, and the division of the business which the principal owners wished to develop for themselves was retained. The net return to the company as a result of this sale, was $75. per share or $1,650,000 for the 22,000 shares. This was the same business which, on the basis of banking statistics alone (including the division which was not sold), was estimated to be worth $440,000 or less. The difference between $1,650,000 and $440,000—which is $1,210,000—represents the value added by Fiscal Counsel—Plus, growing out of the combination in one organization of eight essential services.

In this case, Fiscal Counsel provided a "plus" not available in any of the financial institutions previously approached, viz.: Engineers. These men discovered potential values to which the traditional financial experts gave little weight. But to turn the potential values into realized profits required still another "plus," namely an unusual type of negotiating ability. Management Planning, Inc. supplied a negotiator with the experience, patience, judgment, prestige and persuasiveness necessary to do the job.

Through its Fiscal Counsel services, Management Planning brings together a coordinated group of men who are skilled in eight different fields to solve the varied problems involved. There are tax men to solve the tax angles, engineering brains to deal with technical problems, financial experts to handle the strictly financial aspects, experienced negotiators to handle the delicate task of making and completing the "deal."

"But," you ask, "why *PLUS?*"

The Plus is *ACTION!* Action — without which all the plans and blueprints and statistical studies become merely useless expense.

The service of Management Planning, Inc. includes much more than ADVICE. We ACT for you. We *arrange* financing, *negotiate* sales, purchases and mergers. We are able to *execute* plans we make; to *act on* advice we give, to implement and effectuate suggestions we present.

Action — is the *PLUS* in Fiscal Counsel — PLUS!

A 10-Year-Old Owner-Management Conflict Solved by Financial and Estate Planning Experience

CASE No. 2. One man, aged over 80, controlled a $60-million corporation through the use of one or more holding companies. Personally, he owned less than 50 per cent of the stock of the operating company, but because the majority of its stock was owned by the holding

companies which he controlled, he thereby held absolute control of the operating company.

It was generally known that the owner, being a rugged individualist of the old school, ran the company *strictly as a one-man business!* As the years went on, this policy resulted in basic and deep-seated conflict between the elderly owner and the able managers he had engaged to operate the business.

Naturally, at his advanced age, he was more interested in present SAFETY than in future EXPANSION. The younger men in management positions, however, believed that, without expansion, the business would die of dry rot.

For 10 years, the management tried to induce the owner to open the way for them to acquire a majority financial interest by eliminating the holding companies. Numerous well-grounded plans were presented by management—without result. The elderly owner was entirely satisfied with his position. Practically all large investment banking firms in the country had offered suggestions—but these too were rejected.

About the time the stalemate grew tightest—and after the managers had been overtaken by a feeling of futility and even some bitterness — the problem was handed to Management Planning, Inc.

It was turned over to our Estate Planning Department. Long years of experience had made the staff ready for this problem.

Two of our executives first put together the words "estate" and "planning" — and developed the largest and the oldest business of its kind in the United States.

They called this group The Estate Planning Corporation.

For 15 years the men in that company specialized in planning the personal estates of wealthy individuals. This included comprehensive studies and recommendations regarding wills, trusts, taxes and corporate capitalizations. The average age of these client individuals exceeded 60, their average wealth was $5 million, and the total wealth of the estates planned exceeded $2 billion. These estate planning specialists developed a special talent for dealing with wealthy and elderly people. They were experts in a type of negotiation which is quite different from that used in dealing with young corporate executives. They had at their finger tips information regarding the hazards of inflation, inheritance taxes, postwar uncertainties, etc., which they used in convincing wealthy people—particularly elderly people—of the desirability of exchanging unmarketable securities for cash.

To this group of seasoned veterans, Management Planning, Inc. assigned the task of reconciling these seemingly irreconcilable interests.

Yet—within one year after accepting this assignment — the holding companies were eliminated and the management was in control.

The problem which for 10 years defied the routine efforts of management, investment bankers and commercial banks was solved within a year by the coordinated services of Fiscal Counsel—Plus.

Many fiscal problems—of corporations, of managers, of stockholders—

remain unsolved because there is no one in the picture with mature estate planning experience and especially with the ability to negotiate successfully with elderly men of wealth.

