



Paramount Player

Among the financial wizards involved in the Paramount takeover battle is a New Age breed of Wall Streeter: 41-year-old Steven Rattner, the former *New York Times* reporter who, as a partner at Lazard Frères, is fast becoming the premier investment banker of his generation. Bosom buddy of Arthur Sulzberger Jr. and whispered successor to the legendary Felix Rohatyn, Rattner regularly commands multimillion-dollar fees and bonuses, but, he tells EDWARD KLEIN, he isn't in it for the money

Steven Rattner in his office at Lazard Frères. "The first impression people have of me sometimes is to look and say, 'Who is this kid?'"

My wife and I were in London," recalled Felix Rohatyn, the legendary investment banker. "and we planned to come back Saturday on the late Concorde. But I had an uneasy feeling that something was going to happen. I talked to Martin Davis, who was in his office at Paramount, and things seemed reasonably quiet there in New York. On Friday night, we saw *The Time of Your Life*, a dreadful play, and afterwards Marty called again, and he said, 'I think you ought to come back.' I was back by 9:30 Saturday morning."

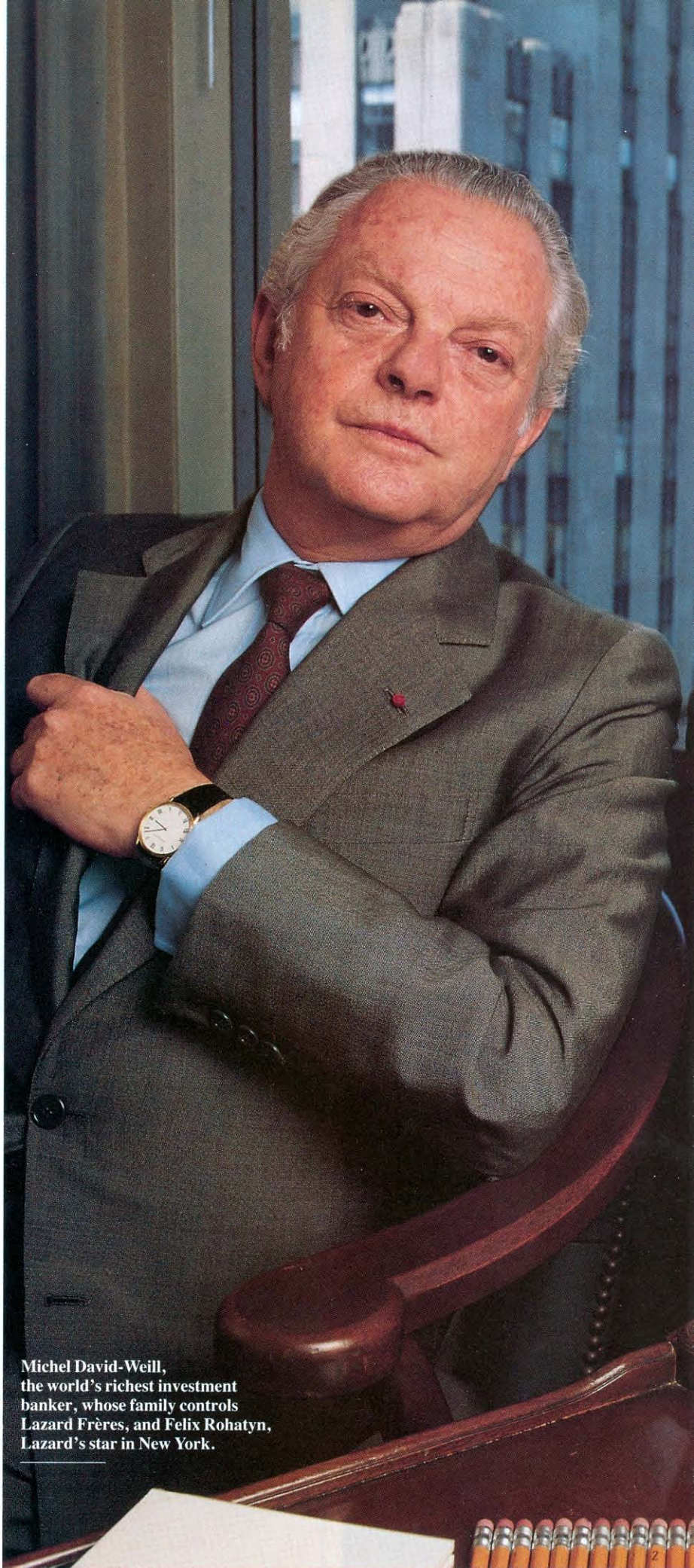
"I was in Colorado, fly-fishing on the Dolores, one of the most beautiful fishing rivers in the world," said Richard Beattie, the chairman of the executive committee of Simpson Thacher & Bartlett and a lawyer who had gained fame in the 80s for representing Henry Kravis in his \$25 billion acquisition of RJR Nabisco. "All the leaves were turning bright gold, and I caught some rainbow trout. On Friday night, at about six o'clock, I picked up my daughter Lisa at the Durango airport, and I put in a call to Paramount's

general counsel, Donald Oresman. He said, 'Discussions have started with Viacom. You've got to come back.' I had dinner with my daughter and caught an early plane out of Denver the next morning."

