ANNALS OF LAW

THE COLLAPSE

How a top legal firm destroyed itself.

BY JAMES B. STEWART

On an April morning in Manhattan last year, Steven Davis, the former chairman of the law firm of Dewey & LeBoeuf, reached for his ringing cell phone. He was sitting in the back seat of a taxi, on the way downtown to renew his passport. Dewey & LeBoeuf, which was often referred to in the press as a global "super firm," was largely his creation. In 2007, he had engineered the merger of a profitable but staid midsized specialty firm—LeBoeuf, Lamb, Greene & MacRae—with a less profitable but much better-known firm, Dewey Ballantine. (Thomas E. Dewey, the former Republican Presidential nominee, was for many years the guiding partner.) "Dewey married money, LeBoeuf married up" was how some characterized the union. It was the largest merger of New York law firms in history, and the new firm had more than thirteen hundred lawyers. Dewey & LeBoeuf handled high-profile transactions for an enviable roster of corporate clients: Lloyd's and A.I.G. in insurance; Duke and BP in energy; JPMorgan Chase and Barclays in banking; Disney in media and entertainment; Dell and eBay in technology; and Alcoa in manufacturing. Under Davis's leadership, a number of the firm's partners had joined the ranks of the highest-paid corporate lawyers in the country.

Now, five years later, Davis's vision was in ruins. He had been stripped of his title of chairman, and was being exiled to the London branch. The partnership was riven by intrigue, animosities, and defections. It was uncertain that the firm would survive.

Davis saw that the call was from a colleague in Dewey & LeBoeuf's Riyadh office. "What about this lawsuit?" the colleague asked.

"What are you talking about?"

The colleague e-mailed him an article from a popular law Web site called Law360. Davis read it on his phone as he stood on the curb outside the passport office:

> A group of Dewey & LeBoeuf LLP partners has asked the New York district attorney to bring criminal charges against the chairman of the tottering firm, which could close its doors as early as next week, a source familiar with the matter said Thursday.
>
> The source told Law360 that an undisclosed number of partners from Dewey asked the New York County district attorney to charge the chairman, Steven H. Davis, with embezzlement, wire fraud, mail fraud and other criminal activity.

Davis immediately returned to his office, on the forty-third floor of a skyscraper on Sixth Avenue near Fifty-second Street. He sat at his desk, wondering what to do, and soon got a call from Stephen DiCarmine, the firm's executive director, who asked him if he had seen the Law360 article. The source mentioned in the piece—presumably a fellow-partner—had referred to Davis as a "sinister character," who was "running the firm like a mafia." A few weeks earlier, another partner had walked by Davis's secretary and muttered, "Your boss is going to jail."

Davis and DiCarmine were known at the firm as "the two Steves." After the 2008 financial crisis, DiCarmine had carried out, at Davis's behest, the unpleasant tasks that Davis considered necessary for the firm's survival. By DiCarmine's reckoning, he'd fired a hundred and thirty partners, four hundred associates, and three hundred and fifty support people—a bloodletting virtually unprecedented among big firms. Even so, he couldn't understand why anyone would despise Davis enough to go to the district attorney.

DiCarmine offered to help find a criminal-defense lawyer. Davis seemed paralyzed. He had given up his life for the firm. He'd cut his own pay from four million to three hundred thousand dollars, the same as the lowest-paid partner in good standing. "Why don't you just leave, go home?" DiCarmine suggested.

He was right, Davis thought. What am I doing here? He cancelled lunch with a partner, put a notebook and a few papers in his briefcase, and walked to the elevator. He never returned.

A month later, on May 28, 2012, Dewey & LeBoeuf filed for bankruptcy. The *Times* called it the largest law-firm collapse in United States history. The firm embodied a business strategy that has begun to supplant the traditional partnership values of loyalty and collegiality with an insistence upon expansion: by merging with another firm (and a different culture) or by offering unwieldy financial packages to lure partners from rival institutions.

It was just as well that DiCarmine had come up with a list of criminal-defense lawyers. It wasn't long before he read news reports stating that he, too, was under criminal investigation.

THE TWO STEVES

Davis, who is sixty, wears wire-rimmed glasses and has the mild manner of a diplomat or a professor. He graduated from Stuyvesant High School, in Manhattan, near the top of his class and went on to Yale and Yale Law School. He was offered a job at LeBoeuf on the same day he interviewed. When he joined, as an associate, in 1977, LeBoeuf was a niche firm, focussing on utilities, energy, and insurance clients.

LeBoeuf's compensation system differed from that of the other white-shoe law firms in New York. Those firms still largely adhered to what is known as the Cravath system, developed by Paul D. Cravath, the presiding partner at Cravath, Swaine & Moore from 1906 until his death, in 1940. Collective well-being took precedence over the self-interest of individual partners. The firms were true partnerships, in which financial risks and rewards were shared equally. Partners were generally chosen from among the firm's associates, all of whom were steeped in its culture and traditions. Partners were paid the same "lockstep" compensation

At one meeting, Steven Davis said, "If it is only money that holds a firm and its partners together, then there is really no glue at all."

ILLUSTRATION BY BARRY BLITT

and benefits, the total amount based on seniority.

The Cravath system assumed that all the partners worked together and contributed collectively to the firm's success. No one had to be a "rainmaker," or client-getter. The idea was distasteful. The way to attract and keep clients was not by selling, marketing, or promoting oneself but by doing solid work. It was all but unheard-of for big corporations to pit one firm against another, or to comparison-shop for lower fees.

LeBoeuf, founded in 1929, allocated compensation based on individual performance. The dominant partner, Randall LeBoeuf, Jr., provided the financial underpinnings. Around the firm, he was said to be the highest-paid lawyer on Wall Street. He died in 1975.

Davis, after becoming a partner, in 1986, did mergers and acquisitions and gradually assumed a greater management role. In 1999, he and another partner were named co-chairmen.

By the competitive standards of major law firms, LeBoeuf was a pleasant place to work, but, in terms of profits per partner, it ranked among the lowest of the major firms headquartered in New York. To bring about change, Davis had to push out less productive partners, close low-margin regional offices, and reduce expenses. To execute these often unpleasant tasks, he turned to Stephen DiCarmine.

While Davis had a pale complexion, DiCarmine, who is fifty-six, was tan year-round. He dressed in designer suits and drove a Porsche convertible. He was known as the colorful counterpart to the firm's many staid lawyers. Growing up in Yonkers, he had never imagined a career in such a respected profession. His father had been a U.P.S. driver. After his mother's sister was divorced, she and her son Vincent Basciano, known to everyone in DiCarmine's family as Cousin Vinny, moved in with his family. Vinny was three years younger than Stephen, and they were as close as brothers.

With the encouragement of a local priest, DiCarmine attended college, first at Manhattan College and then at New York University. After graduation, he enrolled in California Western School of Law, mostly so that he could go to the beach. To his surprise, he excelled there. But his California Western degree didn't get him far in New York, until a headhunter for a law firm called, looking for a "managing attorney," a job that turned out to be administering the work of the firm rather than practicing law. In 1998, he made his way to LeBoeuf, which needed someone to help manage its expansion and market the firm.

Cousin Vinny, meanwhile, worked in construction, built condos, and went to Hollywood and then Las Vegas. DiCarmine's aunt died in 1993, and at her funeral, in the Bronx, DiCarmine noticed men who seemed to be bodyguards examining the flowers. In the receiving line, men in dark suits bowed and kissed his cousin's hand. During a Christmas Eve dinner at Vinny's house, a van filled with F.B.I. agents arrived and parked outside. Vinny bantered with them and invited them in for meatballs. (They declined.)

