

Please note that this transcript is being made available for research purposes only and may not be reproduced or disseminated in any way. Should you determine you want to quote from the transcript, you must seek written permission from UCLA's Department of Special Collections:

UCLA Department of Special Collections
Box 951575
Los Angeles, California 90095-1575

ENTREPRENEURS OF THE WEST

Jules Berman

Interviewed by Thomas Johnson

Oral History and Archives Project
of the
Pew Scholars in the Biomedical Sciences

Completed under the auspices
of the
Oral History Program
University of California
Los Angeles
and
The Pew Charitable Trusts

Copyright © 1996
The Regents of the University of California

COPYRIGHT LAW

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be used for any purpose other than private study, scholarship, or research. If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement. This institution reserves the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of copyright law.

RESTRICTIONS ON THIS INTERVIEW

Access to this interview is restricted during interviewee's lifetime without his written permission.

LITERARY RIGHTS AND QUOTATION

This manuscript is hereby made available for research purposes only. All literary rights in the manuscript, including the right to publication, are reserved to the University Library of the University of California, Los Angeles. No part of the manuscript may be quoted for publication without the written permission of the University Librarian of the University of California, Los Angeles.

* * * * *

This interview was made possible by support from the Price Institute for Entrepreneurial Studies through the Center for Entrepreneurial Studies, John E. Anderson Graduate School of Management, UCLA.

Please note that this transcript is being made available for research purposes only and may not be reproduced or disseminated in any way. Should you determine you want to quote from the transcript, you must seek written permission from UCLA's Department of Special Collections:

UCLA Department of Special Collections
Box 951575
Los Angeles, California 90095-1575

CONTENTS

Biographical Summary.....x

Interview History.....xii

TAPE NUMBER: I, Side One (May 12, 1995).....1

Father's business selling horses in Ohio--Mother's father, Benjamin Nebel--Uncles Abraham, Louis, and Emanuel Nebel--Attends Staunton Military Academy in Virginia for two years--Barry M. Goldwater--First experience of entrepreneurship selling Christmas trees--Father founds Commonwealth Oil Company--Father's business practices--Berman's disappointment in his father's departure from the oil business.

TAPE NUMBER: II, Side One (May 12, 1995).....27

More on father's business practices--Adverse conditions under which father's oil business was sold--Attends Ohio State University--Move to California--After Prohibition opens the only liquor store in Beverly Hills, Llord's Liquor Store--Ways Berman generated a thriving business--Reasons Berman went into the business and reasons he didn't enjoy it--Sells liquor store to accept position with Schenley Industries' import division--Underselling the competition--Learning that success comes from hard work--Problem of employee theft in his liquor business.

TAPE NUMBER: III, Side One (May 18, 1995).....50

Religious roots and present lack of faith--Shakespeare class at Ohio State and appreciation for philosophy voiced by Polonius in *Hamlet*--Interest in pre-Columbian art--More on establishing the liquor store business in Beverly Hills--More on taking the job at Schenley--Business dealings with the Alfred Hart Company--Enlists in the navy after the bombing of Pearl Harbor--Delay in being called up--Being shipped out to the South Pacific by mistake.

TAPE NUMBER: III, Side Two (May 18, 1995).....76

Unloading ships--Berman convinces his superiors to allow him to become a navigator and pilot--Routing ships--Dealing with the native inhabitants of Espiritu Santo--Receives a commendation--Establishes a chart department--Malaria and reaction to medication interrupt Berman's service--Sent to a navy hospital in Yosemite National Park and is eventually released from the service--Meeting Ansel Adams and accompanying him on photo shoots--Friendship with Tom Kelly and lifelong pursuit of photography--Plans for publishing photographic work.

TAPE NUMBER: IV, Side One (May 18, 1995).....104

Satisfaction with accomplishments while in the navy--High rating on Berman's discharge--The confidence he gained from his navy experience--More on the native inhabitants of Espiritu Santo.

TAPE NUMBER: V, Side One (May 25, 1995).....115

Turns down job as official photographer for Yosemite and promotion at Schenley Industries--Dating singer Connie Haines in the 1940s--Meets future wife, Ruth Herskovits--Berman goes into business for himself--Distributing Heineken beer in the western United States--Buying Kahlua from Schenley--Persistence eventually gets his business off the ground--Catering to American snob appeal--Selling J.W. Dant whiskey for its owner, Armand Hammer--Hammer's business acumen--Selling Lancers rosé--Selling Cinzano vermouth.

TAPE NUMBER: V, Side Two (May 25, 1995).....141

Introducing J & B Scotch to California--Success with and eventual loss of J & B--Handling Guinness stout and Bass pale ale--Philosophy of paying all bills and never borrowing--Profit sharing with employees--Business association with Victor Bergeron of Trader Vic's restaurants--Bergeron's colorful personality--More on buying Kahlua from Schenley--Improving the quality of Kahlua's ingredients.

TAPE NUMBER: VI, Side One (June 1, 1995).....168

More on Berman's experience in the navy--Decisions made upon purchasing and expanding the Kahlua enterprise--Developing a variety of uses for Kahlua--Advertising Kahlua--Berman's pre-Columbian art collection--Cultural differences between Mexico and the United States--Hiring the best people as employees.

TAPE NUMBER: VI, Side Two (June 1, 1995).....193

Import duties on products exported from the United States to Mexico--Lack of advertising support after Kahlua was purchased by Hiram Walker-Gooderham and Worts in 1969--Manner in which Berman ran the Kahlua enterprise--Reasons for building bottling plants in the United States--Danish company, Cherry Heering, begins producing and bottling Kahlua in Europe--Berman ensures quality control by tasting a sample of every batch of Kahlua--Relationship with the Mexican government--Building "too good an organization"--More on advertising Kahlua--Competing against Tia Maria liqueur--Pricing and profit.

TAPE NUMBER: VII, Side One (June 1, 1995).....218

Sells Kahlua enterprise to Hiram Walker--Conditions of the sale--Present sales of Kahlua under the ownership of Allied Brewers--Allied introduces exclusive distributorship in each market.

TAPE NUMBER: VIII, Side One (June 8, 1995).....228

Developing real estate near the Salton Sea--Purchasing property at Lake Arrowhead--Reassuring Lake Arrowhead residents that the community's atmosphere would remain the same--Making decisions about how to develop the property and what rules to impose on residents--Renovation of Lake Arrowhead hotels and village--Lake Arrowhead Development Company's finances--Buying a house at Lake Arrowhead--Improvements in the handling of the lake's boats--Striking a deal with Standard Oil Company to supply gasoline for the boats.

TAPE NUMBER: VIII, Side Two (June 8, 1995).....251

Bringing a paddlewheeler to Lake Arrowhead--Berman's vision for Lake Arrowhead upon purchasing it--Promoting Lake Arrowhead as a year-round resort--Skiing and waterskiing at the lake--Private clubs at Lake Arrowhead--Buying Santa Anita Hospital--Fund-raising for the hospital--Preference for selling lots rather than homes--Employees of the Arrowhead Development Company--Sells Lake Arrowhead property to Boise Cascade Corporation--Wisdom of selling the cheaper lots before the more expensive lots--Contradictory accounting advice--Real estate prospects which appeal to Berman--Regret at having to sell Lake Arrowhead.

TAPE NUMBER: IX, Side One (June 8, 1995).....276

Dean Ernest C. Arbuckle invites Berman to speak at Stanford University--Recognition for Berman's efforts at Lake Arrowhead--Berman's pride in his Lake Arrowhead accomplishments.

TAPE NUMBER: X, Side One (June 15, 1995).....283

Becomes president of Christiana Oil Company--Berman's reforms at the company--Real estate developments Huntington Harbour and Tierrasanta--Berman leaves Christiana Oil--Sale of Point Ranch in Oregon--Christiana's unsuccessful attempts to find oil in Libya--More on developing Huntington Harbour--Unsuccessful attempt to obtain approval for longer channels at Huntington Harbour--Television interview about developments--Groundwork laid to acquire and develop El Capitan Ranch in Santa Barbara.

TAPE NUMBER: X, Side Two (June 15, 1995).....309

University of California, Santa Barbara, professors and students oppose Berman's El Capitan development plans--Equestrian facilities established at El Capitan--Avocado crop from El Capitan generates income--Involvement with the United States Olympic Equestrian Committee--Potential buyers for El Capitan--Moratorium on new water hookups thwarts Berman's plans--The sale of El Capitan--Feeling of defeat due to the unrealized El Capitan development.

TAPE NUMBER: XI, Side One (June 22, 1995).....334

Friendship with Armand Hammer--Involvement in Mobile Storage Group--Berman's losses in the cattle business--Advantage of operating a subchapter S corporation--Unfair business practices in the cattle industry before the Tax Reform Act of 1986--Berman's involvement in a lawsuit while in the cattle business--Brief reentry into the liquor business--Packaging problems cause the failure of the new liqueur Lamoka--Difficulty in introducing any new product into the present-day liquor market.

TAPE NUMBER: XI, Side Two (June 22, 1995).....359

Berman hired by Remy Martin to assist in setting up their American company--Involvement in McHale Company, a helmet company--Partnership in the Empress Company, manufacturer of garments made from Nomex--Victimized by dishonest businesspeople--Profit made from a Tehachapi, California, ranch investment--Success with the helmet business until insurance costs became prohibitive--More on improvement in the handling of boats at Lake Arrowhead.

TAPE NUMBER: XII, Side One (June 22, 1995).....383

Selling the boat business at Lake Arrowhead--Berman's contemporary business ventures and advice to entrepreneurs.

TAPE NUMBER: XIII, Side One (June 29, 1995).....387

Investing in rest homes and shopping centers--Signs of a potentially good shopping center investment--Involvement with Breath Assure and Fridgeroc products--Reasons Berman went into business for himself--Hiring the best people and listening to their opinions--Need for a business to have policies that are consistent--Need for salespeople to sell themselves--When selling anything, one is selling oneself--Advice to entrepreneurs who become bored with their businesses.

TAPE NUMBER: XIII, Side Two (June 29, 1995).....411

The need to offer employee incentives--Making tough

decisions--Avoiding investments that may result in large losses--The importance of advertising--Effect of city government regulations on development projects--Difficulty selling a new product in the present-day market--Entrepreneurship as a kind of calling--Differences between entrepreneurs and employees.

TAPE NUMBER: XIV, Side One (June 29, 1995).....434

More on the differences between entrepreneurs and employees--Pride in naval service and business accomplishments--Business disappointments--Berman's contribution to Southern California--Future opportunities for young entrepreneurs--Advice to aspiring entrepreneurs.

Appendix.....446

Index.....448

BIOGRAPHICAL SUMMARY

PERSONAL HISTORY:

Born: November 17, 1910, Cleveland, Ohio.

Education: Staunton Military Academy, 1928-29; Ohio State University, 1930-31.

Military service: Quartermaster third class, United States Navy, 1942-44.

Spouse: Ruth Herskovits Berman, married 1945, one son, deceased.

CAREER HISTORY:

Owner, Llord's Liquor Store, Beverly Hills, California, 1933-38.

Western divisional manager, import division, Schenley Industries, 1938-45.

Owner, Jules Berman and Associates wine and spirits importers, 1945-73.

Owner, Kahlua liqueur, 1951-75.

Owner, McHale Company, 1953-76.

Owner, Empress Company, late 1950s-mid-1960s.

Owner-developer, Lake Arrowhead, California, 1961-75.

Owner, Christiana Oil Company, 1968-73; developer of subsidiary, Huntington Harbour, California, 1969.

Owner, El Capitan Ranch, Santa Barbara, California, 1965-82.

Partner-owner (with Berman Development-Flying Tigers), Point Ranch, Oregon, 1968-95.

Owner-developer (with Berman Enterprises), Rancho Bernardo, California, 1985.

AFFILIATIONS:

California State Athletic Commission.

Cedars-Sinai Medical Center, board of governors; vice president,
Psychological Trauma Center.

Freemasons, thirty-second degree.

Hillcrest Country Club, membership committee.

Importers Club, New York.

Shriners.

United States Olympic Equestrian Committee.

INTERVIEW HISTORY

INTERVIEWER:

Thomas Johnson, B.S., Accounting, University of Southern California, 1986; M.B.A., UCLA, 1996; director of finance and accounting, Consolidated Concepts.

TIME AND SETTING OF INTERVIEW:

Place: Berman's office, Beverly Hills, California.

Dates, length of sessions: May 12, 1995 (82 minutes); May 18, 1995 (106); May 25, 1995 (87); June 1, 1995 (102); June 8, 1995 (99); June 15, 1995 (87); June 22, 1995 (93); June 29, 1995 (104).