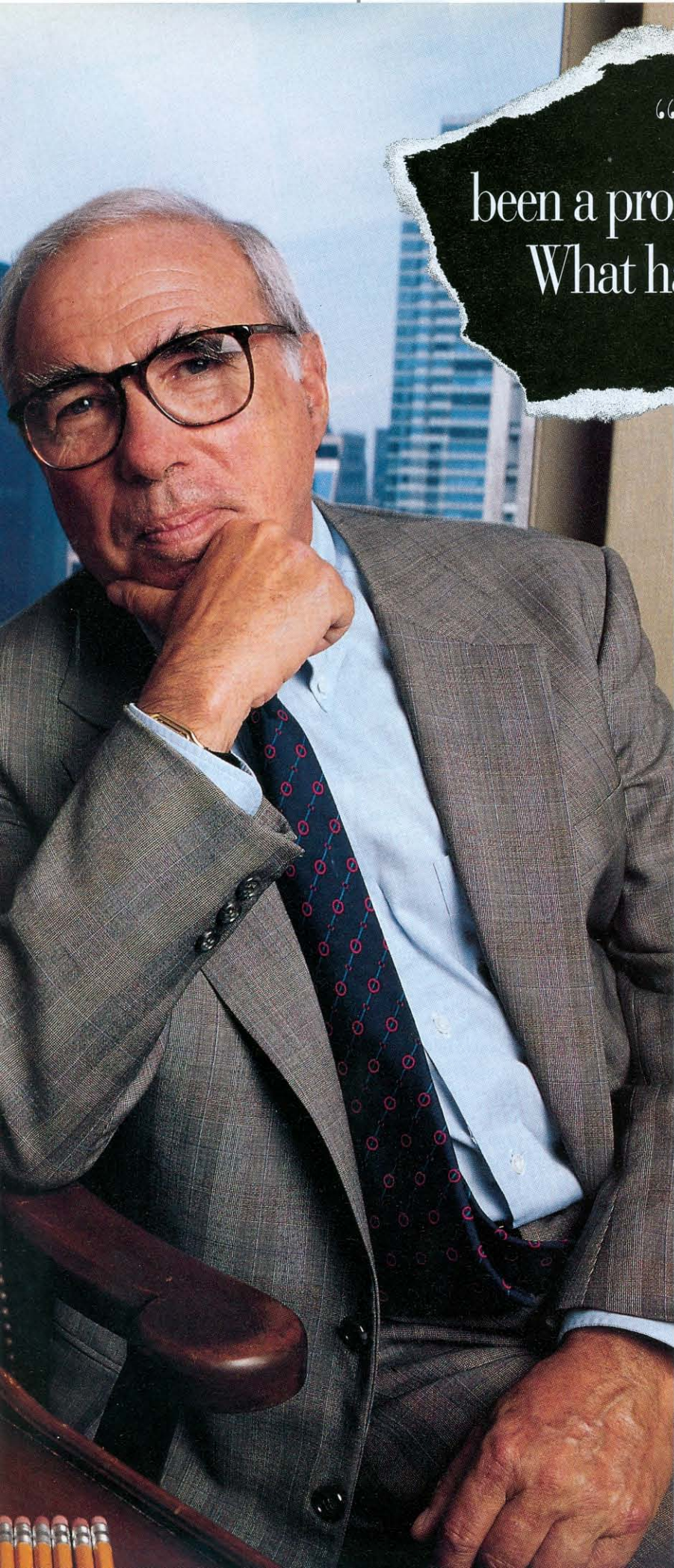
On Saturday, Steven Rattner, Rohatyn's partner at the prestigious firm of Lazard Frères & Co., had a date to play tennis with his father at Tennisport in Long Island City. "Steve and I have had our Oedipal conflicts," said George Rattner, a retired businessman, who has had his plays produced Off Off Broadway. "Steve was never an athlete as a young man. So he took up horseback riding, because he knew I detested horses. He didn't tackle me directly. But a few years ago he decided to take up the game of tennis and master it. And now he's beating me. But on Saturday he canceled our game. Oedipus took a backseat to Paramount."

Early that Saturday afternoon, October 23, Steven Rattner arrived at the Paramount building, on Columbus Circle in New York, and took the elevator to the 42nd-floor executive suite. He made his way down a broad corridor paneled in a blond wood the color of his hair, and entered the private conference room tucked behind the office of Martin Davis, the man who had reigned supreme for the past decade over a company once called Gulf & Western and now known as Paramount Communications, Inc. The giant entertainment-and-publishing company was at the center of one of the most brutal bidding contests since the struggle for RJR Nabisco, and Davis had summoned his advisers to his headquarters for a council of war.

The room was decorated with an off-white sofa and club chairs, a conference table, and a brass-trimmed trolley stocked with soft drinks and coffee. The afternoon sun came through tall windows that framed a panoramic view of the Hudson River and the Palisades. The neatly groomed Davis was seated at the table, in shirtsleeves, deep in conversation with his trusted adviser, Felix Rohatyn, who cultivated long, shaggy eyebrows and the rumpled



Michel David-Weill, the world's richest investment banker, whose family controls Lazard Frères, and Felix Rohatyn, Lazard's star in New York.



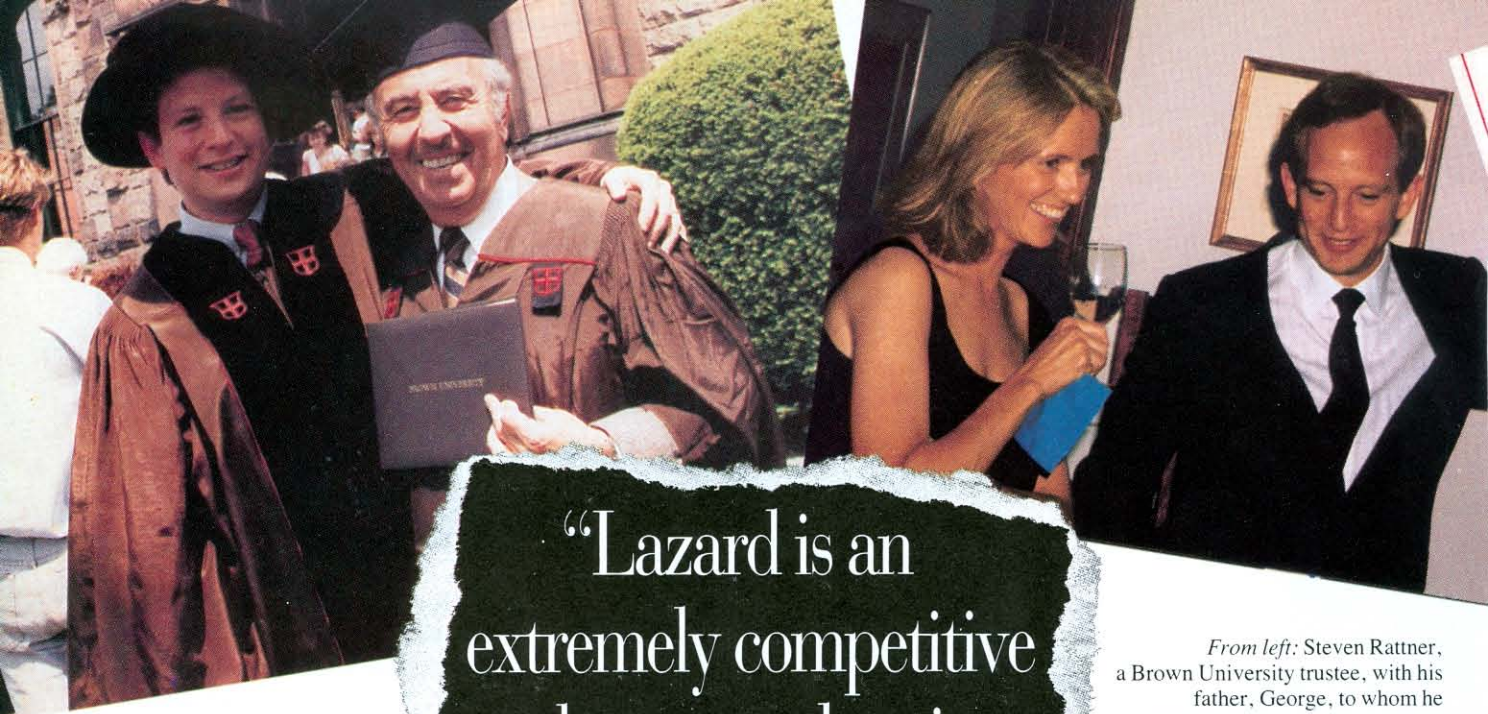
“Felix has always been a problem for Michel. What happens if he gets hit by a bus?”

