

Document 0305

[20305001]

When Thomas W. Wathen went big league last year, he acquired a treasure-trove of Americana along with a well-known but ailing security business: Pinkerton's Inc.

[20305003]

Then there were two gold watches once owned by Allan Pinkerton, who founded the company in Chicago in 1850.

[20305004]

But there were supposed to be three. Mr. Wathen's company claims.

[20305005]

The missing watch is emblematic of the problems Mr. Wathen encountered in building his closely held California Plant Protection Security Service into the largest detective and security agency in the U.S. through acquisitions.

[20305007]

"We cleared out a lot of rats' nests," says the 60-year-old security veteran.

[20305008]

Mr. Wathen, who started his career as an Air Force investigator and worked as a security officer for several large companies, built his California Plant Protection from a tiny mom-and-pop security patrol firm here in the San Fernando Valley.

[20305010]

Over the next 20 years, California Plant Protection opened 125 offices around the country.

[20305011]

Yet although California Plant Protection was netting bigger and bigger clients — the firm provided security for the 1984 Summer Olympics in Los Angeles — it still did n't have the name recognition of Pinkerton's.

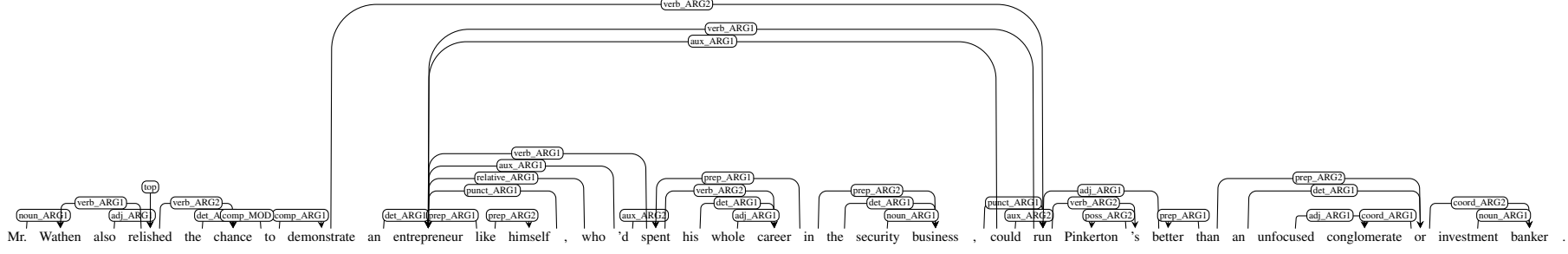
[20305013]

He decided he could easily merge Pinkerton's operations with his own while slashing overhead costs because the two already operated in many of the same cities.

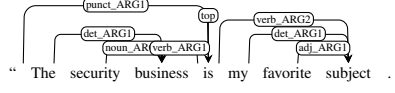
[20305014]

He could acquire a staff of loyal Pinkerton's employees, many of whom had spent their entire careers with the firm, he could eliminate a competitor and he could get the name recognition he'd wanted.