Total number of recorded hours: 12.6

Persons present during interview: Berman and Johnson.

CONDUCT OF INTERVIEW:

This interview is one in a series of oral histories with entrepreneurs. The series is supported in part by the Price Institute for Entrepreneurial Studies (New York) and involves Columbia University and UCLA. Dr. Alfred E. Osborne Jr., director of the Harold Price Center for Entrepreneurial Studies at UCLA's John E. Anderson Graduate School of Management, selected the interviewer, who was at that time a graduate student in the MBA program, and made the initial interview overture to the interviewee.

In preparing for this interview, Johnson reviewed articles and documents provided by Berman, including the typewritten manuscript of a biographical interview in his possession.

The interview is organized chronologically, beginning with Berman's upbringing in Ohio and his introduction to business via his father's oil business and continuing through his studies at Ohio State University, his service in the United States Navy, and his business career. Major topics discussed include the development of Berman's liquor distributorship, the manufacture and promotion of Kahlua liqueur, real estate ventures at Lake Arrowhead and Huntington Harbour, the elements of successful entrepreneurship, and sound methods of management.

EDITING:

Maggie Michaelson, Gold Shield intern, and Kathleen McAlister, editorial assistant, edited the interview. They checked the verbatim transcript of the interview against the original tape recordings, edited for punctuation, paragraphing, and spelling, and verified proper names. Words and phrases inserted by the editors have been bracketed.

Berman reviewed the transcript. He verified proper names and made minor corrections and additions.

Alex Cline, editor, prepared the table of contents and biographical summary. Kristian London, editorial assistant, assembled the interview history. Rebecca Stone, oral history assistant, compiled the index.

SUPPORTING DOCUMENTS:

The original tape recordings of the interview are in the university archives and are available under the regulations governing the use of permanent noncurrent records of the university. Records relating to the interview are located in the office of the UCLA Oral History Program.

TAPE NUMBER: I, SIDE ONE

MAY 12, 1995

JOHNSON: First I'd like to talk a little bit about your background and education. When and where were you born, sir?

BERMAN: I was born in 1910 in Cleveland, Ohio.

JOHNSON: Tell me about your father and mother. Where were they from?

BERMAN: Well, my father [Barnett P. Berman] was born in Russia, but he moved to England when he was very young and he was raised in Leeds, England. My mother [Sadie Nebel Berman] was born in Zanesville, Ohio, where my grandfather was mayor, and they moved to Shawnee, Ohio. She was raised there. She lived in Ohio most of her life until we moved out to California.

JOHNSON: What year did your father come to the United States?

BERMAN: He came to the United States in about 1905, I would imagine.

JOHNSON: Do you remember the particular reason that he decided to come to the U.S.?

BERMAN: No, except his older sister [Mrs. Harry Roberts] moved to the States. She raised him, so he came with her.

JOHNSON: So did he settle directly in Ohio when he came out?

BERMAN: Yes. He settled in Columbus, Ohio, and he ran a livery stable and bought and sold horses. He's always been involved with horses.

JOHNSON: Had he been involved with horses prior to coming to the United States?

BERMAN: In England he was, yes. He had an unusual fascination and love for horses. I mean, I've seen some of the meanest horses in the world that no one could get near, and he'd go right up to them and they would calm right down, because he just had that affinity. He could do that with most animals.

Except he bought a zebra once to try to train, and it didn't work too well. [laughter]

JOHNSON: Do you have any thoughts about why he was so good with these animals?

BERMAN: No, except he loved animals. Later on, when you get into this thing, when we get into California-- He had a ranch. He finally retired and bought a ranch, and he-- In fact, he bought the L. G. Barnes Circus because he just loved animals, any kind. His place was more like a zoo than it was anything else, although he had over two hundred horses at the ranch most of this time.

JOHNSON: But he had a lot of animals when he was in Columbus?

BERMAN: Yes. In Columbus he had horses, only horses in Columbus.

JOHNSON: Had he ever done any veterinary training?

BERMAN: No, no, no. He never did anything like that. His interest in horses was training horses and-- Actually, he

was buying and selling horses. In those days, you see, they were using horses for everything.

JOHNSON: Right.

BERMAN: For instance, milk companies on their daily routes used horses. There used to be bakeries that had daily routes, and they used horses. And then he had a lot of riding horses for people who wanted to ride. And then they had the dray horses, the big workhorses that the big companies used. We're talking now just an era before automobiles and trucks became the proper thing to use.

JOHNSON: Right. So primarily he was working with workhorses.

BERMAN: Not so much workhorses as he was with the-- Well, yes. When you said workhorses, immediately I was thinking of the heavy type of horse like a Percheron or a Belgian. But no, he did work with workhorses.

When war was declared--the First World War--the government asked him to do the purchasing of horses for the government because they still had the cavalry, and they also used horses to pull the cannons and so forth. He bought horses for the United States government and also for France. There weren't any horses in France--I mean extra horses that they could use for cavalry and so forth. JOHNSON: Now, when your father was working with the military and the government for the horses, was he still in Ohio?

BERMAN: Yes, he was in Ohio, but actually he traveled all over the country buying horses for the military. His headquarters was Ohio, but, of course, since he bought for the military, it depends on what camp they wanted the horses sent to. He was shipping horses all over.

JOHNSON: That became a full-time job for him during the war?

BERMAN: Oh, it was a full-time job, because the government demanded that he spend all his time doing that.

JOHNSON: Did they pay him as a civil servant, essentially?

BERMAN: No, he was like a free enterprise. He set his own prices. But, of course, it was all within a budget. I mean, they told him how much they would pay, and he had to get horses within the price that they wanted to pay. It wasn't a carte blanche type of thing at all.

JOHNSON: Right.

BERMAN: But he was a young man then, and they felt he could do the country more good buying horses than he would being in the infantry, for instance.

JOHNSON: Sure.

BERMAN: He was almost drafted, you might say, to do this.

JOHNSON: Do you remember about how old he was when he was doing this?

BERMAN: Oh, he was in his early thirties.

JOHNSON: So when he came to the United States, he basically

spent the early years at least, up through what age, would you say, in Ohio?

BERMAN: Well, you mean after he got in the gasoline and oil business and all that? We left there in '31, so he was about forty-six.

JOHNSON: I see. We've talked a little bit about your father's side now. You mentioned that your mother had been from Zanesville, Ohio. Would you care to share any of the history perhaps about how she came to the United States or her roots?

BERMAN: Oh, she was raised here.

JOHNSON: Her grandparents immigrated?

BERMAN: Her father [Benjamin Nebel], really he was quite a man. He was a great man. He was born in Austria. He was a mathematical genius, you might say, and he taught mathematics at the University of Berlin. He also was a wonderful writer. When he came to this country he was on the editorial staff of the Cleveland *Plain Dealer*, which was a very fine, I guess you-- It's one of the accredited newspapers of the United States. And he eventually moved to Zanesville, where he became mayor after a while. He was a good friend of Albert Einstein. In fact, when Einstein developed his theory of relativity, he named the people in the world who would understand it, and he mentioned my grandfather's name. He also was in *Who's Who*, because he and Samuel Gompers started

the AF of L [American Federation of Labor]. Because when my grandfather moved to Shawnee, Ohio, he opened up a department store. In those days, the owners of the coal mines-- Shawnee, Ohio, was a coal mine area, all through there. They paid in scrip, and the workers got paid company scrip. They had to go to the company store, and that was one of the things that the AF of L was against. He and Gompers personally went to Washington and defied it, and they won, of course. So he was quite well known all through the United States.

JOHNSON: Now, was this your grandfather or your mother's grandfather?

BERMAN: No, my mother's father, my grandfather.

JOHNSON: Your grandfather was the one who Einstein said understands the theory of relativity. What was his full name?

BERMAN: His name was Benjamin Nebel. And incidentally--this is interesting too--he had a tremendous collection of first-edition books, mostly in mathematics and, of course, mostly in German. As I got older, he said to me one day, "You know, I want to leave you my books. What will you do with them?" I said, "Sell them." [laughter] So he left them to Columbia University, because that's where they belong. It was ridiculous. What would I do with a couple of hundred books that I couldn't read or no one else I knew could read?

JOHNSON: Did his relationship with Albert Einstein start over in Europe? Or was it in the United States?

BERMAN: No, in Europe. It started at the University of Berlin. I think Einstein was teaching at the time at the University of Berlin.

JOHNSON: Fascinating. Do you remember what prompted him to come to the United States?

BERMAN: No, I really don't know why he came to the United States. I can't give you a really definite answer about that because I don't know. He never told me that, although he learned English, of course, when he was at the University of Berlin. He spoke perfect English when he came here, so he had-- That's why he was on the editorial staff of the *Cleveland Plain Dealer*. He was just a wonderful man, and I loved being with him, but I never understood half the things he was telling me. [laughter]

JOHNSON: Did you have a lot of chance to spend time with him when you were a child?

BERMAN: Yes. I loved spending time with him when I was young. And he would try to explain a lot of these things to me, especially in physics and things, which was way above my head. But I just loved listening to him because he was so brilliant.

JOHNSON: How, then, would you describe--? As I understand

it, you have some ancestry from Russia and some from Germany?

BERMAN: Well, he was born in Austria, but he moved to Germany.

As he became educated, he moved to Germany and started teaching at the University of Berlin. His mathematics books were used until Hitler came in. They were used all those years.

JOHNSON: So could you describe your ancestral background, then?

BERMAN: Well, it's hard, because my father, although he was born in Russia, was raised in England. He actually was an Englishman, you might say, but he wasn't. And my grandfather was Russian, but he left there very young. He spent most of his life in the United States. But that's it. I mean, they weren't born here, but they were really-- Their love and everything was for the United States.

JOHNSON: I see. Are there any other particular things about any of your ancestors' backgrounds that really stand out?

BERMAN: Not really. They were just ordinary people like most people. My grandfather just happened to be an unusual person.

JOHNSON: I see. If we were to focus a little more on your childhood, your early years, what things do you remember as being particularly significant in your childhood?

BERMAN: Well, I was raised in Cleveland, Ohio, and the only thing unusual was that I had three wonderful uncles who--

None of them had sons, so they spent as much time as they could with me. The big problem I had every weekend was which one got me. [laughter] So if anyone could be spoiled, I would have been the most spoiled brat in the world. But luckily my folks kept me under containment, you might say, and I wasn't spoiled at all, in fact.

JOHNSON: Were they from your mother's side or your father's?

BERMAN: My mother's side only. My father's side stayed in Columbus, and we lived in Cleveland. So that was the only thing.

Now, my first entrepreneur venture, if you want to get into that, was when I was in high school.

JOHNSON: Okay. I have on my list here a couple of questions.

BERMAN: But it all dovetails into my youth.

JOHNSON: Certainly. But you had three uncles from your mother's side who spent a lot of time with you.

BERMAN: Yes.

JOHNSON: What were their names?

BERMAN: Well, their names were Nebel, but one was-- You want their first names?

JOHNSON: Sure.

BERMAN: One was Abe [Abraham], one was Louis, and one was Emanuel.

JOHNSON: Were they all in the same business?

BERMAN: Two of them were, Emanuel and Abe. When they were very young--two of them in their twenties--they backed a patent that was a putty gun, used for glass, of course, and they made a fortune off of that. In fact, they lived off of that most of their lives, and then they went into other things. But that was their bread-and-butter item that kept them going.

JOHNSON: Now, you said they backed it. They were investors?

BERMAN: They didn't invent it. The fellow who invented it sold it to them. He didn't know what to do with it.

JOHNSON: So they marketed it?

BERMAN: They marketed it. Then they got involved in the paint and cement business. When I say cement, it was furnace cement, a specialized cement. They built up a tremendous national business. And they also went into the trust deed business in Cleveland, and, of course, when the Depression came, luckily they were very wealthy, because they lost the trust deed business. Because when the Depression came, people were foreclosing property as fast as they could.

JOHNSON: Did you have any brothers or sisters?

BERMAN: I had one sister. She was a year and a half older than myself. And she was just a normal person. But unfortunately, she died with a tumor on her brain. She died when she was about sixty years old.

JOHNSON: What was her name?

BERMAN: Hilda [Berman Lurie]. We got along very well. She was very sweet.

JOHNSON: So as far as your childhood, say up through age twelve, you spent a lot of time with your uncles?

BERMAN: I spent a lot of time with my uncles. I spent a lot of time with my dad because we always had horses--I mean, our own riding horses. I always rode. I got my letter at college playing polo, and I'm still on the [United States] Olympic Equestrian Committee.

