ONE

DEAL ME IN

Every life has a turning point, a moment when what you will be begins to break away from what you were. Mine came on a sunny day in June 1963 as Herb Weiner and I were having lunch at the Wall Street Club, on the sixtieth floor of the Chase Manhattan Plaza, at Pine and William streets. Designed by Gordon Bunshaft of Skidmore Owings & Merrill, the Chase Manhattan building had been completed only two years earlier, and the Wall Street Club was its crown: high-ceilinged, with sweeping views in all directions from a wall of windows. Most important for this story, the club was just around the corner from my office at 120 Broadway.

Herb Weiner didn't cut a great figure—he was short and dark haired, with a mottled complexion. Sadly, he didn't have that much longer left to him either. Within a decade of our lunch, still in his forties, Herb would be dead of what was then known as galloping leukemia. But Herb was a brilliant tax accountant and tax lawyer—as smart a man as I have known, with some of the most expressive gestures I've ever seen. Herb's hands were a kind of running commentary on everything he had to say, and believe me, Herb liked to talk.

The subject of our lunch that day was a fund I had started not long before with a group of primarily Canadian investors. To get around the glacial procedures of the Securities and Exchange Commission, we had incorporated the fund north of the border as The Incubation Group, Ltd., but its focus was purely American. Our goal was to invest in unrecognized stocks—ones with strong fundamentals but little-to-no market charisma, a "sleepers fund" you might call it today. We figured we could buy the securities at a deep discount and wait for the investing herd to discover their virtues.

Herb wasn't with the fund, but we had worked together for several years at Cullman Bros., Inc., the family tobacco business then headed up by my father, Joseph Cullman Jr. Herb left to rejoin Touche Niven (later Touche Ross) about the same time I went out on my own. Both of us had had it with the slow pace of life at an old-line, in-bred company. As I'll get into later, I also had family dynamics to contend with. But I made it a point to stay in touch with Herb because I valued his advice, his analyses, and above all, his original way of looking at the world of finance and investments.

That's what we were doing over lunch at the Wall Street Club: running over Incubation's holdings, tossing around possible additions and subtractions. I was eating a salad, picking apart some long-forgotten outfit's profit and loss statement, when Herb held up one of those expressive hands and stopped me cold.

"You know," he said, "you're making a great mistake."

"What do you mean?" I asked. I was startled.

"Instead of investing in these securities, why don't you buy the companies?"

I remember my response exactly: "Well, that's very interesting. How do we do that?" I had nothing against the idea in principle, but there was the little matter of means to get around. I wasn't from a poor family, but I wasn't sitting on tens of millions of dollars of ready cash either, and Incubation didn't specialize in tiny companies. Buying any of our holdings was going to take some serious money.

Herb's answer was as enigmatic as anything I ever knew him to say: "I have a brother-in-law named Abe Kaminsky, up in Troy, who has this computer. . . ."

That was the moment, really, when the light first went on for me, the moment when I began to glimpse how you could buy a company by mobilizing its own resources. The real-estate people had been doing the same thing for years—leveraging deals based on physical assets such as buildings and land. Talking with Herb, I had a hunch that we might be able to do the same thing using nothing more than a company's earning capacity. We called it a "bootstrap" operation in those early days. The term "leveraged buyout" wouldn't come into common usage for another decade or so, and it would be longer than that before Jerry Kohlberg, Henry Kravis, and others would make the term famous. KKR, the firm Kohlberg and Kravis helped found, along with George Roberts, would even carry the leveraged buyout to its illogical extreme when it paid the staggering sum of $25 billion for RJR Nabisco, then the largest buyout in Wall Street history; but back in 1963, Kohlberg and Kravis were still toiling away at Bear Stearns.

Herb and I were the ones who built the model that the LBO rose from—the ones who first applied the ancient principles of leverage to the complex world of modern finance. Of necessity, we did it entirely on the fly, making it up almost every inch of the way. Within 15 months of our lunch at the Wall Street Club, with a grand total of $1,000 of our own money at stake, Herb and I would engineer the purchase of a business with a market value of $62.4 million.

If only it had been as easy as that makes it sound.

Abe Kaminsky turned out to be no slouch in the brain department himself. Abe was a professor at Rensselaer Polytechnic Institute in upstate New York. I no longer remember what he taught, but his job gave him access to one of those room-sized computers seen in old photos: vacuum tubes, trips and switches every which way, punch cards, the whole nine yards.

