



# Partnership Agreement

FRED GUCCI, PART 5

*Michael Parish*

“AND THEN THE OLD guy, the husband, pats the kid on his behind and says ‘See, that’s the way you wave the towel.’” Both men exploded in laughter and looked off the stern of Fred Gucci’s boat, “Taxpayer,” into the setting sun off Barnegat Light, at the north end of Long Beach Island, a beacon beloved of rumrunners and privateers over many New Jersey generations. They had put their tackle away and were soaking up the warmth while it lasted.

“New Yorkers and New Jerseyans,” Gucci said as he held out a fresh beer from the cooler he had appropriated as a footstool, “share more than they realize. Between the New York, New Jersey thing and Connecticut, there’s a difference. Connecticut will always be New England, no matter what. When a guy in Connecticut buys a house in May and calls into work to say he slipped on the basement stairs and broke his ankle, the other Connecticut guy says ‘Gee, that’s awful. I’ll arrange to send your stuff home so you can work from there until it heals.’ The New

Jerker, for lack of a more elevated monicker, says ‘Isn’t that convenient. How’s your handicap coming?’ These are the same people who when you say ‘Nice day,’ they say ‘Is it?’ and when you say how are you, they return the exact same question before they commit to anything whatsoever.

“So today it’s partnership, is it?” Gucci sat back, put his own beer aside and donned a blue hat with gold stars and oak leaves that said “Pay or Die” where you usually saw the name of an academy or a Navy ship. “Court is in session. Be seated. Partnership and fiduciary duty.”

“What I like now,” Gary said, playing a little with the braided gold band on his third left finger, “is that the stuff I get to do, since I’m away from the corporate quicksand, is the most fun I’ve had in business since I started. And what I don’t like is that the number of people I’ve had to hire to keep up with all the new work, and getting them halfway trained and supervised, is putting more than a little strain on my time and on what is otherwise a wonderful new marriage, thank you very

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much. There. I feel better already.”

“Properly trained,” Gucci said. “You do nothing halfway. Properly trained, not half-way trained. You do nothing halfway. Others might, but not you.”

“Of course, Fred, of course. I hear you. Properly trained. Which is very freaking boring, number one, and number two takes me away not only from the beautiful wife – you would agree – but from the clients, which is where the fun, the money and the interesting problems to solve all reside. Besides which, how can I teach someone else to do what I do when I don’t know what I’m doing until I do it? Which happens to work very well, by the way, at least for me.” Gucci nodded and shook his thumb and forefingers in the manner of ringing a dinner bell, ending with a thumbs up.

“I prefer problems of this sort,” he said. “High end problems related to success and its slippery concomitants. The eels of self. Although there are very few causes I will not undertake in the pursuit of justice.” He turned his hat around and moved to sit on the stern rail. Gary observed that this friendly gesture, closing the distance between them, left him looking up at the lawyer, whose head was now haloed by the sunset. Score two for Fred, Gary thought, and tucked it away for future use.

“I’m going to give you partnership in one word,” Gucci said, scratching himself a little vulgarly, Gary felt. “Arthur Andersen.” Those were the words out of his mouth. Unusually for Fred, there was no smile in it – teeth, but no smile, without apology.

“Your partner commits a crime, in the line of business, broadly defined by hindsight, and your partnership is guilty.” One of Gucci’s most irritating qualities, Gary felt, was the way he made you feel four years old all the time. As the sole proprietor of a business that should net him high six figures

in the next twelve months, Gary wondered whether Fred, much as he loved and appreciated him, wasn’t straying into areas where the dimensions of business outweighed the freight of the law.

Gucci tossed his hat in Gary’s lap and did a scuba dive back flip into the water. Ten seconds later he emerged, bounced up on the gunwhale next to Gary, spitting salt water and who knew what else back into the bay, and said “Which doesn’t mean that you as a partner are guilty. But it does mean that your life can easily become sub investment grade. The beauty of the law is manifold, but it cannot compare with the ordinary indignities life is willing to provide.”

Gucci reached for a good-sized towel and wrapped it around himself. “Honesty, and singleness of purpose. Those are the essences of partnership – each partner owes the other the duty to put that partner’s interests above his own, the famous fiduciary duty. It’s one of those legal paradoxes where each owes the other a higher duty than he owes himself. This is in theory of course, but that’s where it starts. The best example of true partnership I know was told to me by one of Roy Cohn’s partners. You remember Roy Cohn. Roy Cohn was Senator Joseph McCarthy’s counsel. Little question that he helped destroy a lot of lives in pursuit of power. This guy told me Roy understood the yin and the yang, the curvy but united parts of one integral circle that partnership involves. You could call him from Buffalo, he said, and ask him to send up a guy with twenty five thousand dollars to bribe a judge, and he would never ask which judge it was for, he’d just send the money.”

“That’s supposed to be a compliment?” Gary asked.

“In the context. If you don’t have a judge in mind, why would you care? Also, please fill me in on the background of your situation, now that I’ve given you my opinion, in

the complete absence of the facts, to demonstrate that in any major law-related dick waving contest I can lay claim to presumptive finalist status.”