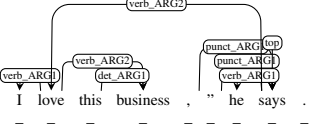
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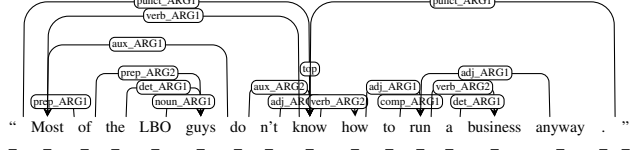
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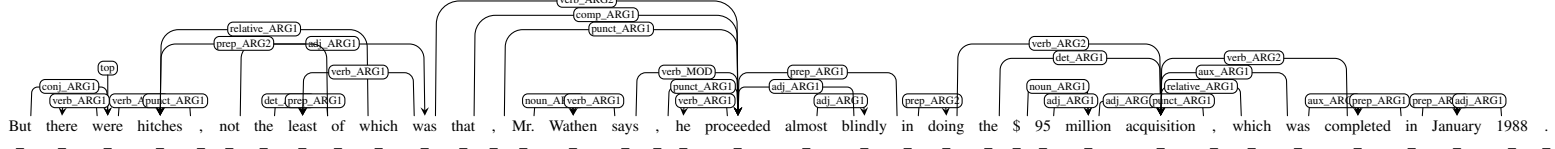
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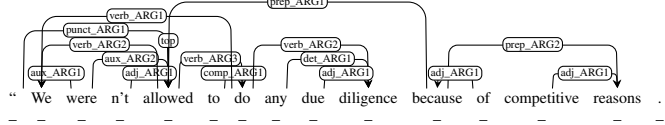
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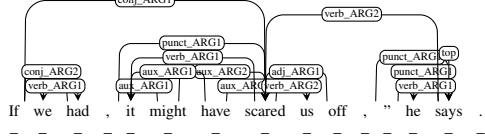
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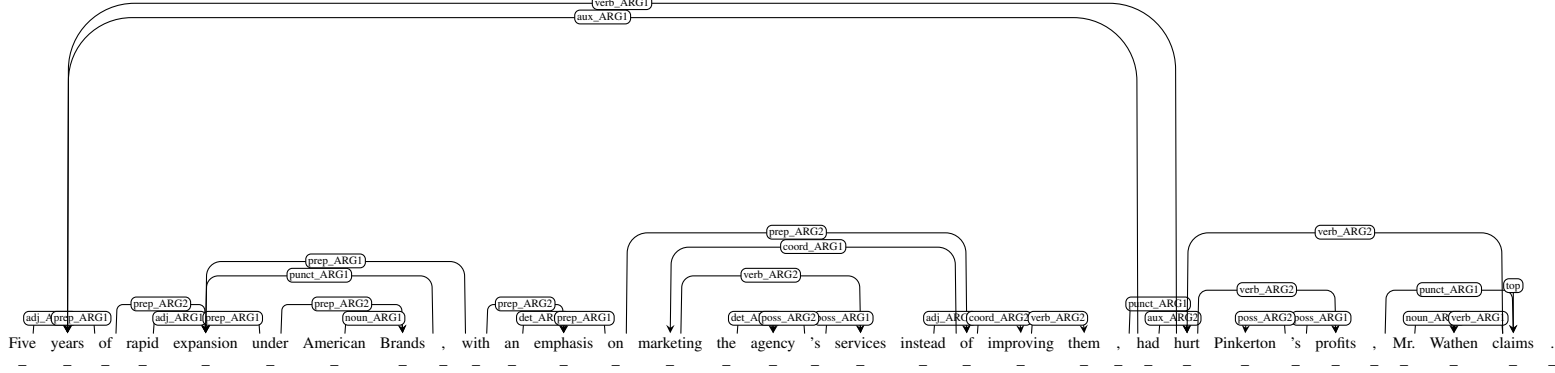
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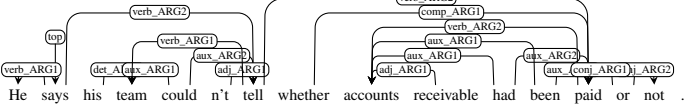
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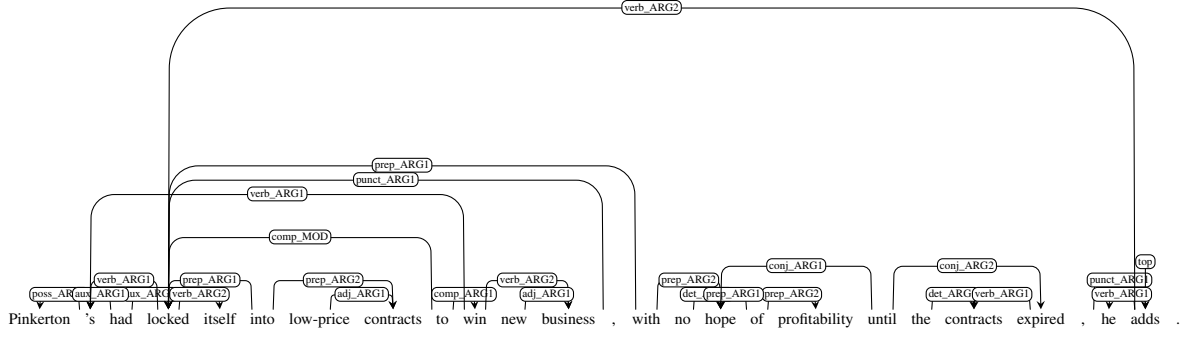
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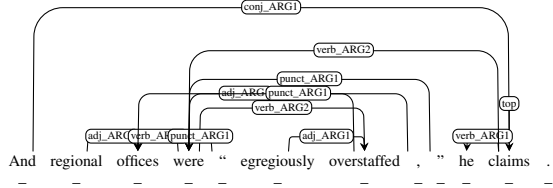
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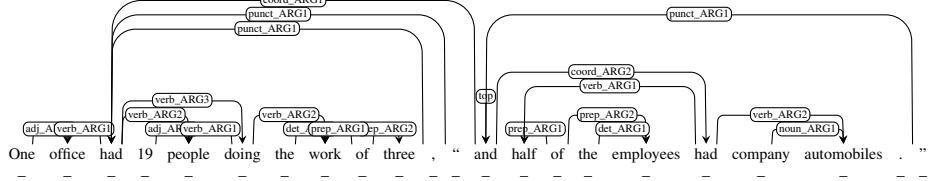
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[20305025]



