CORPORATE STRATEGY

SCM: who really wants to sell out

"Why would a guy buy $7 million of common stock, with really immense financing costs, and spend another million to boot running full page ads, telephone operations, hiring Bear, Stearns, sending mailings just to try to take a company he can't take anyway?" demanded an insider sympathetic to the present management of SCM corporation.

Control of SCM's more than $800 million assets in paper, industrial resins, food, and business equipment is being sought by a stockholder named N. Norman Muller, head of Macmuller Industries. The twist is that Muller, and his advisers, Bear, Stearns, are out to take over the board of SCM for the sole purpose of dissolving the corporation and realizing what they claim is a liquidation value of $36 to $77 a share.

SCM's president Paul Elicker told the *Wall Street Journal*: "SCM wants to continue as an independent company, and will vigorously and aggressively defend the interests of the company and its shareholders."

SCM has been a lackluster corporation, and, undoubtedly, some stockholder discontent exists. Yet there is no chance that Muller can succeed in his bid to take it over. Muller now has 286,000 shares, about 3 percent of the outstanding voting common stock and there are no large shareholders with whom he might ally. That means he would have to swing many thousands of small holders. He doesn't seem to have it.

He seems to have a lot of cash, however. Little is known about his privately held corporation, which includes garment manufacturing and photocopying firms. The *New York Times* estimates his chest at $1 million, not counting what he has spent on margin purchases of SCM stock at high interest. Muller is committed to about $7 million worth of SCM common.

Muller is not a longsuffering SCM stockholder who's willing to do just about anything to get some cash out of his investment. He made his first SCM share purchase this March at 18.375 and continued to purchase in large lots through the end of July when the stock stood at over 30. Normal trading in SCM stock is only a few hundred a day, and when Muller quit buying the stock fell back to 21, leaving Muller with a nasty loss if he tries to sell, since his average purchase price was 23.75 and large-scale selling would depress the price.

If Muller's part in this affair seems shadowy, possibly a front for someone else's money which appears to be wasted in any case, the management of SCM itself is even more dubious. On the board sit four individuals whose histories and present affiliations place them among the leading experts in corporate liquidation in the United States. They are:

John T. Booth: EVP and Director of Blyth Eastman Dillon, experts in corporate reorganization. Blyth Eastman's parent corporation, Insurance Company of North America, is the major backer of the New York Insurance Free Zone, designed to facilitate the funneling of industrial capital into offshore speculation.

Crocker Nevin: former chairman and CEO of Marine Midland Grace Trust Company, linked to the Marine Midland Bank, which is trying to liquidate itself into the Hongkong and Shanghai Bank; and a governor of the U.S. Postal Service.

E. Everett Smith: counsel for McKinsey & Company, the British "consulting" firm most dedicated to the London *Economist* magazine's motto "Buy America Cheap." SCM's chief executive officer, Paul "Horatio at the Gates" Elicker, after a stint with Robert McNamara's "whiz kids" at Ford Motor, spent four years with McKinsey.

Richard C. Bond: one of the three trustees of the Penn Central, which successfully liquidated a multibillion dollar operating railroad into a multibillion debt burden on the public while transforming the company into a multibillion dollar real estate, tax-loss operation. Bond is also a director of INA.

This seems to add up to a Mutt and Jeff act played out to convince stockholders at large that liquidations are the agenda of the future. Given the Federal Reserve's Volker credit policies, industrial earnings will slump or disappear. One might even conjecture that the timing of this entire act was coordinated.

The only actors who can be believed are Bear, Stearns, the retained advisors to Muller, who openly admit that they want to become the big name in corporate liquidations. Presumably if someone wants to buy America cheap, someone has to sell it cheap.

—Leif Johnson