CHEMICAL HERITAGE FOUNDATION

HAROLD A. SORGENTI

Transcript of Interviews
Conducted by

Arnold Thackray

in

Haverford, Pennsylvania

on

12 May 1998, 15 March and 10 June 1999, and 10 January 2003

(With Subsequent Corrections and Additions)

Harold A. Sorgenti

CHEMICAL HERITAGE FOUNDATION
Oral History Program
FINAL RELEASE FORM

This document contains my understanding and agreement with Chemical Heritage Foundation with respect to my participation in a tape-recorded interview conducted by Arnold Thackray on 12 May 1998, 15 March 1999, 10 June 1999, and 10 January 2003. I have read the transcript supplied by Chemical Heritage Foundation.

1. The tapes, corrected transcript, photographs, and memorabilia (collectively called the "Work") will be maintained by Chemical Heritage Foundation and made available in accordance with general policies for research and other scholarly purposes.

2. I hereby grant, assign, and transfer to Chemical Heritage Foundation all right, title, and interest in the Work, including the literary rights and the copyright, except that I shall retain the right to copy, use, and publish the Work in part or in full until my death.

3. The manuscript may be read and the tape(s) heard by scholars approved by Chemical Heritage Foundation subject to the restrictions listed below. The scholar pledges not to quote from, cite, or reproduce by any means this material except with the written permission of Chemical Heritage Foundation.

4. I wish to place the conditions that I have checked below upon the use of this interview. I understand that Chemical Heritage Foundation will enforce my wishes until the time of my death, when any restrictions will be removed.

Please check one:

a. ____________ **No restrictions for access.**
NOTE: Users citing this interview for purposes of publication are obliged under the terms of the Chemical Heritage Foundation Oral History Program to obtain permission from Chemical Heritage Foundation, Philadelphia, PA.

b. ✓ **Semi-restricted access.** (May view the Work. My permission required to quote, cite, or reproduce.)

c. ____________ **Restricted access.** (My permission required to view the Work, quote, cite, or reproduce.)

This constitutes my entire and complete understanding.

(Signature) Harold A. Sorgenti
Harold A. Sorgenti

(Date) 12/01/03

Revised 7/8/99

HAROLD A. SORGENTI

1934	Born in New York, New York on 28 May

Education

1956	B.S., chemical engineering, City College of New York
1959	M.S., chemical engineering, Ohio State University

Professional Experience

	Battelle Memorial Institute
1955-1959	Research
	Atlantic Refining Company [ARCO]
1959-1961	Assistant Development Engineer
1961-1968	Development Engineer
1968-1972	Manager of Process Development, Harvey, Illinois
1972-1975	Manager of Evaluation, Planning Coordination and Supply Department, Los Angeles, California
1975-1976	Vice President, Research and Engineering, Products Division, Los Angeles, California
1976-1979	Senior Vice President, Chemical Department, Philadelphia, Pennsylvania
1979-1987	President
1987-1991	President and Chief Executive Officer
	Freedom Chemical Company
1991-1996	Co-Founder and Chairman
	Sorgenti Investment Partners
1996-present	Founder and General Partner

Honors

1981	Leadership Award, Junior Achievement of Delaware Valley
1981	Business and Industry Award, Opportunities Industrialization Centers of America, Inc.

1981	Achievement Award, National Italian American Foundation
1982	Industrialist of the Year Award, Society of Industrial Realtors
1982	Beta Gamma Sigma Honoree
1982	Honorary Doctor of Law Degree, Villanova University
1982	Civic Achievement Award, American Jewish Committee Human Relations
1983	Benjamin G. Lamme Medal, Ohio State University, College of Engineering
1983	Honorary Doctor of Science Degree, Saint Joseph's University
1983	Distinguished Service Award, Opportunities Industrialization Centers of America, Inc. [OIC], Leon Sullivan, Founder
1984	"*Commendotore*" Order of Merit, Republic of Italy
1985	William Penn Award, Greater Philadelphia Chamber of Commerce
1985	Drum Major Award for Corporate Justice, Martin Luther King Association for Non-Violence
1991	Memorial Award, Chemical Market Research Association
1991	Philip H. Ward Medal, Franklin Institute
1991	Honor Award, Commercial Development Association
1991	Business Leader of the Year Award, Drexel University
1991	Campaign for Citizen Power Award, League of Women Voters
1992	"Touching Lives" Award, Boys and Girls Club of the Greater Philadelphia Area
1992	Honorary Doctorate of Humane Letters, Ohio State University

ABSTRACT

Harold Sorgenti begins the interview by discussing his family background and childhood. He attended public school in Brooklyn, New York and graduated City College with a B.S. in chemical engineering. During his early life, Sorgenti faced the harshness of blatant prejudice aimed at his Italian heritage. He was able to find a job after college at Battelle Memorial Institute, with the help of a government quota for minorities. While working in research there, Sorgenti received his masters in chemical engineering from Ohio State University. After four years at Battelle, Sorgenti left to work in research for Atlantic Richfield Oil Corporation [ARCO]. Sorgenti had a highly productive research career and invented several production processes, such as making benzene from toluene by hydrodealkylation. Because of his exemplary managerial skills and ability to take risks, Sorgenti was promoted first to director of development and then to head to research and engineering at ARCO. Eventually, he became the president of ARCO Chemical, a subdivision of ARCO. Sorgenti urged the company's CEO, Robert Anderson, to buy control of Oxirane, which Sorgenti later built in to a highly successful company. From the beginning of his presidency in 1979, to his retirement in 1991, Sorgenti increased ARCO's net worth by two billion dollars. Sorgenti has always believed that a manager's most important job was to provide safety for his employees. He felt that shareholders were preventing him from accomplishing that task at ARCO, so he resigned and then co-founded the Freedom Chemical Company. There, Sorgenti helped organize many transactions, including one with the Kalama Chemical Company. When Freedom's investment partner, JLL, decided to sell the company to B.F. Goodrich, Sorgenti founded a new company named, Sorgenti Investment Partners. Throughout his career, Sorgenti has joined many corporate boards, and worked hard to make the selection of new executives and board members an open process. Sorgenti ends the interview by reflecting on his philanthropic involvements and family life.

INTERVIEWER

Arnold Thackray is President of the Chemical Heritage Foundation. He majored in the physical sciences before turning to the history of science, receiving a Ph.D. from Cambridge University in 1966. He has held appointments at Oxford, Cambridge, Harvard, the Institute for Advanced Study, the Center for Advanced Study in the Behavioral Sciences, and the Hebrew University of Jerusalem. In 1983 he received the Dexter Award from the American Chemical Society for outstanding contributions to the history of chemistry. He served on the faculty of the University of Pennsylvania for more than a quarter of a century. There, he was the founding chairman of the Department of History and Sociology of Science, where he is the Joseph Priestley Professor Emeritus.

Arnold Thackray and Sorgenti

TABLE OF CONTENTS

INTERVIEWEE: Harold A. Sorgenti

INTERVIEWER: Arnold Thackray

LOCATION: Haverford, Pennsylvania

DATE: 12 May 1998

THACKRAY: Harold, could you begin by telling me about your family background?

SORGENTI: I was born on 28 May 1934 to Lucille and Louis Sorgenti. They already had one child at the time, my brother Robert, who was two years old. We lived in the Borough Park section of Brooklyn; our house was 1020 on 47th Street. My earliest memories of that time are of the many boarded up houses on our street that had been repossessed by the banks during the Great Depression. My mother and father spent a lot of time discussing/arguing about whether they should buy the house that we lived in. It was owned by a once wealthy gentleman who had a manufacturing business in Boston, where he manufactured shoes. He came to New York frequently and stayed at the apartment on the second floor. The building was a duplex, and we lived on the first floor. Eventually, my parents decided to buy the house from the gentleman. He left a great many of his things there after he had moved out. I still have a couple of his old paintings. They currently hang in my living room, over the fireplace, and are quite lovely.

The neighborhood was mainly Italian, with some Irish families as well. People there varied greatly in their financial stability and educational level. I remember some very, very poor families that lived in our area. In my neighborhood, many survived the Depression by eating a traditional Italian meal of pasta and beans. People didn't have a lot of money to buy meat every day. That dish can be found on the menu of any quality Italian restaurant now, but back in the 1930s and 1940s, it was considered to be a subsistence kind of food; cheap, and high in protein.

My mother was one of nine children [five sisters and four brothers], and her parents lived only a couple of blocks away, as did her two sisters. In fact, all of her sisters lived within walking distance of each other. My maternal grandparents lived on 11th Avenue; I think the address was 4706. My Aunt Katie and her children lived upstairs, and two doors away Aunt Angelina and her family lived at 4710 11th Avenue. It was interesting, going to see my grandparents. We went almost every day. They didn't speak English at all, and my grandfather was blind. He always knew which grandchild he was talking to by feeling their heads. We would go up to him and say, "Good morning." Then, he would put his hands on our heads, and he would know who we were.

My grandfather was always dressed in a suit with a vest, a gold watch, and a tie. He stood perfectly erect and always had a starched collar. My grandfather never slouched, no matter how old he was. Since then, I've read many accounts about Italian men, particularly men who had immigrated to this country. Erect posture was symbolic of the dignity and respect that he demanded from his children. In America, immigrants didn't get a great deal of respect.

My grandparents sat outside on the stoop of their home every day and watched their grandchildren play. Every day, my grandmother made my grandfather his lunch. He liked a good glass of wine and a loaf of stale Italian bread, which he said was good for his teeth. Occasionally, we would have to eat that same bread, and it was as hard as a rock. I had so much fun there; I was surrounded by family. It made for a great childhood from that standpoint. There was a lot of love.

THACKRAY: What do you know about your grandparents' immigration to the United States?

SORGENTI: Actually, it wasn't more than a few years ago that I visited the village in Italy that my grandparents were originally from. My brother and I had a great deal of difficulty in finding it. The place is a village called San Fele, which is between Bari and Salerno or Naples and Pozitano. I had been in Pozitano at one of the great hotels there [San Pietro], and we decided to visit San Fele. We hired a car and went there. San Fele is a village that is thousands of years old. When we got there, the car was too big to go through any of the streets. It was a very small village with a church in the center. It was very high up, and there were even marks for the snow levels of past years. I'll always remember that.

I find it amazing that my grandmother made the trip from San Fele to Naples to board a boat for America. For years, we tried to find information related to the passage and couldn't. My grandfather had immigrated earlier with his eldest son and they established themselves in the United States, as so many immigrant families did. Eventually, he made enough money to send for the rest of the family and my grandmother made her way with the remainder of the children, including my mother, even though she claims to have been born in the United States. When I finally found the ship's manifest, my mother was listed without a name, just as "sibling/child" or "suckling child."   They set sail from Naples in September of 1903, and she was six months old. My grandmother traveled under her maiden name, which is why we couldn't find any information on her trip. When my brother and I finally went through the accounts of every ship, we recognized my grandmother's maiden name, and realized it was her.

They arrived in the United States, at Ellis Island, where my grandmother was faced with a very difficult decision. One of her sons, named Vito, had polio. He was cured, but when they got to Ellis Island, officers saw that he had had polio and refused to admit him. My grandmother was forced to decide whether to take the whole family back to Italy or send back her son to stay with her sister. She ended up sending Vito back. He later became very active in politics and was mayor of his town. On my visit to Pozitano, I contacted Vito's grandson, who spoke no English. I was with Congressman [Thomas M.] Foglietta [now Ambassador to Italy], and he explained to my cousin, in Italian, that I came to Italy from New York and wanted to see him. At first, he was totally mystified because no one had ever contacted him. However, during the war, every member of the family sent his grandfather clothing, food, and whatever else he needed; there was a lot of support for him. I also had a message for my cousin that one of his grandfather's sisters had died, and he was entitled to one-eighth of her estate [about fifty thousand dollars]. He was quite surprised and amazed; it was a bit of a fortune for him; he was a motorcycle policeman in the town of Potenza.

When my family came to the United States, my grandfather didn't believe too much in educating the women of the family, but he wanted all of my uncles and their children to be well educated. That was a very important thing in our family. A number of his sons were quite successful. As a matter of fact, one of his sons became a millionaire back in the 1940s. He owned a chain of beautician shops and hair salons from New York to New Orleans. He styled the hair of all the important actresses and television personalities. As a young man, I'd be watching Dorothy Kilgallen and somebody would tell her, "Your hair looks very nice." She'd say, "Thank you. I had my hair done at Anthony and Joseph's," and he'd get those free plugs on the air. He owned my grandmother's house, and when he came to visit, everyone gathered to be with their wealthy, successful brother. The kids always hung around, hoping he'd dispense a buck or two, but he never did. [laughter]

We would have a big dinner in my grandmother's house, a typical Italian house. There was a kitchen in the basement, which was really the family room in those days; everybody congregated there. When my rich uncle came to visit, large dinners were held, and all of the children came. He had a tan Chrysler New Yorker, and a camel hair coat with a brown fedora. His wife, a very tall, striking blond, had a fur coat. These were, obviously, signs of wealth compared to the rest of the family. The men played poker and other card games after dinner. I used to hang around the table hoping that my uncle would share some of his winnings with me, but he never did, or at least not very often. Another uncle of mine became a major custom tailor. He had a custom tailoring business in New York with diplomats and all sorts of dignitaries as customers. It became quite a successful business over the years.

THACKRAY: Where did your father come from?

SORGENTI: My father's family came from Bari. He had two other brothers, and all three siblings worked in an electroplating shop together. That's actually where I got my interest in chemistry and engineering. My father was the manager of the shop, while one of my uncles owned it. The uncle that owned the shop was fairly wealthy and had a lovely home in Flatbush that we used to visit. My father and my uncles built that business into the largest plating shop in New York City. They had a five-story building in lower Manhattan at 83 Walker Street. The business was called the Wenzel Plating Works.

THACKRAY: Initially, you were talking about your maternal grandparents and when they came over. When did the Sorgenti family arrive?

SORGENTI: I don't know very much about that because both my paternal grandparents had died before I met them, so I didn't know very much about them. I can't really say.

THACKRAY: But you think it was your grandfather who came over?

SORGENTI: Yes. Continuing with the electroplating business, the children of my wealthy uncle [he had two sons and a daughter] took over after he passed away. They were returning from the war and wanted to modernize the way the shop was run.

THACKRAY: Was your wealthy uncle the oldest?

SORGENTI: He was the oldest. My father and his other brother had worked for him. My uncles' names were Andrew and Joseph Sorgenti. My father was the youngest sibling.

My uncles children decided to modernize the business and told my father that it was old-fashioned to do everything in batch processes. They started using the same process as Monsanto [Chemical Company], which was pushing a continuous electroplating process. My family had to borrow a lot of money to do it. They thought it would revolutionize the industry, but the scheme never worked. The company wound up bankrupt, and my family lost the business completely. At the time, I was in college and said to myself, "Boy if I knew something about chemical engineering, I would have really been able to help solve the problem and save the business."

Of course, there were no pensions or anything else, so my father was very badly affected. He was an inventor and loved to try new things. During the war, he invented ways to electroplate bomb sites so that they didn't corrode in the hostile environments and were able to maintain their accuracy. My father wasn't in the army during the war, but he did a lot of work for the war effort. We never were able to find it, but I remember seeing a Presidential Citation that he received.

My father took us everywhere as kids. We'd go on the trains, the trolleys, and the buses; we never owned a car during those years. On every holiday, my family started out early in the morning and visited my father's brothers and then my mother's brothers and sisters. We had to go around for hours on public transportation to pay our respects. Trekking all around the different neighborhoods of Brooklyn was kind of fun.

In our neighborhood, there were many different nationalities. For instance, from 4th Avenue to 7th Avenue in Brooklyn was a Scandinavian area. They mainly were people who worked on the ships and the boats. Then, from 10th Avenue to 13th Avenue was the Italian neighborhood, and from 13th Avenue on down to 20th Avenue was the Jewish neighborhood. I really didn't know much about or learn much about Protestants because I never saw them. When I was a kid, I only knew of one church; the Catholic Church. I never realized there were other churches, too. Brooklyn had over one million Italians in a borough of three million, an enormous population. All the stores catered to the Italians. There were a lot of little pastry shops, Italian delicatessens, and grocery stores.

I mentioned that because, in school, I had a teacher who was tall and slender, with very white skin – quite different from most Italian women. Her name was Mrs. Teakin. She was Irish or maybe a Protestant. I'm not sure. I fell in love with Mrs. Teakin. I still recall her name sixty years later. She made a very strong impression on me.

I always attended public schools in the neighborhood. From Public School 160, I went to Pershing Junior High School, which was walking distance from my house. I might add that at the elementary school, which is still there [I heard the other day that my cousin's daughter is going to be sending her children there], children used to go home for lunch. There was this one kid in the class who fell asleep whenever he came back in the afternoon. The teacher finally asked his parents to come in, but they didn't speak any English; they were Italian. She was trying to explain to them that the boy was always tired in the afternoon. Together, they finally figured out that there was never any milk at the boy's house for lunch. Everyone just drank wine. [laughter] The little boy always drank wine with the adults, and that was the reason he went to sleep.

When I used to work as a Good Humor man [which I did for many years because the money was so good], I would stop at my aunt's house in Bensonhurst; and she would always make me lunch. It never occurred to her to serve milk; she always served wine. A lot of times it was just homemade wine. In the fall of every year you would see cases of grapes left in front of many of the houses. Making homemade wine was a ritual for many of the Italian families. The teacher was mystified by why this little boy always slept in the afternoon. After a nice lunch and a couple of glasses of wine, it was understandable.

My family didn't travel much. We went on one vacation to the Catskill Mountains to the Villa Roma, which is a place where a lot of the Italians went. That was the only time I was ever outside New York, before I graduated from college. After college, my life was a whole new adventure because I started traveling extensively.

THACKRAY: Your mother and father met in the neighborhood?

SORGENTI: Yes. My parents met through mutual friends. When my grandparents first came here, they lived in what was called the Italian ghetto. They lived in Greenwich Village on Sullivan Street, and everyone knew everyone. The people that came from the same areas congregated together. When I was in college, my mother would ask me, "Well, where are you going?" I would say, "I'm going to the Village." She would say, "Good God. We worked so hard to get out of the Village, and now, you're going back there." I told her, "Now look Mom, it's different than it was." She would reply, "It was never very nice. There are all these tenements, big four, five story buildings." Today, all the kids live there, and it's very chic. That's the way it was when I was in college as well.

THACKRAY: What were the occupations your two grandfathers had when they first immigrated?

SORGENTI: My maternal grandfather was an ornamental ironworker. I think his blindness came from not using proper protection when he welded. Again, I don't know much about my paternal grandfather. Unfortunately, there isn't anyone left who has information about his life. I don't know a lot about that side of the family.

Sorgenti is not a very common name. The Italian Consul in Philadelphia told me that there is a clear division between Northern and Southern Italy. "Most of the people with names that end in 'I'," he said, "are from Northern Italy. If you're driving through the streets in Milan, look at the shopkeepers' names. They all end in 'I.' Both your parents, grandparents, and your mother's parents have names that end with an 'I', which means that originally they were from the Northern part of Italy, and they may have somehow moved down to the South." Sisti, Conti, and Sorgenti were the names we knew. There are relatively few Sorgentis in the United States [I think only one or two other families]. When I have the time, I am going to spend more time tracking the Sorgenti name back. It helps that I now understand a little bit more about it.

The members of my father's family died in their sixties, which was fairly young. Everyone in my mother's family lived into their nineties. My aunt passed away at age ninety-four and was as spry and bright as ever, but she got an infection at the hospital. Otherwise, she would still be living, I'm sure. Anyway, she had a son named Michael Carlozzi, whom she decided would go to college and then to medical school. Of course, they didn't have any money. Every night all the sisters went to her house, after dinner had been cleared, and made artificial flowers. They worked until ten or eleven at night producing those flowers to help pay Michael's tuition; he eventually did go to medical school. He later became the medical director of Charles Pfizer [a major drug company], and he was a very noted physician in Pfizer's formative years. Michael is still alive and in his mid-to late eighties.

All the kids had jobs too, and I was part of that. Late at night, we took boxes of finished millinery goods and flowers; things for hats. We brought them about ten or twelve blocks away and left them in the doorway of the shop that had contracted with my aunt to make the flowers. It probably was all illegal, I now realize. I don't think people were allowed to be working in their homes on piece goods in those days, but we did what we had to. The family came together with a clear objective: to make sure that the eldest son was educated. It established a tradition in my family. Everyone was expected to go to college, and they did. We've had lawyers, accountants, engineers, doctors, et cetera.

[END OF TAPE, SIDE 1]

THACKRAY: Tell me about your brother.

SORGENTI: My brother went to Saint John’s University. We didn’t know a lot about colleges, but my family was told that he would have a better chance of getting into medical school if he went to a private school, rather than a community college. Thus, in spite of the cost, they enrolled him at Saint John’s University, always with the final goal of getting into medical school.

THACKRAY: What year was that?

SORGENTI: That would probably have been 1948 or 1949. My brother is sixty-six now, and I’m sixty-four.

There were constant discussions between my mother and father, such as, “How are we going to pay for Robert’s medical school?” My mother was always insistent. She simply said, “We’ll find a way.” I enrolled in Brooklyn College with the plans to become a dentist.

THACKRAY: At that time, was your father still in the electroplating business?

SORGENTI: Yes, and I guess they must have mortgaged the house three different times. Buying it was the best thing they ever did because as values went up, they kept re-mortgaging to pay Robert’s tuition. I saw that and realized that making my parents pay for both sons to attend professional schools would be too much of a burden to place on them. They would never be able to afford to send me to dental school, so I decided to become an engineer. That was when the electroplating shop was changing from a batch process to a continuous process with Monsanto, and not succeeding. My father would come home tremendously frustrated because they could never get the concentrations of the solutions right to properly plate things. Under these circumstances, I decided to enroll in chemical engineering and switch to City College [of New York].

THACKRAY: Was that in your first year of college?

SORGENTI: That was after two years.

From the time I was sixteen on, I always had a summer job. At first, I worked as a Good Humor man on a bicycle. I still have a picture of myself on a bicycle with my Good Humor cart. I had made more money as a Good Humor man than I made for my first five years as an engineer. Salary was earned on a straight commission basis, from which I took home 28 percent. I knew my neighborhoods, and I could go against traffic with a bike, which the large ice cream trucks couldn't do. In New York, in the early 1950s, people sat out at night in front of their apartments or on their stoops, so right after dinner, there were approximately fifty people sitting on the sidewalk of a given block. The vendor that got there first sold ice cream to the entire crowd.

Each neighborhood was different. The Italians liked their fruit bars [blueberry, cherry, et cetera.]; the Jewish people liked toasted almond or coconut, so I had to stock carefully. If I had the right amounts of each flavor, then I would sell out. Later, a truck would come to fill my cart up again.

Albert Anastasia, the noted gangster, lived in my territory, and he had a grandson who was disabled. He came out one day and said to me, "Look, whenever you're passing and the kid's on the porch, just give him some ice cream. Keep a book on it, and I'll pay you later." I said, "Sure, Mr. Anastasia." Well, as we got to the final days of the summer, there was a significant bill, but Mr. Anastasia was nowhere to be found. I asked my father, "What do I do? Albert Anastasia owes me money!" He told me, "Forget about it." [laughter] When Albert Anastasia died, I was still selling ice cream, and there was an enormous funeral procession. There were as many as fifty flower cars; no exaggeration! I stood in front of the church with my ice cream cart and made all the money back that Anastasia owed me and more. [laughter]

They offered me a permanent job at Good Humor because I was a very high producer. My mother said, "You have to be out of your mind. We're not sending you to college so you can be a Good Humor man." I said, "Ma, no. I would be a manager or something," but she wouldn't hear of it. "Forget it. That's the end of that," she would say. I met a lot of people working at Good Humor and had a lot of fun. It was hard work too.

THACKRAY: That occurred during summer vacation?

SORGENTI: Yes, I could only work during the summertime because, at City College, there were always afternoon labs. The Good Humor job was very time consuming. The hours were from 8:00 or 9:00 in the morning until 11:00 at night. I did make a lot of money though, so the long hours were worth it. I could make twenty-five or thirty dollars a day. When working as an engineer, I started for less than a hundred dollars a week; I was making more than that selling Good Humor ice cream. [laughter] The job was also a bit dangerous because I had a lot of cash on me. The dispatch point was in an area with a cemetery on both sides. It was a very difficult section to go through since people knew I was carrying a lot of money. I easily could have gotten knocked-off my bike and ripped-off. To ensure safety, the Good Humor men all rendezvoused at a certain time and went through *en masse* to the garage. Even back then, there was some crime, but it definitely wasn't as bad as it is today.

I had made enough money in the summer so that I didn't need to work during the school year. Actually, all the money I made went back to the family and was used to support my brother's education. My brother worked in the summer as well, at Horn & Hardart's and at the Croyden Hotel as an elevator operator.

THACKRAY: Did you continue the Good Humor job until graduation from City College?

SORGENTI: Yes. I also had one other job, which was working at an engineering firm called Gibbs & Cox, in lower Manhattan. It gave me some exposure to what engineering was like. I had taken that job before working at Good Humor, and switched because it didn't pay very much money.

THACKRAY: So you already had a sense of what engineering was about when deciding to switch to City College?

SORGENTI: Yes, a little bit. In addition to the job at Gibbs & Cox [Inc.], my father occasionally took me to the plating shop. His job involved a lot of chemistry [even though the system was all batch], and he knew a lot about it. My father's health suffered because no one had paid any attention to the fumes coming from the vats. He developed lung and kidney problems, and I'm sure his health troubles were brought on by the electroplating business.

He stayed in the business until he got too sick to work. To this day, I have a difficult time watching *Death of a Salesman* because, although my father wasn't a salesman, he was treated the same way as Willie Loman by my uncle's children. Occasionally, he would get ready to take the train to New York and get sick before leaving, just thinking about the indignities heaped upon him at work. My mother would say to him, "Don't go anymore. It's all right. We'll be able to survive."

When I was six years old, my mother went to work at a millinery trade, where she made decorations for hats and other things. She was very good at what she did; I always thought that my mother was a brilliant student. Before she got married, she designed dresses and nightgowns that were quite fantastic. My mother had wanted to go to college, but her father didn't believe in females getting higher education. My wife Ann [Sorgenti] and I named our daughter, Lucille [Sorgenti], after her. When Lucy was sixteen, my mother brought out all of her old scholarship medals that she had received for achieving the highest level in scholarship in high school. My mother said that she had saved them because she wanted Lucy to make a bracelet out of them, which Lucy did. My mother was a very bright woman, but she was never given the chance to complete her education.

At work, she became very good friends with a Black woman named Eloise. Their relationship molded my view on interracial relations. They always would visit each other and have lunch together. As I was growing up, there was a picture of this little Black girl [Eloise's daughter] in my bedroom, on my chest of drawers. Even after Eloise and my mother retired, they still kept in touch. My family was raised without any prejudice at all, which was not common for most ethnic families.

Another unique thing about my family was that my brother and I were two of the few people our neighborhood that got a college education. Most Italian families were not placing the same emphasis on education as my parents and other ethnic groups. Many of the kids in the neighborhood just went to work after they graduated from high school. We were different. My family insisted on everybody being educated. My mother used to say that there are different levels, and that we always have to aspire to better ourselves and reach a higher level. She told us not to spend all of our time with people that have no aspirations. My mother really wanted us to succeed and made my brother and I understand that we could.

When I switched to City College and took my first chemical engineering course, I got a 34 percent on the first test [there were only two tests a year]. The professor called me and said, "Look, you just don't have the aptitude. You ought to quit and get into the pre-med program or something. Chemical engineering is too difficult for you." I went home and said, "Ma, my professor wants me to quit." "Why?" she asked. I replied, "I got a 34 on the exam, Ma. This is the entry-level course. If you don't get a good grade on that, it only gets worse." "Well, I just don't understand that. You're not quitting." She continued, "You'll get a 100 percent on the second test. I know you can do it. I'll pray for you." I did get a hundred on the second test. I passed and I graduated fourth in my class in chemical engineering.

My mother was an incredible woman, always optimistic. When there were problems, she would find a way to solve them. She kept the family together when her sister died. My brother, my aunt's four children, and I were very close and always together. One of my cousins died, but the rest are still good friends and spend holidays together. My mother was really a very strong binding force in the family and lived until she was eighty-seven. She got sick while I was in Hong Kong. I flew back, and when I got there, she motioned to me to come to the bedside. My mother said to me, "Listen, I know this is the time. I'm not going to come out of here. I moved some money from the money market account to my checking account, so you won't have to pay any funeral expenses." I said, "Ma, I don't want to discuss this." She said to me, "Well, you have to be prepared for these things."

I had previously set up a little trust account for her that gave her an extra five hundred dollars month. It wasn't a lot of money; it was supposed to be for spending money. When my mother died, every cent had been deposited in two bank accounts, one in my children's names and one in Robert's daughters' names. She never spent a penny of the extra money for over fifteen years. My mother was fiercely independent; she never wanted anything or took anything. She caught an infection in the hospital and passed away.

THACKRAY: In Italian families, was it unusual for the women to work?

SORGENTI: Yes. She was the only one of her sisters who worked, but she had great desires for her children to be successful and to be educated. All of the money she made went to support us from an educational standpoint. For my brother and me to afford college educations, it was necessary for my mother to work. She worked as long as I can remember, from the time I was six until after I graduated from college. My father had developed diabetes and a heart condition after he retired. He died in his mid-sixties.

THACKRAY: How much older than you was he? How old were you when he died?

SORGENTI: My father was about twenty years older than me. He died about twenty years ago, in his mid-sixties. I was in my forties. My brother is sixty-six now, and I'm going to be sixty-four in a few days, so I hope we have a strong dose of my mother's genes. [laughter] In my mother's family, most of her sisters lived to be in their nineties.

THACKRAY: Let's talk more about your brother for a moment.

SORGENTI: He graduated from Saint John's University and applied to medical school. That was the first time my family encountered prejudice against Italians. Columbia Medical School called and said that Robert was the second alternate Italian, so he shouldn't count on getting in. They said, "We only take one Italian, and our first choice very seldom ever turns us down. You're the second alternate. That means that our first and second choices have to turn us down, which is a nearly impossible situation. We suggest you look elsewhere." My family began to look in Canada at McGill [University] and the University of Bologna in Italy. Robert wound up going to the Chicago College of Osteopathy and became an osteopath. I could never believe that someone would be so brazen as to say, "You're the second alternate Italian." The Ivy League schools denied that they used a quota system until the president of Yale [University] recently admitted the truth. It was Bart [A. Bartlett] Giamatti, wasn't it?

THACKRAY: Giamatti.

SORGENTI: Giamatti. He said, "Yes, we used a quota system." Clearly there was a quota system for Jews, as well. Columbia took one Italian into the entering class; who knows how many other schools did the same. In Philadelphia, until the Jewish people began making major donations to Jefferson Medical College, it was very difficult, if not impossible, for Jewish students to get into Jefferson Medical School. There clearly was a quota system at that period of time, and my brother experienced its effects.

Robert went to the Chicago College of Osteopathy. Osteopathy combines the work of a chiropractor with the work of a doctor. It was not a well-accepted medical profession in the 1950s, and my brother had difficulty when he came out of school because he had to be near an osteopathic hospital or medical school to practice. It limited where he could locate. Robert was able to find a hospital in New York City that accepted osteopathic physicians and has remained a very good doctor all of these years. Today, osteopathy is well blended with the medical profession. As a matter of fact, the surgeon who did my open-heart surgery in December was a D.O. [doctor of osteopathy].

Robert had a specialty in anesthesiology but never worked in that field. He's a family physician, and his practice is in Howard Beach, New York. My brother has never made a lot of money because he's an honest guy and doesn't over-bill. As a matter of fact, he started to accept U.S. HealthCare patients, and in the first year, they made him a Five-Apple Doctor, which is the highest rating they can give. They examined the way he treated people and noted that he did a proper job without over-charging. That's the way Robert has always led his life.

I want to go back and mention that my mother was deeply religious, as were all of her sisters. In Italian families in those days, religion was women's work. All the men only went to church on the major holidays, but the war made a lot of people more religious. Every Friday night, there was a Novena [prayers for the safe return of those who were in the Army] at a monastery not far from my neighborhood. Stories always circulated about missals from the monastery. For example, a young man who had a missal in his pocket was shot, and the missal deflected the bullet. My Aunt Katie and my mother would trek me along with them to the Most Sacred Blood Monastery for the Novena. Afterwards, we would come home and sit around the table. I always enjoyed when we came home because I got to listen to their conversations. They sat, talked, and had coffee and cake. It was their Friday night ritual. Of course, they always attended church on Sunday as well.

My eldest cousin was in World War II. He'd probably be about seventy-seven now. One Christmas Eve dinner, we got a "Missing-in-Action" notification. During the war, everyone dreaded the knock on the door and the telegram that came when a loved one had died. Sure enough, we got the telegram that said my cousin was missing-in-action and believed to be dead. It turned out that he had been shot on the battlefields of France and left for dead, but some young doctor had turned him over and seen that my cousin was still alive. The doctor got him back to the hospital and saved his life. It was months later when we heard that my cousin was still alive. The genes on my mother's side are terrific. When joining the Army, he tested so high that they put him in officer's training school right away. From there, he was placed into special school of some kind. As the war got more intense, that program was canceled, and my cousin wound up in the infantry division. He died at age fifty-one from open-heart surgery in Albuquerque, New Mexico. I asked him to come back to have surgery in New York or Philadelphia, but he loved New Mexico. He said, "Everything is as good here as it is back there." He died on the operating table.

My cousin was a brilliant guy. He graduated from City College and went into the Treasury Department. He later became head of the Treasury Department Special Agent Force and did a lot of undercover work. After retirement from the Treasury Department, my cousin worked against fraud on the Alaskan pipeline. Eventually, he wound up in New Mexico as a special aide to the governor for drug enforcement and organizing the strike force for the New Mexican drug enforcement program. When he died, my cousin was almost given a military funeral, but he had wanted to stay in New Mexico, so we never moved his body north.

The rest of my aunt's four children are still alive. One is a lawyer, one was a schoolteacher, and my other cousin is a chemical engineer like me. Clearly, it was a good, well-educated family.

My family and culture taught me that the most important things in life are the love of and strength of family and a strong desire for education. My mother particularly instilled an appreciation for the value of higher learning. She wanted to go on and further her education but didn't have the opportunity. Because of this, she made sure that her children did – all the women in my mother's family wanted their children to be well educated.

My oldest cousin, Bill Tarangelo, married a woman who was a nurse as well as a ballet dancer. Her name was Louise, and she introduced me to the ballet, opera, and other cultural activities. A lot of my cultural interests developed as a result of my friendship with Louise. In addition, playing a role was the rich ambiance of New York City; I was immersed in culture while there.

All I had to do was take the bus from City College, straight down 5th Avenue. Back then, an afternoon matinee of a Broadway show was only two or three dollars – it was dirt-cheap. I would just walk in and get a ticket. In the city, I also would stop in the fancy shops on 5th and Madison Avenue and say that someday I would be able to afford something from them. I'm still waiting, [laughter] but I'm getting closer.

I developed a great collection of autographs, important papers, and prints by famous artists, such as [Pablo] Picasso. I still have two prints that I've kept for fifty years. When I look at them today, all I can do is wonder why I bought them. My taste is so different now. My knowledge on art, glassware, and furnishings came from living in the New York environment. It was a fantastic place to learn and expand my horizons. I could educate myself just by visiting the amazing museums and walking around the city.

[END OF TAPE, SIDE 2]

THACKRAY: Italy was part of the enemy in World War II. Did that cause your family any difficulty?

SORGENTI: It didn't have much impact on the way people thought about Italians. Many of the Germans and Japanese in the United States were resettled during the war, but only the Italians living in sensitive areas were forced to move. America had her own concentration camps, but for many years, no one would admit they existed.

My family wasn't living in a sensitive area and didn't experience the impact of resettlement. We lived, as I said, in a largely Italian neighborhood. As a matter of fact, when the U.S. took Italian prisoners, they were put into Fort Hamilton, right at the entrance to the Verrazano Bridge in Brooklyn. The prisoners were let out on weekends to go to Italian families in the neighborhoods for meals. They never had it so good, and they were prisoners-of-war! [laughter] They never wanted to go back to Italy. I used to think it was hilarious because, for prisoners-of-war, they were treated very well. They got cigarettes, good meals, and nice family visits. At that time, there were many parcels of clothing sent to Italy to help relatives. People didn't really believe that Italy was the enemy; people, more or less, thought the enemy was a small group led by a fanatic named [Benito] Mussolini. Generally, their brothers and sisters still in Italy weren't involved to the extent that it had an impact on us. I can't think of any adverse impacts due to Italy's involvement in the war, but there was some pressure on the German-Americans to support [Adolf] Hitler. We never saw any of that in the Italian community. There was no support for what Mussolini was doing or for what Hitler was doing in my neighborhood. People felt that Italy had been dragged into the war by some fanatical dictator.

I can talk a little bit about City College. It was a very difficult school, as was Brooklyn College. People were admitted into a college by scholarship and had to have a total of eighty-five points. To calculate point number, the formula was to take half a person's high school average, half of his entrance exam score, and add the two numbers together. The final value had to be at least eighty-five to qualify. If a person attained this score, he was admitted depending on the number of places available and by how high he scored. The incoming class was narrowed down to an elite student body. It was largely made up of minority populations [Italian, Jewish, Hispanic, and African American], but there were relatively few Blacks. City College was located in Harlem at 138th Street and Convent Avenue in Upper Manhattan. It had a wonderful campus with beautiful architecture. The buildings were built in Ivy League tradition.

In the old days, City College was referred to as the Harvard [University] of the proletariat. It had excellent teachers who were very well paid because they couldn't do consulting or outside work. Their only job was to teach. It made City College unique from most other schools, where students were never taught by professors but by some student on fellowship. At my college, everyday in the square, people got up on soapboxes and talked about various issues. Others would gather around and argue with the speakers. Politics was a big thing at City College. They gave the *Daily Worker* out at every door of the campus for free.

In 1955, I was graduating and getting ready to look for a full-time job when McCarthyism took hold of America. [Joseph] McCarthy declared the Rosenbergs [professors at City College] to be atomic spies. He called City College the "Little Red Schoolhouse." I'd worked hard for four-and-a half years to get my degree in chemical engineering, and because of what McCarthy said about the school, no major U.S. corporations came to interview on campus. I went down to the chemical engineering department of Columbia University, just a few blocks away, and their roster was full. Every major chemical company was looking for new people to hire, just not from City College. I was very disappointed.

I wrote over one hundred letters with a résumé attached. I got some interviews but was rejected from a majority of the companies. There are some classic stories of how people openly exhibited prejudice in the past. I went to DuPont [E. I. Nemours and Company] on an interview one day. The interviewer said to me, "You're from New York, huh? I hate New York. It's full of spics, niggers, and other despicable people. They urinate in the elevators. What do you think about that?" I thought to myself, "He's testing me. This is a Neanderthal attitude." I said, "You know that's not true." Whereupon, the man got absolutely livid, and I found out he was dead serious. I didn't get that job.

Afterwards, I interviewed at Allied Chemical [Company] in Morristown, New Jersey. The head of engineering walked me between two buildings and said, "One thing that troubles me is you went to City College, where you probably associated with a lot of Jews and Negroes." I said, "Yes, there were quite a few in our class." He said, "We don't like them here. You see this country club next door? We bought this ground from them. You can't get in there if you're Jewish or a Negro. I'm not sure you'd feel comfortable here." Now Allied was, in my opinion, the ass-end of the earth. They usually hired from the bottom quartile of the class and paid the lowest salaries in those days. Here he was telling me I wouldn't be comfortable there because of my background. Still, I didn't get that job either, so it didn't matter.

Then I remember going out to Columbia-Southern [Chemical Corporation], which later became PPG [Pittsburgh Plate Glass Company]. I asked the interviewer, "Why didn't you come to City College for recruitment, since you invited me here for an interview?" He said, "We don't hire Jews, and most of the people you see there are Jews." I had interviews at Rohm and Haas [Company] and ARCO [Atlantic Richfield Oil Corporation]. I was very honest and billed them each four dollars for half the train fare from New York. Later, I got a letter back from ARCO saying that they really hadn't invited me, that I had just dropped in on my way to visit Rohm and Haas, so they refused to pay the four dollars. ARCO stiffed-me for four dollars. That's why I so happy when I later became president of the company. [laughter]

Finally, I wrote to a research foundation called Battelle Memorial Institute in Columbus, Ohio and got an interview. The interviewer said, "You're hired." "Oh, gee, that's great," I replied. He continued, "I need ten more like you." "Chemical engineers?" I asked. He said, "No, Jews or Italians or Hispanics or Blacks. We just got a government contract, and we've got to hire up to our quota." Therefore, I got my first job by filling a quota. I told him that I could easily get him ten more employees as long as he didn't care what their disciplines were. They hired a total of ten kids from City College that year. I was just at Ohio State [University] last week, where I gave two lectures [one on leadership], and I had dinner with two of those people, one of whom became president of Battelle.

One of the new employees was a fellow by the name of Harry Pollack. When we had started working at Battelle, Harry wanted to use Professor Weiss from NYU [New York University] as a consultant. His boss said, "Harry, the name 'Weiss' doesn't sell. We don't want 'Weiss' in the proposal. We need a 'Smith' or somebody like that from Princeton [University] or Yale or MIT [Massachusetts Institute of Technology]." Harry had experienced a great deal of anti-Semitism in the army and accused his boss of being an anti-Semite. A struggle ensued where Harry hit his boss and knocked him against a brick wall. His boss fell to the ground. Harry ran into my office and said frantically, "I just killed [Joel] Chastain. I hit him, and his head hit the brick wall. Now, he's out on the floor." I went into Chastain's office, saying, "Harry, do you realize you're one of the first Jews they ever hired here? They hired ten of us from City College because we're minorities and now you've ruined everything for everybody. You killed the boss. It's crazy." I went in and began slapping Chastain in the face and pouring water on him. He was all right in the end, but Harry was fired. He went on to get his Ph.D. in physics at Ohio State.

I had a very good time in Ohio, but it was a very prejudiced society, much like the rest of the United States. One time, Battelle invited a Nobel Prize winner, who happened to be Jewish, to join the staff. The man wanted to buy a house in the suburb called Arlington, but they wouldn't sell to him because of his religion. He said to Battelle, "Unless you get me a house where I want to live, I won't work for you," and he didn't. From my personal experiences, I know that this country has made a great deal of progress in the past decades. People who say otherwise are wrong.

THACKRAY: Were you living at home while in college?

SORGENTI: I was living at home. I took the subway every day, which was somewhat dangerous because of all of the violence there. Still, the ride was interesting because I would see five or six different foreign language newspapers being read in the same car. In New York, every nationality had its own language newspaper. I sat on the subway, and everyone was reading different newspapers. By the way, I think I have been on the subway twice since I left New York. [laughter]

Crazy things were always happening on the subway. [laughter] I remember a man once stood in front of me, mumbling and cursing to himself. He was holding on to the strap, and I could see a huge stiletto strapped to his back. I said to myself, "What am I doing here with this guy standing in front of me?" One time, I was coming down 138th Street to the subway, and just as I got to the stairs, the doors of a car opened. Four men jumped out, grabbed me, and threw me against the entrance to the subway platform, along with a little Puerto Rican guy who was walking next to me. It turned out that the Puerto Ricans had shot up Congress that day, and the four men thought I was with the Puerto Rican guy next to me, who they arrested. I had all my books in a duffel bag. They tore it open, thinking a gun was hidden inside.

City College's location made going to school a challenge in so many ways. To make the traverse at night from Convent Avenue down the hill to Broadway where the subway station was, I would walk with my duffel bag, filled with books that could be thrown at a possible attacker, and a knife in one pocket with my hand on it. In addition, I always walked down the center of the street to gain a few seconds' time over a person hiding behind a car. It took over an hour to get from City College to Brooklyn and then from Brooklyn, home. Sometimes, I had to take up to three different trains.

THACKRAY: How many students were there in your graduating class?

SORGENTI: In our graduating class, there were about forty students – it was considered to be a very large class. We started out with over one hundred students in the first and second years, but very few made it to graduation. I still maintain contact with a handful of my closest friends, who I see occasionally. Students at City College came from all walks of life. Mostly all students were classified as minorities at the time. Many were Jewish and Italians; though we had one Black kid in our class that graduated.

Even City College social activities were segregated. There were Italian, Jewish, and Black fraternities. I belonged to Alpha Phi Delta, the Italian fraternity. The WASP [white Anglo-Saxon Protestant] fraternities didn't accept minorities, so we had our own. Alpha Phi Delta was a national fraternity with twenty-six branches, which indicated that similar conditions existed at many other colleges and universities.

THACKRAY: Were they all male?

SORGENTI: Yes, definitely all male. The school switched to open enrollment, hoping to attract more Hispanic and minority students, but they only succeeded in bring in more white ethnic students who didn't qualify by the scholarship requirement. So the program, for its ultimate purpose, I don't think has been very effective.

City College is a unique school. I was at a 150th anniversary dinner last year, and, the school had eight Nobel Prize winners. Five of whom were at the dinner. I once saw an article that said there are more chief executives from City College than there are from Yale. I think it was ranked third for the amount of graduates that became CEOs [chief executive officers]. Andy [Andrew S.] Grove [probably one of the richest people in the United States] is a City College graduate, along with Bernard [M.] Baruch, Jonas E. Salk, Colin [L.] Powell, and many more.

THACKRAY: How would you evaluate the chemical engineering curriculum?

SORGENTI: It was very difficult and traditional. Graduate schools, by comparison, were easy. I was fourth in my class, and I only had an eighty-four percent average. Still, I would be admitted to any graduate school with that average because City was known to be an extremely demanding school, with difficult ratings. City College doesn't use numbers to give grades anymore, only letters. I had no trouble getting accepted to a graduate program, but I wanted to work and earn some money.

When I left City College, I went out and bought one of my first suits at a store called Crawford's [the equivalent of Today's Man]. The suit was black or deep-blue, with a slight pink stripe and a pink and blue or pink and black tie. That type of suit was all the rage in those days. I think I still have a picture of myself in it.

In college, students were so busy that we didn't really have time to socialize or learn the things we needed to know in order to survive the real world, so I was anxious to get to finish with school and start working. I had to buy a car and learn how to drive it [my family had never owned one] and find a place to live. The niceties of life were not something I experienced as a college student. When I got out of school, I had to learn all of those things very quickly, and I did.

THACKRAY: I bet you graduated without debt.

SORGENTI: I did graduate without a debt. Tuition and fees were seven dollars a semester and one hundred dollars for books. The City was educating around one hundred thousand people for virtually nothing. At the 150th anniversary dinner, all the City College graduates sat around the table, and people talked about how much it cost them when they attended. The oldest guy there was a stockbroker and had his own company on the big board. He graduated in 1939 and paid only a dollar. He said his mother gave him ten cents a day for bus fare to school; he walked and kept the money so he could buy something. Later on, fees went up, and students protested and went on strike.

THACKRAY: Did you ever think of not being a chemical engineer?

SORGENTI: No. Once I had made the decision to pursue it, I never changed my mind. Engineers were in great demand. That's why it was such a rude awakening when no one came to hire us at City College. I had good experience at Battelle. I worked with some very creative, inventive people, but I never strayed from the chemical engineering curriculum.

THACKRAY: When attending City College, you were traveling to a place far from home, but while working at Battelle, did you feel like you were moving into a different world?

SORGENTI: It was a completely different world. There were three or four of us City College graduates that went out together, which made it nice. A lot of the ethnic foods we were used to in New York weren't available on our side of town, so every weekend one person was selected to ride across town to Bexely to pick up bagels, lox, and other food.

I have a picture of the first motel we stayed at. It ended up being too expensive [five dollars a night], and we wound up at the YMCA [three or four dollars a night]. I was coming down the elevator at the YMCA, one day, and the man who was on it with me wreaked of shaving lotion. When we got to the first floor, he took one step forward and fell over. It turned out that he had been drinking it. [laughter] I said to my friends, "We've got to get out of the YMCA. I mean, there's got to be a better place that we can find for four dollars a night." Finally, we rented the second floor of a house in Grandview Heights, outside of Columbus. The owner's name was Ursula Ogden, and she lived on the first floor with her mother. She would always bake rhubarb pies and send them upstairs to us. My friends and I had the second floor to ourselves – two or three bedrooms, and a small kitchen. Eventually we all moved into a townhouse near Arlington. We lived there for a number of years, until I left to come to Philadelphia.