Gary explained the proposition. If you combined his growth and performance with another advisor’s extensive client base, the pro forma numbers put them in the top five percent of money managers on certain key indices, which would translate into a thirty times multiple on his equity position. America the Beautiful.

“This feels like MSNBC from the land before Enron,” Gucci said. “I admire your success, don’t read me wrong here, but ...” He tossed Gary a jacket from the cabin below and disappeared down the steps.

Night had made its move. Pastel colors and jet trails highlighted the texture of the sky. The evening star brought the chill of reflected light and Gary leaned back and tried to see what other boats were out there tonight. In the twilight, sliding on the waves, it was much harder to make out the sea than the sky.

Gary tried to finish Gucci’s sentence. But what? But where did you find this guy? But what do you know about him? But why do you want to share what you have? This guy Westlake was well connected. He had 20 years in the business. UBS and Goldman were on his resume. He had relationships, but honestly he had no ideas and the only thing in this market that had saved his performance from being measured against the voyage of the Columbia as his peer group was that he had spent a lot of time on the sidelines in passive investments. But that was over, that period. Returns were starting to come back alive in some areas, and Gary’s approaches were gaining enough of a following that his admin and management areas were stretched, to say the least. Westlake had all that in place and needed assets to replace

what he was losing due to the BDNN syndrome. Brain dead, nuts numb. But an okay guy, Gary believed, with an unusual sense of how lucky he’d been to get this far. Gucci emerged, cleaned up and combed back.

“So isn’t that the yin and yang you were just talking about, Fred,” Gary asked. “The two pieces fitting together to form a whole?”

“I love idealists,” Gucci said, “because their positions are clear. They give you somewhere to start from. I particularly like your insight into the difference between the yes/no way we tend to view things and the yes, no and what’s for dinner way things go down in fact. You are looking for balance, logic and proportion. Let me focus you instead on control. With control, you can be a prince among men and a fountain of generosity. Or not. Without control, you will be better advised to develop a textbook. You have one in mind, I’m sure.”

Gary nodded, sucked the rest of his beer out of the can and then smashed it on his forehead before tossing it in the trash. The soft aluminum was a welcome contrast to the stiffening he felt rising inside him at whatever the next thing was that Gucci would say.

“Let’s put aside for the moment issues of character, secrecy – we’re the most secretive social animals by far, you know – and personal history. Either you have done the checks or you will. You’re a thoughtful person and we went through this before, so let’s not repeat second grade.”

“I appreciate that, Fred,” Gary said, knowing that he meant it more than he wished he did, but grateful for the opportunity not to repeat.

“What does the money mean to you, this sudden mushrooming of your net worth? Are you uncomfortable with the way you’re living? Does Evelyn have her eye on a spacious Park Avenue co-op that requires a better balance sheet than an honest man might

have ready to hand? You can buy support services, so that's not enough on its own."

"How annoying are you?" Gary said. "I have no reason for that money. Evelyn is happy with our place now, and ... . Okay, here's what it is. I've lived my life on Wall Street, my adult professional life, right? The only thing that took me off the track was that I blew the whistle on a situation I knew was wrong, and it cost me two years of my life and ... and gave me a chance to think, and to realize where I stood in the world. Then, you came from the sky, saved my ass, gave me a reputation that's making me money hand over fist, when I can stop to count it. If I take this deal, I will have a balance sheet that can do enormous things for the right set of people, the people who need it most. I'm not sure yet who those people are in particular, but of all the things I'm good at, more than you might imagine, math is one, and I know my numbers now are too small. But with his numbers added in, they would be big enough to get attention and to form the core of something that would feed back the profits from making rich people richer to people whose lives could be changed or saved. Honestly, Fred, that's the only way I can keep doing this. I don't know how else to say it."

Gucci got up and waved his towel in the air. "Wall Street Man Lives!!!" he said. "Now that's worth the effort!" He pulled a clipboard out of the map holder under the gunwale and slid the pencil off it to make a few notes. "We set up a foundation, no sweat. We define our objective – your objective, oh great white father – and the funding mechanism. Do you want stars involved, I hope not? Good. I'm proud of you. These are the moments we live for."

If he were honest with himself, Gary would have admitted that until Fred asked him the question he had no clear idea what the answer was supposed to be, just that this

was an opportunity that could or should lead to much more in every way that mattered. He always thought upside first – one of the things you couldn't deny was that from  $x$  to zero was finite but from  $x$  to infinity was infinite. Very few uses for that in real life, although in a different guise it was what Jack Grubman and Henry Blodgett had sold, and look at the dollars that produced. It was a bad analogy, given that he was trying to help people and not stuff his own face and pockets. Plus, his goal was a positive one, which made all the difference.

"Short side trip," Gucci said, tossing the towel into a hamper and settling in with a good-sized cigar while Gary was ruminating. "Always think downside. And always know that there's a little funny fellow who will jump out of a hat and shoot you with one of those cartoon guns from which, when he pulls the trigger, a flag comes out that says 'THE LAW.' As we've advanced the ball here, your key issue is goodwill if the thing unravels, either because it's too good to be true or because the world turns to a steady diet of sea slugs. Restated, the new firm kills or it bombs."