look. Rohatyn greeted Rattner, who could easily have passed for his son. Rattner had recently celebrated his 41st birthday, but he looked at least 10 years younger, and the impression of youth was heightened by his casual manner of dress—khaki pants, a gray sweater-vest worn over a button-down shirt, and rubber-soled shoes.

“Part of investment banking is central casting,” Rattner told me. “I can’t act like a 55-year-old, and I shouldn’t. The first impression people have of me sometimes is to look and say, ‘Who is this kid?’ ”

In fact, the “kid” is the most talked-about investment banker of his generation. There are other young hotshots on Wall Street, but Steve Rattner has made himself the most visible banker in the glamorous field of media and telecommunications, which is driving the recent boom in mergers and acquisitions. What’s more, he achieved this distinction by making the unheard-of leap to investment banking from the world of journalism—without the safety net of a business-school degree. His close friendship with Arthur Sulzberger Jr., the publisher of *The New York Times*, is part of his aura, and it also doesn’t hurt that he is viewed as Felix Rohatyn’s protégé—perhaps even his successor.

Today, when C.E.O.’s want to do major media deals, they no longer automatically pick up the phone and ask for the Gleachers, Hills, and Wassersteins—all stars in the 1980s and all still active to one degree or another in the 90s. Often, the person they first think of calling is Steve Rattner. Some of the most powerful men in American business sing his praises. “Steve’s a real dandy,” says Jack Kent Cooke.



“Lazard is an extremely competitive place, a snake pit. Believe me, Steve’s no child.”

From left: Steven Rattner, a Brown University trustee, with his father, George, to whom he presented a master’s in English from Brown in 1988; Maureen and Steve at his 40th-birthday party, 1992; Rattner’s 1977 press card; Rattner, Arthur Sulzberger Jr., and Dan Cohen on a hike along the Appalachian Trail, 1987.

John Kluge adds, “He’s very focused, and a pleasure to do business with. He thinks things over before he goes off on a tangent. I can’t emphasize enough how courteous he is. Steve’s a very polished young man.” And Michael Ovitz says, “Steve has a good analytical mind, and he has a real sense of how to put people together.”

In the past several years, Rattner has been at the center of many of the largest media deals in history, and he has earned some staggering fees for himself and his partners—\$10 million for selling Henry Kravis’s Storer Communications cable unit to Comcast and Tele-Communications, \$14 million for the McCaw Cellular takeover of LIN Broadcasting, and \$20 million for arranging the sale of McCaw to AT&T, a fee that matched the record at the 145-year-old Lazard Frères firm.

Rattner was making \$60,000 a year in 1982 when he left his job as a foreign correspondent for *The New York Times*. Little more than 10 years later he is piloting his own airplane and giving away money through his private foundation, which, according to public records, has assets of almost \$2 million. After Rohatyn, he is the highest-compensated partner in the investment-banking division at Lazard Frères. And although there are others on Wall Street in trading and sales who make more money, he isn’t exactly underpaid. When Rattner peeks

into his Christmas stocking this year, he is likely to find a Lazard Frères check which, in the words of one Wall Street expert, will be “in the high single digits”—about \$8 million.

Lazard Frères is one of the few remaining private investment-banking partnerships on Wall Street. With about 750 people, it is tiny by comparison with such giants as Merrill Lynch or even Morgan Stanley, but its per-employee annual profit dwarfs that of any other firm. Its partners cloak themselves in myth and mystery, leaving the impression that Lazard is the last of the genteel, Edith Wharton-style institutions. Lazard was once run by André Meyer, the autocratic French banker, who acted as adviser to everyone from William Paley to Katharine Graham to Jacqueline Onassis. But for the past 15 years the firm has been identified in the public imagination with the name and personality of Felix Rohatyn.

Through his public speeches, articles in *The New York Review of Books*, and occasional interviews, in which he inveighs against such things as leveraged buyouts and lavish charity balls,

Rohatyn has created the image of a serious man of great rectitude who transcends mere investment banking. Most prominently, for 18

years he ran the Municipal Assistance Corporation, a platform he used with unsurpassed political skill to keep New York City solvent and Lazard Frères in the public eye. But Rohatyn, who recently turned 65 and is the most famous Democrat on Wall Street, must have been disappointed a year ago when he failed to cap his long and distinguished career by being named secretary of the Treasury in the Clinton administration.

His days of doing big deals, however, are hardly over. In a field populated by far younger men, Felix, as he is universally known, is still going strong, generating an immense amount of investment-banking business, and earning for himself, in a good year, an estimated \$10 to \$15 million. “I like doing this stuff as long as it doesn’t totally unbalance my life,” he told me during a talk in one of Lazard’s parsimoniously furnished conference rooms. “Let me put it this way: I actually like giving advice at difficult times to people I have a relationship with.”

Still, there is talk that Lazard has a Felix problem. The firm, it is said, must plan for its survival in a post-Felix time, no matter how far in the future, and it is

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headed toward a wrenching transition from a system based on a single star to a more collegial setup. The person most often mentioned as the leading candidate to succeed Rohatyn, at least in terms of his earning capacity, is Steven Rattner. *The Wall Street Journal* recently explored this succession issue in a story on Rattner, quoting one of his partners as saying that Rattner's rise had stirred "jealousy and resentment."