Herb and I briefed Abe on our luncheon conversation. Then Abe took the securities I already had in Incubation, entered in their numbers, cross-referenced them with a bunch of criteria we thought would make sense for an acquisition, and sent the computer to work. What would seem like days later to a modern laptop user, the trusty RPI machine kicked out the results, ranked according to the greatest probability of pulling off a successful acquisition. Ironically, or maybe not so, this cutting-edge technology of 1963 had selected as its top pick a company that made its money killing rats and other pests: Orkin Exterminating Company of Atlanta, Georgia.

Otto Orkin probably deserves a book of his own. His parents emigrated with their six children from Latvia to the United States in 1891, when Otto was five years old. He was still in his single digits when he was assigned the chore of controlling rats on the farm the family settled on, near Slatington, Pennsylvania, in the eastern part of the state, northwest of Allentown. By 12, Otto was spreading arsenic in places where rodents liked to gather. Two years later, all of 14 years old, he borrowed 50 cents from his dad, bought his first load of bulk powdered arsenic, and began mixing and selling his poisons door to door.

Teased by locals who called him "the Rat Man," Orkin appropriated the name for his business and started spreading out along the eastern seaboard, working south all the time. By 1909, still in his early twenties, he had saved up $25,000, then a princely sum. Based in Richmond, Virginia, Otto Orkin and the Rat Man Co. began to expand into other pests: bed bugs, carpenter ants, cockroaches. (Generally speaking, cockroaches get bigger the further south you go. In Florida, where they're known as Palmetto bugs and get as big as a toddler's fist, they actually fly!)

Diversification worked. Twenty years later, Otto Orkin was headquartered in Atlanta, with more than a dozen offices in eight states. In 1937, he celebrated surviving the Great Depression by renaming his business Orkin Exterminating Company, Inc. The Rat Man had gone upscale.

Otto Orkin gets credited with many innovations in pest control. He was among the first in the business to begin using DDT, after the military had tested it during World War II. As early as 1950, when television was still in its infancy, he began running ads featuring the "Orkin Man," a corporate logo that over a half century would grow from a cartoon sprayer to a muscle-bound Master of the Pest Control

Universe. Otto was a showman, too. Around 1950, he marked the expansion of his Atlanta headquarters by having the mayor scissor through a ceremonial ribbon of mousetraps. But his greatest innovation had to do with the very nature of the business itself.

Early on in the formation of his company, Otto Orkin did some elementary market research that showed customers didn't think his rat poison was very good. The Rat Man knew his arsenic compounds killed rats as well as anything available, so he questioned his sample group further and learned the real problem was that people didn't know how to use the poison he was providing them. That led to his breakthrough realization: Instead of just selling chemicals, he should be selling a service—rodenticide and application rolled into one—and that's how his business evolved and why it succeeded so well while myriad other small pest-control outfits fell by the wayside.

By 1960, Otto Orkin was nearing his mid-seventies and was ready to step back from a prolific work life that had started in the previous century. He had eight more years remaining—he would die in 1968—but he had begun to cede control of the company to his sons, Sanford and Billy, and son-in-law Perry Kaye. (Sanford and Billy's sister, Bernice, got a share of the pie, too.) The Orkin children showed no reluctance at grabbing the reins. First, they bought out their father. Then in 1961, with the founder gone from the picture, they took the company public, offering up 360,000 shares, or 15 percent of the company, at $24 a share.

Initially, at least, all this maneuvering seemed brilliant. Orkin Exterminating caught the crest of a rapidly accelerating market and rode it to what must have seemed dizzying heights. By late 1961, Orkin stock was selling at $30, up 25 percent from its initial price and almost 50 percent from its low for the year. Because the Orkins held 2.04 million shares of the company, they figured their 85 percent of the business must be worth in excess of $60 million. Then reality set in.

At the peak of the 1961 market, the Dow Jones Industrial Average stood at 735 with a price-earnings ratio greater than 20, and stocks yielded more than bonds. In short, the market was a bubble, waiting to burst. The bear market that followed—fed by the lethal combination of inflation and stagflation—troughed in 1962 with the DJIA at 536, down more than a quarter in less than a year. Orkin Exterminating did not escape the carnage. It bottomed out along with the market at $18 a share, which by the same series of calculations they had used earlier, put the family's share at slightly over $36 million, down a hefty $24 million or so.