DiCarmine was slow to acknowledge what was obvious to everyone else in the family. His cousin had emerged as the acting head of the Bonanno crime family—Vincent (Vinny Gorgeous) Basciano. The family considered DiCarmine the young Michael Corleone from "The Godfather"—the son who wanted nothing to do with the Mafia.

No one at Dewey & LeBoeuf knew anything about DiCarmine's relatives. (At a previous job, when members of his cousin's crime family showed up, looking like characters from central casting, and wanted him to notarize a document, he insisted that they meet him in the lobby.) DiCarmine didn't know much about the family or personal lives of the LeBoeuf partners, either, not even Davis's, other than the fact that he was married and had three children. Within a year of DiCarmine's arrival at the firm, he noticed that Davis wasn't around much. When he asked a colleague about it, he was told that Davis was having some "personal problems."

After becoming co-chairman of the firm, Davis divorced his wife and told a few of his partners and some of his clients that he was gay. He figured that his career would be over. Much to his surprise, there was little apparent reaction.

In time, Davis learned that DiCarmine, too, was gay, but the subject was generally left unmentioned between them. When Davis asked DiCarmine's advice about whether he should bring the man he was involved with to the firm's seventy-fifth-anniversary celebration, at Le Cirque, DiCarmine advised him not to. But Davis did anyway, and he invited his ex-wife, too. No one seemed to take it amiss.

In the summer of 2003, Davis's co-chairman announced his resignation, leaving Davis in charge. Davis wasn't a dictatorial partner, in the Randall LeBoeuf mold, but he was ambitious. Running the firm became nearly a full-time job, which meant that he had few direct client relationships of his own. He operated by consensus, shuttling among partners and offices, and through the firm's executive committee, relying on DiCarmine to carry out decisions. LeBoeuf had long prided itself on the fact that the partnership had never taken a vote on anything. As Davis put it, a vote meant that someone had to lose.

With the power delegated to them by the firm's executive committee, the two Steves slashed costs by more than thirty million dollars annually and boosted profits per partner from six hundred and forty thousand, in 1999, to $1.2 million five years later. But Davis began to think, and DiCarmine agreed, that LeBoeuf was an awkward size, caught between the global giants that were able to serve large corporate clients, with offices all over the world, and firms that had chosen to remain smaller and focus on very profitable types of work. Davis didn't see LeBoeuf as a boutique firm; it didn't have the prestige or the high-margin specialties that such firms had. But he wanted to build something lasting and significant, and so he had to grow.

There were only two ways for a firm like LeBoeuf to expand: merge with another firm or raid other firms for "lateral" partners, who would bring major clients with them. Davis looked at merger candidates, but he was wary: many law-firm mergers had failed. No candidate seemed quite right. Then he heard from Stephen Best, a LeBoeuf partner in the Washington office, that his friend Ralph Ferrara, a star securities litigator, might be willing to consider a move. Ferrara had started a Washington office of Debevoise & Plimpton, one of the smaller New York firms in the Cravath mold.

Davis visited Ferrara in Washington, and learned that the Debevoise pension plan was unfunded. If the firm ran into trouble, it might not be able to meet its

pension obligations. Ferrara was blunt about what he wanted: a funded pension. For tax reasons, he asked for a lump-sum payment that would generate the equivalent of the four-hundred-thousand-dollar annual pension that he'd earned at Debevoise—an amount that turned out to be sixteen million.

Signing bonuses of that scale, however common on Wall Street and in Hollywood, were practically unknown among élite law firms. In addition, Ferrara wanted a guaranteed annual salary to match what he was making at Debevoise—$1.6 million. It would not be tied to his performance. Still, Ferrara was a big name in a coveted practice area, and attracting such a partner would bestow cachet on LeBoeuf. Davis worked out the details, and DiCarmine recalls personally delivering the sixteen-million-dollar check to Ferrara's house.

DiCarmine spent the weekend before Ferrara arrived re-creating his Debevoise office on the eleventh floor of the building where LeBoeuf had its Washington offices. Walls were torn down to simulate his L-shaped space; the same carpet and wallpaper were installed; his numerous photographs and two computers were arranged in precisely the same locations. Painters were applying the finishing touches when Ferrara walked in on Monday morning.

LeBoeuf's investment in Ferrara paid off handsomely. When Eliot Spitzer, the New York attorney general, decided to investigate LeBoeuf's client Zurich Insurance Group, Zurich initially hired another firm to litigate on its behalf. But when that firm developed a conflict of interest Ferrara made a presentation to Zurich's general counsel, and the company chose to stay with LeBoeuf and use Ferrara for its class-action litigation. That case alone generated more than forty million dollars in billings during Ferrara's first year. Ferrara also brought with him a major new client, Royal Dutch Shell.

Davis, buoyed by his success with Ferrara, brought in twenty-two lateral partners in the next ten months, with various signing bonuses and guarantees. The executive committee pretty much delegated to Davis the discretion to negotiate the deals, and DiCarmine executed them. Davis knew that if too many partners found out the exact pay packages there would be resentments and jealousies.

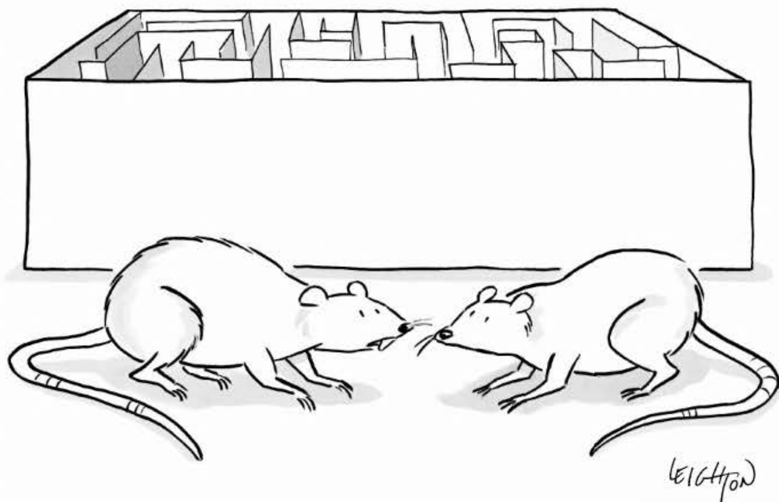
Davis's moves attracted the attention of *American Lawyer*, which in 2006 dubbed LeBoeuf a "rainmaker magnet." By this time, LeBoeuf had more than six hundred and fifty lawyers on staff. In a largely glowing profile, the magazine noted that "LeBoeuf has been able to skim the cream of partners from less profitable firms, and to meet the big up-front payments necessary to bring in older rainmakers. It has also managed to convince them that the firm, long known for being limited to energy and insurance work, is a dynamic place to work and grow a practice."

That year, DiCarmine's cousin Vincent Basciano, who had been charged with multiple crimes, including murder, was placed in solitary confinement, in the Metropolitan Correctional Center, in Manhattan. (Authorities had discovered what they believed was a hit list he had compiled whose targets included a judge and several witnesses.) DiCarmine had to get the approval of the U.S. Attorney to visit him, and that required a letter identifying his place of employment. DiCarmine felt that he could no longer conceal the relationship, and went to see both Davis and the firm's head of litigation. "I don't want to hurt the firm," DiCarmine said. "If this is really important, I'll resign." But Davis stood by him. As long as DiCarmine himself wasn't involved in organized crime, no one could blame him for his cousin's situation or criticize him for his loyalty.