"Lazard," a veteran investment banker told me, "is an extremely competitive place, a snake pit. You've got to be one tough mother to survive there. Believe me, Steve's no child."

I accompanied Rattner in his two-engine, propeller-driven Cessna 421 on a trip he made this fall to his alma mater, Brown University. He serves on the board of trustees and has pledged half a million dollars to the school's capital campaign. Rattner sat behind the controls, wearing Ray-Ban sunglasses, and we taxied down the runway and lifted off for the 40-minute flight up the Connecticut coastline to Providence, Rhode Island.

"What started me flying," he said, "is that I go to Martha's Vineyard every summer, where we have a home, and there are a number of people who fly themselves up there. My life is so unpredictable, and I'm at the mercy of clients. I can fly when I want to, and I'm not dependent on commercial airlines."

I asked him if he had read any of the

essays and novels of the aviator Antoine de Saint-Exupéry, who was a kind of prose poet of the skies. "I haven't read him since I was a kid and read *The Little Prince*," he replied. "I enjoy flying, but I'm not passionate about it. I gave Sharon Hoge [the wife of James Hoge, editor of *Foreign Affairs*] a ride to the Vineyard last summer, and she gave me a white scarf. But I couldn't get into wearing it."

Rattner, according to one of his best friends, is the Michael J. Fox of investment banking. He doesn't speak any foreign languages. He is not at home—as Rohatyn is—in Europe. He has no panache or flair. Nothing sticks out about him. He was described to me by more than one businessman as someone who Zelig's his way through life by blending in.

Some find this quality a serious shortcoming in one who is being discussed as Rohatyn's heir apparent. "Steve has a cool side to him," said another business colleague. "That is dangerous to success, because there's a part of him that appears to be insincere to people. He's got to lighten up a bit and get into people as people and less as objects. He seems totally without passion. And you can't be in a people business without having a human side."

Rattner's wife, Maureen White, naturally sees her husband in a very different light, and she described him to me as a man who is not quick to reveal his feelings. "I had twins a few years ago, who were delivered seven weeks premature," she told me. "Steve saw

them in the intensive-care unit of New York Hospital before I did. They were black-and-blue; they were in incubators, and couldn't eat or breathe without assistance. The lungs of one—David—didn't function, and he had wires coming out of his head. When Steven came into my room, he was completely white. I knew from the way he looked that there was something terribly wrong. Steven said to me, 'I think you should wait before you go down there and see the children.' That was the closest I ever saw him to being devastated by anything." The twin boys survived, and are now flourishing.

"Felix and Steve are very different people," said Craig McCaw, the chairman and C.E.O. of McCaw Cellular Communications, who is about Rattner's age. "Steve is not as unconventional as Felix in his approach. Felix has a very strong discipline in how he operates. There is a firmness to Felix, with his Austrian heritage, that is somewhat unique among investment bankers. . . . Steve is a very good P.R. guy. He brings more than the financial thing to the table. During our negotiations with LIN Broadcasting, the first story that appeared was in *The New York Times*, and Steve sat through 60 percent of our interviews."

Curiously enough, for someone who lives by the scorecard of deals and fees, Rattner embraces the upright, self-depriving attitudes of the Bill and Hillary Clinton era. And so does his wife. A suc- (Continued on page 138)

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(Continued from page 85) cessful foreign-equities analyst when they got married, Maureen quit work to stay home and supervise the rearing of their four children—a daughter, the twins, and a baby boy. She recently developed an interest in spirituality, which has led her and two friends—Andrew Stein's soon-to-be-ex-wife, businesswoman Lynn Forester, and CBS anchorwoman Paula Zahn—to seek a private tutor for Bible study.

“When my children get older, I'll look for something else to do,” Maureen told me during a conversation in their apartment in the Dakota, which is noticeably underdecorated, with a few pieces of Stickley furniture and walls of modern prints by Edward Ruscha, Roy Lichtenstein, and Robert Motherwell. “I don't have any interest in going back to Wall Street, because we don't need to add to our income level. I'd rather do something more socially useful with my life. We already live well below our means, and I don't want any more money.”

“At times,” Rattner himself remarked later, “it crosses my mind: What am I doing this for? But I think, I wouldn't quit and do nothing, because it would set

a terrible example for my children. I don't care whether they make money or not, but I don't want my children to do nothing. I will leave money for them, but I have no interest in telling them there is any money. If they were to ask me, I'd say, ‘You've got to do it on your own.’ When they get it, it will be a pleasant surprise.

“The point my wife and I would like to make,” he continued, “is that, having assured our family's financial security, money isn't really the issue. We live comfortably but have deliberately changed our lifestyle little since our children were born, largely to prevent their values from being adversely affected. When I take the boys to school, it is on the M72 bus, even though a car and driver is certainly within our means. Maureen buys their clothes from discount catalogues, not trendy Madison Avenue boutiques.

“We are also more comfortable ourselves, living as we do. We enjoy take-out Chinese food from Shun Lee West far more than Lutèce, which I have visited only once, at a client's invitation 10 years ago. We hate the necessity of needing staff under our present circumstances, and have never had live-in help, much less cooks, butlers, etc. We don't go to the Caribbean or, for that matter, the Hamptons. We drive two modest cars. I often take the subway to

and from work, in part because I don't see how one can have a view about the problems of the city without experiencing the city on at least some level as typical people do. In that vein, the airplane exists solely so that I can spend more time on Martha's Vineyard; the foundation exists to give money *away* [to Brown, the Educational Broadcasting Corporation, and the New York City Outward Bound Center, among others]. We want the ability for me to give up making money without feeling that such a decision would change our lifestyle.”

Some of his competitors on Wall Street believe that Rattner is shrewdly positioning himself for a time when Rohatyn disengages from Lazard Frères. After Felix is gone, they say, the firm's outlook may become extremely cloudy. Thus, the more visibility Rattner creates for himself, the greater will be his options for a career in public service. In the words of one of Rattner's best friends, “The only thing that terrifies Steve as much as being perceived as not a good investment banker is being perceived as nothing *but* an investment banker.”

Over the past four years, Rattner, Rohatyn, and Martin Davis had met secretly in Davis's private office on a number of occasions in an effort to figure out a strategic future for Paramount. The

name Barry Diller came up more than once. Years before, Davis had forced Diller out of his job as head of the Paramount movie studio, and the two men made little secret of their bitter feelings. Last spring, Davis lunched with Diller, the chairman of the QVC shopping network, in the Grill Room of the Four Seasons, though they did not discuss Paramount at that time. Later, in July, they met again, this time in Davis's office. "I know you're coming after me," Davis told Diller, citing John Malone, chief executive of the giant Tele-Communications, as his source. "When and if I do anything about Paramount," Diller replied, "I'll call you."