THACKRAY: What were you actually doing at Battelle?

SORGENTI: At Battelle, I worked for Herman Nack and George [F.] Sachsel. Nack was an inventor and a very creative guy. He used to bring the group together and throw out an idea. Everyone at the meeting was supposed to add to the idea. When I just started working at the company, I didn't understand how the meeting worked, so after Nack asked me to comment on a proposal, I said, "That's just ridiculous. It won't work." He threw me out of the room and later told me, "If you can't build on an idea, keep your mouth shut. Your comment dampened the whole inventive process. Back then, we worked on a process for non-fat potato chips. It was forty years ago, and we actually invented a process that worked. We cooked them in a fluid bed of salt, no oil. It turned out that the chips tested absolutely horrible in the market because what people really buy potato chips for is the taste of the oil, not the potato chip. Later in my career at Battelle, I became an expert in the production of nitric acid. George Sachsel and I worked on a monograph for the ACS [American Chemical Society] on nitric acid. The first publication that I ever participated in was a chapter in one of the ACS monographs. We also published an article in *Industrial and Engineering Chemistry Magazine*. It was one of their best selling reprints (1).

[END OF TAPE, SIDE 3]

SORGENTI: Battelle was like a roller-coaster ride because they were a non-profit research organization, so their work with companies had to balance against their work with government agencies. Theoretically, they lost money on the work with government agencies and made money working with companies. In the end, Battelle broke even. When government contracts varied, the company had huge swings in its workforce. I always found the lay-offs very disturbing.

Battelle was an interesting place to work because they worked on a lot of inventions. When I was there, Chester Carlson walked in off the street with the invention of the Xerox machine. He was given some space to work, and ultimately, Xerox was developed at Battelle. Many people there became millionaires. In the first days of the Xerox machine, the paper had to be copied on a plate. Underneath the plate was the toner, and you had to shake it back and forth. It was a single-sheet-at-a-time manual process. Battelle had this series of women make the copies in the copy room. Guys would all go down with copies that they didn't need, just to watch this voluptuous redhead from Texas shake the plates back and forth. [laughter] Since then, Xerox has grown into one of the world's great businesses. Battelle received many endowments as a result and sold the invention to the Haloid Corporation, which subsequently became Xerox Corporation, and got a great deal of stock.

I decided to leave Battelle and get into something more stable. Ironically, ARCO was visiting Ohio State University and Joe Koffolt [chairman of the department I studied under] called me up and said, "I made a terrible mistake. It's very embarrassing. We don't have anybody on Atlantic Refining's schedule, and I was supposed to cancel their visit. Their representative is here. Could you come over and interview? We're trying to get four or five guys to talk to these people. Someday, we may need them, but nobody is interested in interviewing."

I went over to talk with ARCO upon Koffolt's request. I remembered them well. They had cheated me out of four dollars for the train fare from New York to Philadelphia, four or five years earlier. Low and behold, they invited me to go interview at Philadelphia. I said to them, "I'm not coming unless you make a hotel reservation for me, pay for the plane ticket, and send it to me in advance." I figured, "I'm not going to let these guys screw me out of money a second time." They agreed, and I went to the interview. I was offered a job for four hundred fifty dollars a month with a master's degree. On my way back to Ohio, I stopped to see U.S. Steel [Corporation], and they offered me five hundred dollars a month. When I got back to Columbus, I called ARCO and told them their offer just wasn't competitive. They said, "We don't bargain with people. We do a survey, so we know we're competitive." I said, "Fine, I'm not interested in your job." The next day, they called me back and offered five hundred fifty dollars. Here was this company that I didn't really want to work for, but now they were offering me fifty dollars a month more than U.S. Steel. Six hundred extra dollars a year was a huge amount of money when you were only making five thousand, so I said, "I'd better think about this." After considering both offers, I took the job at ARCO.

THACKRAY: Go back a little, and take me through Ohio State. Were you completing your master's while working at Battelle? How did that work?

SORGENTI: Battelle allowed employees to take courses while working, so I went to Ohio State and got my master's. I wrote a thesis there on fluid-bed calcination under a professor named Bob Brodkey, who was a fluids dynamic expert. He's still around; I spoke to him by phone just the other day. At Ohio State, we were trying to simulate the meltdown of nuclear reactors. It was somewhat of an extension of the work I did at Battelle. Ohio State has been very good to me over the years. I'm a recipient of the Benjamin G. Lamme Medal for Distinguished Engineering Graduates. They also have given me a Doctor of Humane Letters, which I very much appreciated. It recognized my contributions to many civic and charitable organizations, in addition to my industrial contributions. Every once in a while, they ask me to come back and lecture on a subject of interest. I'm probably going to go back this fall and deliver a lecture to the chemical engineering undergraduates.

I had a very favorable social experience in Columbus. Battelle was a company with a lot of young people. We even had a young people's club, where we got together and had social events. Columbus was a great university town and a very fine place to live. There, everyone's cultural life was centered around the university. I was surprised to hear, just recently, that they have a new theater center, where three different things are going on at the same night. When I lived in Columbus, there wasn't much theater. It was much less of a cosmopolitan city than it is today. It was a great university and just a good place to be.

THACKRAY: How long were you at Battelle?

SORGENTI: For three-and-a-half years; from 1955 to 1959.

THACKRAY: Had you figured out, by this time, what you wanted to do as a long term career? Who were your role models?

SORGENTI: No. I still wasn't sure. At Battelle, I worked in research, and I continued along that path while starting at ARCO. Herman Nack was a kind of a role model for me. I greatly admired his creativity. He was a person who had a great many ideas and the power to turn them into something practical. Most of my role models came after Battelle. I admired people who were very entrepreneurial. My early years, however, were framed by Nack; he was the person I worked for. The inventiveness of that guy was very important in the research atmosphere.

THACKRAY: You were looking to move on from Battelle, but still remain in research?

SORGENTI: Yes.

THACKRAY: ARCO is in Philadelphia. That is still a long way from your family in Brooklyn. [laughter]

SORGENTI: Yes, but it was closer than Columbus, Ohio. Philadelphia is only a few hours from Brooklyn. Location very much affected my decision to take the job. It was much closer to my family in New York. I made the trek from Philadelphia at least once a month to New York to stay with my mother. Even though she didn't have room, she insisted that I stay there. It took me years to convince her to let me sleep on the pull-out sofa and not give up her bed for me.

In many ways, working at Atlantic Refining was not a very good choice. People there were blatantly prejudice, and the company was too thrifty. I used to call ARCO "dollar foolish." For example, I drove to Philadelphia with all my worldly possessions loaded into a convertible. When I got there, I realized that I couldn't leave a convertible on the street with all those goods in them, so I went back and dropped all of my worldly possessions, just keeping some clothes. I charged ARCO for the extra mileage. It cost eight cents a mile, which wasn't too expensive. I traveled about five hundred miles, so the total was near forty dollars. When the chief financial officer of the research department found out, he threw my expense account on the desk and said, "There are four hundred twelve miles from Columbus to Philadelphia, and that's all we're paying for." "Here we go again," I thought. I tried to explain, but he wouldn't listen. He notified my boss, a man named George Masologites, that unless I adjusted my expense account, I should be fired.

Masologites called me to his office and said, "Look, I'm not discussing this with you. I'm just telling you that this is what the expense account should be. Either you accept it or you're out." This was the second time ARCO cheated me out of my money. I could have shipped the goods, and it would have cost them much more than driving. In the end, I changed the expense account and kept the job.

THACKRAY: When did you start?

SORGENTI: In July of 1959. I was a chemical engineer in the development department. They issued you a single mechanical pencil. If it broke, I had to turn in the old one before I could get it replaced. Service pens [they had a little diamond on them] were issued once every five years, after an employee's first five years at the company. To get a new one, the old pen had to be returned. [laughter]

I worked with some very talented people at ARCO. The clerk that worked for my group was a man by the name of Jack Johnson. He went to night school for nine years at Drexel [University], had six children, went into the Marines, and came back and did a marvelous job. Johnson moved up through the ranks and became my number two man and president of ARCO Chemical North America. In addition, I met a man named Lou Ream, who later became president of the company.

When my boss went back to Penn [University of Pennsylvania] to work towards a Ph.D., I became supervisor. Not long after replacing him, I hired Dave Varisco, Frank Nicastro, and a fellow by the name of Goldberg. I was in the process of lining up an interview with someone named Rosenberg when I was visited by the head of personnel. He said to me, "You just became a supervisor and you already hired Nicastro, Varisco, and Goldberg! Now you have Rosenberg coming in for an interview? When Smith from Yale comes down, and has to interview with Nicastro, Varisco, Goldberg, Rosenberg and Sorgenti, he'll never agree to work here. He won't have anyone decent to talk to. You're not making Rosenberg an offer." I argued, "Now you listen to me. Every one of those people was first in his class." He said, "I don't care whether they can walk on water; we're not interested. Do you want to keep your job? Do what you're told." I couldn't stand the prejudice, but I still stayed in the company.

Later on, I was in charge of the Speakers Committee, and the same thing happened. Personnel came down and said, "Who are these people?" I said, "They are tops in their field." The only replies I got were: "We don't want them, don't you understand? Get somebody from Princeton, MIT, and Carnegie Tech [Carnegie Mellon University]. A couple of them are Jewish, and we don't want them." I wasn't allowed to select speakers based on their ability or knowledge because of a deep-seated prejudice.

For several years, I worked at another company. In the time that I was away, a Black dentist applied to join the Swarthmore Swim Club. One of the ARCO employees was very vocal about opposing the admittance of a Black person to the Swim Club. This particular individual was still working at ARCO when I returned, and I had the great joy of retiring him. I said to him, "This is a new world, and you're still living in the old one. We can't really tolerate that. I think it's time for you to leave."

There was a discussion about diversity on the CoreStates [Bank] Board many years later, and the subject of religious discrimination came up. The diversity policy already included that we didn't discriminate against Blacks, Hispanics, Orientals, and people of different sexual persuasions. I raised my hand and said, "We've got to add Jews, Italians, and religion." One of the members of the board said, "There's no discrimination due to religion or against Italians. After all, you became president of your company." I said, "Yes, and I clawed my way to the top. Do you think it was easy? That I didn't face a lot of discrimination?" I added, "Just as an example, how many Jews are there in this room?" The banks were notorious for not having promoted or hired Jews. Proving my point, I said, "You're still way behind the times. Hopefully, that problem has passed away in other fields."

I had friends whose fathers had graduated from City College, but were working as postmen because no one would hire them. Even in the 1950s, most people overtly expressed their prejudices. However, when I was given the power to do something about it, I made ARCO very open. People were promoted only on the basis of their ability, not their backgrounds. One day, I was discussing the possible promotion of a Korean to the chief financial officer position in ARCO's Korean branch with the chief financial officer of the Philadelphia branch. He said to me, "You can't trust Koreans. We shouldn't promote him." I said, "You listen to me. I don't care whether an employee of this company is black, white, yellow, or green. They're all the same, and you can't sit here and tell me otherwise. I won't listen to it, and you shouldn't be saying it. Give him the job."

My early experiences shaped my own values concerning the worth of each individual in the company, operating without discrimination, and picking people on the basis of merit, not background. There was one fellow who came to interview for a job. The first words he said were, "I went to the Haverford School [for Boys], then Princeton, and I'm a very active with the Princeton Alumni." To him, his school background was his qualification for the job, not what he had actually learned and accomplished. I said, "I went to PS-160 and City College." In those days, people were so insensitive to other people's feelings.

To answer your earlier question about role models, mine are: Bob [Robert] Anderson, Thornton Bradshaw, and Bill Keishnick [the senior management of our company]. They were all incredible leaders and visionaries. They made ARCO the vanguard of corporations in the way we treated our employees.

THACKRAY: This was much later in your career?

SORGENTI: During my sixth year at Atlantic Refining, I had finally decided to leave because it was not a very progressive company, and I had already received an offer from Mobil. One day, a man came in wearing a ten-gallon hat. He stood out in the courtyard of the research building, which looked like a giant bathroom [the buildings were designed with green tile]. This little guy had somehow taken control of Atlantic Refining. He stood up on a box and said, "Ladies and gentlemen, the next time we build a research center, we're going to design it rather than engineer it. This is a very well engineered building, but we need an environment to stimulate creativity." Then, he spoke about the kind of company that he wanted to build. This was way back in the early 1960s. I went home that night and said to my wife, Ann, "I saw this little guy come in, and he's just gotten a lot of shares in company stock. He is going to be the new chairman. I think he is going to do something great with this company, and I think I'm going to stay."

THACKRAY: Who was that person?

SORGENTI: Bob Anderson. From the very beginning, I could see that he was different from my other supervisors, and I was right. He made ARCO into a great company. Talk about diversity. He had all kinds of people working for him, from friends to Truman Capote and Tommy Brookshire to presidents and kings. Being with him, I wouldn't be surprised to meet anybody. Anderson was also a Renaissance man; he had a great interest in the arts and encouraged other people to support art as well.

THACKRAY: When you first went to work at Atlantic, what were you doing?

SORGENTI: I was working in process development. At that time, we had a lot of pressure to replace bio-hard detergents with soft detergents, so my team invented a process for making linear alkyl benzenes. In my research years, I had responsibility for four major processes that I invented and obtained thirteen U.S. patents for (2). I look back on my research career as highly productive and inventive.

Atlantic had invented bio-hard detergents way back in the 1930s and was leading the market in synthetic detergents. To produce soft detergents, we developed a new process where radiation was used to excite the molecules and cause them to react. It effectively produced linear alkyl benzene.

Once we had the process, my team went to the board for approval; we needed four million dollars to build a new plant. The board was chaired by Henderson Supplee, a nice man that I had been friendly with for years. The board decided that four million dollars was too much to risk on chemicals. Bob [Robert] Bent, head of the chemicals unit, came back and informed us a two million dollar budget was the limit for the board to give approval to proceed. To lessen our required budget, we went back to the drawing board and designed a plant for two million dollars, and it was successful. Ultimately, we built two more.

After several years, my team created another new process and commercialized it. We discovered how to produce benzene from toluene by hydrodealkylation. There were about fifteen licenses with that one process. Following that project, we started to work on propylene oxide. The work was split between two groups. The research group was working on [what I'll characterize as the easy part] the oxidation of propylene with hydroperoxides. The problem was that nobody knew how to make hydroperoxides because they were very unstable and readily decomposed. The second group [that I was in charge of] was working on producing those hydroperoxides and, for a long time, was largely unsuccessful. The head of the research department said to the vice president of research, "Those engineers don't know what they're doing. Turn that work over to us, and we'll get it right. They've been working on this for a couple of years and getting nowhere. My team already has the oxidation process worked out."

Even though there were complaints, my group continued to work on making hydroperoxides. George Masologites, head of development, was one of the best data analysts working at ARCO. He produced all the correlations by hand [the computer programs to do them weren't created yet]. Masologites taught me to look for the correlation points that didn't fit my hypothesis. They were the points that would tell the story; the points that fit were just confirming what we already knew. Lo and behold, we had a correlation that wasn't expected. When oxidizing isobutane, one day, we got a very good result, but after repeating the experiment, our results were poor. The engineer Lou Bitar was working on that process with me, so I sent him over to the labs to talk to the operators.

[END OF TAPE, SIDE 4]

SORGENTI: Bitar finally admitted that he had taken a smoking break that lasted three hours. [laughter] When he came back, he didn't have time to complete all his work, so he eliminated several steps in the procedure. It turned out that one of the steps he skipped was washing the reactor with water after rinsing it with sodium pyrophosphate. This left a film of sodium pyrophosphate on the walls of the reactor and cut down on the metal ions causing hydroperoxide to decompose. We finally figured out how to stabilize hydroperoxide. My group repeated the experiment, leaving out some of the wash part of the procedure, and it worked just fine.

After the process was complete, we went to Anderson to ask for funding. This story will perfectly illustrate the differences between the former chair of the board, Supplee, and the new chair, Anderson. A proposal was made up for fifteen million dollars to build a new plant for the procedure. Anderson's reaction was, "Do you fellows think this is going to make a 35 or 40 percent return?" The answer was, "Yes." Anderson said, "Make the plant twice as big." The vice president of research said, "Well, my God. That'll cost thirty-million dollars!" Anderson simply stated: "Yes, I know, but when borrowing at 8 percent and making 35 or 40 percent, the more you borrow the more you make. It's my job to get the money. You just make sure the procedure works." It was a whole new era for ARCO, with a new philosophy and a new company.

THACKRAY: What year was that?

SORGENTI: It was either 1962 or 1963. In the early Anderson years, employees couldn't even order a business card or a piece of stationery, unless the design was approved. Anderson wanted to create a new company image and attitude, right down to the stationary we sent out with ARCO's name and logo on it. It was an interesting and exciting time.

The new propylene oxide process was very successful. That year, ARCO merged with Sinclair Laboratories, and I was asked to go out to Chicago. Before people were placed, they all had to undergo a psychological interview. It was a new technique that Anderson thought was worthwhile. Psychologists were brought in to interview employees. They then decided which jobs the staff from the merging companies were best suited for. Dave Thompson interviewed me and said that he was very impressed; he said that I was probably one of the top people in the research department. However, he felt I was in the wrong job, and I needed to be in sales or marketing. I ran into him later, when I was offered the director of development position in Harvey, Illinois, at Sinclair Laboratories. I said, “Dave, your recommendations carry a lot of weight. Nobody even remotely considered putting me into a marketing job. I’m right back in research, where I always was.”

I took the job and moved to Harvey. I discovered that Sinclair was a poorly managed company, to say the least. For instance, at the labs, people were spending much more money and generating less information than ARCO employees. Also, the place hadn’t been painted or fixed up in years. One of the first things I did was get the pilot plant buildings repainted the color that their crews requested. One group said they wanted their plant painted persimmon, so when they came back in on Monday, it was persimmon. They said, “We didn’t really want persimmon, we just didn’t think you guys were serious.” [laughter] We said, “Well, you have to live with it now.” That was the beginning of a lot of changes we made out there.

We ran units at Sinclair that generated one or two data points a week. At Atlantic, we were used to running one or two data points a day. I realized that the designs at Sinclair were not as effective for producing data. It took some time, but we finally got the machinery geared up to do what it was supposed to do. I was mainly interested in generating information from which we could then design new processes.

Lou Ream [the new president of the Petroleum Products Company] would periodically visit the research department, and I would give him presentations. During one of my presentations on catalytic cracking, he said, “Why are you working on this and wasting money? We don’t have any catalytic crackers.” I said, “Mr. Ream, we’re working on this because, unfortunately, you had made a rather misguided selection of hydrocracking to be used in the refineries. It is the most expensive process for petroleum processing, and some day, you will want to put in catalytic crackers.” Ream became rather incensed. [laughter] He said, “What are you talking about?” I replied, “We’re not going to be cost competitive using hydrocracker processing. It’s clean, modern, and nice, but it’s not cost effective.” A few weeks went by, and Mr. Ream called me. He said, “I’m putting a new department together out here to help me get my hands around this problem. We’re having a terrible time. I’m sending Alan Bryson to interview you. I wanted to let you know that I’d like you to come out here to L.A.“ Bryson offered me a position as the head of the evaluation and planning committee. I accepted and moved out there. The cost of living was much greater in L.A. I was only given a five thousand-dollar increase in pay, but my new home was forty-seven thousand dollars more expensive. I was losing a lot of money by moving.

A short period of time after I started, Mr. Ream asked me to come to his office. He said, “I’ve been trying to develop some new projects to make fuels for the utility industry because it was recently forced to switch to low sulfur fuels. I would like you to work with John Gendron, who is a senior vice president.” He was one of the most suave, debonair men I had ever met. I worked for him on these projects, and we developed a number of opportunities for the company. At one point, we had as many as four new refineries. There would be billions of dollars invested.

I learned a great deal from Gendron. He taught me how to sell a project before I had even brought it to the board. He would have lunch with key members of the board to discuss the project, while I worked with their staffs. Getting a project through a major corporation is like running a military campaign. I describe it as climbing a hill with people rolling boulders down at us. I had to learn to quickly sidestep them and continue up the hill. Gendron also taught me that, in the "corporate world," everything is gray or shades of gray, not black and white. We would work on slide presentations for hours to get the right tone and effect.

THACKRAY: That was in the mid-1960s now?

SORGENTI: No, probably the early 1970s. Gendron and I had a project with a company called Southern California Edison. After giving a presentation to Anderson, he would always make a series of demands, and we would have to go back to talk with Southern California Edison. Somehow, we accomplished all the objectives he had set out for us. One day, Gendron and I walked into the boardroom, and Anderson stood up from his chair. He pointed his finger at me and said, "You! You! Damn it, every absurd thing I ask to get them to agree to, you do it. Now you've got such a good deal, it will never work." I said, "Bob, I just did what you asked me to do." He said, "Those damn fools. They shouldn't be signing a contract like this. A deal, to be long-term; it has to be good for both parties, and this isn't. I'm not going to do it. You go tell them." Southern California Edison still wanted to do the deal, so we came back. Anderson said, "You get out of here, get out of that deal, and make them think it was their idea to do so." My boss said, "We've got to get together and come back next week to change his mind." I said, "Are you crazy? Anderson's going to fire me." We went back the next week, and Anderson said, "I thought I gave you a good kick-in-the-ass last week. I told you what I wanted you to do, and you're back again." He said, "All right, all right. I'll call the chairman of Southern California Edison and tell him we're not interested."

He did, and a couple of hours later, Joe Downer [an executive vice president] called me and said, "Bob Anderson called the chairman of Southern California Edison and told him we didn't want to do the deal." I asked, "What did he tell him? What did he give as a reason?" Joe said, "He simply told him, 'if you don't know which way you're going to ride the horse, you shouldn't put the saddle on it.'" I never found out what that meant, but we were out of the deal. [laughter] That project brought me to Anderson's attention, and everyone else in senior management also took notice of me.

At that time, Bill Hoffman was the vice president of research and engineering. I noticed that at several off-site meetings, he was sitting in front of the fireplace just staring into it. I was very sad to later find out he had developed a brain tumor. He became unable to work and eventually died. I was chosen to be his replacement. The promotion bumped me up from a Grade 17 to a Grade 24, which was a huge jump. I became a head of research and engineering, headquartered in L.A. My main people, however, were in Chicago, so I was always traveling between the two cities. We developed the final process that I was involved in at the Harvey

Technical Center and were now under pressure to remove sulfur dioxide from stack gases in our refineries. Two processes were licensed, one from Parson's and one from Pritchard; but when we put them in our plants, neither worked. My team had to quickly develop a new process, based on an idea that I and a few others came up with together. To carry it out, the company had to build five units at once. Units cost about twenty million dollars each, so it was an enormous investment. Lou Ream said to me, "Two of these things didn't work before; but we licensed them, and it was okay. This time, it's your responsibility. If they don't work, you're out of here." Fortunately, the processes were successful, and I got to keep my job.

Anderson decided to fire Lou Ream, and my world broke apart. Ream had been my mentor, in a way. He was the guy who had selected me. Jack Simmons was hired to take over, and I enjoyed my relationship with him. I still see him, occasionally. Jack Simmons and Lou Ream could not have been more different. Ream had come up through the analytical side of the business, while Simmons had been in marketing and had international experience by running Atlantic's operation in Brazil. Ream's staff and review-refinery computer model ran for hours at a time. In spite of an enormous effort, they weren't able get their hands around the business, which caused the company to lose one hundred twenty million dollars a year.

Simmons was a charismatic leader. He was an extremely handsome man and had a wonderful way with people. I loved having him visit my operations, and I would always arrange a dinner with my key management people and their wives. He was an inspirational leader, and by the end of the evening, everyone was fired up for another six months of grueling effort to make the ARCO Products company the most efficient operation in the industry.

Simmons saw the world and our company as much less complex than Lou Ream did. Jack would get all his people together and say, "Look gentlemen, it's simple. We bring crude oil into refineries and we make gasoline, distillate, jet fuel, et cetera. We know what we pay for crude oil and we know how much we sell our products for. It is clear that we are losing money, and our costs are too high. I want you to examine every aspect of our cost structure and eliminate at least one hundred twenty million dollars a year." Various task forces were formed, and we examined product delivery costs, storage costs, station profitability, refinery efficiency, et cetera. Hundreds of terminals and service stations were closed, and we invested heavily to reduce our refining costs. Within a year, Simmons made the company profitable, and soon after, we became the most efficient in the industry.

I learned a great deal participating in the turn-around effort. Every cost, no matter how low, can be further improved and reduced, if focused on. For example, we studied the cost of handling a purchase by credit card at the station pump. The study showed that when people paid by credit card, handling the paper and carrying the float cost the company thirty cents more than if customers had paid with cash. Since the average customer buys ten gallons at each fill-up, credit sales were costing the company three cents a gallon. The information led to the company eliminating credit card sales.

After Simmons joined the company, we also created a volumetric coordination group [VCG] at a level just below the senior offices. We modeled the refinery system and planned production for several quarters in advance. Products were produced where they could be made at the lowest cost and moved around the system, and the production plan was modified frequently as the market situation changed. In this group there was a free and easy exchange of ideas. Different positions were forcefully argued out between groups: marketing, manufacturing, transportation, et cetera. It toned up the whole company and forced people into paying more attention to their forecasts, which soon became highly accurate. The VCG had another effect in that it removed confrontational discussions at the senior management staff meetings. The discussions were much more intense at the lower level and could be carried out without any hard feelings. I later formed a similar group at ARCO Chemical and used it to optimize our world wide propylene oxide operations.

When I became vice president of research and engineering, I reported to Al Kusch. He taught me a great deal. His meetings encouraged an open dialog among his staff. He would ask a question and simply sit back and watch. Al Kusch took a chance on me. He gave me a huge promotion to vice president of research and development. The promotion positioned me for my future job at ARCO Chemical <u>and</u> provided me with additional exposure to top management.

Meanwhile, Bill Keishnick had taken over as president of the company. Anderson was still chairman, but Bradshaw had moved to RCA [Radio Corporation of America]. One day, Simmons called me in and said, "Bill Keishnick wants you to go for an interview in Philadelphia for a senior job at ARCO Chemical." I flew up and met with Bob Bent, the president. He said, "I'm going to tell you two things. One, don't come here thinking you're going to replace me because you're not. Two, I don't want any trouble. I'm close to retirement. I don't want you changing anything. If you're going to come here, don't give me a lot of trouble."

I said to him, "Listen, Bob. I've got a fine job where I am." He retorted, "This job will make you a corporate officer, and you're just a division officer now." I told him, "Bob, I'm going to be a corporate officer if I stay where I am, so I'm not interested. I don't want to work here if I can't make any changes." I went back to Los Angeles and told Keishnick, "Bent doesn't want me, so I told him that I wasn't interested in a position there." He said, "That's too bad because I just filled your job." [laughter] "You're going to Philadelphia. I want you there, and that's what counts." I went to Philadelphia and worked for Bent, but he really didn't let me change anything. It was difficult because ARCO Chemical was in the process of building two enormous olefin plants. They had over-run the budget by more than one hundred million dollars and hadn't told anyone [this was in 1976].

Ken Smith, the vice president of engineering, reported to me, and I said, "These numbers indicate that you've over-run the new plants by one hundred million dollars. Where's the paperwork for the board to approve this?" He said, "Bob doesn't want to hear it. He doesn't want to hear about over-runs." "Well, Bob's going to hear about it. The two of us are going to go in and tell him," I answered, but Ken pleaded, "No, no, no. Don't make me do that. He'll fire me." I said, "I'll fire you if we don't go in and tell him." When we finally went in, Bent, true to form, said, "I don't want to know. I don't want to know." "Now look, Bob, we're not talking about pennies, its one hundred million dollars," I argued. He said, "I told you, I don't want to know." Ken and I had to make the over-run known through other channels, and when it came time for Bob's retirement, he refused to let me replace him. A friend of mine from Parson's Engineering called me up and said, "What did you do to Bob Bent?" "I haven't done anything except try to get some things done here," I answered. He said, "He had dinner with my boss last night and said, 'Can you believe it? They want to replace me with some Italian from South Philadelphia. I'm not going to let it happen.'" Then my friend said, "You're the only Italian working for him, right?" "That's right." I replied. It was 1976, and Bob Bent was still disappointed that I wasn't up to his background. I wasn't from South Philadelphia, but the message was clear.

I continued to do my job. We reorganized the place and did what we had to do. Bill Keishnick knew what I was doing, and because Bent wouldn't tell them anything, he used me as a pipeline to Los Angeles. It made my life very difficult. From an organizational standpoint, I had a loyalty to Bob, but he was very difficult for the L.A. people to deal with. To get around him, they were constantly asking me for information that they couldn't get any other way.

When I was only five days away from replacing Bob, Bill Keishnick called me. He said, "We were going to send Dick [Richard] Bressler to head Anaconda [they had just bought the company Anaconda Copper Company], but the chairman does not want to retire. Bob Anderson won't force him out, so we're going to have to send Bressler to Philadelphia. You will have to stand aside for eighteen months, but Dick's been told that after that time, you will replace him. I'm very sorry, but that's the way it's got to be." I said, "I understand, and I know you will live up to your word." I promised to help Dick as much as I could when he arrived because he knew nothing about chemicals. He was very bright, and never wasted a moment. Dick always had a lot of time to work on what he thought was important because he was so efficient in the office.

After eighteen months, Dick went back to being an executive vice president, and I was made president of ARCO Chemical Company. The company was not doing well, and to turn things around, Bill Keishnick tried to change its culture. He organized a classical management meeting to come up with a new philosophy for the company. At the meeting, people agreed that it would be too costly to continue taking the chances we have taken in the past. The new attitude was that ARCO shouldn't try to be first anymore; the company was going to follow instead of a lead. When Bill asked me what I thought about the company's new outlook, I said, "I think you're trying to make a great company into a mediocre one, and I don't think it will work. You can't take people who think they're the best and tell them that they're second best. We think we're the best; Bob Anderson always told us we were the best. We could out-maneuver Exxon [Corporation] and anyone else. Now, you want me to go back and say, 'Let's <u>follow</u> Exxon.' That's going to be a very hard sell, Bill. However, if that's what you really want, I'll do it. You're the CEO, and I will support you and give my best effort. You asked me my opinion, and I gave it to you."

Sure enough, after a short time went by, the company was in chaos. Bob Anderson came around one day and asked me, "What do you think about what's going on?" I said, "Bob, I'd rather not say." He said, "You'd better say: I know what's going on. The company is in chaos, and we've got to make changes." He and Keishnick reached an agreement. Keishnick agreed to resign quietly if Anderson agreed to leave the board and not interfere in running the company. Lodwrick Cook was appointed as the new chairman of ARCO. Because of all the new people, we basically created a new company with very different philosophies.

THACKRAY: The picture you painted is really of an old-fashioned world in the process of change. Was the transformation just brought on by Bob Anderson?

SORGENTI: Bob Anderson and Thornton Bradshaw were the two main forward looking and forward thinking leaders in the company. They completely broke with the old philosophy. Anderson had even moved the headquarters out of Philadelphia.

THACKRAY: When did that happen?

SORGENTI: In the 1960s. Anderson said that two things happened to him in Philadelphia. He was living with his wife and seven young children at the Barclay Hotel. One day, he noticed that the elevator operator greeted everyone by name except him. Bob decided to introduce himself. He said to the elevator operator, "I want to introduce myself because I noticed that you greet everyone by name, but you don't seem to recognize me. I'm living here with my family. My name is Bob Anderson; I'm the chairman of Atlantic Refining." The guy looked at him and said, "The reason I don't greet you, Mr. Anderson, is we never talk to transients." [laughter] Bob was also turned down at the Philadelphia Club for membership. He said to himself, "This is one hell of a provincial town, and I'm getting out of here." That's why he moved the headquarters, first to New York and then to Los Angeles. Bob was president of the Eisenhower Exchange Fellowship in addition to ARCO, so he maintained contacts in Philadelphia. I think, years later, he finally became a member of the Philadelphia Club. I know he used to attend functions there.

Bob Anderson was a very forward-looking man. He insisted on treating all people with consideration and respect. He made sure his employees had decent facilities to work in, and gave them an environment that encouraged their productivity. ARCO had the best looking facilities of any other company. Our facilities were first rate, and the people who worked there were very intelligent. I'd come home after having had a meeting with Bradshaw and I would tell Ann, "I had a meeting with Thornton Bradshaw today. What a mind. He stretches you so far. I go in there and think I know everything. Then, this man asks me questions about things I've never even thought about. Each time I have contact with him, it's a mind stretching exercise. It's just wonderful. I wish I had more contact with him." I wrote him a note to that effect when he left the company. I said, "You really don't know the impact you have had. I look forward to the challenge of meeting with you whenever we have the opportunity." He and Anderson really did change things at ARCO. Before they came, the Atlantic Refining Company had a very conservative environment. The attitude had been: by being frugal, the company would save its way into prosperity, which was wrong. One time, I bought two French curves [used to draw graphs], costing about a dollar. I put them on my expense account. The financial department told me that, "French curves are implements of the engineering trade. You have to come with your own implements. The company does not provide them." Anderson did away with that type of thinking.

THACKRAY: You really had a meteoric rise over those fifteen years. Why do you think you were promoted so quickly?

SORGENTI: We accomplished a great deal with very little. We were a relatively small organization, but our output was very high. ARCO was able to commercialize those processes, which allowed us to build high credibility. People had faith that we would accomplish the projects we set out to do. In managing and leading the company's employees to successful process development and commercialization, I attracted the attention of the senior ARCO staff. I also had a good risk orientation, which fit with Bob Anderson's way of doing business.

[END OF TAPE, SIDE 5]

SORGENTI: Many people at ARCO refused to take big risks because they were afraid of failure. For example, when we invented the Oxirane process, Anderson [who always took risks] told us to double the size of the project. Bob Bent [then, the head of chemicals] knew that if we failed, his career would be finished. It was a long process of development, and my team was clearly breaking new ground. Supposedly, Halcon International [headed by a friend of Bent's] had developed a similar process to ours, and they negotiated a successful joint venture with Bob; hence, the formation of Oxirane. However, when I got into the details of Halcon's work, I realized that they were researching a completely different area. They were developing a process to make styrene and propylene oxide. My team at ARCO was creating a process to form tertiary butyl alcohol and propylene oxide. Halcon hadn't completed virtually any work on the process my team was focusing on, so I couldn't understand why Bent agreed to the joint venture in the first place. The only reasoning I came up with was that Bob was afraid to take the risk without somebody else reinforcing the fact that the work was good, the technology was good, and everything would work. I was never afraid to take risks and had confidence that my judgments were correct. That aspect of my personality suited the way Bob ran ARCO. He approved of taking chances and never criticized a failure. He would just say, "Let's put it behind us."

In addition to my risk orientation, I had the ability to galvanize a team of people to work together and accomplish a goal. At ARCO, we had very effective teams and developed an enormous loyalty. Many of those same people are still in contact with me today and help me put together new companies. When I was manager, I knew that I had to generate a sense of excitement, provide leadership, and have confidence in what we were doing. I can honestly say that in all the years that I had presented new projects to the corporation, I don't remember ever being turned down, even though the proposals ranged from pacemakers to trash bags. Actually, I have a classic story about the pacemaker business.

THACKRAY: Pacemakers? [laughter]

SORGENTI: Before I came to ARCO Chemical, they had invented the lithium battery, which is now in every quartz watch in the world – it was a major development. In the mid-1970s, pacemakers had to be changed frequently, and we decided to try putting the lithium battery into pacemakers. Thus, the nuclear operations department at ARCO Chemical developed a nuclear pacemaker that lasted for twenty-five years.

I remember going to Los Angeles and asking for five million dollars for the initial plant. Bob Anderson said, “Great, let’s do it.” Later, I overheard the vice chairman saying, “God darn, Bob. You encourage these fools with these crazy ideas. What the hell do we know about pacemakers? You just blew five million dollars.” Bob said, “Louis, I don’t care whether it works or not, but I’m not going to kill the entrepreneurial spirit in this company. He came in here and told us he had an invention. He wants to make a business out of it. I say yes! That spirit is going to make this company great.”

I set my goals for the business, but when tying to achieve them, it was a challenge to keep true to my morals. The first test of my beliefs came when a doctor implanted our pacemaker in a baby, which should not have happened. The pacemaker failed, and the doctor wrote me a letter saying, “It failed suddenly and without warning.” He felt that the mechanism in the pacemaker was defective. I got my team of scientists together, and they said, “Look, it’s a statistically insignificant event. We have ten thousand of these things in the market, and this is the first failure. The doctor doesn’t know what he’s talking about.” “Statistically insignificant,” I said, “Quantify that for me. How many failures do we have to have to be statistically significant?” They said ten, so I asked them, “You want to kill ten more people before we recall these pacemakers? Can anybody live with the idea of ten more people dying because we have a defective pacemaker?” They said, “Hold on there. If you have a recall, it’s going to cost two million dollars. Also, you have all of these old people with pacemakers having to go in for replacements. You may kill ten people just by having a recall.” I said, “I guess it’s possible, but at least I’ll feel that I did the right thing. Issue the recall.”

After the meeting, I picked up the phone and called Bill Keishnick [he was president then]. I said, “Bill, tomorrow in the *Wall Street Journal*, you’re going to read that we recalled ten thousand pacemakers. It’s going to cost the company two million dollars, and we were not required to do it. We are well below the FDA [Food and Drug Administration] requirements of failures, but I found it morally objectionable to continue with the thought that ARCO might have a defective product and a number of people could suddenly die.” He said, “Did I ever ask you to do anything that you didn’t agree with from a moral standpoint?” I said, “No.” “Then, why did you call?” he asked. So, we had the recall.

Even after the recall, ARCO stayed in the pacemaker business, but we had to get out because of the ethics involved. In the business, the top cardiologists were the ones who had to be convinced that our pacemaker was dependable. One night, I had dinner with the principal cardiologist in Philadelphia to find out why he wasn't buying our product. I said to him, "Doctor, we've taken you deep-sea fishing in Florida, out to Las Vegas for a convention, to dinner with me, the president of the company. This is a small business for us, but I can't go back to the office tomorrow unless I sell you a pacemaker. I'll get down on my knees here, if you'll sign for one. Why aren't you buying our pacemakers? You know they are the best." He said, "I keep telling you people. I'd be happy to buy from you, if you would just exhibit in my medical products show. I have one every year." I said, "We exhibit in a lot of medical products shows." "Yes," he said, "but you usually pay five thousand dollars for booth space. In my shows, it costs fifty thousand." [laughter] I said, "Doctor, I understand completely now. I'm pleased to know that our people refused to do that. You are never going to see me again, and I don't care if you ever buy our pacemakers."

We found out that Medtronic [Incorporated], and other companies, were making pay-offs to the doctors. It was not a business that ARCO could stay in without compromising our principles, so we decided to sell-out and exit. Another time ARCO got out of a certain business for ethical reasons was with our municipal water treating business in Germany. We had set up six to eight plants around the country to sell chemicals to most municipal systems. Kick-backs and pay-offs were often involved, but ARCO wouldn't participate in bribery. In Germany, it is perfectly legal to make kick-backs and pay-offs. The United States law is ambiguous. It says that you can't pay-off government officials, but it's legal to bribe the head of a laboratory to approve your product and disapprove the others. If that's the way people want to do business, they can. One thing I know is that it's very lonely in jail, and the facilities are not very nice. [laughter] I would rather sleep at night than worry, but people have to make that decision for themselves."

The way people conduct themselves in business and how they treat people in life shows the kind of person they are. While president of ARCO Chemical, I would say, "My life is an open book, and the company is open to anyone that wants to come in and look at it. If we're doing anything wrong, we'll correct it as soon as we find out. The company is not trying to do anything improper." That's the way we ran ARCO. I wish I could say that about every business I've come in contact with, but I can't. I've seen a lot of things that are just not right, and I don't feel that's the right way to conduct a business. People have a lot of challenges, from an integrity standpoint, when they are senior members of a top company. Everyone says, "Well, you audit, and the audits say what's going on." However, the thief or criminal is probably brighter than the auditor. The auditor is usually an inexperienced guy that some accounting firm put on the audit. Most of the time, I find things out from my staff. The tone that is set and the behavior that company leaders exhibit influence what employees believe and how they behave.

I received a letter from a woman, one day, saying, "My dear Mr. Sorgenti, my husband tells me you're a deeply religious man. I can't understand why your company asks him to do things that he finds morally objectionable. He comes home and cries every night because he knows he's been doing things that are improper." Of course, I audited that function [a company out in the desert of California], and the audit came back clean. I had no idea what morally questionable thing the company was doing. I got some people together and told them to, "talk to the woman who wrote to me and find out what the hell she [was] talking about." It turned out that the company never got the approval of the Mexican government to ship seeds into Mexico. They were falsifying the approval sheets. The president also appeared to be stealing from the company. None of it turned up in the audits. I have received so many of those types of letters over the years where auditors couldn't find anything wrong.

This discussion began with the question, "What is it that made you successful?" I believe it was my ability to invent something and carry the project through to completion, to create an environment that encouraged people to work together, and to run the company in a moral and ethical way.

[END OF TAPE, SIDE 6]

INTERVIEWEE: Harold A. Sorgenti

INTERVIEWER: Arnold Thackray

LOCATION: Philadelphia, Pennsylvania

DATE: 15 March 1999

THACKRAY: Hal, could you talk about being president of ARCO Chemical? I believe you took that position in 1979?

SORGENTI: That's correct. I've already discussed how I was supposed to become president almost two years earlier. ARCO had done an extensive search outside the company, but they couldn't find a suitable candidate for the job at the price they wanted to pay. Consequently, I was selected to take over, in spite of Bob Bent's objections. Then, Dick Bressler was thrust into the situation because the chairman of Anaconda [which had recently been acquired by ARCO] decided not to retire. Dick was originally scheduled to work at Anaconda, while I took over ARCO Chemical.

Just before Bob Bent retired, we started a project called Centennial Hydrocarbons, which was a joint venture with DuPont. It was spearheaded by Ed [Edward G.] Jefferson and Irv [Irving S.] Shapiro of DuPont. They wanted to do something outside the DuPont fold to stimulate the entrepreneurial activity at DuPont.

When planning for the project, I was a senior member of the ARCO Chemical management team. It came to a point where the team had to decide whether to commit to going forward, and it was obvious to some of us that going forward was not the right idea. There was an over capacity in the business, and the project was estimated to cost over three billion dollars. During the decision-making meeting at ARCO Chemical, I was the only member of the staff who didn't want to continue with Centennial Hydrocarbons. When it was my turn to voice my opinion, I indicated that the project wasn't economically practical, it wasn't necessary, and that ARCO should sell DuPont one of our existing olefin complexes instead. We had just completed the complexes at great cost, and they were running only at partial capacity. After my comments, Bob Bent threw me out of the room and said, "You're always negative!" The team went ahead and approved the project. Also, a stipulation was added, demanding a ten million dollar fee if a party dropped out after the project was green lighted.

About six months later, Bent retired and Bressler was hired. It took Dick a very short time to realize that the commitment we had made to DuPont was not reasonable. He and I trooped down to Wilmington to meet with Ed Jefferson [he was destined to become chairman of DuPont] to tell him that we were dropping out and paying him the ten million dollars. Jefferson was a perfect English gentleman and a very reserved individual, but I have never seen anyone get so angry. He told us that he had conveyed a commitment to the management committee at DuPont, and that our behavior could possibly cost him the chairmanship. Though Jefferson argued against it, we still dropped out. The conflict began a period of time with DuPont [very large customers of ARCO Chemical] where they basically stopped buying from us. DuPont felt very strongly that we left them in the lurch. We offered to sell them one of our existing complexes or joint venture with them, but they didn't want to do that. They wanted a separate complex. Although Dick and I strained relations with a major customer, we made the right decision.

For a couple of years, before we dropped out, Centennial Hydrocarbons was a major effort for ARCO Chemical. We had a board with Ed Jefferson and Bob Bent as the heads. One time, Jefferson introduced a motion for something and Bent seconded it. The three members from ARCO Chemical voted against it, along with two members from DuPont. In response, Jefferson said, "Bob, I think we'd better caucus. I've never seen anything like this before! Both the chairman and vice chairman introduce a resolution, and it's defeated!" [laughter] "I think we'd better withdraw it!" They were two very powerful men, who were used to getting their own way. Yet, both companies had some independent people and were able to defeat them.

THACKRAY: That was a separately incorporated joint venture?

SORGENTI: Yes. It was a fifty-fifty, separately incorporated joint venture. Shapiro actually wanted ARCO Chemical to build, construct, and manage the complex because DuPont always spent too much money building their plants and over-managed them. He was trying to change the culture at DuPont. My team at ARCO Chemical put together an organizational structure and submitted it. The DuPont engineering department looked at it and said, "Oh, my God! How can you run or staff a project with such a small amount of people?" We said, "ARCO Chemical just built two of the same plants and they seem to work fine for us." They said, "All right, but we're going to have this other organization to supervise you." DuPont set up an enormous organization whose only purpose was to check on everything that my team did; it was really aggravating. I went down to talk with the head of engineering at DuPont about it and said to him, "If you were me, and you had the responsibility of managing this project, and if I were you, what would you do?" He said, "I'd tell you to go to hell!" I took his advice and said to him, "Then go to hell!" He said, "Fine! We'll back off." [laughter] It was an amusing meeting.

In any event, ARCO Chemical spent some money on the project, but it never went forward. We ended up having strained relations with DuPont. A few months later, Bressler went back to ARCO, and I became president.

THACKRAY: Centennial Hydrocarbons turned out to only be a planning exercise?

SORGENTI: Yes. It never reached fruition. ARCO Chemical paid the ten million dollars to get out of the project, and DuPont never realized their goal. DuPont was a large customer and had an aggressive purchasing department, so they always bought raw materials at a very good price. Shortages occurred in 1973 and 1974, however, crude oil prices skyrocketed. DuPont found that it couldn't get raw materials because people wouldn't supply them. They decided to integrate back to hydrocarbons, in response to the shortages. The Centennial Hydrocarbons project would not only have built a new, huge complex, but would also let DuPont acquire oil reserves from Alaska. Domestic crude oil from ARCO's Alaskan reserves would have been included in the project, and that was always a great bone of contention. ARCO didn't want to put any reserves into the agreement, but DuPont did. Their drive was integration back to crude oil to protect their base business. When Jefferson took over DuPont, he took the next major step and bought Continental Oil Company [Conoco]. Twenty years later, the company has just been divested. Because they had trouble getting raw materials, DuPont's main goal was to integrate back to crude oil. When they couldn't do that with us, they went out and bought an oil company. I'm not sure whether that decision helped their chemical business, but I seriously doubt it.

THACKRAY: What would the benefits of Centennial Hydrocarbons have been for ARCO?

SORGENTI: Basically, it was just another major project. ARCO had plenty of cash coming in from our Alaskan reserves, and we needed to invest it. Our calculations showed, however, that the investment wouldn't yield the returns we expected. Therefore, staff at ARCO [myself in particular] were unwilling to go forward with the project, since the chemical returns were already very low.

THACKRAY: When was the plant scheduled to be built?

SORGENTI: Construction was set to start in 1979. The plant was supposed to be operational within three years.

THACKRAY: Where did you plan to build it?

SORGENTI: In Texas. ARCO was awash in cash at the time, and other companies were short. Therefore, we looked for projects that required large monetary inputs. For instance, ARCO built an olefins plant that cost three hundred million dollars. We immediately followed that project with a second plant for another three hundred million dollars. The costs also over-ran for one hundred million dollars. In the end, our theory didn't work out because the price of crude oil tripled. First, it went to twelve dollars, and then, to thirty-five dollars a barrel. The substantial increase in crude oil cost ruined the whole thrust of the chemical business.

THACKRAY: When was that?

SORGENTI: The shortages occurred in 1979 and 1980. Every major oil company had been flooded with cash, and invested it in those mega projects. The industry was driven into over-capacity, prices were depressed, and returns were low. As the price of crude oil increased, the supposed advantage for ARCO disappeared. We weren't able to invest as much money without getting larger returns; it was out of our control.

