

[Transcript] Founders / #298 I had lunch with Sam Zell

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I talked to the founder of Meter Anil this past weekend.
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and if you own a bunch of real estate,
make sure you speak to the founder, Anil, directly.
You'll love talking to him just like I do.
Okay, so this episode is going to be a little different.
What I'm going to do first is go into detail about what I learned
from having a two-hour lunch with Sam Zell.
He sat directly across from me for two hours.
I got to stare in his eyes and hear crazy, crazy stories
that this, from his amazing, you know,

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more than six decade career of being an entrepreneur.
And then after that, you're going to hear a normal founders episode where I go into detail about what I learned from reading William Zackendorf's autobiography.
So, and that came about because as I was talking to Sam Zell, I was like, hey, when I was reading your autobiography, Sam, you mentioned reading Zackendorf's autobiography when you were a young man and you thought it was very valuable. You got a lot, you got a good idea out of there.
And I was like, I bought the book after reading it about it in your autobiography.
And then he said to me, he's like, have you read it?
I go, no, not yet.
And then he said in his like deep voice is like, read it.
And so that was good enough for me.
If Sam Zell tells me to read a book, then I will do, I will read the book.
And so that is what the episode is going to be about.
So I want to start at the end first, and then I'll talk to you about how this came to be and all the stuff, a lot of the stuff that we talked about.
So I get home after spending over two hours with them.
And the first thing I say to my wife, this is what I mean by starting at the end, I was like, I want that.
I want that to be 81 years old, still fired up about your work, still unbelievably curious about the world, traveling all over the world, still reading books, still listening to podcasts, still doing deals.
One of the first things we talked about is this deal that he was doing.
He just lit up like completely in love with his work and life in general, just unbelievably curious.
He's got this famous quote that he says, like people sometimes ask me when I retire.
And he says, retire from what?
I love what I do.
And just his energy and his enthusiasm and his sheer like full zest of life.
I got back and I was on like a high, like I was like high from the conversation, right?
And so that's, I was like, I want that.
When I'm 81, that's what I want to be like.

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I want to still be fired up.
I still want to be working,
like this idea where as entrepreneurs,
our life and our work is really inseparable.
It's not a job.
It's not some, even though they can be very difficult,
it's not drudgery.
It's not something that we do.
Like we do it because Sam has, he could have,
if it was just about money, he could have retired,
you know, 50 years ago, 40 years ago, whatever it was.
He's not doing it for the money.
He's doing it because he loves to do it,
because he has to do it, because he wants to do it.
And then the other thing that I told my wife too was like,
I know without a shadow of doubt that I'm on the right track.
This idea of, hey, we need to go back
through the history of entrepreneurship.
We need to read the biographies and autobiographies
of the people that came before us to learn from them.
I'm supposed to be, you know,
like I've read almost 300 biographies.
I've been doing this project for seven years so far.
You know, like the business history guy, to so to speak.
There was not one thing that I could bring up
that Sam did not already know.
This guy has deep historical knowledge
about the history of business, real estate, entrepreneurship,
any obscure person I could bring up, right?
I pulled everything I could think of.
I bring up a name.
He knew the name.
He knew the company, the person owned.
He had read the book.
And so having the opportunity to have lunch with Sam's out
and then a few weeks later have dinner with Charlie Munger,
what you notice is the similarities.
It's like, okay, Sam sold his company, you know,
for almost \$40 billion.
It's like, you don't build a company
and sell it for \$40 billion and then learn all this stuff.
Like he was, had an insatiable thirst
for knowledge and information that could be useful
to his life and his career, his entire life.

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He knew this stuff as he was building his company.
Same thing with Charlie Munger.
It's like, you don't become a multi-billionaire.
Then in your 90s decide, hey,
I'm going to start learning from history.
It's like, no, they did this from when they were
unbelievably young and they never stopped.
That is how I know that you and I are on the right track.
Without a doubt, we're on the right track
with what we're doing here.
Okay, so that was the end.
Let me tell you the beginning and how this came about.
And this goes back to something that I firmly believe
and I feel that podcasting in general is a miracle.
You really never, ever know who is listening.
And so I get a DM from Rick Gerstin who has been friends,
a close friend of Sam for like two decades.
Sam has been a mentor of his and like really helped
and guided and like been an inspiration in his career.
And so he, I get this and I thought it was fake.
Like, I guess just to start there, right?
Cause you get all kinds of bizarre messages.
Like when you have a podcast, obviously,
and this came from like a Twitter account
where it's just like, there was no picture.
There was no content.
They didn't follow anybody.
It's just saying, hey, this is who I am.
I also live in Miami.
I run an investment firm and I was going to see
if you wanted to have dinner with Sam Zell and me in Miami.
He's in Miami all the time.
And he's like, he's always hungry for information.
And he's like, I actually turned him on to founders,
which he loves.
And he really liked the episode that you did
on his autobiography.
And so I responded, I was like, this would be incredible.
I would love to, absolutely.
But I thought it was fake.
Like that was just like, there's nowhere in the world.
Like, why would Sam Zell want to meet me?
I had read his biography, I had heard him on podcasts,
I watched videos of him.

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And first of all, I get into like when you meet him,
it's like, he's the same dude, the same guy that you see
on TV, the same guy giving interviews,
same guy giving me speeches, like that's him.
And that's another thing that I found so admirable.
I found the same thing when I was meeting with Charlie Munger,
is like, they are authentic to themselves.
And that's something I obviously tried to start to be.
But like, I just love seeing that because sometimes you see
like the public persona is fake and it's not who they are.
And yet with Sam Zell and Charlie Munger, it's like,
oh, you're the exact same person.
And a lot of people have said that,
like when they hear me on the podcast and they meet me,
like, oh, this is like having a, having dinner with you,
is like having like a three hour long founders episode.
And so I was like, okay, yeah, I would love to.
And then I just forgot about it.
Cause it's like, there's just like,
Sam Zell does not want to meet me.
Like this is absurd.
Like I'm just some little podcaster, you know,
reading biographies in a room by himself.
Like, why the hell would he want to meet me?
That's just so bizarre.
And so then I went up like a week or two passes
and then Rick texts me and he's like,
okay, he's coming to give a speech at this conference
on this date.
Are you available that day?
And first of all, I'm like, okay, it's Sam Zell.
Like there's nothing else in my fucking calendar, right?
Like this guy sold a company for \$40 billion.
Like, yes, I am available at any time.
And I would even fly to anywhere in the world
to meet this guy.
Like, are you kidding me?
And so anyways, now we have a date, we have a time.
I still do not believe that this is going to happen.
I was like, no, this isn't going to happen.
And then a couple of days later, it's like, okay,
now it's set for this restaurant at this time.
I'm like, okay, now we're getting really specific.
Like this is some kind of weird hoax you're doing.

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Like this is pretty crazy.
But I still didn't tell anybody about it
because I didn't believe that it was actually going to happen.
And so on the day, on the day of like,
now we have a date and time, now it's the morning.
So I'm like, okay, well, this might happen.
Like I'm supposed to go to lunch with Sam Zell.
And then I was like, okay, as it got closer,
I was like, okay, maybe it is a lunch with Sam Zell,
but maybe like, it's not gonna, like I'm not,
he maybe invited a bunch of people
and I'm like the token podcaster or something like that
to be like 25 people there.
I won't actually get to talk to him.
That's not what it was at all.
It was just me, Rick and Sam for two hours.
It was incredible.
And Sam sat right like directly across from me.
I looked him, I and I got to talk,
I got to ask him any question I wanted.
It was absolutely incredible.
But the morning of I'm like, okay, I tell my wife,
listen, I'm gonna share my location with you
in case they kidnap me.
There's some crazy shit happening here.
I might get kidnapped, at least you know where I am.
And so I drive to the restaurant at the time
I'm supposed to be there and me and Rick agree to meet
like, I think like 30 or 45 minutes
or maybe even an hour in advance.
And we went up having this really interesting conversation
because he's got all these crazy interesting stories as well.
He's got a really interesting career.
And then he's telling me this, the story.
And then he looks over my shoulder
and he goes, oh, there's Sam.
And I turn around and it's Sam Zell by himself.
Like I was just like expecting like maybe an entourage
or I don't even know what I was expecting
him to be carried in,
carried in like a, like an Egyptian Pharaoh or something.
And so he shakes my hand.
He sits down right in front of me.
And the first thing I say,

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I was like, you're fucking Sam Zell.
And he just laughed and laughed and laughed.
And so one of the first things I got to talk to him about
was something that his family has in common with my family.
If you read Sam's autobiography,
you know that his father was actually very interesting.
I think his father was like a grain trader,
if I remember correctly.
And so he had inside information.
He knew like the stuff that going on with Hitler was not good.
And so his father escapes with his wife, Sam's older sister.
Sam's not born at this time.
I think his mom is gonna get pregnant on the way over
because I think they're in America for like 90 days
by the time Sam is born.
So what we have in common is the fact that
they had to escape like,
I mean, Hitler's way worse than Castro,
but Castro's pretty bad too.
And so they leave on the last train of Poland
and then the Nazis wind up bombing that train.
They didn't know that.
So what was interesting is how many people that Sam's father,
he was trying to convince the rest of his family,
like this is bad, we need to get out of here.
And imagine how difficult a decision that is.
Like you've lived in this country your whole life,
you have family, friends, jobs,
and somebody's trying to convince you,
like you have to get up and leave.
So it just takes like a different kind of person.
And I was like, Sam, like I had a very similar experience.
My grandfather was the same age as your father
when this was happening.
He was married, he had a baby,
and he just saw that bad shit was coming with Castro
and he wind up leaving everything.
You know, he didn't have any money,
came to a country he wasn't a citizen of,
didn't even speak the language
and just literally has to flee to try to protect his family.
And so I was thinking about that story
before meeting Sam.
And when you hear Sam talk and also in his autobiography,

it's like, this guy's obsessed with learning.
He even says like, and I think he did,
he did this fantastic episode on the Tim Ferriss podcast.
Peter Tia actually interviews Sam's L
for the Tim Ferriss podcast.
And he says, it's like, I just read and read and read.
I'm never without something that I'm reading.
He's constantly searching for interesting information.
So one of the questions I got to ask him is just like,
I can't help but notice that your life,
your family's life was changed because your father
had access to valuable information.
And yet I'm reading your story
and it seems like you did that all your life.
And in his case, he applied it to the,
like is there, am I right to pick up on that?
Like you're insatiable, hungry, like thirst for knowledge.
You saw the benefit, it could literally save your life.
Not only could it stumble onto an idea that you can use,
it has help on your business.
But like in your case, it literally saved your life.
And he's like, yes, that's exactly it.
And he's just been this voracious reader.
Like the crazy thing is, right?
This guy, like it speaks to a lot.
Like the idea that Sam's, how valuable Sam's time.
Like it's insane.
Like that I got two hours of it.
It's just, I'm so thankful.
Like I got back and I was like,
that is a lunch he may not remember and I'll never forget.
You know, cause I'm sure he meets a ton of people.
He's got all kinds of, you know,
contacts and business deals and everything going on.
And I saw, I'd really do appreciate the fact that,
you know, I'll never forget this.
Like I'll remember it till the day I die.
And what's so interesting about it though,
is like he's telling crazy stories
from his six day, six decade long career,
bought all different business deals,
building companies, buying companies,
selling companies,
it's all kinds of fascinating, interesting stories, right?

