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The Last Supper

The Thrill of Getting Fired: Tarrytown 1981

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So there I was, thirty-nine years old and essentially hearing, "Here's $10 million; you're history." One summer morning, John Gutfreund, managing partner of Wall Street's hottest firm, and Henry Kaufman, then the world's most influential economist, told me my life at Salomon Brothers was finished.

"Time for you to leave," said John.

On Saturday, August 1, 1981, I was terminated from the only full-time job I'd ever known and from the high-pressure life I loved. This, after fifteen years of twelve-hour days and six-day weeks.

Out!

For a decade and a half, I'd been an integral part of the country's most successful securities trading firm, even of Wall Street itself. Not just in my head. If my press was to be believed, in everyone's. Suddenly, though, needed no longer. I was a general partner. An owner rather than an employee. Nevertheless:

Fired!

I wasn't going to know what was happening, wasn't going to be making decisions, wasn't going to share in "my" company's profits and losses, wasn't going to be part of it at all. "We" had become "them and me."

"What do you think about us selling the company?" asked Henry.

"If I'm being thrown out, better now than later," I replied.

Of course, there was the $10 million I was getting. America's a wonderful country.

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The Salomon Brothers Executive Committee had decided to merge the seventy-one-year-old partnership with a publicly held commodities trading firm, Phibro Corporation (previously part of Engelhard Minerals and Chemicals). We found this out on a hot, summer Friday night at a hastily called, "mandatory attendance, utmost-secrecy required," mysterious partners' meeting at the Tarrytown Conference Center, the former New York estate of society hostess Mary Duke Biddle. Security guards surrounded the complex, checking in each participant as he arrived. (Unfortunately, security missed seeing a Fortune magazine photographer who'd been tipped off and was hiding in a tree. So much for confidentiality!) For sixty-three of us, it was our last meeting as Salomon partners and the occasion when Gutfreund and Kaufman told me my time at Salomon Brothers was over.

We got together in a big conference room before dinner. Expensive lawyers and accountants, being paid at overtime rates, hovered to the side. Exchanging furtive glances, they oozed a nervousness, perhaps in fear that some prewritten script would go awry. Tables and chairs were arranged in rows with the Executive Committee seated in front, facing "the troops." At each partner's seat was a dark gray personalized leather folder. I sat at my assigned place and, though we had been told to wait, like everyone else I immediately opened the book in front of me. The first enclosures were financial projections for our company after a proposed merger with Phibro, this almost unknown oil, metals, and agricultural commodities dealer. Pro forma income statements, balance sheets, legal documents, and other corporate gibberish were attached. But the second presentation in the book was infinitely more interesting:

the effect of the deal on me as an individual. It meant millions of dollars in my pocket!

The pointless speeches went on and on. The Executive Committee was determined to sell the assets of the Salomon partnership. This transaction was a foregone conclusion: The process, a jury trial parody, where witnesses saw the accused pull the trigger, no mitigating circumstances are entered as evidence, and the judge instructs the jurors to deliberate. Everybody walks into the jury room and the foreman asks, "Did he do it?"

Twelve people instantaneously answer, "Guilty."

"Let's go back."

"We can't. We've got to give the accused some consideration. Let's sit around and talk for an hour."

So at Tarrytown we talked for sixty minutes. We were solemn. We were serious. Some asked about differences in corporate culture, others about earnings potential, a few about management structure and duplication of staff functions.

Irrelevant! The Executive Committee wanted this merger and could have voted it through on its own. Yes, we were presented with a fait accompli. But, make no mistake. There was 100 percent approval from the rest of the general partners. Nobody in that meeting gave a moment's thought to rejecting the sale, including me. It was such a lucrative deal for us, as owners.

By the time we sat down to eat, everything was said and done. We were all as serious and businesslike as we possibly could be while trying to stifle the enormous grins on our faces. Everybody attending this meeting was now wealthy beyond his dreams. Previously, partners' money had just been numbers in a capital account ledger book, "funny money." We could give it to charity, or retire, and wait another ten years to get at it. Other than that (and 5 percent interest paid out to us yearly), our fortune was only on paper. That was then. But this was now. All of a sudden, it was real. And ours. In our pockets. In cash!

We were told not to tell anyone until the public announcement the coming Monday. Nobody, inside the company or outside, had known that a sale was even being considered. (Still, my friend and partner Bob Salomon guessed, the day before, that whatever was brewing involved Phibro Corp. He showed me the company's symbol on his stock monitor before we drove to the Tarrytown meeting. Smarter than the rest of us!) The Executive Committee hadn't told the retired limited partners. Not even Billy Salomon, the grand old man of the company. He was informed personally in a much criticized surprise helicopter visit to his Southampton summer home two days later.

Strict instructions to the contrary notwithstanding, some partners did telephone their wives that Friday night. I thought it was nonsensical to make your spouse a possible leak suspect. What difference would it make if she didn't know for an extra day? Others didn't share my view. One partner called his wife while she was at their country club. She ran back into the club's dining room screaming, "We're rich, we're rich!" Fortunately, nobody paid any attention to her.

After the meeting, we ate greasy steaks and drank hard liquor. We shot pool, smoked Cuban cigars, played poker, and laughed uproariously. It was a great big wonderful fraternity party. Boozing and carousing into the wee hours. No thoughts of others. A moment just for us. We had worked for it; and whether or not we deserved it, we got it!

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The next day, Saturday, with enormous hangovers evident all around, each partner sat down with two members of the Executive Committee. My meeting was with Gutfreund and Kaufman. Most of the sixty-three partners were asked to stay on as employees of the new company. Not me, though. A half a dozen other guys were pushed out at that time as well.