Mind you, Orkin Exterminating was still an absolutely delightful business. The company was doing about $37 million a year in revenues and earning $6.7 million pre-tax. It had $10 million in excess cash, virtually no inventory other than some chemicals and applicators, and almost no receivables because the route man would pick up cash on the kitchen table when he came to squirt the poison around. That's why we had added it to Incubation. The share price didn't affect any of that. But having once felt richer than the facts merited, the Orkin clan suddenly felt poorer than they really were. That's the nature of money: It fools you equally on both the high and low ends.

Abe Kaminsky's computer was right. The company had glowing fundamentals, and its owners were motivated sellers, looking for ways to get their money out of a business they had no desire to run. Herb Weiner and I had to sell them the solution. Then we had to figure out how to pull it off with almost no money of our own.

Our first trip to Atlanta, in early October 1963, did not start propitiously. We told the cab driver to take us to the address we had copied down from an old annual report. Turns out, that was the former headquarters. Just after going public, Orkin had moved to a very fancy, almost extravagant building, which was part of a new office park. When we finally found the place, we were led into Perry Kaye's office, and then Perry brought in his brothers-in-law Sanford and Billy. I was in my early forties then, but among this group, that seemed almost ancient. None of the three was out of his twenties. Billy, in fact, might have been half my age.

Sanford, it turned out, was the dandy of the triumvirate, and maybe the playboy. He had a fondness for suits hand-tailored in Manhattan—we took to kidding him about it as the negotiations went along. As I was later to learn, Sanford also was not inclined to a long work day. He and Billy both had offices with rear doors that opened up to the business park. Sanford liked to come to the building and check with the receptionists at the front desk to see if any business was pending; then if none was (and that seemed to be the rule), he would head out the back exit of his office and take off for the golf course.

Whether Billy headed for the golf course most days himself, I never figured out. He was simply too young, and mostly too silent, to get much of a bead on. Perry Kaye, clearly, was the brains of the outfit—the only one, in fact, who seemed to do a damn thing actually related to the business—so it was Perry on whom Herb and I concentrated.

Our strategy, basically, was to tell the Orkins what they didn't want to hear, then come back with something that would be much more interesting to them. First and foremost, what they didn't want to hear was that the company should be paying dividends; so that's where I started.

"Look," I explained, "what you've got here is an unregulated utility. I mean, a pest-control service really isn't much different than an electric company or a phone company. People subscribe to the service. They take it month after month. They pay month after month and so on. Now, normally utilities are dividend-paying stocks. People expect that. They buy the stocks because of the yield. So if you want to boost the share price and take your money out of the company, why don't you start paying dividends?"

It was a sensible enough suggestion for someone in my position to make. I was representing an institutional investor in the company; Orkin had excess cash lying all over the place; and announcing a dividend would almost certainly juice the share price, which was then lingering in the low, low twenties. But Herb and I also knew full well that the very idea of a dividend would give the Orkin family conniption fits. They owned 85 percent of the company—paying dividends would be like taking money out of their own pockets. And the dividends the family got on their own 2-million-plus shares would be subject to a top federal personal tax bracket that was then set at 91 percent on taxable income over $400,000, a ridiculous rate.

Perry, Sanford, and Billy didn't disappoint. By word and expression, they made it clear that they would rather remove their own appendix without aid of anesthesia than pay a dividend. That brought me to the second part of my spiel.

"Well," I said, "if that's the case, why not take your money out on a capital-gains basis at 25 percent?"

"What do you mean by that?" Perry asked, I think only half rhetorically. Our dividends gambit seemed to have unmoored their expectations.

"I mean that I'll buy the business from you."

"What do you want to pay?" If Perry was shocked, he didn't show it.

"Well," I said, "the market is around 20, 21. I don't know. Should we pay more? No, maybe that's right. I'll bid you the market."

"That's not enough," he snapped back.

"Okay, I made a bona fide bid. Now it's your turn."

"Do you want a serious offer?"

"I didn't come down here to kid around with you. Of course, I want a serious offer."

They all looked up at me, and I could see they knew what Perry was about to say. This much, at least, they had rehearsed.

"$26 a share," he said after a suitable pause.

"Do you have a room where we can talk this over?" I asked.

As I mentioned earlier, Orkin Exterminating was a wonderful business—an almost trouble-free cash cow. Herb and I figured it was worth at least $25 a share, and perhaps as much as $30. The brothers had hung a pitch over the center of the plate, right in our sweet spot, but the last thing we wanted was to let them know that. Looking part nonplussed, part puzzled, Herb and I stalked off to the room we had been assigned. Behind closed doors, we told jokes and whatever else we could think of to pass the time. After about twenty minutes, we figured our anguish was evident; so we joined back up with the Orkin contingent.