THACKRAY: Was ARCO Chemical, at that moment, a division within Atlantic Richfield?

SORGENTI: Yes.

THACKRAY: Can you comment more generally on refinery petroleum companies and their orientation toward petrochemicals? How should petrochemicals be organized for success?

SORGENTI: Petrochemicals only need a good source of feedstocks and raw materials. Refining businesses have some streams that are useful in making chemicals, but most of them are available for purchase. For that reason, it's not necessary for a petrochemicals company to be fully integrated with a refinery. That was another great theory that ARCO had in the early 1980s. We combined half our petrochemical assets with the Houston refinery from Atlantic Richfield and formed Lyondell Chemical Company. The assumption was that having the two under one umbrella would result in huge economies. Afterwards, we discovered that there were minor pluses in integrating petrochemicals with refining, but the negatives were just as large because both businesses were quite different from each other. I think that as long as there is access to feedstocks, petrochemical companies have no need to be hooked into a refinery.

A better set of economics can be achieved by integrating downstream chemical products with upstream petrochemical products. A great example of that is Dow Chemical [Company]. That integration results in greater savings than the refinery-chemical plant integration.

THACKRAY: Initially, you were the president of ARCO Chemical as a division of Atlantic-Richfield, correct?

SORGENTI: Yes. That was in 1979. Dick Bressler was the executive vice president of ARCO, and he reported to Bill Keishnick, the president. Bob Anderson was still chairman of the board, at that time. The company was losing large amounts of money of money when I took over [one hundred twenty million dollars or more a year]. ARCO Chemical had grown by acquisition in some respects. We had acquired 50 percent of Sinclair Koppers, which was a polyolefins business; we had a joint venture with Halcon International in Oxirane; we had bought a polypropylene business from Diamond Shamrock; and we had built two very large olefins complexes at Lyondell, Texas. When I became president, ARCO Chemical evaluated all our businesses to see where we had the most competitive positions. I think in the chemical/petrochemical business, the most significant thing is to have a real technological advantage. We learned that the only place where ARCO had a technological advantage was in our joint venture with Halcon [forming Oxirane], where we were fifty-fifty owners.

ARCO Chemical had its base business losing money, the olefins business in trouble, and we just commercialized some new technology for making monoethylene glycol [MEG] by a process developed at Halcon. When the plant came on stream there was a number of things wrong with it, and consequently, it was not working at all. For example, the plant was fabricated of titanium metal, one of the most expensive construction materials you could find, and it was corroding badly. ARCO Chemical was not in good shape when I took over. Back then, we still had our research center out at Glenolden, Pennsylvania, and headquarters at 15th and Market Streets.

We compared ARCO Chemical's position, for instance, in polyolefins, with Dow's. Dow made ethylene and polyethylene at the same site. We made ethylene and shipped it by pipeline, like many other companies, to a site we had purchased at Port Arthur. The Port Arthur site had both low density polyethylene and high density polyethylene plants, and the technology utilized there was quite old. ARCO Chemical had to pay to ship the ethylene down, and because the site was separated from the olefins plant, we had to build an ethylene recovery unit, which cost fifteen million dollars. Dow didn't have all those extra expenditures. It was just integrated back to the olefins plant. We finally calculated the advantages of the integration and were less efficient by several cents a pound. We decided that ARCO Chemical couldn't compete in that area, so we set out on a program to restructure the company. We sold the polyethylene business to Quantum [Incorporated], we sold the polypropylene business to Petrofina [SA], and we spun off Lyondell [Chemical Company] into a separate company. It was integrated with the refinery and formed a new company.

In addition, ARCO Chemical purchased the other half of the Oxirane joint venture from Halcon International. The venture was having problems because the new technology to make glycol was a failure. Halcon couldn't accept that the technology didn't work and refused to shut down the plant we were funding. Bob Anderson had stopped by the new plant and called me afterwards. He said to me, "I just went to your plant and talked to the operating people. It's a dry hole. Plug it." Bob had this unique way of conveying his message as an oil man and a wildcatter, but I understood what he wanted me to do. He wanted me to shut the plant down. Before I approached our partners, I studied the joint venture agreements. They were very complex, and it took me a couple of days to understand the structure we had got in to. I went up to New York and met with Bob [Robert] Malpas, who had come from ICI [Imperial Chemical Industries, PLC] to run Halcon [he was a very good friend of mine] and their chief financial officer, Ed [Edward] Muller. I said, "Before we get into the main discussion, could you explain

to me where you put money in to this venture because I don't see any place where money comes in from you, it only goes out to you. You get a share in the profits and the dividends, but you never put any money in." They said, "Of course. We don't have any responsibility to put money in. That's why we did the joint venture with you!" [laughter] "The agreement requires that you put the money in." I said, "Yes, I looked at that. I know that. But it requires the approval of our board, and I'm here to tell you that yesterday, our board said they weren't putting any more money into Oxirane. The plant is draining money from us, so we want to shut it down, write it off, and tear it down."
After the meeting, ARCO Chemical did shut the plant down.

Ralph Landau [the head of Halcon International] approached Ed Jefferson and said, "Those ARCO people are just not good operators. They don't know how to run anything, and they say this is a worthless plant. I told them that if it's worthless, then we'll bring in somebody else to take it over and run it." Jefferson later called me and said, "Hal, what's the story with the plant?" I said, "Ed, the technology is faulty, and it was only run on a very small scale. Scaled up, the plant costs one-hundred-fifty-million dollars. We've already put an additional one hundred million dollars in trying to correct it, and we can't get it to work. I've shut it down, but you're free to look at it. If your conclusion is different, that's great. We're convinced that nothing can be done." DuPont did come in, and they confirmed our conclusion. It was a great blow to Halcon. Actually, I spent a fair amount of time looking into how that could have happened because it shocked ARCO Chemical at first too. The results went against the strategy we always used of going from small scale, laboratory pilot units, to large scale without completing a scale up. This project was the first failure using the strategy. The only explanation I came up with is that no one tried to find the faults in the new process. Everyone who developed the technology honestly believed that it worked. What happened was that the technology had been developed in a laboratory with a recycle stream in it. In the plant, there were a tremendous number of impurities coming out in the product, and the plant was corroding. Where could the impurities have come from, and how were they not observed in the pilot plant? It turns out that the recycle stream was sampled for analytical purposes. However, analytical procedures were not miniaturized for the micro pilot plant [the pilot plant was micro-sized]. As a result, the samples taken from the recycle stream were so large that they purged the system of impurities. I was faced, in the early years, with the decision of whether to tear down the plant. ARCO Chemical had the world's largest supply of scrap titanium. [laughter] It was a disappointment, and of course, it shook the faith of the board in chemical operations.

THACKRAY: On the Halcon side, was Ralph Landau the moving spirit there?

SORGENTI: Yes.

THACKRAY: Ralph always presents his exit from the Halcon world as related to the oil crisis, to the rise in the prime rate and the financing issues around the prime rate. Are you saying there was more to the story?

SORGENTI: Yes. Getting back to the story, we decided not to put any more money into the joint venture. ARCO Chemical had a great deal of trouble meeting the debt commitments and interest payments as a result of the project's continuing losses. The business was lurching towards bankruptcy. Art [Arthur I.] Mendolia was the chairman of Oxirane, and Bob Malpas and I were on the board. Together, we were trying to hire someone to come in as president. The former president, Jim [James] Mahoney, had died. Art was trying to hire a man called Cy [Cyril C.] Baldwin. Cy was a senior vice president at Stauffer [Chemical] and was looking to leave. When Cy came in for an interview [Cy and I became very good friends after he joined Oxirane], I said, "Listen. You're leaving a first rate company, Stauffer Chemical [this was before Stauffer was acquired and dismembered], and you're going to go to Oxirane, which is a joint venture and a free-standing entity. In six months to a year, you'll be working for me because the company is going to be bankrupt, and ARCO Chemical will take it over. If you don't want to do that and you don't want to work for me, then don't take the job." I was many years his junior. I continued, "Or if you do take the job, get yourself a good contract because you might want to leave." Cy thanked me for the information, and he did get himself a good contract. As a result of the contract, he was able to go out and form Cambrex [Corporation], which is a very successful company today.

I went to California frequently to report to the ARCO board and executive committee. Bob Anderson always had the executive group for lunch before the board meeting, and I was often invited to join that group when Dick Bressler was the executive vice president. At one particular meeting of the executive group, Bob Anderson said to me, "Hal, what should we do about Oxirane?" Bill Keishnick said, "That problem's being handled. There's nothing to do. Ralph refuses to put any money into it, and ARCO's not going to do anything." "The banks will call the loans," Dick Bressler said, "in a short time, and Halcon will turn to us to buy them out of the situation. We should refuse to put equity in it, that's what we should do." Bob Anderson repeated, "Hal, what do you think?" I said, "I think that's a great idea, but we're going to destroy a great company. Surely Ralph will sue. ARCO will be tied up in court and have litigation for years. We'll lose our place in the market, and basically destroy the company." Bill Keishnick and Dick Bressler weren't too happy with that answer, but Bob continued. "What do you suggest we do?" he asked. I answered, "I'll tell you what you should do. After the meeting's over today, pick up the phone and call Ralph. Meet him in New York for breakfast tomorrow morning, and buy his half of the company. I know he's been talking to Felix Rohytan at Lazard Frères [& Co.], and he is going to try to sell his share to him. I really think this is the time to go in and buy out Ralph's share, take the company over, and then push it forward and develop this wonderful franchise that we have."

Anderson followed through with my idea. He called me from New York, after breakfast with Ralph, and said, "We've got a deal." After outlining the deal, he told me, "You go in and close it. Felix was there, and he understands the deal. You'll work with him, and I'll be back next week to sign it." I formed a small team with ARCO's treasurer, ARCO's controller, and myself, and we began to negotiate the deal with Lazard, who represented Ralph. It turned out that there were severe tax implications for Ralph in the deal, the way Bob Anderson had structured it. Our people said that Ralph was going to face one hundred million dollars worth of taxes if he signed the deal the way it was outlined. Lazard concluded that we were right, and we changed the agreement so that Ralph wouldn't have to pay all those taxes. The price still stayed the same. Arguments are still going on with the Department of Treasury about taxes on Oxirane today.

THACKRAY: They're still arguing over that one event?

SORGENTI: Yes, for that one event. Don't ask me all the details. I don't remember them anymore. The next week, Anderson flew in and ARCO's treasurer and I met with him. My team explained how we restructured the deal. Bob then looked at me and said, "You weren't listening. I gave you the deal and told you to close it, not change it. I'm not interested anymore!" I said, "Now, come on, Bob. I mean, it wasn't a good deal for Ralph." He said, "I don't care." Felix came over to ARCO's New York office and outlined what the requirements of the deal were from Halcon's standpoint. Bob said, "Look, I'm just not interested. I gave you the deal. That's it. If Ralph wants it, fine. If not, then lets him take his business someplace else." Felix responded, "The Saudis are very interested." "Fine," Bob said, "Let them buy it." Just then, the fire alarm went off, and we went down twenty-three floors in a winding staircase. When we got to the bottom, Felix looked at Bob, and said, "This is the first time that's ever happened to me, Bob. I've heard of floods, I've heard of tornadoes, but never a fire! How do you get a fire to start in a building when you're negotiating a deal?" So we broke at that point, and Felix said, "Let me go back to my office and see what I can do." "Don't bother, Felix. I'm going to go to the airport, getting a plane, and leaving," Bob said. "Why don't we wait until after lunch? Let's go across the street to the St. Regis and have lunch," I offered.

We went across to the St. Regis and talked. I finally convinced Bob that we should go down to Lazard's offices and meet with Felix to try to put the deal back the way he wanted it. Anderson [with his ten-gallon hat] and I trooped down 5th Avenue to Lazard's office and met with Felix. It was a brief meeting. Bob simply said, "Felix, here's the deal," and he made about seven points. He said, "You have twenty-four hours. Take it or leave it." Bob turned to me and asked, "Did I get it all right?" I said, "Yes, sir. You did." Afterwards, we got on the elevator. As we were going down, a stranger got on. I said to Bob, "We've got a deal. I could tell by watching Felix's eyes." Bob didn't say anything. When we got to the bottom, Bob said to me, "You know, I lost one of the biggest deals in my life because I spoke in an elevator. Didn't you see the staircase between those two floors? Felix put that guy on the elevator to spy on us. Never talk in an elevator about a deal."

Bob had told Felix not to contact him but to give me the answer. Before he left, Bob gave me his personal phone number. [He changed his phone number every three weeks. He had cut quite a swath throughout the country and the world, so he frequently changed his phone number for privacy reasons] Anyway, Felix called me and said, "Ralph won't go for the deal. I've got to have some more money. I've got to have something to make this palatable." The deal was for two hundred and fifty million dollars. Felix said, "An additional ten million dollars will do it." I said, "Felix, you know what Bob said. He's not going to react very favorably to that." I called Bill Keishnick and asked him to call Bob. About twenty minutes later, Keishnick called me back and asked, "Do you have the phone number? He changed it again, and I don't have the new one." I gave Bill the number, which I thought was funny – the president of the company didn't have Bob's latest phone number yet. Bob ended up saying, "No. Not unless you get something for it. I'm not just giving ten million dollars up for nothing."

Keishnick called me back, and I called Felix. I told him, "Felix, I want to do this deal. It's a very important deal for us, but I've got to have something in return. Now, Ralph's got hundreds of patents. Tell him to put together a bunch of patents, and we'll give him ten million dollars for them. The closer they are to our business, the more we're going to like it." Ralph put together the patents [I never even saw what they were for], and I got a hold of Bob. I told him that I had negotiated an additional ten million dollars, but in return, ARCO would receive new technology and patents. Bob said, "Fine," and the deal was closed. ARCO paid two hundred sixty million dollars, and we assumed the debt, which was another two hundred and fifty or three hundred million dollars. Now, ARCO Chemical had all of Oxirane, and we built it into one of the great companies in the world. It became the main part of ARCO Chemical, which was sold in 1998 for seven billion dollars.

THACKRAY: Of course, you had very little competition in that territory.

SORGENTI: ARCO Chemical had a very strong technological advantage. Ralph Landau taught the company two things. The business should be global. Ralph always had a global perspective, and I built the company based on that view. Back in 1980, we used the global strategy to develop three equal, international divisions of ARCO Chemical. When I retired, the divisions were still almost the same size [although the U.S. business was somewhat larger]. The second thing Ralph taught us was to never to license our technology; companies can't possibly make as much money by licensing as they can by exploiting technology to achieve a dominant position in the marketplace. In all my years at ARCO Chemical, the only technology that we licensed was information that other companies already had, and a licensee could get it from them or us. ARCO Chemical licensed things like aromatics technology and hydrodealkylation, whereas other companies had technology that was at least as good as ours. However, we never licensed the Oxirane technology that was codeveloped between ourselves and Halcon.

After ARCO Chemical acquired Oxirane, we sold the East Coast refining and marketing properties to John Deutsch. The Houston refinery used to supply a large amount of the gasoline that was sold on the east coast, and it was left sitting by itself. There was a drive to do something with the Houston refinery, and our people in Los Angeles came up with the idea to merge the olefins plants with the refinery. Together, they would make a stronger entity because of the integration between the feedstock source and supply. At that point, Arco Chemical was split into two parts: the commodity part [Lyondell Chemical] was integrated with the Houston refinery, and the rest of the company [mainly Oxirane and some of the polymers] was then known as ARCO Chemical Company.

When ARCO Chemical had first commercialized the Oxirane technology, tertiary butyl alcohol was produced as a co-product. The tertiary butyl alcohol, and later MTBE [methyl tertiary butyl ether], went into the gasoline market, which provided an almost infinite sink for by-product production. Styrene was the co-product of the technology on the East Coast. Those plants produced huge amounts of material, but we couldn't expand using the technology because there was no market for the styrene. The styrene by-product is one of the reasons why ARCO went out of business on the East Coast.

[END OF TAPE, SIDE 1]

SORGENTI: After a number of years, gas with tertiary butyl alcohol became widely accepted for reducing emissions. In the early years, we used to have a test car down at Independence Mall with two carburetors. As we switched from regular gasoline to the gasoline containing oxygenates, we demonstrated that the emissions went way down. It turned out that the inclusion of oxygenates in gasoline had some impact on certain gaskets in automobiles, so automotive companies worked with ARCO Chemical to change the type of gasoline used. Everyone approved our new gasoline for use, except Chrysler. In their warranty, Chrysler specifically did not allow the use of our gasoline. However, we tested Chrysler products extensively and knew that there was absolutely no problem.

There was an investigative reporter in Philadelphia named Herb [Herbert] Denenberg. After hearing of Chrysler's decision, he accused ARCO Chemical of selling a gasoline that damaged cars. I tried to go on live television with him to debate the facts, but Denenberg would never agree to it. He did one interview with me but just aired a small excerpt. When I went to see him, he said, "I'm going to give you a few instructions because you executives, when you go on television, always look stupid. The first thing is, don't smile. The second thing is, just answer the questions." I said to him, "Well, wouldn't you like to do this live? If you think I'm going to look stupid, why, I'm sure you'd like to do this live." "No," he said, "I'm going to tape you." I argued, "I know what you're going to do if you tape me. You're not going to let me say my side of the story." He gave me an ultimatum and said, "You either want to be taped, or you don't." In the end, we taped a brief segment where I challenged to him to have a car stripped down to examine the engine for damage. If there was no damage, he would personally contribute $1,000 to a charity of my choice. If there was damage, I would contribute to a charity of his choice. Of course, none of that was ever aired.

As a result of Denenberg's accusations, ARCO Chemical took a terrific beating in the marketplace. We lost about 30 percent of our volume because people thought we were trying to deceive them, not because they were afraid of the gasoline damaging their cars. As a matter of fact, ARCO Chemical issued a full-page newspaper ad saying that if there was any damage, we would pay for it. I think there were one or two claims where we paid twenty-five or thirty dollars just to get rid of them. There was absolutely nothing wrong with our gasoline. Though we tried to regain the people's trust, business dropped off.

The company headquarters were on the West Coast, so ARCO decided to sell the Philadelphia properties to an oil trader [John Deutsch]. He subsequently sold them to Sun [Oil Company]. Still, no one knew what to do with the Houston refinery until some brilliant strategist in Los Angeles said, “Well, it’s a perfect time to test the integration theory and prepare petrochemical feedstocks there. Let’s combine the two.” ARCO Chemical discovered that of the three hundred thousand barrels shipped a day, only a few thousand were petrochemical feedstocks. At that point, ARCO split the company into two pieces. We had about three billion dollars in sales when I took over, and we were losing one hundred twenty million dollars per year. When we split ARCO Chemical into two pieces, the residual ARCO Chemical was worth about a billion and a half dollars and was somewhat profitable. I set out to exploit our technology and make ARCO Chemical expand. To create an increase in profitability, I looked for opportunities to incrementally expand capacity through the use of technology. I also de-bottlenecked the facilities. The bang for the buck that I got was enormous. I increased the throughput in the plants by 10 to 50 percent. The fixed costs didn’t change, but I got a variable margin that was quite high. Over the next five years at ARCO Chemical, many of the plants were more than doubled in capacity by improvements in technology and de-bottlenecking; just by good engineering. We did that all without any major capital investments, and the outcome was that the profitability of ARCO Chemical increased dramatically. When I retired, ARCO Chemical’s net worth had increased to about three billion dollars.

When I took over in 1979, analysts said Atlantic Richfield’s chemical operations were worth about eight hundred million dollars. By the time we finished spinning off Lyondell and that went public, the assets of both companies [Lyondell and ARCO Chemical] had market values of close to eight billion dollars [ARCO retained 80 percent of both operations]. ARCO Chemical produced tremendous value for the parent and aggressively expanded on a worldwide basis. We made acquisitions in Europe of polyol businesses and built a huge complex at Fos Sur Mere, France to counterbalance our operation in Rotterdam. We bought a polystyrene business in Spain, which was later sold along with our propylene oxide plant in Spain. ARCO Chemical also expanded in the Far East. When I took over, we only had one joint venture PO [polyol] plant in Japan. We made a tender offer for a company that was in the polyol business in Taiwan and got almost all of the stock. ARCO Chemical put a research laboratory in Singapore and a headquarters in Hong Kong. We built a polyol plant, grass roots, in Indonesia and built a huge PO complex in Korea. In the twelve years that I was president, ARCO Chemical built the Asian business significantly.

ARCO Chemical never made any money in its venture in Japan. We had another venture, called Nihon Atlantic, with the same partner, Sumitomo Chemical [Co., Ltd.]. Nihon Atlantic was a commercialization of a technology that I had developed for making linear alkyl benzenes. Mr. Hijakata [an old friend and president of Sumitomo Chemical] and Mr. Hasagawa [the chairman of Sumitomo Chemical] were members of the board of Nihon Oxirane [Company Limited]. We had frequent meetings there with them, Dr. Landau, me, Dick Bressler, etc. After ARCO had bought Oxirane, I went to Japan and said to Mr. Hijakata, “You and I have been friends a long time. We’ve had a joint venture at Nihon Atlantic for twenty years, and we always have made a profit. In our Nihon Oxirane endeavor, however, we aren’t making any return. I must make money if I'm going to expand this business. What should I do?" He responded, "There are several problems with Nihon Oxirane. First, you receive 50 percent interest for the technology, but you never put any money at risk. My company doesn't see that as fair because we put up all the money and you own half the company. In addition, you embarrassed me in front of my peers when we made the deal." I told Mr. Hijakata that "I had nothing to do with that," and he said, "I know, but it has been a long time – my anger over it has never really diminished. After I had negotiated the deal with Halcon and Oxirane, I presented it to my board, and the project was approved. Then, Dr. Landau informed me that they got a better offer from someone else, and my company would have to pay more. We wanted to close the deal and were committed to it, but Oxirane extracted a very high price from my company for the venture. Does it surprise you that you haven't made any money?" [laughter]

I said, "That's all behind us now, Mr. Hijakata. Tell me how to make money." He advised me to "put real money into the endeavor." I asked how much and he said, "fifteen million dollars." I told him, "Mr. Hijakata, that's difficult for me to do. I can put a couple of million dollars on my own signature, but I would need to go to the board for approval to invest fifteen million dollars. We've been losing money here, and I doubt they would give support. Will you take product assistance, such as in propylene oxide? Can I ship to you fifteen million dollars worth of product? He said that it would be fine, and I said, "Good. We can do that, but I expect a return on this." Mr. Hijakata assured me that I would get a return and be very happy. He told me to trust him, so I told him, "There's absolutely no question in my mind. I know you'll do what you say you will do."

Suddenly, ARCO Chemical went from having lost money for years and having a huge amount of debt to being the third most profitable venture in the Japanese chemical industry. There are a number of lessons I learned from that experience. One of which was that faith and trust have a lot to do with international joint ventures. People have to understand each other and talk to each other. Though it's not easy, once communication is established, people work together much better.

ARCO Chemical had similar experiences in Korea and Indonesia. Throughout that part of the world, personal relationships are very important in business – great success can only be reached through the relationships a person establishes. We had a very strong position and were dominant there when I retired.

ARCO Chemical also built up its business in Europe. The Fos expansion went well, and we acquired polyol plants in Belgium and France from Rhône-Poulenc [SA], [Elf] Atochem, and CDF Chemie. In addition, we bought a chlorohydrin plant from Atochem that we later closed down because it was based on old technology.

We had always had a very wonderful contact in Spain named Joaquin Cano. He was chairman of our Spanish company, Montoro, and knew just about everybody in Spain. Joaquin was a cabinet minister in the Franco administration, an ambassador to Japan and Germany, Minister of Industry, and the Spanish representative to the World Bank. In short, he was a very accomplished man. To help expand ARCO Chemical in Barcelona, Cano introduced us to Mr. [Antonio] Enrich, who owned the polystyrene company there.

The Enrich family was running into financial trouble and wanted to sell their company, Arahona. They came to us, and we negotiated a purchase price of eight million dollars for it. Mr. Enrich came to see me in Philadelphia, and I found out that he needed cash quickly. He showed me the first draft of our agreement and said, “Hal, by the time the lawyers finish this deal, I’ll be bankrupt.” He then handed me a contract that said ARCO Chemical was going to buy Arahona for eight million dollars, that I was going to advance him three million dollars, and that we were going complete the deal. I said, “Antonio, on one hand, you’re telling me that you’re bankrupt; and on the other hand, you want me to give you three million dollars.” “This is a simple agreement,” He said. “You have my word.” I told him that I couldn’t give three million dollars, but I could give him two [I could approve up to two million dollars without board approval]. I said, “Let’s just change the three to two, you and I sign the contract, and I’ll get you the two million dollars right away.” Years later, ARCO Chemical sold Arahona to Atochem for thirty-eight million dollars. We made thirty million dollars profit on that deal.

After signing the agreement for Arahona, Antonio and I became good friends. I took my daughter and niece to see the Olympics in Barcelona, and Antonio Enrich and his family were our hosts. When we arrived, he had an employee from one of his other companies meet my family at the airport and take us to our hotel. At night, Antonio’s family they took us out. We were tired, but still let the take us to dinner and to dance in a disco; I think it was called Upstairs/Downstairs. The adults had dinner upstairs, while all the kids were downstairs. The kids had the whole disco downstairs for themselves. It was a convivial evening. We finished about four in the morning. The next day, we had a date with Enrich to go out on his yacht, so we hired a car to drive us up north of Barcelona on the Mediterranean coast. As we were pulling into Antonio’s home, my daughter said to me, “This is not somebody’s house! This is a street!” I said, “No. Those are the servants’ cottages. His house is up ahead.”

My family went to Antonio’s house and had a drink. Then we walked down steps to the bay and took a motor launch out to his yacht. We sailed around until he found a harbor he liked, and his daughter and his son dove off the side to get these little mollusks [I guess that’s what they’re called]. They were spiny and black, and when you opened them up, they had an orange-colored meat in them. A wonderful lunch was served with wine, and he told my daughter the story of how he and I became friends. He said, “Your father is a friend of mine for life, because he saved my family and my company.” I had a delightful time on the yacht. It was about 110 feet long, so it was a reasonably-sized boat. Then, we went back and heard mass in the chapel in the village [it was a Saturday evening]. Afterward, we went back and enjoyed the Olympic games in Barcelona.

In the chemical industry, relationships are very important; even in the United States. It’s a small industry, and the top fifty or sixty people in the business know each other through the Chemical Manufacturers Association [CMA] and so forth. I still see Enrich as a friend, and I regret that I haven’t been able to get to Japan to see Mr. Hijakata, who subsequently became chairman. I have seen the new president, however, several times in Europe.

Let me get back to Mr. Cano, who I still see as a friend today. One day, just before Christmas, I got a phone call that the Socialists had taken over the government in Spain. A 50 percent share of the company was government-owned by Enpetrol, the Spanish petroleum company. Our contact there was a man named Felix Espilaquata. He called and said, "The government decided that all former Franco ministers must be purged from any government-owned companies. It has to be done by the first of the year." I said, "Felix, it's two days before Christmas. The answer is no. You will recall that the joint venture agreement says that to replace the chairman, we need unanimous consent. The answer is no. I'm leaving to celebrate Christmas with my family. We'll talk about it after the first of the year." Felix said, "You can't do that. You have to agree." "Well, I've just done it," I said right before I hung up the phone.

When I got back to the office on January 3 or 4, there was a delegation from Spain waiting for me. That night, I went home and said to Ann, "I'm very lucky that this meeting didn't occur in Spain because I think I would have had a lot of problems." It was a very angry meeting. The delegates were aggravated that I had defied the wishes of the Spanish government and insisted that ARCO Chemical remove Joaquin immediately. I said, "I have a problem with this. The man has given us loyal service for many years and has produced good results. I will not agree to an immediate dismissal; it has to be done with dignity and honor. A resignation at some point in the future, where we cooperate by appointing him as a consultant, would allow this man's position and stature to be maintained. I would agree to that course of action and be happy to employ him as a consultant, but you're going to pay half his salary." It was agreed that in May, before the annual meeting, Joaquin would tender his resignation and be retained as a consultant. He worked at ARCO Chemical as a consultant from that time to my retirement in 1991 and provided us with useful service in many consulting activities as we built Freedom Chemical. The end result of that story was that the Spanish government made it very difficult for foreign competitors and foreign joint ventures—they had a dream of creating a Spanish national chemical company. One by one, the government forced the joint venture partners out. ARCO Chemical was the last joint venture remaining, but they eventually forced us out too. Two men there, Jose Diaz Fernandez and Xavier de La Pena [he had worked for Phillips Semiconductor] actually wanted us to sell them the business for a dollar! We refused and refused, and finally all the other companies foreign to Spain were gone—Phillips, ICI, and Hoechst AG had all sold their joint venture interests. Still, I refused to sell, but it became very difficult. The government was driving the venture into losses because they controlled the raw material supply. ARCO Chemical eventually sold out for eight million dollars.

I recently testified for ARCO Chemical against Repsol [YPF], the replacement company for Enpetrol. They claimed that when we sold our share of the joint venture, they had the rights to the technology. ARCO Chemical claimed that Enpetrol got nothing in terms of technology because they were forcing us out, and it was our policy not to license technology. The case went before a tribunal, at which I testified. I indicated that the year after we were forced out, the company made one hundred million dollars because the price of styrene had spiked. That was a difficult time for me because I had to justify to our board why a joint venture our company had participated in grossed one hundred million dollars just after I had sold it for eight million dollars. It was not a very good business decision, and I certainly wouldn't have given them very valuable technology to go with it. In essence, the Spanish socialist government nationalized our assets simply by being extremely difficult to deal with.

The case was ultimately settled out of court by my successor, and Repsol got the rights to build a second plant. I don't know the details of why that was done, but it was the culmination just last year of the discussions we had about the sale of our interest in the company Montoro [Resources Incorporated].

In Europe, ARCO Chemical moved our headquarters to England. Now we're in Maidenhead, but we used to be in Eton, right by Windsor Castle. We also had research laboratories in France and plants in Belgium, Holland, and southern France.

THACKRAY: What difference, operationally, was made by going public? Did it affect reality?

SORGENTI: Going public gave ARCO Chemical a point and set a value. When we first went public, we issued one hundred million shares, which were valued at thirty-two dollars each, but we only issued twenty million in the marketplace. ARCO retained 80 percent. That was just before the big market drop in 1987. We came out at thirty-two dollars, and a few days later, it was at sixteen dollars because the market collapsed. Peter Lynch of the Fidelity Magellan Fund called me and asked what was going on, and I said to him, "Peter, personally, I'm buying everything I can buy and so is the company. At sixteen dollars a share, it's an enormous buy."

I bought three million shares of stock. It was a big mistake. Though they were at a very low price and later made a lot of money, it decreased the float. As a result, it was hard for big institutions to move in and out of our stock, where they like to take a million shares at a time. I think the fallacy of the ARCO Chemical IPO [initial public offering] was that we never really got enough stock out to the marketplace to make it a true public company. It ended up being a dividend play. We initially paid a two dollar dividend on thirty-two dollars a share. It then became two dollars and fifty cents, so the price was really set by the dividend and yield.

THACKRAY: It was more like a bond.

SORGENTI: Yes. You got your 5 percent or 5.5 percent, and that was the price. As the dividend went up to two dollars and eighty cents, 5.5 percent, and that was the price. That's the way the stock was treated in the market. Of course, ARCO was very interested in having the dividend maximized, and I was interested in growing the company. It was a built-in conflict. With Lyondell, ARCO also kept the 80 percent, but they never thought Lyondell had great potential. After a number of years, they sold down their share and eventually got out of it. They recently did the same thing with ARCO Chemical.

THACKRAY: What are your reflections on the pluses and minuses of the role as president/CEO of a large chemical company?

SORGENTI: First of all, with an 83 percent shareholder, let's talk about the practical aspects of it. I never had the full control that I would have liked to have had from the standpoint that management at the parent company didn't know chemicals and didn't understand the business and industry. Those were limitations on my ability to diversify and make strategic decisions. Apart from that, the freedom to run the company and to do things that were appropriate from a personnel standpoint was there. ARCO Chemical, in my opinion, did a lot of unusual things. We had very good employee benefits and policies, and we encouraged the growth of women and minorities in the management team; there was virtually no discrimination. I was reasonably successful in developing an environment that people liked to work in. We paid staff well, gave them good benefits, but demanded a great deal in terms of their work ethic and ability. I encouraged entrepreneurship and fostered an innovative ability down through the ranks. If you took at the number of people who left ARCO Chemical, in the years I was there, to form their own businesses, it speaks for the true entrepreneurial spirit of the company.

I was able to hone the beliefs that I have for managing a company while I was president. I've always believed that managers need to communicate with their employees, let them know what they want to achieve, tell them how they want to go about it, and then share benefits of the company's achievement with its staff. Then, employees will rise to extraordinary heights. I also believe that one of the key aspects of management is being able to bring out extraordinary performances from ordinary people. ARCO Chemical tried to do that, and I think it was successful. While I was president, we were among the top performers, in terms of profitability and returns, of any company in the business. I am very proud of what we accomplished there. We built a strong, cohesive team and were among the first to recognize that the chemical business was a global business. ARCO Chemical had a well-balanced global environment. We were strong believers that technology was the key to success, and we looked for things that had a technological advantage, a strong market position, and a real cost-advantage [rather than a perceived advantage]. Every company thinks it has an advantage, but I'm talking about a real advantage. Those were the strategies behind ARCO Chemical's success.

We were very risk-oriented. If asked what I think one of my attributes is, I would say that I'm able to tolerate a substantial amount of risk. However, I don't take those risks without being adequately prepared and having made a judgment that the gamble is worthwhile. Sometimes, I fail. One of the early things I learned from Bob Anderson was that no one can have a risk-free environment, and everyone will fail occasionally.

I had two back-to-back failures early in my career as president. I mentioned earlier that Halcon developed a process to produce monoethylene glycol [MEG], and ARCO Chemical had to shut down the plant because the process wasn't working. At the same time, we were researching a new isocyanate process to make MDI [methylene diphenylene diisocyanate], which are polymeric isocyanates. There were two isocyanates used in the urethane industry: one for flexible foams, one for rigid foams. The second isocyanate was toluene diisocyanate. I guess one of the mistakes we made was that we announced quite early that ARCO Chemical was going into the isocyanate business. That put other companies in motion to improve the existing technology. As a result of the improvements, ARCO Chemical no longer had an economic advantage with the new technology. Also, we had a problem with the complete removal of selenium from the product. Selenium was a catalyst in the product that we thought would have an impact on marketability. There was data that said selenium could cause brain damage.

ARCO Chemical canceled the project and took a large write-off of about seventy-five million dollars. At the time, I was being honored by the National Italian-American Foundation, and my family came down from New York for the celebration dinner. I had just received this lovely Philadelphia Bowl when one of my executives came over to me and said, “I’ve really got to talk to you.” I said, “What’s the problem? I’m enjoying myself. My mother’s here.” He said, “You’re going out to Los Angeles Sunday night, and you’re going to be fired!” Jokingly, I said, “That’s impossible because if I’m getting fired on Monday, then I’ll have to give this Bowl back. Surely, the company wouldn’t want me to have to give this Bowl back. I just got it!” Oppaser said, “You’re not taking me seriously. This is important.” “What can I do about it now? I asked. Then I told him to just enjoy the evening. I flew out to Los Angeles on Sunday and walked into Bill Keishnick’s office. There, I said to him, “Hey, Bill. I thought we might as well get an early start.” “What’s up?” he asked. I replied, “Everyone in Philadelphia says you’re going to fire me today.” He said, “Where’d you hear that?” I told him that there were a lot of rumors going around – even outside the company. I had gotten a call from my friend, Johnny [John W.] Johnstone, at Olin [Corporation] and he said he had heard the rumor. When Bill told me that the rumors weren’t true, I said, “I think we can both learn a lesson here. We’re having a lot of problems, and occasionally, an encouraging word from you or Bob to the staff here would have a great impact because all of the staff here thinks you’re going to fire me. That’s how those rumors get started. It would be helpful if, you reinforced your commitment to the management and the company.”

At any rate, we had the meeting and Bob Anderson was his typical self. He asked me, “Are you going to shut it down and write it off?” I told him that I was, and he simply said, “Let’s just get it behind us and move on.” That was the end of the discussion; there were never any recriminations. Anderson was able to tolerate risk, and he knew that we couldn’t always be successful. There was never any finger-pointing when we had a failure. I learned a lot from Bob Anderson and went on to grow a great company. When he retired, ARCO changed. The company became very conservative. I think that’s part of the problem they’re currently having. The people who replaced Anderson, instead of being entrepreneurs, were really caretakers. The company began to wind on down without the enterprising spirit.

When I returned to Philadelphia from that meeting, I was picked up at the airport by an employee named Al Coco. He came up to me and asked, “Boss, are you all right?” I answered, “Don’t I look all right?” He said, “You know what I mean. Everyone heard that you were going to be fired. I went home and told my wife Friday night. She went to church on Saturday and lit two candles for you.” I said, “Tell her it worked.”

I want to go back and mention one thing. Several years after ARCO Chemical bought Ralph Landau's piece of Oxirane, we decided to integrate it and stop operating it as a separate company. We combined the research and moved the people from Princeton to Philadelphia. Cy Baldwin was running Oxirane then. I said to him, "I don't think we'll ever get this thing together unless it's integrated with our other operations. Here's the organization chart. Pick a job. You can have whatever you want." He said, "I want to run my own company." I told him that wasn't feasible, but offered him any job he wanted. I had to integrate the operations. Cy said, "Then I think I need to leave." I said, "You've got a very fine contract, so feel free to do so." He did, and he teamed up with Art [Arthur] Mendolia, who had been chairman of Oxirane before ARCO Chemical bought it out. Together, they built a great company called Cambrex [Corporation]. Cambrex is on the front end of fine chemicals and biotechnology. It supplies materials to people engaged in stem cell research today, which is one of the newer areas. They built a great company and have done very well. Cy and Art both are still very good friends of mine.

I already spoke about MTBE and the allegation that ARCO's gasoline had oxygenating materials that were bad for cars. It eventually was proven not to be true, and the government actually mandated the use of MTBE. The interesting part of that story is that I'd been associated with that product since the 1960s.

[END OF TAPE, SIDE 2]

SORGENTI: As we approach the next millennium, MTBE is being challenged again. People are asking for its elimination from gasoline, even though it has been proven to have a significant impact on air quality and is benign from the standpoint of being a chemical carcinogen. The product is currently under attack in California and elsewhere for contaminating water. I don't know what the eventual outcome will be because the use of MTBE has improved air quality dramatically. There might be a lessening of the requirement for the product, which would have a rather strong impact on ARCO Chemical, since it is a major product for them. The MTBE saga has been going on for over forty years, but it's always survived. We'll see what happens this time.

THACKRAY: Before we leave ARCO Chemical, can you say something about the aspects of that job that you really enjoyed and the aspects that you found less attractive? Also, Can you talk about why you decided to move on?

SORGENTI: First, I can't think of another person who has had the opportunity that I had, to take something from a laboratory and build it into a three or four billion dollar company. I started on the Oxirane process in the laboratory in a 20 cc [cubic centimeter] hoke bomb, which is a pressure vessel that's used in laboratories. I saw ARCO build plants where reactors were 13 feet in diameter and 300 feet long; then, I had the opportunity to build the process into a worldwide enterprise. I enjoy expanding a company and bringing new technology to the market. I think I was reasonably good at it.

I enjoyed meeting people in the chemical industry around the world, building an organization in Europe and Asia, and making those organizations representative of the cultures that they were part of. ARCO Chemical had very few American employees in Asia and Europe. I liked having a company with great diversity in it, and I tried to include diversity in the United States as well. I was always very proud of helping to mentor women and minorities in the company. I think that's a special area of activity, where you send strong signals from the top to the people down below. It encourages personal growth for women and minorities, and makes eliminating discrimination feasible.

I also enjoyed having a culture throughout the company where ethics were important. Morality, relationships, and how we treated our customers, suppliers, and employees were very important. ARCO Chemical treated people fairly and with dignity. We tried to always have an organization that maintained the dignity of every single individual in the company. We used to have little folders that talked about the values of the company and how we functioned. ARCO Chemical operated to conform to the environmental rules and regulations – we always remembered that we were part of a community. The main aspect of ARCO Chemical that I enjoyed was that we put our morals and beliefs into practice.

The thing I liked least was the control expressed by a major shareholder who didn't spend the time at ARCO Chemical and didn't understand the challenges or the industry. That made it difficult to achieve one's objectives – a lot more difficult than it would have been if the company was truly public. Achieving a strategic plan and direction was always a battle between our management and the management in Los Angeles with the 80 percent shareholder. Another aspect I didn't care for was that we never really had a bunch of independent directors. Most of the people on the board were picked by ARCO, which created some difficulty. The directors that ARCO Chemical had were fine, but we had a very controlled environment within ARCO. I would have been able, I think, to do a better job in a fully publicly traded company, so there was a lot of frustration.

I've never discussed why I left the company before, but I think the story ought to be told. ARCO Chemical had a terrible accident; an explosion at a plant in Channelview, Texas. The technologies that we practice are dangerous, so we try to build as much safety and control into our plants as we can. This accident was a fluke. Most of the people killed were not ARCO Chemical employees; they were contractors' people. Normally, if one person was in that section of the plant at midnight or eleven o'clock [when this accident occurred], it was considered to be a lot. For some reason that no one has explained, there were seventeen people present that night. It was a shift change time, and the contractors' people were there, along with a few ARCO staff members. They went to start up a compressor, and apparently, oxygen had been in the tank that the compressor was hooked up to, which caused an explosion. All those people were in the wrong place at the wrong time.

I was in southern France, visiting other plants when I got the phone call that there had been an accident. First reports said there were three dead. I called the chairman of the company, Mr. Lodwrick Cook, who was in England. He had some activities that he was involved in with Prince Charles [P. A. George]. Atlantic Richfield was a sponsor of some polo matches that the Prince played in for charity. I told Mr. Cook that we'd had a terrible accident, that there were three dead, and that I was heading back to Texas. I offered to swing by and pick him up on my way there. He said that there wasn't much he could do, so he was going to stay in England. I'm not sure I want all if this published in the end.

THACKRAY: We can put restrictions on it.

SORGENTI: I'll tell the story as it occurred. I flew from southern France to Ireland to refuel, and from there, I called the plant and found out that eight people were dead. Then I flew from Ireland to Boston because I was going to try to go directly to Houston. At that point, there were twelve dead. I asked if the plant was secure. No one could tell me, and I didn't want to speak to the people at the plant directly because they had enough problems. I stopped in Philadelphia and picked up some additional people. ARCO Chemical had a very good disaster plan – we had already dispatched a planeload of people and executives who could take control of the situation from Philadelphia to Houston. When I finally arrived in Houston and got to the plant, the smell of hydrocarbons was in the air, and there were a lot of reporters and press around. They were demanding to go through the plant, which was still not under control. All of the instrumentation had been severed by the explosion, including the supply of nitrogen.

From then on, we designed our plants differently, so that the utilities didn't all come in through one section of the plant. We looped them so that there would always be another way of getting nitrogen or steam to the controllers. We shared that information with the rest of the industry.

Staff was doing a valiant job trying to get the plant under control, but we still had no idea what the temperatures were inside the reactors. I evacuated everyone else and moved most of the people that were there into the recreation center across the road. I stayed with the employees in the plant and tried to get an understanding of where we were and what needed to be done to bring the plant under control. It was a very dangerous time. After we were satisfied that the plant was under control and nitrogen was restored to blanket everything, I went back to the office and sat with the plant manager. I put my feet up, and he and I lit up cigars. That was the first time I smoked a cigar in several years.

It was a terribly difficult time. Our disaster plan was pretty well put together. Not only were we handling radio and television, but we also had psychological counselors on the site to work with our employees. I went out in the plant with the manager to meet with some of our employees. They were devastated. They had seen some of their friends killed in this accident. The plant manager and I helped as best as we could. The accident made national news, and we got word that President [George Herbert Walker] Bush was going to be in Texas and wanted to visit the plant. Mr. Cook was notified and, because he was very close to President Bush, he decided to come to Texas. He arrived at four or five o'clock in the morning, and he went through the plant. I didn't go out to meet him, public affairs people did. At that point, I needed some sleep. It turned out that Bush decided not to come, so Mr. Cook turned around and went back to see the polo matches in London.

We then had to answer the question of what we were going to do. I decided to make two hundred and fifty thousand dollars available to each of the families that lost someone. ARCO Chemical didn't even have to do that because only two or three of the people injured were our employees. Fourteen or so were contractors' employees. Looking back, I realize that we should have done it differently. ARCO Chemical just made the money available to the affected families. We should have put it in the form of an annuity, so people couldn't take it away from them. The idea was to provide an equivalent amount of income as the deceased family members made [these people were working in maintenance and insulation]. The employee relations staff, Jack Johnson, and I held a funeral service, a memorial service, and visited every family that had lost someone. We did an enormous number of television and radio shows. Then, ARCO Chemical had a memorial service where I gave the memorial eulogy. Lod Cook attended. We tried to put things back together.

The damage was not extensive, not even ten million dollars worth. No one could explain why all those people were standing around when the tank blew. There was no reason for all of the people from two different shifts to be at that particular location. The board developed a committee to investigate the accident. I also performed my own investigation. Mr. Cook was called before the Congressional Committee by Congressman [Tom] Lantos of California. He answered by saying that he wasn't the CEO of the company, so there was no need for him to testify. He told the Committee that they had the wrong guy, and I should testify. I feel compelled to comment that when I used to complain about my salary not being equivalent to that of some of my friends; Johnny Johnstone, George Sella, and others at [American] Cyanamid and Olin [Corporation]; Mr. Cook would always point out to me that he was really the CEO of the company because he had an 83 percent shareholding. It wasn't really like running the company, and that's why I made less money. In this case, however, Mr. Cook was quick to admit that I was the CEO of the ARCO Chemical, not him.

Jack Johnson and I and the contractors involved with the plant went before Congress, and I testified. Congressman Lantos wanted to know why ARCO Chemical gave two hundred fifty thousand dollars the families of the deceased. I said, "I simply felt it was the right thing to do." He asked me, "What did you extract from these people for the money?" I replied, "Nothing," and he countered, "That's very hard to believe." I responded, "Congressman, in your world that may be true, but in my world it was a moral decision." "You got nothing for it? You didn't get them to sign immunity or something?" he asked. I said, "No. We got nothing for it." Then the Congressman asked me, "How can you run a company where you treat your people the way you do?" I answered, "You'll have to tell me what you mean, Congressman, because I think we treat our people very well. Up and down the Gulf Coast, people want to work for us." He said, "Well, Mrs. so-and-so testified that her husband never came home. Your company worked him eighty hours a week, and he never had a chance to see his children. You were here during the testimony; you heard it. Don't you have rules to prevent over-working employees?" I said, "Absolutely. In my company, no one works more than two eight-hour operations without having time off. We have strict rules and regulations on that." The Congressman asked, "Then, how do you explain Mrs. So-and-so's testimony?" I said, "Congressman, I have no knowledge of why Mrs. So-and-so's husband never was home." It turned out her husband had another wife. [laughter] When we made the insurance settlement, his other wife came out of the woodwork to lay a claim. Actually, of the seventeen people at the accident, three of them had more than one wife! Texas is always full of surprises.

I thought we did a reasonable job on the testimony before Congress. CMA thought we did a wonderful job. Through the board's and my own personal investigation, I concluded that one of the problems with the structure of the plant operations was that there was no senior vice president of manufacturing for the plants to report to. Instead, the manufacturing people reported to me through a business unit [they allocated the capital]. The manufacturing people didn't always feel that the projects they had, even though safety and environment were priorities, were being accomplished. I had always felt that the company had very outstanding technology, but it was difficult to practice. I thought that ARCO Chemical should have a senior officer reporting directly to me, so the manufacturing people could have a dual channel for communication.

