Ret To G C Sells

DO NOT DISTURB

THESE GOODS ARE IN THE POSSESSION OF THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA

I took the above sign off the door of the Locher Brick Company office in 1972. The cause of this sign in the midst of a boom can be attributed to bad management, aided and abetted by alcohol, inattention, and a balance sheet that gave "jitters" to their stout-hearted bankers. The moral of the above story is "Stay sober and manage your balance sheet, don't let it manage you".

Despite large operating losses, General Shale came through the depression of '81-'82 in good financial condition, precisely because we entered the period with a strong balance sheet. The time to get ready for the next down cycle is now. As business conditions improve, we intend to further strengthen our balance sheet so that we are ready for an even deeper cycle the next time around.

George C Sells
Nov 79

RD To G Sells

THE LOCHER LEGACY

E. B. TOLLIVER

CAST OF CHARACTERS:

THE FOUNDER	-	CHARLES S. LOCHER
THE FOUNDER'S SON	-	CHARLES H. LOCHER (GREAT UNCLE CHARLES)
NEPHEWS OF CHARLES H. LOCHER	-	CHARLES H. LOCHER, JR.
	-	BALDWIN (UNCLE BALDWIN)
	-	JACK (UNCLE JACK)
SONS OF CHARLES H. LOCHER, JR.	-	CHARLES H. LOCHER, III
	-	GEORGE LOCHER

MAY 26, 1972

THE LOCHER LEGACY

PRELUDE

The drama below was put together from facts and opinions related during separate interviews with Charlie and George Locher. There was a marked parallelism on all major points, and no real discrepancies were noted. Some incidents were naturally related by only one, and a different emphasis was sometimes attached to a particular incident. Minor differences were disposed of by selecting the fact or emphasis which best seemed to fit the general drift of the narrative.

It is quite possible that certain facts were misunderstood or misinterpreted. It is also likely that some events are out of sequence or presented in the wrong perspective. In any event, the narrative below is mine and contains the inferences and impressions which I received during the interviews.

I tried to make a date with Uncle Baldwin Locher, so that I could get his version of all that happened. He gave me the runaround, claiming he was just too busy running Locher Silica and implied that this situation would continue forever. My guess is he knows he was derelict in his responsibility as trustee, and doesn't want anyone poking around in the ashes. He did offer to answer any specific questions I would like to write him, but this is hardly a thing that could be covered in a questionnaire.

ACT I

The story begins with a natural cement plant founded in Glasgow, Virginia in the late 1800's by Charles S. Locher. Ownership passed to his son, Charles H. Locher, who made his mark as a railroad contractor shortly after the turn of the century. This gentleman was married late in life to a woman of some means, apparently only after he had acquired equal wealth of his own. Although this union produced no children, Charles H. Locher was destined to be the chief of the Locher tribe for the next several years.

Whatever was lacking in the way of children was compensated for by a proliferation of nephews as other members of the clan multiplied. The favorite branch of the tree brought forth a nephew, affectionately named Charles H. Locher, Jr. and his two younger brothers, Baldwin and Jack. When the development of Portland Cement brought an end to the natural cement business, Uncle Charles built a brick plant at the Glasgow site in 1915 and put all the nephews to work. Charlie Locher, Jr. was 20 years old at the time and soon became the guiding hand of the Locher Brick Company.

The company grew slowly during the twenties and was not too well prepared for the Great Depression which ended that era. Uncle Charles himself came out of retirement and went back into railroad contracting in order to hold the family fortune together. Locher Brick Company was hard hit and was held together mostly by the handmade brick business, which somehow managed an existence independent of the general economy.

The national recovery from the depresssion was slow and gradual, and so was progress at Locher Brick Company. The Second World War, which ended the general depression and brought prosperity to many, spelled near disaster for much of the brick industry. Locher Brick Company was no exception and was kept alive largely by the building of the Federal Arsenal at Radford, Virginia.