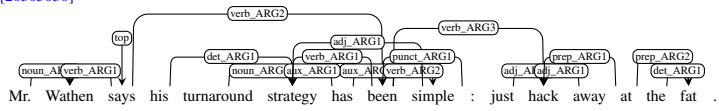
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[20305027]

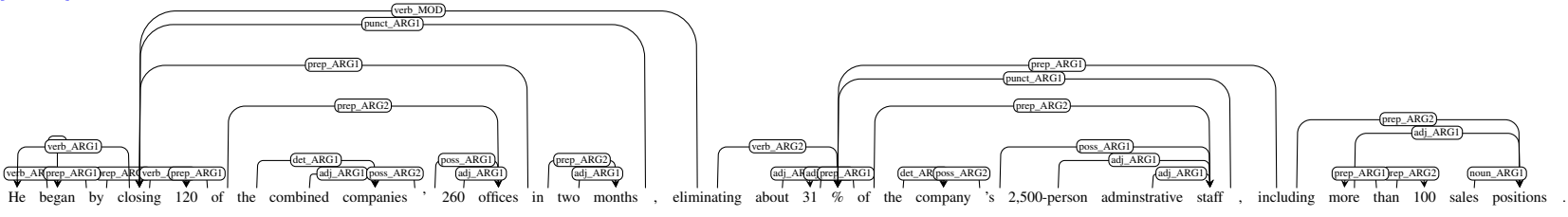


[20305030]



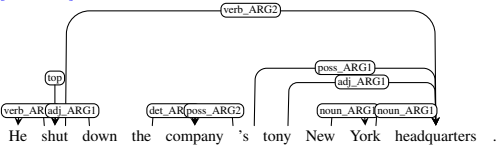
Mr. Wathen says his turnaround strategy has been simple : just hack away at the fat .

[20305031]



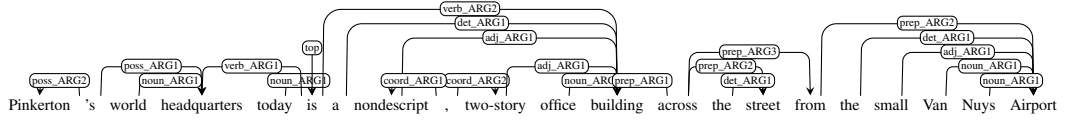
He began by closing 120 of the combined companies , 260 offices in two months , eliminating about 31 % of the company 's 2,500-person administrative staff , including more than 100 sales positions .