Ultimately, Davis turned to Sumner Redstone, a gritty multibillionaire who owned controlling interest in Viacom, a giant cable company. He referred to their agreement as a merger rather than as a sale, a legal nicety he hoped would prevent Diller from claiming that Davis had put the company into play, and that Paramount should therefore go to the highest bidder. On September 13, Davis touted the \$8 billion deal to shareholders as a strategic step into the new interactive multimedia age of communications. Eight days later, Diller made his move: he launched a \$9.5 billion hostile bid for Paramount. Redstone matched that bid, then went Diller \$500 million better. Diller came back yet again, this time going to \$10.6 billion. As the bids flew furiously, the two sides lined up backers among telephone and cable companies and newspaper and magazine chains; they shed old alliances and created new ones; and they hurled darts at each other. In the middle of it all, Paramount plunked down half a billion dollars to buy the Macmillan publishing company. The press, already primed by tales of record Wall Street profits and fresh stock-trading scandals, responded by giving the Paramount story front-page play.

Davis had called today's emergency meeting in order to consider the latest proposal from Redstone. And so Rattner and Rohatyn went to work, examining the Viacom tender offer clause by clause. "Felix and Steve and Steve's assistant on his media team, Peter Ezersky, were working with a couple of lawyers from Simpson Thacher," said someone who was present. "There were a number of differences of opinion on what basis we'd accept the Viacom offer. These things don't work by meetings. They work by telephone calls—two guys in this office calling that guy, two guys

working in another office talking about this or that issue. It's not as organized as you might think."

Donald Oresman, Paramount's professional in-house legal counsel, scurried back and forth between his office at the far end of the football-field-size executive suite and Davis's private office, carrying telephone messages between the Viacom and Paramount teams. Late in the afternoon, Simpson Thacher's Dick Beattie, an ex-Marine pilot who resembles the actor Ed Harris, arrived from Colorado and found Rattner in a tense huddle with Rohatyn. When he joined the conversation, Beattie discovered that Rattner had raised a serious objection which threatened to derail the entire deal.

The original agreement between Paramount and Viacom had called for a single-step friendly "merger" to occur after a number of months. But because of Diller's pending hostile tender offer, Viacom jump-started *its* offer and switched to a two-step approach that began with a cash tender offer for 51 percent of Paramount's stock. As a result, a "poison pill" came into play, which would have flooded the market with cheap stock in the event that Viacom, QVC, or any other company purchased stock without Paramount's consent.

Dick Beattie's team of lawyers had already rejected a Viacom proposal that the pill be removed for *its* side, but not for QVC. The lawyers then came up with a compromise suggestion: pull the pill for both sides. It was against this idea that Rattner had raised his objections.

"Steve," said one of the participants, "pointed out that if you pulled the pill for both sides, the one that started its offer first—in this case Viacom—would have an advantage, because all the arbitrageurs would sell into the Viacom offer. The arbs would be afraid that that's how the deal would happen. Steve figured out the practical effect, because he understood how the market worked."

Oresman, according to a witness, was of a mind to work out a deal. As one of Davis's most loyal lieutenants, he presumably wanted to see Redstone triumph over Diller, but he was walking a fine line between his obligation to serve the best interests of Paramount's shareholders and his desire to satisfy Davis and Davis's pro-Viacom board of directors. He challenged Rattner, who held his ground. "Steve is not a guy who is easily frightened," said someone who witnessed the spirited exchange.

"Don Oresman," said someone else, "tried to come up with different scenari-

os to get around the problem. He finally said, 'This doesn't work, and we'll have to tell them.' Don went to his office. When he returned to Marty's office, he looked shaken. He said, 'I just lost it.' He had yelled at one of the other side's key guys. He turned to Beattie and asked him if he'd make the next phone call. Let me tell you, it was a very tough negotiation on Saturday."

"André Meyer used to say that you can explain things to people, but you can't understand for them," Rohatyn told me. "Which means that if you're going to be an adviser to important people, you not only have to have the intellect to decide the right advice but also the authority to have that advice be listened to. The other person has to recognize you as a peer. Steve clearly has all that.

"Steve is riding a tiger," Rohatyn continued. "He is probably the leading investment banker in an exploding series of [technological] industries. At this point he's heavily engaged, and he says, quite rightly, 'Felix, let me reap this harvest, which takes up 150 percent of my time, and then we'll see if anything more is necessary for my career and happiness.'"

Like Rohatyn, many people see Rattner's current accomplishments as a mere prologue to his future. "There's almost nothing Steve couldn't do," said Arthur Sulzberger Jr. "You couldn't say that about me. If one day he decided to look for something else, he could look a long way before he ran into any walls."

We were sitting in Sulzberger's office on the 11th floor of the New York Times building. I noted in passing that some gray had appeared in his curly hair since the last time we met, which prompted the boyish-looking 42-year-old to reply, "The next thing you know, I'll look like I'm in my 30s." His office is modest compared with the 14th-floor establishment occupied by his father, Arthur "Punch" Sulzberger, who still retains the title of the company's chairman of the board. Young Arthur, as he is known at the paper, has surrounded himself with pictures of his great-grandfather Adolph Ochs and his grandfather Arthur Hays Sulzberger, a bust of John Wayne, and a movie poster of the Duke in *Sands of Iwo Jima*.

"Steve and I meet for workouts," he said. "I invited him to join my board of New York Outward Bound. This year we went scuba-diving in Little Cayman, one of our annual trips to do something tough and invigorating. What I like about Steve is his mind. It's always a challenge to keep up with him. And he can keep a

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secret, which is not insignificant. He seems quite modest. You won't find Steve racing around in a stretch limo trying to prove how important he is."

If he admired Rattner so much, I asked, why hadn't Lazard Frères been chosen by the Times Company as its investment banker in the recent billion-dollar acquisition of *The Boston Globe*?

"That was done by the other Sulzberger," he replied, pointing at the ceiling. "I wasn't involved."

He and Rattner, he said, like to bounce ideas off each other. "Steve knows the paper. We talk about the paper a lot. . . . He doesn't worry problems; he solves them. We discuss Steve's future, and we have discussed my future."

