

turnarounds & workouts

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Unusual Direction of Standard Brands

Deborah Hicks Midanek - The Last CEO

by Debra J. Brennan

In September of 1993, when Deborah Hicks Midanek was enlisted as an independent director of Standard Brands Paint Co., Inc., she expected that the company had been through a large part of its restructuring, and was on the road to recovery as a financially sound company. However, the restructuring of the company had clearly not been effected, sales were declining and the company was struggling for cash. It became clear by 1994 that the company needed to be sold, and the most serious bidder was Corimon Corp., a company from Venezuela.

In December of 1994, Midanek agreed to act as the transitional Chief Executive Officer, for a period that she was told would involve a short negotiation leading to a letter of intent, after which time the deal would "develop a life of its own." It is now exactly two

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years later, and Midanek is dismantling the company to the ground, selling the cash registers, the phone systems and the art work off the walls.

It seems that there were no simple financial transactions that had occurred in Standard Brands' unique history. There were twelve different law firms involved in a restructuring and recapitalization replete with the most complicated examples of financial holdings.

When Corimon did not honor all of its financial commitments, due to its own financial problems in Venezuela, Standard Brands attempted to reorganize, which ultimately led to the liquidation of nearly all of its remaining retail outlets.

While many times independent directors have been characterized as passive rubber stamps, it is clear that the four independent directors in this case have seized the day and squeezed the highest yield from dwindling sources and few resources.

"Dismantling a company in a disappointing environment for creditors can never be considered a good job, it is just a less bad job. But the process has been exemplary," claimed Midanek. She also said that the independent directors in this case were not as well-informed as they should have been. She said, "regardless of the questions asked by an independent board of directors, management still controls the agenda, which they should, but important information may be withheld."

Deborah Hicks Midanek is the Chief Executive Officer of Solon Asset Management, L.P., an investment firm in Walnut Creek, California. Midanek was thrust into bankruptcy and reorganization when Drexel Burnham Lambert Inc. filed for Chapter 11 bankruptcy protection leaving the shareholders, mostly employees, without representation. Midanek organized the recovery of claims for employee shareholders and creditors at Drexel, where she had been an investment banker for six years. She organized the small shareholders into an influential group in the bankruptcy that eventually recovered about \$75 million for themselves.

When asked if she would continue as a troubled company professional, she admitted that turnaround situations become very gripping and exciting and she said, "In the crisis when your back is truly to the wall, you find out the real stuff of the human beings."