I proposed to go back to that structure with a senior vice president of manufacturing. We had had it before, but the 83 percent shareholder had insisted on it changing. The reason for the change was that the vice president of manufacturing was the head of crude oil supply and transportation at the parent company, and he had been involved with Mark [E.] Rich. Mark Rich was a trader, who fled the country after violating all kinds of laws. He was recently found in Switzerland, and they're trying to get him extradited to the United States. I don't know what Mark Rich did, but it was an embarrassment to the company. This man was transferred to ARCO Chemical, where I made him vice president of manufacturing and engineering. When there was a change in management in Los Angeles [Bob Anderson and Bill Keishnick left] the new management team wanted that man fired. Since I had given him very good recommendations, firing him was difficult to do. One of the things that happens in a corporation is the structure is changed to achieve the objective; the job was eliminated, and Rich left. I remember objecting to the decision at the time, but a person can either be on board or he can get off it. Frankly, I didn't yet have the financial resources or the ability to leave the company, even though I disagreed with the decision.

After the accident, I proposed that ARCO Chemical should bring back the position of senior vice president of manufacturing. I went out to Los Angeles to talk to Cook, the chairman, and explained my rationale and reasoning. He agreed, and I came back to Philadelphia and selected someone to fill the role. Cook and I were going to bring it up at the next board meeting. Just prior to the board meeting, Mr. Cook called and said that the chief financial officer of ARCO, Ron Arnault [he was also on the board of ARCO Chemical], disagreed and wanted me to take the item off the agenda. I said to him, "This is a very important item to me, and we have discussed this for three hours. Throwing the position away again is not something I can live with. Let me just tell you my mother died in September. It was a great loss to me. Then, this accident occurred in October. Everyone in this company has received psychological counseling. However, no one has reached out to me to ask me what I've been thinking all these weeks; no one has told me to go see a psychologist. Do you know how many sleepless nights I've had, thinking that there was something I should have done or could have done to prevent the accident? I decided that one of the things I could have done was to have a different organizational structure. Now, this is very important to me. You've never once picked up the phone and asked me if I was all right. Well, I haven't been all right. I've had tremendous inner turmoil over this. I'm either going to run this company the way I want to run it, or you're going to have to get somebody else to do it. If you think the chief financial officer of ARCO knows more about running this company than I do and if you have more faith in him than you do in me, then tell him to get off his ass, get in here, and go run the company. I am not continuing as chief executive officer unless I can organize and run ARCO Chemical my way. I won't change my mind; this is too important to me." Cook said, "It's not going to happen." I just said, "Fine. We'll talk about it when you come in on Monday." And that was it.

It was a moral issue, and I felt very strongly about the fact that I should never have agreed to change the structure when they forced it upon me originally. I always think that maybe there was something I could have done, with a direct line to plant operations. I decided that, morally and ethically, it was too important to me to compromise again. I had been through a very difficult period of time emotionally, and I decided to go out to Los Angeles and spend time explaining why restructuring the organization was important to me and why it had to be done. I spent almost three hours discussing my views. I really believed that what I proposed was correct. Finally, I got the agreement of the chairman, only to be overruled by someone who was not even involved. I couldn't handle that and walked away from the job. The board wouldn't let me manage the company in a manner where I felt that I fulfilled my responsibility to the employees and to the people who worked with our company.

When running a company, there are stakeholders and shareholders. The employees, the people who do business with the company, and the customers are stakeholders. A CEO has the responsibility of all of those constituencies, and the key thing that a CEO must do is protect his employees. His main job is to make sure the company is well run and efficient so that the people have jobs that they can count on, that the work environment is safe, and that the company meets the requirements of the communities from an environmental standpoint. By not letting me organize the company the way I felt was appropriate, the share holders weren't letting me do my job. About a year after I left the company, they put into effect the exact program that I had recommended.

I've never felt badly about leaving ARCO Chemical because I've done a lot of other things since then. On the other hand, I do feel that I may have abandoned the employees. I was at my doctor's office, and he has a son who works at the company. The doctor asked, "How do you feel about what's happened at ARCO Chemical since you left?" I said, "'I feel badly about it because if I were there, maybe it would've had a different outcome. I've abandoned so many people, and they're all going to lose their jobs." "Weren't you forced out?" he asked. "Yes," I said, "I guess you could say that. I left because I refused to compromise on something I felt was morally objectionable to me. The regret I have is that if I had stayed, what's going on now might have had a different outcome." However, I couldn't stay because I would've had to do something I didn't believe in, just to protect my position in the company. I couldn't live with that.

There are very few people who know that I have told this story, and I signed a letter saying that I would maintain my silence about it. I left ARCO Chemical because I didn't agree with the major shareholders of the company. It was my job to create the safest possible work environment for employees, and I felt the only way to do that was by restructuring the company. The shareholders were preventing me form doing my job. The lawsuits were settled for over one hundred million dollars. It's a very cruel thing, putting a price on someone's life. If you, Arnold Thackray, were killed by an accident, people would simply calculate what your life was worth, and it comes out someplace between five and eight million dollars. That's what you're worth, Arnold.

THACKRAY: Worth more dead than alive! [laughter]

SORGENTI: At your age, you're worth a lot less! So am I! It was a matter of power. Even after we released the names of the dead, Joe Jermal [who was the man who won the big lawsuit from Pennzoil-Quaker State International Corporation], filed a lawsuit on behalf of three of the people who had been killed. I think all of the suits have been settled and the litigation is finished now, but I did a deposition a few years ago. In establishing litigation as we went forward, one of the strategies that I participated in was, "Let's settle this Jermal suit quickly and see if we can keep the settlement quiet because if Jermal settles, all the rest will think there isn't much of a case." So we settled at a high price [I think nine million dollars] for Jermal's cases and tried to get the rest to do a more reasonable settlement.

That was the reason I left. I've told a number of stories about ethics and morals throughout the interview, and I feel very strongly about it. I started to say that if anyone halfway intelligent were to look, they would see that every single person in the management chain is gone, including the supervisor at the unit level, the plant manager, the president of the North American division, and the president of the company. We all left ARCO Chemical. If I were a plaintiff's lawyer that would have been one of the first things I noticed. Why have all these senior executives gone? Something must have been wrong. I don't think anything that the company did was really wrong, but I do believe that if we had had a separate, independent manufacturing voice, we might have done some things differently. I think the outcome would have been the same.

I walked away from a job where I was making a million dollars a year; I just wasn't willing to capitulate again. It was a very difficult time in my life because I had lost a number of family members right before the accident occurred. My mother's sister [who was my godmother], my mother, and some other relatives died, and then the plant had an accident. By that time, I had a thirty-some year relationship with ARCO Chemical, and not a single person bothered to pick up the phone and say, "Are you all right? Is there anything I can do to help?

Do you need somebody to talk to?" Amazing. Absolutely amazing. The insensitivity of the Atlantic Richfield senior management to the problems I was having emotionally and psychologically was something I never will understand. I had thought more of them and better of them.

One of the main concerns for Jack and me, as we worked through that period, was to make sure employees could overcome the grief. When I went out in the plant, I talked to people who'd seen it happen, and there were some women operators and others that just couldn't recover. These accidents have a terrible impact on people, so I didn't want to go through it again. It was a very difficult time, but I am proud that we did as good a job for the people involved as we could. We got a lot of counseling for them and the executives involved, as well. I remember one parent who had had two sons working at the plant came up to me during the memorial service. He said, "Mr. Sorgenti, we just buried my son this morning. His brother tried to jump in the grave with him. You have to help me. I don't know what to do." I said, "We'll help you." I had the psychologists work with the kid, and eventually, he came back to work.

THACKRAY: How quickly after your conversation with Lodwick Cook did you clean out your desk? What was the time?

SORGENTI: Oh, it was very quick. I vacated the office within a few days and moved downstairs.

THACKRAY: What did you think about where you were heading, and how did you figure that out?

SORGENTI: I was still on the board of ARCO Chemical. I didn't really terminate my relationship; I just moved downstairs to another office. I was there until the end of the year, and that was not a very comfortable position for me. People kept coming to me about different things that I didn't want to be involved with at that point. I left my position as president just before Thanksgiving, but I didn't officially leave ARCO Chemical until 30 June of the following year. The company still had some office space downtown, and I moved there. Mary Ann Wallin, a woman in her forties, was assigned to me while I was at the ARCO building. She recently passed away from cancer. I went to the wake out in Drexel Hill and as I went through the line, I introduced myself to her husband. I said to him, "Your wife was very nice to me at a time when I needed some support. I'll always remember that, and if there's anything I can do…" Her husband interjected, "She talked about you all the time. I feel like I know you."

I had a lot of people at ARCO Chemical that I cared about and that cared about me. During the transition, they treated me with great dignity and respect, but I was uncomfortable being there. No one knew the reason why I was leaving, even the executives in the company didn't know. I decided I'd be more comfortable downtown. I moved to some offices we had down there for the six months that I was going to continue in the employ of the company and be a part of the board. Then I established my own office in the Mellon Bank Center. I had always wanted to go out and do leverage buyouts and build my own company. It's a story that I'll go back and pick up because it's important story.

THACKRAY: Just before you get into that, did you ever entertain the option of quitting the industry completely?

SORGENTI: No, that never occurred to me because I had always wanted to go out and do something entrepreneurial. I was actually going to leave several years earlier, when the management change occurred. Bill Keishnick was moved aside as president and Lod Cook took over. I reported to a man named Jim [James] Morrison. He knew nothing about chemicals, and he had come up through the gasoline side. Morrison was an accountant by training. It was comical, in a way. When we were reviewing our businesses with him, we had a specialty chemical business, the Oxirane business, and so forth. One day, he came in and said, "Look, I don't know a lot about this business. It's hard for me to even figure out ethylene and propylene, but these little businesses you got aren't making any money. They consume a lot of time and energy. I'm not going to be bothered trying to learn all those products. Get rid of them." This, by the way, preceded the accident by a number of years.

I said to Morrison, "You really don't think there's any value here? I mean, these businesses are growing at 50 percent a year and we're spending 10 percent a year on research. All the profits we make, we're spending on research. I could easily stop the research and generate profits, if that's your problem. This is the third leg of our stool. We have the styrene business, the propylene oxide business, and we're going to have these specialty businesses." Morrison said, "I'm not interested in any stools. Just sell it. Get rid of it!" I said, "Again, you really don't think there's any value here?" "No," he replied. "I don't think there's any value here." I said, "Then, sell it to me."

He said, "If you want to buy it, that's all right." I said, "Good. We'll make you an offer." I went out and got Bill [William] Comfort and Dick [Richard] Cashin at old Citicorp Venture Capital [CVC], they are still running CVC, and we made a bid of two hundred and seventy-two million dollars for the assets. There were a lot of different specialty chemical assets in companies like Sartomer [Company] and other things that ARCO Chemical had. Lod Cook was involved in Junior Achievement [JA] along with Tina Flaherty. I went to the JA board dinner in New York. Bill Flaherty [Tina's husband] was sitting on one side of Cook, and Tina, on the other. Mr. Cook asked Bill what he did and Bill said, "I buy companies. I do leverage buyouts. Are you guys interested in selling anything?" Lod said, "We're actually selling some specialty chemicals to our management." "I don't care what they've offered," said Bill, "I'll pay you more." Lod said, "We're going to close this by the end of the year." It was around 10 December when the dinner took place. Bill said, "Give me a week and I'll give you an offer, and I can assure you, it'll be better than the offer from your employees." ARCO's senior executives let Flaherty come in and find out, by questioning the employees, that CVC and I had offered two hundred and seventy-two million dollars. Then, Bill offered two hundred and seventy-eight million dollars. I didn't know a damn thing about it! Meanwhile, we had reviewed our situation, and Citicorp said that they could only afford to pay two hundred thirty-eight million dollars because the transaction wasn't final. ARCO chose to take Flaherty's offer instead of ours. As a matter of fact, I just saw Tina Flaherty the other day in Palm Beach, at a reception. I said, "Tina, you don't remember me, but your husband bought some operations from ARCO Chemical right out from under me. He made two hundred million dollars on them in three years." She said, "He never told me that." "You'd better check his bank account," I told her.

[END OF TAPE, SIDE 3]

SORGENTI: When I found out the CVC could only afford two hundred thirty-eight million dollars, I said, "We'll ask ARCO to take back paper; take back a note for the thirty-four million dollars." CVC said, "We can't do that. They don't want to take back paper—they're a big client of the bank's." Flaherty's deal was chosen and went forward. As he got to the closing, he said, "By the way, we can only finance one hundred and fifty million dollars, so you have to take back a note." Of course, ARCO wanted to close by the end of the year; that's what happens with big companies. Subsequently, they extracted a slight pound of flesh [I'd say a pork chop] because they raised the price to three hundred million dollars and took back one hundred and fifty million in paper. Flaherty, as I said, in a few years sold off the pieces, cleared a couple hundred million for himself, and went on to be one of the richest men around. He has a magnificent house in Palm Beach. Every time I go past it, I salivate. [laughter]

To answer your question, I had considered leaving the company years earlier to become an entrepreneur. I had even considered leaving before Bob Anderson and Bill Keishnick left. When I mentioned to ARCO executives that I wanted to leave, Bob Anderson flew in, and we had breakfast at the Four Seasons. Bob said to me, "Look, I don't want you to leave. I've got great plans for you, and I want you to stay." I indicated again that I wanted to leave the company, and he said, "No, I'd like you to stay. Let's put this behind us and forget about it. I want you on board." Over the course of breakfast, Bob talked me into staying with the company. As we were walking out of the restaurant, Bob put his arm on my shoulder and said, "I'm glad you're staying, but if you had said no, I was ready to back you and give you some money to invest for me." I said, "Bob, if you'd told me that before, I'd be leaving."

Anderson had always wanted me to be president of the company. One of his people told me, when we were traveling together in Europe, that Bob felt I was the most like him from an entrepreneurial standpoint. He called me, one day, and said, "I'm going to Italy, to the Aspen Institute. There'll be a lot of important people there. The conference is about what's going on in the Mediterranean Basin. You ought to come because you have operations in Southern France. Come up to dinner in New York, and we'll leave from there to go to the meeting in Venice." Barbara Anderson [Bob's wife] and Ann came to dinner with us. As we were getting ready to leave [Barbara and Ann were going back to Philadelphia], Barbara said to Ann, "Do yourself a favor. Don't let Bob make Harold like himself. He should be going to see his new granddaughter in Cherry Hill, but he's going off to some conference in Venice instead." Bob said, "Oh Barbara, keep quiet. Hal knows his priorities." Then, we took off for Italy.

When we arrived, one of Bob's consultants picked us up and took us by motor launch to the conference. I sat as an observer, just listening, while Bob chaired the meeting. The conference was incredible. I think there were six prime ministers or former prime ministers there. I remember seeing Dennis Healy, Pierre Trudeau, and Agha Khan was there, which was unbelievable to me. There were Arabs and Israelis there as well. It was a useful meeting with great exposure. I definitely got a better understanding of what was in store for the company. There are one hundred million people in the Mediterranean Basin and the population is growing very rapidly. That's why Bob wanted me to be there. He was interested in a plan for ARCO to exploit the Mediterranean Basin. That was one of his great strengths; he was a visionary.

As we were leaving, Bob said, "I want to take you to meet the president of Italy. I'm going to Rome tomorrow and then I have to fly on to China. You can come with me to Rome and catch a commercial plane home." I said, "Sure." We got to Rome, and the president just wanted to see Bob. He didn't want an entourage or any other people, so Bob asked me if I would make sure that all the other people got back to the United States [he took about eight or ten people on the plane with him].

The head of the Aspen Institute invited us all to his house for dinner. His mother was Diana Virilund, the editor of *Vogue Magazine*, that great women's magazine. They had a beautiful apartment in Rome on a rooftop garden. A couple of Moroccans, a woman from Brazil, one of Bob's aides, several consultants, and I went to his home; and his wife wasn't even aware that we were coming for dinner. They put a plate of pasta out on the table, and it started with the two Moroccans. By the time they finished with it, there was hardly anything left; there wasn't much to eat. I heard his wife tell the cook, "I don't care what's in the refrigerator. Throw it in a pot, heat it up, and put it out on the table!" He did. It was one of those classic moments.

After dinner, a fashionable gentleman from ENI [SpA] walked us back to our hotel. His name was Enzo Vascusi. He was with a Brazilian woman, who always seemed upset about something. I was walking along with Patricia Farley, an ARCO consultant. She was from the Farley family, which was a great Democratic machine in New York. Patricia said to me, "You know, Bob has discussed you with me. He thinks you're the person in the company that's the most like him. Someday, he'd like to see you become president." It was true because, when Lod Cook was made chairman, Bob said to him, "I'd like you to make Hal Sorgenti president of Atlantic Richfield." Cook answered, "I need somebody who does what he's told." [laughter] "Hal has too many ideas of his own, and I just can't handle that." Cook appointed Bob [Robert] Wycoff instead and got exactly what he wanted. [laughter]

I was going to leave ARCO Chemical at least twice before it actually happened, and each time, it was to do something entrepreneurial, such as buying those companies from ARCO.

I had thought about resigning many times, and I guess I didn't lose a day. I formed a partnership with Fred [Frederick P.] Rullo, who had worked for me at ARCO Chemical but went down to Lyondell when we split it off. Lod Cook made him a lot of promises that were never fulfilled, so Rullo left Lyondell and became president of Combustion Engineering. The company was merged out of business. After staying there for a while [he was president of the boiler division of Combustion Engineering], Fred felt he couldn't live with that situation and decided to resign. That's when he joined me in the Freedom Group partnership. I knew exactly what I wanted to do when I left ARCO Chemical because I had come so close to doing it before. I called the business "Freedom Chemical" to represent the freedom I had to do what I wanted with the company. I had freedom from the bureaucracy that was involved at ARCO and the domination of the parent corporation, which really inhibited development of ARCO Chemical.

THACKRAY: Explain, Hal, what it was that you wanted to do and actually did with Freedom Chemical?

SORGENTI: I wanted to put together a new company. I guess I never fulfilled all of my objectives in that aspect. I wanted to make it a model company from the standpoint that the employees would be true participants and stakeholders with the company and the shareholders because I've always felt that the basic contract between the employee and the employer has been broken. It used to be that you came to work for a company, you worked there all of your life, your brother worked there, your sister worked there, and even your uncle was an employee. That's the way it was in the old Atlantic Refining. Today, however, people in the same family are discouraged from working for the same company. Even if two single people meet at work and get married, there would be an effort to place them in separate work areas. I wanted to build a great company and try some things out from an employee standpoint, to have employee participation to help create an atmosphere where they would be dedicated to the success of the company. Rullo and I began by buying a product line from American Cyanamid and building it into a company. Then, we expanded the company to three hundred million dollars. Ultimately, our shareholders wanted to sell, and I never really felt that we built the kind of environment we could be successful with. It was my dream to put together a new company where the people are dedicated, deeply involved, and share in its success. It's still a dream, and I'm working on it a second time now. We'll see if I can accomplish it this time around.

THACKRAY: What prevented you from achieving your goal the first time around?

SORGENTI: Freedom Chemical wasn't adequately financed, and the shareholders, who were leverage buyout people, were more interested in getting their return rather than expanding. That's one of the dangers of doing it the way Rullo and I did. We had to be in a position where we could offer shareholders an alternative and still continue to develop the company. Freedom Chemical was offered a very good price by B.F. Goodrich [Chemical Ltd.] that the management couldn't match, so we lost control of the company. What happened in our situation is not always the case. Cambrex, for example, has gone public and the managers have been able to maintain control of the company. Had Freedom Chemical gone public, we might have been able to do the same thing.

THACKRAY: What is Sorgenti Investment Partners doing that's similar and different to Freedom Chemical?

SORGENTI: Sorgenti Investment Partners is very similar to my earlier effort. We're trying to build another company, just with a different outcome. Hopefully, we will take it public this time, with the management retaining its share and building on it to create a company that we can expand. Of all of the companies that Sorgenti Investment Partners bought, we have never gone in and fired everybody. We try to work with the existing management and infuse them with our philosophy of operations. We give them an opportunity to move in the right direction. Sorgenti Investment Partners bought six or seven companies, and we only had to replace the management in one of them. It was obvious early on that the management there was going to be a problem.

I delivered a paper at the International Petrochemical Conference a few years ago on building a company through acquisition. I spoke mostly about the differences in the way Sorgenti Investment Partners manages and the way most other companies manage their employees. People have to ask themselves the question: What makes us think we can be successful where others have failed? The companies that Sorgenti Investment Partners buys are usually not performing well, but we believe that under our management, the employees will be more productive and more committed to the success of the enterprise.

THACKRAY: Who inspired your unique philosophies?

SORGENTI: There have been people before me who've been successful with those ideas. I think Gordon [A.] Cain was one of the first to develop the concept of sharing company profits with his employees. He thought a lot about what was needed to motivate staff. Gordon has done an excellent job at that. Then there are the marauders, people who are in and out as quickly as they can make a buck. If I had to pick one role model, it would be Jon [M.] Huntsman. He's built a company, maintained control over it, and turned it into a great family enterprise.

THACKRAY: How many grandchildren do you have?

SORGENTI: I have four. Eventually, that may be a problem for Jon because I think his family is growing faster than the company. [laughter]

THACKRAY: Has the experience with Freedom influenced your view from the venture capital side as to who you work with or how you manage?

SORGENTI: That is something I am currently dealing with. Sorgenti Investment Partners hasn't really discussed the Freedom experience, but we will at some point. It's different now than when Gordon Cain and Jon Huntsman did it. In Gordon's day, the high-flying 1980s, you didn't need very much equity capital. For instance, I previously talked about Bill Flaherty and his buyout of the ARCO assets. He put two million dollars up. That was all. Flaherty financed the rest on a purchase price of three hundred million dollars. Gordon, likewise, was able to minimize the amount of money and borrow the rest. People used to be able to get by with a lot less equity. If people have to go to the market for equity, then immediately they give up control.

Now, I'm faced with the problem of doing what we did with Freedom, which is getting equity partners. I already have one in Donaldson, Lufkin & Jenrette, but we're moving away from that situation. Sorgenti Investment Partners is trying to raise a fund of its own from pension funds; almost all of those leverage buyout firms are funded by well-known pension funds. They have a very short time horizon. For the most part, they don't really have any interest in building a business that benefits the employees. Nearly all employees are critical of companies. What they don't realize is that their own pension funds drive the whole process for success and return. Most companies are at least half owned by pension funds. In the end, the decision is whether to go out and raise a fund of my own, in which case I would have complete investment discretion and a fair degree of control. The drawback is that I still wouldn't control when to sell because almost all funds have a five-year to seven-year time scope. The other choice is to get a partner who's already raised funds and work with him. The two principals of expanding a business are investment discretion and the ability to influence [not control] the disposition of the assets.

In my opinion, taking a company public is the answer to management staying in the business and ultimately controlling the company. The reason that doesn't always work [as in the case of Freedom] is that when you go public, the shareholders are not permitted to sell any stock. Businesses go public to raise capital to buy other enterprises; they might have to wait six to twelve months before they can sell any stock. Then, they would make an offer and have to wait a year to make another offer. It's a very long process, in terms of getting out. Some funds, when they want to get out, want to get out clean and not have any residual interest. That's not true of them all though. For instance, Citicorp Venture Capital has had investments in a chemical company called Sybron [Chemicals, Inc.]. They've been there ten or more years. They sold out their position, made their return, and have residual interest.

It's kind of like a minefield that you have to work your way through to get to the ultimate objective. In starting Freedom, we didn't understand the minefield as well as we should have. Although we started down the road of going public, we pulled back to make some additional acquisitions. A lot of time had passed and our shareholder wanted to get out. They had been there five years and didn't want to take another two to two-and-a-half years to liquidate their position, so the decision was made to sell the whole thing. We've learned a lot from that experience.

THACKRAY: Can you talk about the operating experience of Freedom?

SORGENTI: It was very different from running a large company, which is what most people who got involved didn't understand. In a big company, I would never worry about meeting the payroll or paying the bills. To get high returns in leverage buyouts, minimizing the equity is crucial. Today, leverage buyouts are much more difficult to finance, and the banks would like 25 percent equity of the total debit. The leverage buyout people would like to put only 20 percent in, or even less if they could. On average, a good company would have 65 percent equity and 35 percent debt, instead of 20 percent equity and 80 percent debt. That changes the entire character of how the company needs to be run. The focus and concentration must be on cash. No one can afford to miss projections or have customers pay late. Businesses collect their receivables efficiently, pay their bills as late as they can, et cetera. The whole thing revolves around cash flow.

Sorgenti Investment Partners recently bought a company in France [in September of 1997]. In December, they called up and said, "We're out of money. We had this big bill to pay for raw materials." We said, "You did a seventeen-week cash forecast and said you were all right. What happened?" "Some of the customers didn't pay," they said. "We're two million francs short." "So, what do you want from us?" I replied, "We don't have the money." Actually, we did, but we weren't going to tell them that. Since then, that company has never missed a cash forecast. Freedom had a lot of trouble. The earnings tanked, and we couldn't meet cash requirements. There was a time when FedEx [Corporation] wouldn't deliver to our Cincinnati plant because we hadn't paid its bill. There were other times when we couldn't release checks for payroll; we were sitting in the office on Friday afternoon releasing check-by-check to make sure we had enough money to cover them.

It's a completely different orientation, and you spend a lot of time on the financial side because, in my opinion, they're not properly structured or financed. There are instruments now that help, in terms of high yield securities where you don't pay down the debt. Companies just pay interest, although a much higher interest. I think when people find failures in the leverage buyout area, it's mainly because the buyout hasn't been structured and financed properly. Sorgenti Investment Partners learned a lot about that.

Just the other day, we were talking with a group of venture capitalists about the structure of a transaction, and there was a young woman telling us how it should be structured. She was just out of Harvard with her MBA. I said to her, "Do you have a lot of experience running a company with that financial structure?" She said, "The structure I proposed is what we have to use to get our return." I said, "That wasn't the question I asked you. To get your return, we'd like to put no equity in. Then we would have an infinite return, which is the best of all worlds. Let's put two dollars in, and we can all walk away with an infinite return. However, we still have to run this company, and you can't run a billion and a half dollar company with less than 20 percent equity. It just doesn't happen." That's part of the tension that goes on. We have to minimize the equity and maximize the return because the buyout funds are measured by return. That creates a great deal of difficulty in financing the company.

THACKRAY: So you're basically doing what you were doing with Freedom but with the benefit of having had a trial run, as it were?

SORGENTI: Yes, I think that's true. We learned a great deal about working with funds, about their attitudes, and about their needs. Hopefully we're smart enough to do it better and with less turmoil this time.

THACKRAY: What's happening in the chemical industry in the 1990s that favors or renders very difficult what you're trying to do?

SORGENTI: The environment has become more difficult now because we're going through so much consolidation. Consolidation makes very large companies, and large companies are not effective competitors, in my opinion. Their size may give them an advantage, but they can also do things that are not very bright. An eight or ten billion-dollar competitor has a substantial position in the market compared to a small company. Also, the fact that they're losing money does not distress them because it's only a small wart on the elephant's back. When I was at ARCO Chemical, we had some of the large German companies as competitors, and I would always compare them to a bunch of trampling elephants.

There's a classic example I'll give you. We were in the expandable polystyrene business and Georgia Pacific [Corporation], who was a large customer of BASF [Badische Anilin- & Soda-Fabrik AG] and ARCO, had the audacity to enter into the business. They licensed the technology from Huels [AG] and built a plant for fifty million dollars. When the plant came on stream, BASF responded by cutting their prices in half. Now, ARCO was the largest company, with 50 percent market share, BASF had about 25 or 30 percent, and Georgia Pacific had 10 or 12 percent. ARCO was breaking even, so I knew that BASF was losing money. It didn't bother them a bit because they were ten billion dollars in sales, and polystyrene was a small business for them; they were losing a few million dollars a year. BASF felt that Georgia Pacific shouldn't have come into the business, so they tried to force the company out. Eventually, ARCO bought out the Georgia Pacific position. We had a very high market share, and people said we couldn't do it. But the business was doing so badly for Georgia Pacific that we only offered them twelve million dollars. This plant had cost forty-five or fifty million dollars to build, and they sold it to us for twelve. The reason we offered them twelve million dollars was so we wouldn't have to file a Hart-Scott-Rodino notification, where the cut-off is fifteen million dollars. It wasn't even a month after we made the acquisition that BASF doubled its prices.

All of that was about pride and arrogance; it had nothing to do with the business. When I see those new, huge specialty chemical companies created, I wonder how much more of that's going to happen. The people in the senior management don't even know what's going on down at those small product levels, especially in the specialty chemical industry, which is a bunch of relatively modest, small segments. There may be thirty or forty areas, each fifty to one hundred million dollars in size; they're not billion-dollar businesses. They are product lines with a great many different products but relatively small markets. Therefore, when eight or ten billion dollar companies enter into competition, I'm not sure how stable the smaller specialty chemical markets will be.

THACKRAY: So by being nimble, there's opportunity.

SORGENTI: Being nimble is necessary. I'm just saying that it is more difficult today than a few years ago, and I worry about that. Arnold, you asked a very good question as to whether the concept I have can really be effective in today's environment because Freedom, a three hundred million dollar company, was a good sized specialty chemical company. In today's environment, you have to have much higher aspirations than that because you've got the Morton [International, Inc.]/Rohm and Haas merger, the Clariant [Functional Chemicals] merger, and the list keeps going. Huge companies are being created. I've never been a fan of size. I think it breeds bureaucracy and inefficiency in management. You may get some consolidation savings, but being big is no guaranteed formula for success.

THACKRAY: How many other people are trying to do what you're trying to do, if any?

SORGENTI: There was, actually, a recent article written about what I'm doing in *Chemical Week*. George Harris has been extremely successful, and there are a number of other people getting started. For example, a couple of Exxon guys out of Cleveland formed the Geo Group and some former Morton [Salt Company] executives are acquiring assets as the Sovereign Group. Most people are out trying to do big commodity chemical deals. I look at those too, but in most cases, the bigger the deal, the more competition there is from people in the business and strategic buyers. A financial buyer can never outbid a strategic buyer. That's the problem; there are a number around, Arnold. I can't give you their names, but everyone who leaves a major corporation and is a senior executive wants to enter this business.

THACKRAY: Or thinks about it.

SORGENTI: That's true. They think about it. Usually, after a year to two of trying, they give up.

THACKRAY: Yes.

SORGENTI: It's not easy work. It's difficult.

THACKRAY: Is there any geographic advantage? Is there an ideal place in the world or the United States to be if you were doing this?

SORGENTI: I think Europe is as good a place as any. Sorgenti Investment Partners just lost a major transaction in Europe, and we have one company there. The restructuring that's going on in Europe creates spin-offs. In the United States, however, there is greater selectivity, so I'd say it's easier in Europe. One of the things that people don't realize is that there are literally thousands of privately owned companies in the chemical industry, and there are opportunities for consolidation. Everyone knows the DuPonts of the world and the Dows, but there are literally thousands of smaller companies. In Philadelphia, if you went through a list of companies, there'd be at least ten to fifteen, most of which, people have never heard of. Those are the companies that Sorgenti Investment Partners looks for. The majority of companies that we bought were privately held or failed auctions, that kind of thing.

THACKRAY: My last question in this territory is: What are the essential ingredients to enable you to keep working in this area? What is it that you need, besides the access to dollars?

SORGENTI: Once there is an access to funding, and there are a lot of dollars out there, a person needs to get a partner who's interested in growing the business, understands there are ups and downs, has the patience to see a project through to completion, and allows certain investment discretion. In other words, it's impossible to work with a partner who hires A. D. Little and consultants to evaluate every idea mentioned to them. The financial backer has to say, "I'm satisfied that my partners are a group of executives who know what they're doing, and I'm going to move forward with them in an expeditious manner." A proper backer is an essential ingredient for success in this business.

The second thing is being able to ferret out and find good deals. At auctions, it's difficult to be successful because people wind up paying too much. A person has to be capable of finding deals for himself. My company likes to look for deals in failed auctions, where the expectations of the seller have not been met in the auction process. Also, if the sellers have been unable to negotiate a successful agreement because of other problems in the business that we feel we can solve, Sorgenti Investment Partners will make a deal with the company. The generation of deals at an appropriate price for a financial buyer is a very important characteristic for success. A lot of people aren't able to make those deals.

It becomes more and more difficult to make those transactions as a company's number of contacts goes down. People can't be out of the business forever, start up again, and expect to be profitable. Companies continuously have to bring in fresh people with new ideas and contacts. I was lucky to achieve a very high rank [president of a company] when I was only in my forties. I've seen five to seven chairmen of DuPont in the time I've been around, so I still have some contacts.

In summary, to achieve success one must find deals that can be accomplished and financed, have a strong, supporting backer, and possess appropriate contacts.

However, the deals are not easily found. Sorgenti Investment Partners, for instance, works on deals for a year or more sometimes. A company we just lost because of our own inefficiency was the Hatterman Company [a big German contract manufacturing company]. Our first contacts with that company were in 1996, and it was August 1998 before they finally decided to sell. We were able to get a dominant position but blew it because our partners weren't equipped to move forward with the project. We lost the Hatterman Company to an English company that came in and offered ten million dollars more for than us.

I used that as an example of beginning the conversations and searching for new transactions. Sorgenti Investment Partners does that all the time. There are a number of companies that I've talked to. None of them want to sell the first time I go in, but I keep my contact and keep going back. Eventually, something triggers the company to sell. If they're private companies, the trigger is usually estate problems. One company in Germany was owned by its founding family for one hundred years. It was then controlled by two eighty-year-old sisters and an eighty-four-year-old chairman. The sisters kept telling their brother, "We're not going to live forever. We have to get the estate settled." The chairman was a reluctant seller, but recognized that his sisters were correct and agreed to sell the company. That situation is fairly common.

Another frequent circumstance is that the family is asked to put a lot of money in for environmental controls, and the business gets very capital-intensive and expensive to own. They decide, "We'd better get out, cut our losses, and not tie up any more capital in the business." People have to constantly be proposing a number of deals that might come to fruition for a lot of different reasons.

THACKRAY: It sounds like fundraising, Hal!

SORGENTI: It is a bit similar. Another reason a small business might be sold is that it no longer fits with the larger company. I'm working on a case right now where Sorgenti Investment Partners wants to buy a one hundred million-dollar business in a four billion-dollar company. It has absolutely no fit with the company whatsoever. The business did at one point, many years ago. Sooner or later, the large company will sell that business. The idea is for me to buy it before they auction it, so we're working with the company. Maybe that's a good point to stop.

THACKRAY: Yes, I think we're about two-thirds of the way through the material. We obviously should schedule another session, but thank you for today.

[END OF TAPE, SIDE 4]

INTERVIEWEE: Harold A. Sorgenti

INTERVIEWER: Arnold Thackray

LOCATION: Philadelphia, Pennsylvania

DATE: 10 June 1999

THACKRAY: Hal, perhaps we can start by talking a little about Freedom Chemical.

SORGENTI: When I retired from ARCO, I knew immediately that I wanted to go out and try to build a new company – a place where I could test many of my management ideas. I set about finding partner who would give us some financial support with providing the equity that we needed to do various deals. We looked around for potential partners and for various acquisitions.

THACKRAY: When you say “we,” Hal, who do you mean?

SORGENTI: Shortly after I formed the Freedom group, I called my new venture, “The Freedom Group Partnership.” My intention was to bring other people into it. A lot of people asked me how I chose the name “Freedom,“ and I told them it represented my freedom from the bureaucracy of a large corporation. I had considered “Liberty“ along with a few other possibilities, but after working for a large corporation dominated by an 80 percent shareholder, I really did feel a great burst of freedom after resigning. I had the ability to do many entrepreneurial things that I had previously been constrained from going after.

One of the most rewarding things about forming the Freedom Group Partnership was the number of people who came forward and said, “Let me give you a hand.” Most of them were retirees with a lot of experience. The initial members of the Freedom Partnership were Fred Rullo, myself, Don [Donald] McPhale, and Dan [Daniel] Rink. Fred Rullo used to work with me at ARCO Chemical, left for Lyondell, then left Lyondell to go to Combustion Engineering and become President of their boiler division. He resigned from Combustion Engineering to join me as a partner in Freedom Group. I knew McPhale because he was a retired ARCO executive and former chief financial officer. Dan Rink is still with me today at Sorgenti Investment Partners. A number of retirees were also part of the group, including Jim [James] Kilgore, a former marketing executive, and Bill [William] Britton, who had started ARCO’s water treating business. Together, we set out to find some acquisitions and funding.

Freedom Chemical was then visited by a Texas oil man named Dick [Richard] Moncrief, from Moncrief Oil [Company]. He was developing a project that manufactured MTBE. Dick asked us if we would join him in developing the project, and we did. The Freedom Group initially spent a lot of time and effort building an MTBE plant in the center of Illinois. We converted an idle natural gas plant to a synthetic natural gas plant. We also spent a great deal of time trying to line up contracts that would justify the expense of the plant but were unsuccessful. The oil companies would not sign long-term, formula-based contracts in which we could get financing. Because the group couldn't get any contracts, we eventually abandoned that project. Thank God we did because, it turned out, none of the plants had been economically viable; the cost has been too high and the MTBE price too low. This happened eight or nine years ago; it was our very first project.

THACKRAY: When you say you "abandoned the project," do you mean you sold it to somebody else or that you literally abandoned it?

SORGENTI: We literally shut the project down. Moncrief had put about seven or eight million dollars into it, but he was able to absorb that in his oil production business; he also did venture capital. Dick had a very interesting background. He was quite young and the son of one of those swaggering Texas oil men. His father had built a great fortune.

THACKRAY: Wasn't this a somewhat discouraging start, and what was your own risk in the project?

SORGENTI: Freedom Chemical had put a lot of time and effort into the project, and our own costs involved were substantial. Being an entrepreneur is a risky business; every venture is not always a success. Our first project out of the gate was a failure, but that didn't stop us. The group was approached by a man I knew, who ran a French, government-owned oil company called TotalFinaElf. His name was Serge Tchuruk [he has since gone on to run the telephone company Accutel]; I had bought some facilities from him when I was at ARCO. Total was working with The Blackstone Group, and they wanted to acquire a company in the U.S.; specifically, the Texas Petrochemical Company, which was in MTBE. Tchuruk knew of my activity in MTBE and asked me if I would run the company for him if he bought it. I said that the Freedom Group would be interested, but I, personally, had other things I wanted to do. I told him that my partner could run his company. They were negotiating with Dave [David] Swamn [he owned Texas Petrochemical]. In my opinion, he was one of the great characters in that industry. He had bought the facilities that formed Texas Petrochemical from ARCO and other companies for forty million dollars. Now, he was being offered seven hundred fifty million dollars for them. Freedom Chemical thought that price was too high and told the French, but Tchuruk persisted and wanted to go ahead anyway. Swamn had a number of conditions to be satisfied by the buyer. Every year he gave five million dollars away, a million dollars each to five colleges. He also gave five million dollars away as bonuses to each of his top five people, and he gave the other three hundred employees ten million dollars to split up every year. Swamn wanted all of those traditions continued. It showed his commitment and the kind of person he was. He was only willing to sell the company to someone who would treat his employees properly.

On 18 December 1991, we gathered in New York to sign the contracts to run the business. Total and The Blackstone Group were going to pay seven hundred fifty million dollars for the Texas Petrochemical Company, and Freedom Chemical was going to run it and earn 9 percent of the equity in the company over a period of several years. When we got to the table, the Blackstone people came in and told us that their committee had turned the deal down that morning. They were committed to one hundred twenty-five million dollars of equity, and Total was one hundred twenty-five million. Now, we were short a hundred twenty-five million of equity. The deal was five hundred million of debt and two hundred fifty million dollars of equity. What to do about it? The agreement had a drop-dead date of 10 January [it was the week before Christmas. Of course, it was virtually impossible to find the money, but Wasserstein Perella [& Co.] stepped forward and said that they would come up with fifty million dollars. To take care of the rest of the money, Freedom Chemical came up with the brilliant idea to go back to Dave Swamn and ask him to keep seventy-five million of the purchase price. In exchange, he would get 20 percent of the company. The new plan was to give him six hundred seventy-five million of cash, and he'd still own a large part of the company. He asked where the money was coming from and we told him, "From Total and Wasserstein Perella." He then said, "Maybe you don't understand. I am not putting my employees in the hands of a New York investment banker, and certainly not Wasserstein Perella. No deal!"

Our second deal fell apart at the last minute. Freedom Chemical quickly learned that this was a tough business! [laughter] Years later, Dave sold the business for five hundred fifty million dollars to Gordon Cain. I think that Gordon paid too much for Texas Petrochemical as well because it's worth a lot less now. Dave didn't need the money; an extra fifty or hundred million dollars didn't mean anything to him. He sold his business to Gordon because he knew his employees would be taken care of under that management. Gordon's first job was actually at Texas Petrochemical. That's probably why he bought the company. It has been a poor investment for him because the market has crated and collapsed. Dave was very concerned about the people who helped him build his fortune. He refused to expose them to the harshness of the type of management you would get with a New York investment banker. Even though he might have got more money someplace else, Dave sold his company to Gordon Cain because he knew Gordon would take care of his people.

THACKRAY: It's an interesting story of sentiment, that Texas Petrochemical is where Gordon started out.

SORGENTI: Gordon went full circle. He knew Dave Swamn well. At that point, Freedom Chemical was making the rounds trying to dig up more deals. George Sella, from American Cyanamid, had preceded me as chairman of the Chemical Manufacturers Association. I sat to his left for several years. First, when he was chairman of the finance committee, then the executive committee, then chairman of the board; and I followed him, always taking over his last position. That's what we, at the CMA, call "The Chairs." George chewed cigars, and put the butts in the pocket of his suit. During one meeting, he could go through three or four cigars. I smoked cigars extensively at that time, and I smoked the good ones. Years and years ago, they were only three dollars and fifty cents each. Today, a good cigar can't be bought for anywhere near that price; they cost much more now. George would always ask me for one of my good cigars, and then he'd chew it up and put the butt in his pocket. When I went to those meetings, I started buying cheap cigars just to feed George Sella. I wasn't going to give him my good cigars to chew! [laughter] By the way, he never developed any cancer or anything – I never understood how he didn't.

Anyway, George was a good friend, and he had been trying to sell a textile chemical business. I guess they'd been down the road at least twice before with other buyers, and another good friend of mine, Cy Baldwin, had looked into the business. He was at Cambrex and said, "Why don't you go visit George Sella and see if you can do something with his business?" The company was making about twenty-five million dollars in sales, and George wanted twenty-five or thirty million dollars for it. I said, "Look, I think this is a pretty good business, but you haven't been able to sell it, for whatever reason." The reason was obvious afterward: his people were almost impossible to deal with. He said, "I'll give you a shot at it." Freedom Chemical went into negotiation and was able to get a deal for seventeen million dollars. It wasn't a company, so we had to build a company around the product line. The Freedom Textile Chemical Company was our first acquisition at Freedom.

THACKRAY: Where was the plant?

SORGENTI: The plant was in Charlotte, North Carolina. Cyanamid kept all the environmental liabilities and Freedom Chemical was able to go out and borrow money. I honestly don't remember how we came in contact with the investment firm Joseph Littlejohn & Levy [JLL]. They were probably recommended to us by Dan Klipper, a young man who was an investment banker with a friend at JLL. In any event, we cut a deal with Joseph Littlejohn & Levy to back us in acquisitions and pay our expenses in the front end. They funded the three million dollars we needed for equity to buy the business, and they put another two million dollars in to cover expenses for the group. Until that time, all of the money had come out of the Group members' own pockets [mostly from myself because I had a retirement salary]. It cost a hundred thousand dollars just to set up an office. Then there were operating expenses, phones, and so forth. Now, we had a product line and had to form and operate a company around it.

THACKRAY: So at that moment, it was essentially your expertise that you put into that package.

SORGENTI: Right, and management skills; being able to do something with a company that had a lot of potential but wasn't making much money. Freedom Chemical put in equity side by side with JLL. I believe it was five hundred or six hundred thousand dollars. When we were trying to make more acquisitions, we looked for things that people were incapable of doing – we liked difficult, complex deals.

A man by the name of Phil [Philip] Kamins, who most people have never heard of, was trying to take a chemical company he owned public and sell it. He appeared on the *Forbes* 400 List back a few years ago. He somehow convinced them that he didn't belong, so he wouldn't get any publicity. His company had a lawsuit pending against it and environmental issues. Thus, the shareholders wouldn't buy in and accept those problems. I met Kamins at dinner one night and told him that I wanted to buy his company that he had been taking public. Kamins had never sold a company before [he owned over sixty companies and had more than a billion dollars in sales]. He said, "You can't buy that company, but I have another very fine chemical company that I'll sell to you. I have to warn you, however, that Eastman Kodak has a lawsuit against me. The company was formerly owned by Sterling Drug, and I've refused to settle it. They're trying to drive me into bankruptcy. We also have serious environmental problems. If you can solve all of that, you can buy the company!" I said, "It sounds like a challenge. Let me look into it." I knew the Eastman people pretty well because, when they were looking for a home for Sterling Drug, I had managed to attract them to the Philadelphia area.

The head of Sterling Drug [Incorporated], the chairman of Eastman, and the governor flew in to ARCO Chemical's site by helicopter in Newtown Square to have lunch with me and Henry [Wendt], who ran SmithKline at that point. The governor promised them a tremendous amount of support if they'd relocate their companies to Philadelphia, and they did, creating thousands of jobs. So, I knew the people Kamins was dealing with. I went up to talk to them about the litigation going on with Kamins' chemical company at Sterling's office. They said that they would obviously prefer to work with the Freedom Chemical Group on the environmental aspects of the site than with Kamins and his associates and that they would settle the litigation. Sterling Drug had a thirty-five million-dollar note on Kamins' business. Kamins had not been paying because he claimed they had not gone ahead and done the environmental work. Sterling Drug agreed to settle all of the litigation and sign a contract with us to take the environmental liabilities. They said that they'd rather see Freedom Chemical as owners than people who were not chemical industry-type people.

The negotiations were quite complex and detail oriented. My group went out to see Kamins in his office in California. He's a very interesting man. Though he's exceptionally wealthy, he stays at the most inexpensive motels. People traveling with him can count on a nine-dollar-a-night room; and he thinks that's too much. [laughter] One day at breakfast, we talked a little bit about orange juice. He said to me, "It's the biggest waste of calories and money that I've ever seen! You can get the same thing from a pill. Why would you pay so much for a glass of orange juice?" [laughter] Kamins' California office was where all the used car and scrap metal dealers were in Los Angeles. The building had a blue stripe on it above a cinderblock wall. Inside, the building was actually very nice and elegant. We went into the conference room, where he had a spread of bagels and lox. We sat down and said, "Phil, we're prepared to offer fifty million dollars for your Hilton Davis Company." The company was a very old, well-known company in the dye and food color business.

He said, "Let us caucus." He got up and left the room with his chief financial officer, Lori Johnson; a very, very bright woman. Kamins came back and he said, "fifty seven and a half million." I said, "That's impossible," so he replied, "all right, fine. See you." He got up to leave, but I said, "Now, wait a minute, Phil." He responded, "Look, I've never sold a company. I don't have to sell the company. I have problems with this one, I have problems with Kodak, but the price is fifty-seven and a half million dollars. You either want it, or you don't." "We'll take it," I said. Freedom Chemical bought the Hilton Davis Company. We went back and made the environmental agreement with Sterling and Kodak, and we bought the note that Sterling had.

This is another example of how my big corporation background helped. When we looked at that thirty-five million-dollar note, I knew that any large corporation would not put that on their books for thirty-five million dollars. I figured they had written it down to half, and I said to my associates, "We ought to offer them fifteen million dollars to buy the note out." There was a young woman who's still working with me, Yvonne [Cliff] Marsh. She said, "I wouldn't start there. Let's offer them five." I said, "I think that's not going to get the job done, but go ahead." She offered five million, and the guy looked up and he said, "Ten!" Yvonne said, "We could never go to ten, but seven and a half!" [laughter] Freedom Chemical bought out Sterling Drug's note for seven and a half million dollars. We had purchased this company for sixty-five million dollars, and it had a hundred million dollars in sales.

Hilton Davis Company was in the middle of Cincinnati, with a Neanderthal-type union, a rust-belt union, tons of grievances, and sabotage of its products. There were terrible, terrible attitudes at that company. Freedom Chemical decided that we had to change that immediately. Before anything was announced, we flew out and met with each shift of workers to tell them that we bought the company. We got in at 7:30 in the morning after flying all night, and the staff trooped into the cafeteria. An enormous man came in, and I introduced myself and asked him what he did. He said, "I handle the grievances." "No, no," I tried to clarify my question. "What you do for your job." He replied, "With all the grievances, I don't have time to do anything except handle them." I said, "Isn't that too bad because you're going to be out of a job." [laughter] "We're not going to run this company with grievances." The man looked at me, and I thought, "I hope he doesn't slug me. He'll kill me if he hits me!" He was huge! Those people were intimidating! They were not the friendliest type of people. Over time, however, they came to understand that their jobs were at stake, and improving productivity and safety was important for their own personal gain. We also put in profit-sharing plans to give employees extra incentive to do well.

