CREATING A BUSINESS

After leaving Oppenheimer, I was looking for something to do. Did I want to be a money manager — I loved the idea — or did I want to return to being a stock brokerage executive? My last responsibility at Oppenheimer was creating the firm's investment management business, fee income for performance benefiting from clients' results rather than commissions. Brokers' interests not necessarily the same as the clients'.

That same year, 1972, I got a phone call from Fred Stein, now at Neuberger Berman, and he said he had a friend who was looking for someone to be president of the brokerage firm of which he was chairman. His friend was Ace Israel, a successful commodities investment and merchant broker.

The Israel family was descended from French Jews who came to the United States from Alsace perhaps 150 years ago. Based in New Orleans, the family started selling coffee and cocoa up and down the Mississippi River. Ace Israel eventually became one of the nation's largest coffee and cocoa merchants, but back then, being in commodities wasn't as prestigious as being in stocks and bonds. Ace Israel was smart — he had gone to Yale — and made his own fortune, unlike all those heirs to the Whitneys, Vanderbilts, and Rockefellers who ended up working in the brokerage business with the Morgan Stanleys of the world. He was an imposing fellow, six foot four on a large frame, and

had a head almost double the size of most other people's. He was formidable, charismatic, and impressive.

Thanks to Fred Stein, I met with Ace. We talked. He was formerly president of Bache & Company, which at the time was second only to Merrill Lynch as the largest brokerage firm in the United States. But he had soon become dissatisfied. He didn't like his interface with the Baches, and he didn't like his loss of authority. So he formed his own firm, which he called Havenfield & Company. He wanted to have a "professional" as his president, and that was me. I became his president.

There was a third part of the agenda besides Israel's being chairman and me being the "professional" president. A corporate investor, a company listed on the New York Stock Exchange, Walter Kidde & Company, was prepared to invest many millions into Havenfield when Israel would hire professional management. So I was brought in. But we were in a bear market, a time when all bets are off, and Walter Kidde never supplied the many millions.

Meanwhile, I'm president in a bad financial environment. (Bull markets and bear markets came and went with a high degree of regularity until 1982. The rule of thumb is three years up, nine months down.) Havenfield had offices all over the place. We had offices in Monmouth County, New Jersey. We had a couple of offices north of Albany, in the foothills of the Adirondacks, and over into Vermont. We had — and I don't know how we got these — offices in Switzerland. Those Swiss offices weren't bad as excuses for traveling to Europe, but I recognized that from a business perspective they made no sense, particularly because the Europeans will invest in the United States only when the dollar is strong. At this time, the dollar was weak, and there was no business coming out of the Swiss offices, just lots of overhead.

After about six months as president, I went to Israel and said, "Ace, I hate to tell you this, but I'm going to advise you to get out of this business. Sell this firm for whatever you can get for it. If necessary, liquidate the firm. It's not a viable business. You're going to lose your shirt.

"You brought me here to help the firm grow. I'll stay on out of respect for you if you want me to, but you've got people in our organization who can liquidate better than I can. I don't even have any experience in liquidation. I've been working with growth experiences

all my life, and you have a lot of accounting types who are very good at this."

I left Havenfield and became a consultant to Standard & Poor's investment management firm managing money for rich families, pension plans, and endowments. where I was paid for just learning about the company. "This is the best deal I ever had in my life," I told myself. "They're paying me; I've got two secretaries, and they're teaching my about their company so I can advise them better later."

For three months — two months alone was spent interviewing various executives and generating a market survey for the company — the mission was whether Standard & Poor's should use its great brand name and go into the smaller account investment management business. As a veteran of investment management, I was to decide the strategy and the relevance of doing such a business. After those three months, I wrote a definitive paper of what S&P should do and how it should be done. The company managers reviewed the paper and then came to me and said: "Wonderful. Would you now run it for us?"

My reaction was, *Run it for you? I'm having too much of a good time advising.*

About this time, Ace Israel telephoned and scheduled a meeting. When we met, he said, "Nobody in my life ever told me bad news." They had always told him what he wanted to hear because they were intimidated by his financial and physical stature. "You told me things that I knew you didn't want to because you knew it would be disturbing, and you didn't gain anything by it. You didn't even get any severance pay. I respect you for it."

Then he asked if I would be his personal financial adviser.

So the decision was whether to accept Israel's offer or whether to run this new division of S&P. The latter could have been very meaningful, I knew, because S&P is a household name, sort of the Kleenex of finance. I had to decide which was more interesting for me: go with an established company and run something or take something from zero and build it.

I went back to Israel, and I said, "I accept your proposal, but with one condition."

"What's the condition?" he replied.

"I don't want to work just for you," I said. "I want to start a new

money management firm, call my company Cramer and have you be my first, most important and, initially, the only client besides me. I'll invest my money alongside of yours. With every investment I make for you, I'll make the same investment for myself, maybe a bit smaller." (I was now at a seven-figure net worth.)

So I formed a company called Cramer Investment Advisers. Oh, that was a good name, C.I.A., but maybe not so much back in the early 1970s. And that's the beginning of Cramer, which became Cramer Rosenthal and then Cramer Rosenthal McGlynn.