"We're going to buy Orkin for $26 a share, but that's just to set the price," I told Perry. "We don't want the stock. We're buying the assets." The point was important: Liability conveys with the stock, and even back in those less litigious times, we wanted nothing to do with that. Orkin, after all, dealt in poisons.

I can't remember whether I expected the assets requirement to be a stumbling block or not, but it wasn't. On behalf of all three of them, Perry readily assented; so we shook hands and agreed to meet again in a week or so, and Herb and I headed home to New York. Sanford and Billy both looked like the cat that had swallowed the canary as we said goodbye, and well they should have. The Orkin family stood to gross over $53 million on the deal, not bad for people who had fled Eastern Europe two generations earlier. Herb and I were pretty pleased, too, except for one item. We had just agreed to purchase a pest-control company for $62.4 million. Now, we had to find the money. Details. Details.

The cast of characters had grown by the time we reconvened in Atlanta. Herb Weiner was both a lawyer and accountant, but he was primarily a money guy. I'd never before done anything like this in my life. Clearly, we needed someone to help us with the negotiations, and Jim Cherry seemed to be just the guy.

Jim was a senior partner with one of the old-line "white shoe" New York law firms, Hayes St. John. More important, he could sit around a table for hours, taking in all the fine points, never getting excited about anything, and never giving anything away. (Jim was an insomniac. Maybe he was just too tired to react half the time, but it worked!) He was also tried and true: Herb had done a previous deal with him. As it happened, Hayes St. John and I both had offices at 120 Broadway; so I popped in on Jim Cherry one day and told him about the deal we were trying to put together, and next thing we knew Jim was on the plane with us, heading back to Atlanta.

Perry Kaye had beefed up his side, too. Al Garber was a partner in the accounting firm that did the auditing for Orkin Exterminating. I'd met him two years earlier when he dropped in to see me at my office at 120 Broadway, not long after the company's public offering. He knew, of course, that I had picked up some shares for Incubation, but I think he also had done his homework and was aware that the Cullman family generally was pretty active in the investment community. Al never told me exactly why he had come to see me, and never said in so many words that the Orkins were interested in getting their money out of the business, but I suspect that if I had suggested we head uptown to see my brother Joe, who was then CEO of Philip Morris, Garber would have been out on the street hailing a cab in a New York minute.

I didn't, of course, and at that time I certainly wasn't prepared to try to take on a deal like this on my own. But I hadn't been terribly surprised when Abe Kaminsky's computer picked out Orkin Exterminating as a company that might be ripe for selling. And I wasn't surprised either to see Al Garber sitting with Sanford and Billy Orkin and Perry Kaye when Herb, Jim, and I walked into the room for our second meeting.

The Orkin clan had laid on a lawyer as well: Allan Post of the local firm of Hansel, Post, Brandon, & Dorsey. Allan had a wonderful Southern accent—he could make the phrase "earnest money" last a good five seconds—and indeed earnest money seemed to be very much on Perry's and the brothers' minds.

The meeting began on a high note, with a lot of chit-chat back and forth—some of it social, some business—intermixed with a large list of questions about small details. Gentlemanly lawyer that he was, Allan Post especially seemed determined to treat the meeting as if it were all a prelude to a good round of golf, but there was an undertone of expectation that got harder to ignore as the hour moved on.

Finally, Perry looked up from contemplating his desktop, unable to stand it any longer, and asked the question that everyone had been avoiding: "Where's the money?"

Rather than take him seriously—and since our purchase money at that point was almost purely theoretical—I used the moment to try to break the underlying tension.

"Gee, I'm sorry, Perry," I said. "I brought the wrong checkbook."

Happily, that did lighten things up, and we got down to real issues. Orkin was still expecting to report earnings of $1.30 a share on October 31, just a few weeks away. Perry Kaye had used that figure at our earlier meeting to justify his asking price of $26 a share—20 times earnings. At this get-together, we reaffirmed our willingness to buy on that basis and began to lay out some schedules for what would happen when. At the end of the meeting, we all parted with a civil round of handshakes and smiles. Progress had been made. Our team seemed to be a good one. But earnest money had been called for, and we had nothing to show. Obviously, that situation could last only so long. We needed to put up or shut up. It was time to get serious about inventing the LBO.