And you would bring up something.
And he would explain like,
oh yeah, that business that's happening today
is like what this guy did, this, you know,
I'm making up names cause I wasn't taking notes
while no one looked at their phone.
It's actually funny.
The one time he looked at his phone,
he was, we were talking about one of the pieces
of advice that he had was, you know, listen,
the wealth you get, you're just buying like,
it's just nicer things of the same stuff
that always happens.
He's like, you don't want to own a bunch of things
cause then you have to take care of them.
You know, you have to manage them a very,
he's talking about in your personal life.
And so his whole point is just like, you know,
he has a place in Chicago and a place in Malibu.
And it was funny because you know how rich and famous you are
when he wanted to show me pictures of his house,
he Googled, he hands me his phone
and it was Google images and it says,
Sam Zell Malibu house.
And I was like, all right man, that's a goal of mine.
I was like, that's pretty crazy.
But one thing he was saying is like, listen,
you know, you don't want to get caught up in that.
You don't want to own a much stuff.
You know, you're going to make a lot of money
in your lifetime.
And you just realized like, okay, now you have a house
and you just keep like, you just buying more.
It's the same things that just gets a little nicer.
Don't get caught up in that.
And so his main thing that he said to me over
and over and over again, his main piece of advice
that, you know, we probably talked about
in like six different contexts was go for freedom,
optimize for freedom.
I'm going to read some of the notes that I took after.
He's, everything comes down to freedom.
I'm paraphrasing obviously, right?
He's like, if you get the freedom,

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you can control what you do every day and you'll love it.
And if you love it, you'll be very good at it.
And then the money will come with it.
You have to love the day to day.
Does not mean it will be easy.
That does not mean there won't be pain,
but you have to love it.
And he's like, I never chased money.
I chased freedom and freedom got me the money.
And his point is, is like, there's no point in being rich
if you're not having fun.
He said, this was very fascinating too.
You know, cause imagine the kind of people
that Sam's out talks to and meets.
And he's like, I meet a lot of rich guys
and they aren't having fun.
I'm still having fun.
Then he said, he's still riding his motorcycle.
And I know he's still traveling all over the world.
And actually this brings up another thing
that Sam has in common with a lot of history's
greatest entrepreneurs.
Like, why are you so many of the people
that you and I study on this podcast?
Like think of Sam Walton.
He knows he's dying and he takes time out.
He's got cancer all over his body
and he takes time out of the few precious months
he has or maybe year left on this earth.
And he writes an autobiography and he summarizes
what he learned in 60 years of his retail
for the benefit of future generations of entrepreneurs.
We may compete against each other while we're living.
But in the end, like they're all wanna pass on
what they learned for the benefit of future generations.
And so that led me to something I was asking Sam.
It was like, like he flies in.
Oh, so let me go back to this.
He did say one thing.
He's like, listen, don't get caught up in owning
a bunch of shit.
It's just like, you're just gonna keep buying nicer
versions of the same stuff.
Like it's just not worth it.

That's not what life is about.
And he goes, there's a true luxury in life.
He's like, there's one exception.
Try to get to private jet.
He's like, that makes a big difference.
He loves his jet.
He had, we talked about this
because he had just given this speech
at this really like impressive conference.
And he gave a speech and then went directly
to lunch with me, which is such a silly,
I can't believe that even that sentences came
out of my mouth and it's actually real.
And I don't believe that.
But I was like, oh, so we were talking about this.
Oh, so you didn't like spend the night here.
He was, no, he's like, I fly in on my jet.
I give a speech, I'm having lunch with you
and I leave again.
And so he's talking about, he was telling me
like what he was doing is like flying to, you know,
London to give a speech to a bunch of other
entrepreneurs and investors.
Flying all over the world doing this.
He does this constantly.
And I'm like, Sam, why are you giving me speeches?
You don't have to do this.
Like, like, why are you doing this?
And what he said is exactly what you and I have discovered
in all these autobiographies.
He says it's an obligation.
I'm getting goosebumps.
It's an obligation for me to share
with other entrepreneurs what I learned.
Think about how crazy this next sentence
I'm about to tell you this, right?
Because we're, history shows that humans
are terrible predictors of what we actually think
will make us happy, right?
And so he's like, listen, I hated writing the autobiography.
It was very difficult, but I'm so glad I did it.
And he says, my favorite day of the week is Monday.
And I was like, okay, why is that?
And he goes, because that is the time,

that's the day that me and my team go over
all the inbound messages that we get
from people that read my book
and they tell them how it changed their lives.
The ideas they got, the inspiration they got.
And it's exactly when you read,
and you're gonna hear me talk about it in this episode
because I've already recorded the episode.
I'm doing this intro after.
And I quote directly from Sam's autobiography
where he's sitting there talking about,
it's like, listen, it's his 1971.
Zachendorf's book comes out in 1970.
Sam is a 30 year old man, already, you know,
10 years into this real estate career of his.
And he's like, I read Zachendorf's book
and I found a really valuable idea
and he tells you what it is.
How cool is that?
Like that's exactly, it's the same thing.
When you listen to a founder's podcast,
when you're reading the biography,
you're doing exactly today what a young Sam Zell did.
You know, you never stopped doing, you're still reading.
I mean, one of the first things we talked about
is some of the books he's reading.
Oh, this is another crazy thing.
And I'm sorry, this is like disorganized.
I don't have like, you know,
I didn't write this out in advance.
But what was fascinating was he's obsessed with podcasts.
He's obsessed with information in general.
Like he's reading books, reading, you know,
newspapers, magazines, everything,
talking to a bunch of people, doing deals.
You know, he says, I'm doing deals.
This is what I wrote down in my notes after.
So I don't know if this is a direct quote,
but I hope it is.
Because like, I'm gonna be doing deals.
It's like, I'm gonna be doing deals till I fucking die.
And I hope I'm that same way too, man.
I don't want to retire.
Like, why?

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Like you find work that you love to do.
You know, like what did Coco Chanel do?
Enzo Ferrari, Steve Jobs,
what are Charlie Munger and Warren Buffett doing?
They're still doing this.
Charlie's 99 when I went to his house.
And he could still tell you what's going on.
Still telling you different deals.
Like it's crazy.
He's like, why would you ever quit?
What was fascinating is like,
brings up the fact that he likes podcasts.
He starts asking me questions like,
why'd you start a podcast?
How do you start a podcast?
What's the business model like?
And then at one point I said, I go, Sam,
you've been building businesses and making millions,
literally making millions, decades before I was even born.
I need to be asking you questions.
But again, that ties into this just like insatiable level
of curiosity that you're gonna find
that the top entrepreneurs have.
It's like they want to know about the world around them.
And obviously some of that information is gonna flow down
so they can use it in their business, right?
But even if it doesn't,
like this guy's not gonna get rich off of podcasting, right?
Hey, good, you'd have to know what show
if it was just him talking shit.
I'd listen to that.
I'd listen to every single episode.
But he's just insatiably curious,
still reading books, still asking questions,
decades after ever needing to work again.
And the best way to summarize this is a quote
that I pulled from his interview on Tim Ferriss podcast.
This is Sam talking.
I'm constantly adding and increasing my knowledge
in every direction I can.
And then there's two other things that I wrote down
after I met him that was fascinating
because you know I'm obsessed with Michael Jordan.
Episode 212, if you haven't listened to it yet,

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that book is a 600 page biography of Michael Jordan, literally changed my life.
And he's like, yeah, I know Michael Jordan.
He knew him when he was a young man.
Jordan used to go to Sam Zell for advice.
And I was like, what do you think about Jordan?
And he goes, Jordan is an extraordinary individual.
The other thing that was fascinating is, everybody knows that I'm obsessed with Edwin Land, right? I keep talking about Edwin Land over and over again.
I'm like, man, like if Steve Jobs is studying Edwin Land, calling him a hero, patterning his own work after Edwin Land, we should really pay attention to him.
You know, I've read five, I've read every single book I've found at Edwin Land.
I've read five biographies of Edwin Land.
Three of those I've read twice.
And I think I've done like six or seven episodes on him.
Sam Zell knew exactly who Edwin Land was, right?
Where a lot of young entrepreneurs don't, and I think that's devastating and they should.
But not only did he know Edwin Land, he told me an Edwin Land story that I had never even heard because it turns out, check this out.
In like the 1960s, I think this is when it's happening, Sam Zell went to law school with Edwin Land's patent attorney's daughter.
His daughter was there and remembers the night that in New Mexico, when Edwin Land goes and meets with her father to write down and to put on paper his ideas for the creation of a new industry, the industry that Edwin Land is literally going to invent, which is instant photography.
I do wanna wrap this up with really what Sam was saying, like the main message.
He's just like, he's like, I optimize for freedom and I only do shit that's fun.
And he was having fun forever.
And if it's fun, if you enjoy it, like if you're gonna find work that feels like play, which is an exact line that I learned from Naval Robocop, but also I found in Michael Jordan's autobiography, that's exactly what he said.

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People in his autobiography, people are like, oh, they always talk about work ethic. They don't realize like, to me, it was play. And this is like, I was able, I had a bad work. His mom would talk, Michael Jordan's mom would say like, you know, outside of sports, he was actually kind of lazy, which was shocking. And his whole point, he followed up on that. Jordan followed up on that. He's like, oh, would you see his work ethic? I just see his playing. And I feel there's a lot of, there was a parallel between Sam Zell, you know, who's still on it, seven days a week, still doing deals, still trying to find interesting things to work on and interesting people to work with. And it's because he's optimized for freedom and he only did shit that was fun. And so there's one other thing, and I'll wrap this up and we'll get into the episode on Zekendorf, which again, if Sam Zell is telling you to read the book, if you haven't read the book, I talk about this in the episode, especially if you're in real estate, no brainer, you have to read the book. There's so much stuff in that book that you'll be able to understand that I won't because I'm, you know, that's not my industry. And it's just a fun book, like full of crazy stories. But I do want to, I pulled this transcript because right after I had lunch with Sam Zell, I went on Jim O'Shaughnessy's podcast, which is called Infinite Loops. And I pulled the transcript because some of the stuff I was like, okay, that was like fresh in my mind. I want to make sure that I'm not missing anything. And I found something, and I've already like alluded to it previously, I'll wrap this up here. I'm just going to read, I'm going to read this paragraph. And it's talking about something me and Sam had in common is that the fact that, you know, I think 18 members of his family died. I had a bunch of family members that never left Cuba.

