THE WALL STREET JOURNAL.

VOL. LXX NO. 42 ★★ MIDWEST EDITION TUESDAY, DECEMBER 13, 1988 SHARON, PENNSYLVANIA 50 CENTS

Smith Barney's Fichera Winning Business Duels With His Sabres Issues, Including Exxon Corp.

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NEW YORK – Joseph S. Fichera, a lowly vice president of Smith Barney, Harris Upham & Co. who was passed over for promotion this year, has landed the firm a big chunk of business with the bluest of blue-chip clients.

Exxon Corp., the world's biggest oil company, is expected to file with the Securities and Exchange Commission this week for a $750 million offering of Sabres, a type of preferred stock that the 34-year-old Mr. Fichera dreamed up in 1986. It will be the largest single offering of variable-rate preferred stock in history.

In the $50 billion market for preferred shares, everybody knows Mr. Fichera, a brash, argumentative 34 year old. He's the fellow who dogs clients for business more persistently than anybody else. The man who initially got the brushoff from General Electric Credit Corp. and McDonnell Douglas Finance Corp., before they bought the Sabres concept—and whom even Smith Barney once refused to hire.

The Exxon deal is a coup for Smith Barney, a second-tier brokerage firm ranked 12th in terms of total securities underwritings with 1.8% of the market. The firm will co-manage the transaction with **First Boston** Corp.

The deal was worked out months ago. At the moment, Mr. Fichera isn't even working at Smith Barney, which is wracked with internal dissension as its parent **Primerica** Corp. moves toward this month's planned takeover by **Commercial Credit** Corp. Several senior investment bankers have quit, and many Smith Barney employees fear a wave of dismissals in the wake of George Vonder Linden's resignation as president in October. The job "situation has stabilized since the merger was announced," a Smith Barney spokesman says.

Leave of Absence

Mr. Fichera took a leave of absence two months ago to work on the national campaign of presidential candidate Michael Dukakis. He hasn't yet returned to Smith Barney. "Smith Barney has good people," he says. "It's small enough to be creative, but large enough to have an impact on the market."

Inside Smith Barney, Mr. Fichera is almost as controversial as he is outside, largely because he won't take no for an answer. Robert H. Hotz, a Smith Barney managing director in charge of the firm's corporate finance department, tried to get Mr. Fichera promoted to managing director earlier this year. But other colleagues said the Princeton graduate with a Yale School of Management degree was rising too fast.

"The Dukakis campaign was probably the first marketing effort that didn't work out for Joe," says Mr. Hotz. "This is a guy who's tenacious. He saw a need for a product and created it. On the 11th phone call from Joe, there are far more [corporate treasurers] who finally agree to do business with him than rip the phone out of the wall."

Even **General Motors** Corp. decided to take Mr. Fichera seriously after initially ignoring his calls. "Joe sees what it takes to get the job done with a Fortune 10 company," says Thomas W. Gorman, assistant treasurer of Signal Capital Corp. and former manager of corporate finance at GM. "More than anything, he put the client first, and you always knew where you stood."

Joseph S. Fichera

In 1987, for instance, Mr. Fichera personally settled a dispute between GM and a municipal bond issuing authority. Then, aided by only two recent college graduates and secretary, Mr. Fichera arranged a difficult tender offer for GM's bonds, despite predictions by GM's longstanding underwriter, First Boston, that it couldn't be done. The result: Smith Barney, which hadn't done any deals with GM, won half of GM's industrial revenue bond underwriting business away from First Boston.

Mr. Fichera's persistence also paid off with smaller concerns as well. "I knew this guy was serious when he flew out here in the middle of February . . . to talk to me," says Richard S. White, chief operating officer of **Midwest Federal Savings**, a $1 billion-asset thrift based in Minot, N.D., 60 miles from the Canadian border. "Nobody comes to Minot from Wall Street except Joe."

Mr. Fichera caused a stir among rivals when he raised questions about the potential risks of one of Wall Street's hottest products. The security, introduced four years ago by Shearson Lehman Hutton Inc. and known as money-market preferred stock, was designed to allow issuers to sell this form of equity to buyers of short-term debt. To keep the price from fluctuating, the dividend rate was reset regularly, usually every seven weeks, and investors got a chance to get rid of the preferred if they didn't like the new rate.

Dominance of Market

In addition Shearson, Salomon Brothers Inc., Merrill Lynch & Co. and Goldman, Sachs & Co. dominated the market. Smith Barney as recently as May 1987 had arranged only one variable-rate preferred deal. Mr. Fichera, in contrast to his established competitors, challenged the auction aspect of the stock sales, because he contended it put an entire offering at risk on an inflexible schedule.

Sabres enable agents for the issuers to selectively set the amounts and timing of the preferred repricings. Sabre stands for Share-Adjusted Broker-Remarketed Equity Securities.

Last January, Exxon decided to use Sabres but didn't disclose its decision until May, when it said it would sell as much as $1 billion of the preferred through private placements. Exxon also said it ultimately planned to register a public offering that would allow it to convert the privately sold stock into a public issue.

About $290 million of preferred issued under the private placement is expected to be converted, according to corporate treasurers familiar with the offering. Exxon officials declined to comment specifically on the new deal but said it conforms with plans previously disclosed several months ago.

"Joe has a great eye for what is valued to a corporate treasurer," says Stephen R. Argbogast, treasurer of Exxon's Exxon Capital Corp. subsidiary. "He has the persistence to answer all your questions until you conclude he's offering you something valuable.

The Exxon decision to issue Sabres also helped **General Electric** Co.'s financial unit adopt a Sabres option in a $500 million preferred stock sale last July. "I think Joe got the message across by making a strong presentation," says Jeffrey Werner, treasurer at the financial unit. "He had been calling us for some time and we ignored him. The final catalyst was Exxon. That convinced us."