JOHNSON: That's great.

BERMAN: I've been involved with horses all my life.

JOHNSON: In those early years, were there any particularly influential friends or family acquaintances that we haven't covered that you would care to share with us?

BERMAN: Well, most of them were just normal people. We were raised well, my sister and myself. We weren't the wealthiest people, certainly, in Cleveland, but we weren't the poorest, either. We lived a good life. We had help in the house.

And then, when I was sixteen years old, I went to Staunton Military Academy in Virginia, which was an accredited school with ROTC [Reserve Officers Training Corps].

JOHNSON: What prompted the decision to go to a military academy?

BERMAN: I had pneumonia very badly. I was run down, and my

father sort of thought that if I went to a place where I would have rigid, well, you might say control-- It wasn't that I did anything wrong or anything like that, but he thought if I had a routine I would get my health back much quicker than if I stayed at home, because I was really being spoiled by my uncles taking me out every weekend and so forth. [laughter]

But he liked the idea of a military school. I hated it at first.

JOHNSON: How many years were you there?

BERMAN: I was just there two years.

JOHNSON: Was that essentially like the high school?

BERMAN: Well, if you graduated Staunton, you could get in any college in the United States in those days. We had a star that we wore on our sleeves that gave us the credit. But I could never graduate Staunton, because the subjects that they taught were mostly mathematics--trig[onometry], solid geometry, physics, and all that sort of thing. And I went to high school before that, so that would have thrown me back two years before I graduated. So I went back to Cleveland and graduated high school there.

JOHNSON: So you spent two years at Staunton and then came back to finish your last year of high school?

BERMAN: Yeah, just one year in high school.

JOHNSON: Looking back at the military academy, how would

you evaluate that experience for you?

BERMAN: The greatest experience in the world, I learned later.

When I left my room this morning, although we have a maid, there isn't a thing for her to do. Everything is put away, everything is where it should be. And it also taught me to study, because when I first went to Staunton I wasn't getting good grades at all. Well, at Staunton in those days, when you didn't get good grades you didn't get liberties, so you had to work your way. And then when I went to Ohio State [University], it was a cinch, because I learned how to study.

It was good training. I say "sir" to even people at the club who work in the locker room. It was just something that was just drilled into you. It's a wonderful training. See, Staunton actually trained most of their cadets for [United States Military Academy] West Point and [United States Naval Academy at] Annapolis. That was the goal of most of the cadets who went to Staunton. It's such a highly rated school.

JOHNSON: Where in Virginia was Staunton?

BERMAN: Staunton, Virginia.

JOHNSON: Does that school still exist today?

BERMAN: No, I think they closed a few years ago, about three, four years ago. I don't think the young men today want that rigid training. We had what's called the rat system, where the first year you're there it's very tough. Oh, and my captain

was Barry [M.] Goldwater. Later we became good friends.

JOHNSON: This was called the rat system?

BERMAN: Yeah, that's what they used-- They used that at West Point.

JOHNSON: Tell me about the rat system.

BERMAN: Well, the rat system is-- If a second-year cadet or over two years stops you, you have to run in place, and they call it "fin out." You put your elbows back and your chest out, and you just keep running in place. And then you have to do all the menial work that you think a janitor should be doing. Staunton was so strict that they used to inspect our room. They'd come in with white gloves, and they would go over the whole room. If they found any dust at all, that meant no liberties that weekend. It was a tough school, there's no question about it.

JOHNSON: Did "rat" stand for anything? Was that an acronym or just--?

BERMAN: No. They just called the first-year rats.

JOHNSON: You were a rat.

BERMAN: They try to make you as low as you could possibly be. The lowest thing that they could think of was a rat.

[laughter]

JOHNSON: That's fascinating. Did Staunton use ex-military people for their instructors?

BERMAN: Oh, yes, absolutely. West Point. Oh, sure. They used the top military people for their instructors. As I said, it was an accredited school.

JOHNSON: Did you maintain any affiliation or relationship with Staunton after you left later?

BERMAN: No. No, I didn't because I didn't graduate there. This all dovetails into so many different things. For instance, when war was declared-- Well, I'm jumping around; I'd better not. I'd better wait till we get to the war, because Staunton does enter into that.

JOHNSON: Do you remember the years you were at Staunton?

BERMAN: I think it was '28, '29, something like that.

JOHNSON: And Barry Goldwater was your captain?

BERMAN: Yeah, yeah.

JOHNSON: How did that relationship develop?

BERMAN: He used to paddle me. [laughter] But Barry and I became friends. Then, later on, when I moved out here, I was in the liquor business, of course, and we had distributors in Phoenix [Arizona]. The biggest department store was Goldwater's, so I stopped in to see Barry whenever I would go to Phoenix. Then he also had an apartment at the Balboa Bay Club. I used to keep my boat down at the Balboa Bay Club. So I was always friendly with Barry. He's a wonderful person, terrific guy. He's a man's man, you know.

JOHNSON: So that relationship continued for quite a while.

BERMAN: Oh, yes. I haven't seen him in quite a few years, but if he saw me-- He always called me Bermie. He was the only person in the world who ever did that. I don't know why, but he did. [laughter] But I liked him.

JOHNSON: Is there anything else about your education up through high school that you would care to add?

BERMAN: Well, no. It was just a normal education. There wasn't anything unusual about it at all.

JOHNSON: Now, up through high school, you mentioned you spent a lot of time with horses.

BERMAN: Yeah, with my father.

JOHNSON: Were there any particular work or play activities up through high school that were significant for you?

BERMAN: Well, in junior high school I was on the soccer team. That was about it. At Staunton I was on the fencing team and the boxing team. And that's about all about my outside activities in sports.

JOHNSON: Did you work outside the home up through high school at all?

BERMAN: You mean outside jobs? Well, this is where I say my first entrepreneurship deal came in. My father had a very good friend named Harry Goldberg, and Harry had a big produce business in Cleveland. I went over to his home one time two

weeks before Christmas with my father, and he was telling my father that Christmas trees were very slow that year. He said he didn't know what happened. He bought carloads of Christmas trees, and they weren't moving very well. So I had an idea immediately. I said, "Look, my father has all these gasoline stations. Why don't you give us the Christmas trees on consignment. I'll call all my friends in high school, and we'll see if we can sell them for you. In the meantime, we can make some money on the side." Well, we sold the trees; we sold a lot of trees. From then on, the rest of the time I was in high school and college I was in the Christmas tree business, because it was very profitable. And Father had these gas stations; he had these tremendous gas stations where we could sell the trees. So there was my first venture.

JOHNSON: What do you think was responsible for your success selling these trees? Did you price them differently, promote them differently?

BERMAN: No. Actually, Christmas trees are not a thing you actually promote. People buy them when they want them. It's just the location you happen to be at. When you buy Christmas trees, you buy them in big-- Well, you buy them as big-- I can't just say bunches, because that's about what they are except they're tremendous. And there were large trees and small trees. My father had this big compound where he had

his gasoline and oil business, and we'd take the trees there.

We would take the small trees to the apartment house areas and the large trees to the large residential areas. So we could sort the trees out according to the area and get more money that way, and that's what we did.

JOHNSON: At that point were you still using Mr. Goldberg for the trees? Or had you found other sources?

BERMAN: No. After the first year, I bought direct. I actually went into business after that, because I knew we could sell the trees.

JOHNSON: Was this a sole proprietorship?

BERMAN: Yeah, it was my own little business.

JOHNSON: Where did the trees come from? When you went to go buy them, were there wholesalers of trees?

BERMAN: They were like brokers, yes. They came from Wisconsin and Minnesota, through there.

JOHNSON: What did you do in the summers, then?

BERMAN: Well, now we're talking about when I was in high school and also in college. I worked for my father. We have to go back now. After the war my father got out of the horses and built a gas station. He realized that horses were finished and that automobiles were the coming thing, so he built a very large gasoline station on a very prominent corner and called his company the Commonwealth Oil Company. From that

one gas station he built a tremendous business. He had hundreds of stations.

JOHNSON: When he bought that first station, it wasn't a franchisee. Basically, as I understand it, he bought a gas station and put his own name on it.

BERMAN: Well, he built it.

JOHNSON: He built it?

BERMAN: He built it. It was a tremendous station.

JOHNSON: Where did he get his gas?

BERMAN: He would buy it from different wholesalers at the time. I'll get into what he was doing. He called himself the Commonwealth Oil Company, and he needed a name for his gasoline. Throughout the East, Sun Oil [Company] was a very big company. They had a gasoline called Blue Sunoco, so he called his gasoline Blue Comoco, because they weren't in his area.

JOHNSON: Blue Comoco?

BERMAN: Blue Comoco. [laughter]

JOHNSON: With this one gas station?

BERMAN: Well, he ended up with hundreds of gas stations. He started with one. Then he also painted his stations orange, the same color as Shell [Oil Company], because he knew eventually Shell would be wanting to come into Ohio, Indiana, Illinois, and wherever else he operated, and he had an idea that they

would want to buy out or rather pay him a royalty to use a different color because they didn't want to be associated, of course, with the same color. He had the same idea with Sun Oil, which happened that way; they paid quite a bit of money. When we lost the name Blue Comoco, he was the distributor for Mobil Oil [Corporation]. At that time, Mobil only had oil, like Quaker State or Pennzoil, but they never had a gasoline. So he paid them a royalty because he owned the name Mobil Gas. Eventually he sold out to Standard Oil [Company] of New York.

I was sick that he sold out at that time. I was taking a business course, the Depression was on, and I didn't care about anything. I was having a good time at college, and I knew I had a place to go to when I got through, because I loved the gasoline and oil business. I spent one summer in the Standard Oil labs just studying viscosity and all the various things that are attributed to the gasoline and oil business. And I didn't speak to my dad for over a year because, I mean, I was lost. It was impossible to get a job. I had a job for a while as a supervisor for Mobil. But my folks moved to California at that time, because after he sold out he didn't want to stay in Cleveland; he wanted to move to California.

JOHNSON: Backing up just a little bit, he basically bought

the rights to use the name Mobil Gas. Was he actually getting gasoline from Mobil at that point?

BERMAN: I can't answer that. I don't think he was, because they weren't in the gasoline business then. I think he was just paying them a royalty for whatever gasoline he was buying.

Oh, then he made a deal with the Standard Oil Company of Ohio. [laughter] He was quite a guy. There's never been anybody like him in the gasoline or oil business. He went to see his good friend; his name was Holliday, Mr. Frank Holliday.

He was president of SOHIO, Standard Oil [Company] of Ohio. He said that he wanted to buy his gasoline from SOHIO, and Mr. Holliday said, "Well, Barney"--that was my father's first name, Barnett, but they called him Barney--"why do you want to buy from us? You can buy from anybody in the United States."

He said, "Well, I'd rather buy from you." Well, the reason he

did-- Standard Oil signed a contract, and the contract was that he would buy his gasoline from them. I think it was either eight or ten cents under their stipulated prices in their gas stations. That was a contract. That was a trap that they fell into. The afternoon he signed the contract, he started a gas war. He dropped gasoline down six to eight cents a gallon in his stations, and they had to meet it.

When they met it, he would buy two or three millions gallons of gasoline and then raise the price again. So he really-- You might say they really fell into a trap. He was using them to very good advantage.

JOHNSON: What ultimately happened with that deal? Did it last for a period and--?

BERMAN: You mean the contract? Well, he sold out to Standard Oil, so that's what happened to it. But he sold out to Standard Oil of New York, not Ohio.

JOHNSON: And they were different companies?

BERMAN: Oh, yeah.

JOHNSON: When he had Commonwealth Oil, do you know how many stations he ended up having and in what states?

BERMAN: See, he owned at least two hundred stations, at least. But there were many stations that were like agencies. They were independently owned, but they used his gasoline and oil. But his big, big business was not the stations. He had the state of Ohio department of roads; he had the Cleveland police department and fire department; he had Columbus; he had all the big cities. He had Hertz-U-Drive all through their area. He had the big wholesale accounts. That's what he was going after, the large users. That's where the volume is.

JOHNSON: How did he get those accounts?

BERMAN: He just went after them. He just went after them

is all I can say.

JOHNSON: Did he share ownership of Commonwealth Oil at all?

Or was he the only--?

BERMAN: He shared it with my uncles. They had a small interest in it, my three uncles I mentioned before. They had a small interest in it.

JOHNSON: When he financed the expansion to the different gas stations, how did he do that?