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And his father, Sam Zell's father
would tell him over and over again,
you don't know how lucky you are
to be born in this country, right?
And so that's the way Sam still feels to this day.
And it's like, I had that experience too, you know,
when you're the son of a Cuban immigrant,
like people literally, the university made me,
this is hard data to come by
because it's not like people are announcing in advance
that they're going to the shore of Cuba
and sending their children on these rafts.
And hopefully they land in America
because because you're not announcing it beforehand,
they have a hard time figuring out like,
how many people have died?
You know, how many people didn't make it?
Like, you can go and look, I've seen this in person.
I actually grew up meeting people that came over on rafts.
Like a little kid, and you hear these stories,
that's going to impact your, the way you think about things.
And so the university made me estimate, I think,
somewhere like quarter million people,
maybe 200 to 300,000 people died at sea.
And so this idea where it's like, you're raised,
same as I was raised by a father saying, you know,
like you're very blessed to be born in this country
where, you know, you don't have to worry about a Hitler
or the stuff that we had to run from
or the amount of just genocide that took place
where we, where our family is from.
And so I heard that same story.
Like, you know, you're very,
you have no idea how lucky you are to be,
my dad's not an American citizen to this day, to this day.
And I just happened to be American citizen
because decades before I was born,
my grandfather had the foresight,
he's like, oh, we got to get the hell out of here.
And I just happened to be born here.
Something that Sam saw when he was younger,
that his family was watching videos.
And when he was like six years old
of all these like Jewish bodies in dump trucks,

and it was just dead bodies that the Nazis had killed
and then put in dump trucks.
And when we were talking about this,
this is what I referenced earlier.
I said, Sam, here's the weird thing.
This is me now quoting myself from this other broadcast
is going to be weirder.
Your dad was voracious for information
and that saved his life.
And yet when you tell the story of you being a teenager,
a young man, you were like 19 or 20 years old
and you were also voracious information.
And I asked him, is that the same thing?
Is that the same concept?
And it's like, oh, I know how valuable information is.
It can literally save your life.
And in an entrepreneur's case,
the right information can literally build a fortune
and he's like, it's the exact same thing.
And so if you and I could ask Sam Zell for advice,
I think his advice would be constantly add
and increase your knowledge in any direction that you can.
And I sincerely hope that the work that I'm doing
on Founders Podcasts helps play a role
in your life and in your work.
We were not meeting our obligations.
For more than three years, I'd been maneuvering
to keep a suddenly greatly overextended company
from actually falling over the edge of the cliff.
To this end, I had gone deep into personal debt.
But on that Friday afternoon in May, 1965, time ran out.
26 years of work was now moving down the chute.
I told my driver to take me back
to our Madison Avenue office.
This is where I had started web and naps climb
and here I would stay with it to its fall.
In large part, it was a matter of my own personality.
I liked to build.
I had ideas, all kinds of ideas
that nobody else was willing to carry out.
So I carried them out myself.
We branched off in several directions at once.
That is an entire story in one sentence
and leads to his bankruptcy.

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We branched off in several directions at once.
We were buying land and properties,
putting up individual buildings in various cities,
creating a string of new shopping centers
and industrial parks across Canada
and drilling for oil off the coast of South America.
The secret of any great project
is to keep it moving, keep it from losing momentum.
That's actually good advice.
And this for me meant a constant flow of telephone calls
and trips often by company plane
to Montreal, Chicago, Washington, Cleveland, Philadelphia,
Denver and points West.
In New York and in every town where we had interest,
there was a constantly changing scheme
of contracts, agreements and trades to be kept in motion.
I have never been afraid of debt.
One day when the head of the Morgan Bank
stuck out his hand at a gathering of bankers
and said to me, Bill, you look like a million dollars.
I said back, I'd better, I owe you three million.
At that time, we all laughed.
But in May 1965, no one was laughing.
Webb and Knapp had been wiped out.
And his reaction might surprise you.
Once we had completely gone under,
there was almost a welcomed stillness.
For month after month, we had been working to raise cash,
to make one last deal, to fend off or pay off creditors.
Now all actions ceased.
Even our phones were disconnected.
I could no longer act for the company.
I became, in effect, a bystander at a wake
and an official non-person, a role
but unfamiliar and unenjoyable.
A number of people who used to call on me vanished.
Quite a few people who I tried to call
were suddenly not available.
Only my creditors were ever anxious for a chat.
I learned that there was betting
that I would choose to end the drama samurai style
by committing suicide.
There were moments when my depression was absolute.
But killing myself was something I was not about to do.

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Only my personal assets, not my brains, were in hawk.
I still knew how to make money for people.
Moreover, with the fantastic pressures
of Webb and Knapp's last few years off my back,
I was beginning to feel like a man suddenly released
from solitary confinement.
My conscience was now clear.
For the present, I was busy and relaxed.
Marion, that's his wife,
Marion and I saw more of each other.
We went out to plays and we traveled.
We spent our summer in France.
I had turned over our home to creditors,
but we had acquired a quiet place and we were happy.
We were planning another trip.
In the spring of 1968,
Marion flew to South America for a month.
From there, she had fly to Guadalupe in the Caribbean.
I flew down to Guadalupe to meet her there.
I arrived two hours before Marion's plane was due.
The scheduled arrival time came and went,
but no plane landed.
A few moments later,
the announcement came over the loudspeaker.
The plane had crashed.
The sensation from then on was one of being in a dream
from which I couldn't wake up.
After Marion's death, I declared personal bankruptcy.
Wow, what a start to this book.
This guy goes from being the greatest real estate man
in New York and maybe the entire country in the 40s and 60s
to blowing up his company after 26 years.
Then a year later, his wife dies in a plane crash.
And then two years later, in 1970, he publishes this book.
So that was an excerpt from the book
that I'm gonna talk to you about today.
And the one Sam Zell told me that I had to read,
one that Sam Zell talks about in his autobiography
that he read when he was a young man.
He's actually around 30 years old when he read this book.
And that book is Zekendorf, the autobiography of the man
who played a real life game of monopoly
and won the largest real estate empire in history.
And so before I jump into his early life,

something I was thinking about this morning before I sat down to talk to you, because this book is over 50 years old. And what is interesting is I'll go into more detail in this later, but there's so many times where what makes this book so fascinating is not only this guy had an incredible career, he's got a lot of good ideas about building businesses and a lot of bad ideas that you and I definitely need to avoid, right? But he also knew everybody. Like there is four, five, maybe 10 different well-known historical figures that are historical figures to you and I today because they've all passed on that are alive in this book. And there was just something that hit me real heavy this morning where this guy's been dead for, I don't know, 40 years. I think he died shortly after the book was published. And it's on a, like we can't talk to him. We can't interview him. And what I realized is like reading this book is first of all to have a one-sided conversation with somebody that went through one of the most unique life experiences and work experiences that has ever lived. And it's also a form of like being able to interview or to ask him questions because you'll understand if you read this book and I hopefully I can convince you to buy it and read it. I mean, if Sam Zell read it, I think that's good enough, right? But what happens is by the time you get to the end, like you know who he is. I told you before in some of these cases where you and I go over these books, like sometimes you feel like, wow, I know who this person is. And sometimes they're still kind of like, they're more of like a figure that's far away where I feel like Zekendorf by the end of the book becomes like this old friend of yours. And you just live through, it's like you gather around and you're like his grandson, you gather around

and he's just recounting the story of his life to you.
And by the end, you feel like you definitely know
who he is as a person.
And the reason I bring that up
is because that feeling is a good feeling.
My life is better off for having read this,
like spent the last week going over
a bunch of written material on Zekendorf.
And I feel like getting to that end,
that completion is, first of all,
it's not something that we see in modern day life.
Like every single thing,
if we're, especially we're on our devices all the time,
like those are just never ending feeds.
Everything we're looking at,
whether you're scrolling Netflix or scrolling,
you know, Instagram, it never ends.
Where you get to the end, there's a completeness to this.
It's like, this is over the time I spent
with Zekendorf will be long lasting.
So I'm not sure why I was thinking about this morning
or where that idea or feeling came from,
but anytime that that happens,
I'm sure to tell you about it.
So I'm going to jump right into his early life.
We don't spend much time there
because we get right into this guy's insane career,
but there are just a few sentences.
You know, there is two or three chapters on his early life.
I just pulled out a few sentences that I think give you,
will give you an idea exactly who he is.
And so he says, by the time I was eight or nine years old,
I had discovered that if I acted up enough,
I could get thrown out of Sunday school each weekend
and spend the day fishing.
What may be the greatest quote about entrepreneurs ever
came from the book that I covered last week,
which just comes from Yvonne Chenard.
And he says, if you want to understand the entrepreneur,
study the juvenile delinquent.
And if you sit there and actually think
about what Yvonne is saying,
like that's exactly what we're saying here.
It's like, you'll understand the way they think

if you look at the juvenile delinquent,
talks about his dad.
My dad was a cultured, quiet and kindly man
who did not believe in strict authoritarian controls.
And I was his only son.
So what he's telling us is his parents,
and he's going to say his mom did as well,
his parents let him follow his natural drift.
Mother also let us grow in our own way.
And Zachodorf is the rare high school and college dropout.
And then he has a great line about this.
I did not finish high school.
Most of the courses bored me completely.
So he takes like their version of like,
I guess what we'd call today in America, the GED.
So you drop out of high school,
but you can take an exam.
If you pass the exam, you get like the equivalent.
So he enrolls in college.
So at age 17, I entered New York University.
And then he has a great line here.
Though I now hold four honorary degrees,
I was a college dropout.
Classes were dull and a waste of time.
I was anxious to be in the real world of business.
So I quit college.
So then he's in his early 20s
and he starts working his first job
in the real estate industry for his uncle.
There's actually a really good description.
I'm going to tell you,
I think there's actually a better description
in this article that was sent to me by a listener
who knew I was doing this book.
And so it's called Zackendorf,
Revisiting the Legacy of a Master Builder.
I'll leave the link down below.
You can read in, you know, five minutes,
but it's just going and reflecting back on his career
many decades after he passed away.
And so I read the article and I just pulled up some quotes.
And I want to give you this overview now
before we go into the rest of the book
because I think it gives you like colors it in beforehand

