

1920

Letter sent to James O Sully, January 14, 1920

Nau, Rusk & Swearingen

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M.A.C.
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NAU, RUSK & SWEARSINGEN

CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
30 CHURCH STREET

CLEVELAND
AMERICAN TRUST BLDG.

Cleveland January 27 1920

Mr James O Sully
Merchants National Bank Building
San Francisco Cal

Dear Sir

Your letter of January 14th reached this office during the writer's absence from the city.

It would be pretty difficult to give you a general outline of our profit sharing plan because it is quite complex, very unique, and is something more than a profit sharing plan. It is really an integral part of our Partnership Agreement, a copy of which I am sending you herein..

This program or piece of machinery, among other things, does the following:

(1) It gives a partnership purely a similar continuity which attaches to a corporation;

(2) It provides for what we believe to be an ideal profit sharing plan;

(3) It holds out a future to the worth-while members of our staff. Under its provisions, it is entirely thinkable that the young man who starts with the organization as a junior clerk, might, before he dies, be the senior partner of the firm;

(4) It capitalizes and actually turns into the "coin of the realm" the most valuable asset an accounting organization has, namely, its Goodwill, and does so in a way that he who acquires a share in the goodwill partnership by buying into it under the provisions of the agreement, does so without putting up any actual money. The mathematics of the scheme as applied to our problem, results in a capital and goodwill value per share, which is less than the profit distribution value of the share. In other words, if the organization continues to do about 80% as well in the future as it has over the average of the past three years, each share more than earns its purchase price with the consequent result that buying in merely means making figures on books and transferring balances from one account to another. In this respect, it comes pretty close to being perpetual motion.

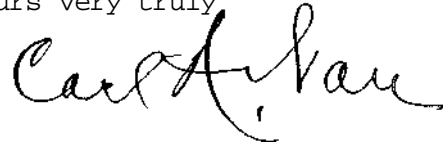
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Mr J O Sully

Of course the particular piece of machinery contained in this instrument may have to be modified to fit your own situation, but the document may, nevertheless, be suggestive in working out your own plans. It was the result of long and careful thought, and before it was finally adopted, was carefully studied and rewritten by able legal counsel.

Should some of its provisions be not entirely clear to you, we will be very glad to answer any specific and concrete questions which you may care to ask.

Yours very truly

A handwritten signature in cursive script, appearing to read "Carl A. Van".

CHN-D