BERMAN: Well, they grew by themselves. In other words, he hardly ever borrowed any money. He did a lot of things that, I don't know, I suppose a lot of people-- I wouldn't say they were unethical, they weren't unethical, but a lot of people wouldn't do it. For instance, this one big station he had was right next to the Masonic lodge of Cleveland, and he gave the Masons--he was a Mason--two cents a gallon off. They all got cards. So he promoted business that way. Now, there's nothing wrong in that, but it created quite a bit of business.

JOHNSON: How successful would you say he was in the oil business?

BERMAN: Well, I think he had the largest independent business in the United States at the time. I'm quite sure he did. I'm not a hundred percent sure, because I don't know.

JOHNSON: What key factors, do you think, enabled him to be so successful?

BERMAN: First of all, just like anything else that you learn in school, that you teach in school, it's great organization. He had people with him who had been with him ever since he started, and he treated them very well. And he did a lot of little things for them that the average person doesn't do for their employees. They were very aggressive, very aggressive. There are only certain things you can do. I mean, it's either do that or you lower your price, and if you keep lowering your price, then there's no profit. Well, he didn't do that. He just gave the best service, and they were very aggressive. That's about the only thing I can tell you.

JOHNSON: You mentioned that he did some little things for the employees.

BERMAN: Oh, if they needed money he would lend them money, or if one of his employees had a big anniversary he'd give them things, give them cars, do a lot of things for people who worked for him for a while. They didn't feel they were working for someone who was just interested in using them to make money. They felt they had a friend. His doors were always open to his employees, and they could always go up to see him and talk to him. In fact, he had a policy I used to ask him about. Sometimes I'd go up to his office--he had a little room outside the office, probably a few people waiting for him--and I'd say, "Dad, why are all these people waiting

for you?" He'd say, "I don't know. Anybody who comes to see me, I'll see them. They take their time to see me, so I'll certainly give them enough time to see what's it's all about."

But of course, it's changed today. It's hard to get an appointment half the time with the people today.

JOHNSON: What prompted him to exit the oil business?

BERMAN: That's a good question, and that's why I didn't speak to him for a year. There was no reason for him to get out of the business, no reason at all. Even though the Depression was on, people still needed gasoline, and he had the strategic locations for stations. His business was good, and I was just thinking of one thing as I was growing up, and that was to step into that business some day, which I was hoping to do. It was silly for me to sell Kahlua. I mean, there's no reason. Sometimes you do these things and you don't realize what you're doing.

JOHNSON: Do you think there was pressure from perhaps your mother to--?

BERMAN: No. My mother never interfered with his business.

My mother and father got along very well. My mother was a grand matron in the Eastern Star, and she gave her whole life to charity. When she moved out here, she spent all of her time in different kinds of charities. JOHNSON: How did that influence you?

TAPE NUMBER: II, SIDE ONE

MAY 12, 1995

BERMAN: Well, I am very involved in charities.

And my father [Barnett P. Berman] had a lot of incentives. But he had a lot of things, too, now that I think about it. For instance, we had supervisors go around to the different stations, and they all had movie cameras. They would take movies of the attendants in the stations waiting on customers. Then, when we'd have a sales meeting, they would show the picture. Well, some men would be alert, and you could see them walk around real fast and do a lot of things. Others would saunter around. But since they knew there could be somebody with a movie camera nearby, that alerted the whole company. Really, a little thing like that just changed the atmosphere of the whole sales organization.

JOHNSON: You mentioned that he did little things to take care of his people.

BERMAN: Yes, well, he tried to run it even though it was a large, large corporation. If people worked for him for a while and they had problems, he would handle the problems for them. And if they needed money, he would lend them money, or he would give them gifts--mostly gifts--to help them. They had a strong feeling, and they were very loyal to him.

Most of his men were very loyal.

JOHNSON: What year did he get out of the oil business?

BERMAN: He sold out in '31.

JOHNSON: And he sold out to--

BERMAN: Standard Oil [Company] of New York.

JOHNSON: Do you know what prompted him to get out of the oil business?

BERMAN: I wish I knew. When he told me he was selling out, I couldn't believe it, because his business was growing every day. It was getting bigger and bigger. I couldn't figure out why he wanted to get out, except they offered him a tremendous amount of money for his company. But unfortunately it was in stock, Standard Oil stock. The stock was at \$90 [a share] at the time, and then when it got down to \$60, he bought more of it. He bought quite a bit more, but he bought it on margin. Then it finally went down much lower, and they sold him out. But he still had some money left. It was a lot of work for nothing. He should never have sold out.

JOHNSON: So you're saying in the end he really didn't get much out of the deal.

BERMAN: Not much, not at the end, no.

JOHNSON: How would you say his experience influenced you as far as wanting to have your own company or wanting to or

not wanting to go into the oil business?

BERMAN: He came out here to go into the oil business, really. He thought he could do here what he did in Cleveland, but he realized as soon as he got out here that he started in Cleveland when it was almost a new business, that they were well-established companies out here, and if he started out here, he would just be one of many. It would be very difficult, in fact almost impossible, during the Depression to start a new gasoline and oil business out here. He didn't want any part of that.

JOHNSON: You mentioned that Cleveland was a great place, initially, to start that kind of business. Because of the demographics?

BERMAN: Yes.

JOHNSON: Could you explain some of those demographics.

BERMAN: Well, as I explained to you, 50 percent of the population of both Canada and the United States is within five hundred miles of Cleveland. You're including all of New England, New York, Philadelphia, Pittsburgh, then down to Chicago. All the big cities are right there except a few.

[tape recorder off]

JOHNSON: You decided to go off to Ohio State [University]. What was going to be your field of study at Ohio State?

BERMAN: Well, as I said, my ultimate life's ambition up till then was to go back into my father's business, and I just wanted to take a business course so I could go with him when I got out of school. That was all I ever thought about. I never thought about anything else.

JOHNSON: What aspects of the oil business appealed most to you?

BERMAN: All aspects. A very exciting business. And the only thing we didn't have at the time was we didn't have our own wells. You know, we were buying gasoline that was already refined. We didn't have a refinery or anything like that.

JOHNSON: What were your favorite subjects in college?

BERMAN: I liked language. I was always good in mathematics. And I liked accounting; it was the easiest for me. I liked history. I liked English. I liked most of the subjects, but my favorite one, if I had to pick out one, would be accounting.

JOHNSON: How do you feel that accounting was able to influence you or help you be successful later on?

BERMAN: It's very simple. I can look at a statement and I can read right through it. From years of experience, of course, since, I can tell if it's faked or if it's-- It's just experience. Once you learn the basic principles of accounting, you can probably do most everything.

JOHNSON: So do you see that as a vital foundation or core understanding that you needed to be successful in your other ventures?

BERMAN: I think anyone in business needs it, not just me. I think anyone needs it.

JOHNSON: Did you spend any time with economics?

BERMAN: Yes.

JOHNSON: Was your interest more at the firm level or at the global, more macro level?

BERMAN: At the firm level, yes. I spent quite a bit of time in that.

JOHNSON: Why was the economics at the firm level more interesting to you?

BERMAN: Well, firm level was interesting to me because I wanted to go into business, as I said, with my father. I wanted to know what I should be looking out for. I wanted to know what the principles were and how you could apply them to do business.

JOHNSON: Now, I know that economists and accountants often have different ways to measure costs. Accountants often don't think in terms of opportunity costs that accountants do, yet it sounds like you're obviously very conversant and very interested in both kinds of issues. Do you feel that one

necessarily reflects reality better than the other as far as cost?

BERMAN: Well, if you go to pure accounting, you take the actual figures as they are; you're not talking about projections. And in a few classes I've taught at UCLA, the first thing I say to any of the students is "Beware of projections, because anyone can make projections." But to live up to it is another story. Ninety percent of the projections that are made aren't kept.

JOHNSON: I see. While you were at Ohio State, you were involved with the polo team. Tell me about that experience.

BERMAN: Well, it wasn't an experience; I was just on the team. I loved it, loved every minute of it. We got to train our own horses. It was all part of the ROTC [Reserve Officers Training Corps], and it was called military science and tactics--that's after you get into the advanced ROTC. I was, I guess, good enough to make the team, which I loved. It made my life at the university much more enjoyable. I think it also made me study harder because I wanted to stay on the team. I got good grades--not great grades, but good grades.

JOHNSON: You mentioned that you had to be in ROTC in order to play on the polo team. Why was that?

BERMAN: Because we used army horses. They were just getting

out of cavalry, but they still had the horses. They didn't know what to do with them, so we used them for polo. But they belonged to the army, and the only way we could use them was to be in the ROTC, so I kept taking ROTC.

JOHNSON: When you were in ROTC, did you have any intentions or aspirations to go back to the military?

BERMAN: No. No, I didn't like the military, because being in the-- Actually, I was in the infantry, although I was playing polo and all that. But Staunton [Military Academy] was an infantry school. My commission--I was a captain--was in the infantry. I didn't like the idea of walking around in the trenches and so forth too much. Little did I know I'd be in a base in the South Pacific on land in the navy. [laughter]

JOHNSON: What year did you move to California?

BERMAN: Nineteen thirty-one, after my father sold out.

JOHNSON: So you moved out there shortly after your folks went out there?

BERMAN: Yes.

JOHNSON: Where did your folks settle in California?

BERMAN: That's an interesting subject. We had a large home in Cleveland, and when the Depression really hit Cleveland, you couldn't give homes away--impossible--especially a large home in the best area in Cleveland. So my father finally

got a bright idea that he would trade his home in Cleveland for a home in Los Angeles. We had two offers: one in Beverly Hills on North Foothill [Road], which was a beautiful home, and one in Glendale in a place called Brockmont Park, which was very pretty. But my mother [Sadie Nebel Berman] had hay fever. Her doctor said that she would be much better off in Glendale, although once we moved I hated it. My folks liked it out there. So we moved to Glendale. We just traded a fantastic home in Cleveland for just a nice home in Glendale, but we couldn't give it away.

JOHNSON: What didn't you care for about living in Glendale?

BERMAN: Well, when I went into business my first liquor store [Llord's Liquor Store] was in Beverly Hills, and here I lived in Glendale. It was a long ride every day.

JOHNSON: As far as just wrapping up some of the aspects before you moved to California, I'm just wondering, were there any other key entrepreneurial activities or experiences we haven't covered that influenced you up to the point where you came out to California?

BERMAN: Well, it wasn't I who really wanted to come. I didn't want to leave Cleveland, except that, again, you have to go back to the Depression and business school. Once my father sold his business, I didn't have a profession. I was too

young to have any experience in business, so I had nothing to go into. And jobs were impossible to get, just impossible to get. Even when we came out here they were impossible to get.

JOHNSON: So it was essentially, as I understand, then, the pull of your parents being out here, the lack of opportunities there that brought you out here.

BERMAN: That's right.

JOHNSON: And that was in 1931.

BERMAN: 'Thirty-one.

JOHNSON: Okay. And some of your entrepreneur experiences that we've covered so far included the Christmas tree business.

BERMAN: Well, actually, that was the only thing I did, besides, as I said, I always worked for my father. I could tell you a lot of stories, incidents that we had in that, but I don't think you're interested in that.

JOHNSON: As we talk now about the liquor store business, tell me about how you even got involved in that in the first place.

BERMAN: Well, I came out here, and I was trying to get a job. I got one job, and that was recording programs off the air. This fellow had this invention that we recorded off the air with. Since then it's easy to do, but he had the

original invention. And I would contact people like Jack Benny and big names and record their programs for them, and they paid us so much. But it was just a job.

Then I read that repeal was coming, where liquor would be available. So I asked my father--I did speak to him then--for \$1,000, because I met another fellow when I came out here and he had \$1,000, so we opened up a liquor store, the only liquor store in Beverly Hills. Now, this is quite a story so if you-- I don't know if you want to take the time now to do it or not.

JOHNSON: Well, I'd certainly like to start. What year was this?

BERMAN: This was 1933. I opened a store. The fellow's name is Emanuel Lipsey, and we opened a store at Camden [Drive] and Wilshire [Boulevard]. There was a large market called the Beverly Wilshire Market, and we had the corner store. We had a beautiful liquor store. Since we were the only liquor store in Beverly Hills, we started doing business with a lot of picture people. And we certainly started doing a tremendous amount of business.