Negotiation Plus Gave Stock Control to Managers Who Lacked Capital

CASE No. 3. The success of this manufacturing company depended solely on the management of two executives who together owned only a small percentage of the common stock. More than 75 per cent of this stock was held by elderly members of two families, none of whom had any managerial responsibility. These controlling stockholders had no objection to the managers purchasing control, but the latter lacked the necessary funds.

It was suggested that the managers, individually, borrow the needed cash from their local banks. They stood ace-high in business circles and their personal reputations and credit were of the best. But the plan fell through because the banks declined to make a personal loan to the managers of a sum large enough to make the purchase.

About this time, the case was presented to the Financing Department of Management Planning, Inc. Staff men, with investment banking and commercial banking experience studied the situation and prepared a plan whereby the banks were to lend the money to the corporation, which then was to use the borrowed money to purchase its own stock from its controlling stockholders.

The banks agreed to the plan and it was carried out. The corporation reduced the amount of its outstanding capital stock, the elderly stockholders secured cash for their holdings, and—by reducing the number of shares of common stock outstanding—the value of the stock already owned by the managers automatically increased and the control of the business passed to them.

The solution seems simple because it is so logical and so well fitted to the needs of all parties. Actually, negotiations to accomplish the same purpose had been carried on for years without success.

Many Sources of Experience

From the viewpoint of securing capital, the staff of Management Planning, Inc. comprises men familiar with all the eight sources of capital mentioned on Page 31. They include those with underwriting banking house experience, service in commercial banks, experience with life insurance companies, investment trusts and investment counsel.

We have a completely unbiased viewpoint—our only objective is to secure for the client adequate capital, at proper rates, or proper conditions. We are not engaged in banking, in selling securities, or in underwriting security issues. We recommend the best source of capital for the client's particular needs. No other consideration moves us.

Economic Analysis Plus Negotiation Solves Postwar Distribution Problem

CASE No. 4. This case is an example of the purchase of another company for one of our clients. The client company was one of America's large aggregations of capital. Its previous products had not required a

large distributive organization. But during the war, it had greatly expanded its labor force and plant capacity. It approached the end of the war with a strong sense of responsibility for maintaining its share of postwar employment.

After extensive studies, its management decided to engage in the manufacture and national distribution of household appliances. Immediately, a large distribution setup became necessary. They knew they could sell all they could make during the first few years if they had the proper distributing organization, but they also knew it would take time to build such an organization from the ground up.

The time required threatened to lose to competitors, whose distribution outlets were already established, most of the early postwar sales out of the great back-log of accumulated public demand.

Management Planning, Inc. made a comprehensive survey of all organizations suitable for distributing the client company's new line. It found one company that qualified splendidly. It was controlled by a man who was concerned because his personal investments not only had poor marketability but were too concentrated in his own business.

Management Planning, Inc. was requested by its client to negotiate the purchase of the business. The first proposal was to buy merely the manufacturing assets and tradenames, but the difficulty of transferring thousands of dealer franchises and other contracts over-shadowed this deal, so we finally recommended that our client purchase all of the outstanding stock of the company. This recommendation was accepted by our client and we were successful in closing the deal.

The purchasing company acquired by a single transaction, a seasoned distributor-dealer organization, tailor-made to distribute its new line of products—which gave it new sales *power* and great *maneuverability*. The seller received a large amount of cash in exchange for a closely-held stock with poor marketability. This large amount of cash gave him ample liquid funds to protect his estate in the event of his death and gave him a degree of *maneuverability* in his personal affairs he had never before enjoyed.

What unusual facilities did Management Planning, Inc. bring to this problem? Primarily economic analysis and expert negotiation. What, you may ask, does the negotiator do that the two principals in such a deal could not do themselves?

In the first place there are always many more than two principals to be satisfied. Lawyers, for example—one or more for each side. Frequently accountants are called in. Usually there are two groups of bankers whose approval is desired, and nearly always, other stockholders and directors who must agree. Getting all these groups in agreement takes an immense amount of time, resourcefulness and specialized ability (such as finances, taxes, etc.) and a *great deal of selling*.

If these reasons were not enough to require a negotiator's help, there is the further strategical position of each party to such a deal to require such help. Neither the buyer nor the

seller wishes to press the other for action lest he appear too eager and thereby weaken his trading position. That means that neither will take the lead. Inevitable result:—the matter drags on interminably and nothing is accomplished.