The company had one client basically, the Israel family. Our modus operandi was to be the financial adviser and money manager to several wealthy families, but offering something unique. The Rockefellers used to have such family financial advisers, and still do, and some other very, very wealthy families have such family offices. But a lot of other families want a family office and cannot realistically afford one. As a result, they either spend much too much money for financial advice or they don't do it at all and go instead to the traditional banks like JP Morgan or Wilmington Trust for advice. By signing on with Cramer Investment Advisers, however, a family would get highly sophisticated advice that it would normally not be able to afford on its own because Cramer would combine all the families into sort of an exclusive co-op.

I planned a four-corners approach. We'd have a floor, we'd have one family in each corner, and Cramer would be the central core where we would have more experienced, more knowledgeable, better financial advisers for these families than they could afford themselves, where we would work with the families' own infrastructure, their lawyers, and their accountants. Cramer's professionals would be command central.

In theory, it's a great concept. In practice, it's hard to execute. Why? Each family is proud and would like to have its "own man" rather than share him. It's like having a mistress. You don't share a mistress.

The firm began with the Israel family, the "first corner," a first-class group of people who were intelligent, sophisticated, and diversified in their financial knowledge. Now, more than thirty years later, they are still one of our most important clients.

The "second corner" was the family of Eddie Rosenthal, who had

been a close friend since my days at the Grandview Hotel in Lake Placid when I was twenty. Now, twenty-five years from that beginning, Eddie and I became business partners.

Eddie was a member of the third generation of wealth. Eddie had been born with a silver spoon in his mouth. He was born on third base but didn't grow up thinking he had hit a triple. He later hit his own triples. I have a lot of respect for him. Eddie and I say facetiously when we meet prospective clients that we have first-generation wealth and third-generation wealth. But Eddie is special: He still has it. (Most families blow their monies by the third generation.)

The "third corner" in the firm was the Cramer family — a small corner. I always used to say that we had two-and-one-quarter wealthy families as clients, but fortunately that quarter has since grown.

We were looking for another client family, and we found the Mailman family, thanks to a good friend, Jay Langner. Jay, who has a first-class mind and is chairman of the board of Montefiore Hospital in New York, is a member of the Mailman family. The Mailmans were originally from Canada and had made their money in oil and razor blades. Now, in the Mailman family it was the sons who inherited the power and the control of the family business. Jay's uncles, Joe and Abe Mailman, were in charge. Each had only a daughter, and those daughters had only daughters, with the exception of Rick Segal. As the only direct male in the line, Segal was the family heir. He had just graduated from Wesleyan College when Jay introduced him to us as a potential representative for the Mailman family; we would train him and they would become clients.

Segal, a poetry major at Wesleyan, came into our office, freshly shorn of his ponytail and dressed in his first suit, a three-piece number. We trained him and he learned well. It turned out that he had a brilliant business mind, and that's a potent example in the familiar debate of nature vs. nurture. He didn't develop this ability in college, because Shelley and Wordsworth were of no help. Rick Segal eventually became a partner, and our company became Cramer Rosenthal Segal.

Now we represented four families, the four-corner approach. The year was 1976, and it had taken us three years to reach this stage.

But there had been more to do than just arrange the four corners.

In order to be in business, you cannot be just by yourself. You must always have a backup person. In case anything happens to you, clients have to know that there is someone else there besides you, even though you may be the star. In addition, it's good to have an alter ego and another good hand. Ron McGlynn became that right hand for me.

I met Ron in 1973; he was the firm's first employee.

I interviewed him of course, but I like to take the process a step further and interview the prospective employee's family as well. I always like to get to know the spouse.

A wife generally is a great stabilizer for her husband. Now, it isn't necessary that a business executive be married. Sometimes a spouse is a major distraction. And in the course of my career I've had a lot of unmarried men and women work for me, and they were extremely successful because they were totally focused. Even though they didn't have the "balance" of a wife or a husband, their total dedication to their work somehow made up for it.

Ron's wife, Connie, a fine lady, is a great influence on him, and, I reasoned, if she likes me, she'll be my ally, too.

I told Ron I wanted to meet Connie and, boy, did she turn out to be phenomenal. She was a bundle of energy — positive energy — and a great friend and asset to Ron. They came out to my house with their two small children. One of the kids fell into my swimming pool (fortunately he survived). I showed Ron and Connie around my house and then took them to the wine cellar. As we entered, I looked at the wine racks and quickly realized that about 95 percent of my wine collection had vanished (more on this later). "Oh, my God," I said. "Somebody's been in Mother Hubbard's cupboard." Ron looked at me; I looked at him and shrugged. As it turned out, that was a pivotal moment in his coming to work for me.

Years later, Ron explained it this way: "One reason I decided to work with Gerry Cramer was that I saw he was cool under fire. He didn't panic or go crazy or scream or yell or swear. He said, 'Hum,' and we went on with what we had to do. He didn't' spend his time worrying about losing his wine." I hired Ron, and he became my stock research analyst. We have made a good team.