I got to know quite a few picture people because I was out all the time. I realized when we opened the store that we were the only one in Beverly Hills. There were stores all over Southern

California. We had nothing they didn't have, except Thrifty Drug [and Discount] Stores would advertise, "We will meet any advertised price," and they had very low prices. That was before fair trade [laws]. *[Fair trade came in about 1935. The wholesalers gave a retail price, and the liquor board could fine a store underselling, a terrific fine.] And luckily for us, Will Rogers owned our building, and his son [Will Rogers Jr.] owned the *Beverly Hills Shopping News*. So I went to see him one day, and I said, "If I run an ad which comes out Friday, can I get it Thursday night?" He said, "Yes, you can get an early run. I'll get it for you." Well, I would run-- For instance, let's say Gordon's gin would sell for \$4.50. I'd put it at \$2.75, and then I'd go to Thrifty and I'd show them the ad, and of course the manager said, "Well, we can't sell it for that." I said, "I'll report you to the better business bureau if you don't." And she could get in trouble. "Because you said you would

* Berman added the following bracketed section during his review of the transcript.

meet any advertised price." This is at Beverly Hills. So I'd load up-- [laughter]

You know, that was a horrible way to do business, but it was the only way I could really stay in business and beat my competition, by luckily being owned by Will Rogers and running these crazy ads which-- We put any price we felt like; we didn't care. But, you know, there was a time, of course, when Thrifty would get wise to us. I knew that.

Then I went into fine wines and better merchandise. Also, since we got in the studios-- At the end of each picture they'd throw a big party, and in time I got in every studio.

I was into MGM [Metro-Goldwyn-Mayer] and Paramount [Pictures], RKO [Radio Pictures], Warner Bros. [Pictures], you name it. We had every party.

One night I was driving home to Glendale, and I saw a little store loaded with baskets. I had an idea: if we could put liquor in baskets and give it away as a gift, it would

* Berman added the following bracketed section during his review of the transcript.

be a terrific thing. So I went in, and I bought about six or eight different kinds of baskets. I came back to the store, and we put liquor in them and dolled them up. I had an appointment at Paramount Studios with Marlene Dietrich, who was a big star at the time. And the stars' dressing rooms at Paramount were on a little street, a narrow street, and they all had little porches in front. So I took these baskets to Marlene Dietrich's dressing room, and on the porch I displayed them, and she went crazy over them. She started ordering I don't know how many. Bing Crosby was right next door, and he saw them and ordered them. I got tremendous orders all over.

Then I went over to Warner Bros., because Jack Warner I knew very well. And he had a fellow named Bert Scott who was his right-hand man, and Bert took me around the studio.

Well, to make a long story short, I had L. [Louis] B. Mayer's secretary, Ida Koverman at MGM, all of these different people I knew. I got orders for hundreds of baskets.

Then I went back to the [basket] store, and I said, "I need a hundred of this and--" He said, "What are you talking about? We're retailers. [laughter] We don't have hundreds.

We don't even have dozens." So I said, "Let me have the name of the wholesaler." So he told me. They didn't have hundreds. So the only way I could get these baskets made was by the

blind. But that was just one part of the problem. I was young and inexperienced and didn't realize that this all had to be worked out. I had to have the baskets made; that was one thing. Then we had to fill the baskets. But baskets are not cases; you can't put them on top of one another. So we had to rent a place where we could fill the baskets and lay them out. That was a problem. But the last and biggest problem was delivery, because a person would give you twenty, thirty names, and they'd be all over Southern California. And UPS [United Parcel Service] wasn't in business then. So I had my father, my mother, sister [Hilda Berman], everybody I could find delivering these baskets. But that started the basket business.

JOHNSON: Backing up just a little bit, what was the name of your liquor store?

BERMAN: Llord's. The reason I had the second "l"--don't forget I was just out of college and very clever--I figured when a person would right out a check made out to Llord's, they would stop for a second and think about the second "l". That was the only reason. [laughter]

JOHNSON: How did you meet up with your partner in this venture?

BERMAN: Just at a party. I bought him out in two years.

JOHNSON: How soon from when Prohibition was lifted did you

actually open your doors?

BERMAN: The next day, because the wholesalers were getting ready for it. The wholesalers knew about it.

JOHNSON: What was the regulatory environment like? Was there an ABC--alcohol bureau of control--or anything like that?

BERMAN: Oh, sure. I mean, once it became legitimate-- It's the same as we have today exactly. Nothing's changed.

JOHNSON: Was that a difficult environment to deal with from a regulatory standpoint? Or was it incidental?

BERMAN: Well, it's very difficult, you're right. But you have to do things exactly the way they want it. If you do it the way they want it, there's no problem. If you deviate-- Like, for instance, if you sell to a minor and they find out about it, you could lose your license.

JOHNSON: I'm backing up a little bit. You had been working for the gentleman who had the recording device up to this point. Why did you decide to pursue this opportunity as opposed to going and working for someone else?

BERMAN: Because this is my own business. This is something that was coming; the liquor business was something new. And instead of sitting in a store waiting for people to come in, I went out and got it--the business--and did a tremendous business.

The only problem was-- You'll probably say, "Why did you ever sell it?" And I'll tell you why. I was about twenty-three years old, twenty-four years old. I was working seven days a week. Studios would call me up and say, "[Ginger] Rogers and [Fred] Astaire are finishing a picture. We're going to have three hundred tomorrow at eight o'clock in the evening. Take care of it." And they'd hang up. Well, I might have had a date that evening, which I, of course, had to break.

And then I had people stealing from me, clerks stealing from me. And I was always short of money. We sold to William Randolph Hearst, and he only paid twice a year. It's a lot of money. He only paid twice a year, so we were short of money.

But the reason I left-- I got out of that business. Everything was fine, except I didn't like the hours, of course.

The worst part was, it was my *personal* business that was bringing in the business; it wasn't the store. The store could have been anywhere, because most of our customers never came in the store; I had to go to them. But when I was at Staunton, I remember a fellow named Stanley Roth. Stanley Roth married the daughter of the president of Schenley [Industries] distillers--Schenley was a very large liquor company--and they came out here on a visit. He came with his father-in-law [Sanford Jacoby], who was president of

Schenley, and we went out to dinner. He knew about the store, and he said to me, "We're starting an import department at Schenley. Why don't you come and work for me? I'll give you a good salary. You don't have to work these crazy hours you're--" And I had someone who wanted to buy me out, a very good friend of mine. He was a competitor of mine, had another liquor store--a good friend of mine, Mike Elwood. And he [Jacoby] said, "Sell out and come to work for me, and I'll give you eleven western states." Well, I called Mike up, and Mike said, "Sure, I'd love to buy you out."

So we arranged a meeting with his attorney and my attorney. And during the meeting in the morning, the two attorneys got into an argument concerning who knew more about law than the other. Finally noon came, and these two attorneys were still arguing, and we were getting nowhere. So Mike and I went and had lunch. I'll tell you in a second the reason I'm bringing this story up. I said to Mike, "Mike, you're not going to cheat me. You know darn well I'm not going to cheat you." I said, "Why don't you and I make a deal and we'll shake hands." He said, "You've got it." Thirty years later I had a luncheon at the Hillcrest [Country Club] for all the people, if they were still in business then, just as a reminder that two people can shake hands on a deal and

still remain friends all their lives, which today is almost unheard of. You need ninety-nine attorneys for each deal, and they still break it. [laughter]

JOHNSON: Sure.

BERMAN: But that's how I was in and out of the liquor store.

JOHNSON: When you first decided to pursue this, the liquor store business, did you in your own mind see it as truly entrepreneurial or as something to allow you to work for yourself and keep occupied?

BERMAN: Well, I saw it as a future, but I didn't know at the time--of course, no one knew--about the chain stores and about the prices, that they'd work on such a small profit. Because, don't forget, if you have nothing but liquor like we did, we had to make a 40 percent markup, where Thrifty, with all the various items they had, they could work on a 20 percent markup. And they had the buying power, too. With over a hundred stores, they could buy large quantities and get large discounts, and we couldn't do that.

JOHNSON: I'm intrigued by your story of how you handled Thrifty. It reminds me a little of what your father had done.

BERMAN: Yeah. [laughter]

JOHNSON: When you were advertising at \$2.75--

BERMAN: Or whatever price.

JOHNSON: --or whatever it was, was that below your cost even?

BERMAN: Oh, it was below everybody's cost, below the wholesaler's cost.

JOHNSON: How much did you buy from Thrifty?

BERMAN: Everything they had. I'd go from store to store.

I'd buy whatever they had, and they'd balk. But actually, if I reported them to the better business bureau, they could have been fined very, very heavily. I could have sued them and won, no question about it. Because they had a big sign, "We will meet any advertised price." Well, my prices were advertised in the *Beverly Hills Shopping News*.

JOHNSON: Now, a lot of companies today still make those kind of advertising claims about how they'll beat any price.

BERMAN: But they don't have someone who has an inroad with a newspaper or something like that. Some of these like Adray's [Discount Stores], I think, advertise that.

JOHNSON: Right. I'm wondering what would prevent a competitor from publishing some ridiculously low price and handling that same type of situation with Adray's?

BERMAN: If they advertise it, they have to do it. Of course, don't forget, we didn't make any money on any of that stuff, either. But I didn't care. I just wanted the action. I just wanted to bring people in.

JOHNSON: How long in total did you actually have the store before you sold it out?

BERMAN: From '33 to '39, six years.

JOHNSON: Looking back, what did you see as the vital opportunities associated with this business when you first looked at it?

BERMAN: Well, it was a new business. I mean, nobody had been in it for, I don't know, twenty, thirty years before Prohibition.

And of course, being in Beverly Hills, that was the best thing we did; that's where the money is. And having the only store there. Of course, other stores came up later, but we had the jump on all of them. Plus we had a beautiful store.

And I think the word "Llord's" was a good name, and people liked that. But, as I say, if I depended on the people who walked in we would have starved to death. It was just that I went out and got the business that really mattered.

JOHNSON: What did you see as the vital challenges or obstacles when you started? Did you have a feeling for what they would be?

BERMAN: I didn't know what they would be. Seriously, it was an untried business because it hadn't been in effect for so many years. I had no idea, though, that there would be selling.

I thought that they'd only sell to liquor stores. I didn't

know they would sell to drugstores and markets, because they kept writing in their write-ups before it came out that they were only going to sell to liquor stores.

JOHNSON: So your feelings at the time about where this may eventually lead to were--

BERMAN: Well, I didn't know, and I'd say, "What choice did I have?" I didn't like working for this fellow in the recording business. I couldn't get a job. The Depression was still on very heavily, so I had no other place to go.

JOHNSON: What role do you feel that luck played for you with your success in the business?

BERMAN: There's always a lot of luck, I think, in business.

But I've got to be honest, I think most of it was my going out and getting the business. I don't think that was luck.

I just went out and got it. And I used these various little things to get it, like the baskets, like with Thrifty. [laughter]

Then fair trade came in, and that saved us, because no one could undersell under a certain price.

JOHNSON: Is that still in effect today?

BERMAN: No, it was taken out.

JOHNSON: What do you think are the most significant things you learned from having your first business?

BERMAN: Well, the most significant thing I learned was what I learned all my life: that if you're going to be successful, you're going to have to work like the devil to do it. It's not going to come to you. Nothing comes to you. It's like the business you're going into; you're going out and getting it. It's not going to come to you. You know that, I know it. It's always how aggressive-- My father was aggressive; that's why he built up his business. That's how we built that up, and that's how we built up Kahlua. That's how we built up J & B Scotch and Heineken [beer] and all the items we had later on. We went out and got it.

JOHNSON: Kind of wrapping up a little bit on the liquor store, is there anything else you care to add or feel there are some things we didn't cover?

BERMAN: No, I don't think so. I think we covered most everything. It was a business, though, when I sold. You might say in conclusion that I realized I had no place to go. We had most of the good customers. But I was working. The worst part was I was working seven days a week, and I had people stealing. Like, for instance, Myrna Loy was a very good customer of mine. When I say she was a good customer, it doesn't mean she drank a lot. Because a lot of my best customers like her or Ginger Rogers, they gave a lot away. They didn't drink

a lot, but they gave a lot. Her brother came in to see me one day, and I knew him quite well. He said, "Jules, why are you hounding my sister to pay her last bill?" I said, "I would never hound your sister. She's a good customer."

And he says, "Well, your clerk's calling her every day, and he wants a check made out, and he wants it made out to him."

So I looked in the books. I looked in her account, and I said, "Well, she doesn't owe us anything." And he said, "Yes she does. She bought a case of Mumm's champagne, and she owes you for it, but she'll pay at the end of the month when she pays her bills."

Well, then I asked my clerk how come he was calling her up for the case of champagne. He said, "Well, I didn't think you'd give her credit, so I wanted her to pay me so I could pay you." Well, of course, you know that was a lot of baloney.