It is also frequently of great importance that a third person, such as a negotiator, work out a fair basis of value for each company. One client expressed it this way. "I started talking with Mr. Jones about this merger about two years ago. We have never gotten anywhere, partly because neither of us had the time, but primarily because we could never work out a price that the other felt gave proper consideration to such debatable questions as reserves, wage adjustments, special items of income and expense, property valuations and the like. We would like you to work out a fair price. We think you can do so, giving proper consideration to all the factors because in the first place you have the facilities and experience in such valuations, and, second, because you have no financial interest in either company to influence your conclusions."

Important as all these contributions by the negotiator may be, in our opinion his most important contribution of all is *Action*. Experience has amply proved that failure results in 98% of the cases unless someone is placed in charge of all negotiations who is in a position to devote all his energy and 100% of his time to it, who has the knowledge and ability to overcome the obstacles that develop, who has had extensive successful experience in negotiations of this nature and who will keep everlastingly at it until the transaction is consummated.

Life Insurance Contacts Secure Previously Unobtainable Low-Cost Financing

CASE No. 5. A newspaper assigned us the task of raising several million dollars through the sale of debentures – adding two requirements which greatly multiplied the difficulty of securing the funds. *First:* the loan had to be for a minimum period of 15 years. This eliminated commercial banks as a source. *Second:* the securities had to be placed with one – and *only* one – bank or finance company. That eliminated the possibility of selling the securities to the public through underwriting bankers. The only remaining sources were life insurance companies and investment trusts.

We recommended life insurance companies as the most desirable source. The newspaper owners agreed, but pointed out that many life insurance companies do not like newspaper financing for reasons explained on Page 34.

Two of our executives, for the past 20 years, have had close and exceptional contacts with the leading life insurance companies. We found a company whose executives knew and understood the newspaper business. They bought the debentures at a low interst rate on the desired 15-year basis, thus meeting all requirements.

In this case, life insurance company contacts proved to be the solution to the problem.

Financial Experience Plus Economics and Engineering Said "No" to Purchase of Competitors

CASE No. 6. One of our client companies decided that the best way to expand in the postwar period was by the purchase of competitors.

A survey by our Engineering Department revealed that the company had no difficulty in overcoming competition. We, therefore, advised the management to abandon their plan to purchase competitors, and instead to acquire some company producing an entirely different line which, would use our client's basic product, thus providing diversification of products, customers and seasons.

They agreed – and assigned to Management Planning, Inc. the task of locating the company and buying it. Our economists analyzed the situation, decided upon the general type of company. Our Engineering Department set to work and in a comparatively short time, presented for consideration a company which met the requirements exactly. Our negotiators then took over the delicate task of closing the deal, which they did to everyone's satisfaction.

Here is Fiscal Counsel – Plus – ACTION – at work!

A Situation Controlled by Tax Problems

CASE No. 7. In another case, a manufacturer and distributor of one of the best-known products in the country asked us this question: "I want to raise cash to finance gift taxes amounting to several million dollars on certain large gifts I have made. I expect to sell about 20 per cent of the common stock which I own in our company. I want the company to pay as little in dividends as is possible and proper, because we have planned a large postwar expansion program. Bankers say my stock will not be salable unless our dividends are increased to 250 per cent of the present rate. This will interfere with the company's expansion plans, and although I do not need additional income, I will pay over 90 per cent tax on all dividends I receive. What do you suggest?

The plan which Management Planning Inc. developed raised all the cash he required *without increasing the dividend rate,* thus saving him about $500,000 per year in taxes over the plan which had been recommended previously by the advisers who were not familiar with the unusual tax problems involved.

Raising Cash and Protecting Control for Son

CASE No. 8. A somewhat similar problem was brought to us by another client—one for whom we had done considerable estate planning.

He outlined his situation, already familiar to us, in these words:

> "As you know, practically everything I possess is in my business. For years we have plowed back earnings in order to make it a bigger and better business. That plan has fully justified itself. Now, however, I want to make large personal expenditures and I want to make sizable gifts to my family, but I find that, after income taxes, I will not have sufficient cash either to pay the gift tax or to make the personal

expenditures. You know my situation completely, including my desire to protect the control of my company for my son in the event of my death. What do you suggest?"

