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THE PLAY

Everson Steel is a manufacturing company in Pennsylvania founded by **Tom Everson, Jr.'s** family. **Robert Merkin**, the most successful junk bond trader in the business, is attempting to orchestrate the purchase of Everson Steel for **Israel "Izzy" Peterman** and his company Saratoga-McDaniels. Although Everson is adamant it is not for sale, everything on Wall Street has a price.

This deal is huge and hundreds of millions of dollars are at stake.

To fight the takeover, Everson enlists the expertise of advisor **Max Cizik** and lawyer **Jacqueline Blount**. Everson also finds an unlikely ally in **Leo Tresler**, who despises Merkin and wants Merkin out of the bond business. Merkin and his team, which includes his wife **Amy** and lawyer **Raul Rivera**, will also do whatever it takes to win.

Meanwhile, **Giuseppe Adesso** of the U.S. Attorney's office of New York and **Agent Kevin Walsh** are investigating an insider trading ring led by a mysterious person known as "The White Whale."

In this fast-paced play set in the mid-1980s, Merkin starts a financial civil war: pitting magnates against workers, lawyers against journalists, and ultimately pitting everyone against themselves. *Junk* explores how, while most of us weren't watching, debt and money became the only thing of real value.



WRITTEN BY AYAD AKHTAR | DIRECTED BY JACKIE MAXWELL

APRIL 5-MAY 5 ON THE FICHANDLER STAGE

Drucker

"What is debt but the promise to pay? From that promise, everything else flows. Debt is the nothing that gives birth to everything."

—Bob Merkin

MEET THE PLAYWRIGHT



AYAD AKHTAR

“...it struck me that the untold story of America in many ways, at least in the last 40 years, is the transformation of our political body, our social body, into an economic one.”

Ayad Akhtar is an American playwright, novelist, screenwriter and actor who was born in Staten Island, New York and raised in Milwaukee, Wisconsin. He became hooked on writing because of a stellar high school English teacher. He writes about a range of topics including identity, relationships, the American-Muslim experience, economics and ethics.

Akhtar’s play *Disgraced* won the Pulitzer Prize for Drama in 2013, was nominated for a Tony Award and was the most produced play in America in the 2015–16 season. Akhtar wanted to capitalize on the success of *Disgraced* while also challenging himself to write something massive.

When Akhtar first moved to New York after graduating college, his father made a deal with him. If he read the *Wall Street Journal* every day, his father would pay his rent. Akhtar’s subsequent interest in finance made him consider America’s relationship with money and debt. He wondered: how did we get here? The exploration of this question became *Junk*.

Junk had its Broadway premiere at the Vivian Beaumont Theater in October 2017 and was nominated for the Tony Award for Best Play in that same year. In addition, in 2018 *Junk* was the recipient of the Edward M. Kennedy Prize for Drama Inspired by American History.

WHAT ARE JUNK BONDS?



If a company needs money it can sell bonds to raise that money. A bond is like an I.O.U. Investors buy these bonds with the understanding that the company will pay them back on time and with interest. Selling bonds is also called issuing debt. Companies sell these bonds and take on debt in hopes of making more money with the money they’ve borrowed.

Companies receive an investment grade or rating from independent bond rating firms. The highest rating is AAA. The higher the rating the better the company’s credit is and the more likely they will pay back their bond holders. For example, the U.S. government has a AA rating. If you buy a U.S. savings bond, your investment is practically guaranteed, but the interest rate will be low. Therefore, you won’t make much additional money.

Companies with a BB rating or lower can still issue bonds/debt. However, these bonds are riskier for an investor to purchase. Companies with lower ratings are less certain to pay off their debt. To entice people to buy their bonds, they will offer higher interest rates. If the companies are able to pay back their investors, the investors will make more money. These bonds are called high-yield bonds or — less politely — junk bonds. Izzy Peterman’s company, Saratoga-McDaniels is issuing junk bonds to purchase Everson Steel. It is a risky move, because it puts the company in deep debt in hopes of making back the money and more.

SHARES AND SHAREHOLDERS

A company can also raise money by going public. When a company goes public, the owner allows outside investors to buy and own a percentage of the company and its profits (and losses). These parts of the company are called shares and the investors are shareholders. If there are 100 shares of a company and the company is worth \$100 million, each share would be worth \$1 million. An investor with 20 shares would be entitled to 20% of the company’s profits. The more stock a person owns, the more power they have. Everson Steel went public to raise money to keep the steel factory open and workers employed. In doing so, it was no longer a family business but a publicly-traded company.



