The Bank Turns Us Down

When we began business in 1972, Buell Baclesse had been our organizer, our first President, and the guy who arranged for our banking. He banked at Jefferson City's Exchange National Bank and talked to its president, Don Campbell, about a line of credit, secured by all six of the shareholders. It served us well for two years. In the Spring of 1975, I went with Buell to see Don and others at the bank about extending our line from its maximum of $80,000 to $117,500. The bank turned us down.

A funny story about that meeting: Both Buell and Don within that week had undergone a medical procedure which required filling, rectally, the lower intestines with barium or some similar fluid that x-rays could detect. After our rejection, these two older men compared their exams. Don complained that the hardest part was "holding" the solution "in" while the x-ray table moved wildly. Buell pointed out that his physician had inserted a little valve, so he didn't have to undergo that agony. Well, Don couldn't understand why his doctor didn't do the same thing, to which Buell quickly replied: "Well, Don, he musta known you were a banker and had a tight ass!"

At our May Board meeting in 1975 news of Exchange's refusal to renew our line of credit brought an idea from Derry. He said he thought his friends at the small, Farmers and Traders Bank of California, Mo. might be interested in becoming our banker. So, at the June 17th meeting, its president, Paul Kuester, and cashier, Dave Hampton, came to our Board Meeting, and said they would be willing to finance us with a line of credit of $120,000. Of course, the note would require the personal guaranty of each of the shareholders. We all agreed to this. Further, our checking account and other banking activities were moved from Jefferson City to California, Mo.

That began a rather long and mutually profitable relationship. Further, Paul Kuester became a close personal friend.

Bankers want lots of security. They aren't in the risk business. They're more than willing to loan a business money but they want to be darn sure they can get it back--with interest. So, they take as security (collateral) a business's inventory, its property, its accounts receivable, its equity and when all that isn't enough, they ask the owners to personally pledge everything they own. Even today, I have personally pledged all my personal assets to secure Learfield's debts. These debts are called "full recourse loans" in the banking business. And our pledge of personal assets is called a "personal guaranty".

When we first started, we'd never been able to make a go of it without the personal guaranties of Buell, Jack, George and Jim. Derry and I simply didn't have personal wealth. But these guys did. And bankers--being as they are--also required the wives to sign as guarantors. That makes getting to the money in the case of a default much easier. Further, each was secured jointly and severely. That means that the bank can get all of its money from the wealthiest; it doesn't have to get equal parts from each. (I know it sounds wrong and it is) So, you can see that we appreciate these guys, and their wives, for their willingness to jump in and to sign on to this debt. Without them, we'd never made it.

Another funny story: On a routine note renewal, I circulated the guaranty form for each of the six of us and our wives to sign. I had everyone's signature but for Jack and Lela Murphy's. So, I called him and drove over to his Columbia office to get them. After he signed, I explained I also needed Lela's. He grunted and ask me to ride with him out to his house. We pulled up to his beautiful home and I started to get out, but he asked me to stay in the car and wait. Maybe 30-minutes later he returned, got in, handed me the form, yet unsigned by Lela. "She won't sign" was all he said. And, she never did. I'd loved to have heard that conversation, wouldn't you?

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