

Bonus #3

Finance



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Bally Manufacturing and Donald Trump had much tension in their interactions. Trump, as a businessman and hotel mogul was toying with the notion of purchasing more than his “ 9. 6% stake” to boost his share in that firm at November 21, 1986 (Case Study). Bally was extremely concerned that Trump’s further encroachment into their company’s pool of stock would threaten the company at-large, and their positions in the leadership. Robert Mullane served as President and Chief Executive Officer of Bally during the period of tension involving Mr. Trump. During his term, the average stock price of Bally was \$22. 00, while its average S&P Index Value over the time was 254. 40 (Stock Prices & Returns). The company took a hardline stance against Trump in his apparent attempt to disband the directors and offer a bid to purchase, but “ laid itself open to greenmailing by Donald Trump” (Case Study).

Basically, what happened was the leadership of this conglomerate wanted to rid themselves of the drama from Trump and paid a premium to purchase back his stake. Trump amassed a “ profit of more than \$24 million,” as a result of the deal (Case Study). He has been criticized of negatively impacting the company by acquiring bloated assets, and receiving a high relative salary over his more than ten-year term (Case Study). The income before extraordinary expenses in 1980 was approximately “\$50. 47 million,” while a decade later, 1990, the company was running at a deficit in this category at the value “-\$292. 31 million” (Accounting & Other Data). A look at the Assets-Total classification also reveals more than a four-fold increase (\$658. 65-\$2890. 26 million) within that same decade (Accounting & Other Data). Over the years, Bally Manufacturing also made some adjustments to its active investment program and reported on these changes during its <https://assignbuster.com/bonus-3/>

annual meeting of stockholders in 1986 and 1987. One possibility that was ended was that loans were no longer considered “to officers for the purpose of exercising stock options” (1986 Notice 14). A quick look at another notice reveals that the flirtation with Donald Trump cost the firm much money, and eroded their reputation. Coverage of the incidents was inserted in the 1987 notice and generally labeled as “purported derivative and class action” (1987 Notice 15-16). There was a large section titled “legal proceedings” in the notice for this year, and their actions in February 1988 of paying Donald Trump an inflated sum for his shares seems to suggest the majority of fault laid with Bally Manufacturing, and not as “purported” to be due to Donald Trump.

Overall, Donald Trump was a good influence on Bally Manufacturing, but in the short-term it did come at an expense to that firm. Over the years, the salary and options of directors and the top leaders of Bally were consistently increased, even though over the decade the income results and share price performed moderately. Meanwhile, Bally’s assets bubbled, and it was reluctant to let anyone else join in on their prosperity, or remove them from the seat where it was reaped, as per the allegations of Donald Trump. By the end of the decade, Mullane was replaced in his CEO position, so even though Trump received a healthy return on his investment, Bally also experienced the change that it was due for. A future analysis may reveal that it required some length of time after Mullane was replaced before the accounting data significantly improved, or until the company’s reputation was renewed.

Sources

Bally. Accounting & Other Data.

Bally. Stock Prices & Returns.

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Bally Manufacturing Corporation. (1986). Proxy Statement: Annual meeting of stockholders.

Bally Manufacturing Corporation. (1987). Proxy Statement: Annual meeting of stockholders.

Case Study. The Trump vs. Bally Saga. 11/21/1986-10/15/1990