DiCarmine visited Basciano in solitary confinement as often as he was allowed, usually every few months. On one occasion, three federal agents surrounded him as he was leaving Foley Square and asked if he could get his cousin to coöperate. DiCarmine doubted that he could, but he met with them to find out what they were offering: life in prison rather than the death penalty. Basciano dismissed the idea out of hand.

PROBLEMATIC E-MAILS

Much of the power at LeBoeuf resided in the compensation committee, which met every spring to determine partner remuneration. As at many non-lockstep law firms, partners were paid a base compensation—three hundred thousand dollars at LeBoeuf—supplemented by their share of the firm's profits. Partners set their salary expectations with this additional compensation in mind. To determine the additional compensation, the committee used a complicated point system involving hours billed; quality of work; and pro-bono, professional, and civic activities and



"I solved the maze in fifty-three seconds, but it was a Monday level."

kept his suits in the basement between his stays.) They told him that DiCarmine wore an expensive Patek Philippe watch. He had a house in the Hamptons and an apartment in Miami Beach. Dye knew nothing about DiCarmine's ties to a crime family. But he had heard that DiCarmine had taken his staff to Rao's, an East Harlem restaurant long frequented by Mafia chieftains, where he was greeted like a family member.

Dye asked Davis for an accounting of administrative expenses, and demanded to know DiCarmine's salary, along with that of the firm's chief financial officer, Joel Sanders. Davis resisted, but Dye says he was eventually told that DiCarmine's 2006 compensation was four hundred and fifty thousand dollars. Dye thought that was too much. (In 2008, DiCarmine received a base compensation of nine hundred and fifty thousand dollars, plus an additional eight-hundred-thousand-dollar profit payout; over the next few years, his compensation hovered around two million dollars.)

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service to the firm. The biggest factor, though, was bringing in clients, and total compensation varied dramatically.

Alexander M. Dye, the head of the compensation committee and a member of the executive committee, was probably the firm's most powerful partner aside from Davis. Despite the potentially contentious compensation decisions, Dye was widely praised for his even-handedness, and there was surprisingly little internal dissent over pay. Of course, his task was made easier by the fact that LeBoeuf routinely exceeded its budget forecasts, which meant that there were more profits to give out. With John M. Schwolsky, a corporate-insurance lawyer, he oversaw the corporate practice, where he also worked closely with another insurance lawyer, Michael Groll.

Dye, a solidly built, sandy-haired man in his early fifties, was plainspoken, and had a temper—"my Achilles' heel," he told me recently. The son of a car dealer, he was brought up in North Platte, Nebraska, and had worked summers on construction sites. He joined LeBoeuf straight out of the University of Michigan Law School. After representing British American Tobacco successfully in a hostile takeover of Farmers Group, Dye had surrounded himself with a loyal group of younger partners and associates, and turned the firm's base of insurance clients into a lucrative specialization in mergers and acquisitions. Through the late nineties, the post-Internet-bubble expansion, and even into the recession, Dye and his insurance partners fared especially well, thanks to Spitzer's wide-ranging investigation of the industry, which generated a wave of insurance work.

Dye felt that he had a good relationship with Davis. They had travelled together on company business to Beijing and Moscow, and Dye found Davis charming and well read, a pleasant colleague who shared an interest in history.

Dye had supported hiring Ferrara and paying the large incentive to get him, but he didn't agree that Ferrara was the reason Zurich had retained the firm for the lucrative Spitzer probe. Zurich was a longtime client of Dye's, and his work had certainly played a role in landing the case. Nonetheless, Dye lost Zurich as a client to other partners in the firm. (Ferrara, true to his Cravath-model roots, insisted on receiving no personal credit for generating business, on the ground that it was a corrosive influence that undermined collegiality.)

Dye was also troubled by the ascendancy of DiCarmine. He had taken an almost instant dislike to DiCarmine, even though he couldn't really say why. Dye's sources within the firm's support staff reported that DiCarmine, who had no clients and generated no fees, lived extravagantly on the firm's tab, and maintained an expensive suite at the One Aldwych hotel, in London, stocked with a stylish wardrobe. (DiCarmine says that the hotel

At a meeting to discuss projected compensation for 2007, Dye and Sanders nearly came to blows. Dye thought that the projected profits and the resulting partner compensation were too high. He accused Sanders of not being prudent, and the conversation turned into a heated argument. (Sanders declined to comment on any aspect of this article.) Davis asked Dye to step into the hall and told him that that was no way to treat a colleague. Dye replied that it was no way for two administrators to treat the partnership. (The firm ultimately did meet the profit projections.)

Dye expected that he would be made chairman in 2008, when Davis's five-year term was up. He'd been told as much by the senior partner who served as his mentor. Dye intended to delegate administrative duties to other partners and continue to practice law. It went without saying that he would replace DiCarmine and Sanders.

On Thursday, March 8, 2007, a day before the annual executive-committee retreat, Davis came to see him. Davis explained that he had been talking with other members of the executive committee about the following year's chairmanship appointment. "They want to reappoint me," he said. He hoped that Dye and John Schwolsky, Dye's close ally, would support him.

Dye was disdainful of most of the

partners Davis had put on the executive committee, who he felt had weak or declining practices, and were therefore too dependent on Davis. Now he felt that Davis had gone to them a year ahead of schedule to insure his own continued tenure.

"I'm not going to fight you," Dye said. "You have the votes. But I'm angry."

At the next day's meeting, Davis raised the issue of his reëlection, and volunteered to leave the room so that the partners could discuss it. DiCarmine and Sanders left with him. Jim Woods, a partner from the San Francisco office whom Dye disliked, began the meeting by turning to Dye and saying, "I think Alex should make the first statement in support of Steve."

Dye was furious. It wasn't enough for the committee members to deprive him of the chairmanship—they had to humiliate him while doing it. "The firm has done well," he said tersely, not mentioning Davis by name. There was a voice vote to approve a new five-year term for Davis. Dye remained silent, and Davis was reëlected by acclamation.

After what for Dye was a painful dinner in a conference room, at which Davis, DiCarmine, and executive-committee members celebrated Davis's reëlection, Dye and Schwolsky retreated to Coco Pazzo, an Upper East Side restaurant, where they topped off the evening with Scotch.

That night and the next morning, Dye sent a series of e-mails to Schwolsky and Groll, which, even by Dye's standards, were intemperate. He called Davis a "coward," and cited another partner's comment that Davis had "no lawyer skills" and was a "bad leader who was putting his interests ahead of the firm's."

Schwolsky responded:

> My only other comment is that we control a lot of business. I really don't think Steve [Davis] and others have a good understanding how business is sourced in our department. Allstate, Aegon, Genworth, Nationwide, Liberty, MetLife, Sun Life, Goldman Sachs, Merrill Lynch, etc. Those are our relationships. Take them away and there's nothing. I think that it is really sad that we are being put in a position where we have to take the crown jewel of the firm and put it in play. Even if we say nothing about any of this to anybody word will get out and the department will become less productive and unstable.

Dye replied:

> Davis thinks it's just you and me throwing our weight around. Woods hates us because we are the smart guys who gave him wedgies all his life; he can't imagine working for us. . . . Why the fuck is Woods the one guy who's determining the future of this firm. These are the assholes who are afraid of melee, not us. I think many of our colleagues would be surprised to learn that squat, ignorant motherfucker is the king maker here. . . . Davis is the bad guy here. I think we need to be opportunistic about how we go after him.

At various points, Dye referred to other partners as "pathetic," "little prick," and "fuckwad."