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and kind of will make the ideas
that you and I talk about later a stick even more.
So first it says,
a glance back at the life of the developer,
William Zackendorf Sr.
is proof that there are no new ideas under the sun.
That is a main thesis of this podcast.
When I was sitting here thinking,
I was like, I went and looked up.
I was like, okay, this book came out in 1970.
If you read Sam Zell's autobiography,
he says it was around 1971,
when he picks up the book.
That means Sam Zell was like in his early 30s.
He was around 30 years old when he first read the book.
And later on in this book,
we'll get into what Sam Zell said about the Hawaiian technique,
which is like the main idea that he took away
from this book that he got from Zackendorf
that he used not only his real estate career,
but also his business career as well.
But what I was thinking is like,
oh, he's doing this line,
a glance at the life of developer Zackendorf is proof
that there are no new ideas under the sun.
We are doing the exact same thing now together
that Sam Zell was doing 50 years ago
when he was a young man trying to learn
from the great people that came before him,
looking for ideas that can help them in their work.
I just love that idea.
And then there's another quote from the article,
no question he was the greatest real estate guy
New York has ever seen.
He dominated the nation's real estate industry
from the 1940s through the early 1960s.
In a climate like today,
he would have been worth a trillion dollars.
And then this is the part that I want to read to you
because the description,
it's a summary of where we are in this book
where Zackendorf is about to tell you and I
about his first job and why he had to leave
because he felt his uncle was screwing him over.

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Early on, Zackendorf's uncle challenged him to fill a half empty building at 32 Broadway, which the firm had just purchased. By the time the uncle returned from a European trip, Zackendorf filled all but two small offices. But instead of praise, his uncle demanded to know when he would rent the remaining spaces. Zackendorf quit the next day. And this is a punchline. If he was gonna make any money, any real money in real estate, he decided he would have to do it on his own. And just two more things from this article. This is the anti-vice. This is the advice where I feel if we're sitting down and we're having this one side conversation with Zackendorf, he's telling us, hey, avoid this. Zackendorf's employees were having to sneak him down back elevators to avoid the growing number of creditors banging on the front doors. This is our early 1960s when everything starts to unravel. And really the anti-vice that I got from Zackendorf would be what Charlie Munger says. Like your job in life is to get in a great business and then stay there. And Charlie's point here is like, I could tell you that advice. You're just not gonna do it. It's so hard to build a wonderful business. You're not going to be assaulted from the outside. Most likely you're the one that's actually going to screw it up. It goes against human nature to get into something good and actually stay there. And so this is the description of the business that Zackendorf, he had it. It was in his hands. If we were to take the assets that Web and NAB had in 1961 and value them at today's values, this article is being written in the early 2000s. So maybe like 2007, I think. If we were to take his assets in 1961

and put them in today's values,
they'd be worth between \$25 and \$30 billion.
So all he had to do was sit still.
And this is a description of him.
He had to do every deal that came down the pike.
Whatever the deal was, he wanted to do it.
That's not an exaggeration.
I try to keep track of every single weird.
This guy did not contain himself just a real estate.
I'll get into some of the stuff he buys.
One of the funniest things.
I've been telling stories of friends today,
or this week, I was like, dude,
I'm reading this book about this guy.
He's like in his 30s.
He's working for Web and NAB.
They're like, oh, we like this club.
So they buy a nightclub, right?
And then he uses the nightclub as his office.
It's like if today me and you buy a club,
and they were like, hey, we have to have a meeting.
And our office is essentially like the VIP room
of the club every night.
He's just, and he has like this phone set up.
It's just, he's a hilarious guy.
But the point was like, he'll just do all kinds of deals,
which we'll obviously go into.
So it says whatever the deal was, he wanted to do it.
So talks about the fact that that was his first job,
working for his uncle.
I really just want to pull out,
I don't want to go into much detail there,
because I'm just looking for ideas
that you and I can use in our business, right?
And so this was very fascinating.
This is his sales technique.
His uncle gives him the job and then takes off to Europe.
And so he's like, okay, well,
how do I fill a half empty building?
I have no experience.
And so then he just goes to every single building.
This guy's relentless.
Every single building on Wall Street.
I tackled the job by taking the elevator

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to the top floor of every building on Wall Street.
Then I would work my day, my way down floor by floor,
canvassing each office on each floor.
I would march in with the bold statement,
I understand your lease is expiring,
and I'd like to show you a space at 32 Broadway.
Of the prospective tenants I approached,
one out of five would come over to 32 Broadway
to have a look.
One of every five that looked would take a lease,
but that was enough.
And so he gets back and he does the calculations,
like how much money he made his uncle,
he was paying him \$25 a week.
So his uncle doesn't give him any praise,
but he also, the reason he quits is because he's like,
why, okay, \$25 a week, I'll bump you up to \$40 a week.
And second door was like, what are you talking about?
That did it.
The commission to an outside broker
would have come close to \$25,000.
I told Sam what he could do with his \$40 a week,
and I left.
And that right there is what I wrote on this page.
An entrepreneur is born,
even when technically he's a junior partner
and he's working for somebody who's company.
He's got founder mentality,
he acts like an entrepreneur all the way through,
and eventually he's in complete control of the company.
Another anti-advice on him.
This is something that's gonna come up a lot,
and I'm gonna repeat myself
because it's the main theme of the book.
This guy cannot stop spending money.
As soon as money hits his pocket,
from the time he's a young man,
until he's older, he just spends and spends and spends it,
and then he is addicted to debt,
which obviously leads to his downfall, unfortunately.
And again, I'm not trying to criticize this guy,
we're trying to learn from him.
I think he's extremely likable.
Like, this is one of my favorite books.

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I cannot believe the stories that are in the book,
and you'll just fall in love with like his gregariousness,
he's a promoter.
I feel like he's the wise old man telling us,
hey, don't do this.
Even if he says, if he could do it all over again,
he would just do the same, but he would do it bigger.
So I don't even know if he learned his own lesson.
So he says, he's doing a bunch of deals.
My commission on the sale of this building
came to \$8,000, so he was wise to be an entrepreneur.
Why would I take 40 bucks a week?
I do one deal, I make \$8,000.
Now here's where he messes up.
I was 23 years old and I never had so much money before.
It made me uncomfortable,
and I thought we had better spend it quickly.
So he takes this, it's gonna be his first wife,
but he's just dating her, they're not married yet.
Actually, they get married.
And then he's like, okay, I have \$8,000,
I need to spend it immediately.
And he goes and takes this long-ass honeymoon to Europe,
and he goes to Paris,
and he meets all these other high rollers,
and he gets back, he's got no money.
And that's not good,
because this is the 1929 crash in the Great Depression.
And so there's a few interesting things
of what he's doing during the Great Depression.
I do wanna pull out something here,
because this doesn't, there's parts of this book.
So obviously, if you're in real estate,
you probably already know who Zackendorf is.
I would imagine you've already read the book.
If not, obviously pick it up.
There's a lot of things in here
that you will understand that I won't understand,
because real estate's not my business.
But he has these just drastic examples of,
and I guess real estate's really no different
than other asset prices that we've seen
these financial panics,
where he's detailing all these crazy deals

that are happening,
because all these people are over-leveraged.
And I'm like, Zackendorf,
you notice this when you were a young man,
why didn't, like, how could you not avoid the same fate?
So he talks about the people
that own the Ritz-Carlton Hotel.
And he says, what was happening is the people
that were not leveraged,
the people that had a bunch of cash, no debt.
He said they were cornering and squeezing.
These are the words that he used, right?
And so one example, he says the Ritz Hotel,
which cost \$25 million to build,
sold for \$725,000,
and it had \$100,000 worth of liquor in it at the time.
And he goes into such great detail.
That's when I wrote it.
I was like, I wonder why he didn't learn this lesson.
Like, he was addicted to leverage.
He's so close because he starts working,
his big break, he works for the Aster family.
These are the descendants of John Jacob Aster,
which we'll get to in a minute.
He was actually the first multimillionaire in US history.
He points this out on the same page.
He says the non-borrowers, right?
The people that owned it free and clear,
which we're gonna get into, this is just absolutely insane.
The non-borrowers, such as the Asters,
who owned all their properties free and clear,
could ride through almost any storm.
And so when I got to this part,
another real estate guy that I did a podcast on,
which was fascinating,
this guy named Francis Greenberger, it was episode 243.
He became a billionaire because he's one of the first people
to do co-ops in New York City.
I think this is like in the 1970s.
But he has a line in his autobiography,
which I thought was fascinating.
And he says, this ruthless industry,
talking about real estate, right?
Everybody's like, oh, it's so easy to make money in real estate.

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And Greenberger's like, no, it's not.
This ruthless industry has created far more bankruptcies
than it has billionaires.
That is a great line.
Saying no is the most important judgment you could make.
So that is Francis's advice to us.
The reason that came up is because, you know,
there's a lot of real estate billionaires.
A lot of people make a lot of money in real estate.
But the pages that I'm on,
when they're in the Great Depression,
they are, Francis is right.
This ruthless industry is creating far more bankruptcies
than it does billionaires.
And so even during the Great Depression,
he never left the real estate industry.
He just kept working in it till he died.
So at this point, he's a young man.
This is what he's doing.
He's a New York City real estate broker.
He made his living by two ways.
One, he was a negotiator for property owners
trying to salvage their estates
by renegotiating mortgages.
And he also was busy scouting out increasingly scarce buyers
for properties that the banks
and insurance companies were doing their best to unload.
Says, though I didn't always earn it.
This is the point.
This is why I'm reading this to you.
Though I didn't always earn it,
I managed to spend close to \$20,000 a year
during the Depression.
So he'd spend \$20,000 even if he didn't make it.
You see, we're seeing a recurring theme already
early into the book.
By the standards of the 1930s, we were affluent,
but we were often broke.
And so he is married.
He's also this wild party like crazy guy.
So as we can imagine, this isn't gonna last very long.
He's gonna go through his, this is his first wife.
So he's gonna get divorced.
My personal life though,

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was not nearly so successful as my business career.
It was becoming increasingly obvious
to both Irma and me that we were mismatched.
I thought of little else but working
and then having a good time.
We drifted apart and I began to find other women
increasingly interested, interesting
and divorced seem the only reasonable conclusion.
And so then Zekendorf goes back
into his poor money managing habits, unfortunately.
My road to affluence was erratic.
I was often in debt sometimes a little more
than two steps ahead of a sheriff
and forever scrambling for some way to turn an extra dollar.
Whenever I did get a little money, I put it,
I try to put it to work.
I led an active social life.
I was especially fond of restaurants.
This is not the last time he's gonna say
he's like having a hard time paying his bills.
This is, I'm only 30 pages into the book
and this has already happened so many times
that I wrote to myself.
I feel I should quote James J. Hill here.
I was so fascinating about sitting down
and talking to Sam Zell is that every single person,
this is not an exaggeration.
Every single entrepreneur from history
that I brought up to Sam Zell,
there's not one thing that I could tell,
like he knew who everybody was, even these obscure people.
So I brought up in the flow of conversation
we were talking about something with J.P. Morgan
and James J. Hill and the railroads and everything else.
So I bring up James J. Hill.
He knew exactly who he was, had read his biography,
knew the name of his company off the top of his head.
There's no notes in this entire time.
No one looked at their phone the entire time.
And so the reason I bring that up is because
Sam Zell knows who James J. Hill is.
Charlie Munger knows who James J. Hill is.
Warren Buffett knows who James J. Hill is.
This is who I actually heard.