Many people assume that Rattner will return to the *Times* someday and function as a trusted personal adviser to Young Arthur, much the way Sydney Gruson once counseled Punch Sulzberger. Was the *Times* in Rattner's future? I asked.

"No," Sulzberger shot back. "He hasn't asked, and I don't know that he'd want to. In any case, look at my close friends. With the exception of Dan Cohen, my cousin, none of my close friends—[*Business Week* editor in chief] Steve Shepard and [his wife] Lynn Povich [editor in chief of *Working Woman*], [Time-magazine columnist] Michael Kramer and [his wife, federal judge] Kimba Wood, Steve Rattner and Maureen White—work at the *Times*. I've worked hard to build a group of friends whose careers I'm not responsible for."

Nonetheless, not everyone was convinced. "I wouldn't be surprised if Steve had put away millions in a couple of years, but money isn't as important as *The New York Times*," said Robert Price, formerly a general partner at Lazard Frères and now president of Price Communications Corporation. "Steve thinks the way I do. You can make plenty of money on 43rd Street [the location of the Times building] with stock options, and have far more power than at Lazard. In five years, would Steve Rattner prefer the New York Times Company or Lazard? Ten to one, he'd pick the *Times*."

In one way or another, Rattner had been associated with the *Times* ever since 1974, when he graduated from Brown University and applied for a job at the Martha's Vineyard *Gazette*, a newspaper owned by James Reston, then the Wash-

ington bureau chief and dean of columnists of *The New York Times*. Reston didn't think that Rattner was folksy enough for the Vineyard, but he went one better and gave him a prized clerkship in his Washington office.

A year later, Rattner was transferred to New York as a general-assignment reporter, and became friends with Paul Goldberger, who eventually won a Pulitzer Prize for his architecture criticism and became the *Times's* culture editor, Richard Meislin, currently the graphics editor of the paper, and Steven Weisman, now the deputy foreign editor. He had also become friends with a news clerk named Charles Kaiser. "He was one of the first straight people at the *Times* whom I told I was gay," recalled Kaiser, who is writing a history of gay life in New York since 1940 entitled *Men and Women*. "He didn't react. He was completely unfazed, and it didn't change anything between us."

"Steve and I were both involved with plenty of women, but somehow we still found lots of time to hang out with each other," Goldberger said. "We used to shop for art together, and we spent Saturdays wandering down Madison Avenue, going to art galleries. He started collecting contemporary prints, and at times he bought the same things I had on my walls. People said that I gave him a sensibility. Maybe. He gave me a lot of good companionship and a loyal friendship that has lasted 20 years."

In the spring of 1977, Rattner went back to the Washington bureau. "He was there when I got there," said Bill Kovach, who ran the bureau for seven years from the late 70s to the mid-80s. "He was very bright. His ideas were faster than his ability to talk. It was clear from my first look at the bureau that he was part of what had become a little clique of new young reporters that included Arthur junior, Jeff Gerth, Phil Taubman, and Judy Miller."

Rattner was romantically involved with Judith Miller for much of the time he was in Washington. The big story was the OPEC price hikes, and he was assigned to cover the energy beat. As a result, his friends outside the paper were Carter-administration economic specialists, people such as Peter Solomon and Roger Altman, both of whom would eventually return to Wall Street and come to play a significant role in Rattner's future career switch.

One of his contacts in the Carter administration, Jeffrey Garten, who ended up at Lehman Brothers for a while, recalled, "My wife and I had a town house in Washington that was suited for par-

ties. Steve would come every Sunday. He was a brash young guy, as cocky as could be. But I wasn't put off by his cockiness. He knew when to stop."

Rattner was tapped in early 1981 to be the number-three man in the London bureau, with responsibility for economic coverage. "I got three names from Arthur Sulzberger, who had been with the Associated Press in London before me," Rattner recalled. "One was a lord somebody or other. The second I can't remember. The third was Maureen White." They dated on and off for the next five years and then got married.

After he arrived in England, the war in the Falklands broke out, and R. W. Apple Jr., the bureau chief, enlisted him in the military coverage. Apple is a world-class gourmand, and Rattner, his protégé, developed a taste for good food and wine. "Steve and I talked about architecture," said Apple, who had studied architecture in college. "He did up a flat in London in a modern style very successfully. London is not a late town, and we were working late hours, because of the timing in Argentina, and we'd end up at 12 at night, and to unwind we'd go to Joe Allen's in Covent Garden to eat and drink double margaritas on the rocks, which Rattner christened 'Depth Charges.'"

"I once watched Apple write a cover story for the *Times Magazine* in four to five hours with a glass of vodka next to his computer," Rattner recalled. "Johnny was so talented. I was only the palest imitation. The story in London was more of a writing story than a reporting story. It was my belief that the great correspondents were great writers, and I always thought I was, at best, an ordinary writer.

"As I was making up my mind to leave the paper," he continued, "I called Bob Strauss [a Democratic powerhouse in Washington], Ken Lipper [then a managing director at Salomon Brothers], Peter Solomon [then a senior partner at Lehman Brothers], and Roger Altman [then a managing director at Lehman Brothers]. I went to New York for a week or two, and I talked to Ace Greenberg at Bear, Stearns, but he had not the slightest interest in me. I went back to London. Arthur Sulzberger was passing through. We went out and talked till the wee hours." Sulzberger said he was going to miss Rattner. Recalled Rattner, "We got unbelievably drunk."

The critical Saturday meeting in Martin Davis's office last October broke up at about seven o'clock in the evening. Rattner went home and bathed his chil-

dren. Then he and Maureen changed clothes, got into their Dodge Grand Caravan, and drove to the Westchester home of Andrew Heyward, a friend from Great Neck North High School, who is now an executive producer at CBS News.

Meanwhile, Dick Beattie and Don Oresman strolled over to Oresman's pied-à-terre on Central Park South, where they were joined by Redstone's general counsel, Philippe Dauman, and Viacom's lead attorney, Stephen Volk of Shearman & Sterling. Oresman is a bibliophile, and Beattie leafed through the rare books of poetry in his collection.

Then Beattie put away the books and began explaining Paramount's objection to the Viacom offer. Dauman and Volk defended their position. The conversation, which was described by a participant as civilized, went back and forth until Oresman came up with a compromise that seemed to satisfy everyone. Paramount would agree to pull its poison pill for Viacom in the future if there were no higher offer on the table. Beattie excused himself, went into the bedroom, and phoned Rattner's home. He got one of the Rattners' nannies, who said that she would call her boss.