Schwolsky's reference to being "in play" indicated that Dye and his group were thinking of joining another firm. In an e-mail chain with Groll, Dye said that it was time to start putting dinners together in "the private rooms at Le Bernardin. Money is no object." In another, he added:

> Time to start minding the clients closely and spending Momma LeBoeuf's money like it's water.

By Sunday, Dye had calmed down, and adopted a different tone. He sent Davis a conciliatory e-mail:

> After a weekend of intense introspection . . . I have decided to put all of this behind me. I will not discuss it again, and will be a loyal team player. I am truly sorry this has clouded, at least temporarily, what I think has been a very productive and collegial relationship between us. I will arrive at the office on Monday morning and redouble my efforts to build an even stronger corporate practice. You have my word on that.

But Dye's angry e-mails had already come to light. According to an internal investigation, Stephen Best, in the Washington office, had asked Davis why Jane Boisseau, a member of the executive and compensation committees, was trying to cut his share of the firm's profits. (Boisseau could not be reached for comment.) Compensation-committee deliberations were supposed to be confidential. Best also mentioned that Dye had e-mailed him, saying, "So how come Boisseau has a hard on for you?"

Davis was so disturbed by this that he decided to have DiCarmine search the firm's e-mail server for all of Dye's messages.

Dye seemed to be aware that DiCarmine might be monitoring his e-mail communications. At the end of one missive, he wrote:

> BTW, Steve DiCarmine, if you are reading this, I'll have your fucking head on a stick.

And, after another:

> Same threat for you DiCarmine. . . . Don't test me.

A third said:

> Suck my cock DiCarmine.

Davis called an emergency meeting for that Sunday at 7:30 P.M. It included Jane Boisseau and Jim Woods, from the executive committee, who had drawn particularly contemptuous comments from Dye. DiCarmine brought copies of the e-mails for the group to read. When they finished, Davis looked at DiCarmine and said, "You could sue the firm and retire for the rest of your life."

Davis consulted outside counsel, at Proskauer Rose. The Proskauer lawyer reviewed the e-mails and, according to Davis, advised that LeBoeuf had ample grounds to fire Dye. But the decision wasn't simple. The departure of Dye and his allies could be a serious blow. Davis agonized over what to do. He decided that Dye and Schwolsky could remain as partners if they relinquished their management positions and titles. Such a move would preserve the firm's income stream and remove from management the partners most likely to challenge Davis's authority.

Several weeks later, Davis summoned Dye into his office. DiCarmine saw him go in and close the door.

Davis handed Dye copies of the e-mails. "How could you say this?"

According to Davis, Dye seemed shaken, and replied, "I was just sort of showing off to Schwolsky."

"I have to tell you that there's a view in the firm that you're homophobic, and also misogynistic," Davis said. Dye indignantly denied both allegations, pointing out that one of his brothers, to whom he was especially close, was gay.

"I have to ask," Davis said. "Were you drinking when you wrote these?" He'd noticed that many of the e-mails had been written late in the evening. Dye said that he was just letting off steam. (Dye said much the same to me about the e-mails, and added, "They were inappropriate, they were dumb, and I should never have sent them.")

Still, Dye was furious that Davis and DiCarmine had violated his privacy by reading his e-mails. The firm had a standard policy among its partners that all

WORK FOR HIRE

LABORS

BY NORMAN RUSH

Surveying my motley history of impromptu efforts to make money, I see something like a vast mural by Hieronymus Bosch in which all the victim characters distributed across the terrain of Hell are me. Many of my employers were decent people. Some were demons, but mostly my discomforts came from the nature of the work itself. After college, and after I had determined on being a writer, my choices of stopgap employment were shaped by the need to preserve free time to write.

It was my bad luck to learn absolutely nothing from any category of work. Wait, that's wrong. I did learn that picking cherries for a week turns your hands almost indelibly black, and that my wife could pick cherries as fast as my brother and me combined.

To be accurate, I learned that there's pathos almost everywhere in the world of work. Before leaving for college, I spent a period assisting my father in his endeavors as a salesman of primitive photocopying and laminating equipment to small offices. In demonstrating the laminator to a business in Modesto, California, he was proudly handed a letter to the owner of the firm, praising the owner for some service or other, and signed by President Dwight D. Eisenhower. The letter emerged from the laminator perfectly encased in plastic, with the signature gone.

By the summer of 1955, I was always on the qui vive for employment that would allow me the time I wanted. At a marriage party given for my new wife and me in San Francisco by a then icon of mine, the poet Kenneth Rexroth, I got a good idea from Allen Ginsberg, who was then a snappily dressed, clean-shaven, and neatly coiffed part-time interviewer for a market-research outfit. He suggested I look for a similar part-time job back East. When, two years later, we moved to New York City, I found such work with a new company founded by a group of social-science academics who had earlier lost their jobs as a result of the McCarthyite persecution. For some reason, we were attempting to divine attitudes toward different, futuristic, as yet uninvented electrical devices. Each respondent received a five-dollar bill. My first interviewee was under the impression that the light bulb had been invented by a man named Con Edison. I had a feeling of hilarity about this job, because the assignment was to conduct interviews in the Polish-Ukrainian neighborhood around St. Mark's Place, and communication was so difficult that on the report forms at times I resorted to sheer guesswork and to what is now referred to as creative nonfiction.

When my wife, Elsa, and I, and our infant son, found refuge immediately after college in a crumbling mansion generously given over to deserving writers and artists by a humanitarian patron of the arts, Mrs. S. M. Ruff, of sainted memory, my search for time-sparing pickup work had to be conducted in the vastness of the thinly populated woodland of Ulster County, in the Catskills. Manual labor was what there was, and it wasn't easy to get. I agreed to clear a vast, overgrown meadow adjacent to the very fancy log cabin of an anarchist couple living in Bearsville, near Woodstock. We were situated about seven miles from their place. They must have been Luddites, because they had no mowing equipment and no car with which they might have come to pick me up for my task—me and my giant, vintage scythe, which Elsa had found under the porch and sharpened on an ancient whetstone that happened to be lying around. In any case, the job completed, I accepted fifteen dollars from the anarchists. It had taken all day, and involved fourteen miles of hiking in August and the discovery that there is something so frightening about a man carrying a large scythe that not one of the usually

very friendly motorists on the Wittenberg Road would give me a lift. Our time in Mrs. Ruff's art commune came to an end when animosity between an avant-garde writer and a genre writer turned alarming.

Exploitation by employers from whom you least expect it (I considered myself in those days a comrade of the log-cabin people, after all) is not exactly a red thread running through my memory, but it's something like it. When I worked for Frances Steloff, the mistress of the world-famous Gotham Book Mart, in Manhattan, a basilica for worshippers of modern literature (she had an awful painting by D. H. Lawrence hanging on the wall of her office), I observed that the way she kept workers toiling for her, for years, despite the mean wages they were paid, was with the oft-repeated promise that she was going to die soon, and that the workers would inherit the Gotham as a co-op. Twice, I saw Steloff hit an aspiring poet, Bob, with her cane when he took longer than she felt he should to cart donkeyloads of books to the post office. He was still on the job when I left, after a disagreeable six weeks. In her defense, it must be noted that she did from time to time give Bob a glass of freshly squeezed orange juice. ♦

e-mails were the property of the firm. But Dye had never signed an agreement to that effect, and claimed never to have seen the policy. What was doubly galling was that he was asked to sign only after the e-mails came to light. But what choice did he have? The damage was done. Dye and Schwolsky called a meeting of the corporate department and announced that they were resigning from their executive positions. It was an emotional moment, and many in the department reacted with disbelief.