Like I think I was listening to them either talk
or I was reading their shareholder letters
and they're like, hey, they always,
I think we might've been in poor Charlie's Almanac actually.
They talk about the operators
that they really respect and admire.
And they kept mentioning this James J. Hill guys.
Who the hell is James J. Hill?
And so I went up reading a biography on them.
That was episode 96, I think.
But the reason I got to this part,
I'm thinking about everything that's went on this book.
I was like, one thing that stuck out of my mind
and I hadn't read, it says I read the James J. Hill
back in 2019.
This quote from James J. Hill I never forgot.
So I want to read it to you.
Because what unfortunately,
Zekendorf is not learning in the 1930s.
And you know, obviously you had a hard time
learning his entire life.
James J. Hill understood in the 1800s.
And this is what he said.
If you want to know whether you are destined
to be a success or a failure in life,
you can easily find out.
The test is simple and it is invaluable.
Are you able to save money?
If not, drop out.
You will lose.
You may think not, but you will lose as sure as you live.
The seed of success is not in you.
If you want to learn
from one of the hardest, most formidable entrepreneurs
to walk the face of the planet.
Listen to episode 96.
I really need to do to read that book again.
I don't think, I don't need a 96 podcast at that point.
So I don't know if I did a disservice.
Like I have a lot more practice now.
Three times as much practice.
But man, and read that book.
That guy was absolutely incredible.
He was the only entrepreneur that,

if I recall correctly,
he's the only entrepreneur in history
to ever successfully build a profitable railroad
without going into bankruptcy first.
The less successful, the less formidable railroad operators
were actually easy prey for J.P. Morgan.
It was interesting because J.P. Morgan and James Hill
would hang around with each other.
They didn't really like each other,
but they're kind of like frenemies.
They would do deals and stuff.
And so it's like financial success and financial,
like a fortress of cash and a profitable company,
which James J. Hill had,
was like kryptonite to J.P. Morgan.
Cause J.P. Morgan would,
he would take over these crappy run companies.
These over leveraged companies,
these people with, you know,
C and B player entrepreneurs.
And he did this so often, made so much money
that they didn't call it reorganization of the railroads.
They called it more organization.
So moving back to this story,
he's doing, he's got about 12 years of just experience.
He's got like this middling success.
He's not really figuring things out,
though he does have this good network.
He knows the buildings and knows a lot of people,
but he's not making a ton of money.
And so essentially like where we're coming in this book
is like he is 33 and frustratingly unsuccessful.
Says the many dozens of business project schemes
and coups with which I struggled,
although they ate up time and energy
did not seem to be getting me anywhere.
And by 1938, I felt listen to this.
I think every entrepreneur has felt this before.
I felt that all I was doing was scrambling up straight walls.
Imagine if he would have quit here.
And so he does a good deal with this other,
there's a private partnership called web and nap.
And he winds up, we'll get into he,
I think he fills up one of their buildings.

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And so he says, when the reputable,
but if not very profitable firm of web and nap
offered me a partnership, I accept it.
So web and nap is the company, it's private.
Eventually he's going to take it over.
He's going to buy out his partners for I think \$5 million
we'll get there later in the book, takes it public.
That is the vehicle that he uses and it builds up
and dominates for in the 40s and all the way to early 1960s.
But this idea, and again,
I think learning from history is a form of leverage, right?
Because at 33, he is frustratingly unsuccessful,
middling success.
Think about a 30 year old Sam Zell
picking up this book,
learning from using the life experience
of Zekendorf as leverage.
Zell was already at 30,
further ahead than Zekendorf was at 33.
Obviously never went down the same path.
Like his whole company for almost \$40 billion,
one of the most successful entrepreneurs ever live.
But I love this idea.
Like, you know, seeing Sam Zell is 81 when I met him.
And that's what he looks like.
Like you, like that's a, an older wise man, right?
But that's not the Sam Zell that picked up this book.
That always blows my mind when I,
people probably think I'm some kind of weirdo.
Like I go back and stare at like pictures
of what they look like when they were young,
when they were the one,
the version of themselves that built the success
that the older versions of them get to enjoy.
That's what you and I are doing right now.
I just love that idea.
I can never, I never stop, I never stop thinking about it.
So really when you think about Zekendorf,
he's a master salesman.
This is what he was doing and how he came into Web and Nap.
In 1937, I had been the broker
in the sale of an office building to Web and Nap.
The next year when several major tenants moved out,
the building began to lose money.

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Web and Nap asked me to bring in some new tenants.
I was able to repopulate the empty floors rather quickly.
Sounds like what he was doing for his uncle,
you know, 15 years earlier.
They invited me to join the firm and I accepted.
What, this is why I'm reading this section too.
What I brought with me to the company
were 13 journeyman years of experience
in the buying, selling, financing
and renting of New York real estate.
I was familiar with almost every block of property in town.
I also brought energy and personal drive.
If some of my partners were rich, I was ambitious.
I became the chief enthusiast
and he takes his enthusiasm to the club.
I'm just gonna read this to you
because I just thought it was so funny.
We had a part ownership of a nightclub.
It turned out to be great fun.
I had my own corner table with a phone
and for five years I did as much business there
as for my Madison's Avenue office.
I just love the fact.
This guy's in his 30s in Manhattan
doing business out of a nightclub every night.
It's just hilarious.
And so this is the part of his life that's really important.
If we were watching the movie, you'd pause right here.
You're like, oh, he's starting to figure out.
He's starting to figure out how to create value
but he's still low on money.
But as long as he's focused on creating value,
he'll get the money.
And so at this point in the story,
it's also obvious why this guy went bankrupt.
So it says we start drawing on our own modest capital,
West and NAP, does not have a lot of money.
We began to do a bit of buying and selling
of other people's properties
where Web and NAP did not have the financial weight
to swing a deal alone.
So they don't have their own money.
So what do they do?
They syndicate.

And so this is also something that Zackendorf was really good at.
He built a bunch of relationships.
And so he plays, I think he says at one time in the book, he played like, instead of musical chairs, he played like musical banks.
So he would take money from all different kinds of banks, insurance companies, wealthy families, also would syndicate with people wanting to put money into real estate all over the country.
And so this was the first mention of that.
He syndicated our projects with other investors, but my personal financial situation was unchanged.
The check for my son's first term at school was a return with the notation insufficient funds.
And my tailor was waiting payment for my last two suits.
And so this middling success may have never changed if he didn't get his first big break.
This is where he's going to work for the descendants of John Jacob Astor.
That is the first multimillionaire in the United States.
When Astor dies in 1848, he was actually the richest man in America.
Now check this out.
So he dies in 1848.
He'd made money in like fur trapping and then took that money and started buying a bunch of real estate in New York.
So he dies 1848, almost a hundred years later by 1942, his family, his descendants own \$50 million of New York real estate free and clear, no debt.
So a hundred years later, and that's 50 million in 1942 money.
Imagine what that real estate would be worth today.
And so second door and his firm are the ones that are actually going to organize, reorganize all their properties, they're going to sell off some.
And this is where he's learning the value of brands.
A great brand is like magic.
That applies to a family name just as it does to a company name.
And so it says, once they get the deal, it says on June 1942,

we were engaged as exclusive consultants
for the reorganization of the Astor's holdings.
The next morning in New York times
printed on the front page the story.
The front page coverage made us overnight
the most important real estate firm in America.
First he goes into like the non-rational aspects
of real estate and brands in general.
I soon learned that there was an invisible
but tangible aura about the Astor properties
that made them attractive.
Remember this part for the very, very end
because he experiences the reverse.
So the Astor's are like unbelievably valuable,
has a great brand name, eventually web and nap.
The brand name gets so bad,
people just essentially waited for him to starve.
It'll make more sense when we get there.
But it's the reverse of what's happening
early in his career.
So he says they had an aura
that the Astor properties made them attractive.
If the great Astor estate had owned them,
they must have extra virtues
because old Astor had been so shrewd.
And so he goes to sell off some of these properties.
But this is what I meant about,
he's really good at reacting to changes on the board.
What does that mean?
This is post Hitler controlled Europe,
a number of refugees who had come to Hitler,
or come to the United States from Hitler controlled Europe.
These new buyers were far less interested
in the total price of a property
than what the actual down payment would be.
A low down payment gave them maximum leverage
for the inflationary rise in values
that they were anticipating.
So what did he do?
Changed, he's increased the prices, right?
Got more for the actual price,
but lower the down payment.
I sold for very low cash down payments, but steep prices.
On a sales price of say a million dollars for a property

that would have sold on the cash market for \$400,000.
So this might go for \$400,000 if you had all cash.
He's gonna charge you a million
because you don't have all cash,
but you only have to pay \$50,000 or less
as a down payment.
Then he didn't stop there.
Then I would take the mortgage,
I would then turn to the mortgage companies
and sell off my paper.
When they asked what we wanted from them in cash,
I would suggest \$660,000.
I would immediately follow this with the announcement
that Aster would accept a second mortgage
for the remaining \$284,000 of the million dollar price.
I hate using numbers and audio,
but I think if I read through this,
you'll understand what he's doing here.
The fact that Aster would take a subordinate mortgage
served as a psychological guarantee
making the mortgage buyers courageous enough
to take our paper.
Having then converted our paper mortgage into cash,
we then went forth and bought more blue chip properties
at cash discounts.
And then we repeated this process.
If you read the book, we are on page 48 and 49
when they go into great detail
about the numbers and what he is doing here.
So that was his first good idea.
His second good idea was the fact
that he refused a flat fee.
He wanted to bet on himself.
When we made our initial proposal regarding
the management of the Aster estate,
I had refused a flat fee.
I explained that when we delivered that he,
which is the guy, what is his name?
His name, this is, there's so many Asters.
This is Vincent Aster that he's dealing with.
That Vincent Aster could pay us what we were worth.
If we didn't deliver, he didn't have to pay us anything.
At the end of the first year,
ooh, he said he enormously,