"Since you don't need me anymore, I'm going home."

There was no reason to stay for the meetings with the new owners. I wasn't going to be involved.

Was I sad on the drive home? You bet. But, as usual, I was much too macho to show it. And I did have $10 million in cash and convertible bonds as compensation for my hurt feelings. If I had to go, this was the time. I was getting my money out of the firm then instead of ten years later. With Phibro paying a merger premium, I was doubling my net worth. Since somebody else had made the decision, I'd even avoided agonizing over whether to stay at Salomon—a timely question, given my then-declining prospects in the company.

Still, it was unsettling that future discussions would be about someone else's company, a firm that until then had been mine. If they'd said, "We have another job for you"—say, running the Afghanistan office—I'd have done it in a second, just as I did at an earlier career turning point in 1979, when Billy Salomon and John Gutfreund told me to give up my sales/trading responsibilities and supervise the computer systems area. I was willing to do anything they wanted. It was a great organization and I would have been happy to stay. I'd never have left voluntarily: There'd be no reason to in good times, and I couldn't have abandoned them in bad times. Unfortunately (or fortunately for me, as it turned out), staying wasn't an option.

Afterward, I didn't sit around wondering what was happening at the old firm. I didn't go back and visit. I never look over my shoulder. Once finished: Gone. Life continues!

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Although Phibro technically bought Salomon, Salomon soon ran the combined companies. The power shifted with record speed. Phibro took over when the transaction occurred, and Phibro became Phibro-Salomon. As the securities business boomed, the commodities business collapsed. Soon the entity became Salomon Inc., with Phibro Energy and Philipp Brothers as subsidiaries. The Philipp name went back to the obscurity it had had five years earlier. The acquirer never knew what hit it. The acquiree dominated almost from day one. A total mismatch.

With the merger, the Salomon partners got their freedom and their fortunes, but in the process they ended their own firm as it had existed for decades. By losing control of its key employees, Salomon destroyed its greatest strength. Until then, partners had a long-term, firmwide perspective insured by the golden handcuffs of a ten-year capital "lock-in." After the merger, everyone was just a hired gun. By the 1990s, at Salomon, as at Phibro, virtually all who were there at the time of the merger were gone. The then-partners may have gotten rich, but both old-line companies "lost" in the end.

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I went to see Billy Salomon a week after the merger was announced. "So long, thanks for everything, and goodbye" was the purpose. He was not happy. He was, in fact, furious and embittered that "his" firm had been sold and that he had had no part in the decision.

"You screwed me," he said.

"Billy, these were your rules. You dictated years ago that nonexecutive general partners and all limited partners [as he had then become] had no say. You decided that the Executive Committee ruled absolutely. You personally picked every one of its members. Rightly or wrongly, they're your legacy. They made this decision to merge, not the rest of us."

I never thought Billy had a real complaint. One of style maybe, but not of substance. John and the Executive Committee had a responsibility to do what they thought was right for the firm, which is to say, for its owners. Billy had selected the people who made the decision. They followed the rules he had set. He just didn't anticipate or like the results.

Although I did say “So long” to Billy Salomon, my recollection is that John Gutfreund didn’t say goodbye to me. The next time I saw him was seven years later at the surprise fiftieth birthday party for Jack Kugler, our former partner. “Hello, young man, and how are you?” he said to me.

“Fine, and younger than you.”

“You always were a wiseass.”

That was it. Thanks, John. He had hired me as a fresh MBA when I needed a job, and he had fired me when my era there had really passed. In both instances, his timing was impeccable.

Even though my Salomon career ended involuntarily, I owe a great debt to William Salomon and John Gutfreund. They were my mentors. They taught me ethics, philanthropy, hard work, and to take care of others. They encouraged me to strive for success and supported me fully, even when I failed. They gave me the opportunity to prove myself, not to mention the chance to walk away with an almost unseemly fortune, which I used later to start my own firm. Given all the people Salomon Brothers employed over the years, there are myriad others who must feel the same about both of them.

Though their careers ended very differently, Billy (who retired voluntarily) and John (forced out when an underling cooked the books) both made their respective contributions. Wall Street is a better place because of their efforts—and I’m a smarter, better (and richer) person because of them. Billy died in 2014. John followed him a little more than a year later. It was not easy to speak at their funerals.

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During the week after the Salomon partners’ last supper in Tarrytown, I went to a furrier on Third Avenue and ordered a sable jacket for my wife, Sue. We had been married for five years at that point, during which time I was a Wall Street star. Unfortunately, from that Tarrytown dinner onward, when she met somebody in the street and was asked, “What does your husband do?” she’d be tempted to answer something like, “Well, he used to be a very important Salomon Brothers partner.” The sable would be a surprise to get her mind onto something else.

I was never embarrassed to say that I’d been fired and was now running a small start-up business. I’m tougher than many others (or, perhaps as a psychological defense mechanism, I convinced myself not to care what others thought). But I was worried that Sue might be ashamed of my new, less visible status and concerned I couldn’t support the family. A sable jacket seemed to say, “No sweat. We can still eat. We’re still players.”

I asked the furrier to stay open until 7:30 p.m. on my last day of work, September 30, 1981, and I put in my normal twelve hours. On the way home, I picked up the jacket. Sue was delighted. We drank a bottle of champagne, gave our daughter, Emma, a kiss, and went out to dinner. Next morning, I started Bloomberg, the company. The rest remains a work in progress.