Assembling the financing for the Orkin purchase began with a bang. When we got back to New York, Herb suggested we approach the Prudential Insurance Company. I initially vetoed the idea, not for business reasons but because of a possible conflict of interest. My uncle, Howard Cullman, was on the Prudential board at the time. Not only would the Pru be bending over backwards to avoid the appearance of favoritism, but the board really couldn't approve any loan to us so long as Uncle Howard sat on it. The way I saw it, we would be handicapped from the get-go. Herb, though, argued that at least initially we would be contacting the Pru at the executive level, not the board. Besides, Uncle Howard's term was about to expire. By the time the loan got to the board for approval, he would be gone and any conflict of interest would vanish with him.

I reluctantly agreed, and Herb called Ray Charles, who headed up Pru's Bond Department, and told him that he was a partner in Touche Niven and that he was involved in a financial transaction the Prudential might want to have a look at. The next thing I knew, Herb and I were meeting with Ray Charles and two of his top people, Frank Childreth and Brad Thayer, at the Prudential headquarters in Newark, New Jersey. We told them what the deal was, explained why we thought Orkin was a good buy, and without batting an eyelash, Ray said he would recommend a loan of $37.5 million against the purchase.

One overture and we were better than half way there. This is easy, I remember thinking. I should have started doing this years ago. Then things got interesting.

For one thing, the Prudential loan might have made us feel a lot better, but it didn't do much to allay the cold feet down in Atlanta. Our half-full cup was still half empty as far as Perry and the Orkin boys were concerned. And not without reason. The loan the Pru was giving us was basically risk-free from the lender's point of view. Orkin had great numbers, and the business practically ran itself. What's more, we would be paying a little under six percent to the Pru for the privilege of using its almost riskless money. Uncle Howard or no Uncle Howard, *not* giving us the loan would have been a dereliction of duty. But buying a business was a lot like bidding at auction. On a percentage basis, the total price is likely to rise only incrementally in the final few minutes, but that's where all the excitement lies. We were headed into the same territory.

It was about this time that Herb suggested approaching someone with almost as much money as the Prudential and no shareholders to account to: the du Pont family. Our point of entry would be George Weymouth, a very pleasant, back-slapping kind of guy who had grown up in Wilmington, Delaware, home to generations of du Ponts. George was then chairman of Laird & Co., an investment banking firm he had founded and organized. Most important, he had had the good sense to marry the beautifully named Dulcenia Ophelia Payne du Pont. Known as Dio, she was one of the owners of Bohemia Stables, owner of Kelso, who back in 1962 was just rounding into form as one of the great thoroughbred racers of all time. I was hoping Dio's husband had a nose for the finish line, too.

Herb had done a fair amount of tax work for George and knew he liked to bring deals to the du Pont family. We thought this would be a good one for him to latch on to, but George didn't offer his services for free. Herb, Jim Cherry, and I had set up a shell corporation we called Kinro to handle the Orkin purchase. ("Kinro" is simply an anagram of Orkin.) The initial split was 40-40-20, with Jim getting the smaller share as the last man in. Standard accounting practices and principles didn't allow Herb to be an owner of record; so his position in Kinro was represented by Abe Kaminsky, the brother-in-law computer genius who had put us on to Orkin in the first place.

Bringing George Weymouth on board, Herb estimated, was going to cost us half the deal. I didn't see that we had a lot of choice—we had to move forward or we would lose the Orkin family's waning confidence in our capacity to pull this off. But I saw a lot of advantages, too. The du Pont name had been golden since the early 1800s when Eleuthère Irénée du Pont began producing his famous black gunpowder on the banks of the Brandywine River, at Wilmington. If we could bring the du Ponts on board, the Orkins and Perry Kaye could no longer doubt that we were serious suitors. I also felt fairly certain that if the du Ponts put their imprimatur on the deal, my own family might want to come in as well. Basically, I could present them an opportunity that already bore the Good Housekeeping Seal of Approval.

By then, we had closed to within theoretically $10 million of our goal. The Pru had already upped its participation to $37.5 million on a straight loan basis when Ray Charles suggested the company would go in for an extra $2.5 million—or $40 million total—if we gave it a kicker. From our point of view, Prudential would have been justified in asking for a percentage of the deal several million dollars earlier. Besides, beggars can't be choosers; so we suggested a kicker of 19 percent. The figure had no special logic although Herb did point out that we wouldn't be able to consolidate Kinro and Orkin for tax purposes if a third party owned 20 percent or more of either company. At that point, consolidation was the furthest thing from our minds, but we needed a reason to hang our hat on. And it worked: Ray Charles bought the explanation lock, stock, and barrel.