THE DOWRY

Despite the uneasy truce, Davis feared that Dye and his allies would leave, creating a gaping hole that might be impossible to fill. Insurance work was still the mainstay of the firm's practice. Davis felt that his only move was to quickly pursue a merger with a firm that had a large corporate practice. DiCarmine arranged a meeting with Morton Pierce, the co-chairman of Dewey Ballantine. In addition to managing the firm, Pierce was its most prodigious partner, accounting for more than ten per cent of the firm's revenues. (Most years, as a sought-after mergers-and-acquisitions specialist, he billed in excess of three thousand hours—an average of nearly sixty hours a week.) His best-known client was Disney. He was very slender, with dark curly hair and a calm, patrician manner that fit Dewey's image as a venerable corporate firm.

But, after the death of Thomas Dewey, in 1971, the firm had slipped from its perch. Some of its longtime clients underwent mergers and spinoffs, and sent business to other firms, in search of lower costs and greater expertise in specialized areas of practice.

Davis met Pierce for the first time in April, at breakfast at Michael's restaurant, a few blocks from the offices of both firms. He found him charming, surprisingly self-effacing, even somewhat shy. Pierce was impressed with Davis as well. He could see that Davis's low-key demeanor would be effective at building consensus, and he respected the fact that Davis was successfully running a profitable firm. Pierce didn't offer to pick up the check, and Davis paid—as he did on every subsequent occasion they ate together.

In a later meeting, Davis told Pierce about the conflict with Dye, Schwolsky, and the insurance practice; it was just the kind of personnel imbroglio that Pierce didn't want to deal with. He agreed that Davis should run the combined firm, freeing him to practice law full time.

The two men decided to go forward with the merger negotiations, and Pierce urged Davis to "do it quickly, do it quietly." He wanted the deal wrapped up in six weeks.

Not long into their discussions, the subject of Pierce's compensation came up. Pierce had heard about the Ferrara deal, and he wanted a contract and a guarantee—of six million a year. In his view, that would lend credibility and stability to the new firm, assuring the lawyers at Dewey and in the outside world that he intended to stay.

Davis was startled. *He* didn't have a contract. (Pierce maintains that it was Davis who insisted on the contract.) In any event, without Pierce the merger was pointless. Davis agreed to a five-year contract at an annual salary of five million dollars with a million-dollar profit payout, plus a five-million-dollar signing bonus, for a total of thirty-five million. If Pierce left before the end of the contract, he'd pay back a million for each remaining year.

Negotiations moved forward quickly. Davis hired McKinsey, the management consulting firm, to do due diligence. Dewey's financial situation was dire: according to financial statements submitted as part of a bond offering, net income had dropped from a hundred and thirty-four million, in the twelve months ending in September, 2006, to fifty-four million, in the twelve months that followed—a sixty-per-cent decline—owing largely to partner losses and defections. But, McKinsey reported, Dewey and LeBoeuf had similar billing rates, a similar compensation range, and no obvious conflicts of interest among their top fifty clients. A month after the breakfast with Pierce, Davis unveiled the proposed merger to his executive committee, with orders not to discuss it with anyone outside the group.

That June, as details were being hammered out, Davis remained concerned that Dye and his group were still actively exploring the idea of leaving. If they left just then, taking a good part of LeBoeuf's corporate practice with them, Dewey might back out of the merger. McKinsey reported that "LeBoeuf is currently

vulnerable to the financial risk posed by individual 'rainmakers' leaving the firm," because the top five per cent of partners generated forty-two per cent of the year's billings. McKinsey advised, "Create financial incentives for partners to remain at the Firm."

After speaking in confidence to a few trusted partners, Davis decided to offer Dye, Schwolsky, and Groll contracts of three million dollars a year. He knew that extending a contract to someone who was already a partner might set a dangerous precedent, and ignite jealousies, but he thought it a relatively small price to pay for stability at a moment when the firm desperately needed it.

Schwolsky took the offer. Dye said he didn't know. He had dinner with a partner at Weil, Gotshal & Manges, who urged him to move his practice there. He said he'd think about it. In August, he retreated to Rhode Island for three weeks, playing a lot of golf, going to the beach, and brooding about his future. When Davis called to inform him about the merger talks, Dye said, "That makes no sense. Everyone knows that firm is in trouble."

Yet he still felt loyalty to LeBoeuf and many of his colleagues there. Along with Schwolsky and Groll, he accepted the three-million-dollar contract. Far from being punished for his uncollegial behavior and his intemperate e-mails, he had now been rewarded, at least monetarily.

The precedent set by the Ferrara guarantee, which seemed to have paid off so well, had spread not just to other lateral hires but to Pierce and now to disgruntled LeBoeuf partners.

LeBoeuf's partners gathered in the firm's cafeteria on September 26th and took a voice vote. Perhaps out of loyalty to Davis, no one voted against the merger, even though DiCarmine says he believed that few, if any, LeBoeuf partners really wanted to go through with it.

Davis says he was acutely aware that other law-firm mergers had failed, in large part, because key partners defected, taking big, revenue-generating clients with them. Raiding partners was now so routine that, Davis knew, the moment the merger was announced headhunters would descend on top-producing partners.

To say that the merged firm lacked a cohesive culture was an understatement. Not only did the lawyers in the respective firms not know each other; there were lingering suspicions on the Dewey side that LeBoeuf lacked prestige, and on the LeBoeuf side that unproductive Dewey partners would be siphoning off profits. A hastily organized cocktail party for the partners to get to know each other was stilted and awkward. But spirits were high when, that spring, Davis announced confidently that partners' profit payout targets would be increased by a cumulative twenty-five per cent, based on a projected ten-per-cent increase in revenues. Davis and the executive committee thought that it was ambitious but not unreasonable. LeBoeuf had increased its revenues by ten per cent or more every year for at least five years.

Although Pierce was the only partner who received a five-year guarantee, about fifteen key revenue producers got contracts for "target" compensation that vested after three years if they remained at the firm. "Target" meant that the guarantees applied only if the firm met its projected revenue. Davis says he thought that the contracts, even though they created two classes of partners, would provide stability during the transition. After three years, he hoped, they wouldn't be necessary. (Davis didn't give himself a contract, but his target compensation was fixed at five million dollars.)

The merger of Dewey & LeBoeuf, as the new firm was called—Thomas Dewey's estate insisted that his name come first in any Dewey Ballantine configuration—took effect on October 1, 2007. LeBoeuf moved into Dewey's building, and Davis was named the firm's sole chairman.

"To put it simply, we want to be the best," Davis told the assembled partners in January, at the newly combined firm's first annual meeting. "That means being at or near the top of the tables in terms of size, revenue, and profitability. But it also means handling pro-bono projects that make the world a better place and make headlines at the same time. It means being the firm of choice for the best law-school students. It means being a diversity champion in the legal profession. It means being a leader in everything we do."

And he revealed his own ambitions in undertaking the merger. "I would much rather try—and fail—to be as great as I know we can be than to sit back, take the clients and work that just happen to come our way, and settle for a comfortable mediocrity."

Dye and his group of partners and associates established themselves on the thirty-first floor. Pierce never came to see

"I'm bored—let's buy a house in the country that has lots of problems."

them there. Nor, for that matter, did any other former Dewey partners. There were virtually no meetings of the newly combined corporate department. Dye stopped attending partner meetings. He and his allies thought of themselves as a firm-within-a-firm, isolated from management, free to pursue their own practices. They found the arrangement surprisingly congenial.