But I had a lot of that. Since I was out of the store all the time-- [laughter]

JOHNSON: Sure.

BERMAN: Well, yeah, it was a question: Which comes first, the chicken or the egg? Do I stay in the store and watch it so nobody steals? Or do I go out and try to get business and then they steal?

JOHNSON: Is there anything that you would do differently,

in retrospect, with that store?

BERMAN: With the liquor business?

JOHNSON: Particularly the store.

BERMAN: That particular store? Well, I'm having lunch today with Wally [Steve Wallace]--you know Wally's [Liquor] Store.

Even though I'm having lunch with Dr. Al [Alfred E.] Osborne [Jr.], I'm going to introduce him to Wally, because Wally's an entrepreneur. But he has a sister watching the inside of the store. He's never in the store. He copied me; that's why we're so close. He's doing everything I did, only it's working much better today than it did then, because there's more money around, and there are more customers. But his sister watches the doors so that nobody can take anything. So that's important.

TAPE NUMBER: III, SIDE ONE

MAY 18, 1995

JOHNSON: Sir, before we get into the meat of today's questions, I'd like to just ask you a few follow-up questions if I could.

What is the exact date of your birth?

BERMAN: November 17, 1910.

JOHNSON: In the last interview we had, you mentioned that you grew up in Cleveland. What part of Cleveland did you grow up in?

BERMAN: I grew up in Shaker Heights, Cleveland Heights and Shaker Heights. There are two Heights.

JOHNSON: So Shaker Heights is actually-- Is that a suburb of Cleveland?

BERMAN: Yes, it's a very fine suburb, like Beverly Hills.

JOHNSON: We had talked briefly about how you had spent a lot of time with your uncles. You mentioned one of them was named Abe. Was that Abraham?

BERMAN: Abraham [Nebel], right.

JOHNSON: And there was Louis.

BERMAN: Louis [Nebel]. And the other one was Emanuel [Nebel].

JOHNSON: You mentioned that you had gone back to Ohio to finish your last year of high school. Do you remember the name of the high school?

BERMAN: Heights High [School].

JOHNSON: Heights High. And Staunton--

BERMAN: Military Academy. They pronounce it "Stanton" down there.

JOHNSON: "Stanton," because they're from the South.

[laughter]

BERMAN: Yes. [laughter]

JOHNSON: That was an interesting point you raised about being a Yankee in the capital of the South, essentially.

BERMAN: Yes.

JOHNSON: Okay. We didn't really touch on this, but what is your religious background?

BERMAN: Jewish.

JOHNSON: Were you very active religiously growing up as a child?

BERMAN: No. There are different forms of Judaism. We were very Reformed. My mother [Sadie Nebel Berman] was raised, as I told you, in Shawnee and Zanesville, and they were the only Jewish family there. My father [Barnett P. Berman], though born in Russia, he was raised in Leeds, England, and I don't think there are many Jewish people there. And he was never religious anyway, although I did go to Sunday school.

JOHNSON: Right. Did that ever create any issues or problems

that you're aware of, that there were just not many Jewish people living in those communities?

BERMAN: No, not a bit.

JOHNSON: Not a bit? Has your activity in the religion changed over time?

BERMAN: Yes.

JOHNSON: Did you become more or less active over the years?

BERMAN: Well, the truth of the matter is I don't believe in religion now ever since my son [Barry Berman] and my daughter-in-law [Sandra Berman] were murdered for no reason.

We can't even find who did it. They just went out for a walk one night when they were camping and said they'd be back in ten minutes and never came back. So, I mean, my philosophy is, if there's a God, he's not for me; he's for someone else.

But up until that time, although I was never religious, I did believe in God.

JOHNSON: I see.

BERMAN: But I don't anymore.

JOHNSON: I see.

BERMAN: Because that's another story about my son, which I can get into later.

JOHNSON: Yes, sir.

I know you spent several years at Ohio State [University]

before coming out West, and we talked a little bit about the classes that you really enjoyed, the economics and the accounting. Were there any particular professors you remember who had a strong influence on you?

BERMAN: Well, the only professor-- Oh, I really liked my professors, all the professors I had. I didn't have any that I didn't like except-- I took a course in Shakespeare only because I was told by others who had taken it that this professor was a-- Well, I won't say he was a comedian because he wasn't, but he took the parts. When he would read a play, he'd take all the different parts and change his voice. It was comical the way he did it, he was so good at it. It was wonderful, but it was a tough course. I thought it would be easy. In other words, we would study such and such a play, and then he would quote the quotation from *Hamlet*, "Speak the speech, I pray you, as I pronounced it to you. . . but if you mouth it as actors are wont to do, I'd just as soon that the town crier had spoken your lines." Well, of course, that was from *Hamlet*, and he was instructing the actor to say it exactly the way he wanted it said. And there are a lot of things in Shakespeare that I liked. I think that Polonius's advice to his son Laertes [in *Hamlet*] is probably the best-- Actually, it's the best thing that I've ever read. It can replace the

Bible in many ways, because it replaces the Golden Rule, and it replaces everything that we're taught in religion: thou shalt not kill, thou shalt not covet thy neighbor's wife-- It goes on and on about all the great things that you should not do and what you should do to live a clean life. I enjoyed that course.

JOHNSON: I'm intrigued by that. You said this was Polonius whom you thought in many ways covered a lot of the things that were significant in the Bible?

BERMAN: Well, significant in life. Polonius's advice: "Neither a borrower nor a lender be." I mean, little things like that that he would say: "Unto thine own self be true." Because if you are true to yourself, you cannot, then, be false to any man. I mean, there are so many great things in this particular speech that I memorized it at the time, and I've always thought about it. Because it's a wonderful thing how one man could encompass a whole philosophy of life. He did it so greatly, so beautifully, that I think it's something that anyone who would read it would want to remember.

JOHNSON: Were there any other aspects of that speech that are particularly memorable for you?

BERMAN: No, not really. Just in general. I mean, the whole speech was just that great, that, as I said, it was like reading

the Ten Commandments. Same thing.

JOHNSON: I know that you have an incredible art collection. Did this course in any way, do you think, influence or shape your interest in the arts, particularly perhaps the performing arts from that point?

BERMAN: No, no. Not at all. I took that one course because of the instructor, because it was interesting, and I just liked it. It had nothing to do with art. The art that I collect, the pre-Columbian, I started collecting it because I went to Mexico all the time--every five weeks. And my manager was an old man. When we closed the plant at seven o'clock, he would go home, and in Mexico you can't eat until ten o'clock, so I had three hours to kill. I used to go to a certain jewelry store there and have little cufflinks made up with Kahlua, different things with Kahlua that we'd give to our distributors. And one night he told me that somebody, a runner, had come in with some pieces of pre-Columbian, and he didn't want to handle them. He wasn't in that business. If I wanted the collection, I could buy it. So I bought the collection, but a very small collection. Then I bought books and started reading up on pre-Columbian and just found it very, very interesting, because each tribe had their own culture. And I started a collection just because of what they meant, because

each piece meant something. So that's why I was interested in pre-Columbian. And besides, it's a lost art.

JOHNSON: Hopefully we can touch on that a little more when we get into the Kahlua years. Do you remember the name of your professor, your Shakespeare professor?

BERMAN: No, no.

JOHNSON: Okay. Moving on to the liquor store [Llord's Liquor Store], you mentioned that you had opened the store with \$1,000.

BERMAN: Yes. I had \$1,000, and another man I told you about, Manny [Emanuel] Lipsey, he had \$1,000, so we had \$2,000 with which to open the store.

JOHNSON: I see. How did you come across that \$1,000? Was that money that you had saved up?

BERMAN: No, my father gave it to me. As I told you, when we left Cleveland, I was out of a job. I had no money at all. He had just sold his business, and he knew I wanted to get into a business or do something. When I told him I wanted to open a liquor store, of course, nobody had any idea, since liquor had been illegal for so many years, of just what would happen if you did start one, what the reaction would be from the public. But it was worth taking a chance.

JOHNSON: That raises a very interesting issue: Did you encounter any type of resistance from the community when you

opened your liquor store?

BERMAN: No, not at all, because it was so new that-- It was on Wilshire Boulevard, so it wasn't that I was opening in a neighborhood. And we were adjacent to a market, a large market, a supermarket. So actually people welcomed us. People started buying liquor and wines and so forth, and beer, so they liked it. They liked the idea of having a store there.

JOHNSON: Did you have a sense for how much black market trade there was in and around Beverly Hills and that area at the time prior to the lifting of Prohibition?

BERMAN: I had no idea about how much bootlegging was going on or anything like that, no. I'd never been involved in anything close to that, so I didn't know-- I knew there was always bootlegging going on, but I didn't know how much, and if Beverly Hills participated in it, I didn't know.

JOHNSON: What did it take for you to get your license for that first store?

BERMAN: What do you mean "What did it take"?

JOHNSON: As far as a liquor license, was there a bidding system or some sort of competition?

BERMAN: No, you had to go down to the [California] State Board of Equalization, and you had to apply for a license.

They fingerprint you, and they check on you very carefully. That's one division, you might say, of the state and the federal government that they're very strict on. As you know, most of the criminals have been caught through the Bureau of Alcohol, Tobacco, and Firearms.

JOHNSON: Right.

BERMAN: Guns and so forth, not the FBI [Federal Bureau of Investigation]. Because they're very, very strict. And in the liquor business, if you're caught doing something illegally you lose your license very quickly, so you have to be very careful.

JOHNSON: Was there a fixed number of licenses they were giving out at the time?

BERMAN: Yes, they had a fixed number of licenses. I don't remember what it was, but it was supposed to be one every half mile. They had a distance, which, of course, broke down immediately, because, as I said, when we opened up our liquor store we didn't know that markets could carry liquor, and here we had competition right next door to us. We thought that only liquor stores could carry liquor, but then they sold in drugstores and supermarkets. So anyone could get a license; it didn't make any difference where you were.

[tape recorder off]

JOHNSON: So after you sold the business, as I recall, you had a friend you had met at Staunton. Was it Stanley Roth?

BERMAN: Yeah, Stanley Roth. He was married to the daughter of the president [Sanford Jacoby] of Schenley [Industries] distillers. I think I mentioned this before, that they came out for a trip.

JOHNSON: Right.

BERMAN: They came out for more trips. I was offered the job to work for Schenley.

JOHNSON: What exactly was the job that you were offered?

BERMAN: I was offered a job of working for the import division of Schenley distillers in the western part of the United States, the thirteen western states.

JOHNSON: I know you sold the store; it was getting to be kind of a headache. What other options had you considered besides this one?

BERMAN: I think any other options at the time-- Because I was actually so tired and so disgusted working as hard as I did, having people stealing from me, and also being always short of money, that I just wanted to get out. So to clear my head and work for Schenley, they offered me a very good deal. I never knew life could be so easy.

JOHNSON: So you were very comfortable with the salary and

the working arrangements?

BERMAN: As long as I worked for Schenley, which was--let's see--six years-- Of course, all the time in the service they paid me a week a month, so it was very nice of them. But when I came back-- And by that time Mr. Rosensteal was running the company, and he wanted me to move to New York, but I wouldn't move. I knew that I was at the end of the line as far as Schenley was concerned, so I had no place to go. There were four regional managers, and above that a national sales manager. So I quit.

JOHNSON: And this was after the war?

BERMAN: After the war, yes. It was 1945.

JOHNSON: So what year did you--? You started working for them in--

BERMAN: I started working for them in 1938.

JOHNSON: Nineteen thirty-eight. When you took this job, did you see it as a long-term position or short-term? Or what were your feelings?

BERMAN: Well, to be honest with you, I didn't know. All I knew was that I was working seven days a week and I was tired.

[laughter] And I loved what I was doing except, I mean, I had no life, absolutely no life at all. So I took the job with Schenley, well, just sort of, you might say, a recess

so I could look around and figure out what I wanted to do.

But luckily for me, without Schenley I never would have been successful, because Schenley was very powerful. We had the strongest import line there was. But what I always did--what made me do it, I can't tell you--when I called on a city I would call on all the distributors besides ours just to say hello to them because, I always said to them, "We never know when things can change." And then, of course, they all greeted me very well, because they were hoping that maybe some day we would change and they would be our distributor. So when I left Schenley and went into what's known as a brokerage business, the doors were open from all the other distributors, because they remembered I'd called on them and talked to them when I was with Schenley. I don't know if you call these things smart or whatever--

JOHNSON: Right.