"Well, if it goes badly, how do we keep goodwill alive?" Gary said. "What's your point?"

"Remember Arthur Andersen? Goodwill in the accounting sense, which is the difference between what you can count in a business as assets and what someone will pay for it. Take it a step further and say that goodwill is a portion of the value of any business that has been around for awhile. Then say that the way someone will measure who is entitled to what is based on the respective goodwill of the two organizations. Then say further that his company has been around a long time and is very big and yours hasn't and is very small. You understand very small versus very big, right? We pulled that off once already. When we, I like the inclusive pronoun, got

your butt out of a sling and made you a ton of money, David, against Goliath & Co?"

"Fred, how could I forget that – it was one of the great defining moments of my life."

"Gratitude will get you another beer," Gucci said. "But you take my point that goodwill is a seriously negotiated term in your agreement with Westlake. Sí?"

"Sí." Gary took the cold, dewy can and put it up where he'd mashed the last one. He put it sideways for maximum impact and felt once again like a free thinker. Just like you can kiss away a hurt – parents and children both know this, although each one credits the other for the magic at the heart of that – you can also roll a frigid beer can across your forehead and find a thought you didn't know you had, he hoped.

"And what else, Fred?" Gary asked. He knew there was something else, just not what.

"The flaw in your logic." Gucci said. "It's something that comes on, even among the brightest lights, when you're overloaded, as you are at the moment. The high fliers in New York are always overloaded, that's why their logic speaks only to each other. You're a lucky man, and a very capable one. But here's the deal.

"This guy Westlake either has a partner already – he's been at this 20 years, right? Or he doesn't. In either case that's the key question. If he doesn't, why not? If he does, who is it? Partnership is a natural thing, a basic form close to human nature. What's the proof of that? The Lone Ranger. Who was not, of course, alone, but who depended on Tonto, as Tonto depended on him, to fight for law and order in the early Western United States, and so forth. So if he doesn't, at this stage of his life, it's because he can't – he's no good at it one way or another. That's going to be a problem. If he does have a partner already, though, then you're the third guy in, the one

the referees notice and send to the penalty box after the real deal goes down. All three turn into a priest, an executioner and a victim."

"I never thought of you as a mixed message person," Gary said, "but you've got me confused now. I thought you said I should go ahead. Now you're telling me if I do, I'm screwed right out of the box."

"No," Gucci said. "I was defining the problem. I'm glad you see it as a real problem and I'm glad, once again, to think about what you want to do with this windfall. Ask yourself the question now. In this situation, what do you need to make it work for you? Repeat, for you. Everything else is fine, but there's one element missing."

Gary looked again at the evening star. He knew he should be able to tell whether it was Venus or Mars, not a star at all but a planet. In orbit along with the earth, far away although not compared to actual stars. There was no way he was going to give in right away and ask Gucci what the answer was. This was the longest they had ever sat in silence. As he continued to search the messages hidden in the sea, the inside of his beer can, the shape of Gucci's shadow as the moon rose over them, a source of light he had only just noticed, he saw the smile in Fred's eyes.

"Before I get a new partner, I need a partner," Gary said. "How do I do that?"

"That's my boy," Gucci said. "I was nervous for a change. That's why I invited you out on the boat. You think I'm a gorilla in the office, which I am, but here I'm Neptune, king of the sea. Here's how it goes. I was standing outside at a wedding last weekend, talking to a good friend who's done very well. And we're talking – this is the age I'm at – about what studs our sons are. Believe me, we never shared stories out of school when we were younger, but for whatever reason, we're talking about his kid, who's doing this environ-

mental stuff for a well-heeled foundation – this guy was a partner at Goldman when they went public, so well-heeled doesn't begin to describe him. And my son Felix got his degree not long ago with honors from Yale Business School. Chew on that! Plus he has two years on The Street working for Bear Stearns in their operations division."

"He's how old?" Gary said. Once again, he realized that Gucci had slid him over the line between why and how without feeling a bump.

"Twenty-seven," Gucci said. "Respectable age, not too young, not too old. Young is old these days anyway. While you patrol the premises and work the clients with your fancy new partner, Felix will make sure your back is covered. He will find out who your new partner's partner actually is, inside or outside the firm, or if not why not. And part of the deal is he gets an earn-in, small one, so that if or when the push comes to the shove, he has a vote. Little tiny vote. Like Florida."

"Fred, you know how much I believe in you, and on paper it sounds really good, I guess. This is a lot to digest, though."

"You think this is a lot to digest?" Gucci said. "Wait until we have dinner tonight with Felix and his mother and your Evelyn. They're driving down from the city together to meet us at this great fish place down at the other end of the island. If this motor is back to where I told the mechanic to put it, we'll be right on time. Twenty minutes or so and we can pull right into the dock. Put on your life jacket, Gary. I chose the name of this boat so the water police, of whatever description, would have to go through a process before pulling me over – it provokes thought to consider why someone might call a boat 'Taxpayer,' which for them can be paralytic, right? But I don't want to get written up for any life jacket nonsense. Take a deep breath. We'll have dinner, that's all. The rest is up to you. Would you like to drive?" *GP*