The Pru also approved of our taking $2.4 million out of the Orkin till, about a quarter of the company's excess cash. We were going to ask the Orkin family and Perry Kaye to take back $10 million in seller's notes. That brought the running total to $52.4 million. Add on $5 million from the du Ponts and another $5 million from the Cullmans, and we were home free.

To stack the odds entirely in our favor, Herb and I had the bright idea of inviting Sanford and Billy Orkin and Perry Kaye up to Wilmington to put the finishing touches on the package. George Weymouth volunteered the Wilmington Club, a venerable downtown men's institution, for the venue. George also arranged for his brother-in-law, Pierre Samuel du Pont IV, to chair the meeting. Later a governor of Delaware and still later a contender for the Republican presidential nomination—in 1988, when he never seriously threatened the first George Bush—"Pete" du Pont was both the bait in the trap and, so it seemed, a near guarantee of the family's participation. The best laid plans of mice and men, as the saying goes, do sometimes go astray.

The weather, we had no control over. It was snowing in Atlanta on the day in February 1964 when the Orkin contingent was scheduled to fly to Wilmington. Instead of arriving rested after a few hours of air time, they all caught a sleepless sleeper train that ground its way north through Charlotte, Washington, and Baltimore. Sanford, Billy, and Perry showed up bleary eyed at the Wilmington Club, ready for bear.

The lecture hall we were meeting in—a very fancy room, but far larger than our needs—didn't do much to warm things up.

Turned out, we had no control over Pete du Pont either. In preparation for the meeting, I had written our honorary chairman a script that I called an *aide-memoir*. The name was a joke—a reference to the du Pont family's French roots—but the purpose of the script was completely serious. Apart from impressing Otto the Rat Man's offspring with our Wilmington connections, we had two hurdles to clear at the meeting, and I wanted them both presented just right. The first was the $10 million in seller's notes we wanted the Orkin family members to take back—a show of good faith on their part that I didn't foresee any problems with. (And indeed there were none.) The second hurdle was considerably more tricky.

As mentioned earlier, Perry Kaye had justified the asking price of $26 a share as being twenty times earnings that were expected to be announced October 31. That date had come and gone, and actual earnings had been about a nickel lower than projected. Logic seemed to dictate that we should pay less for the company as a result; so we all sat down in the lecture room of the Wilmington Club, and Pete du Pont read his *aide-memoir* letter perfectly, breezing through the seller's notes and making reference to the reduced earnings before dropping the purchase price accordingly.

That's when Perry Kaye spoke up. "Mr. du Pont, this is not the deal that I negotiated with Mr. Cullman."

Herb, Jim, and I were ready to jump in at this point, argue our case hard, and see where the chips fell, but Pete du Pont would have none of it.

"Well, what was the deal?" he asked Perry.

"About two-and-a-half million more," someone told him, maybe Sanford, and that was all Pierre Samuel du Pont IV needed to hear.

Looking as though he was exercising the divine right of kings, old Pete held his hand up and delivered the verdict: "Well, we're not going to fight over $2 million or so."

He didn't dig his heels in at all, and he didn't give us a chance to dig ours in either. That was it, and it was awful. Pete du Pont just gave the money away—and it wasn't even his to give. I should have realized at that moment that he would make his name in politics.

So much for the Grand Wilmington Strategy. The only thing that seemed to impress the Orkin contingent deeply about the adventure was Pete du Pont's ready generosity. Even George Weymouth hadn't come through. As likable as he was, he didn't really cut much mustard with the du Ponts. He had been typecast in the family as the brother-in-law who kept bringing in all these oddball deals. There would be no $5 million from their side, and without their participation, I had no intention of approaching my own family for another $5 million. We were still in the backstretch, $10 million from the finish line. What's more, it was the critical $10 million—the equity in the deal, the real money.

To his credit, I suppose, George Weymouth was tremendously bothered by his failure to deliver the du Pont family. His pride was wounded: He had assured us when we first brought him into the deal that there would be no problem. I think he also could see dollars flying out of his bank account. George knew what a good opportunity this was, and like us, he knew it was all in danger of slipping away.

As for me, I had just about written George off when he called one day with what he seemed to think was very good news.

