How to Make $300,000 Dollars a Year After Bankruptcy

by Murray Seeger

If you were an ordinary American who managed to go wild with an American Express card until creditors from many states and several foreign countries had you $30 million over your head, things might look bleak, as lawsuits, liens, and long-term pauperism dragged you from the champagne memories. But if you had the foresight to be born a duPont, annointed with the family tradition and wealth in the protective duchy of Delaware, you could approach fiscal disaster with the serenity of Lammot duPont Copeland, Jr., great-great-great-grandson of the founder and son of the former board chairman of E. I. DuPont de Nemours & Co. Copeland's story is especially instructive in a time when people are concerned about special privileges for the rich and short shrift for the poor. The many layers of connections, laws, and associations protecting Copeland's wealth are so thick that some of the sharpest lawyers in the country did not appreciate the full immunity of his money until it was too late.

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Delaware has long been the favorite low-tax haven for American businessmen, who like to incorporate their far-flung operations in the state with the small franchise tax. The state of fine beaches and chicken farms also offers the rich a marvelous sanctuary for going relatively broke in style—without the indignities of worrying about who will pay the maid or where vacation funds will come from. This attraction, available as a practical matter only to those of inherited wealth, was not widely known until last year, when a horde of lawyers descended on Wilmington to pick over the collapsing estate of 38-year-old "Little Motsey" Copeland. The lawyers represented creditors from coast to coast who had one common reason for anguish: they had loaned money to various enterprises on little more than faith in the scrawled signature of Motsey duPont Copeland, who proved that under certain circumstances one may even dispense with the American Express card.

A letter in the file of Murray M. Schwartz, federal referee for the bankruptcy, summed up the problem better than the formal pleas of the lawyers: "As I am 73, this matter is of deep concern to me, as I know it is to other creditors who have felt the son of the chairman of the board of the DuPont Company, Wilmington, Delaware, with a Harvard education and help of his father would not have let such a matter as this happen." The author of the letter, Russell Bennitt, secretary-treasurer of Bennitt Publishing Company, Costa Mesa, California, was one of the smallest victims. He was due only $27,155 out of the $55.4 million in debts which Copeland acknowledged last October in his application for protection from creditors under Chapter 11 of the Federal Bankruptcy Laws. (Chapter 11 essentially provides that no single creditor can attach any of the debtor's property until the court sorts out all the assets and legal problems involved in the bankruptcy, so that all creditors will receive equal protection.) Against the staggering pile of debt, he listed assets of $24 million.

In his application, Copeland had to bare his financial soul for all to see. His action, taken on the advice of lawyers after an apparently painful family consultation, effectively halted creditors from forcing Copeland to the auction block. Despite the embarrassment of Chapter 11 reorganization, Copeland is not suffering the way most bankrupts do. Delaware law prohibits creditors from attaching his income from "spendthrift" trusts established for him and his children by his grandfather and father.

That untouchable income amounted in 1969 to $311,697, and in 1968 it was $299,668, according to the court records. In total, Copeland's income in 1969 was $756,983, and the year before it was $637,960. To the DuPont Company, where he held a mundane job in the treasurer's office, Copeland was worth $14,877 in salary during 1969.

Cozy Town, Shady Partners

Copeland's associates in a wide variety of enterprises circulated financial statements which included the value of these untouchable trusts when creditors in late 1969 and 1970 started getting nervous about their unpaid claims. The trusts were valued at $9-$13 million and were in addition to life insurance policies totaling $10 million which Copeland carried.

In court, Copeland repudiated the financial statements, claiming they were drawn up and circulated without his knowledge. The statements had a telling effect, however. They lulled some sophisticated lawyers and lenders for many months. Among the groups which did not know about the Delaware law protecting Copeland's trusts was Arnold and Porter, the prestigious Washington law firm representing the Madison National Bank, which has filed claims totaling about $5.5 million.