When Freedom Chemical first bought the company, everyone dressed casually, including the president, who wore a pair of khakis and a golf shirt. I had a meeting with him right after we bought the company, telling him he had some decisions to make because he could still go back to Kamins' company PMC [Plastic Management Corporation] or he could stay with the Hilton Davis Company. I said, "We're very different people. I'm perfectly willing to give it a try and see if it works out, but you have to start from an understanding that we're very different and so is the way that we operate. You might not be able to adjust to it." He said, "I don't understand what you mean." I explained, "Let's start with the fact that I'm sitting here in a blue pinstripe suit, and you're wearing a pair of rumpled khakis and a golf shirt with a stain on it. What would you do if a major customer walks in here and wants to meet the president?" He said, "Everybody dresses casual here." "To me," I said, "there's nothing casual about business. Every day someone's out there trying to steal your customers and bury you in the marketplace. There's nothing casual about that. I'm not going to waste your time or my time telling you I don't like the way you're dressed; but I think, as the president, you ought to be somebody that people look up to, not someone that blends into the crowd." He decided to go back to Kamins' company, and we put in a new president.

THACKRAY: Wasn't that a very crucial aspect in the whole business?

SORGENTI: It was, but at Freedom Chemical, we were convinced that we couldn't change the company's attitude without dramatic steps. That was the company that we had the most trouble with in terms of reaching change because they had been operated for a number of years by PMC with little money, no improvements, and a poor attitude. The group at Freedom Chemical did bring a new president in but planned to keep everyone else. Eventually, we were forced to replace virtually all of the management. That's not something we wanted to do, but old habits were so ingrained that it was very difficult to bring change.

About six or eight weeks went by, and I was still in the plant. One of the foremen came up to me and said, "We're really glad you put in a dress code." I said, "We didn't put any dress code in." The foreman looked confused and said, "All the managers are wearing shirts and ties now, and a lot of them, jackets. They've been doing it ever since you guys showed up." "Good," I said, and the foreman agreed. Apparently, the managers wanted to look like us, and we wanted them to look like someone we respected and would like our children to look like. We were happy that they started behaving like managers again, but it was still difficult. Hilton Davis was a good company, a large company. It made 35 percent of the food colors consumed in the United States. Almost everything people eat is colored; it's a tightly controlled process. A sample from every batch has to be sent to the federal laboratories to certify that it's approved before a company can ship it, so we had to quarantine areas where the product was kept until it was tested and approved. Hilton Davis participated in other businesses, as well. It made products like carbonless copy dyes, used in fax machines.

THACKRAY: If you're in Philadelphia and the plant is in Cincinnati, the president of the business must be crucial. How did you find the person you needed?

SORGENTI: That was one of Freedom Chemical's main strengths. We all had a lot of contacts in the business. We chose Bob Kitchen from Lyondell to be president of the textile business; he was a bright young man. We put Nick Lynam, from Union Oil, in Cincinnati. Fred Rullo knew him well, and Union Oil had had a chemical division in the Chicago area that Lynam had been president of.

THACKRAY: Were you advertising those positions?

SORGENTI: No. We hired a recruiter to go after a list of people that we made up. The Hilton Davis Company was Freedom Chemical's second successful deal. Our third deal came in out of no where. One day, I had a visit from a chap I had met casually at a prior occasion. His name was Bill [William] Ashman, and he said, "You may not remember me, but we've met before. My company is being sold, and they don't seem to know how to get it done. There've been a couple of deals that have all fallen through. I think that Freedom Chemical could do a great deal with the company, and I'd like to see you buy it." We found out that a Canadian investment banker was handling the sale. There had been two people who had tried to buy the company before but couldn't close the deal because of environmental problems. It was owned by a company called B. C. Sugar [Refinery].

Freedom Chemical got into the process, and it seemed to drag on and on. Then, I had an accident and severed a tendon in my leg. I was out of pocket for several months. When I came back to work, the deal still wasn't closed. I got on a plane with a team that included Fred Rullo, Yvonne Marsh, and Mark Smith [our lawyer from Skadden, Arps [Slate, Meagher & Flom], the big New York law firm. We finally flew out to meet with the investment bankers in Vancouver. On the way there, I said, "We're going to stay here until we get this deal done." The people on the other side weren't the brightest people in the world. We would negotiate a point, and they'd take a break to consider it. Three hours later they'd come back and say, "We can't agree with what you proposed, but this is what we want to do." Then my team would caucus for about five minutes or less and say, "This is what we'll do." The bankers argued, "You didn't seriously consider what we said," and we'd say, "Yes, we did." Then they'd go off again for another three hours. They weren't very hospitable either. The investment bankers would have these large lunches brought in for them, and they never offer us anything. They would say, "There are a couple of places around the corner you can have lunch at."

The main road block in finishing the deal was how to correctly handle the environmental problems. B. C. Sugar had bought that business from a company called Kalama Chemical. It was a former Dow subsidiary that they had sold to their employees. The employees expanded the company and had distributor sites all over the country. They left a trail of carnage that you wouldn't believe. There were sites in South Carolina, Canada, Pennsylvania, New Jersey, and Texas, and all of them had severe environmental problems. The plant in New Jersey was in the process of being shut down. Much of the damage caused by the company was covered by insurance.

During negotiations, the Freedom Chemical group came up with the concept of forming a trust fund that the assets from insurance would be put into. That money could not be spent without the approval of both parties. It was decided that Freedom Chemical would manage the environmental clean-up, and the trust fund size would be sixty million dollars. B. C. Sugar had to put an amount of money equivalent to the risk that that Freedom Chemical was taking into the trust fund, along with any extra costs. The trust fund also had insurance proceeds. There were a lot of studies that said we could solve the environmental problems for less than money. Many of the former owners of the plants were major companies that had the ultimate responsibility to oversee their clean-up. For example, Tenneco was responsible for the remediation and clean-up of the site in Garfield, New Jersey because they had previously owned the plant there. Another reason the studies said we could get the environmental problems under control with less funding was because the estimates were too high. At the Kalama site, the estimate for cleaning up the ground water was twenty-million dollars. After we owned the company, Freedom Chemical was able to do it for only a couple of million by digging a trench around the property. Then, we intercepted the ground water before it went to the river and pumped it through our water treating plant, which cost a few million dollars for expansion. We were able to do things for substantially less than the estimates, and we also got the participation and cooperation of other responsible parties.

Kalama Chemical Company was the most significant, important acquisition that Freedom Chemical made. We recognized that it was a company with great potential. It made sodium and potassium benzoate, which are used as preservatives in diet soft drinks. The biggest customers are Coke and Pepsi. Kalama also made a number of other products that went into the food and fragrance industry, such as phenol. Though most people thought Kalama's main business interest was producing phenol, we had no interest in it; it was just a chemical commodity. Freedom Chemical tried to minimize its production and expand the production of the other food, flavor, and fragrance additives. We focused on expanding production two or three times during the years we owned the company. The end result was that the Kalama Chemical Company was worth about 60 percent of the total company purchase price when we finally sold; it was a great acquisition. We paid sixty million dollars for it, and when we sold it a few years later, it was worth well over two hundred million dollars.

THACKRAY: How long a time has elapsed now?

SORGENTI: That acquisition was made in Freedom Chemical's third year. We were making acquisitions about every six months, so it took us about six months to get started with Textile. Six months later we picked up Hilton-Davis. Then, we got Kalama and were on the road to going public. In retrospect, we weren't going public. We never completed the public offering. The Freedom Chemical group was actually out on a road show selling stock, and we had made our trips to Paris and London when another opportunity came up –

THACKRAY: Why were you in Paris and London?

SORGENTI: To meet with prospective investors. We were doing in initial public offering at Freedom Chemical.

THACKRAY: All the plants were in the United States though?

SORGENTI: All the plants were in the United States, but there was a substantial amount of money overseas to invest in IPOs [initial public offerings] in the United States. That's why we always went to Paris, London, and sometimes Switzerland. We started the road show in November, and it gave us an opportunity to proceed with two other acquisitions we'd been working on.

THACKRAY: Which year?

SORGENTI: It was the end of November in 1994. Freedom Chemical was selected to take a German company called Diamalt out of bankruptcy. When we first went to visit the company, they told us the president was indisposed and couldn't meet with us. The next day, we picked up the paper and found out that he had been arrested and jailed for fraud and tax evasion. Still, Freedom Chemical didn't hesitate a bit. The process worked differently in Germany. There, a company must be brought out of bankruptcy within six months because subsidized payments to the employees are only made by the government for that period of time. The time limit somewhat forced us to swiftly come up with a solution to the bank problems.

Freedom Chemical bought Diamalt for twenty-seven million dollars. The entire management team there was implicated and involved in fraud. They had all taken money from the company and were immersed in illegal activities. Our group realized that the management needed to be completely replaced. I'd like to go back and mention that when Freedom Chemical bought Kalama Chemical Company, we kept the management intact and never made a single change. Many of the activities were not considered illegal in Germany, but they were in America. To buy the company, we either had to amend the documents for the public offering or say that there was an acquisition pending that we had not included in the documentation. Actually, there were two pending acquisitions, Diamalt and a small company in the United States called Reilly-Whiteman [Inc.]. The Freedom Chemical group decided those two acquisitions were important, so we stopped the public offering. Looking back, I realize that was a mistake because that would have given us a lot of cash. Without a mechanism for raising additional capital easily, we lost the ability to grow Freedom Chemical further.

Diamalt and Riley Whiteman were purchased, and no equity was put into the deals. Afterwards, Freedom Chemical had very little equity and a lot of debt, which later became a problem for the company.

THACKRAY: The debt was held by whom?

SORGENTI: By banks and bank syndicates. Freedom Chemical itself was being financed through Citicorp, our lead bank. No one really kept much of a loan, and different banks would have varying loan limits. A one hundred million dollar loan would end up with ten or twelve banks in a syndicate, each having five or ten million dollars of that loan. So Freedom Chemical had a bank syndicate that worked with us. The Diamalt acquisition proved very challenging. As I said, there were a lot of illegal activities; many kick-backs and pay-offs. I once asked the marketing manager if they had ever made kick-backs or pay-offs, and his response was, “Every day!” I said, “No, no, no. You don’t understand. It’s an American slang word. It means paying someone for the business.” The manager replied, “I understand exactly what you’re saying; every day.” Then, he offered, “Would you like to see the pay-offs we made yesterday?” I was quite overwhelmed. They even had it all recorded on the computer. The manager explained that the rule in Germany was no one should lose one dollar of business because somebody wanted a kick-back or a pay-off. Each company had to keep careful records, and it was the country’s government’s responsibility to pursue the people with illegal activity. If anyone complained to the German government, it would come to the company, ask for the records, and turn them over to the other country. Then, the other country would prosecute the individual who was breaking the law. The marketing manager reiterated, “Why should a good German company lose one dollar of business?” I explained to him that as an American company, we couldn’t make any pay-offs.

[END OF TAPE, SIDE 1]

SORGENTI: Freedom Chemical’s regulations didn’t specifically prohibit bribing business executives and other key people in companies that make decisions about selecting one product over another. Law enforcers are primarily concerned with payments finding their way into government officials’ hands. Nonetheless, we decided to eliminate Freedom Chemical’s participation in that activity. Diamalt is a seventy-two million dollar company, and we had identified that twelve million dollars of sales were involved with kick-backs and pay-offs. The Freedom Chemical group decided to eliminate them. Most of the pay-offs were taking place in Africa. There was a huge textile segment there, mainly run by the Chinese who own the mills. Many of those countries prohibit investors from taking money out of the country, so investors get suppliers to raise the prices and get a kick-back. Then, they deposit the money in Switzerland. Freedom Chemical didn’t want to be involved in that. It took about six months for our buyers to find other suppliers who would continue the kick-backs and pay-offs.

That move was devastating to our business because we lost twelve million dollars of sales out of seventy million. I met with one of our distributors in Africa, and he thought I was insane when I told him we were no longer going to give him high distributor commissions to make kick-backs and pay-offs. He asked, “Mr. Sorgenti, have you ever been to Africa?” When I answered, “No,” he said, “Let me tell you what happened to me last year, as your distributor. I went to Africa with a driver and car, and we went out to the textile mill in the country. Coming back, a band of robbers stopped us. They killed my driver by beating and shooting him. I was also beaten and left to die in a ditch. Fortunately, an army truck came along, saw me in the ditch, and took me to a hospital. Now, do you think I deserve a 12 percent commission or not?" Our normal commission ranged from 3 to 6 percent, but the man was getting 12 percent, which he used for facilitating payments. He ended his argument with, "Or would you like to go and sell the chemicals yourself?" Even so, we cut his commission and lost all of his business. The man went to work for another company, and it had a serious impact on the company. An interesting aside on the matter was that the employees of the German company, since we had to have a cutback, threatened to sue us because we followed American law instead of German law. As a result of that stupidity, they claimed that they were being forced out of work. I'm not quite sure what I think about that. I know in various parts of the world, it's difficult to do anything without facilitating payments of some kind. The government recognizes that as well. Under the Foreign Corrupt Practices Act, it is clear that minor facilitating payments are allowed [even though the word "minor" is never defined]. For instance, if I'm in Indonesia and I need to get a phone installed in less than a year, I would have to make a facilitating payment. The government recognizes that and says it's all right. The Foreign Corrupt Practices Act was mainly designed to prevent payments from reaching government officials.

That whole area is quite a mess. Diamalt also had a French subsidiary that sold into the same area in Africa. It's illegal to make such payments in France. They had some of the same customers we did and were not making payments. Pay-offs were a very big problem, but we still bought Diamalt because they made natural chemicals from human hair, seaweed, and guar. They also had a material called Cassia, which was a plant in India. Those materials were used to make thickeners. Diamalt's basic business was making thickeners for the food, drug, pharmaceutical, and textile industries. They were the largest supplier of thickeners to the textile industry. To make very fine quality fabrics, the distribution of dyes must be carefully controlled by the thickness of the fluid of the dye. Viscosity is simply adjusted by adding various amounts of thickeners. Therefore, Diamalt's customers were all at the very high-end houses and manufactured complicated fabrics. As a matter of fact, Sorgenti Investment Partners is currently bidding on a company that's a division of Kelco. Kelco was bought by Monsanto and makes alginates, which come from seaweed and are thickeners for food products. Freedom Chemical had that same business. I bought it because I thought that in the new millennium, natural chemicals would have greater potential than petrochemicals. Diamalt also made products called L-Cysteine and L-Cystine, which was a protein extracted from human hair. The plant was located near Dachau, and every time I drove down Dachaustrasse to get to the plant, I'd picture all these people in the concentration camp with shaved heads. It was ironic that at the plant, we were making these chemicals from human hair.

I found out that the best place to extract the chemicals and proteins from human hair is in the Orient. That wonderful shine you see in Oriental hair [Japanese, Chinese, or Indian] comes from the fact that they have about 50 percent more protein in their hair than Caucasians do. That's why Freedom Chemical built a plant in India to do the hair extraction. The Indians would go to shrines and have their hair cut. Then people who ran the shrines would sell the hair to the people who needed to get chemicals out of it. The same thing happened in China. L-

Cysteine and L-Cystine is widely used in medicines, such as cough syrups, primarily in Europe. The protein is now finding its way into vitamin supplements and cancer fighting drugs. L-Cysteine is the most powerful known antioxidant, and it's a natural material. People can go down to General Nutrition and buy a box of L-Cysteine tablets. I think it's going to play a very important role in food and drugs in the future.

THACKRAY: We're becoming cannibals! [laughter]

SORGENTI: Right. [laughter] I thought the product was fascinating, and I am sure it will expand. It's not used much at the moment, but L-Cysteine and L-Cystine do have an effect. Antioxidants have been shown to be significant in reducing cancer and heart disease. Freedom Chemical bought a small company in Conshohocken, Philadelphia called Riley Whiteman at the same time that it bought Diamalt. The company had been in business for one hundred years, and the plant looked like it too. There had been no work done on it in a long time. It sat right on the Schuylkill River, and occasionally, the river would rise and wash right through the plant – it literally was right down there, on the river. Freedom Chemical decided to shut the plant down and move production to our plant in Charlotte.

THACKRAY: So what were you really buying then, customers or staff?

SORGENTI: Freedom Chemical was buying both customers and a product line. That put us in a place where we had five acquisitions and a company with two hundred fifty million dollars in sales, but it was highly leveraged. In a period where there were modest downturns, the company was very difficult to operate. Looking back, I feel that not doing a public offering was probably a mistake. The company continued to grow [though not as rapidly], and we didn't make the improvements as quickly as we expected. There were more to make than anyone anticipated; I guess that's always the case.

In 1996, our investors Joseph Littlejohn & Levy decided that they wanted to sell the company and not go public. In order to realize any gains they had made, they wanted to start to package the company for sale. One way to start packaging was to cut the overhead costs. Both Rullo and I were still working at Freedom Chemical, but we weren't going to make any more acquisitions. Basically JLL executives said to us, "One of you guys ought to leave the payroll because the company isn't expanding anymore. We're going to continue operating this way, without change, and there will be no more acquisitions. Since only one of you is needed to continue operating the company this way and we're paying you four or five hundred thousand dollars a year, someone needs to leave the company." I want to point out that when we started with JLL, Rullo and I each only earned the seventy-five thousand dollars that we were drawing per year. I gave my portion to Fred; he needed it. I didn't need the salary because I had my retirement money to help fund my living. Eventually, our paychecks increased to, I think, one hundred twenty-five thousand dollars each, and Fred wound up taking one hundred seventy-five thousand, while I took seventy-five thousand dollars. Finally, our incomes equalized, and Fred paid me back all of the difference.

I told that story just to illustrate how hard it was. No one was coming in and just handing us lots of money. After Freedom Chemical Company became successful [it was up around three hundred million dollars in sales], Rullo and I each earned four hundred thousand dollars a year. That was when JLL made the decision to sell it. Initially, they wanted me to stay and Fred to leave. They thought that I might be able to do a better job selling the company. In time, they decided that Fred ought to stay, and I should go. I still remained on the board, obviously, to watch my investment.

THACKRAY: How was the investment end of it setup?

SORGENTI: Rullo and I negotiated with JLL to make the investment side-by-side with them, which turned out to be a very good deal. Investment houses and funds like JLL are driven by returns, so they make their money when the returns on the money from the pension funds are at a certain level. Most of them get 20 percent of the profit and a 1 or 2 percent management fee. For instance, if they invest a billion dollars, they would get probably a 20 percent carried interest once they achieve a certain return, but they take 1 percent or 2 percent as a management fee. It took a while for me to understand that. The way it usually works is all the money they're taking as management fees gets paid out of any investor profits before the profit split occurs. Then, the investors get a return, usually 10 to 11 percent, before anybody gets anything. The money that's there beyond that gets split, probably 80 to 20 percent. Rullo and I had a similar deal with JLL. It was structured slightly different.

THACKRAY: The split was 80 to 20 percent between what parties?

SORGENTI: Joseph Littlejohn & Levy ran the basic fund for various pension funds. The Freedom Chemical Group inserted itself into that category. None of the investment banks or funds had operating management, so they would need management in the company or people like the Freedom Group. That was why they paid our expenses and salaries, and we managed the Freedom Chemical Company. For that role, the Freedom Group got 20 percent of any profits and the management below us got 5 percent. We also bought 3 percent of the equity, side-by-side with the fund. All together, the management group had about 28 percent of the company; the people who Joseph Littlejohn & Levy were representing had 72 percent [part of that 72 percent went to Joseph Littlejohn & Levy]. To ensure a minimum return, 85 percent of the money was put in as a preferred stock with a dividend of 11 percent; 15 percent was put in as equity, as common stock; people usually put 25 percent in as equity. We had spent about a hundred seventy-five million dollars and should have put forty-five to fifty million dollars as equity, but JLL had put in less. Only thirty-five thousand dollars was equity, and we were stretched to the limit financially. The reason JLL wanted to minimize the equity was to get a higher return. The ultimate return is achieved by putting no equity in [they did that in the last two transactions]. Profit split is a function of the returns achieved.

I was explaining this to a young investment banker the other day. She wanted to put very little equity into the deal. I said to her, "Let's go to the ultimate. Let's do it with just a dollar from you and a dollar from me, and our returns will be infinite; if we make anything at all!" So we were down to the point where JLL wanted to sell. The banks were not happy because Freedom Chemical was just on the ragged edge of meeting the ratios in our loan agreements. As a matter of fact, we went into default on our loan agreements at one point. It wasn't serious though; all payments were made, but the ratios were off. Our friends in New York were having problems with Joseph Littlejohn & Levy. JLL is a small partnership with four partners, and Yvonne Marsh was one of them. She got in a disagreement with the other partners, so they asked her to leave. It was a very contentious move for them, and it also affected Freedom Chemical because she was our contact partner. Afterwards, the other two partners left, and only the senior partner now remains. There's a fair amount of turmoil at the firm.

JLL then decided that they wanted to refinance the company. They planned to make a high-yield offering and infuse additional equity into the company. The high yield offering would be done to replace the bank debt because in a high yield bond issue, you just pay interest charges and not principal charges. That would free up money to do other things. However, JLL had just made the decision to sell. It was only the senior partner who didn't know whether he wanted to sell or stay. They were asking for a very high price for the company and they hadn't got any offers that were even close to what they wanted. I had offered to buy the company at a certain price, and they said it was too low. JLL had high aspirations that weren't being fulfilled, and they were torn between staying and letting the earnings improve or getting out. They decided to do the high-yield offering. The interesting part is that they wanted to infuse ten million of equity into the venture. How they did that was critical to the management investors. I explained that we had 85 percent preferred stock and 15 percent common, so at a board meeting, I said, "If you really think we need the equity at this point, that's okay. I presume we're going to put it in at 85 preferred and 15 common." The answer was, "We haven't decided that yet." I said, "All right. The contract calls for hiring an investment banker for an appraisal." They said, "Yes, we've hired an investment banker." I said, "Fine. When will we get his report so we know what the company's worth? That's going to be the price that we offer the stock at." They told me, "At the next board meeting."

My Freedom Chemical group showed up at the next board meeting, and we found out that the investment banker has been fired. JLL had made their own evaluation of the company and wanted to put 100 percent of the money into common stock. It was a favorite technique of those people; get the management to work for you for five years and then take their money. [laughter] I said, "Let me understand this. We've put thirty-five million dollars into the company; 85 percent is in preferred stock. We currently have about five million dollars in common stock, and you want to put ten million dollars more into common stock. I think I just lost two-thirds of my ownership." They said, "You can invest side-by-side with us." I said, "I don't have any problem with that if we have a realistic price for the stock. I don't have any problem if we put it in the same ratio we've always put it in, 85 to 15 percent. Freedom Chemical just gave options to its management at two hundred fifty dollars per share, and you want to put your money in at a hundred dollars a share. I think you're trying to steal two-thirds of the management's share of the company." Meanwhile, they were out in a high-yield market, and the people in a high yield would buy those bonds; JLL immediately picked that up. They said, "Well, is management going to be happy about this?" The answer to that was, "No, the management's not going to be happy about it."

By that point, I had already left the company and started Sorgenti Investment Partners, so I said to them, "Maybe we should clarify where we are. You may think that I fell off a turnip truck, and I'm a rube; a farmer. But the turnip truck was in Brooklyn!" [laughter] I said, "Just to make myself perfectly clear, you either accommodate the management so they come out owning 28 percent of the common stock of this company, or I will sue you, stop the bond offering, and destroy the company. I would rather lose the three million dollars I have invested rather than let you steal it from me." "What are you getting excited about?" they asked. I said, "I'm not excited. It's just a simple principle. You try to steal my money; you're going to war. If you think I'm kidding, ask your lawyers at Skadden and Arps to call my lawyers in Philadelphia and find out whether we're ready to file a lawsuit tomorrow morning at the New York State court to stop you. I don't care whether I destroy the company and lose my money; you'll never steal it from me." The JLL partners responded, "We have to work this out some way." I said, "Yes, that's fine. We will. We can. But don't think you can steal my money or the management's money because I won't let you."

We did work it out. JLL made loans available to the management, so that everyone's share stayed constant. Then, we hired a new investment banker, J. P. Morgan, who seemed to understand the value of the company. They were excellent. They went out and got twenty-six bids for the company. They had bids for individual pieces [we still had it set up in individual companies] and for the complete company. For the company in its entirety, the bids were in the three hundred and seventy million-dollar range. For individual pieces, bids added to over four hundred million dollars. Our partners didn't want to take the risk of being left with any pieces, so they accepted B. F. Goodrich's bid for three hundred seventy-two million dollars. Keep in mind, we had paid one hundred seventy-five million dollars.

Considering that we had forty-five million dollars of equity and the last ten million was just in for a year, everybody who invested made four dollars per dollar. We got our carried interest, and the management group made close to forty million dollars that was split amongst them. Everything worked out well, and everyone made a lot of money. We still say to each other today, "All's well that ends well." When there's a dollar to split, people better be well prepared or they'll wind up with crumbs. I had my open-heart surgery during the final settlements, and I was being represented by Joe [Joseph] Jacovini of Dilworth, Paxon, Kalish, and Kaufman. We had a settlement sheet dividing up the final money, and I said to Joe, "Here are my instructions. You go to New York, and you see that I get the amount this sheet says I get. Don't sign anything until I get exactly that amount. I'm not interested in any adjustments."

Sure enough, when Jacovini went in, JLL uncovered some additional costs, and now, several million dollars more had to be taken off the amount of money. Joe said, "I'm sorry. I'm under the instructions that there is a certain amount of money I have to bring home, and Harold and I will not sign anything until we get that money." Right down to the bitter end, they tried to take as much as they could.

Not everyone does business that way. The people that Freedom Chemical was dealing with did, and it was considered to be fair game. Of course, that's not the way I have ever done business, so it was a rude awakening for me. I have never seen that kind of behavior, and I learned a lot and made a lot of money. Over the six year period that we were involved, I learned a lot of different things about how to run a business when short on cash. I discovered that a great many things are different when running a small corporation compared to something like ARCO Chemical. There were periods of time in that business when cash was so short we had to release checks one at a time on Friday afternoon. It was a very useful and valuable experience, and I hope to apply much of what I learned to Sorgenti Investment Partners.

THACKRAY: Let me just ask you a couple of things, Hal. Take something like Hilton Davis, the people in that plant and operation are bought and sold. Isn't that very destructive to their morale?

SORGENTI: It is. It's a very demoralizing experience. Employees begin to feel that no one cares about them and that they don't have any say in what goes on in the company. It is a big problem in American industry today. Sooner or later, it will come home to roost, and I've spoken a bit about that in previous comments. Employees are not considered to be stakeholders. I believe people who recognize and understand that will change it. They will then get super-productivity out of their employees rather than an attitude that says, "Nobody really cares about me." It's hard to maintain morale in a situation where people are bought and sold. They feel like they're being treated the same way as cattle, and in many cases, they are. Sometimes, management doesn't care at all about what happens to them. In ARCO Chemical [which just sold for seven billion dollars], for instance, I was concerned about certain things that were happening in terms of benefits for myself and for others. I called and asked the head of human resources, "Who is protecting the employees' interests? Who cares about what happens to the employees?" He said, "You know the answer to that." "What is the answer?" I asked. "No one," he replied.

That's not true for many companies; I'd say that most of them care. For nearly all businesses that are sold, the seller insists that his employees' benefits be at least as good, if not better, as when he owned the company. Still, there are times when workers' benefits are not specified in contracts, so companies come in and feel they have the right to reduce costs by decreasing the benefits to staff. When Freedom Chemical was sold, we insisted that benefits be maintained, and when we bought Freedom Textile from Cyanamid, the benefits we put in were actually better than Cyanamid's.

You are absolutely right, Arnold. It has a tremendous negative impact. A considerable period of time is needed to regenerate morale, dedication, and loyalty after buying out a company. Is there any loyalty today in business? It used to be that people started with a company and stayed there, had a career there. If a person worked somewhere, his father probably worked there before him. Today, none of that's true. When people come to work for a company, they don't really expect to stay. They feel no obligation, no loyalty. That's all part of the disorder that's created.

THACKRAY: Is employee stock ownership a typical tool in that business?

SORGENTI: I think ultimately it could be. As I said before, the sad part is that the people who represent the investments of the employees themselves are driving the turmoil. I mean, who are those investors demanding returns? They are the pension fund's investors. Who do they represent? You know what I'm saying. The European system is different. The employees are much more stakeholders in the European situation because the unions and the pension boards have a lot more to say about what happens in the company. However, things are not great in Europe from the standpoint of their competitiveness. I guess that making a highly competitive enterprise in a global economy is the best protection that you can give people. Now, if you can do that in as humane a way as possible, then it's a good thing. The question is how to manage a company in a way that takes employees into consideration but still creates a highly efficient company?

There has been a lot of dialogue, over the years, about the obligations of management. I've given talks on the subject, and there was a recent announcement in *Chemical Processing* about some of the comments I had made in that area. Ernie [Earnest W.] Deavenport [Jr.] was singled out as saying that he needed to cut a considerable amount of his work force, but that he was committed to doing it through natural attrition and early retirements. Companies can easily follow Deavenport's lead if they try to balance the equation. Sensitivity and creativity are necessary to do that effectively. Managers need to take the time to consider their other options before laying-off employees.

When a company is going through a down period, managers could have everyone reduce their hours by a certain amount instead of just letting people go. Another tactic used during hiring periods is to never hire the full complement of applicants as full-time staff, but to hire some portion of the people as contract employees. Many argue that companies hire contractors only to save money, but really, they are stabilizing the work force so as not to have to lay off people when bad times come.

Management has an obligation to supply a stable, safe, and challenging work environment for their employees. Is what I'm saying ingrained in management? Do they consider that? Is it an important part of management thought and consideration? The answer to those questions is: in a few special companies, yes, but not very many.

THACKRAY: Let me ask you another question. If you look at the chemical process industries, how many people are out there doing the sort of thing you were doing with Freedom Chemical, such as working with the investor group having the special expertise?

SORGENTI: There are a handful of people. Of course, Gordon Cain and Jon Huntsman have built great dynasties. As I've said before, Gordon built his business when times were different. George Harris was very successful, along with a group of two or three fellows from Exxon. A senior executive out of Morton Thiokol [Inc.] started a group called The Sovereign Group. In total, there are less than ten people.

THACKRAY: Do you guys ever run across each other?

SORGENTI: Yes, we run across each other. Cy Baldwin did a wonderful job building up the Cambrex Corporation. I think he is the ultimate example of success because he has employee involvement and makes managerial decisions. The conclusion I've come to is, when working for the LBO [leverage buyout] people, a company should probably go public early. That way, the management maintains some control because when the leverage-buyout people want to get out, they can't do it without selling the company as a whole. If a company waits until it's too late; let's say their absolute drop-dead date is seven years, and the company didn't consider going public until the sixth year; the LBO people won't agree to go public because they want to get out within the year. That's an important lesson that I learned the hard way with the Freedom Chemical Company. If we had taken Freedom public, we would still be there, and the investors would be gone. Management would have had 25 percent of the company, and we would have run it in a way where the employees were an integral part of it.

THACKRAY: Then you could have grown.

SORGENTI: Yes.

THACKRAY: When you say the investors wanted to get out, why was seven years the magic number?

SORGENTI: Well, seven years is a very long time. Most of them have a maximum five-year horizon and a preference for three. See, investors are driven by returns. If I came to you, Arnold, with the head of the State of Florida Pension Fund and said, "Give me one hundred million dollars, and I'll give it back to you with a 30 percent return," I would owe you an enormous amount of money at the end of a seven year period. It's the kind of thing that can't possibly be accomplished. To get a 30 percent return in five years on one hundred million dollars, I would have to make four hundred million dollars. Time is a deadly enemy of return, so investors are driven to put the minimum amount of equity in [which maximizes return] and achieve absolute and total withdrawal as quickly as possible.

THACKRAY: So investors are depending on creative, entrepreneurial energy and small groups to deliver that return?

SORGENTI: Yes. I'm saying if a company goes public at the end of five years, it can't sell your stock. The shareholders can't sell any stock, so they can't make any investments. No one will buy the company if they want to bail out. The shareholders are then restricted for six, twelve, or even eighteen months [twelve, I think] before they can sell something. When they finally are able to sell, they most likely will only sell 20 percent. Going public made it into a long process and gave investors less than full sale returns. When the Freedom Chemical group negotiated with our investors, we asked, "What does it mean? How do you calculate your return?" If you just think about it for a minute, what does it mean? When we go public, there's a value established for our shares. Is that when the return is calculated? Some people would respond, "Hell, no! When I sell my last share is when we calculate the return and your split." Unethical people will sell everything if a person lets his contract be based on the investor's return only after selling their full ownership. Except for a small percentage, he'll never get anything for his troubles.

There are other people that say, "It's reasonable. We'll calculate the returns when we go public, even though we can't dispose of the stock." Some would argue, "Suppose over the next three years the stock goes down. They've taken the money." It's not a simple thing to figure out. All our negotiations are different. Most investors would say, "When I've got out, you'll get your money and not before." Many times that leads you to a sale of 100 percent of the enterprise rather than going public. The best alternative for a leverage investor is a sale of the enterprise, not a public offering, because he gets out completely when it's sold.

THACKRAY: But that's against your interest in terms of what you personally want to do.

SORGENTI: Against what I want to accomplish. Yes.

THACKRAY: This time around, you're much more knowledgeable about that territory. Also, you're bringing a bigger nut to the table and, therefore, more voice.

SORGENTI: More voice, and the understanding that I'm going to try to go public as quickly as we can.

THACKRAY: Should we move on to other territory then? Can we talk about your philanthropic work in the Philadelphia region?

[END OF TAPE, SIDE 2]

SORGENTI: Yes. One thing that gave me great pleasure was my role in saving the OIC [Opportunities Industrial Center], which has become a worldwide organization in Africa and elsewhere. It was going under financially and was in very bad shape. Reverend [Leon] Sullivan came to see me to ask for my help. He's a huge bear of a man. When I first met him, he said, "We're going under, and we need somebody to help us." I said, "Well, Reverend, define the problem for me." He told me, "We owe a million dollars, and we can't raise it. We need money." I said, "I've always admired what you're doing; I think it's important. I'll raise the money for you." But I warned him, "You've got to agree, Reverend, that you're not running a church. If you're going to run this program, you've got to run it in a business-like manner. If you commit to that, I'll go out and raise a million dollars." ARCO stepped forward for two hundred fifty thousand dollars. Once we raised the rest of the money, a young man from my organization, Jim [James] Tarlton, went in as chairman of the OIC and helped them get straightened out. Jim and I just had a breakfast the other day. He said that the OIC is having problems again and needs to raise money. The old buildings are falling apart. Jim asked me, "How do we revitalize it?" I said, "Why don't you bring Reverend Sullivan in? Invite a bunch of people to come and he'll draw them in. Then, tell the people what you need and what to do." Reverend Sullivan came to the breakfast meeting, and halfway through, it was like a revival. He got up there, and he spoke; he still has that magnetic appeal. John [F.] Street came in. Apparently, he went through the OIC program, and then Sullivan said something I found to be very interesting. He said, "When we started the program, we were teaching people how to run lathes. Everyone was critical because there weren't too many jobs in Philadelphia for machinists, but they missed the whole message. What we do is change attitudes. We take people who believe they can accomplish nothing in life and teach them pride, dependability, and trustworthiness. The rest comes afterwards. OIC's main objective is to change attitudes."

I have a funny story to tell about him. Reverend Sullivan invited me to a meeting one time in City Hall. I got over there, and I was the only white person. The room was filled with hundreds of Black people, all unemployed. Sullivan got up to the podium, just a little podium in the front of the room, and stood up. He then took off his glasses, threw them across the room, and hollered, "I am angry!" The entire room yelled back, "He's angry!" He hollered again, even louder, "I'm angry!" "He's angry!!" the room screamed, and the sequence was repeated over and over again. I was just sitting there, fidgeting uncomfortably in my chair. The Black man next to me hit me on the side and said, "Brother, when he hollers, 'I'm angry,' you holler, 'He's angry,' and you'll fit right in!" [laughter] And I did. While I was sitting there, I have to admit I was thinking "how the hell am I going to get out of this room when I'm surrounded by three or four hundred unemployed people that Reverend Sullivan's whipping up into fervor about being angry?" Then Reverend Sullivan went on to say he was angry because, "When a Black man shoots a Black man, it's in the press. Where is the press today, when we're here, Black men helping Black men with our good friend over here, Hal Sorgenti?" [laughter]

The meeting was like a revival. As I was leaving, somebody put their hand on my shoulder, a big, strapping, young Black man, and said to me, "Brother, I just want to thank you for pitching in and helping us." That was a great experience, and I've maintained my friendship with Dr. Sullivan and with the organization for over twenty years. I feel good about that. OIC is a worldwide movement now. Of course, Reverend Sullivan has done other great things like the "Sullivan Principles" in South Africa. Basically, the most important thing I did for the organization was to tell Dr. Sullivan, "Look, you can't afford to let this fail. This is where it started, and if you fail in Philadelphia, you will fail everywhere." Together, we were able to use the money that we raised and bring in some professional management.

As I look back on my involvement in the community, I remember the work I did with the OIC, initiatives in education, and helping the homeless. I like to do the things that other people wouldn't do. [Former Philadelphia Mayor] Bill [William J.] Green [III] asked me to chair the summer jobs program. They wanted to provide twenty thousand jobs for young people and obtain commitments to do that. The program was started to keep kids off the street and show them what it's like to work in a business. I took on that challenge when nobody else would take it, and it turned out to be very successful. [President Ronald Wilson] Reagan invited me to the White House because of the success of the program. First, I think it was [President] Jimmy [James Earl] Carter, and then after that, Reagan; I went down to see both of them. I also ran that program for Bill Green and [Former Philadelphia Mayor] [W.] Wilson Goode. When I went to the White House, I found Carter to be considerably more genuine than Reagan. He knew why we were there and thanked us for our work. I had a chance to shake his hand and have a picture taken, which is outside on the shelf in my office. It was tough getting people to agree to hire and to help train the young people participating in the summer jobs program, but I think we accomplished something. I tried to work with programs that no one else wanted to take up and that would make a difference. I mean, they can get a lot of people to be on the Philadelphia Orchestra board. I'm on that, too, but they can replace me in five seconds. They can't, however, get somebody who will accept the challenge of trying to place twenty thousand kids in the summertime. I see a lot of my colleagues sprinkled around in various organizations, and it makes me feel good. That's one of the things I tried to do; set an example that encouraged people to participate in various efforts that help others less fortunate than themselves.

I've been on the Philadelphia Orchestra board for twenty years, and I enjoyed seeing a lot of change there. I enjoy classical music. I'm also president of the Academy of Music and absolutely love it. The architecture of the building is so beautiful. That and the Pennsylvania Academy of Fine Arts [PAFA] building are two of the finest buildings in Philadelphia. The Academy of Fine Arts was designed by Frank Furness. Recently, we won an award from the Victorian Society of America and completed a thirty-one million-dollar fund-raising campaign for the restoration of the Academy of Music. I think it is one of the finest historical renovations that have been carried out in this country. It's absolutely amazing what they had to do. The building was built with thirty-two-inch wide brick walls, straight up, without foundations. It had an interesting heating system. [laughter] The furnace tubes in the basement and stacks go up through the building where, by convection, the heat goes through the building. When we restored the Academy of Music, we left the walls in. The vents now open all the way up so everyone can see the way it's heated. Unfortunately, we over-spent the thirty-one million dollars, but I think we have the ability to raise the remaining funds required. That says something about the city; it's a whole other thrust. A lot of people say, "Philadelphians aren't generous," but that's not true. They are generous when they feel something will be accomplished by their donation.

Walter Annenberg contributed ten million dollars toward the construction, and Pew [Charitable Trusts] gave seven and a half million dollars. Other than those two large gifts, the Academy of Music didn't raise much more money. When I took over as chairman and went out to raise funds, I got a very good response from a lot of people. I think that because of my background and reputation, people trusted that I could deliver on the project. The same thing is true with Willard Rouse and the new concert hall. It had been stalled in the quagmire for years and is finally moving forward. Why? People believe that Willard Rouse will get it done, just like he did Liberty Place and changed the whole atmosphere downtown.

I found that there's a lot of money in Philadelphia, especially new money. There are many projects that have to be done in Philadelphia, and to get them started, both old and new money can easily be accessed if they believe something will be accomplished. I always said there are three societies in Philadelphia. First, there's the Philadelphia society, in to which people have to be born. They have the Assembly Ball every December, and only the four hundred first families are invited. I have never been on that list and don't expect I ever will be. Second, there's a kind of a business society made up of people who run corporations. They all socialize together, relate together, and participate in the community; they make things happen. Lastly, Philadelphia has an entrepreneurial society, which is another group of very wealthy people that have made a lot of money and are kind of a society unto themselves. If the three groups are combined together in one endeavor, almost anything can be accomplished. That's one of the things I've always understood. I've always tried to be a bridge between those three because I can move in any of them. I like to think of myself as being able to bridge the diverse interests and bring them forward, and that's what I think we've done at the Academy of Music. We did that at the Academy of Fine Arts and ran a fifteen million-dollar program there.

Those are the things that I've been involved in. Ann's participated in others areas too. She has been on the Franklin Institute Board for many years and was chairman for some period of time. She's been rather deeply involved in that institution and a number of others as well. We've both been very active in the community and enjoyed every minute of it.

THACKRAY: Hal, you haven't actually talked at all about Ann, not even how you two met. [laughter] Maybe we'll talk about it in another session.

SORGENTI: Yes. That would be fine.

There were two other things I can still mention here about the chemical and political areas. One concerns Bill Bradley. When he was in the Senate, we approached him about Superfund tax legislation. I had no relationship with him, other than the fact that I, at one time, got about thirty executives together to meet him in Philadelphia because he wanted to expose himself to business people. He wanted to show them that not all Democrats were the same – that there were thinking Democrats who cared about people and were conservative financially. Anyway, we went to see Bill and sent him the Yale management study that ARCO Chemical had commissioned to study the Superfund tax structure with the least impact on the economy. During the visit, I said that I'd like him to introduce legislation that mirrored the Yale management study. He said that if the people from Yale and our people could convince his staff that that was the right direction, he would be happy to do it. We did, and he later introduced the legislation. Some people called it the "ARCO Bill," but the Superfund legislation was modeled somewhat after the Bradley Bill with modifications that were later introduced. It turned out to be a very fine bill for the Senate and for the industry. I just sent out a letter to the chemical industry executives, urging them to support Bill's campaign for the presidency, and reminded them that he was open to hearing what we had to say many years ago when he was a Senator. He saved the industry hundreds of millions of dollars, and it would be nice to have a thinking, intelligent man with high integrity in the White House. I can show you the letter. It just went out yesterday. We're having a dinner for him on 30 June 1999.

That was another area where I felt I had made a contribution. My final undertaking was with the Chemical Industry Institute of Toxicology, CIIT. It was floundering badly, and people were not living up to the support they had promised. I worked with Dick Fleming, who formerly had been with Air Products. Together, we went out and got many additional companies to join in and help support the organization. I thought that was a valuable adjunct to the work that needed to be done in the chemical industry. Today, there's even more work that must be done on studies related to human health and chemicals, and they have to be researched by people of unquestioned scientific integrity. Dick and I helped build support for CIIT, and I think it served its purpose quite well. It is recognized as a quality source of data and research information.

I was always active in the CMA organization right up to my retirement from ARCO. I would join again if I had a U.S. company that was operating because I think it's important to be able to understand the direction, the ideas, and the problems that the industry faces. Furthermore, people establish relationships in that organization because there are only forty to sixty people involved that are very important at the board meetings, and there are two board meetings a year with wives. Everyone can socialize with each other in a non-competitive business environment. I look very fondly on the years I spent there. Ann and I made a great many friends at CMA, and many of them will continue to be our friends for years to come. As I said, I would go back and join CMA, even though it's become more expensive today. It's hard for a little company to afford it. The organization needs to learn how to work with smaller companies because the industry certainly has. Every large company in the industry does an outstanding job in taking care of the environment and providing safety for its employees, et cetera, but there are literally thousands of smaller companies. That's one of the great challenges that CMA has to overcome.

THACKRAY: There are many outside that pale.

SORGENTI: Yes. There are other organizations like the Society of Organic Chemical Manufacturers, SOCMA, for instance. We had many discussions about how one approaches those people, and those talks are continuing today. It is an important area for the future. The smaller companies can't afford the dues to CMA, and they can't afford to handle the paperwork that comes out of CMA. They just don't have the staff to go through all that stuff. I still believe there's a challenge there in how to include the industry without overwhelming the smaller companies.

THACKRAY: You referred to the social aspect and the utility of that. Are there any other organizations that play that role as well? Where else would you go with Ann?

SORGENTI: The SCI [Society of Chemical Industry] in Europe is very much like the CMA. There's a meeting once a year for two or three days. It's very good for the same reasons. People develop relationships where both husbands and wives are involved, so it's a lot more personal rather than business oriented. That whole subject is interesting. We had a farewell party just the other night for Morris Gelb, who's going down to run whatever's left of the ARCO Chemical Company in Houston. His wife was reminiscing that the first time she met me was at a dinner in Barcelona, where Ann was with me. Ralph Landau, a friend of mine, ran a small, highly effective, competitive company with a demanding set of standards. The one thing Ralph told me was, "It doesn't cost you very much to, once or twice a year, say to key people that you're asking to work seventy hours or more a week, 'There's an interesting meeting,' or 'I'm going to a meeting in Paris. Why don't you and your wife go with me?' When you add up the cost, maybe it would set you back twenty-five or fifty thousand dollars a year extra, but you'd gain a tremendous amount of benefit because the women feel involved, they would understand the demands on their husbands. Thus, your employees would be happier." We always invited our staff at Oxirane, where Ralph was 50 percent partner, and I did that at ARCO Chemical as well. Including the spouses was very important to us. In those days, I can tell you, there were no male spouses [laughter], only female spouses. I traveled frequently with my senior executives and their wives, and we entertained various people together as we traveled around the world. We tried to create an environment where the people knew each other socially as well as professionally. I think that's an important element of creating an environment conducive to hard work and discussion. I think the CMA function is better as a result. There aren't too many organizations to do it. I've never been a member of the Organic Chemical Manufacturers Association, so I don't know if they have meetings where wives are invited.

THACKRAY: Which group?

SORGENTI: Not Chemical Manufacturers, but the National Association of Manufacturers or the Business Roundtable. I presume they do, but I don't know for sure.

THACKRAY: Now, you just mentioned the SCI. That's a very anomalous group in some ways.

SORGENTI: Well, no one's really tried to do anything with it. It's a great story. I think there are only two people who've ever tried to do anything with it: Ralph Landau [former chairman] and myself. Ralph decided that he would not only have a dinner to present the SCI awards, but he would also have two days of important papers. Ralph knew everyone in the business, and he was very close to the Germans. Gruenwald and Safelder were CEOs at Bayer [AG] and BASF, so he invited them to each deliver a paper. Ralph also invited Irv [Irving] Shapiro, the CEO at Dupont, and the head of ICI, Maurice Hodson. This story goes back many years. They had to present those papers in a seminar, and the first day of the meeting was held on Yom Kippur, at the end of September. On that first day, the presenters were all on a panel as well as delivering their papers, but Shapiro didn't show up. The next day Shapiro came to deliver his address and said, "Ladies and gentlemen and my peers on the panel, I must apologize for not being here yesterday. I have read your remarks, so I am prepared to enter into the discussion. I had a choice to make: being here with you or being with my God. Yesterday was the holiest day of the year for us Jews, Yom Kippur. I can tell you how much I respect you all, but you pale into insignificance when I compare you to my God! So, I apologize." I thought it was quite wonderful because, first of all, there weren't too many Jews in the chemical industry at that high level. Secondly, I think Ralph demonstrated his insensitivity when he scheduled the dates of the meeting. Actually, I tell that story because it was a good idea in terms of linking the dinner and a seminar.