The war finally ended, and Locher Brick Company began to move forward along with the rest of the industry. Business gained momentum as the nation rushed to fill the backlog of demand for new construction. The long term outlook was good, and many companies rushed to build tunnel kilns and replace obsolete facilities. This point in time was the genesis of success for many brick companies, but may have been the prelude to failure for the Locher family.

ACT II

Uncle Charles died in 1948, leaving Locher Brick Company to his nephew, Charles H. Locher, Jr. Land and liquid assets were bequeathed to Baldwin and Jack, leaving the brick company virtually free of debt, land, and cash. Estate and inheritance taxes were heavy inasmuch as Uncle Charles had held on to everything until his death and had done nothing to minimize the cost of passing. Disgruntled nephews from another branch of the tree cried, "Foul," and entered suit to break the will of Uncle Charles. The final result was a $100,000 compromise in 1950, with Locher Brick Company picking up the tab for half this amount.

Charles H. Locher, Jr. was the father of two sons and one daughter--the firstborn, christened Charles H. Locher, III was followed by sister Arden

and brother George. Charles III was about 21 years of age in 1949 when he went to work for Locher Brick as bookkeeper. The father meanwhile had developed a manic depressive psychosis with behavior alternating between extreme euphoria and deep depression. He recognized this condition and sought psychiatric help through John Hopkins Hospital in Baltimore. He little realized he was to spend an ever increasing amount of his time in Baltimore and, finally, to end his own life there in 1956.

Along about 1952, Charles, Jr. persuaded himself and his psychiatrist that divorce was the answer to all his problems. He was not all that successful in convincing his wife, however, and finally bought his freedom for $65,000, which came out of the cookie jar at Locher Brick Company. He also followed hard in the footsteps of his Uncle Charles and made no provision to minimize the tax effect of his suicide, which took another $40,000 out of the corporate coffers in 1956.

This then is the backdrop for Act III, which began with the trusteeship in 1956. The opening act saw the company established and weathering both the depression and World War II, only to be left with inadequate land and money in 1948. If this story had a happy ending, the second act would picture the owners modernizing the facilities and strengthening managment capabilities. Instead, the drama unfolds with a manic depressed owner leaving the care of the business to first one brother and then the other as he keeps house in Baltimore to be near his psychiatrist. In addition, large sums of money are required to settle lawsuits, divorces, and taxes. The second act ends in 1956 as it began in 1948--Locher Brick Company is still without debt, without land, and without money. The sequel will show it was also without management.

Charles H. Locher, Jr. took his own life by an overdose of barbituates in his Baltimore apartment in 1956. He left a suicide note, which might have been used to break the trusteeship established in his will (made only 30 days before his death) if it had not been destroyed by Charles H. Locher, III upon the advice of Baldwin. The will left the brick company to Charles, George, and Arden on a 55-30-15% basis, with Uncles Baldwin and Jack as trustees. The trustees were given full power to decide when and if the trust should terminate and possession should pass to the children. Uncle Jack either was or became an alcoholic, and it does not appear that he ever exercised much authority as trustee.

It was a different story with Uncle Baldwin. Charlie Locher, III was made president in name while Baldwin reigned as absentee despot. George went to work for the company in 1956 with no real lines of authority or communication established between the trustees, Charlie and George. Charlie and George were left to work together as best they could with Charlie making the necessary day-to-day decisions. Every ninety days or so, a field day was declared, the spit and polish were put on, and the red carpet rolled out. Uncle Baldwin would arrive with much fanfare, stride briskly through the plant, criticize everything he saw, and depart. He spent very little time on the plant, did not familiarize himself with the brick business, and rarely put anything in writing.

The company was struggling, but moderately successful when Baldwin Locher arranged for a $250,000 SBA loan in late 1957 in order to build a tunnel kiln. The terms of the loan required Charlie and George to personally go

in hock for this amount, and they were most reluctant to do so. They suggested, instead, that Baldwin should, (1) sell the plant or, (2) dissolve the trust and let them run the plant as a handmade specialty operation. Baldwin was furious that his wise counsel was being questioned and promptly fired them both. He rehired them at the urging of L. C. Smith, but only after they had agreed to go ahead with the SBA loan.