Such companies are overseen by a board. This panel of shareholders gets to vote on key company decisions, including bids to buy the company. Ideally, they think of the company’s best interests as well as their own.

KEY PLAYERS

Junk features a cast of 17 actors and one third of the play takes place over the phone. A character will reap huge rewards if they succeed in obtaining their objectives. These rewards could be financial, social or political. Pay attention to the impact of race, religion and gender.

THE EVERSON STEEL COMPANY & ALLIES

Objective: Stop the takeover, keep company control and save the steel plant.

- **Thomas “Tom” Everson, Jr.** — Chief Executive Officer (CEO) of Everson Steel, who wants to hold on to control of his family’s company
- **Maximilien “Max” Cizik** — Investment banker and an advisor to Everson
- **Jacqueline “Jackie” Blount** — Everson’s lawyer, a graduate of Harvard Business and Harvard Law
- **Leo Tresler** — A wealthy private equity investor. He also sees an opportunity to take down Merkin by supporting Everson.

THE TAKEOVER TEAM – THE RAIDERS

Objective: Get control of Everson Steel and its assets, get richer and enhance their reputations.

- **Robert “Bob” Merkin** — The mastermind. The junk bond originator and a stock trader at Sacker-Lowell, an investment bank
- **Amy Merkin** — Bob Merkin’s wife and a financial wizard in her own right
- **Raul Rivera** — Lawyer for Sacker-Lowell and Merkin’s right-hand man.
- **Israel “Izzy” Peterman** — CEO of Saratoga-McDaniels , who wants to be in the front ranks of business through the Everson Steel takeover

IN THE SHADOWS

Objective: Influence the market and get richer.

- **Boris Pronskey** — An investor who makes money off rumor and insider trading
- **Murray Lefkowitz** — One of Merkin’s investors, whom Merkin bullies for funds in hopes of taking over Everson Steel
- **Mark O’Hare** — A corporate raider on the hunt for insider information.

WATCHING & LISTENING

Objective: Expose fraud or other illegal activity. It could make their careers.

- **Judy Chen** — A writer who is drafting her book on Merkin and the stock market
- **Kevin Walsh** — Asst. U.S. Attorney, Fraud Unit, has been investigating fraud and insider trading and hoping for a big break in his case.
- **Giuseppe “Joe” Adesso** — An ambitious U.S. Attorney of New York, Southern District.

INSIDER TRADING

Insider trading is the illegal practice of trading on the stock exchange to one’s own advantage through having access to confidential information. For example, if a shareholder found out before the public that a company’s new drug had failed its trials, they could sell their stock before the value of the stock dropped. Because insider trading undermines investor confidence in the integrity of the stock exchange, the Securities Exchange Commission (SEC) treats the detection and prosecution of insider trading as one of its priorities.



Photo of the cast of *Junk* by Tony Powell.

KEY TERMS

Capital – wealth in the form of money or other assets

Corporate Raider – a financier who makes a practice of hostile takeover bids for companies, either to control their policies or to resell them for a profit

DOW Jones – short for the Dow Jones Industrial Average, a price-weighted average of 30 significant stocks (like Apple and Exxon Mobil) traded on the New York Stock Exchange. It is often used to assess the health of the stock market on a given day.

RICO – short for the Racketeer Influenced and Corrupt Organizations Act; a federal law that focuses on dishonest and fraudulent business dealings, like embezzlement, bribery, counterfeiting or theft. Under RICO, there needs to be a pattern of criminal activity. This law is frequently used to bring down organized crime.

The Street – refers to Wall Street. A street at the south end of Manhattan in New York City, where the New York Stock Exchange and other leading US financial institutions are located

THE HOSTILE TAKEOVER

Junk is not as simple as good versus evil. Although Everson insists it is not for sale, Everson Steel is already a publicly traded company (see “Share and Shareholders”). Already Everson does not have full control of his family company. Anyone can buy in. Bob Merkin and Izzy Peterman are interested in Everson Steel because additional companies that Everson owns (like pharmaceuticals) are worth more than the total cost of buying Everson Steel.

Merkin and his crew are plotting to buy Everson Steel despite Everson’s resistance. This is called a leveraged buy-out, corporate raid or a hostile takeover. How can they do this?