THACKRAY: But it didn't continue?

SORGENTI: No one else continued it because of the amount of work needed to put the seminars together. I did it differently. I had a dialogue session among the attending CEOs, prior to dinner, on a suggested subject. I did that twice, actually. Depending upon whom you get to make the opening statement, there is either a very good dialogue or the opposite. There is an opportunity to bring the top people of the industry and do something constructive with them, but the people bringing them together have to be willing to put in the work necessary to plan. Subjects for discussion must be planned and made provocative enough to cause disagreement around the table and bring out different points of view. I like that approach because it doesn't involve many other people. We used to have an approach in ARCO called "Operation Dialogue," where we engaged our protagonists in dialogue, whether it was the Friends of the

Earth, or other people from National Wildlife [Foundation]. We always were willing to sit down at the table, select a subject, and express our points of view.

I like that process. Arnold, as a matter of fact, it may be something you can make into a kind of series at the Chemical Heritage [Foundation, CHF] because there is always something to be gained from these discussions. Most people only understand their own position and not the other side's. If they are willing to sit and listen carefully, they usually come out learning something. It reminds me of a session we had where I represented the Chemical Manufacturers Association at a meeting. I suggested that we bring together all the people active in banning lead and other environmental issues into a seminar at the Chemical Manufacturers fall meeting in New York City. Each group got up and talked about their particular reason for why there issue should be considered. I got up and said, "I understand much better what it is you want to do. I'm going to give you a set of statistics and tell you how much money the company has. I would like you to tell me how much we should spend on the asbestos removal, banning lead, and eliminating this or that. Let me start by telling you that there are probably a hundred people each year who suffer from brain damage because they've eaten lead paint off windowsills in their homes. Let me also tell you that there is one person a year who breathes asbestos in a school and winds up with cancer. However, there are a million women a year who have breast cancer and 25 percent of them die." I went on and on, and then said, "Now, I'd like each of you to take a few minutes and tell me how and why you'd like to divide up the one billion dollars we have to spend."

Most of the organizations said, "We've got to do them all!" [laughter] I said, "No, no, no, no. I made the rules. We only have one billion dollars, and we have to divide it. How would you propose we do that?" That thought had never occurred to them. I said, "Do you realize we spent three hundred billion dollars on asbestos removal and saved one life, whereas thousands of women are dying from breast cancer every day. Why do you come here and propose this foolishness when these poor women are dying by the thousands. You're taking their money." I mean, it was incredible. They all said, "Where did we get this nut?" [laughter] The point is that, again, it's the process of dialogue, point of view, and putting all the competing people in one room because some of those things are truly ridiculous. Intelligent people with an open mind usually come to the same conclusion. They may not say it or agree, but they understand it. This business of dialogue, proposing something as an alternative instead of just outright opposition, is an important concept and can only lead to good.

THACKRAY: You served on various corporate boards. How did you get into that, and what did you learn? What did you try to bring to the party? How did that work?

SORGENTI: Yes, over the years, I've served on a number of different boards. I've been on Provident Mutual Life Insurance Company's board for twenty years, and I was on the CoreStates Financial Corporation's board for fifteen years. I was one of the founders of O'Brien Energy Systems, which was a small, entrepreneurial company that was put together to exploit the move to cogeneration of electric power. Lastly, I'm on Crown Cork and Seal's board now. I went on each of them for a different reason. I first joined CoreStates Financial back in 1979 or 1980. Morey Dorrance was the head of it. I knew Morey through my community activity, and he asked me if I would consider joining his board. I did and enjoyed it for many years as the company went through changes. It eventually ceased to exist, after being acquired by First Union.

The same thing happened with the Provident Mutual Life Insurance Company. Jack Miller took over as CEO and was trying to revitalize their board. He asked if I would join, and I agreed to. O'Brien [Energy Systems] was different. Frank O'Brien wanted someone who could help him. I went on that board and brought Chuck [Charles] Andes and Alan Reed with me. I learned a lot there. Most of the people were self-made entrepreneurs. I watched Frank take that company, build it, and then lose it. He hit bankruptcy and lost everything. It changed his life dramatically. What I learned from that experience was to never bet the house on a business venture unless I was willing to lose it all. I learned when to quit. There's a time when a business goes bad. Frank had had the ability to get out whole, but it would have indicated that he lost. In the oil industry, people can drill down and spend a hundred million dollars, and they can continue to drill, continue to try, and continue to risk more money. When they conclude they have a dry hole, they just turn back and walk away. Walking away is very difficult to do, especially for the person that built the business. O'Brien's company was going into bankruptcy, but Frank wouldn't listen to anyone. He wanted to stick it out. He had built the company, and he controlled the shares. He was a very brilliant, entrepreneurial guy, but he eventually lost everything. The company was pretty well positioned and strong, so when it came out of bankruptcy, everybody got paid off. No one lost anything, and I think that's a positive. Personally, however, Frank lost everything.

I learned a lot by being on the different boards, each of them has been special and challenging. The insurance industry went through turmoil, companies had to consolidate and make new products, and the banking industry went through enormous mergers and acquisitions. Crown Cork is now in an industry that is experiencing a fair amount of turmoil. I joined the boards because seeing different industries in a different perspective always helps in understanding business in general. I didn't participate for the money but for the exposure to different industries, people, problems, and responses to the problems. I was interested in the ways predicaments were handled and sometimes solved; I hope that I contributed something as well. A good CEO always wants to surround himself with strong, qualified people that can help him as he tries to think through and address problems. Being at the top of a corporation is a lonely spot because, ultimately, the decisions, particularly the difficult ones, fall on the CEO. Having a group of people on a board that respect and talk with the CEO, but are not directly associated with the company, is extremely worthwhile; and having a good board is something everyone should do. Some company leaders really don't want the board involved and don't consult the board. They think it's an appendage, something superfluous. I've been on at least one board like that where a new CEO came in and really felt the board was more of an annoyance than a help.

THACKRAY: Looking at the Philadelphia region, you mentioned CoreStates. It's striking how the banking industry began in this town and it's no longer here. There has been sort of disappearance of the headquarters aspect of Philadelphia.

SORGENTI: In almost any business, either you grow or you die. CoreStates was doing a pretty good job at growing, but it needed to take a final step to put it into the big leagues, where it could remain independent. For various reasons, it couldn't get there and was subsequently acquired. Keeping a company alive depends very much on how effective its management and board are. We are currently faced with the same problem at Provident Mutual. The insurance industry is consolidating, and we're a relatively small player. The future requires a large amount of capital just to develop the systems necessary to run the company. The other day, at a board meeting, I said, "We need to have a strategic planning committee to decide where this company is going. The management has made certain proposals, and the board needs to spend time thinking about them." Many companies don't get their boards involved in the strategic planning or direction of the company. When Crown merged with CGIP [Compagnie Générale d'Industrie et de Participations], a French company, they had a huge block of Crown stock. They didn't ask to be in the management at all, but they asked for the formation of a strategic planning committee. The chairman of the CGIP group wanted to be chairman of the committee, which had six people on it. There was the chairman of CGIP, [Ernest Antoine] Seillière; his cousin, Felix Rohytan; on our side was Bill [William J.] Avery; myself; and Alan [W.] Rutherford, Crown's chairman and CEO. I found that extremely useful and worthwhile because of the dialogue we had about the future direction of the company.

An active and vocal board helps. Unfortunately, in my experience, most CEOs don't let the boards get involved in those issues. The question that should be asked is: "What does the board do, except to try and help the CEO with the overall direction of the company?" In many cases, the board helps keep the company alive. I'll give two examples, both related to CoreStates.

Morey Dorrance [a member of the Dorrance family, which controls Campbell Soup Company] had been involved with CoreStates since he was a young man and had been chairman for many years. One day Morey came in and said to the board that he fired the president and wanted to appoint a new CEO. Morey told us he was going to appoint a man named Terry Larson as CEO, and then retire. I listened carefully to his explanation as to why he'd fired the president. Then, I raised my hand and said, "Pardon me, Morey, but I'm really quite confused." He asked, "About what?" I said, "About why you think you have the authority to tell us who should be the next CEO. That's our job, not yours. You know, I couldn't possibly vote for this man."

[END OF TAPE, SIDE 3]

SORGENTI: One of the other directors, Peter Strawbridge, joined in and said, “Morey, Hal is right. After all, if there’s any job a board has, it’s to select the CEO.” Others on the board expressed the same opinion, so Morey said, “Larson’s standing outside, ready to come in after the vote.” I said, “Why don’t you do yourself, him, and us a favor and tell him to go away? Then let’s approach this the way we should.” Larson left, and the board had a considerable dialogue, individually and together. Finally, we decided to make Larson president for eighteen months, so we could get a look at him as chief operating officer before he was made the CEO. The point of the story was to show that selecting a CEO is a board’s most important duty.

The second example is an example when Larson had been meeting with the Bank of Boston about merging the two institutions. He called us together on a Thursday night. Investment advisors and representatives from a New York law firm were there to advise the board about the proposed merger of the Bank of Boston and CoreStates. Larson said, “I’m going to be CEO of the surviving bank, and the headquarters will be in Boston.” He went on to talk about his opinion of what a good thing the merger would be. I said, “I have a problem.” “What’s the problem?” he asked. “There are only two things to decide in a merger of equals: who the CEO is and where the headquarters is, and you’ve already decided them both. This is a hundred seventy-five-year-old bank, and we’ve inherited that heritage. I don’t give a damn who the CEO is, but I want the headquarters here,” I answered. Everyone suddenly woke up and discussed that until Larson said, “I need unanimous approval to proceed.” I told him, “You don’t have it. There are several things wrong with this process. We had a discussion at the board about mergers and acquisitions, and you never mentioned this. Secondly, I have no interest in consultants advising this board. I don’t believe a thing they said. This bank was in great trouble just three years ago, and now we’re being told it’s in wonderful shape. If that’s true, Terry, their CEO should continue to be the CEO because you haven’t straightened out the acquisition of First Pennsylvania yet. This doesn’t hang together for me. We’re not talking about a merger or the acquisition of some jerk-water bank in Bucks County. We’re talking about putting this bank out of business in Philadelphia. Now, you can tell me that Rosemary Greco is going to be the president of the Philadelphia region, but that’s nothing like having our headquarters here.”

One or two other directors joined in with me, but Terry still asked for unanimous approval to proceed.” I said, “I’ll tell you again, you can go forward with all but one vote because you’re not getting mine. You can’t come in here and just run over this board – the CEO doesn’t have the power to do that.” Then, Peter Strawbridge said, “Count my vote with Hal‘s” and so did Jack Miller. Terry asked, “What are we going to do then?” We compromised and let him do the due diligence and reconvened after our people had completed it. They went in, did the due diligence, and called us to cancel the next meeting. They found out that the bank wasn’t in very good shape—so much for our independent advisors!

Arnold, you asked me what role I play. I’ve always been interested in—whether it’s a board of a corporation or a board of a cultural organization or any other kind of organization—making those organizations open to people of all types and backgrounds. During a Provident Mutual board meeting, we were appointing a new CEO and one of the existing executives was being considered. One of the women board members said, “He’s not like us, and I don’t really think he ought to be chairman." I asked her what "not like us" meant, and she said, "I think you know what I mean." I said, "No, I don't know what you mean." She replied, "I think it's clear." I said, "No. You mean he's not a 38-long, white, Anglo-Saxon Protestant. If he were selected as a candidate on that basis, we probably wouldn't have to listen to your objections because you wouldn't be on this board. When that was the criteria, we didn't have women on boards either. Now, why don't we talk about what he's done? Has he done a brilliant job in marketing? Has he increased the profitability of the company? Can he run the company? I'm not interested in hearing 'he's not like us' because it's a meaningless criterion." I think, if there's anything I've done over the years [and it's caused great consternation to some people], it was to make the selection of people, both as executives and as board members, an open process. They are now selected on the basis of their ability and their accomplishments, not their backgrounds.

Service on a board is interesting and challenging. We're not there simply to support the management, we're there to represent the shareholders—we get paid for it. If you're dedicated, there's a lot of work to do, particularly in banks. A lot of people don't know about that part. For bank boards, the amount of material and the standard of knowledge that the Federal Deposit Insurance Company sets are at a very high level. A person on one of those boards is expected to work, participate, and recognize what his or her responsibility is. At Provident Mutual, we're tied up in court now on the transformation to a mutual holding company. Eventually we will go public. As I've already said and argued, the board's responsibility is to the policyholders. That's what a mutual company is. It is owned by the policyholders. One director, who's a lawyer, told me, "Your responsibility is to the company." I said, "I disagree with that. For me to vote for whatever we're doing, I have to be sure that the policyholder is adequately represented and gets his fair share of whatever happens." Sure enough, that's what the lawsuit is about.

All of those are important things. The nice part about being on commercial boards is, for the most part, you're working with people of substance. Everyone is bright, intelligent, and capable. That results in interesting dialogue and a lot of interplay.

THACKRAY: Crossing into a little bit more of the civic area, you've been on a number of non-profit boards: the Academy, the Orchestra. What are the similarities and the differences between them?

SORGENTI: Well, it's very interesting because I've lived in Philadelphia for a long time, from the late 1950s and 1960s, 1970s, 1980s. Philadelphia was a reasonably closed community. There were certain boards and things where the qualifications to join were based on background more than anything else. As a result, the boards were difficult to become a part of. I had the good fortune of being in charge of a large corporation that gave away a fair amount of money. People wanted me to be involved because they thought it would be beneficial for the organization from a financial support standpoint. Also, I was associated with a vanguard corporation like Atlantic Richfield. It was very progressive—an outstanding supporter of charitable and cultural organizations. The leaders of ARCO, Bob Anderson and Thornton Bradshaw, were very well respected. I mentioned that because I became associated with the Pennsylvania Academy due to a friendship between Bob Anderson and Henry McNeil. Bob was very interested in historic preservation and was on the board of the National Historic Preservation Corporation with Henry McNeil. Bob said to Henry one day, "I want you to meet our man in Philadelphia, Hal Sorgenti. He's interested in historic preservation as well and has restored some houses in the city. I think you would enjoy meeting him, Henry."

Later on, I got a call from Henry McNeil's office, and we had lunch at the Philadelphia Club. I'd never been there before and had a very nice time. There was a very intelligent man named Charles [H.] Woodward at the lunch. The Woodward family owned half of Chestnut Hill, and of course, the Woodmere Art Museum was established by them. Mrs. Woodward recently put a fair amount of money in to Happy Fernandez's campaign and, before that, Peter Hern's; both were candidates for mayor of Philadelphia. At the lunch, we talked about historic preservation and the fact that I was then engaged in some historic renovations of my own. Henry said he was chair of the board at the Pennsylvania Academy and that it was a beautiful, old historic building. He told me that I might find it interesting to join that board. I was accepted into that very prestigious, old-guard board solely based upon my connection to Anderson. Lenore Annenberg and Bonnie Winterstein were on the board, along with a number of other prestigious Philadelphians. At the end of the year, if there was a deficit, Henry McNeil would stand up and say, "We're short two hundred fifty thousand dollars. I'll take a hundred and fifty thousand. Bonnie?" I'd sit there quivering, hoping he wouldn't get to me and that Bonnie and Lenore [Annenberg] would cover the rest of the due balance because I couldn't afford to give him any kind of money. I worked with them on the board for a number of years and met a lot of very influential people through that association. I also developed a great love for American portraits and began collecting them while on the board. That was one of the things Henry McNeil liked. Since then, I've started to collect African-American art because there are a lot of African-American painters and professors at the Academy school.

When it came time to select a new chairman, Pete [Peter] Mather was chosen to follow Henry. The association had a school building in the old Belgravia Hotel on Chestnut Street, which had been given to us. There was a report claiming we had many fire code violations, and the board became quite concerned that if anything happened and a student got hurt, the board would be liable. Thus, we had decided what to do. Henry walked out of the building after the board meeting [we used to have our board meetings in the Peale Club in the Belgravia building, which was a wonderful private club that you could join for practically nothing because it was associated with the Pennsylvania Academy] and saw the Oliver Baird funeral home. He liked it, so he bought it for a million dollars, donated it to PAFA, and then turned over the chairmanship to Peter Mather. They did a study and found that the building wasn't appropriate for the school. Pete stood up at the next board meeting and said, "We have a problem. This building is lovely, but it's not appropriate for the school." Pete wasn't sure that it would be right to move the school into the old funeral home since the study said it wasn't suitable. Then, Henry stood up and said, "I understand that you are not happy with the gift I made." Pete he tried to explain, and Henry said, "Fine. I will repurchase the building from the Academy for a million and a half dollars, resign from this board, and you will never see another cent from the McNeil family as long as I live. Now, I'd like you to take the vote as to whether you want to move to the new building or not, in that context." [laughter] Then he sat down.

Well, there was a lot of stammering—these are what I call the great moments of participation on boards—but we did move to the building. [laughter]

The next thing that Pete Mather had to do was select a new head of the institution. Sam [Samuel M. V.] Hamilton [he was married to Dodo Hamilton, the Campbell Soup heiress] headed the search committee, and they recommended Peter Solmson, who is now at the University of the Arts and doing a wonderful job there. At the next board meeting, Mather said, "We have the recommendation of the search committee, but I would like to propose another candidate that your executive committee endorses. Frank Goodyear." I raised my hand and asked, "Wasn't the search committee a committee appointed by the board?" He said, "Yes, it was." I said, "Did the executive committee overrule the recommendation of the search committee? I don't quite understand? Do you think you've adequately explained the reason for that?" Pete explained, "We just think that Mr. Goodyear is a better candidate." The board voted; I abstained; Goodyear was confirmed. Afterwards, I went up to Bonnie Winterstein, who was Henry [J.] McIlheney's sister and a great art collector, and asked her to explain what happened during the meeting. She once complained to me that she had to sell her Picassos because she had to hire someone to sit with them when she went out! [laughter] It all got to be too expensive and troublesome, so she sold them. Anyway, I asked her, "Bonnie, what's going on?" and she said, "Oh, we wanted Frank Goodyear." I asked, "Who wanted Frank Goodyear?" She answered, "Lenore, Lois McNeil, and I, so we went to Peter and said, 'If you choose Frank Goodyear, we'll donate one million dollars, and if you don't choose Frank Goodyear, we'll resign from the board.' We have Frank Goodyear now, don't we?" She had a big smile on her face. I said, "Bonnie, if that were me, I would have told you to go pound sand." She continued, "That's why we're going to make you chairman of this board." [laughter]

Peter was chairman and Sam Hamilton was vice-chairman of the board. Then, Sam became chairman, and I became vice-chairman, and finally, just as Bonnie had wanted it, I became Chairman, which lasted for seven or eight years. We faced a great deal of difficulty in that time because the move of the school to the Oliver Baird Building was a mistake. The organization lost a tremendous number of students, and we were faced with the problem of building a new school building and facilities. A lot of people didn't realize that one of the attractions of the Academy is individual student studio space for the students, and we couldn't do that at the Baird Building. We had a tough time at the Academy, trying to make ends meet. It took years and another change in management, and they're still struggling. That was how I got so involved at the Academy. It was quite a wonderful exposure to a lot of Philadelphia society and an interesting experience.

I just resigned after twenty years on the board. The other members had a little party to welcome the new provost, and recognize Chuck Andes and me. Chuck replaced me as chairman; Don [Donald] Caldwell is the chairman now. Ann and I announced that we loaned ninety-five works of art by African-American artists to the Academy. I had purchased them from the ARCO Chemical Company. When I was at ARCO Chemical Company one of the thrusts of our investment in art was to build a substantial collection of contemporary African-American artists. I had asked them to donate it to the Academy, but they refused. They said that their first choice was to sell it, and if they were going to donate it, the collection would be in Houston. Consequently, I purchased the collection and have it on loan to the Pennsylvania Academy. I think it's a severely neglected area in their collection. Even though I'm not on the board, I continue to be involved. The collection is going to be known as "The Harold A. and Ann R. Sorgenti Collection of Contemporary African-American Art." We have a substantial collection of our own, some of which is in the office that we're sitting in. Sometime, we'll donate that as well, or work it into the collection that's there. It's my intention over the long term, if they handle it properly, to donate the entire collection to the museum.

The other area I got involved in was the University of the Arts. That was actually one of the first things I got interested in because ARCO donated a number of things as a company to the University of the Arts. On Delancey Street and Broad, we built a park with some ceramic murals by an artist called Herbert Bayer, who was closely associated with Bob Anderson and the Aspen Institute. Later, we contributed our building at the corner of Broad and Spruce at the University of the Arts. The school named the building "Anderson Hall" in honor of our chairman, Bob Anderson. We had a dinner that night at the Keith Physick House, which is close to CHF in Philadelphia. It's a wonderful building to hold a small dinner party with thirty-two people. The building has Philadelphia windows, which are windows that go from floor to ceiling. They roll up into the ceiling so that each of the windows becomes a doorway out to a terrace. We had cocktails on the terrace and then came inside to the dining room, and the windows were rolled down behind us. It was quite a delightful thing. I've seen one other house with those kinds of windows in Ardmore, Oklahoma, but they don't call them Philadelphia windows.

At the dinner, I was at Bob Anderson's table. There was a woman there named Lolly Lloyd, one of the old, old Philadelphia families. She was a very significant art collector and a good friend of Bob Anderson's. Lolly looked around and saw a Black man. It was Maurice Clifton, the head of the Pennsylvania Medical College. Right then, she loudly exclaimed to the table [she was quite old], "Good God, first they forced us to accept the Italians and Jews, but now we have to have dinner with a Black man! Good God!" [laughter] Bob said, "Lolly, have you met Mr. Sorgenti, the head of our company in Philadelphia. Sorgenti?" She replied, "Oh, yes. I've met him." He continued, "So you know Mr. Sorgenti?" Trying to make her aware that I was Italian! [laughter] She was complaining about having to accept the Italians and Jews! A large part of what she said was true—many people felt the same way. I've never had any illusions about being involved in those things. I only got involved at the Pennsylvania Academy through the good graces of Bob and Henry McNeil. Bob was head of the Eisenhower Exchange Fellowship here in Philadelphia, and so he had contacts all over the world. He was a fantastic man. He knew all the executives and people who ran ministries all over the world from the Eisenhower Exchange Fellowship Program, here in Philadelphia. ARCO was also a very generous company, so he got appointed to a lot of boards. ARCO had given so much support to the University of the Arts; they had always wanted a board member from ARCO.

I've always tried to do the things that no one else wanted to do; the difficult things. I also wanted to make boards open to anyone that wanted to join. If you look at the Pennsylvania Academy when I went on it twenty years ago, it was a very closed board. Today, if anything, it's very open. There are lots of Jewish people and people from other cultures. They haven't spent as much time cultivating or reinvigorating its fundamental base, which was a narrow society of people with a wealthy background. I was part of the process of opening up that board and helped bring a number of Jewish collectors on the board. We basically changed the answer to the question, "What characteristics does one consider for a board member?" Now, we want people who are interested in art, education, or the collection of art, and we really don't ask for a lot more than that. The board is no longer interested in what religion people are or what their father did. For example, we were selecting a new director, and the man who used to own Hess Department Stores, Philip Berman, was nominated. He subsequently became chairman of the [Philadelphia] Museum of Art, the "Big Museum" as we called it. One of our board members said, "His father worked as a chauffeur for my father!" I said, "That's very interesting; I didn't know that. But we've nominated him, not his father."

Another time, when the board was choosing the president, there were three candidates. A woman said about one of the candidates, "You know, he's a Jew." I said, "No, I didn't know that, but I am not interested in having this conversation." She continued, "We should have it. It's very important. He won't be able to function effectively; he won't be able to fund raise effectively. I think that's an important consideration." I said, "You've stepped over the line, and you're in very dangerous territory as far as I'm concerned. If this individual weren't selected and he was to find out about this conversation, we would have a serious problem. It's not a consideration, and I want you all to ignore this." Fortunately, that candidate withdrew.

I'm saying that a lot of prejudice still exists, and I don't live under any illusions. I had loaned a million dollars to WHYY because of the presence and power of Jim [James] Karyan, the president. The board fired him, so I wrote a letter to WHYY clarifying to the board that the money was a loan, not a gift; Karyan had made a commitment to pay it back. In the course of the discussion of my letter, one of the directors, who was old-guard, stood up and said, "I'm not going to let some loud mouth WOP from South Philadelphia tell me what to do!" I'm not from South Philadelphia; nevertheless, I got the message. It's unfortunate, but a lot of people still hold on to these old prejudices. I can give another one or two other instances.

We named three Jewish people to the board of the Orchestra. I was on the nominating committee and was stopped on Broad Street by a woman who'd been associated with the Orchestra for generations. She said to me, "I was disappointed and discouraged when I heard that you've nominated such trash to our board." I couldn't believe she used the word "trash!" I said to her, "Madam, the board is interested in building a new concert hall, and we certainly know you're not going to give enough money to do it. These people have the means to help us move to the next level." I never quite got over her objection. The people nominated were people of substance, but in her view had no right to be on the board.

The final example took place when I was on the CoreStates board. If a person delivers ten thousand dollars in cash to a bank, the incident must be reported to the Federal Government.

Banks were being fined for not reporting these occurrences. In a session of the board, one of the directors raised his hand and said, “I think we ought to have an outside auditor come in and begin checking in South Philadelphia immediately.” “Excuse me,” I interjected, “but I don’t understand why you want to begin in South Philadelphia.” He said, “I think we all know why we want to begin in South Philadelphia.” I replied, “I don’t know why you would consider South Philadelphia any more than Center City or the Northeast.” He repeated, “I think everybody knows!” I said, “I just finished telling you I don’t know, so educate me! Tell me <u>why</u> you think we ought to begin in South Philadelphia.” Morey Dorrance, the chairman, said, “I don’t think this is a discussion the board needs to have. Management will retain a consultant and decide where to do it.” But we all know why the man wanted to begin in South Philadelphia. Philadelphia is a city where there is a lingering undercurrent, and little by little, it is being broken down. I’ve tried to help that process along.

The last thing I’ll mention is, when the U.S. Open was going to be held at the Aronimink Country Club, they came to me [I was still at ARCO] and asked if ten thousand cars could park on my 300 acres of property [my family was in close proximity to Aronimink]. I said to them, “Why would I do that?” They told me it would be the “neighborly thing to do.” “Neighborly,” I said, “I understand what neighborly means. You’re very close to ARCO, and it would be nice if we had a member at Aronimink who was on our management staff, but I understand you don’t take Italians. You just turned down my good friend, Roy Peraino, chairman of Continental Bank.” He said, “That’s absolutely not true.” I continued, “Well then, good. I’d like to be a member.” He said, “The club has a seven-year waiting list.” I replied, “Then wait seven years to park your cars! [laughter] I want to be a member. You want to park your cars? I’m a member. You park your cars.” “But,” the boy said, “we can’t do that!” I retorted, “Doesn’t mean anything to me! I don’t want your cars on my property!”

The next day I got a phone call. The club could make an exception! They would allow me to be a social member. I said, “I’ve done a lot of thinking, and you can choose one of two people reporting to me that you will also take as a member. One is a Jew, the other a Black man; they’re both on my staff.” The man from the club said, “I’m afraid that would be impossible.” I said, “Then park your cars someplace else.” The U.S. Open told Aronimink that they wouldn’t hold it there unless they had one Black member, and the club refused.

My goal while serving on any board has always been to bring it into the twentieth century, to make it look at what a person can contribute, not what his or her background is. Of my accomplishments in the civic area, I’m the proudest of—I guess there are so many, but three or four stand out. One is the restructuring of the [Pennsylvania] Chamber of Commerce and bringing in new people there. [W.] Thatcher Longstreth had been there for twenty-some years, and in my view, if the Chamber was to move forward, if the City was to move forward, we needed a new breed of leadership. Longstreth was very well connected with certain members of the board, but when I took over as chairman, I convinced them that it was time to move on.

THACKRAY: When was that—sometime in the 1980s?

SORGENTI: Yes, in the early 1980s. It was after Thatcher made the comment that the only way to improve the economy in Philadelphia was to move the City to Houston. He followed that by being in a bed-making contest at the hotel on City Line Avenue. I said to the board, "Look, we're never going to make any progress. You cannot improve something unless you believe in it." The board told me they would go along with bringing in someone to replace Thatcher. Then, I had lunch with Thatcher and told him that I wanted him to resign. He responded by asking, "How much will you pay me?" I said, "You're making sixty thousand dollars a year, so we'll pay you six months' salary." He said, "They tried to force the guy out in San Francisco. He got a million dollars!" I said, "Well, Thatcher, I don't want to be a skinflint. We'll make it a year's salary, sixty thousand dollars." He still refused, so I said, "We can do this as gentlemen, Thatcher. I'd love to do that. I'd like your handshake and your agreement to cooperate and help the new man. Otherwise, we can do it as opponents." He said, "I'm leaving and calling the board members; they'll never support you." I said, "Thatcher, you don't think I'm dumb enough to come in here without having the votes, do you? Listen to me. Let's do this as friends." He said, "Do you realize that I don't have any retirement? I've been funding all of the losses for the Chamber from my retirement fund!" I said, "No, I didn't know. God, Thatcher, that's one of the stupidest things I've ever heard. Why would you do that?" He said, "Because we couldn't raise the money!" I said, "Good God! I'll tell you what I'll do. I don't know how much money is involved." "It's hundreds of thousands of dollars," he added. "I'll make you whole. I'll promise you that. Whatever it is, I'll make you whole, so that you'll have a retirement and an annuity that you can have in perpetuity," I promised.

The way we did that was, Thatcher became a recipient of the William Penn Award, and we told the various companies what we were trying to do. We doubled or tripled the price of tables, and the excess money was put into Thatcher's retirement fund. He ended up leaving the board happy from the financial standpoint. He was very cooperative and helped young Fred DiBona come in and improve things. The board had been stuck at a couple of thousand members under Thatcher for many years. I don't know how many they've got today, but Fred increased it to four, and Nick [Nicholas Debenedictus] increased it to six. Young, new talent came in and reinvigorated the Chamber. We moved to new offices, and the Chamber is a vital, progressive institution. The restructuring of the Chamber and putting in new leadership there are two of my great civic accomplishments.

Another project I helped in was forming the Philadelphia First Corporation, which continues today. Our goal was to bring together the top ten or twelve CEOs to work in concert on problems and bring in their power and financial muscle to help solve them. Together, the CEOs worked on fundraising, community problems, education, et cetera.

I am also very proud of the formation of the Local Initiative Support Corporation, LISC; it still exists. The Ford Foundation came to us and said, "We'll put a million dollars into the Local Initiative Support Corporation if you'll match it." Dick [Richard] Doran and I walked down Market Street, stopping at ARA, CIGNA, and Rohm & Haas, and raised a million dollars in a day. We ended up putting two million dollars into the Local Initiative Support Corporation, which funded the missing equity piece for the community redevelopment and new business startups in the minority community.

[END OF TAPE, SIDE 4]

[END OF INTERVIEW]

INTERVIEWEE: Harold A. Sorgenti

INTERVIEWER: Arnold Thackray

LOCATION: Philadelphia, Pennsylvania

DATE: 10 January 2003

THACKRAY: Hal, let us begin by discussing what happened in the business world since the moment that you exited Freedom.

SORGENTI: When I left Freedom in 1998, the decision had been made to sell the company. Basically, the reasoning was that the investor, the Joseph Littlejohn & Levy Fund, didn't have any additional funds to invest in the growth of the company. There was no need for two senior executives, myself and Fred Rullo, in a company the size of Freedom.

At the company, I was mainly doing acquisitions, although I participated in the operations as well. I decided to leave, but kept my seat on the board and remained actively involved in helping out the company where I could. At that time, I went out and started to look at doing acquisitions on my own—repeating the Freedom experience. I considered the possibility of trying to raise an investment fund and talked to all of the experts. They informed me that starting my own investment fund would be very difficult to do. I was told that it would take over eighteen months, and that there was already plenty of money available for investment. So instead of trying to raise a fund for investment specifically for the chemical industry, we [Sorgenti Investment Partners] decided to go ahead and find acquisitions and bring those opportunities to funds that already existed. As I look back, that probably was the single, biggest mistake I had made.

THACKRAY: What is involved in raising a fund of one's own?

SORGENTI: You would have to define what the purpose of the fund is and visit with people who have billions of dollars to invest. For instance, most of the money comes from people like Calipers [The California Public Employees' Retirement System] and other state and public employees' pension funds. Those people have fifty to one hundred billion dollars under management and are always looking for a place to invest it. Some of those managers put up to 5 percent of their assets in alternative investments or leverage buyout funds.

One would have to make the rounds, raise the money, or obtain the commitments from various pension funds and investors to support his activity. Having a fund is actually a very lucrative business because the people who manage the fund get what we call a "carried interest" in their investments. They also receive fees for managing the funds and maintain control over whether the money is invested or not. Anyway, at that time and at my age, I didn't want to spend the two years that experts claimed it would take to raise the money.

THACKRAY: The two years would be used to set up as a venture capitalist in your own right?

SORGENTI: Yes. At that time, I had talked with Gordon Cain as well. He told me there was a lot of money out there, and that he never had to raise a fund of his own. Basically, his advice was that I didn't need a fund of my own. But what I concluded after all of those years is that the control over whether the investment is made or not, the low risk tolerance of the people making the investment decision, and the lack of specific industry knowledge are all important factors that a person without his own fund does not have control over.

For example, Sorgenti Investment Partners established a relationship with Liberty Partners [LP] in New York. Liberty Partners got their money from the State of Florida Pension Fund and had a billion dollars to invest. They were going to support our equity needs, which was the money that we had to put up when we bought a business. Together we made a run at a very large company called Foamex [International Inc.]. The controlling shareholder was in personal bankruptcy; so it was a very difficult transaction, but we made a bid for it. We lined up other people to participate with Liberty; and to make a long story short, we never completed the deal. There were a variety of reasons for the premature termination, but it was mainly because we differed between ourselves and the company by about a dollar-a-share, which came out to be twenty-five million dollars. There were only twenty-five million shares outstanding, a dollar-a-share, on a transaction that had a total value of a billion dollars or more.

Personally, I would have done that transaction. We knew the business, we knew the industry, we knew there was a tremendous amount of potential for improvement, and we would have easily recovered that additional money. I, however, didn't control that decision. The people putting in the equity did, and for a variety of reasons, they decided not to invest.

There are many other examples. In the last four years since Sorgenti Investment Partners sold Freedom, there have been many times when we had transactions that we would have completed, but the decision wasn't in our hands. Sorgenti Investment Partners did do one transaction after Freedom was sold—a transaction with DLJ [Donaldson, Lufkin, & Jenrette Merchant Banking II, Inc.]. Together, we bought the small company that we continue to own and operate in France called SODES. It was a small transaction. SODES is an abbreviation of the French name and it stands for the Société D'Ethanol de Synthése.

The idea was that we would build a company around that acquisition. It's a small French company, very profitable now. Overall, it's been very profitable over the last five years, except for about a fifteen-month period when crude oil prices escalated. We had another acquisition that followed. It was an acquisition of a company called Halterman that we brought to DLJ because we had an intimate relationship with the private owner.

THACKRAY: This is a German company?

SORGENTI: Yes. Mr. Halterman had been a customer of ARCO, and we had a very strong relationship with him. He was in his eighties and wanted to sell his company. Because of our prior association with him, Halterman had given us an exclusive opportunity to purchase it. Unfortunately, the transaction reached the point where our exclusivity ran out in a certain period of time because Halterman was primarily concerned with completing the transaction. He had two elderly sisters who were shareholders, and Halterman wanted the transaction to be finished by the end of the year for tax purposes.

THACKRAY: What year was this?

SORGENTI: This was 1999. In September he said, "I want you to put up equity—some earnest money—that guarantees me you'll complete the transaction by the end of the year. You've been working since the end of June and now it's the end of September." DLJ replied, "Why, we're DLJ! If we say we'll complete the transaction, we'll complete the transaction." Halterman said, "I know that, but if you put one or two million up and make me feel better, then I won't look like a fool to my sisters." "We don't do that," DLJ answered. I said, "Look, guys, this is a ridiculous request. It's meaningless. I'll put the money up." They said, "No, we don't do that." The end result of that was, our exclusive ran out on 13 September. The old man brought in an English buyer and they bid ten million dollars more than we did, and closed the transaction in thirty days.

The sad part of that story is, as soon as that happened, our equity providers wanted to go in and pay more, but the old man said, "I'm sorry. Now I've given them an exclusive and I can't do that." It was an interesting example. The English company, by the way, added some other things to Halterman and later sold the company to Dow. We were going to pay one hundred million dollars for it. They sold the company to Dow for four hundred forty million dollars two or three years later. It would have been a fantastic home run. Again, one of the ones we missed.

We've had a number of those, but the point that I'm trying to make is that the guy who has the fund ultimately controls the decision. Depending upon his risk tolerance or the idiosyncrasies involved in it, you get into all kinds of variations when you don't have control. We've worked with a lot of different people and a lot of different funds, and I'm convinced that we have more risk tolerance than a lot of the people that we work with, owed to our intimate knowledge of the business. If you're not familiar with the business, it's very difficult to accept the risks that come with it.

There are always a million questions you could ask about the business. I'm saying no company goes through the extensive due diligence that the leverage buyout firms do. Now people will argue that that's why they get such high returns, but they have their share of disasters as well. There isn't a lot of specific industry experience in these funds, yet they've done well and achieved very high returns.

THACKRAY: Funds like DLJ are typically general funds. Are there any funds that are focused on the industry?

SORGENTI: There were some funds that were put together for telecommunications and specific industries, but generally they go out and raise money as a general fund that cuts across many industries. In many cases, the amount of money you can invest in any one segment is usually limited to a percentage of the fund. For instance, if you raise a billion dollar fund, you can only invest 10 percent in chemicals or some other sector.

There were some targeted funds occasionally, but they're generally meant to be diverse. That was another reason people thought we couldn't be successful. We were talking about the chemical industry, and there weren't very many targeted funds. The chemical industry just wasn't a business people thought highly of. Yet, we had the experience of having made a lot of money on our Freedom transaction, and I believe we will also have a very successful transaction when we sell our small French company. By that, I mean, we'll make four times the amount of money we put in.

I think we've looked at a lot of businesses, a lot of transactions. We've had some very unusual things happen to us. We've lost some transactions that we shouldn't have lost. Fundamentally we have not moved forward with as many transactions as we would have liked over these last several years.

THACKRAY: When you say you've lost ones, have you continuously lost them to any specific competitor?

SORGENTI: No. You see, Sorgenti Investment Partners looks for difficult transactions. That's our niche—transactions that have failed, transactions that involved problems—because we feel what we bring the management expertise to solve problems.

For instance, Foamex was a company that was, in our opinion, under-managed. By the way, that came to me through Sam [Samuel] Heyman, who is the CEO of International Specialty Products [Inc.]. He called me and said that he was friendly with Marshall [S.] Cogan, the CEO of Foamex, who was the controlling shareholder of the company. Cogan was involved in a bankruptcy of his personal holding company [Trace International] and they needed somebody who could handle a difficult deal. He had recommended that Cogan call me and asked me if I would take Cogan's call.

Foamex had been a customer of ARCO, so I knew the company and I knew Cogan, although not very well. I met with Cogan, and Sorgenti Investment Partners decided to try to buy his firm. But it was a very complicated transaction, and of course a lot of people don't like to do that. They like simple, plain vanilla transactions. The bank had referred to it as a transaction that had a lot of hair on it, so the difficulty of the transaction was a problem. You never seem to get the size right.

THACKRAY: Size?

SORGENTI: I'll give you an example. We're working with Morgan Stanley [Capital Partners] at the moment. Morgan Stanley has a three and a half billion dollar fund, so when we bring them a transaction for one hundred million dollars. They say, "That's so small. It only requires us putting up thirty or forty million dollars. Bring us something that uses one hundred fifty million."

On the other side, we worked with partners like Liberty on the Foamex transaction, which was a billion-dollar transaction that required putting three hundred million dollars up. It was too big for them. Sorgenti Investment Partners' offer, the size of Liberty Partner's fund, and the size of the transaction, forced us to bring in multiple sources of equity—everybody had a different opinion. The partners are all used to controlling their own situation, so there's always a very complex set of discussions to complete a transaction with multiple sources of equity.

We had an unfortunate experience with DLJ. They decided that they didn't want to invest in chemicals anymore after we bought SODES, and they started investing heavily in electronics. They had made a lot of money, but they also wrote off over a billion dollars when the collapse came. Sorgenti Investment Partners had gone to work with Liberty Partners, and we were looking at B.F. Goodrich Chemical. It was a very large transaction—once again, too large for Liberty Partners—requiring about three hundred million dollars of equity. For help in funding, we approached DLJ and asked them if they would like to purchase Goodrich Chemical with Liberty. DLJ said they had looked at it, and the transaction was too complex. Remember, Goodrich was the company we sold Freedom to, so 25 percent of Goodrich was the old Freedom Chemical. DLJ decided that since Sorgenti Investment Partners were so knowledgeable about Goodrich Chemical, they'd be happy to look into providing funds for the transaction.

We did look at it together and had due diligence management meetings. We were prepared to put a bid in on it when DLJ backed out and decided to go forward with another partner. The other partner was an outfit called AEA, American Enterprise Associates, which was being run by a man named John Garcia.

John Garcia was a former ARCO Chemical employee. He is a Ph.D. chemist and is very talented. He went to Wharton [School of the University of Pennsylvania] for an MBA, and left ARCO to go to work in the investment banking industry. He had been employed at Wertheim Schroeder & Co. [Inc.], CSFB [Credit Suisse First Boston LLC], and then was working for AEA. AEA is an interesting outfit because it basically has the involvement of the former CEOs of major companies. For instance, Ralph Landau invests with AEA, as well as [John F.] Welch's predecessor in GE [General Electric Company], Reginald [H.] Jones. Persons of that character are involved in AEA, so the company has a huge group of people with an operating background. They were bidding against us. DLJ decided to go with them. We didn't have the equity for our bid, and they out-bid us anyway. Thus, we've had a number of disappointments.

The other thing that you'll get an idea of as we go through is to always get things in writing. I'm not used to doing business where everything has to be written down—I'll give you an example. We received a call from Air Products a while back saying that they wanted to put their methylamine business together with a company in Europe, UCB [Inc.]. They asked if we would be willing to partner with them on that. Air Products wanted a financial partner who would take 60 percent of the deal while they would take 40 percent—or 50/50.

We [Sorgenti Investment Partners] said that we would work on it with them and went to Belgium to do the due diligence; meaning, we had to get somebody who wanted to provide the equity for our share of the business. We called Goldman Sachs [Group, Inc.], and they said they'd look at it; but came back and said there had been a conflict because they had been retained as an advisor to Air Products. Actually, Goldman Sachs accompanied Air Products to the review as an investment-banking advisor.

During the course of discussions it became apparent that Air Products, for its 50 percent of the joint venture, wanted a lot more than we were paying UCB, which was the Belgian company selling its business. We said we didn't believe that was a finance-able deal. Sorgenti Investment Partners came back to the United States and asked Morgan Stanley's Princess Gate Fund to join us in the transaction as the equity partner, whereupon Air Products notified us that Goldman Sachs had brought somebody else in that would pay Air Products its asking price. Sorgenti Investment Partners was told that our participation was no longer necessary. [laughter]

We were very unhappy about that, but we simply said, "Fine. We don't believe that what Goldman has told you is true. As a matter of fact, we know it can't be true; but if you've made the decision to go forward and these other people are willing to give you the price you've asked, fine. So be it." We didn't close the door. We didn't holler or scream but said, "We'll be here if the transaction doesn't work out."

THACKRAY: They invited you in, then ushered you out, and nothing was ever on paper.

SORGENTI: Nothing was ever on paper, except a confidentiality agreement we had signed. That happened in September or October. In February, after a number of months went by, I called Air Products since there had been no transaction announcement. I said to them, “I didn’t see any announcement.” They told me that, “Things didn’t go well. Those fellows that Goldman brought in just weren’t there when we got to the end.” Of course, we had already known that the proposed transaction was impossible to finance.

Air Products declared, “We’ve broken off discussions.” I said, “In that case, you won’t mind if Sorgenti Investment Partners tries to buy the business.” They said, “No, that’s all right. You go right ahead.” We did, going over with Morgan Stanley [MS Capital Partners] this time to tell them. Over a time period of several months, we succeeded in signing a contract to acquire the business.

The day before we made the announcement that we had signed with UCB to buy the business, I called Air Products and told them that everything was fine; wonderful. Before hanging up, I added, “Let’s look to the future and see how we can work together.” A day or two later, I got a letter saying, “You’re in violation of your confidentiality agreement which says you can’t pursue the transaction for three years. You didn’t ask us for our approval to proceed, and we’re very upset about it.”

Did I mention that telephone logs and e-mails are wonderful things? [laughter] We immediately went through telephone logs and pinpointed the phone calls that I had made to ask them if we could proceed. We also found a letter I had sent to UCB saying, “I discussed yesterday with Air Products whether or not we could proceed with the transaction. You’ll recall that we were there before with Air Products,” and referred to the Air Products person by name. We sent these off to them and said, “We don’t understand your problem. We’ve had this discussion. You gave us permission to proceed and we did so.” Air Products had conveniently forgotten that, but they remembered once we had the documentation. [laughter]

THACKRAY: So you do need something in writing?

SORGENTI: Yes. Sorgenti Investment Partners proceeded to sign the transaction, and we’re waiting for it to close. Well, this isn’t going to be made public for a while, so I can talk about it.

The transaction had a rocky start because of the many investigations into cartel activity in Europe. When our deal was moving toward a close and the bank was financing ready, the European Commission notified the company that it thought there was a cartel involved with fixing prices. The European Commission asked for a lot of documents and whatnot. Of course, those actions frightened the bank and caused it to back off. That happened in early October. We’ve been waiting ever since for the Commission to conclude. I looked at the initial letters from the Commission, and they seem to have had very little, if any, evidence to indicate that a cartel was in fact operating.

As a matter of fact, we just found out yesterday that their investigation showed that they had no basis for going forward. Knowing that, the bank still said, “Regardless of that, we have to start all over. It's a new transaction, and we have to go through this all again." It's like the Perils of Pauline! If you had told me in September, when we reached agreement to buy that business and signed contracts, that we wouldn't be operating the business by now, I would have said, "That's ridiculous." Morgan Stanley decided on 31 January 2003 to abandon the transaction.

We've had a string of those things that have been unpredictable, and I guess it's very much like what I always say about corporations: "When you try to do something new and innovative, it's like scaling a mountain." There are numerous people in the corporation who view it as their job to protect the company from itself and keep you from accomplishing your objective. You go up the mountain and they roll big boulders down at you. That's the way the leverage buyout business is. You know, it's just incredible.

First you have to go through the committee of the buyout firm, and then you've got the government and the environmental authorities, the banks, and so forth. It's a very complicated, difficult business. As a result, the number of transactions that you do is limited—it's even more limited when you don't control the equity. In the case of the UCB transaction, for instance, I clearly would have tried to find another bank. Our partner, however, decided against it.

[END OF TAPE, SIDE 1]

SORGENTI: We now need to have an explicit understanding with people. We found that the old way of doing business, where you say something, agree to it, and that's the end of it, doesn't really apply anymore; which is unfortunate. Sorgenti Investment Partners is still out there flailing around, trying to complete some transactions. I hope we will find another partner and move forward. We are currently looking at some other deals as well.

THACKRAY: Two or three clarifiers, Hal. What happened to Foamex in due course?

SORGENTI: Foamex is a whole other story—it's actually amusing. Foamex was a difficult transaction, as I said before, because Marshall Cogan had a personal bankruptcy that had to be resolved. On top of that, a funny thing happened. A while back, Marshall had asked me for recommendations for people that he could hire as president of Foamex. I had recommended two people, Jack Johnson and Marv [Marvin] Schlinger; they were both former associates of mine. Cogan hired Jack Johnson to be president. Our plan of action was that Jack would continue as president of the company and CEO, while I would be chairman.

One day, when our due diligence team came down from New York, they were at 30th Street Station here in Philadelphia, and there was a guy with a Foamex sign. Foamex headquarters is down in some godforsaken place near the Delaware border, in an industrial park [Linwood, Pennsylvania]. They asked the fellow if he was going down to Foamex headquarters.

