



THE
TAKE
STEPHEN W. FREY
OVER
A N O V E L

THE TAKEOVER

STEPHEN W. FREY



A DUTTON BOOK

DUTTON

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THE TAKEOVER

For my wife, Lil,
and our daughters, Christina and Ashley.
You mean so much to me.

PROLOGUE

February 1992

Life was good. Andrew Falcon was about to come into a tremendous amount of money—he hoped. Only fifteen months before, he had become the youngest partner in the 142-year history of Winthrop, Hawkins & Company, Wall Street's oldest and most prestigious investment-banking firm. He inhaled deeply from the Macanudo cigar, leaned back in his wing chair, and blew thick smoke gently toward the high ceiling of the Racquet Club, the staid New York City gentlemen's establishment. Typically, he didn't smoke a cigar, but tonight it tasted good.

Falcon's head was spinning. The annual partners' dinner—his first, since last year had been his first as a partner—was four hours old. He had enjoyed several Glenlivet cocktails prior to the meal and a bottle of cabernet with his filet mignon. Now he noticed the white-gloved waiters beginning to uncork magnum bottles of Dom Pérignon.

It would take several minutes for the waiters to serve all seventy-six partners, and Andrew needed to maintain his stone-calm composure. In a very short time the annual bonuses would be distributed, and the anticipation was gut-wrenching. This wasn't the corporate "ten thousand dollars and a pat on the back" bonus. This was real money, investment-banking money. Falcon reached for the snifter of cognac standing before him on the linen tablecloth.

The tables were arranged so that they formed a large U shape in the dimly lit, mahogany-panelled room. The chairman and most senior partner, E. Granville Winthrop IV, great-great-grandson of the firm's founder—and a direct descendant of the Massachusetts Bay Colony's first governor—sat at the head of the arrangement. The other partners were seated on either side of Winthrop according to their tenure with the firm. The most tenured of the partners sat immediately to Granville's left and right and so on away from him as the individual's length of service to the firm decreased.

Falcon sat at one end of the U, directly across the room from Roland Thompson. Thompson was a thin, Waspish-looking man of thirty-eight who, even though his eyesight was 20/20, wore tortoiseshell glasses. Thompson had made partner two years ago. Almost overnight he had guided Winthrop, Hawkins to the top of the convertible-debt league tables. This year, however, it was rumored among the partners that Thompson had made some very bad trades and lost the firm a great deal of money. But only Granville, the four other members of the Management Committee, and Thompson knew for certain. Losses in specific groups of Winthrop, Hawkins were not disclosed to the partners. Of course, that did not stop them from speculating among one another. Andrew noted that Thompson had become drunk early in the evening. He also noted that no one seemed eager to speak with Thompson during cocktails. Now the man was so intoxicated his head was almost resting on the table.

Thompson's group was not the only area of the firm rumored to be bleeding. Revenues for the Fixed Income and Equity Underwriting divisions, two of the firm's flagship units, were supposed to be below the healthy numbers of previous years. Origination, underwriting, and trading figures in those groups were all off. Off as a result of what the President of the United States termed economic stability—slow but steady growth. And what the investment bankers called anemia. They didn't like slow

and steady. They needed volatility to generate their huge profits. And there hadn't been much of that lately. Andrew puffed on the cigar. Perhaps he should not expect so much from this dinner.

Falcon glanced toward the head of the table. Granville was smiling in his restrained, guarded way at something one of the other senior partners was saying. It was the same way Granville smiled at any piece of information, be it good, bad, or indifferent. Andrew scrutinized Winthrop's face, but there was no way to determine anything about the bonuses from that visage. Granville was the consummate "I" banker, as investment bankers were called in Street parlance. His face never revealed his feelings. Because you could lose a deal that way.

Andrew relaxed into the comfortable chair, grinning. Granville acted differently away from Wall Street. As a rule, he didn't become overly friendly with others at the firm, but he had made an exception in Falcon's case. In the past four years, Andrew had become an increasingly frequent weekend guest at Winthrop's sprawling, oceanfront East Hampton estate—weekends Falcon wasn't putting together another multimillion-dollar deal. There Andrew had learned of Granville's personal side. He had learned of Granville's love of Thoroughbred racehorses—of which he kept four at the grounds' stables; of his prized antique gun collection; and of his huge yacht. They would sail all day with a crew of ten, then return at sunset to a delicious dinner prepared and served by the estate's staff. After dinner Andrew and Granville would retire to the mansion's venerable study to break open a bottle of hundred-year-old Scotch and discuss business and politics. They would talk for hours, and Falcon would commit to memory any shred of advice Granville imparted.

"What's so goddamn funny?"