RECESSION

On September 14, 2008—a Sunday—Davis was in Los Angeles to meet with clients, but, as Lehman Brothers teetered, he took the red-eye back. By Monday, Lehman Brothers was in bankruptcy, and A.I.G., one of Dewey & LeBoeuf's large clients, was asking for a bailout.

At major law firms, stock offerings and mergers and acquisitions—two of the most lucrative areas—collapsed. Corporate clients scrutinized every cost, including expensive outside law firms. At Dewey & LeBoeuf, billing for 2008 stayed strong, thanks in part to work related to the crisis. Schwolsky managed to complete a large stock offering for a life-insurance company in October. But then nearly every corporate deal in the pipeline froze. Lawyers are typically paid for such deals after they close. Now the deals were all in limbo. Hours billed kept piling up, but collections stalled.

Dewey & LeBoeuf didn't come close to meeting the revenue target on which the twenty-five-per-cent raise in partner compensation was based. In 2008, Dewey & LeBoeuf had revenues of $954.8 million, more than a hundred million below its targeted budget. It was the first time in a generation that LeBoeuf partners had experienced a shortfall.

Davis had to make some painful choices. Ordinarily, when profits decline compensation declines, but at Dewey & LeBoeuf many of the partners with contracts had been promised their full compensation. For other partners, the compensation committee graded their performance for 2008. Those receiving an A were supposed to get their full target amounts. Those with lower grades had their expected compensation reduced accordingly—some drastically, as a message to leave. There was widespread grumbling, especially among the so-called service partners—the lawyers who assisted the rainmakers but had no client relationships of their own. This group suffered the deepest cuts and had the least leverage. Despite the cuts, and for all the bad feeling they engendered, Dewey & LeBoeuf was still promising its partners far more than it earned in profits.

Davis and DiCarmine planned to cut future expenses even more dramatically—by a hundred million in 2009 alone—and

assumed that, as the economy recovered, revenues would rebound. In essence, the firm paid its 2008 compensation by borrowing against 2009 revenues. For accounting reasons, the firm referred to deferred compensation as "bonuses." But in 2009 revenues fell by nearly a hundred and fifty million, to $809 million. DiCarmine fired more than seventy partners. Davis exhorted partners to drum up more business and to collect on outstanding bills, and was frustrated that the former Dewey corporate practice, in particular, seemed to resist. He felt that Dewey had been run like a country club, and that Dewey partners considered rustling up work beneath them.

As Davis put it at that year's annual partners' meeting, "We cannot ask those of you who work hard every day either getting clients or servicing our business to continue to carry those seriously and continuously underperforming partners." At the same time, he said, presciently, "As far as I am concerned, if it is only money that holds a firm and its partners together, then there is really no glue at all."

Pierce, who, of course, had his own compensation arrangement, shared that view. He had vocally opposed paying the target compensation when the firm fell short of its revenue goals. He advised Davis, "Tell people, 'Sorry, this is what you earned. Live with it. It's a good living.' " No firm could be run as a hostage to the whims of a few partners.

As billable hours and revenues continued to drop during the summer of 2010, Davis learned through a headhunter that Pierce was negotiating an eight-million-dollar contract with another large firm with an old-line name, Cadwalader, Wickersham & Taft. Davis was incensed. Pierce was only two years into the five-year contract that he'd signed, and which Davis had agreed to only as a way to lock him into staying. Davis had DiCarmine examine Pierce's e-mails, and learned that he was in discussions with at least two other firms as well.

Davis confronted Pierce, who said, "I'm just talking to people." Since the start of the financial crisis, Pierce's revenues had fallen to about half of what they had been at their peak, in 2008.

DiCarmine advised Davis to let Pierce go, but other advisers said unanimously that the firm couldn't afford to lose Pierce while its finances were still so fragile. Davis felt that he couldn't negotiate personally with Pierce, whom he no longer trusted, so he dispatched DiCarmine to hammer out a new agreement.

To keep Pierce, DiCarmine would have to promise eight million dollars. Pierce also demanded that, if Davis ceased to be chairman after the next election—for example, in the event of another merger—full payment of Pierce's contract would occur immediately. Davis interpreted this as evidence that Pierce feared a new chairman might try to renegotiate such a generous deal. It was the one provision that Davis rejected. Davis says he was especially taken aback by a provision stipulating that Pierce would receive his full contract payment should Davis die. Davis had to take out a life-insurance policy worth sixty-four million dollars, with the firm as the beneficiary, which cost a hundred thousand dollars in annual premiums, just to make sure that his death wouldn't ruin the firm. (The firm paid the premiums.)

In the end, Pierce got almost everything he wanted. Davis promised that he would bring compensation into line with the firm's profits.

Inevitably, word spread among the other partners that Pierce had renegotiated his guarantee on astonishingly favorable terms, even as the partnership continued to struggle. For Dye, it only confirmed his view of Pierce as interested primarily in himself. Now other partners,

and, in some instances, entire practice groups, came to Davis with new demands. In many cases, he granted them.

THE RECKONING

By the fall of 2010, revenues were down an additional fifty million. That year, the compensation committee announced that there would be no deferred payments for 2010, though again some exceptions were made for partners with contracts, first-year partners, and senior partners aged sixty-two and older. Outstanding 2009 "bonuses" would be paid in full. Davis stressed that this would only be temporary. Still, the firm was promising to pay out far more than it earned.

The firm told *American Lawyer* that its 2010 revenue was $910 million, and that profits per partner were $1.77 million. But Davis and members of the executive committee knew these were not the numbers that the firm gave its bank lenders, or that appeared on its audited financial results. The submission was justified as a marketing effort. Davis and DiCarmine had the impression that many other firms were doing the same thing. At one conference where the *American Lawyer* results were discussed, a banker estimated that more than half of the top fifty firms similarly inflated their results.

In March, 2011, the economy was beginning to recover, and Dewey & LeBoeuf's finances seemed to improve. Billable hours rose fifteen per cent, and continued to grow during the ensuing months. Even though the firm was getting welcome new business, collecting what it was owed was a challenge. Clients delayed paying their bills as long as possible. The cash-flow shortfall was so severe that management created an "overhang" committee to deal with deferred compensation from previous years. By the end of the year, the firm was able to pay only twenty per cent of the target compensation for partners without contracts. Many partners with contracts got fifty per cent of their target compensation in 2011, with the balance to be paid in 2012. Pierce got even less than that, but his agreement stipulated that his full payment would be due by the end of January, 2012.

Dye, Schwolsky, Groll, and their entourage of insurance lawyers were largely oblivious of these disturbing develop-

WORK FOR HIRE

PURE BLEACH

BY ED RUSCHA

In 1951, when I was fourteen, I landed a job in an Oklahoma City laundromat. The pay was respectable—fifty cents an hour, up from forty-five. In a swampy, bunkerlike back room with a large concrete center drain, I had to mix bleach and water together in brown glass bottles for the customers to use. It was sweaty and dank, but I got to listen to a faraway radio, faint but distinct, playing music by the likes of Lefty Frizzell, Hank Williams, and Faron Young.

One day, I saw a news item about the murder of a nurse in Ann Arbor, Michigan. A photograph of one of the teen-age killers showed him in handcuffs, being escorted by police. He was wearing what looked to me like white Levi's. White Levi's! What style! I was overcome by an immediate urge to get a pair for myself, but after looking around I was told that no such product existed—at least, not in Oklahoma.