"Lewis," he said, "I was out to dinner last night and met with Wayne Rollins of Rollins Broadcasting. I told him about the Orkin deal, and he says he wants to put up $10 million."

"Gee," I said, "That's very interesting. Where's Wayne going to get $10 million?"

"Oh, he's going to borrow it from the Chase bank."

"Borrow it!" I said, feigning disbelief. "Who ever heard of borrowing money like that?"

I was certain this was just more hot air being blown our way, but I figured, what the heck, I'll play along so George doesn't get his feelings hurt. So I said to him, "Look, George, I'd love to talk to Wayne, but why don't you have him get me a letter of commitment from Chase first?"

The very next morning, I arrived at my office and found a letter from an officer of Chase waiting on my desk: "We are prepared to lend Rollins Broadcasting, Inc. $10 million to complete the purchase of Orkin Exterminating Co." To be honest, you could have knocked me over with a two-dollar bill.

In his own way, Wayne Rollins is almost as interesting as Otto Orkin. Like the Rat Man, Rollins was born dirt poor in 1912 on a farm in northwest Georgia. He made it through the Depression by working 70-hour weeks in a textile mill. Then in 1948, he formed a business partnership with his brother, John, in Radford, Virginia. John ran an auto dealership, while Wayne picked up a small community radio station on which his brother could advertise. The formula was repeated time and again, focusing mostly on African-American communities. In 1956, Wayne was ready to take on the television industry. Four years later, in 1960, Rollins Broadcasting, then headquartered in Wilmington, Delaware, went public. And it was all upwards from there. When O. Wayne Rollins died in 1991 at age 79, he was worth almost a billion dollars, a patron saint of Emory University, and a pillar of the Atlanta philanthropic community.

The gifts and the money, though, were all for later, as was the burnished reputation. This was early 1964, and Wall Street didn't have that high an opinion of Wayne Rollins and his broadcasting company. It was an open secret on the Street that the underwriting for the public offering, through New York Securities, had been extremely shaky. Beyond that, Rollins simply was a very, very crafty guy—great for a magic show, maybe, but not necessarily what you're looking for in an investment partner.

Just as difficult, bringing Rollins Broadcasting in was going to change the mechanics of the deal. The Prudential had come aboard with the assumption that it was making a loan to a group of private investors, not a hybrid of individuals and a publicly traded company. Jim, Herb, and I would need to do our own renegotiating, too. Our intent had been to give 80 percent of equity to the first person who put up the $10 million to complete the purchase. We (now, with George Weymouth included) wanted to keep 20 percent for ourselves, for prepackaging everything. Truth told, I was looking forward to being part owner of a highly successful exterminating company. Why not? The place was printing money. I wasn't anywhere near as excited about having a minority position in one of Wayne Rollins' side enterprises.

Still, that letter from Chase was the brightest star in our heaven, and maybe the only way to finally complete the deal. What's more, Rollins Broadcasting was on its way to the best year in its short, shaky history. For the quarter that ended July 31, 1964, revenues would soar 53 percent over the same quarter the previous year, and net earnings would climb 16 percent. After wallowing in the low- to mid-teens ever since the 1961 market break, Rollins' stock had begun to follow suit.

Those signs, at least, looked positive; so we took Wayne over to Newark to meet with Ray Charles and his team at Prudential. Not surprisingly, Ray wanted more—warrants on ten percent of Rollins Broadcasting, as it turned out, to go with the interest and kicker we had already agreed to. Wayne Rollins fought the warrants tooth and nail but finally had to give in. He wanted Orkin as much as we did.

Then it was our turn to negotiate.

"You know, Wayne," I can remember saying, "I don't really think I want to own 20 percent of a subsidiary of Rollins Broadcasting because what am I going to do with 20 percent? I'd have to register with the S.E.C., all those kinds of things. Don't you think it would make more sense if we established at the outset what the 20 percent should be worth and then you could evidence that in Rollins stock?"

To me, the numbers seemed obvious. Twenty percent of the $10 million that was the hard money in the deal, after all the debt instruments and obligations to the sellers (and shareholders) were accounted for, amounted to $2 million. Because Rollins Broadcasting was then selling around $20 a share, I figured Wayne was into us for 100,000 shares of his company. Naturally, Wayne did the math differently; he wasn't going to give us a share more than 50,000. Nothing ever seemed to be entirely straight with him. I was determined to stand pat even if the deal collapsed—or at least act as if I would. George Weymouth was ready to cave without putting up even the semblance of a fight. That's where we left matters: with the battle lines drawn and no resolution in sight.