he tripled, essentially tripled the earnings from Aster's assets.
So it says at the end of the first year, he kept asking us to present him with a bill. And I finally did so for the amount of \$350,000. When I presented my bill, Aster said, pay him and send him a bunch of flowers for me. And then this is the third and maybe most important good idea that happens in this section and why I have so many highlights on just two pages. Because he realizes, so what you'll realize, like he's an outsider, right, did not grow up wealthy dealing with one of the most wealthiest families in the planet. And then he's like, wait a minute, I can play with these guys. When I got to this section, I thought of this quote of Larry Bird that actually made a video of him play on loop, kind of crazy, but it's like a 20 second clip of Larry Bird that I play for like two or three minutes straight because I like what he says. And I'll tell you what I brought up in the past, but let me tell you what he says. So he says, my relationship with Aster gave me my first close look at in contact with the world, which because of its wealth and exclusiveness, fascinated and attracted me. However, this world was not always, did not always capture my respect. I found Vincent Aster quite amiable, sometimes humorous, but not very bright. If he had not inherited his great fortune, he probably could not have done much on his own. He lived in a very narrow, self-satisfied, but not particularly brilliant circle. And so there's a great line I thought of when I got to that, people muddy the waters to make them seem deep. When you're on the outside, it always looks more difficult. And so Larry Bird was reflecting back, he went to like this tiny little school for college, goes into the NBA and everybody's telling him like, oh, you're not, this is a different level,

you can't hang with these guys.
And second Dorf's like going,
almost like going from amateur level to the pros.
And he gets on the pros like, wait,
I can actually hang with these guys.
And so Larry Bird says,
oh, they said you never played against a UCLA
or a Notre Dame or an IU.
They said he won't be able to get his jump shot off
in the pros, he won't be quick enough.
He won't be able to rebound.
And he says, it took me three days after rookie camp.
I found out, hey, this league is nothing.
I can play in this league and I will dominate in this league.
And so with second Dorf is realizing in real estate
in the 1940s, Larry Bird is realizing in basketball
in the late 1970s, early 1980s.
I thought this was actually an interesting idea he had
on the dangers of over negotiating.
And so sometimes he would just call,
if he knew what he was going to wanted the property for,
if he could, if they said, let's say he wants to pay,
you know, \$750,000 for property.
And they say, also T for 750.
He's like, okay, I'll just take it.
He did not, he thought you were doing yourself a disservice.
Like just, you know what the value is,
you know what you'd pay.
And if they say that, don't try to keep negotiating down.
I don't try, I didn't try to bargain, I hate to bargain.
In my judgment, a property is if,
if in my judgment a property is worth the asking price,
I see no reason to try for less.
A lot of shrew dealers think this is foolish,
but I noticed that others tend to lose more business
and to poison relationships by trying to refine
an already good bargain beyond a reasonable point.
There is a much better flavor left in everybody's mouth
when such haggling is avoided.
I wanted the property, their pricing reasonable to me
and so we were in business.
And so then he's got an entire chapter
on what was his most important deal he ever did.
This is this thing called, he was going to call X city,

winds up becoming the location
of where the United Nations is in Manhattan.
And this is a wild thing.
This is why I love reading history,
because you know, obviously New York city
is one of my favorite places to visit.
And just this idea where,
if you were living there in the 1940s,
like you could go to like,
say you want to go see a show, you go to theater,
you come outside and there'd be like a truck hauling cattle
because theater district is right next to all the slaughter
houses and the smell as you could imagine, it's not good.
And so he has this deal.
And as he's putting together this deal,
which is going to go on multiple pages,
I really think I went back through all the highlights
and this can happen over like six or seven pages.
And I was like, you know what,
this is really how Zachendorf's mind worked.
And this is where I think he had his most talent.
Like the stuff that this guy had in his mind,
and you could argue maybe he didn't have it,
you know, full grasp on his mind,
considering like his business got so complicated,
got away from him.
But he was just able to hold all these different ideas.
And he went to buying like 75,
it's something like, I want to say 75 different properties.
And just the way he did it.
So let's just jump into it.
The slaughter houses had been there for so long
that they seemed untouchable.
And so they're owned by this company called Swift and Wilson.
Since the Swift and Wilson meat packing companies
who own the slaughterhouses held an irrevocable
and profitable franchise to operate in Manhattan,
there seemed little hope of ever getting them out.
So it was unpleasant for the people that are visiting there.
He's like, hey, can we do something with this?
So he winds up meeting a real estate broker who says,
hey, I'm actually married into the Swift and Wilson family.
And if you can get a buyer at \$17 per square foot,
we're willing to sell.

So it says Dunbar, that's who he's dealing with,
Dunbar had approached us first.
This is really, really important.
This is something that pops up over and over again.
You got to figure out how,
if your business is getting a look at the best deals first,
whether you're buying companies,
making investments in early startups,
whatever it is that you're doing,
you got to figure out how to get the best,
you see the best deals first.
This is something that like obviously,
Charlie Munger and Warren Buffett have mastered.
Sam Zell, when we had lunch,
he was talking about the fact that he was invited
into certain deals because of how well known
he was in Chicago in the 1980s,
which was a fascinating story.
And the same thing is happening to Zekendorf here
because this previous association with the Astors,
people were like, oh, the Astors think
that Web and NAP and Zekendorf is the guy.
So essentially they outsource their decision-making
to other people, I guess is the main point here.
Dunbar had approached us first.
Thanks to Web and NAP's growing reputation,
we were getting more and more such first offers.
And so then we get into how his mind works.
I thought to myself that at \$17 per square foot,
the property would cost \$6.5 million.
But with the slaughterhouse has gone,
I was sure the price could jump to 50, 75,
or maybe even as high as \$100 per square foot.
So he's paying 17, which is expensive now,
but he's like, okay, that's expensive for what it is now,
but not what we can turn it into.
That's why he always refers to himself as an entrepreneur,
finding ways to increase the value of what he's working on.
Then there were the value to press properties
around the slaughterhouses, right?
You're not gonna have many people that want
to deal with the smells and all the stuff
that comes with that, which would also rise in value
from a \$2 and \$5 per square foot base.

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So I said, he's telling Dunbar,
let's keep this off the market for a while.
And this is the deal he puts up.
He never has any money.
Just never, like this never,
what he's about to do here, he does over and over again.
We would put up a million dollars
for a one year option against the total \$6.5 million price.
So he's putting up a million, they want \$6.5 million,
he's like, I'll give you a million.
At the end of the year, we have to pay
the remaining \$5.5 million.
Doesn't have that money.
In the meantime, the packing companies
would quietly make arrangements to relocate
and the arrangement between us would be kept secret.
So not to precipitate a price rise land rush in the area,
which is what he's gonna go do.
Then he's gonna go around and buy all these other properties.
The next problem was where to find \$1 million in cash.
So not only does he not have the \$6.5 million,
he does not have the \$1 million,
much less the other \$5.5 that he's gonna come up with
in 12 months from now.
He gets the \$1 million because he says,
I solved that \$1 million problem by forming a syndicate.
Remember we mentioned this earlier consisting of ourselves,
the Chicago financier and two New York real estate speculators.
Now that we have the slaughterhouse option in hand,
we need as much of the other land
surrounding them as possible.
And so that's why he hires these three
or four different properties, brokers,
and say buy this up on the low.
We don't want people to find out what we're doing.
They'll jump in advance of us.
We picked up about 75 properties,
an average of \$9 per square foot.
Remember he thinks, hey, this might be worth 50,
\$75, \$100 square foot.
These individual purchases were financed
by local banks and insurance companies.
So he's doing all this, he's calling it X-City,
but he doesn't actually know what it's gonna be.

So the next thing we determined was,
what should we do with the parcel of the land
that we assembled?
And this is where the randomness of life comes in.
Suddenly a new, totally unexpected possibility developed.
In 1946, the United Nations had been plagued
and perplexed by the problems of finding a permanent home.
And suddenly it clicks with Zekendorf.
He's like, oh, it occurred to me
that we actually have the ideal site for the UN.
And so Zekendorf is plugged in with not only
the business community, but also the politicians.
This is hilarious, this is what I wrote.
Doing big deals while I drunk.
He's at this party, he's drunk on a ton of champagne
and the guy that's negotiating
for the United Nations is there too.
So they wind up hammering out this deal.
And he's like, listen, I paid six and a half million
for the solder houses, what would you offer for them?
And the guy's like, would you sell for eight and a half
million?
And he's like, yeah, deal.
And then he goes, I had a lot of champagne by that time.
So he wakes up the next day not realizing,
he's like, did that really happen?
Which is hilarious.
And he gets a call and he says, yeah,
they're going to give you that \$8.5 million to the UN
and they're going to take your property.
And then he says, the property was being purchased,
exclamation point, I couldn't believe it.
And then he leaves the office and he goes,
I carried my hangover home.
And so I think it's obvious by now,
this guy's default aggressive.
He's full, like he's got one speed and he's always on.
His partners get really uncomfortable with this.
His partners actually at web and app, they want to break up.
And so this is where he's going to buy them out,
which is fascinating is the way he frames this.
Because the chapter that where this is going on,
it's called end of an error, start of a rain.
And so they first suggestion, like we should just,

you know, liquidate the business,
we'll sell off all their assets
and then we'll divvy up the cash.
And so he says, at first I was upset
by my partner's decision to liquidate.
This is going to remind you
and I have one of our favorite aphorisms,
problems or just opportunities in work clothes.
At first I was upset by my partner's decision to liquidate.
My partners felt that web and app should assume
a more conservative and more comfortable role.
I, on the other hand, was bent on a new program
of speculative growth.
I began to see in their departure
not so much potential trouble as a fantastic opportunity.
I bought my partners out for over \$5 million.
And so to get that 5 million,
he doesn't have the 5 million as we already know right now.
So he's got to go deep in debt.
And he says, I was a sole owner of the company.
I was also deeply in debt,
but never except for rare moments
have I ever had my head very far above the financial water
and never have I let this trouble me.
And I mean, it's interesting like he says that
because, you know, obviously
that that kind of thinking is going to lead
to bankruptcy eventually, I was still dissatisfied.
I wanted to do more.
So he's like, okay, well, how am I going to pay back?
I want to not only pay off this \$5 million,
but I want to expand.
So he does this reverse merger with another holding company.
And that's how he gets web and app to be public.
He says, I now had a publicly listed company.
I now had a vehicle for my ambition
and started on phase two of my career.
And when he says phase two, he means that.
I've read a ton of books.
This is the first time ever.
So once he's a public company,
he starts the book again with a prologue.
So there's three, there's three parts to this book.
Every single time there's a prologue where it's like,