Then it came to me: I would make my own. I brought a pair of bluejeans from home, doused them in undiluted Clorox bleach, and placed them in a washing machine. I let them sit for half an hour, the mystery and suspense building. When I finally opened the door, I found, to my astonishment, a pair of pure-white, radiantly glowing Levi's. A triumph.

Or so I thought. Reaching in to grab them, I felt my hand sweep through a puffy lump of dead white fibres, softer than cotton candy. The rivets and the buttons were the only parts that had survived.

At the time, I was banking on white Levi's coming into fashion. I had to wait twenty years to buy a pair off the rack. ♦

ments. Thanks to the financial crisis and the work it generated for insurance lawyers, they had thrived during the recession. They were on pace to bill sixty million dollars in 2011. Their leverage had never been better, and, for the most part, they'd been able to spare their group the cuts in pay and the layoffs that had afflicted much of the rest of the firm. They called their offices on the thirty-first floor "the fortress."

In October, Dye heard about a standoff between Davis and junior partners who were demanding to know when they'd be paid their profit payouts. Some had taken out loans to pay tuitions and mortgages. At the meeting, Davis disclosed that there were about a hundred partners with some kind of special agreement. When Dye and his colleagues heard about it, they were shocked at the large number. Among other concerns, they no longer felt that their own guarantees were so special.

Weighing on Davis that fall was a hundred-million-dollar line of credit that was due to expire in April, 2012. In November, Citigroup, the firm's primary lender, said that it would not renew the credit line—a decision probably influenced by Dewey & LeBoeuf's many layoffs and by the plight of law firms generally. Since revenues tend to come in waves, often at the end of the year, no large firm can continue without a line of credit to smooth out payments to partners and employees. Still, Davis figured that he could find other lenders.

On December 1st, Dye, Schwolsky, and Groll got an e-mail from Sanders, the chief financial officer, asking if they would agree to defer the payments due them that month to the first business day in January, 2012. "I'm in the process of negotiating a very favorable financing package for the firm and it would be a huge plus to end the year with as large a cash balance as possible," he wrote. "It will improve the terms of the financing." They agreed to the postponement, but renewed a request to have their contracts extended. Davis resisted. "Let's put this off into the new year," he said.

Dewey & LeBoeuf was clearly running out of cash. Dye, Schwolsky, and Groll got their deferred payments (of \$1.4 million each) as scheduled, in the first week of January, but a fourth partner in their group got nothing, as did junior partners waiting for profit payouts. Schwolsky demanded an explanation; Davis assured him that the payments would be made by January 15th. That date came and went, too.

On January 25th, Davis met with Dye and his allies, and outlined the severity of the firm's cash crisis. "We'd like each of you to give up four hundred thousand dollars a year," he said. The Dye people weren't necessarily against the idea, but saving a little over a million dollars from them wouldn't make much difference. What long-term plan had Davis, DiCarmine, and the executive committee worked out to restore the firm to solvency? There didn't seem to be one.

Other partners rejected any cuts. Pierce, however, said that the failure to make more cuts would violate his contract. At a meeting with DiCarmine, he threatened to declare the firm in default and demand the sixty million dollars due him under the life of his contract.

This was especially galling to DiCarmine, because of the firm's frustrations with Pierce's brother, Robert Pinkas (Pierce had changed his name), an investment adviser in Shaker Heights, Ohio, whom Ferrara represented in a Securities and Exchange Commission action. Pierce had asked Ferrara to take on the case. Pinkas amassed significant legal bills, more than nine million dollars of which he failed to pay. Pierce declined to step in, which infuriated just about everyone at the firm who knew the circumstances. (The case was settled in 2010, on what were deemed relatively favorable terms for Pinkas: a fine of nearly a million dollars. He was sued again, in 2012, for misappropriating client funds—to pay the fine—and died soon afterward, before the case was resolved.)

At the same time, Pierce's large January payment was due, and the firm couldn't afford to pay it. To draw further on its already depleted line of credit would likely doom the ongoing negotiations with the banks.

On January 31st, Davis sent Pierce an e-mail suggesting that they and DiCarmine meet that Friday. Pierce responded:

> Fine. I'm due \$5.5 million. Will I be getting that amount today?

Davis wrote back:

> We're being very conservative on managing our cash and probably can't get it out today. We're looking at the situation on a daily basis and will keep you updated.

Pierce went to Davis's office, where DiCarmine joined them. "We're thinking of ways to work this out," Davis told him.

"What ways?" Pierce asked.

"We haven't come up with anything," Davis said.

Pierce went back to his office and wrote, "This e-mail constitutes notice of failure to pay base compensation," pursuant to his agreement. "I hereby also resign as vice chairman of the firm." The next day, he sent another e-mail:

> In July 2010 you expressed to me your great disappointment at discovering that I was talking to other firms, specifically, as I recall, you told me that I was the person you thought least likely to think about leaving the firm. If you think about your feelings at that time, maybe you can begin to understand how disappointed and angry I am right now. I recommitted to the firm back then and turned down significant offers based upon my trust in you. You knew today was coming since we signed the agreement in October 2010. It is virtually beyond comprehension to me that without discussion you can today inform me in an e-mail that the firm cannot pay me when it has paid more to others during the last year.

Pierce hired outside counsel, and Davis got a letter from them formally declaring the firm in default and demanding payment of the full amount due over the term of the contract. Under Pierce's agreement, the firm had thirty days to hand over the sixty-million-dollar check.

Rumors were swirling that Pierce and his allies were orchestrating a coup to replace Davis as the firm's chairman. The leading candidate to replace him was Jeffrey Kessler, a former Dewey Ballantine partner who was the head of the litigation department of the combined firm, a member of the compensation committee, and co-chair of the firm's sports-litigation practice. Kessler was frequently in the news, as he represented the National Football League Players Association and the National Basketball Players Association, and had handled the landmark antitrust case that established free agency in the N.F.L., but his most lucrative work was complex antitrust matters for clients like Panasonic.

Dewey & LeBoeuf's partners' meeting was scheduled for the end of January. On the day of the meeting, Davis was still nominally in charge, but Kessler took a

seat at a table facing the other partners. Davis used a pie chart to show the extent of the firm's precarious finances, which came as a shock to the lawyers. "Many of you have expressed concern about the number of partners who have the benefit of specific compensation arrangements—you may hear them called 'deal partners,'" Davis said. "The executive committee has decided that, going forward, we will significantly reduce the number of partners with expectations of these arrangements"—to no more than ten per cent by 2014. It was clear that even lawyers with contracts would have to accept cuts and delayed payments.

"I have the sense that we have lost focus on our culture and what it means to be a Dewey & LeBoeuf partner," Davis concluded. "We all now need to reconnect with what is best about Dewey & LeBoeuf and our culture—collegiality, collaboration, and commitment."

As Davis was sitting down, Kessler grabbed the microphone. "I want to add a few words," he said, and launched into an impassioned speech about the future of the firm—a future in which guarantees were unnecessary, partners coöperated, and profits rebounded. According to some partners, he proclaimed, his voice rising, "We'll tear up the contracts!"

However unrealistic the notion of suddenly abrogating the contracts, the monologue left the impression that Kessler, and not Davis, was leading the firm. Afterward, Pierce began negotiating his contract and payments with Kessler and other partners. Davis recalls Kessler telling him that the only thing that would satisfy Pierce was his ouster as chairman.

On February 9th, Davis met with Dye and his allies and told them that he was convening a meeting of "senior leaders" to address the compensation issues.

"Steve, I'm not a senior leader," Dye said. "I was kicked out, in case you don't remember. So don't tar me with your brush."