He said, “Yes,” so they got on the bus. While they were waiting, a bunch of other people got on the bus. Our due diligence team asked, “What are you guys going down there for?” They answered, “We’re from Citicorp, and we’re working on a management buyout.” Our guys said, “That’s funny. We’re working on a management buyout too, but we’re not using Citicorp.”

When everyone arrived at Foamex, the fellows from Citicorp didn’t sign in or anything. They went immediately to the left of the counter and back to the CEO’s office. We got a phone call about it, and it was obvious that the CEO was working on his own buyout in opposition to Sorgenti Investment Partners and Liberty’s. I decided to go to New York to have dinner with Marshall Cogan. I always bring Ann with me. She’s a wonderful judge of people. I told her, “I want you to meet Marshall Cogan. I like the man. He’s very bright. He’s challenging.” I love to have a person across the table from me who’s extremely bright because the worst thing you can do is negotiate with someone who’s really dumb [laughter], and I’ve had that experience, too! It’s just so very frustrating.

We were at the Four Seasons, the restaurant in New York, waiting for Cogan and dinner. It was just Ann, him, and I. He came in and was visibly shaken. He was very nervous and had obviously been through a great deal of trauma. To make a long story short, he said, “Ann, it’s nice to meet you, but I have to put some business out of the way. I’m very upset. I just got a phone call.” I remember the expression that he used, “from that idiot that used to work for you.” Cogan continued, “It went something like this. Johnson said, ‘Marshall, I know you committed your controlling shares—seven million shares—to Hal Sorgenti and his group. But I’m working on a buyout of my own and when the banks call you, I’d like you to indicate some flexibility.’ I said to him, ‘Jack, I’ve given Hal my pledge, and my word is my word. Until he releases me from my pledge, he has my shares.’ Johnson said, ‘Marshall, if you’ll show some flexibility, I’ll let you keep your driver and secretary.’” Cogan continued, “Can you imagine somebody thinking they could buy Marshall Cogan for a driver and a secretary? I said go to hell, hung up on him, and came over here. I cannot believe this.”

Well, we put our offer in. Jack had lined up Clayton, Dubiliear & Rice [Inc.], and Dow to work with him. He told the board that he could pay more, which he couldn’t. The board rejected our offer. Our people had decided they wouldn’t go any higher. As I’ve said before, I would have gone higher, but that was their decision. Six or eight months later, the transaction that Jack had proposed fell through. Marshall went through his bankruptcy and emerged from it in a miraculous way. He regained control of Foamex, whereupon he fired Jack [laughter], as you might expect.

It sits there today, still with more problems. Marshall is still involved as chairman. I think in the last year and a half, he’s had three presidents at least, and that’s where the company currently stands. No one, so far, has seen fit to go in and try to take the it over again; by the way, the stock has dropped down to one or two dollars.

THACKRAY: Why don’t you go down and do it?

SORGENTI: I've talked about it at various times, and it is a possibility. The major shareholder now is a bank that took all of Marshall's shares when he went into bankruptcy. By the way, each of those transactions takes six to eight months before a conclusion is reached. I may give it another shot yet.

THACKRAY: As to whether you want to do it?

SORGENTI: Or whether you can get it done. For instance, we started working on the UCB transaction in April of last year, completed it in September, and the closing was scheduled for December 2002.

THACKRAY: So how many transactions have you had, in some state or other, at the same time?

SORGENTI: Usually, for Sorgenti Investment Partners, it's difficult to work on more than one at a time because of our size. When we decide to go, it's a very expensive process—millions of dollars spent. I think the Foamex transaction cost our group two or three million dollars. Morgan Stanley spent more than that on the UCB transaction. So it's very expensive, and you try to do it as quickly as possible. Right now we're working on two or three embryonic things. When one of them hits, we'll spend full time on it.

THACKRAY: So you've got one home run, one that you hope and pray is going to close soon, and two or three clouds on the horizon.

SORGENTI: Yes; which we always have, and we're always out scouring the market for businesses to buy.

THACKRAY: How do you buy companies typically?

SORGENTI: We try to do it in a proprietary way. We study companies, see things that don't fit, monitor what chief executives say, take advantage of our associates, and attend meetings. For example, we're currently having a conversation with a privately held company whose management, we know, would like to sell. We've had opportunities because CEOs that we know tell us they want to sell their businesses. I have almost bought a transaction with Crompton [Corporation] to conclusion three times, only to have to break off discussions at various points. We've been working on acquiring a division of Crompton for two-and-a-half years. I doubt that we're ever going to do it because it's a complex transaction; there are a variety of things involved. My point is that we always have several things going at the same time, but once Sorgenti Investment Partners latches onto something, because we're a small group, it's basically a full-time job.

THACKRAY: Hal, I can see there's such a huge number of issues involved that it must be a great advantage to have a very great deal of experience. Are most of the people in this game in your sort of age range? How does that work?

SORGENTI: No. Most of the people are younger, and most of the investment bankers are much younger. One of the great challenges is bringing along the young people to understand how the business is actually run. For instance, we will frequently get questions like, "Why can't people just pass through the cost of raw materials?" They can't do that for a number of reasons, other than the competitive ones. Usually, in our business, there is quarterly pricing and people are always trying to predict what raw material costs are going to be a quarter in advance. They set the prices for the product quarter, and if they were wrong on their raw material assumption, it can take up to six months to catch up. Therefore, no one can instantaneously achieve an increase in raw materials costs or recover an increase in raw materials cost.

There has been a big debate with the banks and with our partners about what would happen if there were a cartel operating and if it would break or cease to carry on. What would it mean to future prices? The banks say, "The prices were artificially high. They're going to go down. All your numbers are wrong. We don't want to loan you the money." I think history would actually say that position is not necessarily correct, but it's very hard to prove one way or the other. You know, there are a lot of different facets to a deal. It's not easy to do transactions.

THACKRAY: What fraction of your time has been spent outside Philadelphia these last several years?

SORGENTI: A fair amount. I spent almost the entire summer in Europe this year because of the UCB transaction. The due diligence work is seldom in Philadelphia.

THACKRAY: Is there an ideal place to be? Is Philadelphia a good place?

SORGENTI: It's as good as any because it's close to New York, where you have to go for the money, and where most of the funds are located. Philadelphia is cheaper than New York, it's close to New York, and it's easy to get to New York. Whenever Sorgenti Investment Partners needs money or if we're looking for somebody to put equity into a deal, we find it in New York.

THACKRAY: Looking in to the future, what's your view of this territory, Hal?

SORGENTI: One thing that is intriguing about being in this business is that you do meet brilliant people, both in the investment-banking field and in the funds. Meeting clever people is both enjoyable and challenging. It's a reward in itself, to have the ability to interact with very intelligent people.

THACKRAY: Funds and investment bankers don't enjoy a good press.

SORGENTI: They're talented people. If they lack anything, it's experience in the real world of how one operates a business.

THACKRAY: What's your sense of the forward trajectory for Sorgenti Investment Partners?

SORGENTI: Again, I think it's too late for us to raise a fund of our own, although I'm younger than Gordon Cain when he started. We still have the desire to build a company of some size through acquisitions and working with partners. For instance, if the UCB transaction does go through, we have a game plan to build that company into a fairly large enterprise, which would be an exciting thing to do.

I think one of the things that I would like to do is to get something on the scoreboard. I would then be able to bring in somebody, or have one of the existing people who work with me take over the reigns of the outfit. Gradually, I would back out of it, but I would continue to be slightly involved. Ultimately, that's really what I'd like to do. If Sorgenti Investment Partners isn't successful, then I think, at some point, we would just fold the tent. My target for that is no later than seventy-two, which would be four years from now. God willing!

THACKRAY: If it's any comfort, you're actually slightly ahead of Gordon Cain's curve. He went through a very considerable period of frustration before getting traction.

SORGENTI: Yes. As I said, it's difficult, but one of the things that people need to learn in order to achieve success is how to pick yourself up off the floor when you've been knocked down. People around here continue to be amazed because we suffer adversity after adversity, and I might brood for a weekend, but on Monday morning it's time to start looking for the next opportunity. Bad things happen; we have to be able to put them in the past and start talking about the future. We always need to be asking, "How are we going to get something going?" and "What are we going to do?" I try to impart that attitude to young people who come in here after having been laid off, fired, and so forth. I'm still hopeful that Sorgenti Investment Partners can put together something that's significant and move forward.

THACKRAY: How are current changes in the economic climate affecting that generally? Five years ago we were in "happiness land," and we're clearly not there today. Is that good news or bad news for what you're doing?

SORGENTI: It's a factor. Buying in the down cycle is a better opportunity than buying in the up cycle. This is the time to buy. In other words, when there's difficulty, people have to dispose of assets because they need cash. I've been thinking about the theme of the NPRA [National Petrochemical and Refiners Association] managing in difficult times. A lot of the big companies don't understand how to do it because their managers have never worked in any place other than "happiness land."

THACKRAY: Shall we turn away from this? Let me just say propylene oxide features very prominently in your history. Is that correct?

SORGENTI: That's an interesting piece. The major patent that I had was on the catalyst used to manufacture propylene oxide. It was a homogeneous catalyst, and the technology is absolutely amazing. If you took solid molybdenum metal and heated it up in the concoction that we put together, it would dissolve to form a liquid. The liquid formed has catalytic activity and gives virtually perfect selectivity to make propylene oxide. It's quite an amazing discovery. It was a very important part of the process. There were always other improvements as well, but that was a major one.

Now, here's a case where the technology was so powerful that from 1969 to today—well, actually until Texaco built a plant after our patents ran out—no one had duplicated it. Operating on a small scale was more difficult than on a large scale because the products were easily decomposed by contaminants and the surface; that was why no one had duplicated the technology. Also, the surface to volume ratios changed as you scaled up and actually made it easier for commercial production [that was discovered through the pilot plant]. Thus, the negative results in the laboratory confused scientists until they grasped the surface/volume effects.

The interesting part about it was that we had developed a strategy for ARCO Chemical based on my belief that we couldn't maintain our technological advantage forever. The competition was the biggest in the world—BASF, Bayer, Dow, ICI and the oil companies were all after us. I knew that sooner or later, the competition would catch up, especially when our patents ran out. We had already taken half the world market, so what were we to do?

We did two things. At ARCO, we were working on a new technology that was even better. At the same time, we were moving downstream, adding value, creating new derivatives, and becoming more insulated from the merchant market for propylene oxide. ARCO Chemical was sold for seven billion dollars to Lyondell. It's sad to say that the people at Lyondell didn't understand the future competition—although they should have because some were former ARCO Chemical people. Lyondell immediately sold the downstream derivatives to Bayer, making themselves basically a propylene oxide supplier to the merchant market. In the last year to eighteen months, there have been numerous announcements of new technological processes for propylene oxide, including one by Lyondell. The manufacturing technology and cost advantage that served us so well will soon come to an end.

Thirty years later, several contemporary chemical companies are on the verge of breakthroughs in new technology, which will make our propylene oxide technology obsolete and turn propylene oxide into a commodity. I always saw that coming. I didn't know the timing, but I knew that, eventually, the high margins ARCO had for over twenty years in propylene oxide would be diminished significantly. Even with all the new technology coming out, we fought to hold our lead by producing derivatives of propylene oxide. That's why it was so sad to watch Lyondell sell off the derivatives, "the crown jewels," after it bought ARCO, leaving itself exposed to commodity pricing for its major profit generator. Selling the derivatives will wind up being the destruction of that company. They paid seven billion dollars for something and got two-and-a-half billion back for the piece they should have kept. Lyondell will probably wind up with a commodity company where they can't control the margins and prices. It's unfortunate.

There is no excuse for not understanding the strategy, direction, and focus of your business. Understanding the direction of the market and planning for the future are the keys to success. I wouldn't go into the propylene oxide business today if you paid me.

THACKRAY: What does the gradual shift of the chemical industry, from Europe and the United states to the Asian market, mean for the future of the chemical business?

SORGENTI: That has been going on for a long time; it always takes longer to accomplish those transitions than you think it should. Clearly, raw materials don't exist in most of Europe or Asia, and those who have raw materials, such as Indonesia, have a unique advantage. The United States does have raw materials in terms of natural gas, so the chemicals and polymers made from natural gas or natural gas liquids are competitive on a worldwide basis. However, unless you have crude oil, you're not going to be able to play in the commodities game. Europe suffers from a lack of crude oil raw materials.

Europe also suffers from the basic fact that there were thirteen economies that are now trying to become one. What does that mean? It means that there is a lot of senseless moving around of product, which is completely unnecessary. For instance, if you were in Germany and you made polyethylene, you sold 40 percent of it in the rest of Europe and used 60 percent of it internally—the rest of Europe was a separate market from the German one. When we went to Europe with ARCO Chemical, we saw Europe as one market, not thirteen separate countries. We looked at the market and said, "How do you supply two hundred million people?" The answer came, "We will build one plant in the north and one plant in the south." If you look at our competitors, however, there were about six of them: one was English, two were German, one was French, et cetera, and all of them had small plants. We immediately had a huge size advantage. They might have a 50,000 ton-plan, whereas ARCO had a 500,000 ton-plan. Consequently, Europe is at a loss because the size of their plants is small and non-competitive. They also have no raw materials and more labor than necessary.

The future is China; it can be seen everywhere. The progression has taken a while, but the Chinese are becoming extremely proficient. Furthermore, they are technically competent at things other than commodities. Their economy is both labor intensive and capital intensive from the standpoint that it costs less to build a plant in China because the labor is so cheap. The Chinese are going to beat the world. Now, they're turning their attention to more technologically sophisticated products.

For example, a company we just looked at made the intermediates for corrosion inhibitors used in water treatment. Their profit margins were 60 percent, and it was a wonderful business. In the United States there are only two basic companies that buy the intermediates: Betz [GE Betz, Inc.] and Nalco [Chemical Company]. The Chinese eventually decided to go in to that business. The original company that made those products never thought that Betz or Nalco would actually purchase them from the Chinese, so it tried to maintain its margins. Surprisingly, the Chinese came in and took away 100 percent of the Betz business, and to get it back the original company they had to cut its margins in half. That is a case of specific chemistry. The Chinese mastered it, product tested it as well, and now they're moving into those specialties and destroying the margins.

Sorgenti Investment Partners was just looking at a business today, and one of the guys told me, "Well, the problem here is that the Chinese are coming into this business." Again, it's a specialty business, so China is going to be a dominant and major force in all aspects of the chemical business. That's the biggest, single threat, and it's visible in a growing number of products.

[END OF TAPE, SIDE 2]

SORGENTI: When I was at ARCO Chemical I established three basic conditions that had to be met in order to build a profitable company: the company must have a unique product; the company needs a technological or cost advantage—not a perceived one, but a real one; and the company must be a low-cost producer. Most people will think their product is better than everyone else's, which is generally not true. Therefore, I think those conditions are going to be the key to future profitability. Otherwise, the margins will be low and then you're going to be squeezed.

THACKRAY: Doesn't that suggest that a huge amount of the chemical industry as we know it will disappear here, in the twenty-five-year horizon?

SORGENTI: Yes, I think so. I think there's going to be a shift, and people will figure that out. The Germans and some Americans are investing heavily in China.

THACKRAY: They're hastening the inevitable.

SORGENTI: Yes. There is no question. You have to keep in mind that the Chinese market itself is big, and it will grow and consume much of that capacity. A lot of the capacity in China is not being used internally. However, as the standard of living rises in China and India, more and more will be internally consumed. Hopefully, a balance will be achieved. Until that happens, China will be a major factor in the world market.

THACKRAY: You were saying that ARCO has scale advantage in Europe, and in the end, the Chinese will have scale advantage.

SORGENTI: Yes. China will be an inevitable force in the world because of the number of people; the same goes for India. The Indians are beginning to do more and better.

THACKRAY: Let's talk about Ann. Who is she, and where did you first meet her?

SORGENTI: I came to Philadelphia in 1959 and I didn't know anyone. I rented an apartment downtown at 315 South 15th Street, as I remember, at the corner of Delancey and 15th Street. I lived there for a while in a furnished apartment and then moved into a house in Yeadon, Pennsylvania, where a bunch of young guys from ARCO lived. Finally, I moved into another apartment with some other people from ARCO in Lansdowne.

I always looked for ways to meet new people. There was a group called the "Catholic College Graduates Club," or the "Catholic Alumni Club." They used to have meetings and some dances, and I would go to them. That's actually where I met Ann. We disagree on that, but I remember there was a cocktail party and dance at the Merion Tribute House, sponsored by Catholic Alumni Club. I actually went to that party with another woman, whom I had been dating for six months. She was ten years older than me [she was thirty-six and I was twenty-six], and a manager at IBM [Corporation]. I also remember that the woman was making more money than I was—she had ten thousand shares of IBM stock. I had decided that it just wasn't going to work. On the way to the Catholic Alumni party, I told her I thought it would be better if we didn't see each other anymore. Of course, she was quite upset and said, "You don't have to take me home. I don't want to see or talk to you ever again."

I was sitting there by myself, and Ann came in with some friends. To many people, on many occasions, I've said I remember exactly what she was wearing. She had long hair then. She was wearing a black dress with a brown sash, and she walked across the room. She was very tall. She had high heels on. I looked up and I said, "That's for me!" So I went up and talked with her and asked her out. I told her I'd get tickets to "Becket." Richard Burton was starring in it in Philadelphia. Even though I couldn't get the tickets, I still kept the date and took her out to a restaurant called, Langerman's Luau, which was all the rage. I remember the dinner was so expensive that I made sure she saw the bill! [laughter] We're talking 1960, and the bill was around nineteen dollars. You know, I wanted to make sure she understood that the dinner was really a stretch.

I asked her out again the next week, and, that time, we actually got to see the play "Becket." The third time I asked her out, I took her to the William Penn Inn, which was up in Gwynedd. She lived in Philadelphia on Cheltenham Avenue, and on the way back, driving down Route 309 through Flourtown, I said to her, "How would you like to get married?" Ann thought I was crazy. She said to me, "Are you insane? I don't even know you." "Well, we've been out three times!" I answered. Not changing her mind, Ann replied, "Don't be ridiculous." "I'll give you six months," I said, "and I'll ask you the question again. I'm going to be twenty-seven years old soon, and I'm interested in finding someone to get married to. You look like the perfect candidate to me."

Six months later we were engaged, and a year later we got married. We had the wedding at the St. Anthansius Church; the reception was in the ballroom of the Barclay Hotel, which was a very nice hotel, in those days. I remember Ann was always into those things. We met with the *maître d'* to help select the menu, and he said, "Well, we have this plate and we have the chicken and we have some green beans here. We need something red. We'll have to add tomato." "I don't like tomatoes," I said. Flustered, he looked at me and said, "What has that got to do with it? We need something red on the plate." [laughter] I said, "Well, I'd like something else!" "All right," he said, "we'll have the tomato stuffed with what you want!" [laughter] That was the big compromise.

We stayed overnight at the Warwick, and actually went up to a party Ann's mother and father were having at her house after the wedding. We rented an apartment at Lynnwood Gardens, just off Cheltenham Avenue, not far from where Ann used to live. We had one car between the two of us, so I commuted to my job down at the refinery. In 1959, having more than one car was a rarity; most people had to use public transportation. To get to work, I had to take the C bus to the subway, then subway to the end of the line, and finally the 37 bus south to 27th and Passyunk [Avenue]. It was interesting

When Ann and I were dating, I remember being impressed with my salary because I told her how much I was making then. I forget the exact amount now; it was maybe around seven thousand dollars. Then I told her, "You know, I've got a good shot at becoming a manager at this company. Management makes nine thousand six hundred dollars. Just think about that—nine thousand six hundred dollars!" Ann was dutifully impressed with the number, so I became a manager and got my salary up to nine thousand six hundred dollars

Eventually, Ann and I moved out of our apartment and into a row house right around the corner from her mother and father, on North 21st Street. It was a lovely house. As a matter of fact, we kept some of the furniture we had in that house for more than twenty years. The great thing about row houses is that you have tremendous wall space. It's excellent for paintings and positioning furniture because you don't have any windows on the sides, just on the front and back of the house. We loved it there and lived there for a number of years.

Ann eventually became pregnant, but we lost our first child. I'll always remember what happened at the hospital on the night of the delivery. The doctor came out of the delivery room—in those days, husbands couldn't be in the room during childbirth—and told me that my wife had had a baby girl, and though it had died, it would be a tax deduction. The baby had lived long enough to be a tax deduction! And I said, "Doctor, that's hardly my concern." Ann had a very difficult delivery and had almost died herself because the doctor gave her Demerol. She was allergic to Demerol. Nevertheless, Ann continued to see that same doctor and became pregnant with Beth [Elizabeth Sorgenti], our oldest daughter. I remember when she was going into the delivery room; I asked to the doctor, "Now, doctor, you do remember Ann is allergic to Demerol?" He said, "Well, how would you expect me to remember that? I have hundreds and hundreds of patients." I told him, "I would have thought you had at least checked her records. You almost killed her the last time she was here." I'll never forget that last exchange.

I also remember having to bury my first child. I remember standing with the little coffin in my hands at the cemetery in Yeadon. The wind was blowing across that cemetery while the priest was saying the prayers. It was so cold, and I didn't have gloves or anything. Ann was still in the hospital, so I had to go through the funeral by myself. The memory of that day is something I will never wipe out of my mind. It was a terrible thing.

THACKRAY: What year was that, Hal?

SORGENTI: Beth was born in 1962. We married in 1960. So that was probably in 1961.

THACKRAY: Can you tell me a little about Ann's family and her background. Where was she born?

SORGENTI: Ann was born in 1937. She turned sixty-five this year and joined the Medicare and Social Security crowd. Together I think we're drawing twenty-seven thousand dollars in Social Security. It's really something. Ann's grandfather was an insurance salesman and his name was [Daniel] Baker. Her father, Adolph Rusnack, was a policeman; her mother, Elizabeth

Baker, was a housewife, but originally had run a hair salon. Ann was brought up in Philadelphia. They were from a section of Philadelphia called Brewerytown, which was down around Columbia Avenue in the twenties. Ann's mother was Irish-English, and her father was Hungarian. He was, as I say, a policeman, but he was also a carpenter and a craftsman. It was when the Depression hit that Mr. Rusnack joined the police force, and became a sergeant.

The Bakers, it turns out, are an old English family. They can trace their lineage back to the Mayflower. They have all of the papers prove to it, and a lot of Ann's relatives are buried in Lewes, Delaware. Ann's never been very interested in that area, but her aunts were Daughters of the American Revolution and all of that. She used to always say, "Yes, that and forty-five cents gets you a cup of coffee."

The Bakers are very education-oriented. For instance, they had a son who graduated as a doctor from [Thomas] Jefferson University in the early 1900s; around 1903 or 1905. After him, it has become a tradition in the family to attend Jefferson Medical School. There currently are four or five Jefferson doctors in the family, and I don't know how many others we have had in the past. I can assure you, there've been a lot. One uncle graduated from Jefferson and became a very noted ear, nose and throat specialist. There is a long history with the Medical School.

The Rusnacks had lived in a row house at Twentieth and Cheltenham Avenue when I met Ann. She went to St. Leonard's Academy, a private school, at 38th and Chestnut Street. To commute there from her house, Ann had to take a couple of buses. In those days, a kid could travel around without any reservations; it was completely safe. Afterwards, she attended and graduated from Girls' High School, which was a scholarship high school. From Girls' High, Ann went on scholarship to Chestnut Hill College, which her sister [she had one older sister] had also attended.

Ann's sister passed away from breast cancer right after we had our second child. She left six children, all of whom are very close to us. As a matter of fact, this past Christmas, Ann made each child a picture album. She went back and gathered all the family pictures so the children would have a type of record of the family.

Along with our family life, the neighborhood was also changing. Ann and I were being run out of our neighborhood by unscrupulous realtors, giving me an early lesson in civic affairs. We were living in our lovely home on 21st Street, and Black people started to move into the neighborhood. They were well educated and trying to find a better place to live, where there weren't bars or drugs. We decided that we would try to stabilize the neighborhood against the realtors and formed the Erlen Neighbors Association; "Erlen" was a section of West Oak Lane, which was bounded by Broad Street and by Ogontz Avenue. The association had town meetings, which hundreds of people attended. The officers of the group were interracial, two were White, and one was Black. The Black member of the group was Sydney Sykes. I was also an officer. A fellow by the name of Tom [Thomas] O'Rourke was the third officer. He recently died. I went to his wake and met his mother, who was in her nineties. She came to me and said, "I remember you. You worked with Tom in the Erlen Neighbors Association."

The Erlen Association had a newspaper, which we used to organize the neighborhood so that we had a captain on every block. When realtors began to solicit in the neighborhood, trying to create a panic and encourage people to sell, we knew it immediately. Because we could monitor the realtors' actions, we were able to send them a cease-and-desist letter. Erlen was actually able to catch one of the biggest realtors in Philadelphia, John J. McIlhenny, for violating our cease-and-desist law orders that the association received. The Human Relations Commission advised us to bring a case against him to revoke his license. The city was supposed to represent the neighborhood association at the court hearings. However, when we got to the courtroom, we were informed that the city couldn't speak for the association; we had no attorney. Also, someone had broken into their offices and stolen the file drawer with all of our evidence. When the hearing opened, a fancy Delancey Street lawyer stood up and asserted that his client, McIlhenny, had been damaged by our "false" accusations. He said that we had no proof, that he planned to seek retribution, and that he was filing a lawsuit against the individuals of the Erlen Neighborhood Association for one million dollars.

I was twenty-eight years old, without a lawyer, without evidence, and without much money—we didn't have anything. The Association went to the American Civil Liberties Union in search of representation, and a lawyer on Delancey Street was recommended. His name was Greenbaum. I remember going down to his office, which was the first floor of his home; he had steel beams in the wall with shelves that held his books. Greenbaum agreed to help us. We couldn't afford transcripts, so he bought them, and we visited his office every night to read them. He would say, "You fellows, I mean, this is just the dumbest thing I've ever seen. You've got this unincorporated association, and you're personally liable. This is terrible, but I'll see if I can get this settled." Then, Greenbaum called me up one day at work and said he got it settled. He said, "I was out drinking a martini and trimming my roses last night, and I said to McIlhenny attorney, who lived next door, 'Why don't we get this settled?' He agreed. So now I need you to sign a statement." When he read me the statement, I said, "I'm not signing it. It says that McIlhenny is a good guy, and that Erlen was wrong. That's not true. He's a thief and a hate-monger, and I'm not signing it." I said, "I'll write you a statement and you can give it to him."

We compromised and finally did get a statement signed. Afterwards, Greenbaum sent us a huge bill—thousands and thousands of dollars. He claimed it was 10 percent of what he saved us, had the case gone to trial. I found out the newspapers reported on the testimony at the trial as, "Neighbors association falsifies documents implicating realtor." They brought in handwriting experts to say we forged signatures. It was all written up in the *Philadelphia Magazine*. There I was, twenty-eight years old with a lawsuit that had been served for a million dollars, and now I had a big legal bill.

Later, I got a phone call from a man named Bob [Robert] Gerhard. He said, "I understand you got a bill from the fancy, Delancey Street lawyer. How much is it?" I told him, and he said, "Well, why don't the three of you [Tom O'Rourke, Sidney Sykes, and myself] send me what you can spare. There's no reason that you should have to pay for the rest of your life when you tried to do something right. I'll pay the bill." Together, the officers of Erlen gave Gerhard six hundred dollars, and he did pay the rest. That was my introduction to civic affairs.

Ann and I just celebrated our fortieth anniversary, and the kids threw a great party for us at the beach in New Jersey. The party was a complete surprise. All of the family was there, including one of Ann's niece's children, who flew up from Texas. It was wonderful. Over the last forty years, Ann has been an integral part of everything I've done. Not only has she been a great mother and homemaker, but she has been actively involved with me in the business. We entertained colleagues and customers in our home and traveled the world together. Wherever I went in the world, Ann was with me. She and I always met with the ex-patriots and the local nationals, with their wives, and developed a sense of family and company. We've met with people in Taiwan, such as the Chairman [Y. C.] Wong and his wife. The relationships that we formed from those gatherings are very important in my business.

During my time at ARCO, wives and family members of the people who worked there were always considered part of the team. Ann understood what ARCO was about and what we were trying to accomplish. I couldn't have achieved anywhere near what I have without her help. She is a very perceptive, intelligent person. Though Ann is humble and minimizes her accomplishments, she is a person of great talent in her own right. I am very proud of her. Ann is an exceptional listener, which allows her to form very deep relationships with people. When I was chairman of the Chemical Manufacturers Association, twice a year our spouses were included in our meetings. That gave people the chance to develop relationships based on more than just business. Those relationships are extremely helpful in business. They are especially beneficial when times are difficult. I was never a golfer, so the relationships I developed were mostly formed at events where colleagues would bring their wives. There, Ann worked just as hard as I did to build friendships with my colleagues and their spouses.

As I mentioned earlier, I brought Ann to dinner with Marshall Cogan because her perceptions of him were important to me. Most people told me not to trust Marshall Cogan. However, my feeling was that, in the experience I had with him, he was a man of his word; he would live by his word. Yet, I was always interested in what Ann thought. I placed a lot of value on her opinions; she was, and still is, an integral part of my career. She has played a significant role in whatever successes I have had.

Of course, Ann still has a life of her own. She loves to read. She reads several papers a day as well as a lot of books—mainly historical stuff. Our marriage has hit the forty-year mark, and hopefully, we'll go beyond fifty and more. Marriage has been a wonderful experience. What more can I say?

THACKRAY: Say some words about your daughters and what they've done in their lives.

SORGENTI: Well, my daughters are great. Beth, my oldest, got into banking.

[END OF TAPE, SIDE 3]

SORGENTI: Beth met and married a young man named Jim [James] Paterno at Dickinson College. He might actually have some distant relationship with the Penn State football coach, Joe Paterno. When we need a reservation at a restaurant, we always say, "This is J. Paterno calling," and it usually works! [laughter] Beth went into banking and was doing very well, but she decided she wanted to stay at home after giving birth to her first child. Beth is very much like her mother, both of my daughters are. She has a great sense of humor, is a good storyteller, and she's just all around a very fine, young woman. Beth has two boys, Matthew and Christopher. I'm very proud of her, as I am of my other daughter, Lucy.

Lucy went to Franklin & Marshall [College]. She received a full scholarship to Loyola [College] in Baltimore, but she turned it down to go to Franklin & Marshall. Lucy thought that Loyola wouldn't be difficult enough; it wouldn't be challenging enough. She is a brilliant debater—I think she should be a lawyer. I hope she goes back to law school once her children are raised. At Franklin & Marshall, I think she registered for Russian as a foreign language, and after a semester or two, she decided that the challenging stuff was more than it was cracked up to be! [laughter] When Lucy graduated from Franklin & Marshall, she participated in Macy's [Federated Department Stores, Inc.] executive training program and worked in Woodbury, Connecticut, or someplace north of New Canaan. I said, "If you want to make this your career, why don't we buy a store and see if we can build a chain." I had this idea that we would build a chain of gift shops in expensive areas, and we bought a business in Bryn Mawr called Wynn Hannock, which Lucy ran—with Beth's help, I might add. Then, we bought a second store in Chestnut Hill called The Baggage Room.

Lucy ran those businesses for about four or five years, but they weren't exceptionally profitable. Owning the stores were fun, in a way, because Ann and the girls would go on shopping trips to stock up and so forth. Eventually, Ann started an executive gift service, but owning the stores was an interesting experience. I think the girls learned a lot about how you run a business, and what you have to do to make money when you have tremendous competition from places like Bed Bath & Beyond [Inc.] and Linens 'n Things [Inc.].

I remember there was one instance where Ann had got an order for four hundred gifts for Blank Rome as Christmas gifts for their employees. They wanted to spend fifteen dollars each. She found a lovely silver-plated picture album that cost us about eight dollars, and they were imported from China. They came in and we had to open and examine each one because the quality was not the greatest in the world. Then, we polished the silver, and made sure it was in good condition. Finally, we put the gifts in tissue paper back in the box and wrapped them up. When Ann delivered the four hundred gifts to the office, a woman from Blank Rome called and said that over the weekend, she had seen an ad for the very same thing at Marshall's for nine dollars and ninety-nine cents. The woman said that Blank Rome wasn't going to pay fifteen dollars if they could get it for less at Marshall's. Ann called me and we had a little family conference. I said, "Well, tell them our price is fifteen dollars. If they think they can get four hundred from Marshall's for nine dollars and ninety-nine cents, gift-wrapped in tissue and polished, they should do it." So Blank Rome returned our gifts [laughter], and we had to sell them in the store. It was an example of how hard it is to compete with the large chains. Another example is when we had hand-painted birdhouses. Our cost was thirty-five dollars, and we were selling them for seventy-five. They were selling them for thirty dollars at Linens 'n Things! [laughter]

The same conditions for the chemical business applied to our gift business as well. Companies need unique products. We had these Byers' Choice [Ltd.] Carolers made by Bob [Robert] Byers, a Drexel [University] graduate. He made a fortune from those Christmas Carolers. Sorgenti Investment Partners was the agent for Byers' Carolers on the Main Line—nobody else could carry them. There was also another agent in Chestnut Hill. Now, I can tell you, the Carolers were a slot machine. So again, having a unique product and franchise is the key.

Lucy married Roger Reynolds, who went to Washington and Lee [University], and now has two children. Both of my daughters, I'm blessed, live in this area. Beth is in Bryn Mawr, and Lucy, in St. David's. I have four wonderful grandchildren. Lucy has a four-year-old girl, Ann, and a seven-year-old boy, Roger. Beth has two boys, Matthew and Christopher, ten and twelve respectively. I never had one iota of trouble with either of my girls. They were just wonderful kids; they always did the right thing. I can even extend that to my sister-in-law's children. She died when she was thirty-seven and left six wonderful children, all of whom graduated from college, have families, and are just wonderful. It's a big extended family.

Ann and I have thirteen nieces and nephews from Ann's side of the family, and we see them all frequently. Ann has helped to nurture, care, and solve problems for all of those children. Losing her one niece to cancer at age thirty-seven was a horrible thing. It's an interesting story because Ann talked to those children often, and this young girl named Joan, after her mother, called us from Dallas one day. She said, "I know you're going to call me tomorrow, but I thought I'd call you. I'm having a little bleeding problem, and I'm going into the hospital. I knew I wouldn't be here, and I didn't want you to worry." Joan needed a mastectomy, so I had taken her to the MD Anderson cancer center in Houston for the best treatment.

Albert Altech, a chemical customer of ours, donated a million dollars a year to that hospital for as long as they kept him alive. He pulled some strings and got us an appointment with a doctor there. I remember that when we showed up, the doctor, who was head of the department, said, "Before I see your niece, can you tell me who are you anyway?" I asked why it mattered, and he said, "Well, the president of the hospital called and said, 'What are you doing on Tuesday? We have a man coming in from Philadelphia and he's bringing his niece from Dallas. I want you to see him.'" The doctor had said his schedule was full, but the president of the hospital replied, "You had a full schedule. You don't now. Make yourself available." I replied, "I'm nobody you would know or recognize, but I'm a friend of Albert Altech's." "Oh," the doctor sighed, "I understand." [laughter] Altech had given a tremendous amount of money to MD Anderson. As a matter of fact, they have a statue of him in the courtyard.

Joan was treated using a cancer protocol recommended by A. D. Anderson. After a period of remission, her cancer returned. She was being monitored by a blood test that showed some irregularities, but only after taking a blood scan did the doctors confirm that the cancer had spread. Joan went to the hospital, and we got a call at about three o'clock in the morning that she was in very bad shape, advising us to come down immediately. Ann and I went out to the airport to catch the first plane down to Dallas. When we got to the Hertz counter in Dallas, they were completely disorganized. I finally went up to the counter and said to the woman, "Listen, I'm trying to get to the hospital before someone dies. Give me the keys to a car." Just like that—boom. We went straight to the hospital. Joan was in a coma in intensive care, and we stayed there with her. The next day the doctor said, "There's nothing we can do. We've opened her up, and she's full of tumors. The cancer has spread. We are taking her out of intensive care, and we can't give her any more blood. You should notify her children."

Joan's husband told their children. The doctor came in the next day and said, "It's a funny thing. The bleeding stopped, and her vital signs are slightly better. Still, it's only a matter of days." He came in the next day and said, "It's very strange her vital signs are strong, but it most likely will not continue." The next day, I went to Joan's hospital room and saw Joan sitting up in bed. She said to me, "You promised to take us to the Four Seasons for Thanksgiving dinner, and I hope that you haven't canceled the reservation." She was eating a Swiss cheese and turkey sandwich. I will never forget that moment. The doctor came in and said, "We obviously don't know what's going on here. You'll have to bring her to a hospice. We can't keep her here." We didn't know of any hospices, so her husband said, "I'm not taking her to a hospice. We'll take her home.

Joan lived through the holidays, and we did go to dinner at the Four Seasons. She had Christmas with her children. The day after Christmas, when Joan went to bed that night, her husband said to her, "You've accomplished everything you wanted to accomplish. You can let go now." She died three hours later. It's a sad, but amazing story. That was about seven years ago. It was then that I bought the house in Palm Beach. I remember saying to Ann, "We've been talking about this house in Palm Beach for so long, and this ought to be a lesson to us about how fragile life is. If you want a house in Palm Beach, buy it." So we bought it.

We're still a close family. Ann and I see all the children and have a great holiday brunch that Ann puts on every year. The whole family comes, and the little kids really look forward to it. When I say we're a close family, Ann is the focal point of all of that. She keeps it all together and does all the work.

THACKRAY: Go back to your father's side of the family, Hal.

SORGENTI: Well, we never really knew very much about my father's side of the family. I decided a couple years ago that we ought to learn more about it because we knew so much about my mother's side. I found something on the Internet called "MyItalianFamily.com," and it turned out that the site was run by a young woman named Bianca Ottone. She asked for a little information, like where my family was from. I told her, “I don’t know, but there can’t be that many Sorgentis in Italy. I’ve checked the AOL [America Online, Inc.] white pages, and it says there are only one hundred families in Italy.” I also agreed to ask my one or two cousins, who are twenty years older than I am, and try to find some answers.

One of my cousins had a card from the Navy yard where her father had worked, and it said “Giffone” on it. The only other place I could think of was Salerno because my aunt had always talked about it. I asked Ottone if she could take a look near Salerno, and she came up with a complete family history and a family tree, dating back to 1740. The most interesting part was that the occupations of people were listed. “Peasant” is written next to some ancestors, and I asked to her, “Can’t we use some other word? My grandchildren will look at this. It would be nice if they thought—” “Well, everybody was a peasant,” she interjected. I said, “Well, how about farmer? It sounds better than peasant.” I was so surprised, the list would actually say illiterate peasant.

Anyway, we did find my father’s family. My grandfather was from a small town called Giffone Valle Piana, which means Giffone in the Flat Valley. The parish records where they found the family was in a place called Terra Vechia, meaning Old Hamlet. Apparently, an interesting international film festival currently takes place there. It would be a suburban area right outside of Salerno. My grandfather came to America in 1894 and lived in Brooklyn, right up against the Brooklyn Navy Yard. As a matter of fact, when I finally got the address, I went to look at the place. It was right under the Brooklyn Bridge, and backed up to the Navy Yard. It took him quite a bit of time to make the money to send for his family. His oldest son came over in 1901—my father’s oldest brother. The next year, 1902, my grandmother and her other son came over. Then, there were two children born in this country. One was Alberto, who passed away. The other was my father, who was born in 1905. We have the record of the ships that they emigrated on. It’s quite an impressive document that Ottone put together. I didn’t know it was possible to get this wonderful family history for five hundred dollars. Somebody had asked me for twenty thousand dollars, but this woman did it for five hundred dollars. I have pictures of the towns and photos of all the birth certificates.

THACKRAY: So now you know more than anybody since 1740, I assume.

SORGENTI: Yes. Absolutely. I know everything! [laughter]

This summer, I was at dinner with Ambassador [Thomas] Foglietta [a former Italian ambassador appointed by President William Jefferson Clinton], and there was a young woman from Italy who didn’t speak English very well. She asked me where I was from, and I said, “Well, my family is from Salerno.” She said, “That’s interesting. I’m from Salerno. And what’s your name?” “Sorgenti,” I replied. She said, “Oh, my God! My grandmother’s maiden name was Sorgenti.” Her grandmother was also from Giffone! I told her, “Well, I’ve got news for you. We’re related!” [laughter] She said, “That’s incredible. Did you know the family now has big farms? They produce the bulk of the nut, walnuts and cashews, and package them and send them all over Italy." I said, "I have to go there." I sent her a copy of the family tree and asked her to "fill in where [her] grandmother would have come from." There were a couple of missing links from way back when there were three or four children. Ottone had only followed one and not the others because they had been in different churches or villages.

The one thing still missing is how my mother and father met, but we have cleared up where they were and the timing as well, which was interesting. I do plan to visit Salerno at some point, God willing. I want to go down there and see what I can find out because we do have some indications of the house where they actually lived. I went to the town my mother was from, which was a walled village, over two thousand years old. You couldn't drive a car down the street, it was so narrow. My cousin, Jim [James] Tarangelo, went there and talked to some of the town elders. They pinpointed the house that my mother's family lived in. Jim went inside the house and videotaped it [laughter], which I thought was interesting.

I'm reflecting on all this particularly because my brother just passed away, which is a blow. He was a doctor in New York, and he really was the family historian. He kept the family together with reunions and gatherings. One of my cousins, as she was leaving the funeral, said to me, "Well, it's your job now." I replied, "Yes, and I don't know if I'm up to it." We're rapidly losing that generation in my family. There are a few family members in their nineties, and I recently had a birthday party for my brother, who turned seventy, which all of our cousins attended. While reflecting on my brother, I keep thinking how different his life was from mine. My brother hadn't traveled as extensively as I have and I was always a little taken aback, thinking he had missed so much of what I had seen.

I guess I never realized or understood the center point of his life—his practice. Many of his patients say to me, "Your brother was a country doctor in the big city." There are countless stories. To me, my brother's wake was actually therapeutic. At first I had said, "This is inhuman to do this for two days, two afternoons, two evenings—to put the family through that." But we all came together, and told each other wonderful stories that people never knew before. I felt so good afterwards because I felt that my brother had led a meaningful, valuable life that he loved. His practice was the center point of his life.

I have been fortunate. I've seen a lot, done a lot, traveled around the world, hopefully accomplished a few things, and maybe even helped other people along the way. I would like to continue to do that. Nothing would please me more than to have one hundred million dollars to give away, and I haven't done that yet. With a break here or there, however, it's not beyond the realm of possibility.

Ann had gone to Chestnut Hill College, as I said earlier, on scholarship, and she's continued her association with the school all these years. She recently ran the capital campaign for Chestnut Hill, raising twenty million dollars, which they told her was impossible to do. Chestnut Hill built a new building, part of which is named after her. There is actually an Ann Rusnack Sorgenti Arena in Chestnut Hill College. It's an excellent example of giving back because she was a scholarship student there. I think that's something she feels good about.

What else can I say? If I had money, I'd be dangerous! [laughter] I'm talking about real money where I could influence what happens. It's encouraging that there are some very creative entrepreneurial things happening in Philadelphia from people who are newly wealthy and made their money by being entrepreneurs. For instance, there is a battle going on now to move the Barnes Foundation downtown, led by Gerry [H. Fitzgerald] Lenfest, an entrepreneur who made billions of dollars in cable television. It's very creative. Also, a major grant [thirty-five million dollars] was just made to the Performing Arts Center and the resident companies.

THACKRAY: Well, Hal, you're obviously deeply immersed and still in the formative stages of a varied and fruitful life. Thank you.

[END OF TAPE, SIDE 4]

[END OF INTERVIEW]

NOTES

1. Harold A. Sorgenti and G. F. Sachsel, “Nitric Acid Manufacture,” *Industrial and Engineering Chemistry* 52 (1960):101-104.

2. Harold A. Sorgenti, “Method of Producing Good Color Epoxide Taurine Condensation Products,” U.S. Patent # 3,388,154. Issued 11 June 1968.

   ———, “Production of Low 2-Phenyl Isomer Content Mono-Alkylbenzene Fractions,” U.S. Patent # 3,342,888. Issued 19 September 1967.

   ———, “Method for the Production of Monoalkylbenzenes,” U.S. Patent # 3,478,118. Issued 11 November 1969.

   ———, “Isomerization of 2-Phenyl Alkanes,” U.S. Patent # 3,352,933. Issued 14 November 1967.

   ———, “Molybdenum-Containing Catalyst Solutions and Method of Making and Using Same,” U.S. Patent # 3,573,226. Issued 30 March 1971.

   ———, “Epoxidation of Propylene Utilizing Molybdenum-Containing Catalyst Solutions,” U.S. Patent # 3,666,777. Issued 30 May 1972.

   ———, “Process for Preparing Diperoxide From an Organic Hydroperoxide and a Ketone,” U.S. Patent # 3,935,278. Issued 27 January 1976.

   ———, “Hydroperoxide Production,” U.S. Patent # 3,949,004. Issued 6 April 1976.

   ———, “Alkylation of Benzene Utilizing Fischer-Tropsch Olefin-Paraffin Mixtures,” U.S. Patent # 3,674,885. Issued 4 July 1972.

   ———, “Process For the Desulfurization of Hydrocarbons,” U.S. Patent # 3,816,301. Issued 11 June 1974.

   ———, “Process for Treating Food,” U.S. Patent # 3,035,918. Issued 22 May 1962.

   ———, “Compensation for and Method of Reducing Hydrocarbon Fluid Friction Loss in Conduits,” U.S. Serial # 283,769. Patent Pending.

APPENDIX

APPENDIX

The life of Harold A. Sorgenti presented through photographs.