Copeland filed his bankruptcy application on October 20, 1970. Just 121 days before, the senior Copeland had placed a lien for $500,000 against Motsey's mansion in the duPont "chateau country" just west of Wilmington. (He is not likely to exercise the lien by evicting his son.) The same day, June 19, the Wilmington Trust Company, the duPont family and company bank, filed a judgment in court for $3,461,332 on a 7.5 per cent note issued to young Copeland in April, 1969. The exquisite timing of these actions protected Motsey's home by one day from being thrown in with all his other property under the bankruptcy petition and put the bank first in line to liquidate some of the young man's highest grade assets. On October 23, when other creditors were scrambling around to protect their rights, Wilmington Trust sold stocks and bonds pledged by Motsey worth $410,000. The remaining $3 million of the loan was guaranteed by the senior Copeland.

Ordinarily, the filing of judgments by a prominent father against his son and by the town's biggest bank against the scion of its leading family would be page one news and set off financial alarms across the country. But not in cozy Wilmington. The June court motions were not reported in the two daily papers, the *News* and the *Journal*, which are owned by the duPonts through their family holding company, Christiana Securities Corporation.

In April, just two months before the family legal maneuvers, Motsey was elected a director of the News-Journal Company—succeeding his uncle, Henry B. duPont. The duPont papers said in identical stories that their new director had "responsibility for the administration and investment of the DuPont Company's pension trust fund." This description of Copeland's job was carried in a biography filed in the newspaper's library at the time of his election. After the October court action, however, company public relations men denied that the biography was a proper description of Copeland's duties. Instead, the newspapers said in October that Mr. Copeland, Jr. worked "in the treasurer's office last summer." A company spokesman explained that Motsey was an analyst who recommended investments to the pension fund management committee.

It is unlikely that young Copeland did very much to earn his $14,000 DuPont Company salary that summer. His world was collapsing and only a masterful operation delayed the inevitable until October. June was the crucial month. It was publicly revealed on June 11 that his partners in a small Los Angeles daily newspaper, Thomas A. Shaheen and Richard M. Horton, were hardly the kind of businessmen entertained by proper duPonts at the

Wilmington Club. Shaheen, it was reported, was being investigated because of questionable loans made by the Barbers' Union Pension Fund. Horton, it turned out, had several felony convictions, including one stemming from the failure of the Brighton, Colorado, National Bank in 1965. Shaheen, who was also a partner with Copeland in Winthrop-Lawrence Company, an investment company based in Chevy Chase, Maryland, was indicted by a federal grand jury earlier this year for getting kickbacks from the Barbers' fund loans.

Repose Among the Hunters

Motsey, showing only occasional nervous strains, took the bankruptcy referee and the roomful of creditors through his tangled affairs as best he remembered them. "The things he knows, he knows very well," one Wilmington lawyer noted. "But there are many things he knows nothing about."

Young Copeland's bankruptcy when it is finally adjudicated will be one of the biggest personal financial failures in history, comparable to the collapse of the real estate tycoon, William Zeckendorf. "This is one of those cases that is out of the ordinary," Seligson, who also represented Zeckendorf, told the court. "Much depends on what happens in other situations."

Those "other situations" are so complex and widespread, they stagger the imagination. Winthrop-Lawrence, for instance, has also filed for Chapter 11 protection. So, too, have Copeland's two California newspaper ventures, Standard Media, a group of weeklies, and Graphic Productions, the aborted effort to enter the afternoon daily competition in Los Angeles. In the same boat is Dean Van Lines of Long Beach, California, and two small colleges in the South that Copeland invested in. Transogram Company, a toy manufacturer controlled by Winthrop-Lawrence, has flirted with bankruptcy. And small newspaper companies owned by Copeland in Florida and Illinois and a chain of variety stores, Superstores, Inc., are making only small profits.

Copeland's chief problem seems to have been his willingness to sign as guarantor notes taken out all over the country by Shaheen on transactions in which they were to be partners. They hung paper from California to Switzerland on enterprises ranging from European-made movies to automatic car washes, Mexican food carry-outs, cattle ranches and real estate.