The tunnel kiln was built in 1958, at a cost of $360,000, which left the company again bereft of working capital. The tunnel kiln itself was a nightmare from the beginning with bat loss running 30% or more. The land famine, which began in 1948, had not been corrected, and the raw material was totally unfit for a tunnel kiln operation. The Locher brothers realized they had no tunnel kiln experience and hired a superintendent, whom Baldwin promptly fired because he did not like him.

The years 1958 through 1961 were largely given over to treading water, with the company about to go under at any time. Moderate improvement was made over the following three years, and part of the SBA loan was retired. In late 1964, $100,000 was borrowed from a commercial bank in order to pay off the rest of the very restrictive SBA loan. It had long been felt that a conversion to shale was imperative, but there was no money available, and the SBA loan forbade any additional debt. Everything was all set for a $100,000 shale grinding installation in late 1965 when the impending 1966 slump ended this dream.

Simultaneously, other events were taking place. Charlie's trips to the booze cabinet became more frequent, and family squabbles intensified. Sister Arden was raising Cain, because she was getting nothing out of the business.

Charlie and George were trying to buy her out; but she was so irrational, they could never agree on a price. For some unknown reason, Uncle Baldwin had signed over the stock certificates to the children and ended the trust; then recalled them on some legal technicality. Baldwin ordered a certified audit to determine how much sister should get for her share of the business. The audit uncovered $10,000 in bonuses paid to Charlie, George, and Arden, which Charlie said Uncle Baldwin had authorized and Uncle Baldwin denied.

By this time, Charlie and George have had it up to here and decide to take legal action against Baldwin to the effect that the trust had legally ended when the stock certificates were endorsed over to them. Uncle Baldwin convinces Charlie that the legal fees will break them and persuades him to give up the fight. Baldwin and Charlie hold a board meeting, or say they did, and fire George. George continued the legal action until mid-'67 and negotiated a $135,000 settlement for his share of the business, of which $104,000 remains unpaid. The bank refused to lend any more money while the suit was pending, so that the company just sat there for a year or more with their plans for shale grinding suspended.

The organization began to fall apart about the time George was fired in 1966. The bookkeeper quit after Charlie went on a Texas spree and bought a Mustang for a Dallas darling with company funds. No wage increases were given, and the labor force began to drift away. A sales manager was hired who promptly began to give the brick away. Charlie divorced his alcoholic wife, and his own alcohol problem worsened. Charlie began to do his own bookkeeping, and bookkeeping became almost nonexistent.

In the meantime, George went to work for Boren Clay Products in Greensboro.

He worked up a deal to sell Locher Brick to Boren for $400,000. Uncle Baldwin would not go along, and Charlie took the position that he could sit there and draw a $25,000 salary for the rest of his life, which was a whole lot better than having 55% of $400,000.

The shale grinding facilities were finally installed in 1967 - '68, at a cost of $200,000, with the money borrowed from the First National Exchange Bank. Baldwin refused to hire either a bookkeeper or a plant superintendent. The result was a poorly run plant and even poorer record keeping. The use of shale for a raw material presented many new problems and bat loss again went out of sight. Charlie realized he could not carry it alone and went to George for help.

George refused to return unless Baldwin would spell out a clear framework within which he and Charlie could operate. Baldwin evidently saw the handwriting on the wall and wisely agreed to end the trust.

George returned in May, 1970, to find most of the old men gone, the equipment badly neglected, and the quality terrible. It was impossible to determine the financial status, and chaos was in complete control. Eighty per cent of the shipments were going out by rail with an average selling price of $29. No one knew what handmade brick were costing, and Charlie refused to give them up. The kiln and kiln cars were in impossible condition, and there was no money for repairs.

A new salesman was hired to pick up local business and improve the selling price. George rehired a few of the old men, and went to work trying to

straighten out the plant. Charlie went to work on the finances and tried to put various deals together.