APPENDIX

FAMILY LIFE

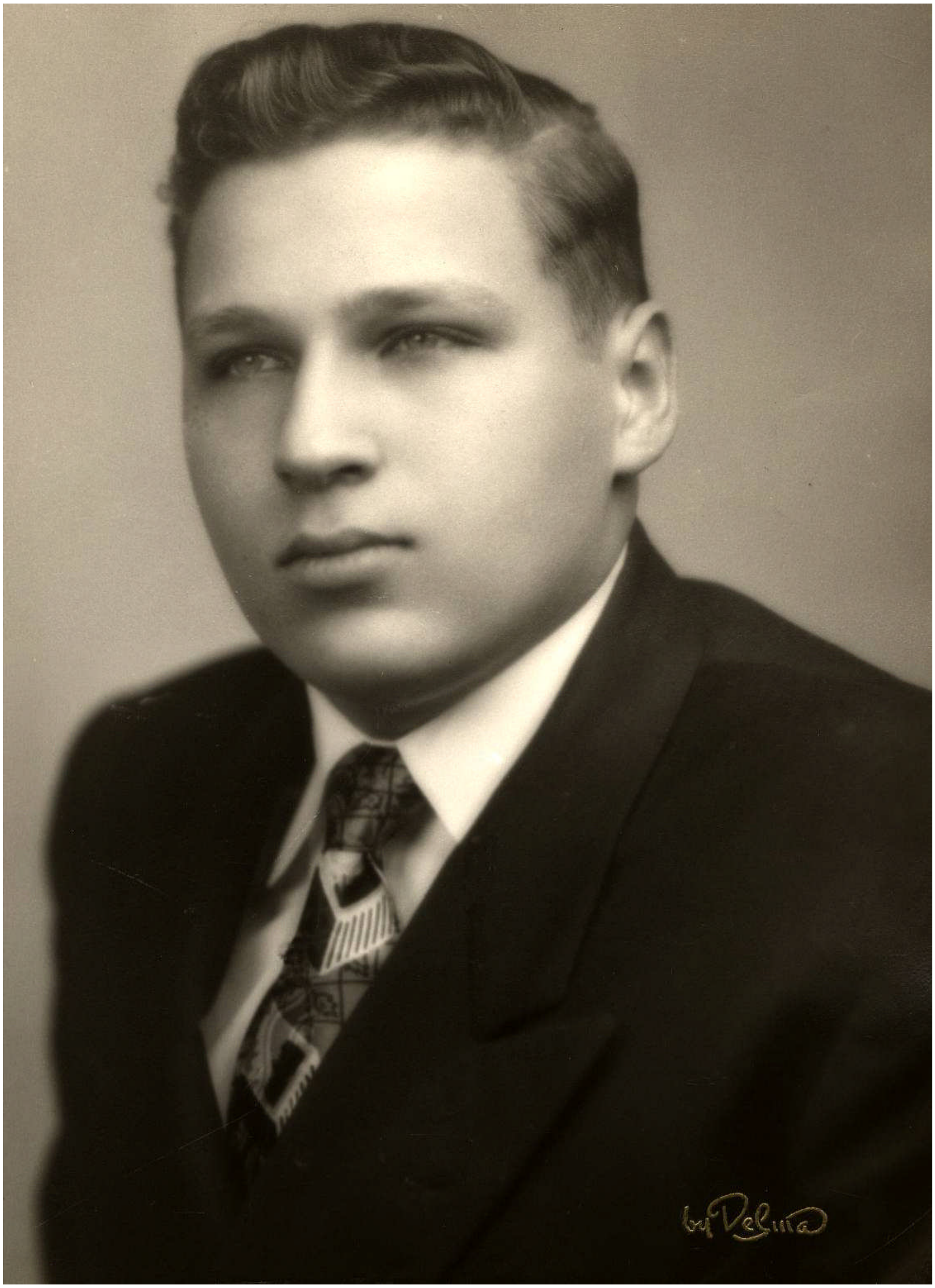
The marriage of Louis and Lucille Sorgenti

Wenzel Plating Works
(l. to r.: Joseph Sorgenti, worker, Louis Sorgenti)

The Sacrament of Confirmation

With Junior High School friend Howie

Father and son in Flatbush, Brooklyn

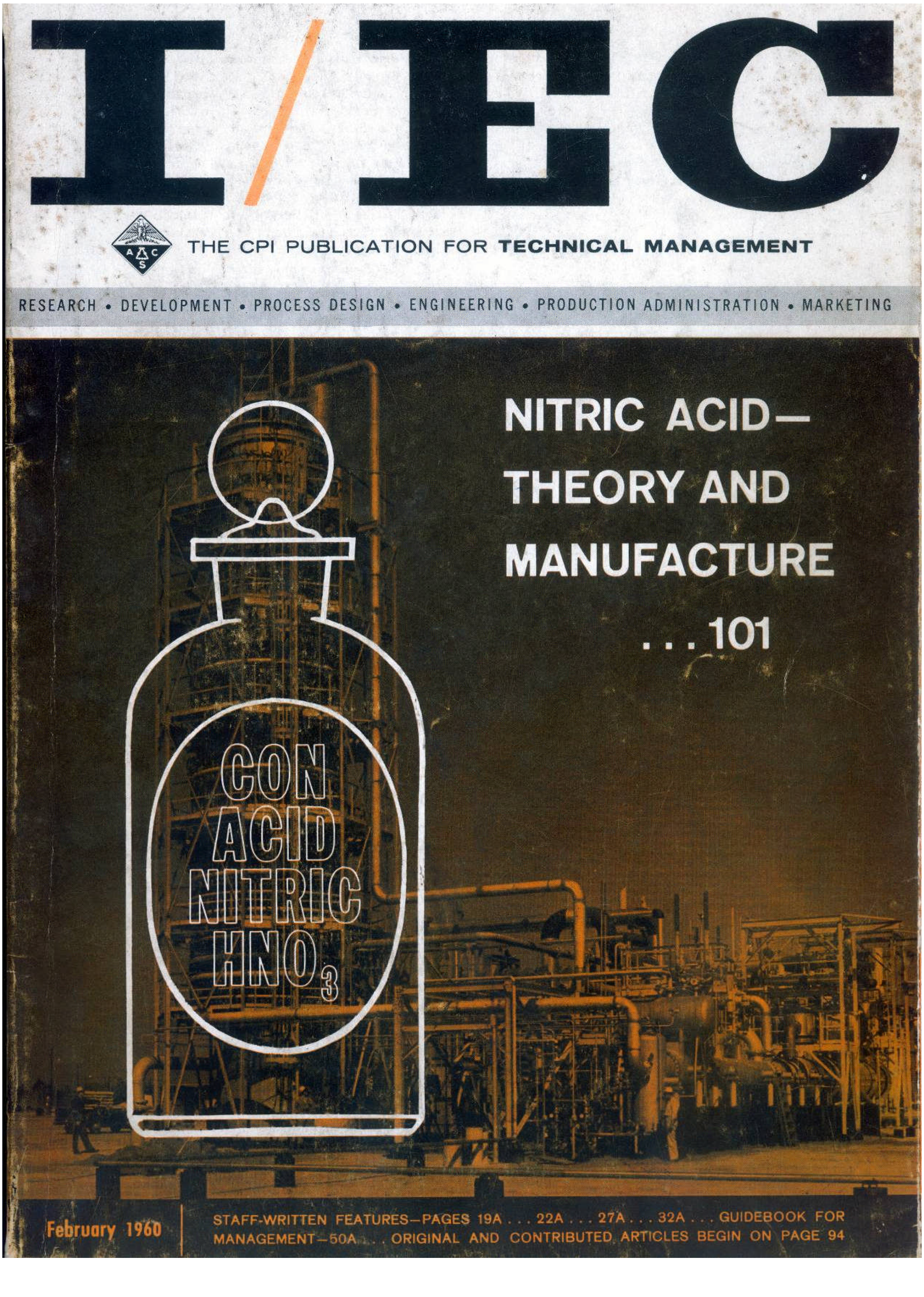


At the Greenbrier with Ann and grandchildren,
November 2003

APPENDIX

CORPORATE LIFE

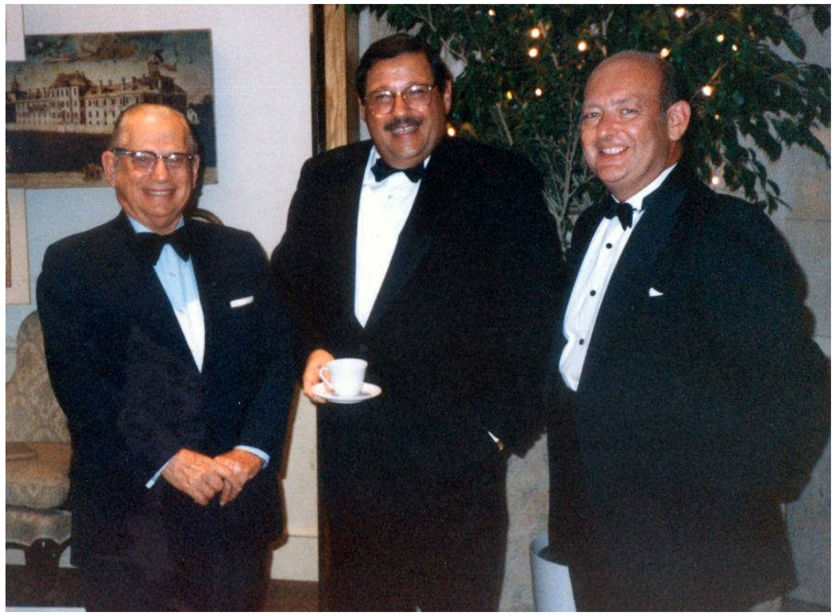
The Businessman


I/EC
THE CPI PUBLICATION FOR TECHNICAL MANAGEMENT
RESEARCH • DEVELOPMENT • PROCESS DESIGN • ENGINEERING • PRODUCTION ADMINISTRATION • MARKETING
NITRIC ACID—
THEORY AND
MANUFACTURE
. . . 101
CON
ACID
NITRIC
HNO3
February 1960
STAFF-WRITTEN FEATURES—PAGES 19A . . . 22A . . . 27A . . . 32A . . . GUIDEBOOK FOR
MANAGEMENT—50A . . . ORIGINAL AND CONTRIBUTED ARTICLES BEGIN ON PAGE 94

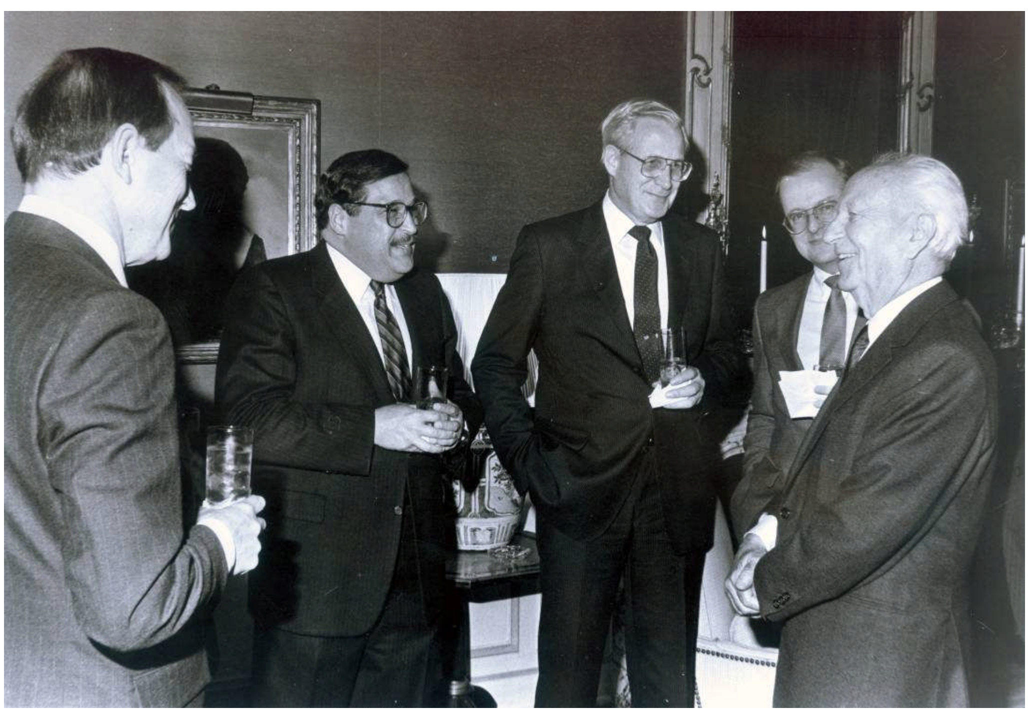
Formosa Plastics Product Showroom
With Richard Bressler

With Don Wood, Antonio Enrich, and Eric Tanberg


Chemical Age
29 MAY 1981
THE INTERNATIONAL NEWS WEEKLY
£1.20 $3.55
SORGENTI:
IN CHARGE OF
ARCO'S
GROWTH
WITH THIS ISSUE...
1981 FAR EAST PROJECTS
SURVEY



With Ralph Landau and Jack Oppasser



With Don Wood, Al Hirsig, and Gaston DeFere

With Mr. Hijakata, chairman of Sumitomo Chemical

With Indonesian Minister of Industry at the dedication of polyol plant

Hal Sorgenti.

Hal Sorgenti:
On Corporate Leadership

"There are two sides to corporate leadership," Harold A. Sorgenti says. "One side—the day-to-day running of the company—requires leadership qualities which are pretty well standard. A key characteristics of a leader is the ability to crystallize a vision and communicate it in terms that people can relate to. If you have something that is so complicated that it is difficult for people to understand, then you can never communicate it effectively.

"Unless you can communicate your vision to people at all levels of a company from the very lowest to the very top, the vision or the purpose or the direction gets diluted, reinterpreted, and re-reinterpreted."

Motivating employees to high levels of performance has been the subject of decades worth of business writings. Sorgenti believes that motivation begins with leadership: "A leader has to set performance standards, levels of excellence that he expects to achieve. People have to believe that these goals are worthwhile, and, if they accomplish them, they have to believe that they will share in the rewards. If you set goals, standards of excellence and performance, and people believe they are worthwhile, you can motivate them."

Sorgenti was President of ARCO Chemical Company in Newtown Square from 1979 until recently, when he assumed the position of Vice Chairman of the Board.

"It goes without saying that a leader has to demonstrate a very high standard of integrity. If you have a reputation that is impeccable and people believe you stand for high integrity, the organization will follow that model. Another quality is loyalty: loyalty to the company, loyalty to the people who are employed there. Integrity and loyalty are key characteristics of people who lead.

"Never in the thirty-two years with ARCO was I asked to make a decision that I found to be morally objectionable. There were one or two instances in my career where the morally correct decision was probably not the best business decision.

"When I was very young I remember calling the CEO of the company and telling him that I had a problem in making a decision, because what I felt like doing morally was probably the inappropriate business decision. His response was, 'You have to do what is morally correct.' This integrity has been a hallmark of ARCO."

Sorgenti was a native of New York City and chemical engineering graduate of City College of New York. He received his masters degree from Ohio State University, and he began his career with Atlantic Refining Company in Philadelphia in 1959. He advanced through a number of

BY JOHN E. RENNER

Excerpt from *Main Line: The Western Suburbs Magazine*, May-June 1991

WANTED

Harold Sorgenti

CHAIRMAN OF

PHILADELPHIA CHAMBER OF COMMERCE

PRESIDENT OF ARCO CHEMICAL

MR. SORGENTI was invited by Philadelphia organizations to adress the annual conference of National People's Action (NPA) on Sunday, September 12 at the Philadelphia Centre Hotel to discuss economic issues facing our communities. MR. SORGENTI did not attend.

MR. SORGENTI and the Philadelphia Chamber of Commerce have a Philadelphia First Corporation (it costs $50,000 to join) which is for:

TAX BREAKS FOR BIG BUSINESS, PRIVATE CLUBS & FAT CATS!

Philadelphia organizations and NPA, as part of a RECLAIM AMERICA campaign, are demanding that MR. SORGENTI and the Philadelphia Chamber of Commerce meet to discuss with us:

- -a JOB CREATION PLAN for unemployed Philadelphians
- -HOUSING REHABILITATION & CONSTRUCTION in Philadelphia neighborhoods
- -FUEL ASSISTANCE & WEATHERIZATION MONEY to stop increasing utility costs
- -affordable & decent MEDICAL CARE for all Philadelphians

PLEASE URGE MR. SORGENTI TO ATTEND A MEETING WITH PHILADELPHIA GROUPS TO COME UP WITH A <u>REAL</u> PHILADELPHIA FIRST PLAN!

RECLAIM AMERICA

FOR ALL OF US! NOT JUST THE RICH!

NATIONAL PEOPLE'S ACTION 1123 W. Washington Blvd., Chicago, Illinois 60607 (312) 243-3038

Reclaim America article attacking Sorgenti

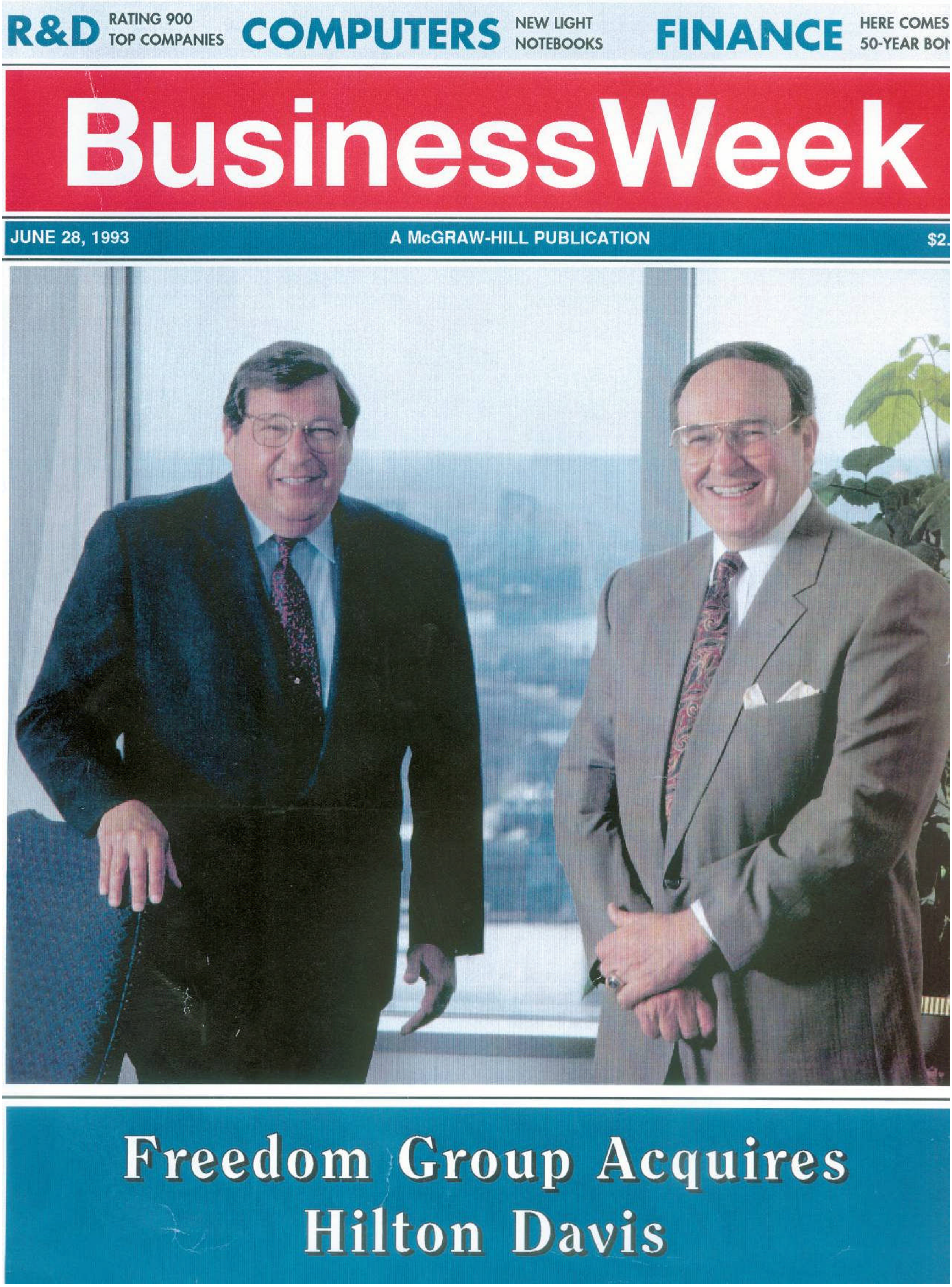
Groundbreaking ceremony for butanediol plant,
24 August 1988

With president of Mitsubishi Gas Chemical Company, Don Wood,
and John Noel

With Nick Prater, head of Mobay Chemical Corporation

Visit to Channelview plant
With Jack Johnson and Charlie Bonney

Signing of Yukong ARCO joint venture
With president of Yukong Petroleum, H. D. Kim



Business Week, 28 June 1993
With Frederick P. Rullo

Examples of products which use Freedom's Textile and Paper Chemicals.

Examples of Freedom's specialty chemical products

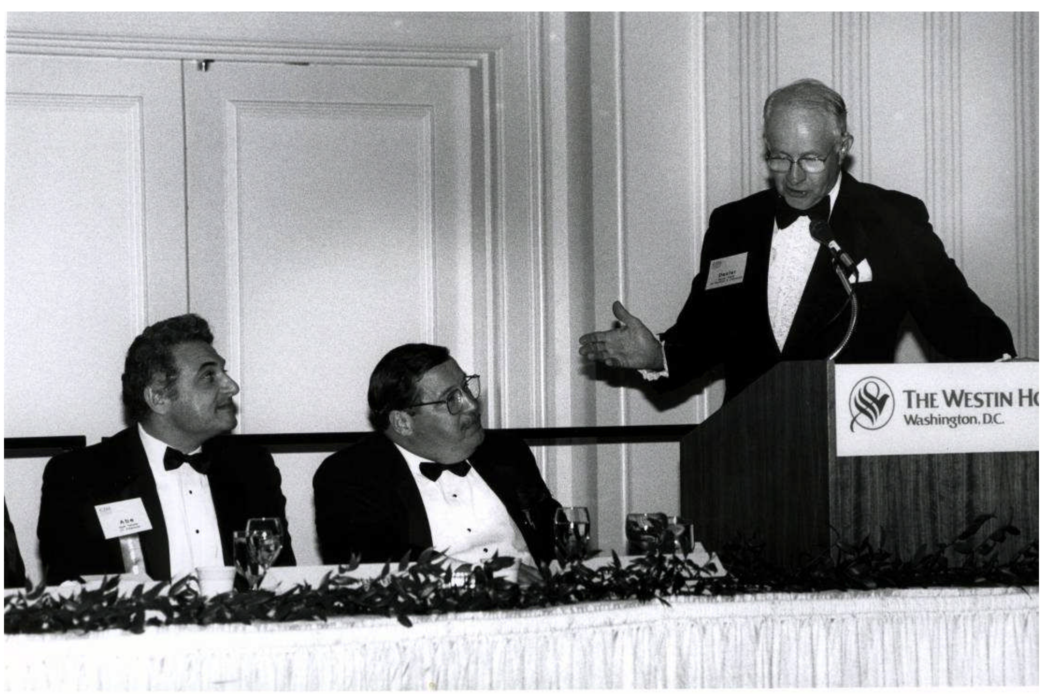
Freedom's products were used in many diverse applications

Examples of products which use Freedom's Food and Personal Care Ingredients.

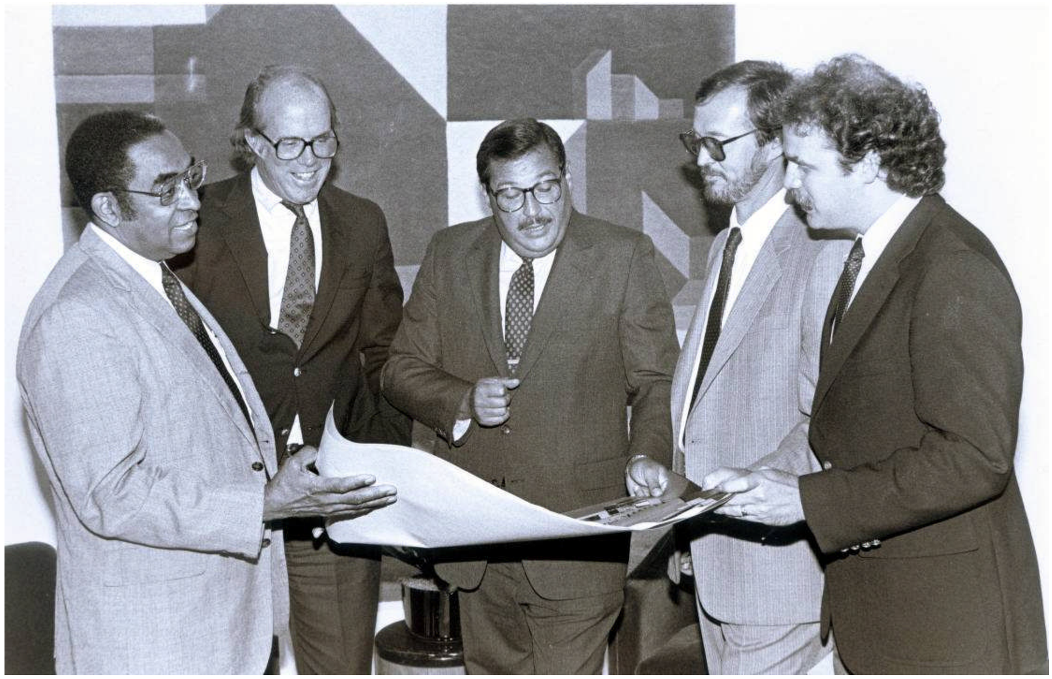
APPENDIX

EVENTS & AWARDS

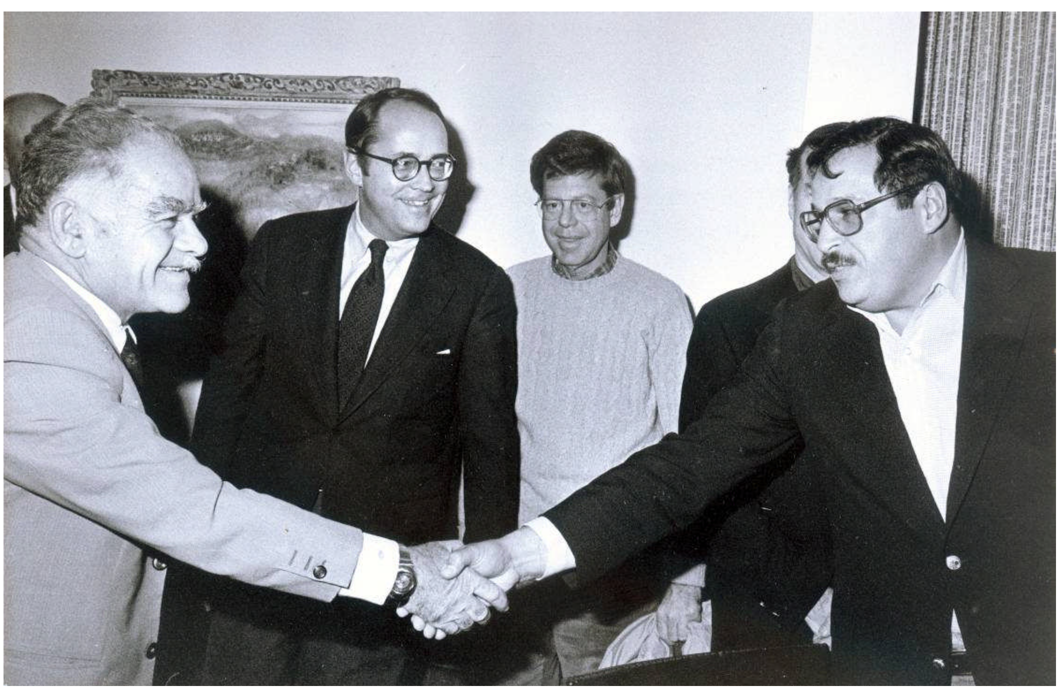
SCI Forum in Europe



Dexter Baker, chairman of Air Products, introduces
Sorgenti for CMRA Award



Examining a document with Willard Rouse [center]



Shaking hands with the Prime Minster of Israel

With WHYY General Manager Jim Karayn and Mayor William Green,
opening of WHYY's new technical center

With Mayor of Jerusalem and Dick and Ginny Thornburgh, in Israel

Dedication of Newtown Square
With Dick Thornburgh and Matt Ryan, House Majority Leader

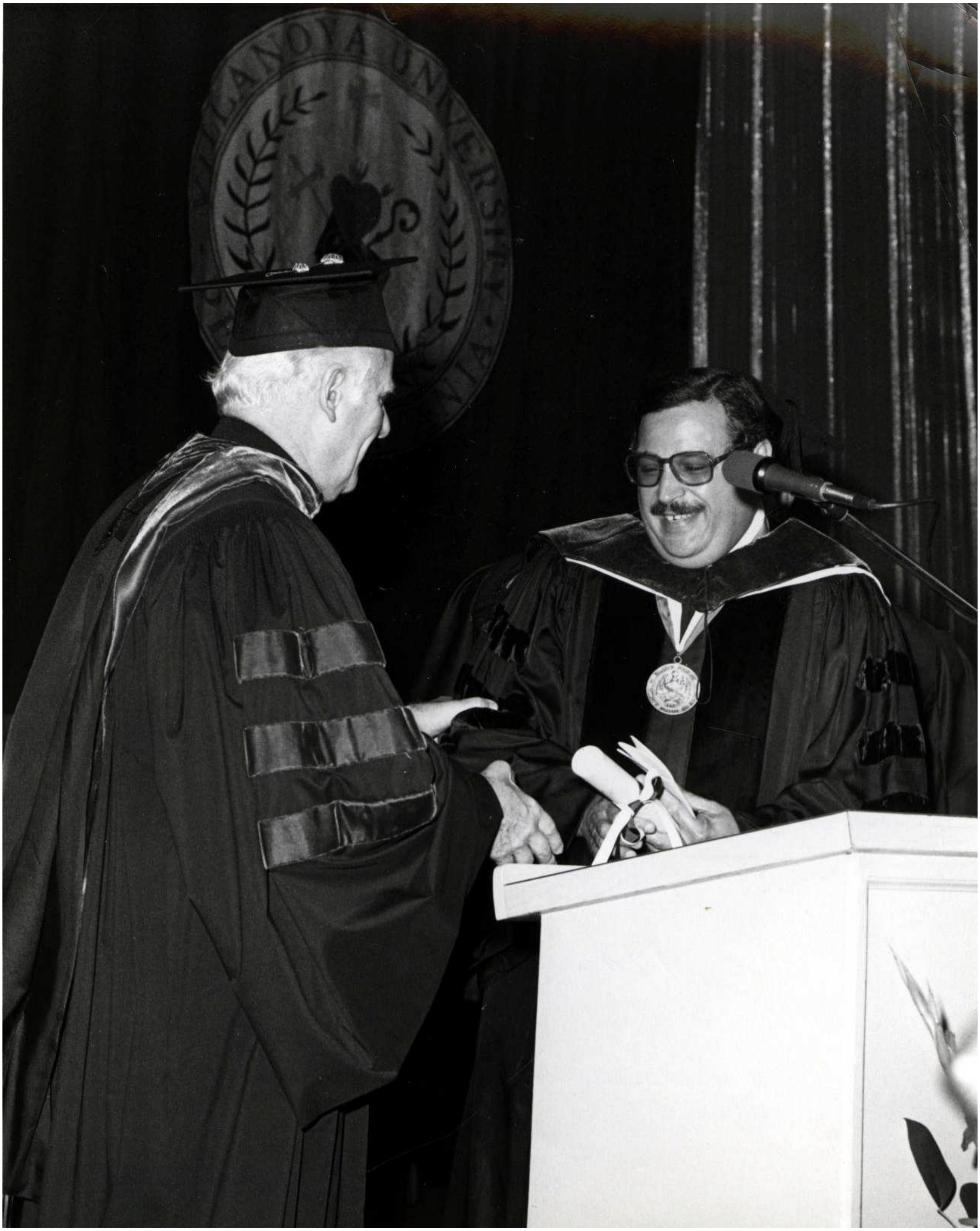
Receiving the Philadelphia Bowl

Drexel University

Receiving the P.A.L. Award
With Mayor W. Wilson Goode [center]

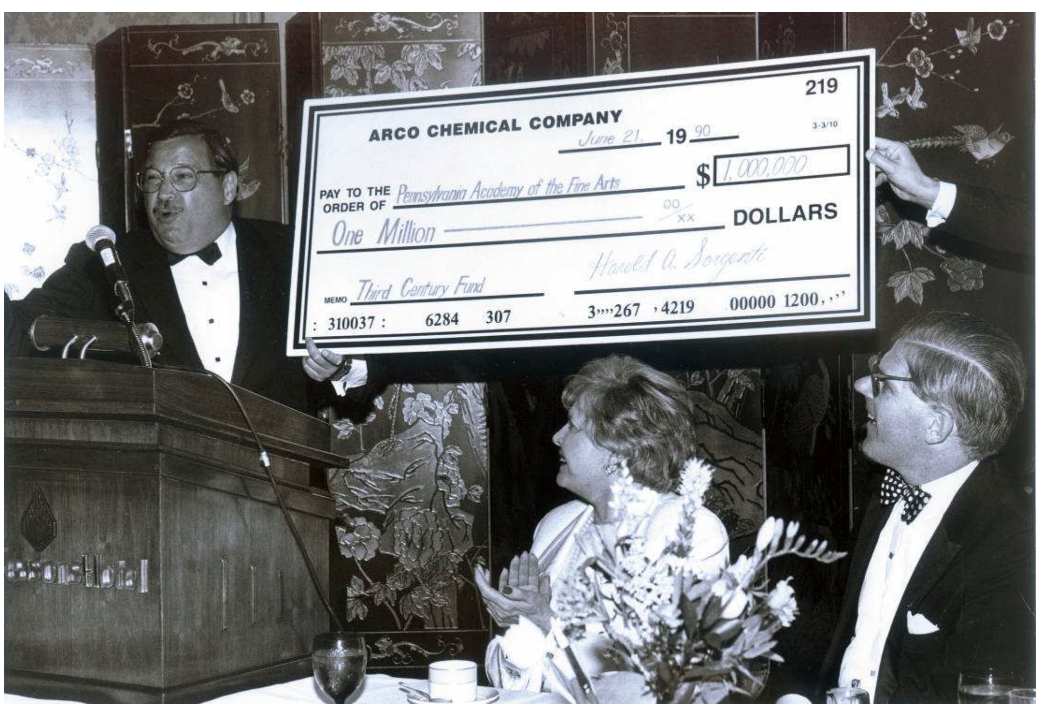
Sorgenti family photo taken after receiving the William Penn Award

With Mayor William Green and Dinah Shore



Receiving honorary doctorate from Villanova University, 1982

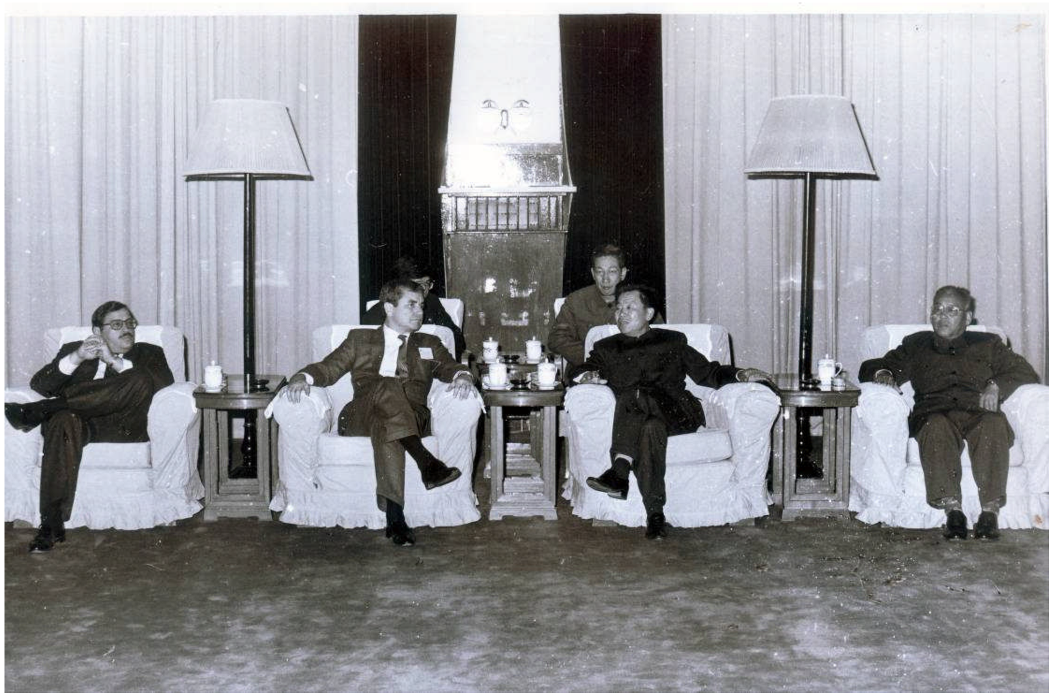
Receiving an honorary doctorate from Drexel University
With Constantine Papadakis, Drexel University President,
and Chuck Pennoni, Drexel University Chairman



Presenting a one million-dollar gift from ARCO to the
Pennsylvania Academy of Fine Arts

Perkin Medal Dinner, 9 March 1994
With Marinus Los, J. Lawrence Wilson, and Albert J. Costello

Perkin Medal Dinner, 9 March 1994
With Mr. and Mrs Albert J. Costello, Jean-March Bruel,
the Sorgentis, and John J. Wren



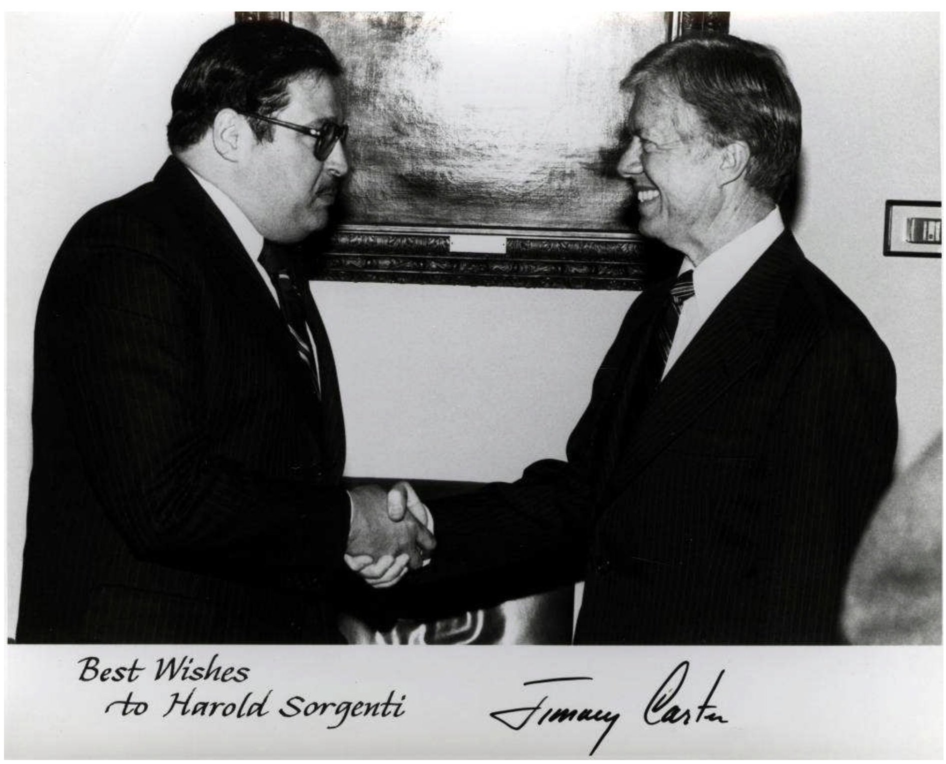
In China with Mission from the City of Philadelphia
With Richard A. Doran

Meeting Benazir Button, Prime Minster of Pakistan
after her release from house arrest

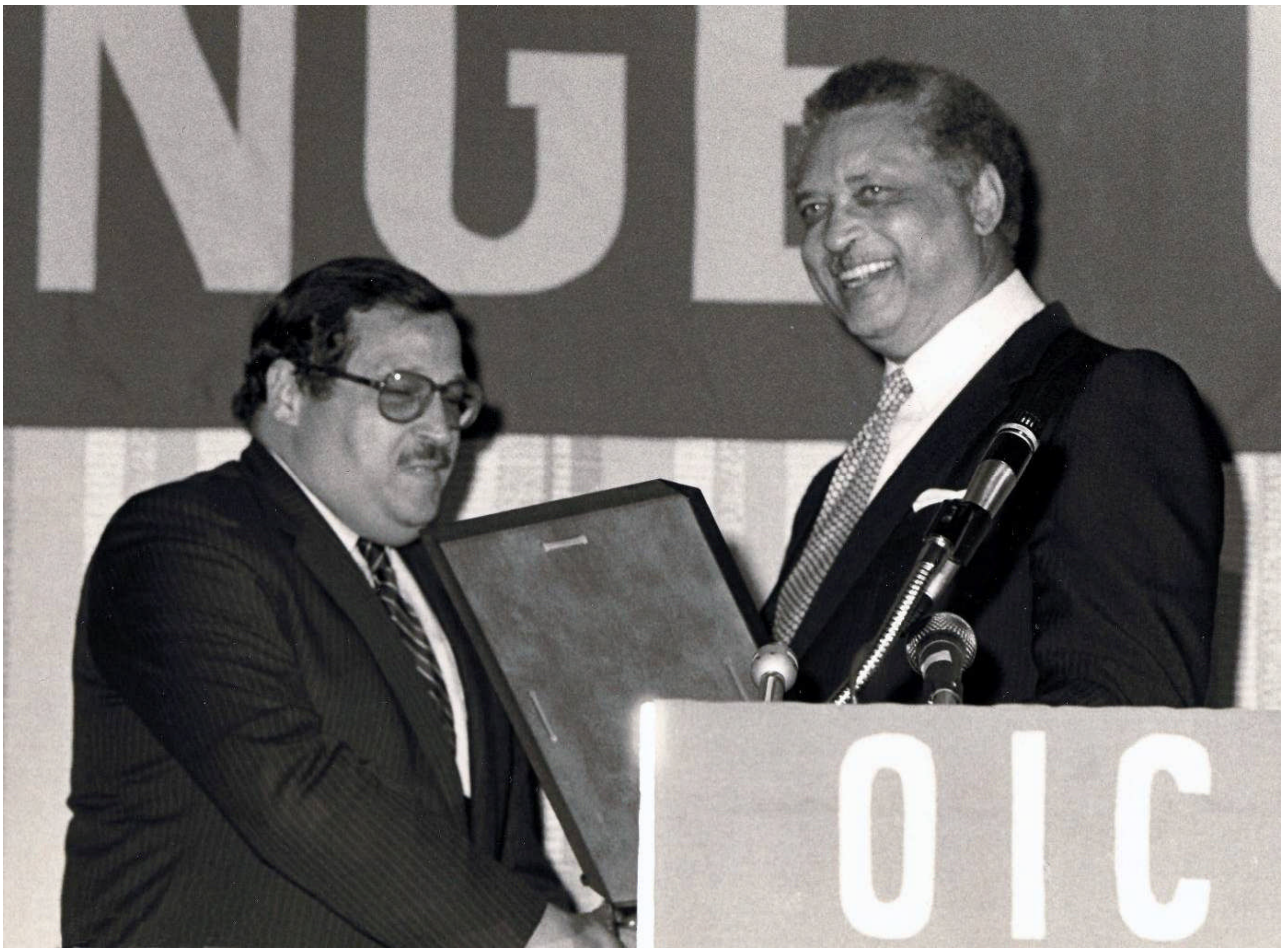
ARCO celebration

Celebrating Oktoberfest with Diamalt Group
Munich, Germany 1995

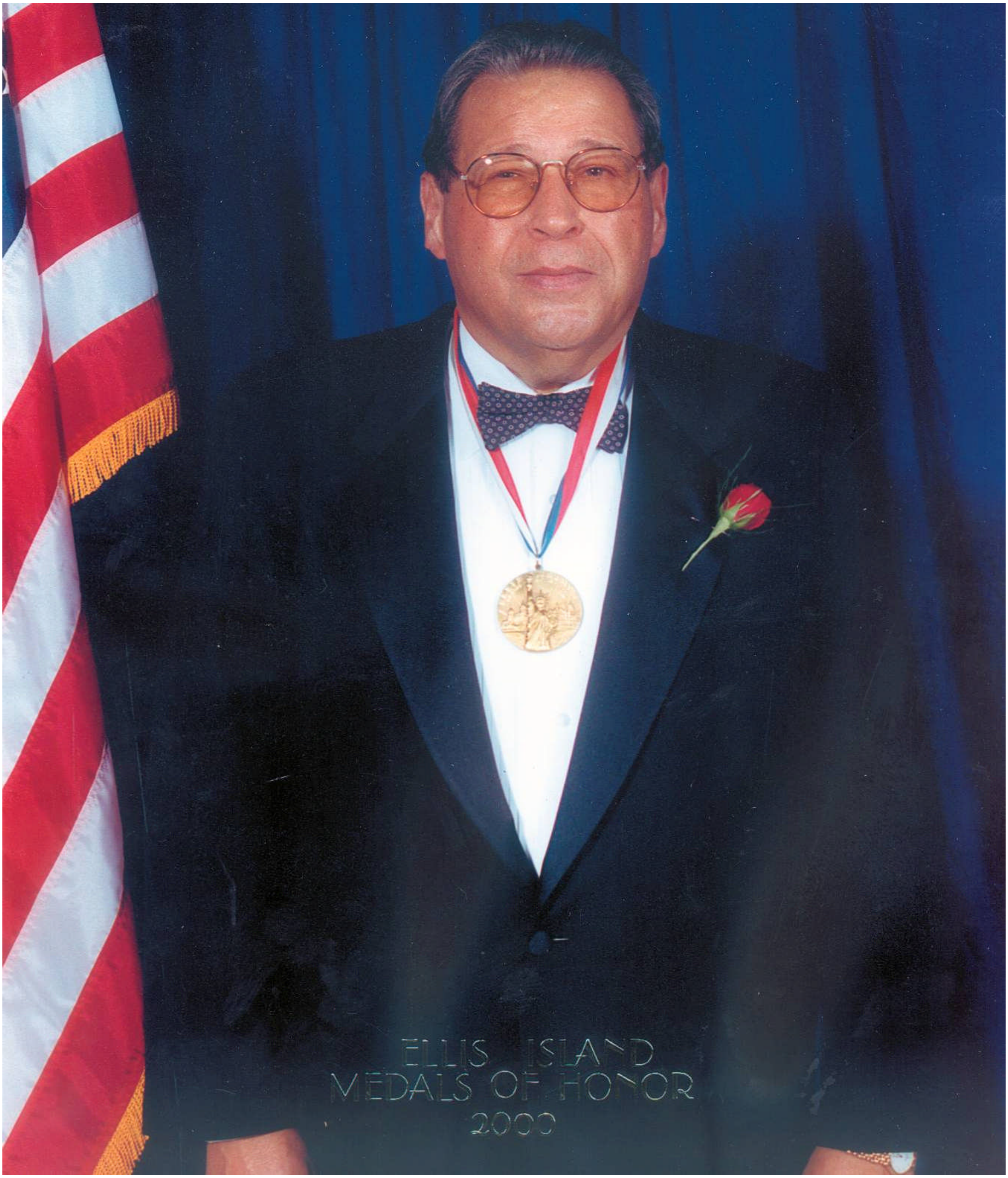
Attending a speech given by President Jimmy Carter
[Sorgenti is on top row, third from left]



Meeting President Jimmy Carter



Receiving the Distinguished Service Award from
Opportunities Industrialization Centers of America, Inc. [OIC], 1983
With Rev. Leon Sullivan, founder



Awarded the Ellis Island Medal of Honor in 2000

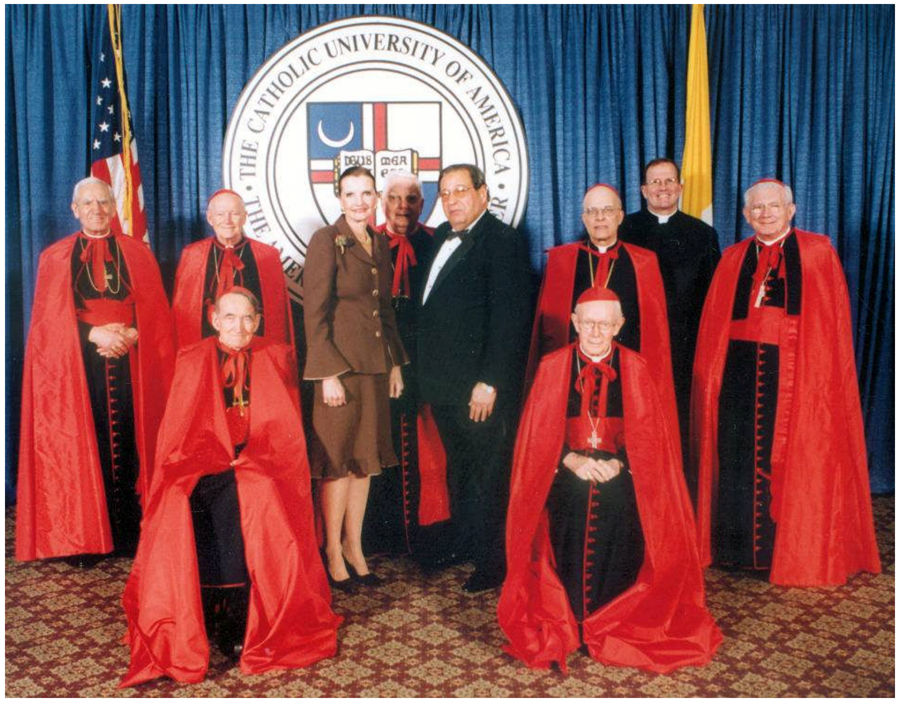
APPENDIX

RELIGION

Meeting Pope John Paul II at the Vatican

Rededication of Sistine Chapel after restoration

The Sorgentis contributed to the restoration of the Moses Mosaic
[Sorgenti, with his back to the camera, is standing to the left of the Pope]



The American Cardinals dinner to benefit Catholic University
chaired by the Sorgentis

The Beautification of Blessed Mother Katherine Drexel

INDEX

G

J

K

L

M

Q

R

S

Y