Falcon turned. The speaker was Jim Kunkowski, the partner who headed Winthrop, Hawkins' interest-rate swaps desk. The smile faded from Falcon's face. "Nothing." It was the first word Falcon had said to Kunkowski despite sitting next to him for the

past two hours. But that was investment banking. There were stories of men sharing offices for years and saying nothing to each other. They were there to make money. That was all.

Kunkowski was not a pleasant man. His temper was legendary, and it was no secret that people in his group despised him. But until this past year he had earned a great deal of money for the firm, so no one could complain about him openly. Making money was the bottom line at Winthrop, Hawkins, and he had been producing. But this year Kunkowski had lost a great deal of money, and the sharks were circling. "Nothing." Andrew said the word again quietly and turned away.

Falcon relaxed into the chair and closed his eyes. The Mergers & Acquisitions Group, the most profitable area of Winthrop, Hawkins, and the one in which he labored fourteen hours a day, was also seeing a decline in income. But Falcon was not worried about his position, even though other investment-banking firms were laying off M&A specialists in droves. The senior people at Winthrop, Hawkins loved him.

Granville Winthrop had made that clear just yesterday when they met in the senior partner's ornate office on the tenth floor of the firm's headquarters at 72 Wall Street. The two had laughed about the fact that Granville's office was on the tenth floor and not higher in the skyscraper, because the tenth floor was as high as New York City's fire-engine ladders could reach. And in the next breath Granville had showered Falcon with compliments. "Despite the difficult times," Granville had said, "you doubled your fee generation this year. You originated several important and visible transactions and brought a number of new, high-profile clients into the firm. We are all proud of you. Keep up the good work." Andrew could still hear the words.

There should be no need for Falcon to worry about his bonus. It ought to be at least fifty thousand dollars more than the two-hundred-and-fifty-thousand-dollar bonus he had earned last year as a vice president. But with the firm potentially performing

poorly, Falcon realized that the compliments in Granville's office might have been intended to take the place of a good deal of this year's bonus. And he needed the money terribly. Somehow last year's two hundred and fifty thousand dollars was gone, despite being supplemented by his hundred-thousand-dollar annual salary.

Falcon opened his eyes and took another sip of the cognac. Did he have the fortitude to pull off what he was planning? Would he follow through on his convictions? Perhaps, even if the bonus was not what he hoped, he should remain conservative.

As the last glass of champagne was poured, Granville Winthrop rose slowly from his chair. Andrew watched the senior partner through the rivulets of cognac streaming down the sides of the snifter. Perhaps it was the distortion of the glass, but Granville seemed much older than the man with whom he had visited yesterday.

He moved stiffly toward a slightly raised podium in one corner of the room, pausing several times to bend down and whisper to some of the older partners seated near him. They treated him like royalty, several of them standing as he approached, nodding nervously at everything he said.

Falcon glanced about the room. The all-male partnership—there had never been a female partner at Winthrop, Hawkins—continued to speak to one another, but the noise level of the room subsided significantly as the men pretended not to notice Granville approach the podium.

The partnership was about to learn just how poorly the firm had performed this year, and they were nervous. A tremendous tension pervaded the large room, a tension Falcon could not sense, this being his first partners' dinner. Normally the men would be in a raucous mood by now, intoxicated not only by the liquor but also by the prospect of the money they knew they were about to receive. But this was the first time in many years that profits were rumored to be down. And though the majority of the

partnership was unaware of the extent to which earnings had declined, they were certain, as a result of hushed, private conversations in the firm's rest rooms, in lonely conference rooms, and at secluded lunches away from Wall Street, that profits were definitely down.

Now each man was to find out how the Management Committee—the ruling body of the world's premier investment bank—truly perceived him as an individual. Those who were in favor would probably still receive strong bonuses even if they or their areas had not performed well, because for whatever reason they were liked. Because they had the correct last name, or the right country club membership, or a trophy wife who had been subtly made available to one of the Management Committee this past year.

Those who weren't in favor would likely receive nothing. It was called the "Sanction" at Winthrop, Hawkins. No bonus whatsoever. It meant that the Management Committee had determined you to be undesirable and wanted you gone. They waited until the economy was down to clean house. That way they could blame the denial of bonus on difficult times. But in reality, they did it because they didn't like you. They did it to send a message. And the message was: Get out. There was always enough money to go around at Winthrop, Hawkins.

The Sanction had last been delivered in 1981, over a decade ago. And while it was true that no bonus would be distributed to a man receiving the Sanction, the firm would buy back his partnership interest immediately, at full value—which meant millions, even on an after-tax basis. The pain of the Sanction was not so much financial as psychological. It meant the world's elite no longer wanted to associate with you; that for whatever reason, you did not measure up. And everyone in Wall Street's exclusive club would know.