The main course, a roast sirloin, was just being served in Westchester when Rattner was summoned to the phone in the Heyward kitchen. He immediately returned Beattie's call. Oresman listened in on an extension as the two men talked.

"Here's what Donald and I proposed to these guys," Beattie told Rattner, going over the details of the compromise. Then, as a courtesy, he asked, "What do you think?"

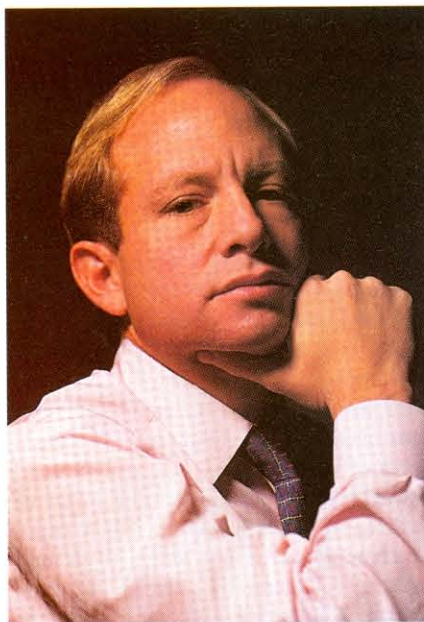
Rattner listened while the Heywards' two teenagers came through the swinging door, noticed that their father's guest was engaged in a serious conversation, and quickly left. As the door swung behind them, Rattner said softly into the phone, "Sounds good to me."

"In 1982, when I interviewed at Lehman Brothers," Rattner said, "they asked me, 'Why do you want to do this?' I said, 'I want change.' And they said, 'How do you feel about money?' And I said, 'It's nice, but it's not my first reason.' And they said, 'No, no. If you come into this business, you've got to care about money.'

"I showed up at Lehman Brothers without a clue what

to do," he went on. "They put me to work as an analyst, the lowest form of life. There wasn't any Lotus. We had hand calculators. We were literally working on big spreadsheets. So I spent the first few months on how to do merger accounting, rate-of-return analysis, pro formas, and discounted cash flow."

It was clear to his superiors that Rattner was no journalistic dilettante. "It was like a match to dry wood," said Jeffrey Garten, who is now an undersecretary of commerce. "I've never seen anything like it. He was effective from the very



Rattner, according to one of his best friends, is the Michael J. Fox of investment banking.

When Rattner
peeks into his
Christmas stocking
this year,
he is likely to find a
Lazard check
for about \$8 million.

first day. He had a gift of expression. He was a great briefer. He capitalized on the similar requirements of journalism and investment banking—to encapsulate a complicated subject and make it appear you know more than you do."

In 1984, Rattner moved from Lehman to Morgan Stanley to join his newest mentor, Eric Gleacher, who had ambitious plans to build a mergers-and-acquisitions practice in television, newspapers, and what turned out to be the hot new area, cable. Rattner, now 32 years old, was paid \$150,000 a year. "It was like going to Washington in '77, the equivalent of being thrown into a big story," he said. "Soon after I got to Morgan Stanley, I wrote a memo saying that one of our major objectives had to be to handle a significant sale of a major television station. That was the *sine qua non*." Within a year of his arrival, he had handled the sale of Henry Kravis's KTLA television station in Los Angeles for \$510 million—the highest price ever paid up to that time for a TV station. Later, he managed the \$3 billion sale of Kravis's Storer Communications cable unit.

Rattner was becoming an expert in high-yield junk bonds. At one point he considered the idea of joining Eric Gleacher, who was planning to go out on his own. "While I was at Morgan Stanley, the firm tripled in size and went public, and once again, as in the case of Lehman, I found myself wanting to be part of a smaller firm," said Rattner. "For three years after Morgan Stanley went public, I was locked in there by golden handcuffs. The stock options in my case were worth

hundreds of thousands of dollars. But the people who had been young partners before me came away, in some cases, with \$20 to \$30 million in Morgan Stanley stock."

When he finally left Morgan Stanley, Rattner chose to join Lazard Frères. The firm is the creature of a short, cherubic-looking French banker named Michel David-Weill (pronounced *Da-veed Vay*), whose family controls the New York, Paris, and London "houses" of Lazard. David-Weill is considered to be the world's richest investment banker. His collection of 18th-century French paintings and decorative arts, Impressionist and modern paintings as well as old masters, which hang in

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his mansion in Paris, his weekend home in Fontainebleau, his summer house in Cap d'Antibes, and his Fifth Avenue apartment in New York, is estimated by one expert to be worth hundreds of millions of dollars. It is said that in 1992 David-Weill personally took out a profit of \$25 million from the New York branch alone. Charming, opaque, and enormously complex, David-Weill has built Lazard into a major force in global mergers and acquisitions.

He agreed to see me in his shabby private office in Rockefeller Center, which still has the original paneling that was installed for Time-Life founder Henry Luce 55 years ago. "Today, the investment-banking profession is very unpopular," he said, puffing thoughtfully on a Cuban cigar. "It has to do with the 80s and the prevalence of hostile leverage deals. That made this group of people very unpopular. And if you add conspicuous luxury, it doesn't help you with your clients. They should always have a better office than you."

David-Weill told me that the world of banking is undergoing a sea change, which requires Lazard Frères to change with it. "Commercial banks are now weaker in financing corporations than in the past, and they have been in great part replaced by the raising of money through the public, which is an investment-banking job," he said. "It is the first time since before the Great Depression that investment banks have had such a great role in raising money worldwide. For a firm like ours, this requires careful thinking about how we can get to be good at raising money without changing our character too much. Geographically, the field of investment banking is becoming wider. We at Lazard are uniquely placed in that we have a true and established position not only in New York but in London and Paris. We've opened also in Germany, Italy, and Tokyo, and we have to look at the rest of the Far East."

David-Weill is known to have plans concerning succession at Lazard. He is the last of the male line of David-Weills; he has four daughters, none of whom wants to come into the business, and an investment-banker son-in-law, Edouard Stern, who has said he is not interested in the job. Lazard's two great stars, Rohatyn in New York and Antoine Bernheim in Paris, are at an age when most men

retire, though they are still generating huge fees. "Felix has always been a problem for Michel," said a friend of both men. "Felix has always been a very big producer for Michel, but if you're the guy who owns the business, you say to yourself, This guy Felix controls too much of the business, and what happens if he gets hit by a bus? So Michel has tried to get away from the star system and diversify the business by bringing in new blood and integrating his three firms to make a network."