POSSIBLE TAKEOVER TACTICS

- First, an interested buyer (Izzy Peterman and Saratoga-McDaniels) approaches the target company (Everson Steel) and makes an offer.
- If the CEO of the target company is uninterested in selling or merging, the buyer can go around them, discussing the matter with key shareholders, who could force the board to vote on the offer. The interested buyer tries to convince the shareholders that the offer will be financially advantageous to them.
- The interested buyer takes on substantial debt — through loans and/or junk bonds — to make a high offer the board will have trouble refusing.
- In a leveraged buyout, the interested buyer uses the target company’s value to obtain a loan even though they don’t own the company yet. If the target company is strong, that makes the buyer more likely to pay off their debt. Therefore, a target company’s strength can make it vulnerable.



- The interested buyer can also buy stock in the company to increase their influence on the deal. These steps help the CEO lose their influence over the company.
- The offer from the interested buyer will include the value of a share. If the value of a share is high enough, the CEO won’t be able to afford to buy back control of their company after the sale.
- Sometimes the CEO will be offered a “golden parachute.” This allows them to leave the company with stock options, benefits, severance pay, etc. With this offer, the CEO may stop resisting the takeover.
- The interested buyer can also attempt to devalue the stock of the company they wish to buy. This may involve spreading rumors and insider trading. This is illegal. Having a source or spy on the inside of the target company for information can be helpful.

By the end, the buyer has acquired the company and significant debt, which they must pay back. Those who orchestrate the deal, like Merkin, walk away with a fee, no debt and a reputation for how they do business.

CHANGING STATUS QUO

The financial world in the 1980s was rife with racism, sexism and Antisemitism (prejudice toward Jewish people). During this era, women, Jewish people and people of color were beginning to emerge as power players. This change in status quo rattles Tom Everson and Leo Tresler, who are members of the generations of wealthy white men who have dominated the industry.

THE MAN WHO MADE DEBT AN ASSET



The character Robert “Bob” Merkin was, in part, inspired by a real person. Michael Milken was nicknamed the “Junk Bond King” and earned between \$200 million and \$550 million per year at the height of his success. Milken revolutionized the way companies are financed. Early in his career, he saw an opportunity to leverage high-yield bonds, commonly known as “junk bonds,” in a way that would see high returns for investors. He joined Drexel Burnham Lambert in 1969 and served as the head of the high-yield bond department. His development of the high-yield debt market in is said to

have fueled the 1980s boom in leveraged buyouts, hostile takeovers, and corporate raids.

HELPFUL HINTS FOR THEATER AUDIENCES

As an audience member at the theater, YOU are part of the show! Just as you see and hear the actors onstage, they can see and hear you in the audience. To help the performers do their best, please remember the following:

- Arrive at least 15 minutes early.
- Visit the restroom before the show starts.
- Sit in the exact seat on your ticket. Ask the usher for help finding it.
- Before the show begins, turn off your phone, watch alarms and any other electronic devices. If anything rings by accident, turn it off immediately.
- Do not use your phone for texts, calls, games or pictures.
- You cannot take pictures or make recordings in the theater, even before or after the play.
- There is no food allowed in the theater.
- Do not talk, whisper, sing or hum, unless invited by the performers to do so.
- Keep your feet on the floor and off the seat in front of you.
- Avoid getting up during a show. If you must leave, wait for a scene change and exit quietly and quickly.
- Respond to the show; you can laugh, cry and gasp. However, don't repeat lines out loud or talk to the performers on stage.
- Be sure to applaud at the end!

LITERARY ALLUSIONS

Characters involved in the risky and illegal aspects of the takeover refer to “Captain Ahab” and the “White Whale.” The playwright is referencing *Moby Dick* by Herman Melville. In the novel, Captain Ahab has a single-minded grudge against the white whale that took his leg years ago on a whaling expedition. These code names echo themes that ripple through the text.



RESOURCES

ON THE WEB

Lincoln Center Theatre *Junk* Discussion
<https://binged.it/2Uq5NQE>

Milwaukee Repertory Theatre Play Guide
<https://bit.ly/2F5UxIF>

“Ayad stops by to talk about his new play *Junk*”
Build Series interview
<https://binged.it/2NI9GgX>

“Financial Analysis” Investopedia
<https://bit.ly/2EzRO3R>

“The 1980s” The History Channel
<https://bit.ly/2EFxnTk>

“Junk” Broadwayworld.com
<https://bit.ly/2Uwi9GH>

“Going Public” U.S. Securities and Exchange Commission
<https://bit.ly/2F7Tnay>

“How Hostile Takeovers Work”
HowStuffWorks.com
<https://bit.ly/2W2UsGz>

THREE BIG QUESTIONS

1

How much is enough money?

2

What is America's relationship with debt?

3

What is the responsibility of those who have power, money and influence to the rest of the country?



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