It was too late. The 1970 slump was on, and orders began to diasppear. The accounts receivable were factored at 18% interest in order to get through the winter. The factors learned of unpaid F.I.C.A. and withholding taxes and reduced advances from 70% to 50% of approved receivables. Some land was sold for $50,000, which the bank gobbled up immediately. All the financing arrangements went sour, including the last desperate effort to sell out to Webster Brick Company. The bank refused to go on any longer and padlocked the plant. Thus the curtain falls on the final act of this real life drama.

RETROSPECT

The final and legal failure of Locher Brick Company came during a business boom; but in the very real sense, it has always been a failure. Each time a glimmer of progress appeared, the gremlin of hard luck was not far behind. Untimely events and unwise actions followed one another like an endless parade of unclean animals.

1. The Great Depression
2. World War II
3. Uncle Charles's Death, Estate Taxes, Lawsuits
4. Psychopathic Owner, Divorce, Suicide, Estate Taxes
5. Two Trustees; One, Derelict, The Other, Alcoholic
6. Alcoholic Playboy President, In-fighting Among The In-laws
7. George Fired, Charlie Retained--$400,000 Offer Refused
8. Credit Crunch, Booze, Divorce, More Booze, Bankruptcy

A 45 year profile of Locher Brick Company is attached, showing the financial condition during three distinct eras since 1927. Each regency is characterized by a major missed opportunity that could have changed the course of events despite the unfriendly fortunes of circumstance that have played such a major role in the history of this company.

The first era ends with the untimely death of Uncle Charles, just as the company was making progress for the first time following the twin catastrophes of the Great Depression and World War II. The ideal action would have been the building of a tunnel kiln immediately after the war. However, financing would have been difficult or impossible in view of the earnings history to this point. Perhaps the only real missed opportunity was the failure to provide for the succession of competent management to maintain the trend in earnings until facilities could be modernized.

The reign of Charles Locher, Jr. can best be described as the great void. The earnings trend so recently established was quickly throttled, and hopes for tunnel kiln financing faded rapidly. Two years of good building activity in 1955 and 1956 enabled him to leave the company financially much as he had found it, but, physically, eight years more obsolete. How different might have been the finale, if a competent manager had been given the lead part in 1948 and plans made for the immediate construction of a new plant.

The trusteeship got off to a reasonably good start despite its many shortcomings. The belated construction of a tunnel kiln was certainly a step in the right direction. The biggest blunder was, perhaps, in keeping

Charlie III on the payroll or at least the failure to hire a competent man to run the show. You will notice that in spite of much neglect and incompetence, the company had its best years up until the time George Locher was fired in 1966. This was the second big blunder, and the third followed close behind--the refusal to sell to Boren Clay for $400,000. From this point, it took less than five years for the combined talents of Baldwin and Charlie Locher to bring down the curtain on the Locher dynasty forever.

FINANCIAL PROFILE - LOCHER BRICK COMPANY

YEAR	NET SALES	PRE-TAX PROFIT	CASH	NET WORTH
1927	$193674	$9310	$4476	$11209
1928	193248	6687	11200	23564
1929	192752	2067	8932	3314
1930	208218	10671	11626	13739
1931	150191	3024	8458	15575
1932	120338	(1265)	16622	14306
1933	120032	(3287)	6980	11019
1934	165608	(2144)	11847	8875
1935	268644	8127	5360	16683
1936	339470	8549	11793	23912
1937	377295	(1292)	18720	20584
1938	366293	397	15347	20986
1939	361949	6711	27937	27643
1940	377769	8574	14185	29985
1941	442652	16823	37601	37857
1942	321086	8405	42144	42102
1943	222785	431	53034	40210
1944	285236	12414	76781	52260
1945	347154	29636	103684	75380
1946	474115	52103	86630	96897
1947	503998	44062	71490	114850
1948	575518	35318	83927	138301
EXIT UNCLE CHARLES, ENTER CHARLES, JR.				
1949	$459500	$13954	$75997	$148717
1950	566998	18576	36869	162378
1951	571186	13244	74755	171290
1952	497205	3391	51159	165756
1953	524606	7486	50880	170225
1954	535743	7717	62331	170778
1955	578168	30949	94662	175252
1956	555765	46218	80493	228939
EXIT CHARLES, JR., ENTER TRUSTEES, CHARLES III, GEORGE				
1957	598620	36123	72425	257741
1958	533506	(2222)	21351	255293
1959	698368	17244	40515	268994
1960	656566	23048	60080	274308
1961	508909	19231	39675	281608
1962	591213	32463	48718	277343
1963	782650	61146	70280	309991
1964	770909	42872	38095	344157
1965	920324	50708	60700	395298
1966	874776	28747	50566	373799
EXIT GEORGE - TRUSTEES & CHARLES III REMAIN				
1967	813302	6885	15955	375378
1968	765317	(34897)	2427	371018
1969	863293	(3608)	4643	322846
1970	795750	(307339)	240	(10723)
1971	1003471	(190424)	(10108)	(201157)
BANKRUPTCY - END OF LOCHER DYNASTY				