BERMAN: Whether it was intuition or whatever it was, but I called on all the distributors and got friendly with all of them. And then, when I was in for myself, I had no problem selling to distributors that I hadn't sold to before.

JOHNSON: What were the biggest challenges or obstacles in those early years with Schenley before the war for you?

BERMAN: With Schenley?

JOHNSON: Yes, sir.

BERMAN: I had no obstacles with Schenley at all. We had the strongest line of imports there was. And we decided what distributor we wanted, and the distributor would be very happy to get the line. Oh, there were little--

One time--it was practically a joke--I had two accounts that I wanted very badly at the time that we called pouring accounts, and that is they use your Scotch or your bourbon.

If a person asks for a Scotch instead of a bourbon and soda, that's what they pour, which of course means that they use ten times more of that than they do with call brands, because you have to wait for someone to order Johnny Walker Red or whatever other brand they may want, but if you just ask for Scotch and soda, you get what's called a bar Scotch.

So we had Dewar's White Label [Scotch], and I wanted to sell both the Biltmore Hotel and Mike Lyman's, which were the two largest accounts in Southern California by far. But they were, of course, very smart buyers, and they wanted a very deep discount, which my big distributors could not give them, which they knew. So there was a little distributor called Central Cigar Company, [later] the Alfred Hart Company. Alfred Hart later grew into one of the largest distributors

in the United States. Plus, he opened up City National Bank; he owned that. He and I remained friends until he died, I think, a few years ago.

I went in to see Al Hart, and both Mike Lyman and the Biltmore said that they would allow the distributor to make fifty cents a case. Well, that isn't very much, but they would buy five hundred cases at a time. In those days--we're now talking back in the thirties, the late thirties--\$250 on one shipment was a pretty good order. But the Alfred Hart credit wasn't very good.

So I called New York up and said, "I have an order here for five hundred cases for the Alfred Hart Company." We had to sell to a wholesaler before we could sell to the Biltmore or to Mike Lyman's.

And the credit manager said, "Well," he said, "you have to get a check."

So I got a check and I sent it to New York.

He called me up and he was furious. He said, "This check is postdated."

Well, I knew that. I said, "It is?" [laughter] I said, "I never looked at it."

He said, "Well, we can't take postdated checks."

I said, "Well, I'll never do it again."

So next time I got an order from Alfred Hart, I got a check, but it wasn't for the full amount, but it was for that day, and I called New York up and they said, "Have you got a check?"

I said, "Yes."

He said, "What's the date on it."

I said, "Today."

He said, "Fine." [laughter]

He got such a check, and it was a partial payment. But we had to do things like that to get these things through.

Later on, of course, it became a very large distributor; the gamble paid off. I knew he was good for it, but I knew he was short of money.

JOHNSON: Well, that's very interesting. [laughter]

So you started with them, and then ultimately you left that position to join the navy. Can you tell me a little bit about how that transpired?

BERMAN: No, no, this was after the navy. I joined the navy, and I told you I got paid a week a month. But when I came back I went to work for Schenley at-- I got out early because of my malaria.

JOHNSON: Right.

BERMAN: I got out in '44. That's when they wanted me to move

to New York because they were short of men--that is, Schenley was short of men--and I just wouldn't move to New York. I told this to Rosensteal. I said, "You couldn't give me your company."

JOHNSON: Was it the weather or location? What was it about New York?

BERMAN: I just didn't like New York. I'd gone there quite a bit because we used to have national meetings, and I had a cousin who lived on Long Island. In the wintertime, if it was snowing, he'd have to leave at two in the afternoon, and in the morning, if I stayed overnight at his house, we had to shovel snow. The summer was hot. I just didn't like it. I just didn't want any part of it.

JOHNSON: Sure. So you had been working for Schenley prior to the navy. How did you ultimately get into the navy?

BERMAN: Now, the navy is a story of its own. This is really-- Well, I'll let you judge yourself. I was driving to Phoenix on December 7 when Pearl Harbor was attacked--

JOHNSON: Nineteen forty-one.

BERMAN: It was the seventh, was it?

JOHNSON: Yes, sir, 1941.

BERMAN: Yes. I was listening to what they [the Japanese]

were doing to our fleet, and I was getting angrier and angrier.

And because I had a long drive, I started taking an analysis of my life, and I thought to myself, "Oh, my God, all I've done all my life is, besides business-- I've had an easy life.

I was raised not in the greatest wealth, but I was raised in wealth. It was fun playing polo, and I played squash and played tennis and went out with beautiful girls, and I owe this country something." I knew with the ROTC [Reserve Officers Training Corps] background I had I would be drawn into the war immediately, but in the infantry, which, of course, I didn't want any part of.

Well, as it so happened, when I came back to L.A. two days later, there were headlines in the paper that a Japanese submarine had bombed a pier in Santa Barbara. I don't know whether-- I don't suppose you know anything about that. Oh, everybody imagined that the Japanese were going to attack Southern California. But then there was a big article in the paper that also said, "Men wanted with small boat experience to patrol the waters of Southern California."

Well, I had a boat before I went in the navy--I had a forty-two-foot cruiser--and just by being around the water, I got interested in navigation. And someone told me of a retired merchant marine captain who

taught celestial navigation. So I took a course, a private course, with this captain, who taught me navigation, taught me everything there is to know about navigation.

So when the newspaper said that the navy was looking for men with small boat experience, I said, "This is it." So I went down to enlist. In fact, I remember very well where I enlisted. It was in Hollywood on Highland Avenue at the American Legion post. It was an American Legion post on Highland Avenue. So I went there. And, of course, since I was in great shape from playing squash and doing all these things-- Except when they gave me a color chart, I was completely color-blind.

So he said to me--he was a chief--"I can't pass you, you're color-blind." I didn't say anything to him, but since I worked for Schenley, I went and got a case of liquor. I brought it back the next day, and I said, "Chief, let me have the color chart and I'll bring it back Monday morning, I promise you that." And I said, "Here's a little case of liquor for you to hopefully enjoy."

Now, in the color chart-- Well, you were in the service.

JOHNSON: Yes, sir.

BERMAN: You looked at the color charts, the little bubbles--

JOHNSON: The little bubbles and the different colors.

BERMAN: Yes. If you're not color blind, you'll see like a

37, but if you're color-blind you'll see a 53. So I had to memorize the chart, that if I saw 37 I had to say 53.

So I went to Palm Springs for a weekend, and I just studied that chart until I knew it backwards, and I went back to see the chief. I said, "Well, let me have the test again," and he gave it to me again, and, of course, I passed. He said, "Okay." He said, "We're getting organized now to patrol Southern California." He said, "You're in the navy." I swore on this.

Now, this was in December.

JOHNSON: Was this later December of 1941?

BERMAN: Yes, it was about two weeks after we were attacked.

JOHNSON: Was your sense that you would be drafted or get

called into the war effort one way or another and--?

BERMAN: Well, certainly, because I had taken all that ROTC at Staunton and at Ohio State. I told you that in order to play polo we took advanced ROTC.

JOHNSON: Sure.

BERMAN: So I was a captain in the [army] reserve. I was called later--not much later, about a week later or so. But anyway, I belonged to the Beverly Hills Athletic Club. They had a big party for me. Schenley had a big party for me. This was

in December. I said good-bye to everybody because I was leaving. January rolled around, February rolled around, everybody's being drafted, people are going, I'm still there. [laughter] February went around, March went around, April, May, June, July. Now I have to go in back doors. [laughter] I'm afraid to walk in the front door of anyplace, because everybody thought it was a phony deal. How could anyone enlist in the navy and not be called? I couldn't figure it out either. But it got to the point where I didn't know what to do with myself, because I was an outcast to all my friends.

Finally in July they called me from Wilmington, a navy base at Wilmington. It's a small base, but they had a base there. They said, "Report here tomorrow at eight o'clock in the morning." So I went there at eight o'clock the next morning and I lined up with some others, there must have been ten or twelve of us. They called off my name with the others, and they said, "Okay, you can leave, but report back here tomorrow." Well, this went on for about three weeks. I mean, this was ridiculous, too. I was being called every morning, I went there every morning, but nothing happened.

Finally, one night I was home, and I got a call at about eight o'clock, and it was the navy. They said, "Report to Moffett Field tomorrow by five o'clock, because you are now

in lighter-than-air." Because they figured that by having balloons up in the air they could see the shadow of submarines much quicker, which is true--much quicker than you could from a small boat. And, of course, at Moffett Field, if you've ever been there, it's where they had those big dirigibles at one time.

So I drove up to Moffett Field with my tennis rackets and my cards and everything. [laughter] Don't forget, I hadn't had a shot, I hadn't had a uniform, I hadn't had anything.

I hadn't had any training whatsoever. I went up there in a sports jacket and so forth, and the marines said to me-- It was the first time that I ever saw a marine, but now I'm getting into the action of seeing people at least.

He said, "From now on, you talk to no one, you make no telephone calls, and you write no letters."

I said, "What will I do with my car?"

He said, "I don't know what you're going to do with your car. You can't use your car, because you can't get off the base."

I said, "Well, my sister lives in San Francisco. Can I have her pick it up?"

He said, "Yes, but give me her number." He said, "You can't go near your car." He was afraid I'd leave a note,

so he said, "I'll call her and have her pick up the car."

Well, in two days they put us in buses and took us down to the pier and put us on a ship. It wasn't really a troop ship, but it was used as a troop ship. It was a passenger liner, one of the President line ships. We set out. No one knew where we were going, of course. And we were out for about four or five days. They called my name immediately to sick bay. I went in there, and the doctor had my name, and he said, "Everything's blank. Where are your shots?"

I said, "What shots?"

He said, "Well, didn't you get inoculated for the tropics?"

I said, "No, I didn't get anything."

He said, "You should have been inoculated for all the various sicknesses that you can contract down in the tropics."

I said, "Well, sir, I received nothing." So they gave it to me then all at one time.

We stood in line for everything. I think there were six hundred of us in our unit. And the ship wasn't that large.

We stood in line for breakfast, and when we got through having breakfast, we stood in line for lunch. So I volunteered to serve food. And a very good friend of mine who still lives,

and lives here--his name is Cal Carey--he volunteered to serve food, too. So we would bet--because you hold the tray this way--who could get the thumbs.

JOHNSON: The thumbs were on top of the tray?

BERMAN: Yes, with the thumb on top.

JOHNSON: Right.

BERMAN: So we would bet between the two of us who could get most of the thumbs just to kill time.

Anyway, they had an announcement on the ship: "You are going to make history. This will be the first offense in the Pacific Ocean." They didn't tell us where we were going, but we were going to take an island that is now controlled by the Japanese. But before we do that, we're going to go to Samoa for a couple of days, where you can have a little relaxation, and then we get into action. When we got to Samoa, everybody starts walking off the ship, including me, except they stop me at the gangway. I was still in this sports outfit. [laughter]

JOHNSON: No uniforms?

BERMAN: No uniform. So the officer of the deck said, "You can't go ashore. You don't have a uniform."

I said, "Well, it's not my fault I don't have a uniform."

He said, "It doesn't make any difference. You can't go ashore."

So anyway, we got aboard, and we went about another week, and they said: "We are going to land tomorrow night, and you can expect some action. We don't know, but we expect plenty of action."

And we landed--I say landed--we dropped anchor in this harbor, and then we had these large rope ladders, and we climbed down these ladders. It was the worst part we had there. The fellow above me was always stepping on my hands.

JOHNSON: Stepping on your hands?

BERMAN: Sure. [laughter] There were so many rungs on the ladder, he was stepping on-- Anyway, when we landed, it was raining like the devil. We landed at Espiritu Santo.

JOHNSON: And that was the name of the island?

BERMAN: Oh, yeah. It was a little Hebrides group in the New Hebrides.

JOHNSON: Were the Japanese in control of the island at that time?

BERMAN: Oh, yes, very much. It was right near Guadalcanal. We landed there, and it was heavy jungle, and we couldn't see anything. We had no lights, of course, because we were

afraid the Japanese would fire at us if they saw a light.
And they threw all our bags
in one pile, which is then impossible to find in six hundred
of them. The next day we got enough equipment out, tried
to put up some tents, and had to dig foxholes--the first thing
we did. And part of us went to Guadalcanal. They divided
us up; some stayed at Espíritu Santo and some went to Guadalcanal.
The idea of it was that they would change off every three
months--three months in Guadalcanal, three months in Espíritu
Santo--because Guadalcanal was just so much rougher.

JOHNSON: Which island were you on for the first three months?

BERMAN: I was on Espíritu Santo.