Granville reached the podium. Andrew leaned forward and watched as the silver-haired senior partner painfully lifted himself

to the lectern. Granville always struggled when he walked. His right leg had been torn apart by a sniper's bullet in Korea and had never healed properly, or so the story went.

He adjusted the small, gold-plated spotlight on the podium, then extracted a pair of half-lens reading glasses from his tuxedo jacket pocket and balanced them on his thin, patrician nose. As if on cue, the room fell silent. Conversations were abandoned in midsentence.

Suddenly, Granville thrust his champagne glass into the air. "Gentlemen, I bid you a prosperous new year!"

As one, the men slammed their shoes on the floor and champagne glasses in hand, rose from their seats. "Here, here!" The voices rose in unison, filling the great room.

Several of the partners glanced at Falcon to see if he had been caught unaware of the tradition. But he had risen exactly at the proper moment. The tradition was not to be revealed outside the room, but Andrew hadn't missed a beat. It was a good sign. It meant that their newest partner was adept at obtaining inside information, which in the long run could only mean greater profits for the partnership. To these men, inside information was only illegal at the SEC. It was an essential part of the business. A risk you ran. Andrew would never tell anyone that Granville Winthrop himself had disclosed the protocol yesterday in his office, because one never disclosed his source of inside information. That was the law.

"Mr. President, would you please give the partnership a synopsis of the financial results of Winthrop, Hawkins & Company for the fiscal year ended December thirty-first?"

"Yes, Mr. Chairman," Ben Weingarten answered from his position to the right of the chair Granville had vacated.

The partnership, resplendent in identical black tuxedos and studded white dress shirts, still thrusting champagne glasses aloft, held its collective breath. Falcon could almost hear the men's hearts pounding.

Weingarten read from an ancient leather-bound notebook. His voice was full and clear. "Mr. Chairman, for the year ended December thirty-first the partnership earned, before any employee incentive distributions, five hundred seventy-four million dollars, a six-percent decrease from last year."

Five hundred seventy-four million dollars! Falcon could not believe it. He performed several quick calculations. The figure worked out to well over seven million dollars per partner. And this was a down year. Even if the five members of the Management Committee appropriated twenty percent of the profits for themselves and set aside another fifteen percent for all of the other nonpartner employee bonuses, almost three hundred and seventy-five million remained. That was still close to five million dollars for each of the non-Management Committee partners.

Income figures were never released to anyone but the men in this room, Winthrop, Hawkins's accountants, and the Internal Revenue Service. It was one of Wall Street's last great secrets. Despite all his efforts, Falcon had been unable to access this information in his years as a nonpartner. Now that he knew, he was astounded. Perhaps he needed to rethink his decision.

The partnership seemed to exhale a collective sigh of relief. Profits were down but not as significantly as they had anticipated. Perhaps there would be no bloodshed after all.

"Thank you, Mr. President." Winthrop paused as he surveyed the men before him. "To your good health, gentlemen." The senior partner brought the glass to his lips and continued to drink until the pale golden liquid was completely consumed.

The rest of the partnership followed suit, every man standing until the last glass was empty. Then the men sat and waited as the white-gloved attendants refilled the glasses.

"Fellow partners, I will not take a great deal of your time tonight. I know that you are much more interested in the contents of what lies beside me than in what I have to say"—Winthrop gestured toward the seventy-six sealed envelopes stacked neatly

on a sterling silver tray atop a stand next to the podium—"but I feel compelled to say a few words before I distribute the envelopes."

The partnership shifted uncomfortably in its seats. There was an ominous tone to Granville's voice.

"As you all have just heard, profits were down this year. And remember"—Winthrop paused for effect—"your personal cash flow will be cut significantly because of the high tax rates on the so-called wealthy the new administration has been able to ramrod through Congress."

The appropriate grumble rippled through the room at the mention of high taxes.

Winthrop continued. "Still, the profit decrease is an unacceptable development, even in the face of a difficult economy. A completely unacceptable development."

Here it came. The partners were suddenly on the edge of their seats again, particularly the middle-aged men who had experienced the last cleansing in 1981. Six men had received the Sanction that year.

"In addition to the decline in profits, we had other extraordinary cash needs. We completed the renovation of our offices. We installed several state-of-the-art computer systems. And we purchased the money-management firm of Bates, Hilger in July. And since we decided, as a firm, not to allow any of Bates, Hilger's senior managers to become partners here at Winthrop, Hawkins, we were forced to pay the purchase price completely in cash. In the long run that acquisition will pay off handsomely for us. We should thank our newest partner, Mr. Falcon, for initiating and negotiating the purchase on our behalf." Granville nodded in Andrew's direction.

Immediately Falcon's gaze dropped to the tablecloth. He sensed the eyes of the partnership upon him. He knew that not all of the men approved of the transaction, primarily because it took money out of their pockets in the current year.