I recall driving up to New Hampshire in the midst of all this. My wife, Dorothy, and I were heading up to the Holderness School in Plymouth, New Hampshire, to pick up my son, Duncan, for the start of spring vacation. Along the way, I stopped at some country hotel and called George. Practically the first words out of his mouth were that we should accept Wayne Rollins' proposal of 50,000 shares.

"George," I told him, "it's no deal."

"Oh, we've got to, absolutely," he went on. Then he started to scream and yell at me: You're going to do this. You've got to do that. He was raving and ranting. He almost threw the phone down, he was so mad.

"Well," I said when he was through, "sorry, but that's it. You just pick up the phone, call Wayne, and tell him if that's the way it is, the whole deal is off." With that, I hung up, and Dorothy and I went on to pick up Duncan.

George and I had a series of such phone conversations, including one in early June when I called him from a Broadway theater during intermission, but eventually he came up with an interesting proposal to save the deal. He had managed to squeeze only another 5,000 shares out of Wayne, a piddling amount, but instead of taking the 50 percent of the 55,000 shares due him, George was going to claim only 20,000 shares. That left 35,000 so-called Cullman shares, less than the 50,000 I thought we were owed but up significantly from the 25,000 we would have gotten without putting up a fight.

That wasn't the end of it entirely. For one thing, our attorney and minority partner Jim Cherry got the smell of money and started demanding a bigger piece of the pie for his professional services. I think he believed the deal would never work out. Once he saw it coming to completion, he was damned if he wasn't going to skim all the crumbs off the table he could possibly get. We gave him the crumbs he wanted, but that was the last time he ever worked for me. George Weymouth had clearly gotten his own whiff of the money, too. Without ever telling us, he had bought 100,000 shares of Rollins Broadcasting. He'd also helped Wayne as a guarantor on the Chase loan. No wonder he was so desperate to close the deal.

Herb and I also had been holding out for a $600,000 fee to be paid us for negotiating the sale—basically one percent of the purchase price. Naturally, we were looking for more money, but we also wanted to make a case for the Internal Revenue Service that we had been paid on a commission basis for our services. Between George's bumbling and Jim Cherry's greed, the fee ended up being $300,000, and Herb and I got less than half of that.

Money, though, does that to people, and eventually we got everything straightened out. In June 1964, we announced that Rollins was buying Orkin. I particularly liked the way *BusinessWeek* began its account of the purchase, in its July 11, 1964, issue:

> In the modern pace of American finance, examples of business Jonahs swallowing whales are a lot more frequent than before. But every so often a deal comes along that still truly captures the imagination…

In truth, there were no losers in the Orkin deal. Wayne Rollins picked up the exterminating company he would use to build the service-industry giant, Rollins Inc., that would almost make him a billionaire. Ray Charles and Prudential got their interest, their kicker, and warrants to purchase 115,000 shares of Rollins Broadcasting for 10 years at $22 a share—a sweet deal all around, especially given that Rollins stock had soared to $61.50 a share when the sale officially closed on September 1, 1964. The Orkin family, including sister Bernice, got its money out of the business with minimal tax liability, and the Orkin shareholders got a handsome premium on the stock. As for me, I got to field test a way of turning a small investment into a lot of buying power, and of course, I made a bundle in the bargain.

In all, Kinro had put $1,000 at stake—$400 each from Herb and me, $200 from Jim Cherry—and we had to give up half our equity to get George Weymouth involved. By the time we dotted the final "i" and exchanged 100 percent of the capital stock of Kinro for 55,000 shares of Rollins Broadcasting, my original $400 investment had grown more than 2,500 times, to $1.1 million. (Remember, this was before CEOs routinely pulled down seven-figure salaries and huge stock options for losing market share. A million was still a million in the late summer of 1964.)

It might have been a day or two after the last papers were signed when Dorothy turned to me and said, "That's a heckuva deal. What are you going to do for an encore?" I wasn't exactly certain, but justified or not, I had the feeling that Wall Street looked at this thing as a fluke—something I'd lucked into—and that had begun to bug me. Finally, I said, "Damn it all, Dorothy, I'm going to go out and do this thing again, right away. I'm not going to stop."

I now had some serious money to play with, and I was learning how to use it. Not bad for a guy who always thought he'd be a weatherman.