[20305032]



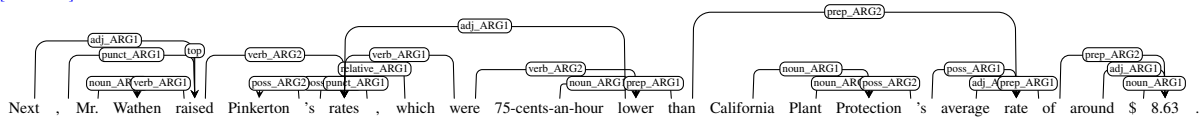
He shut down the company 's tony New York headquarters .

[20305033]



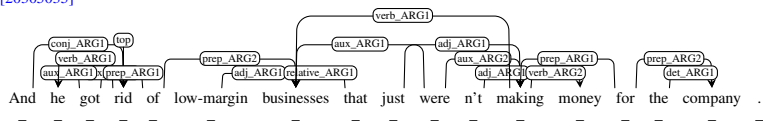
Pinkerton 's world headquarters today is a nondescript , two-story office building across the street from the small Van Nuys Airport .

[20305034]



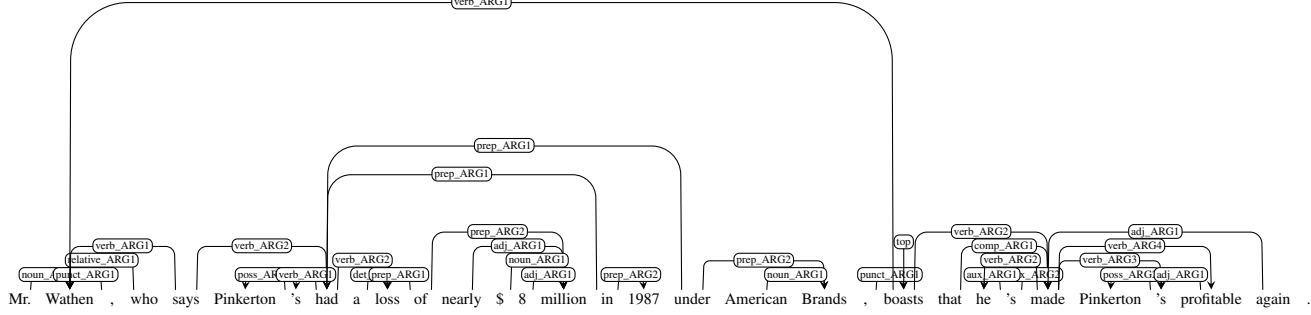
Next , Mr. Wathen raised Pinkerton 's rates , which were 75-cents-an-hour lower than California Plant Protection 's average rate of around \$ 8.63 .

[20305035]



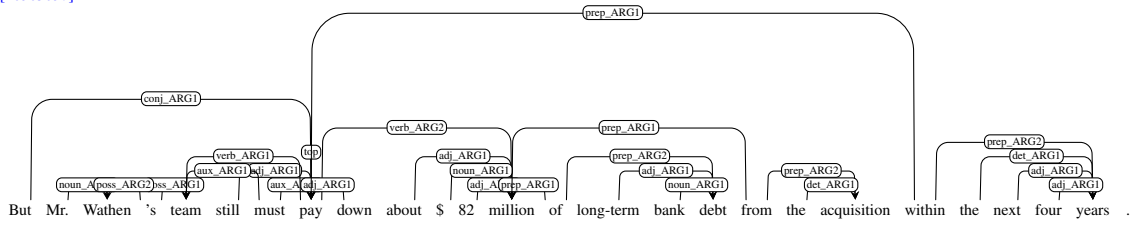
And he got rid of low-margin businesses that just were n't making money for the company .

[20305036]



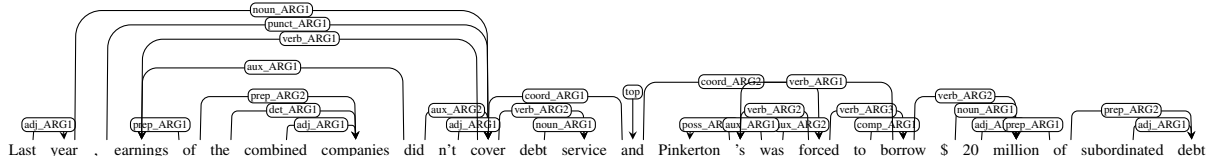
Mr. Wathen , who says Pinkerton 's had a loss of nearly \$ 8 million in 1987 under American Brands , boasts that he 's made Pinkerton 's profitable again .