In his case we suggested that $1,000,000 of preferred stock be sold, thereby raising the needed cash. The issue was promptly placed with four life insurance companies. In connection with this transaction, additional plans were prepared for this client to protect the control of his company for his son. This involved several steps—the planning of trusts, a new will, gifts and a charitable foundation, all of which were outlined subject to the approval of his own attorney, who drew all the documents to effectuate our plan.

What is Fiscal Counsel—Plus?

These high-spot examples of Fiscal Counsel in action—for ACTION is the PLUS in "Fiscal Counsel—Plus" — reveal that Management Planning, Inc. brings to bear upon your financial problems highly-specialized know-how in eight fields:

1. Finance
2. Corporate taxes
3. Estate planning
4. Engineering
5. Economics
6. Negotiation
7. Relationships with life insurance companies
8. Washington relations

What Fiscal Counsel—PLUS—Can Do

The actual cases just cited also reveal that Management Planning, Inc.—through its unique combination of specialists — is qualified to assist you in the following ways:

A. *If you are the chief fiscal officer of a corporation*
   1. Aid you to secure additional capital
   2. Aid you to purchase or merge with other businesses
   3. Sell one or more divisions of your business
   4. Improve the standing of your capital securities through proper "financial relations"
   5. Advise and assist in all financial affairs

B. *If you are managers who wish to become owners*
   1. Secure cooperation from owners in providing opportunities for stock ownership
   2. Procure funds to purchase ownership

C. *If you are a large stockholder*
   1. Protect you against future inflation hazards
   2. Prevent confiscation of estate at death
   3. Change non-marketable securities into liquid assets
   4. Arrange mergers or sales of businesses.

REGARDING MANAGEMENT PLANNING, INC.

Financial Strength and Prestige

The cash resources of Management Planning, Inc. and the two other companies which its principals organized and in which they have a substantial managerial interest are amply adequate by all standards.

The directors of Management Planning's corporate clients are directors of 409 different corporations, and the clients of the other two companies mentioned above are directors of over 300 separate corporations.

Management Planning, Inc. Now Serves 30 Different Industries

The fact that there are 30 different industries represented among the clients of Management Planning, Inc. is a significant example of the broad scope of our organization.

Day by day our staff works in the midst of the activities of these companies – studying their plans for postwar action, helping formulate reconversion programs, advising on present and future needs for working capital and counseling on many other vital corporate problems. Such intimate and continuous association with this broad sector of American business has given our organization an insight into, and a grasp of, current and future corporate problems that would be difficult, if not impossible, to find elsewhere.

Chapters II, III, IV and VII explain why corporations need Fiscal Counsel—*Plus*.

In Chapter II, you will find the story of one of the best capitalized corporations in America and why it found it necessary twice to increase its working capital materially. It may suggest some hidden needs of your own corporation.

Chapter III presents the eleven reasons why many corporations will need greatly increased capital for postwar operations.

Chapter IV answers these questions:

1. How much capital do we need?
2. Which of the six forms of capital is best suited for our needs?
3. Which of the eight sources of capital is most suitable for us?

Chapter V outlines how managers can become owners. It includes six solutions for managers who lack funds to buy an ownership interest.

Chapter VI explains methods by which stockholders with substantial interests can protect their wealth against the hazards that threaten their affairs.

Chapter VII summarizes the experience and facilities of Management Planning, Inc., including its nine unusual qualifications for assisting corporations and individuals.

Chapter VIII cites additional illustrations of solutions to the following problems:

1. Financing for corporations
2. Helping management become owners
3. Securing marketability for stockholders.

FOR YOUR CONVENIENCE, a request blank is printed on the back cover of this booklet. It will bring you, without obligation, a complete copy of the book "Fiscal Counsel—Plus," as soon as the latter is off the press. Meantime, if you wish information on how Management Planning might assist you to solve some specific problem, just check the request blank on the line "I am interested in learning more about your Fiscal Counsel Service." We shall be glad to discuss the matter at your convenience.

MANAGEMENT PLANNING, INC.
20 Pine St., New York 5, N. Y.

Mr. Raymond E. Hartz, Executive Vice President,

Management Planning, Inc.,

20 Pine Street, New York 5, N. Y.

Dear Mr. Hartz:

I am interested in learning more about your Fiscal Counsel Service . . . . ☐

I would like to receive your book, "Fiscal Counsel — Plus" when published . ☐

It is understood, of course, that I will be under no obligation.

Name: _____

Address: _____

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