Nonetheless, a group of eighteen or so highly compensated partners, including Pierce, Dye, and Ferrara, gathered on February 13th to work out a way to save the firm. The meeting wasn't fruitful. Pierce and Davis got into a heated argument. Ferrara asked Dye to join a small group that would devise a plan. Dye declined. He and Schwolsky held the view that partners' income should be capped at two million dollars for the next several years as the firm moved toward a lockstep compensation plan. Davis, DiCarmine, and Sanders would have to be fired. Later, when Davis asked Dye if he wanted to be chairman, Dye replied, "Absolutely not."

A few weeks later, DiCarmine saw Kessler and Schwolsky come out of a meeting at which management changes were discussed. They hugged, which seemed to suggest that the Dye group would remain loyal to the firm.

"They'll leave by Friday," DiCarmine predicted to Davis. "That was a knife in the back." He'd seen similar scenes in his cousin's family.

On Friday, March 16th, at 4 P.M., Dye, Schwolsky, Groll, and one other partner met with Davis and resigned. Davis looked haggard. He said nothing. "This isn't personal," Schwolsky said. "You're not the only person to blame. A lot of people should have known better."

"You're a good man, but you surrounded yourself with bad people," Dye added. He meant DiCarmine and Sanders. Dye walked over to the offices of Willkie Farr & Gallagher, a firm that had been courting him, and into a cocktail party to welcome new partners. Twelve partners eventually joined him, representing the core of the firm's insurance practice. The next morning, Dye left for the British Virgin Islands and a week of sailing. Nearly all his existing clients followed him to his new firm.

On March 22nd, Kessler came to see Davis. "People feel we need a change in leadership," Kessler told him. Davis argued that the timing was bad. "Let's close the line of credit," he said. Then the executive committee could look at the issue of firm governance. "All options will be considered," he pledged, including his replacement.

Four days later, Kessler, Pierce, and about forty other partners met to decide Davis's fate. All but one partner voted that the firm needed new management.

That night, Dewey & LeBoeuf issued a press release announcing a new "office of the chairman" arrangement, consisting of Davis, Kessler, and three other partners. Davis would be relocating to London, far from headquarters in New York, and would likely have been ousted altogether had he not been leading the negotiations with the banks for a new credit line. The release also said that DiCarmine's responsibilities were being transferred to another lawyer. He was fired about a month later.

It took just six weeks for Dewey & LeBoeuf to disintegrate. With the loss of the core insurance practice, headhunters descended on the firm, seeking to hire its most productive partners. Every week brought new defections, accompanied by increasingly unconvincing claims from the firm's new leaders that they wouldn't file for bankruptcy.

The only option seemed yet another merger, though this time Dewey & LeBoeuf was negotiating from weakness. Davis, still a member of the office of the chairman, participated in talks with the fast-growing Greenberg Traurig, but his heart wasn't in it, especially since Greenberg was interested in only about half the firm's lawyers, and he wasn't among them. In any event, once news of the district attorney's investigation broke, the talks collapsed, and Davis got an e-mail that the office of the chairman had voted to remove him.

On May 3rd, Pierce announced that he was going to White & Case. In his resignation letter, according to the *Times*, he again told the firm that it owed him some sixty million dollars.

Kessler left a week later, taking nearly seventy lawyers with him, for Winston & Strawn. Ralph Ferrara, whose lavish guarantee had arguably set the precedent for the contracts that led to the firm's demise, joined Proskauer Rose on May 17th.

Dewey & LeBoeuf filed for bankruptcy protection on May 28th, saying that it planned to liquidate. The bankruptcy judge rejected arguments that partners who, like Pierce, had contract guarantees had enforceable claims against the firm. On the contrary, the judge ruled, they, too, would be at risk for the firm's debts. A total of $71.5 million was pledged to the firm's creditors by the former partners, including Pierce ($1 million), Dye

($1.7 million), Schwolsky ($1.7 million), Groll ($1.7 million), Kessler ($1.8 million), and Ferrara ($3.4 million). Davis and DiCarmine weren't allowed to participate in the settlement, but the judge later settled the firm's remaining claims against them, with Davis owing just over five hundred thousand dollars out of his future earnings, if he sees them.

In the legal profession generally, as Davis predicted, small and midsized firms have been squeezed, and large firms have had to grow, through mergers and by poaching partners. Some of these mega firms are no longer partnerships at all, in the strict sense, or even law firms, but are what are known as "vereins," a constellation of separate legal entities doing business under a single brand name. Of *American Lawyer's* top ten global firms by revenue last year, the top two were vereins.

The durability of the verein model remains to be seen. None of the top ten firms based on profits per partner are vereins, and none have grown through a merger. More than half of them, including Cravath, are lockstep or near-lockstep compensation firms, and they continue to attract the top law graduates once coveted by Davis and DiCarmine, to groom most of their partners from within, and to focus on demanding, high-margin assignments from wealthy corporate clients. Despite the upheavals of the financial crisis and changes in the profession, their rankings have remained remarkably stable for decades. What these firms seem to have—and what Dewey & LeBoeuf so manifestly lacked—is a culture that fosters coöperation and mutual respect.

"Must I sacrifice family for career?"

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EPILOGUE

Since leaving the office, more than a year ago, Davis has spent much of his time with lawyers, both on the bankruptcy settlement and on the criminal investigation, which was brought before a grand jury that convened on September 17th for a six-month term. Prosecutors told prospective jurors that they would be hearing evidence and testimony about whether partners and managers in the firm falsified audits and records in order to be able to pay millions of dollars in bonuses and income. No names were mentioned. (Davis and DiCarmine have heard nothing from the district attorney's office; a spokeswoman for the D.A. declined to comment on the investigation.)

Late last year, Davis had surgery for prostate cancer. He is living under what he describes as severe financial stress, since he is personally liable for $1.8 million that he borrowed to make his capital contribution to the firm, and which was wiped out by the firm's bankruptcy. He made comparatively little during Dewey & LeBoeuf's last years, and hasn't worked since its collapse. "The firm failed," he told me. "But it didn't fail for want of me trying. I worked like a dog. I did the best I could under the circumstances."

Stephen DiCarmine took the stand at his cousin's death-penalty hearing in May, 2011, the only family member to testify. "My cousin Vinny is loved by his family," he said. DiCarmine shared family photographs with the jury, including several of him and Basciano as young boys. "I don't want to imagine a world where he doesn't exist," he said. The jury sentenced Basciano to life in prison.

While DiCarmine was still at Dewey & LeBoeuf, he enrolled in a continuing-education course in architecture at Parsons. It may have been a longing for respectability, given his family background, rather than any deep-seated interest in law or administration, that led him to Dewey & LeBoeuf. Now he was possibly the subject of a criminal investigation. DiCarmine didn't want his life to be defined by his legal career. He didn't think it was too late to try something new. At Parsons one day, he noticed a flared skirt in a display case. It was beautifully made. The idea of working with his hands appealed to him, and he enrolled in a night fashion course, Construction I. Last fall, he enrolled at Parsons full time.

Even more than Davis, DiCarmine has been excoriated in the legal press. "It looks like Steve DiCarmine is being forced to take a break from his rigorous class schedule at Parsons to testify at a Dewey bankruptcy hearing next week," the *American Lawyer Daily* Web site wrote in February. "He'll be happy to hear orange is in this spring."

DiCarmine told me this summer that he feels a new sense of freedom to "get rid of the uniform and let the hair down." At the end of the semester, he showed me a portfolio of his fashion drawings, along with his report card. He had received nine A's and one B, and had made the Dean's List. ♦