THE LOCHER LEGACY
POSTSCRIPT 1980

CHARLES H. LOCHER, III

The wasted assets of Locher Brick Company were acquired by General Shale at a bankruptcy sale in the Spring of 1972. Charlie Locher did little during the following twelve months other than to enjoy his one year "do nothing" employment contract with General Shale. He subsequently went to work for the town of Alexandria, Virginia, and later for the Air Pollution Division, State of Virginia.

His health steadily deteriorated as his dissipation, so long practiced at the booze cabinet, was reportedly extended to drugs. He retired on a Social Security Disability pension and moved to North Carolina with his second wife, Margaret (Nichols), former secretary, whom he had married the day his divorce from Cherry was final. He died from a heart attack in the Spring of 1979 at the ripe old age of 52.

Cherry (Gundry) Locher now lives in Roanoke and is said to be on the wagon and doing well. The son, Charles H. Locher, IV, recently graduated from VPI and is working in Harrisonburg, Virginia. And so the name of Charlie Locher lives on. So, too, the propensity toward alcoholism at an early age with the new Charlie reportedly following hard after the profigacy of the old.

ARDEN LOCHER (MRS. FRANK DAVIDSON)

Arden, sister to Charlie and George, is said to have been a person of high IQ but totally devoid of common sense. She was further characterized as an irritating woman about six feet above contradiction and mean as hell.

Arden apparently succeeded to the mental imbalance of the family and decided to end it all about a month after Charlie died. She was separated from her husband, a G.E. engineer recently transferred to Colorado, and lived with a son in his late teens, also said to have emotional problems. With the son in the house at the time, and perhaps looking on, she drenched herself with gasoline, even drank a bit, and lit the torch. And so Arden blazed her way into the dark beyond at the age of 50.

The son was so shaken that he was kept in jail for his own safety until he could be unwound. This wasn't quickly accomplished and the funeral was delayed a day or two until he was calm enough to attend.

GEORGE LOCHER

George Locher had a two-year active employment contract with General Shale and continued as a Plant Superintendent until he was fired in March, 1978. He divorced his wife, Jane, in 1972 or early 1973 and married Ellen Wines, who worked in the Glasgow office, shortly thereafter.

Since leaving General Shale, George has promoted a new brick plant at Madison Heights on the outskirts of Lynchburg, Virginia. The plant will produce 35 million brick per year and, according to George, will be completed for $4,000,000. The man cajoled into putting up the money for the new Locher Brickworks, Inc., is C. Lynch Christian, Jr. Mr. Christian is said to be a very wealthy member of a wealthy Lynchburg family.

The Christian family operates Imperial Colliery Company and Milburn Colliery Company of Lynchburg, Virginia, both of which appear as coal mining companies with mines in Fayette County, West Virginia. Net worth of the two companies approximates $20 million. Lynch Christian, Sr., continues as President at age 86 and Lynch, Jr., 58, is Vice-President.

George Locher is reported owner of 49 percent of Locher Brickworks with 51 percent owned by Milburn Colliery Company.

Like the name Charlie Locher, the name Locher Brick lives on and the curtain opens for yet another act with George Locher in center stage.