"All of these developments have used cash. Therefore, gentlemen, do not be surprised if your bonuses are lower than last year. We on the Management Committee have been extremely discriminating, and we have rewarded your efforts based solely upon performance—something we have drifted away from in the past because of our robust earnings."

It was as if a strong riptide had suddenly swept through the room. The men held tightly to the meat-stained tablecloths, their clenched knuckles turning white. Their faces became grave, giving away the great strain each felt.

Granville nodded to the waiters, who quickly picked up predetermined sets of the envelopes and distributed them with speed and precision to the appropriate recipients.

Falcon stared at the plain cream-colored envelope set before him on the tablecloth. Neatly typed on the front of the envelope was simply his name—at least the name he had given to Winthrop, Hawkins seven years ago, the one he had given to Harvard Business School two years prior to that, and the one he had given to the University of Pennsylvania four years before that. Andrew William Falcon. Not his name by birth.

Life, as everyone on Wall Street knew, came down to a few vitally important seconds. Moments when all of the research and preparation either paid off or didn't. When the deal was won or lost. This was one of those moments.

Falcon inhaled deeply, terribly conscious of his breathing. Despite the alcohol's effect, his senses were suddenly aroused, and he was aware of every movement in the room. The adrenaline coursed through his body.

Light-blue Tiffany boxes had been positioned next to each partner's place setting since the beginning of dinner. In the box was a sterling silver letter opener engraved with the partner's name and the date—a date which would live in each man's memory forever, positively or negatively. Some of these men could

barely remember their wedding days, but these dinners remained vivid in their memories.

Falcon reached for the box next to his unused dessert fork, removed the letter opener, and slid its protective blue felt covering from the polished silver. He stared at the opener for a moment. Then, deliberately, he turned the envelope onto its face, positioned the sharp point of the instrument into the slightly lifted back flap, and sliced open the small package. The paper tore neatly, and he was vaguely aware that seventy-five other envelopes were tearing just as neatly at exactly the same moment. Falcon swallowed and removed the contents—nothing more than a small piece of paper upon which again was typed his name, and just beneath, a number. His eyesight blurred slightly as he attempted to focus on the figures. Blood pounded in his brain. Suddenly his senses numbed. One million dollars. He blinked and stared at the figure again. A million dollars!

It was more money than some people earned in a lifetime. More money than his father, a foundry worker still living in a dingy row house of west Philadelphia—the same row house in which Falcon had been raised—could possibly imagine. It was not the five million he had calculated as each non-Management Committee partner's share of the firm's net income, but after all, he was only a first-year partner, the firm had incurred other cash flow requirements this past year, and some capital had to remain with the partnership to support future growth. There were senior partners at New York's most prestigious law firms not earning bonuses as grotesque as this—men and women who had been working at the law for decades. It was a huge amount of money for a man barely thirty-one. It was a huge amount of money for any human being.

But he felt no guilt over the amount of the bonus. It was deserved. The Management Committee had paid him this much because he was good. No, not just good. Very good. They paid him this much because he could instantly captivate a room of corpo-

rate executives with the burning stare, the smooth voice, and the tremendous knowledge of finance, tax law, and accounting he possessed. Because he had an innate, uncanny ability to sense value where others did not. And because he made the firm a tremendous amount of money—forty times the bonus amount. They had paid him this much because they wanted to keep him. There had been no reason to think he might not receive the huge bonus, especially given his relationship with Granville.

Falcon became suddenly calm. The calm for which he had already become famous at Winthrop, Hawkins. The elation subsided. A million dollars was acceptable, but he wanted more. Much more. And he wanted it quickly.

“You goddamn bastards!” Kunkowski roared to his feet. The wing back chair crashed loudly against the panelled wall as the man rose.

Falcon turned his head quickly as Kunkowski yelled, index finger extended toward the head of the table. By now Winthrop had returned from the podium to his seat at the head of the table.

“You sons of bitches!” Kunkowski screamed. He was obviously drunk.

Falcon shot a quick glance at the paper before Kunkowski’s seat. There was no number beneath the man’s name. He had received the Sanction. So the sharks had attacked after all.

“You think you can do this to me? You think you can play with me like some toy?” The room was deathly still. Through glazed eyes Kunkowski stared at Granville.

Granville motioned to the headwaiter. He seemed to be smiling slightly as he did so, as if he were amused. Or perhaps the smile was simply Andrew’s imagination.

Kunkowski stumbled around the end of the table where Falcon sat and moved toward Granville. Several of the other senior partners stood as Kunkowski approached, but Granville remained seated, serene as he smoked a huge cigar.

Kunkowski stopped ten feet short of the head of the table. He