okay, this is a line of demarcation.
Like this is a change in my life.
I don't think I've ever seen this before.
And so he starts off telling us
what part two is going to be about.
This is actually a great metaphor
where he's about to say here.
And I think it works with relationships
and it works with biographies too.
So he says, just as a man living in a mountain valley
sees and is closely aware of only a few
of the nearest great peaks above him.
So it too is it with a man comfortably settled
at some modest elevation in our own society.
If he begins to climb, he is describing himself.
If he begins to climb, however,
he will soon notice from his new perspective
that there are actually a great many peaks
on all sides around him.
This is really, really important.
What is more, once he has reached a high enough altitude,
he will discover something else.
He will see that many of the greatest peaks
are interconnected by high ridges or narrow plateaus.
At this new level, they are readily accessible
each one to the other.
This is about relationships at the top.
Part two of this book is an account
of my travels and dealings among some of the denizens
inhabiting the elevations and peaks of American society.
Why is that important?
Because these people have resources and power
and they make things go so much faster.
The importance to me of being on the heights was
that in an hour, I could achieve what previously
would have taken a year or more of effort to perform.
And so one example of that is when he's trying to figure out
to close the deal with the UN.
It helps if you can call the mayor of New York.
And then he gives advice on how to actually attain
and to scale up to these peaks.
One way to succeed is by aiding
and supporting the position of others.
Through newer and genius ideas or projects,

this usefulness to others is in large part
the reason for my own success.
To me, the best path to wealth is what Henry Ford said,
money comes naturally as a result of service.
The focus should be on making the lives
of other people better and then you'll be able
to capture some of that value.
Money comes naturally as a result of service.
And so let's go back to this idea
that to read this autobiography is to have this one-sided
10 or 15 hour conversation with Zekendorf.
And what Zekendorf does wonderfully,
he doesn't hide who he is.
He knows he's unapologetically extreme
and he just has to follow his natural drift.
So he's 50 years old and he says something like,
you know, we're about 10 years from him going broke
or bankrupt rather.
And he's like, listen, I could have settled back
as a multimillionaire and a property holder.
That's it, I'm made in line from rich,
owns the properties, just chill out.
But with all, with so many useful things
waiting to be done, I know more new how to settle down
to mere money counting than a bee and a clover
who knows how to doze in the sun.
I lived and loved a hyperactive 16 hour day.
And it is this point when he is 50
that he comes up with his greatest idea.
This is known as the Hawaiian technique.
There is a ton of detail,
because it's gonna go over,
if you buy the book in the index,
just go to Hawaiian technique
and you can actually, you can actually like go right to this.
I mean, I've read the whole book,
but I think buying the book and just reading
the like six or seven pages, whatever this is,
on the Hawaiian technique or so important,
I actually found great summaries of it.
So first I wanna go to why I'm reading this book
and begin with, this is where,
before I met Sam Zell in person and at lunch,
I had read his autobiography, obviously,

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and I had bought the book.
And so obviously I had mentioned I had bought the book
and he's like, did you read it?
And he's like, that's like, no, he's like, read it.
And so that's how we arrived at where we are right now, right?
And so I wanna read to you
from Sam Zell's wonderful autobiography,
which if you're listening to this,
I assume you already read
or at least listened to the podcast I did on.
It's episode 269 if you haven't,
but I'd buy the book too, cause it's absolutely excellent.
And so this is what he's saying.
He's gonna describe, he doesn't call it the Hawaiian technique,
but this is what he's talking about.
And so this is what Sam Zell says.
And remember, this is around 1971.
So Sam would have been around 30 years old.
Around the same time, I had read the book,
Zekendorf, the autobiography of the man
who played a real life game of monopoly
and won the largest real estate empire in history.
They reinforced the approach of viewing the whole
through its individual pieces.
But for a different purpose,
Zekendorf was perhaps one of the greatest real estate developers
of the modern era.
Zekendorf's autobiography was packed with colorful stories.
But what fascinated me most was his strategy.
Zekendorf viewed assets as a sum of parts.
So he could increase the value of the whole.
Various parts were more valuable to different buyers.
So Zekendorf could maximize the value of his holding overall
in effect, making one plus one equal three.
For example, One Park Avenue in Manhattan,
which the marketplace had valued at \$10 million,
was ultimately worth 15 million in Zekendorf's hands.
He calculated everything separately.
The building's title, the land, the leases,
the individual mortgages.
I thought this was brilliant.
I adopted the approach both inside and later
outside of the real estate industry.
And so at the time I was rereading my highlights

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from Sam Zell's autobiography,
I had somebody by the name of Daniel K. Ludwig
on Twitter send me a message.
Now this is hilarious, because if you ask like
the random entrepreneur on the street
that doesn't listen to the founders podcast,
they're not going to know who the hell Daniel K. Ludwig is,
even though he was at one time the richest man in the world.
You and I know him by the term the invisible billionaire.
It was episode 292 and episode 68.
And so this anonymous account on Twitter
named Daniel K. Ludwig sent me this message.
It was interesting.
Both Zekendorf and Ludwig are my heroes,
but Zekendorf went bankrupt in the end,
being over leveraged,
whereas Ludwig's foundation and operations are still running.
And so he had sent me a summary of the Hawaiian technique.
And so there's three paragraphs on this
to add to what Sam Zell just told us.
In fact, some of Zekendorf's financial maneuvers
anticipate some of the highly aggressive financing
in the recent real estate market.
For example, there was his Hawaiian technique,
which he claimed in his autobiography
to have discovered while fishing on a Hawaiian beach.
The theory had to do with breaking up a property
into various components,
which is what Sam Zell just told us, right?
It's ground leasehold, it's fee position,
it's operating leasehold in a residual position,
and seeking out various investors for each.
Zekendorf thought about the idea of diversifying investors,
finding investors who are not just bankers
or insurance companies,
but actually going out to the public
to find local investment.
And this is how Zekendorf wraps up
the section on the Hawaiian technique.
The Hawaiian technique was so flexible
that it became a very powerful tool.
The Hawaiian technique became the principal tool
of the web and app expansion.
And so then I have to tell you

about this absolutely bizarre encounter with Howard Hughes.
There's a bunch of people in the book
that I've done podcasts on
that are these eventual historical figures
that are still alive.

Howard Hughes is the first one,
and this is the longest section
because he's just such a bizarre person.
And I thought this story was hilarious.
Howard Hughes is an industrial genius
and paradoxical man and has been phenomenally successful.

He has produced some disastrously costly movies.
He's also known as a famous Hollywood Don Juan
who collected and discarded beautiful women
the way boys collect and discard model airplanes.
For the past 20 years,
he has also managed to live as a traveling recluse.
He deals with his various company managers
only intermittently through obscure intermediaries,
midnight phone calls,
or summonses to secret out of the way meeting places.

He, Zekendorf, is going to be summoned by Howard Hughes.
This is the most bizarre story in the entire book.
And so through one of Hughes's friend,
and you can use that word loosely,
this guy named Spiros.

Spiros is like as much of a friend
to Howard Hughes as Howard Hughes could have, right?
Howard's like thinking of,
okay, what's the price?

Can I sell off everything I have?
And Zekendorf's really interested in that.
He teams up with some of the Rockefeller families.
And so they're like, okay,
there's like this super secret way you have to meet Hughes.
And so we're going to pick that story up here.
Rockefeller and I flew out to Los Angeles
and we met Spiros.

We lunched at the Beverly Hills Hotel.
We found ourselves programmed into a script
that only members of various underground organizations
like the CIA could take seriously.
At precisely 130, Spiros was to get up
and take a taxi cab to a predetermined place

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where he would be met and then taken to the rendezvous.
At 150, Rockefeller and I were to go to a certain intersection
where a man wearing a red shirt would contact us
and drive us to the rendezvous.
The meeting was then to be attended
by Spiros, Rockefeller and me.
So they get in the car.
After a time, we found ourselves in a seedy section of town.
We soon stopped in front of a flop house.
The building was now being patrolled
by four or five young neatly dressed men with crew cuts.
These were Howard Hughes's Mormon entourage.
They escorted everybody into the building.
They go to the top floor.
Our escort wrapped on the door
with a distinct pattern of knocks.
The door opened and there stood Howard Hughes.
He had a three day growth of a beard,
wore a V-neck shirt, soiled trousers and dirty tennis shoes.
It only gets weirder in conversation.
They started talking.
He says, in the most casual way, he asked,
so what do you fellows want?
Since it was Hughes who approached us through Spiros
and since polite indirection had done nothing
for me in previous meetings, I decided to be blunt.
Howard, you know damn well what we want.
We didn't come 3,000 miles to admire your old trousers
or because we liked this part of town.
We came here to buy.
I was told that you were ready to sell.
And so this goes on for a while.
The second door tries to close them.
He's like, listen, I have in my hand a cashier's check.
Then this is the interesting part.
He tries to hand him the letter of guarantee
and a cashier's check and then he freaks out.
He's like, don't ask me to touch it.
And so he's like afraid of bacteria.
And then they go back and forth for a while
and then Hughes says, I will not take this.
Why not?
It's not enough.
What is enough?