David-Weill named for me his roster of top-level partners, of whom Rattner was only one. But his plans for Lazard are complicated by the fact that Rattner is by far the most productive person at Lazard after Rohatyn. He is also the co-head of the investment-banking division in New York, and he runs the weekly partners' meeting when David-Weill is not in town.

"Steve stands alone," said a Lazard partner. "If anybody is at the starting gate as the pre-eminent partner, he's the handicapper. But there doesn't have to be a next Felix. You can have a group of Felixes. Of course, it's easier to have somebody who is the personification of the firm, who brings the reputation, standing, and character. Steve could do that, but with some liabilities. One of them is maturity. Not that he's immature. But it's a sense of immaturity."

By Sunday morning, October 24, when the Paramount board assembled for a secret meeting in a 30th-floor conference room at the Simpson Thacher & Bartlett law offices, Viacom had accepted the poison-pill compromise worked out by Beattie and Rattner. It was an arrangement that gave Martin Davis the justification he needed to claim that, whatever his feelings about Barry Diller, he had created a level playing field for the bidding process to continue. Davis exuded confidence as he took his seat at the head of the table, directly in front of an Ellsworth Kelly print of an orange fan. When he finished his short briefing, he peered down the 25-foot-long boardroom table and said, "Now I'm going to turn the meeting over to Felix and Steve."

"Steve is one of the best investment bankers I've seen make presentations at board meetings," said someone who was sitting at the table. "Other investment bankers prepare books and work their way through them. Steve does it without the need for notes."

Rattner and Rohatyn were peppered with questions from board members, who were (*Continued on page 144*)

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(Continued from page 142) trying to ensure that they were being asked to do the right thing. "In those situations, I test myself," Rattner told me. "Felix is asked a question, and before he answers, I ask myself, What would I say? And, hopefully, it's the same thing."

"Steve," said Rohatyn, "doesn't hem and haw. He has a *suite dans les idées*—his thought processes are not chopped up. He can deal with numbers that aren't just gobbledygook."

In the middle of the proceedings, Don Oresman was called out of the room. When he returned, he announced that Viacom had agreed to increase the cash portion of the deal. The board voted unanimously to accept the Viacom offer. After the meeting, Rohatyn and Rattner shared a car on their ride home. Settling back in their seats to review the last couple of days, the partners felt they had done a hell of a job for Marty Davis and Paramount. What they didn't take sufficiently into account, however, was the depth of Davis's animus against Diller. Less than a month later, on November 15, Oresman assembled the Paramount board at Davis's behest and shepherded through a broadly anti-Diller vote that went unchecked by Davis's advisers from Lazard Frères and Simpson Thacher. This was a serious blunder, for it provoked a stinging rebuke by the Delaware Chancery Court, which ruled on November 24 that Paramount had unfairly imposed obstacles to QVC's takeover bid. As a result, by early December Davis's old nemesis, Barry Diller, was seen to have a better chance than ever of winning the coveted Paramount prize. Rohatyn and Rattner bristled under press criticism, but in private they pointed out that the ultimate effect would be a higher price for Paramount stock.

When Rattner turned 40, his wife threw a birthday party in their Dakota apartment. There were old friends from journalism and the Carter administration, as well as a contingent from the

Rattner family. Rattner's mother, however, was not in attendance. Ever since Rattner was a child, she had periodically resorted to the silent treatment, refusing to speak to her husband and three children. In recent years, she had cut herself off from part of her family, driving Steven to his father's side in this family feud. It is a subject that Rattner, understandably, does not care to talk about.

Some of the guests chatted among themselves about Rattner's future; almost all of them expected that he would leave investment banking one day and end up either as a gray eminence at the *Times* or a Cabinet officer in Washington, Treasury secretary being the most frequently mentioned post. The evening had the touchy-feely overtones of an Outward Bound get-together. Rattner went around the tables, asking each person to introduce himself and give a self-descriptive adjective beginning with the letter of his first name.

"I'm Steve and I'm sexy," Steve Weisman said.

"I'm Judy and I'm Jewish," said Judith Miller, bringing down the house.

Rattner's voice choked up as he toasted his father. "While I always loved and respected my father," he said, "it took me about 35 years too long to appreciate him fully. But as I watch my own children develop, I realize more clearly how much love and how much devotion he gave me. And while financial security was the least of his gifts to us, it should be known that for 40 years he trudged each day to Long Island City so that we would have that great luxury of never having to worry about how we would be fed or clothed or educated."

The hit of the evening was a parody in many verses by Paul Goldberger to the tune of Cole Porter's "You're the Top":

You're the top
You're Mr. Maureen
You're the top
You're a big deal scene
You're a master of the workings at Lazard
You're a media mogul
You're a little bit rogue¹
You're the whole nine yards
You're the one
Who left the paper
To begin

The incredible caper
Of convincing people you knew what
names to drop
Which is why, old Steven, if we're the bottom
You're the top!

"I enjoy working with Steve," Rohatyn told me. "I think he is an absolute star. He works much more on his own than he does with me, and he doesn't need me on most things.

"But," he added, "talking about an heir is a meaningless thing in a firm like ours. I came to this firm in 1948, when André Meyer was the senior partner. Since 1948 we've had two men running this firm—André and Michel. Michel and I became senior partners on the same day in 1961, and we go back to the days of André. We have an extraordinarily close relationship. We have similar European backgrounds. I'm 65 and he's 60. We'll be around for a while. I can't transfer my background and my relationship with Michel to someone else.

"We're all worried for Steve about this story that you are writing," he went on. "I've been through stories like this at Steve's stage in life. The firm was a lot smaller then, but still these kinds of articles inevitably create internal tensions. The mergers-and-acquisitions side has become very personalized and show-biz. In M&A, you have marquee players. Obviously, being a marquee name is nice, as long as everything is wonderful. But it makes you a target. People are unforgiving if you falter. . . . It's heady stuff, a little scary, because for every marquee name that stays up on the marquee, there are 10 shattered names on the sidewalk."

Maureen sees things differently: "Steven would like to do something meaningful with his life. He started out with a career in journalism, performing a useful function in society. There's no doubt in his mind that government service would be a value and a greater good, but he doesn't have a grand plan. He's quite happy doing what he's doing right now, but if the demands of Lazard ever impinged upon his other goals—especially family—he wouldn't do it. At some time, if the right opportunity comes along, he'll go for it." □