[20305037]



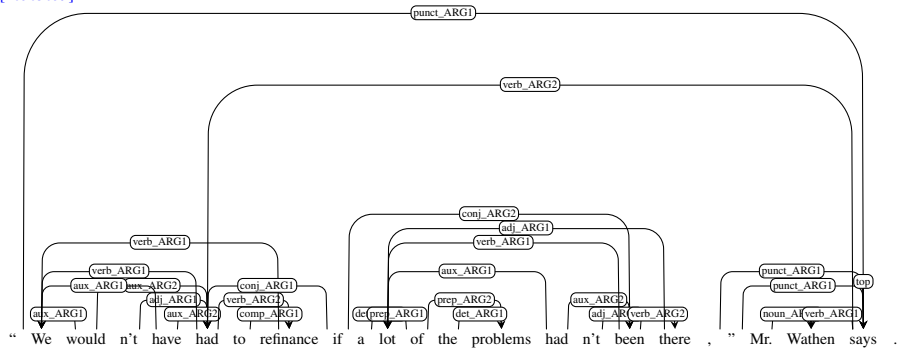
But Mr. Wathen 's team still must pay down about \$ 82 million of long-term bank debt from the acquisition within the next four years .

[20305038]



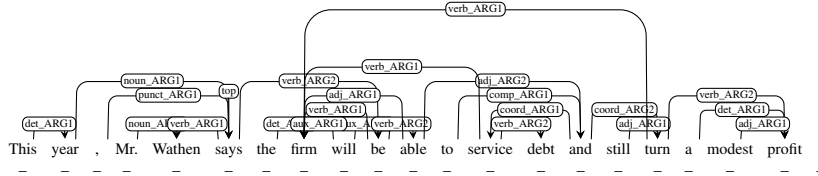
Last year , earnings of the combined companies did n't cover debt service and Pinkerton 's was forced to borrow \$ 20 million of subordinated debt .

[20305039]



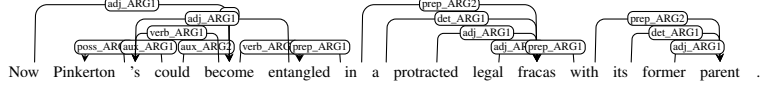
“ We would n't have had to refinance if a lot of the problems had n't been there , ” Mr. Wathen says .

[20305040]



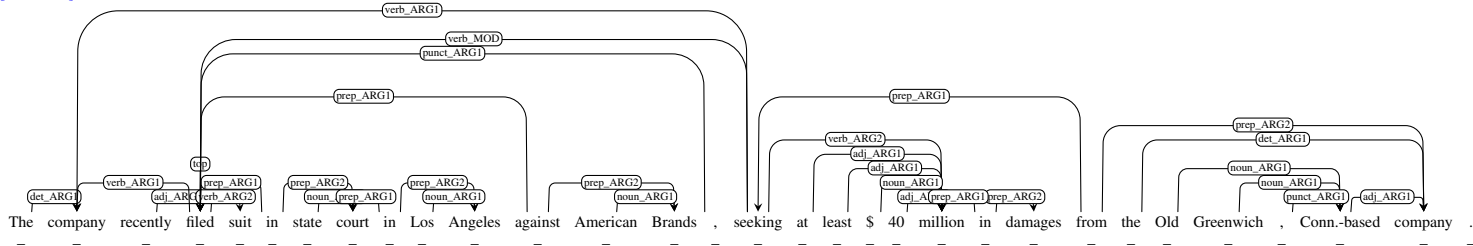
This year , Mr. Wathen says the firm will be able to service debt and still turn a modest profit .

[20305041]



Now Pinkerton 's could become entangled in a protracted legal fracas with its former parent .

[20305042]



The company recently filed suit in state court in Los Angeles against American Brands , seeking at least \$ 40 million in damages from the Old Greenwich , Conn.-based company .