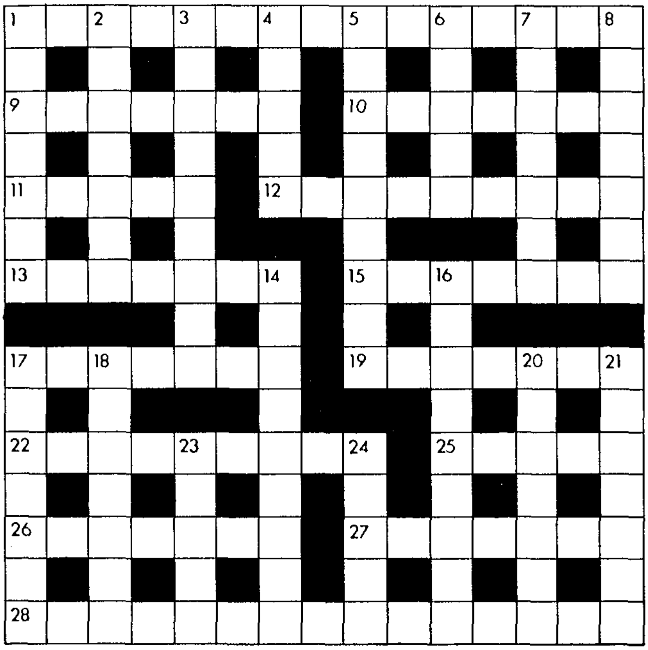
The creditors include banks in New York, Zurich, Washington, Indianapolis, Miami, Columbus, Phoenix, Dallas, Los Angeles, Montreal, Chicago, St. Louis, Mobile, Denver, Atlanta, and Houston, as well as in such unlikely towns as Sherrodsville, Ohio, Lafayette, Louisiana, Bowling Green, Kentucky, Aurora, Colorado, and Plant City, Florida. Then, too, the Barbers' pension fund was a creditor along with the International Brotherhood of Electrical Workers' pension fund. Standing in line, also, were the official tax collectors for the federal government and counties and cities in California, Arizona, Texas, Maryland, and Delaware.

In 1968, Copeland was chairman of the Leaders of the World Foundation, which raised money with this rallying cry: "In an era of rampant dishonesty and rising crime. . . with creeping Socialism attacking our system of Free Enterprise. . . we need to uphold the cause of ethical business more than ever before."

Motsey duPont Copeland has a lot of time to rethink those principles as his lawyers, bankers, and creditors sort out his complicated affairs. The duPonts' retainers in Wilmington insist that the actions taken in June to protect his mansion and isolate assets was not taken in anticipation of the eventual bankruptcy action. But those moves, and the unusual Delaware law protecting trust incomes, have guaranteed that the young heir can ride out his bankruptcy in the style to which he was born. ■

The Political Puzzle

by John Barclay



Across

1. Ache catches Edward short, colored. (7)
2. They are the pert sex. (7)
3. Takes off, winks stop. (5, 4)
4. For the winner, upset pontoon is a no-no. (2, 3)
5. Fade or fog, it's awe-inspiring. (4, 2, 3)
6. Proportion or peroration without Evita. (5)
7. Shine BB-gun, dullard! (7)
8. Nothing is simpler than breaking sea ties. (7)
14. Nixon or Truman, for example. (2-7)
16. Paper for Penn's writ. (9)
17. Quite opposed to slow-down. (5, 2)
18. Scum you see be brought low. (7)
20. No CIO or AFL here. (7)
21. Passes by, pleases no one. (7)
23. I am at the feet of the master craftsman. (5)
24. Harp on 50-weld theory. (5)

Down

1. Dry-cleaners' convention? (5, 10)
9. Politicians usually like to see their name here. (2, 5)
10. Good place to be saint in France. (7)
11. Tea skills produce delicious eating. (5)
12. Expert incentive is encouraging. (9)
13. Sober I'd never do this in public. (7)
15. One should not gush at this distance. (7)
17. Shins go first during deck washes. (7)
19. The result of misplaying the first hole. (4, 3)
22. Secure again with grass around the series. (9)
25. Donna follows him. (5)
26. Take it with you after this. (3, 4)
27. They tried so hard to improve. (7)
28. The Kennedy or Rockefeller brothers? (6, 9)

The numbers indicate the number of letters and words, e.g., (2, 3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.