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I won't tell you.
Do you want to sell under certain circumstances?
What circumstances?
If the price is right, what is the price?
What is the price that you might offer me?
If it is enough, I will sell.
Then the second door asks, are we \$50 million apart?
Hughes said, no.
Do you mean it's less?
He said, no, I mean more.
For a man who supposedly wanted to get down
to serious business, Hughes was acting
like an original coy mistress, but I kept trying.
Are we \$100 million off?
Are you offering it?
No, I'm asking you.
He said, I told you, I won't tell you.
All right, I'll find out.
I'm offering you \$450 million.
Will you take it?
No.
Howard, what do you want?
I won't tell you.
Howard, take it or leave it, \$500 million.
He said, I'll leave it.
And then it gets even weirder.
Hughes says, I'll tell you what we'll do.
I don't want to talk anymore today.
We'll all go down to Las Vegas and we'll talk down there.
And so this is the plan Hughes comes up with.
And then as if we were 10-year-old members
of some secret membership club, four grown men
who among them commanded or could influence
a significant share of American wealth
sat there as Hughes programmed a properly secret rendezvous.
And this is what he wanted them to do.
We were to meet Hughes at midnight
at a semi-abandoned airport
on the outskirts of Los Angeles.
He would fly us to Las Vegas,
but what would arrange that we would be driven
to town in separate cars.
Once in Las Vegas, we must go directly to our rooms
under no circumstances where we were to leave them

during daylight when we might be seen and start rumors.
And what's even weirder is they all flew on the same plane
as if they couldn't talk on the flight
and said how to do this like weird rendezvous.
So as you could imagine, this deal never
wind up working out.
And this went on for page after page after page
of just bizarre interactions with Howard Hughes.
So then there's this interaction
with a New York family called the Reeds.
They own at the time, a New York competitor
to the New York Times.
It's called the New York Herald Tribune.
And what Zekendorf realizes here is this play
that Joseph P. Kennedy is trying to do against the Reeds.
So JFK's dad, the one that made the Kennedy family rich.
I read a biography of Joseph P. Kennedy years ago.
I think it's episode four of Founders.
And it's like 700 or 600 page book called The Page Shark.
The book is actually incredible.
But this section made me think of one of my favorite scenes
from Game of Thrones.
I just rewatched over the last few months
the entire series of Game of Thrones
and would take notes on lines or insights to human nature
that appeared.
And so there's something in this,
in the last season of Game of Thrones,
I've mentioned it before on the podcast.
I just want to bring into your attention again,
because it's something I also see
in the history of entrepreneurship.
And it's this cutthroat,
which is this guy that came from the outside,
the outskirts, and his name is Bronn in the series.
And through the series,
we see him constantly climb his way up.
And so at the very last season,
he was hired by Cersei Lannister to kill her brothers,
Jaime and Tyrion Lannister.
He goes, the cutthroat Bronn goes and says,
hey, your sister wants you dead.
You told me a long time ago,
if anybody ever hired me to kill you,

that you'd always pay me more.
I want you to give me, if you guys win this war,
I want you to give me this castle in this land
called Highgarden.
And so there's a discussion where Jaime says back to him,
Highgarden will never belong to a cutthroat.
So that starts what is one of the most important,
you know, sayings or paragraphs in the entire series.
And Bronn is really talking about like how wealth is built.
And he says, no, he says,
Highgarden will never belong to a cutthroat.
No, who were your ancestors?
The ones who made your family rich.
Fancy lads and silk, they were cutthroats.
That's how all the great houses started.
And so we know about JFK, RFK, the Kennedy family dynasty
and everything that happened after it.
But Joseph P. Kennedy was a cutthroat, as we'll see here.
The reeds were then the owners of the New York Herald Tribune.
Early in the fall of 1956,
I received a call from Mrs. Helen Reed.
Bill, I need your advice.
Would you recommend that I sell my plants,
where her newspaper is, for \$1.75 million
and then lease it back?
I said that depends on the terms of the lease
and how badly you need the money.
So the reeds are in a, they were at one point affluent.
They're in a bad financial spot.
The interest would be 8%, she said.
Since at that time, money was averaging
between four and 5%, I told her,
it was a low price for the property
and a very high rate of interest.
So he sees, okay, that's a weird deal.
Why would somebody be offering this?
You know, she built a newspaper.
She's probably not like some kind of financial genius.
And so Zekendorf's gift is being able to read
between the lines.
Okay, well, that's a very low price for your property
and a very high rate of interest.
So then I asked her, who are you selling to?
I don't know who I'm selling to.

And then he says, who's the real estate broker?
It's John J. Reynolds.
He knows that John J. Reynolds is the real estate broker
that Joseph P. Kennedy uses.
He also knows because he knows everybody
in the important figures in American business
at this time in history, right?
In that case, Helen,
I'm going to ask you a very simple question.
Would you sell your newspaper to Joseph P. Kennedy
for \$1.75 million?
What do you mean, she said?
I said, he's your customer.
And this is the cutthroat part of it, right?
He is giving you just a little less money than you need
to force you to go broke.
He has set the interest rate just a little too high
to make sure that you do.
Not only will he have your plant,
but he will also have your paper
all through a very low-cost real estate purchase.
She says, do you really think that?
He says, I don't think it, I know it.
How do you know that, she asks?
Because that's the way Kennedy does business.
And so that insight by this fictional character,
Braun in Game of Thrones is something I see over and over
again, who were your ancestors,
the one that made your family rich?
Fancy lads in silk?
No, they were cutthroats.
That's how all the great houses started.
What's so fascinating to me is this book
is almost 300 pages.
And yet the entire downfall,
because I think it is so painful,
and I think that's exactly what he says,
he says that the downfall could be an entire another book,
it's only like the last like 10 pages.
And so this is where it's like,
these are all notes to myself.
It's like, David, do this, that's a good idea,
or David, avoid this.
And you just see the same thing happen over and over again.

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I'm gonna go through a couple of the reasons,
and it just starts to unravel.
Like his business got way too complex,
but a couple of weeks ago,
I read the autobiography of David Packard.
And you know, back in the 1950s,
he said something like,
more businesses die from indigestion than starvation.
And it's amazing how many times that is proven to be true.
Zach Endorff's business went bankrupt,
not from starvation.
It went bankrupt by indigestion.
By now, it was 1960 and WebNap had spread thin
over a variety of projects,
all of which were crying out for cash.
Part of the problem may have been
that we were already doing so much in so many other places.
That is another sentence on another page.
He just said, listen, by 1960, we're super spread thin.
We got a ton of projects.
Most of them are draining our bank account.
They all need cash.
So then he says, well, part of the problem is that
I'm doing too much in too many other places.
The distracted do not beat the focused, right?
What does Steve Jobs tell us?
Focus is saying no.
Unfortunately, Zach Endorff saw every deal,
and he just took it.
And when I'm thinking about this,
I'm also thinking about the difference between like avoiding,
like who are the people that successfully avoided
Zach Endorff's fate?
Obviously, I've been eyeball deep and monger and buffet lately.
And I just remember what they say is like,
you always have a fortress of cash.
So then we go back into this idea of like,
more businesses die from indigestion and starvation.
Like Bud's on a prize or rose bush,
all these and dozens of other projects
had not fully profitably blossomed as of yet.
So what does he mean?
He's got dozens, dozens of projects with money tied up,
debt on those things, and they're losing money

every month, every year.
And it's just draining, draining, draining.
So then what I have to do, I go out and borrow more money,
then can't pay some of the creditors
and this house of cards, unfortunately, is gonna fall.
And he says, we borrowed more and more and more.
We took first, second, and third mortgages
and any other kind of debt possible.
That is a crazy sentence.
Then he gets into bad deals.
He winds up backing this thing called freedom land.
And part of the problem with freedom land is one,
this guy's no Walt Disney, as we're about to see,
but you're also jumping on a trend.
So what do I mean there?
The idea of freedom land was a,
as a fallout from the explosive success
of Walt Disney's fabulous Disneyland.
So it says C.V. Wood had worked with Disney on Disneyland,
but he had convinced himself and a number of other people,
including Zachendorf, that Disneyland's success
was really a matter of woods,
rather than Disney's idea and management.
And the difference between Disneyland,
which is fabulously successful
and a product of Walt Disney, right?
And freedom land, the product of C.V. Wood, is as follows.
Year after year till it closed,
it siphoned away web and NAPS funds and credit
for a total drain of \$20 million.
And this is a series of events
that lead to the beginning of the book,
where he actually goes bankrupt.
I have not the space in this book,
nor the heart at this time to go into a detailed description
of the last days and final foundering of web and NAP.
I was and still am too close, too intensely,
and emotionally involved in those events.
It is a tale of minor ventures devised to stave off disaster
while we prayed to put together one or more major projects
that could finally begin to pull the company back together.
Exactly when we moved from a hopeful position
into a desperate one, I cannot say.
If any alarm bells rang, I did not hear them.

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When I got to that section in the back of my mind, there's two quotes that we've learned on the podcast recently. Wisdom is prevention, Charlie Munger. The wise people don't solve problems. They avoid them. Wisdom is prevention. And then on episode 275, Paul Graham, be hard to kill. Unfortunately, his second door was not able to prevent this and he was easy to kill as we're about to see here. An unexpected combination of trends and events coupled with our own actions caused us to founder. We had losses rather than income on our books during these stretched out periods. Instead of producing income, we were burning away our financial resources instead. Our hotels drained away cash we didn't actually have. Freedom land was running in losses. Roosevelt Field was not making any money. We held numerous other properties. These later were sold off as best as we could, but now is running into an ironic, this is what I mentioned earlier, an ironic reverse of what went on during the first years of my career. In the 1940s, when we were handling the historic state, the very fact that we owned a property, that we owned that property, gave it a certain name and glamour which appreciated its market value. But in the 1960s, so this is a good, the difference between a great brand name and what's happening is his brand name is soiled. It means it's singling to the market something else, right? The very fact that we owned a property gave it a certain name and glamour which appreciated its market value. But in the 1960s, that a beleaguered web and nap owned a property was a signal to some potential buyers to hold back our bid low in the expectation that in our eagerness for cash, the opposite of having a fortress of cash which Munger and Buffett and Zell have, right? In our eagerness for cash, we would hold a fire sale. The sharks sensing the distress of our situation

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kept circling.

The fall of web and nap when it came
was an upsetting ego devastating event,

but in a way it was also a relief.

I was like a man led out of jail.

The ordeal was over.

The increasing pressure of the three years was finally off.

I had no intention of bemoaning the past.

My son Ronnie and I and a handful of old employees
set up a new company called General Property Corporation
and went into business.

Within a year, we were making money.

The second doors were alive and well
and very much in the real estate.

We were severely limited in capital,
but we had brains, experience and contacts.

In good time, I have come to realize

that since the fall of web and nap,

I have been privileged to live and to savor
a second life and a second career.

How many other men get such an opportunity?

I do not know, but I am grateful for mine.

The job now is to select among the possible choices
and get to work.

I really like his perspective at the end of the book.

It reminded me of Mozart's personal motto
which was never despair.

That is where I'll leave it.

For the full story, I highly recommend
and Sam Zell recommends as well reading the book.

If you buy the book using the link

that's in the show notes in your podcast player,
you'll be supporting the podcast at the same time.

That is 298 books down 1,000 to go
and I'll talk to you again soon.