JOHNSON: I see. Now, when you say Guadalcanal was rougher,
you mean because of Japanese--

BERMAN: The Japanese were there. Actually, at Espíritu Santo,
except for being bombed and shelled every night, which we
were for like five, six months, we didn't see any hand-to-hand
action at all.

JOHNSON: Were you being bombed from airplanes or ships?

BERMAN: Mostly planes and ships, a lot of ships. Because
at that time we didn't have enough of our own planes to protect
us. We had nothing. Actually, we had nothing.

I mean, there were many little things that were so

ridiculous. For instance, in the navy, on a ship, you never use nails, you use screws. But we're supposed to build a base with screws. They forgot to give us nails! And then they put me in the supply department, and when we unpacked all the supplies that we had for our department, we had like three thousand stapling machines and two packets of staples instead of two stapling machines and two or three thousand packages of staples.

JOHNSON: That's crazy.

BERMAN: Well, the whole thing was crazy.

JOHNSON: Now, how did you go from being in lighter-than-air--you were supposed to be flying around in blimps off the coast of California, looking for submarines--to ending up in supply somewhere out in the Pacific? Do you know how that--?

BERMAN: Well, as they say in the navy, it was just a screwup.

I didn't belong there. They kept telling me all the time I was there, "You don't belong here. You weren't trained for this kind of warfare. You don't have the shots. You don't have anything." But I was there. [laughter]

JOHNSON: Did they give you a rating before you even left?

BERMAN: Yeah. I was a third-class petty officer. And they made me third-class storekeeper at the time.

JOHNSON: Once you were out on the island there?

BERMAN: Once I was there.

JOHNSON: When you first enlisted, why didn't you go in as an officer?

BERMAN: I didn't like the infantry. Well, the idea of being on a small boat looking for submarines off of Southern California, I mean, what could be sweeter than that? And my loving boats the way I did.

JOHNSON: Right.

TAPE NUMBER: III, SIDE TWO

MAY 18, 1995

BERMAN: *[The most important thing was to unload ships. Everyone worked together to unload the ships as quickly as possible because the Japanese bombed us every night from airplanes and ships, so our ships had to be unloaded during the day and then go out to sea at night.

The first thing we unloaded was cement, and it would be raining very hard. Cement comes in large packages weighing probably sixty to eighty pounds, and the bags were wet and were slimy because somehow or other the cement leaked through the bags. We tried carrying these bags a long distance, and finally an old chief on the island told us that if we put the bags on our heads and bounced them it would be easier carrying them, which we did. It seemed so easy. None of us thought of it because none of us had experience in carrying anything heavy.

The next experience was the unloading of the engines for a B-19, which weighed about a ton. The Caterpillar would drag a sled with the engine on it and take it into the jungle,

* Berman added the following bracketed section during his review of the transcript.

and about twenty of us would try to push the engine off on the sled. We were pushing and sliding and falling in the mud and getting nowhere when finally the old chief came by and said, "I can take the engine off the sled without even touching it." We thought he was crazy until he came back with a very long rope, which he tied around the engine, then tied the other end around a big tree. He then told the driver of the Caterpillar to go ahead, and to our amazement the rope held the engine and it sled very easily off the sled. You can imagine how very foolish all of us felt.]

Well, anyway, I was in a supply department, and my job there was to check invoices. All I did was just go over invoices all day long. And finally one day I found a big mistake, about a \$200,000 mistake in the invoice.

JOHNSON: Wow.

BERMAN: And I went running to the supply officer and said, "Sir, I found this tremendous mistake." He said, "What's the difference? Everything was expended the minute it left the coast." I said, "Then what am I doing this for?" [laughter]

He said, "Well, navy regulation says it has to be done." I said, "Well, what difference does it make as long as it's

* Berman added the following bracketed section during his review of the transcript.

written off?" He said, "Well, it has to be done." He was sort of a miserable guy, anyway.

Well, I felt sort of useless because the work I was doing didn't mean anything. And here I was in the middle of where all the action was.

Now, one night I was walking by the officers' tent, the mess tent. I heard one officer say to the other, "I don't know what we're going to do in this base, because they're going to put minefields in, and none of us know navigation, because we're here to construct a base. We're all engineers.

We don't know the first thing about a ship." And, boy, my ears pricked up, because that was what I knew, and it was what I loved. So the next morning I went to see the port director, who was [from the United States Naval Academy at] Annapolis.

JOHNSON: Do you remember his name?

BERMAN: Yes. It's on the recommendation that you have.

JOHNSON: Okay, right. Let's see. I'll have to research that.

BERMAN: There were two of them. One was Nielson. I don't know which one you have, whether you have him, but I know one was Nielson.

Anyway, I went up to the port director, and I said, "Sir, I understand you need a pilot to bring the ships in and out

of the minefields, and you also need someone to route the merchant ships to the next destination."

He said, "I sure do." Of course, since none of us wore a signet, he said, "And what is your rank?"

I told him, and he looked at me in disgust.

He said, "Don't you know that the minefields are the most secretive part of our base?" He said, "You have to be passed by the navy intelligence." He said, "You have to be passed by a unit higher than navy intelligence, plus you've got to be at least a lieutenant JG [junior grade]. That's the least for this job."

I said, "Well, sir, don't judge me by my rank." I said, "Look, either you know navigation or you don't know navigation."

And I said, "Since I know you're from Annapolis, you know navigation. Take me out, let me bring the ship in, and if I know it, I know it. If I don't know it, then I'm kidding you."

So he took me out, and of course I knew what I was doing, and I brought it in. He said, "Okay, great." He said, "You go to the supply officer. You tell him that you are to be transferred to the port director's office." Well, I went to see the supply officer, and he said, "No transfers at all. You stay right here."

Then I decided I'd go and see Admiral [Aubrey W.] Fitch, who was on the [aircraft carrier] *Enterprise*. The *Enterprise* was the flagship of the whole area, called the "Big E." I went to see Admiral Fitch, and he was reading a magazine.

I walked in, and he said, "Yes?"

And I said, "Sir, my name is Berman," and I went through the whole routine. "I'd like to be transferred to the port director's office."

He said, "What's your rank?"

And I told him.

He said, "Now, wait. How can an enlisted man become a pilot to the minefields?" He said, "That's impossible."

I noticed he had a Masonic ring on, and I'm a Mason. So I gave him, you might say, the Masonic high sign, a certain word that you use in Masonry when you're in trouble.

JOHNSON: Right.

BERMAN: Are you a Mason?

JOHNSON: No, sir.

BERMAN: If you can, you will help. So he dropped the magazine down, and he said, "What can I do for you?"

And I told him.

And he said, "Okay, you're transferred over to the port director's office."

That's when I started bringing ships in and routing all the ships. I was only there I guess about two months when the [troop ship] *Coolidge* was coming in. I had a little boat. It was a thirty-four-foot boat called a personnel boat. I had three men and a crew on it--one on the bow, one on the stern, and one steered the boat--

because when I'd go aboard a ship to bring it in they wouldn't slow down because of submarines. So I'd have to grab hold of the little ladders that they'd throw down, and that was dangerous. [laughter]

JOHNSON: Actually pull alongside the boat?

BERMAN: Well, yeah, because in a rough sea, too-- Sometimes you'd be alongside the ship, and a minute later you'd be twenty feet away. And then I had the charts which I would put in my pants; I'd roll them up and put them in my pants, but they would hit me in my chin. Anyway, I was too scared to fall off.

So I would bring the ships in and give them their harbor identification. We identified every ship immediately; we gave them a name. It didn't make any difference what name we gave, just so it wasn't the name of a ship. We could call

one a horse or polo or-- It didn't make any difference, because we had a code, anyway. We knew the Japanese could break our code, and we expected them to know the code. But if we didn't use the name of the ship, the true name of the ship, they wouldn't know what we were talking about. So we gave each ship a code. But the *Coolidge* wouldn't take a pilot, and she blew up. As she was going down, all the navy ships blew whistles and so forth and so on to draw away from the sinking ship. I saw two sailors still floating around near the ship, so we went and picked them up. The next day they called me into Admiral Fitch's office, and they said, "For bravery beyond duty" and all this sort of thing. I said, "Well, what did I do for all this?" Because I didn't know. They said, "When that ship went down, it could have sucked you down with it."

JOHNSON: Your whole boat?

BERMAN: Yeah. There's a terrific suction. I said, "If I'd known that, I'd have been the farthest one away." [laughter]

JOHNSON: You received a special commendation for that?

BERMAN: Well, it was just in my record, yeah. I went up in rank.

Anyway, I did this for close to twenty months. And then I had malaria in the meantime. But I had a lot of crazy incidents happen along the way. Like, for instance, there was a woman

living on the island. She was French. And they were raising the palm trees for copra. It was owned by the Philips [Industries] company. Anyway, the navy wanted to take over her property and move her to Nouméa. So I received a letter from Admiral Fitch to move her and her family to a Dutch ship, and they would take her to Nouméa. Well, I went to see this woman--she was a rather young woman with two children and her husband--and I said, "We're moving you to Nouméa." She said, "I don't want to go to Nouméa." I mean, she said that in French--I understood that--and she started shaking her head, "No." [laughter] I got an idea of what she was saying. I said, "Well, it has to be, because we're taking over your place here." I had a big battle with her but finally got her on a truck and got her things and got her on this Dutch ship. Then the captain of the Dutch ship said that before he could take her to Nouméa she had to sign a release, because he wasn't going to be responsible--in case the ship was bombed--for her furniture and all her belongings. Well, she wouldn't sign the release because she said, "I don't want to go. Why should I sign a release?" And he wouldn't take her unless she signed a release. He was talking in Dutch and she was talking in French and I was trying to talk in English. [laughter] Well, I was there for hours. This was

just one little thing I'm telling you about.

JOHNSON: Right.

BERMAN: I finally just left her on the ship. I mean, there was nothing else I could do. I knew she couldn't go back to where her home was, and I knew that she had to go. But we had so many little incidents. We had a fifty-millimeter machine gun on the bow of our little boat. And I saw some natives rowing very fast, and they kept looking at us and looking at us. So I said to the coxswain, "Let's stop that boat. Something's screwy with these guys." And we did. They had stolen a tremendous amount of dynamite. Where they found it I don't know, but they did find it. They may have found it from one of our ammunition dumps. I don't know where.

JOHNSON: Right.

BERMAN: The island was divided; half was French and half was English. I took them to the French side, and they just beat the devil out of them. They said, "That's the only thing they know." They said what they [the criminals] were going to do is keep this dynamite until after we left, and then they would dynamite us because they didn't want us on the island.

JOHNSON: Were they sympathetic to the Japanese, do you think?

BERMAN: You know something, these natives were so stupid.

I don't think they were sympathetic with anything. They didn't even know who the Japanese were. I don't think they knew who we were. I don't think they knew anything. There was no school. When I used to want anything, I would go to the different ships, and I would get bunting from the people in the Signal Corps. I could do more with cloth. You couldn't buy anything. If you gave them a hundred-dollar bill, what would they do with it? There were no stores. There was nothing. So you could barter with them. That's about the best thing you could hope to do with them.

Finally, though-- Oh, yes. Admiral [William F.] Halsey sent a directive to the port director saying that the routing from our base had the best record of any base in the South Pacific, and he said, "Give your routing officer a commendation." So when they came with it-- Again, you're supposed to be an officer passed by intelligence, and you're supposed to be at least a JG [junior grade], and I was nothing. That's why they had that letter. They kind of made me JG as fast as possible.

JOHNSON: Did they make you a JG after the commendation? Or how did that transpire? I saw a copy of the commendation and the letter of recommendation.

BERMAN: Well, they wanted-- No, I had it before. Let's see.

Then I got malaria and I couldn't pass the physical, and also I forgot the color chart. [laughter] Well, they showed me the color chart. I had forgotten what I was supposed to say when I saw the numbers.

JOHNSON: Right.

BERMAN: But the malaria is what threw me off.

JOHNSON: So they made you a lieutenant JG.

BERMAN: They never made me, no. I passed it, but I never acted as a JG, never.

JOHNSON: I see. Because of the physical?

BERMAN: Because of the physical.

JOHNSON: I see. So they recommended you. Do you remember what Admiral Halsey's title was then?

BERMAN: Well, he was admiral. Yeah, COMSOPAC: commander of the southern Pacific, called COMSOPAC.

JOHNSON: Now, when you said that he had said you had the best routing record, what did you mean by that?

BERMAN: Well, we route ships on what we call zigzag courses.

This is something that's easy to draw. [begins to draw] For instance, we were here, and we had to send a ship here. The course would be a certain length, but we wouldn't do it that way, we'd go this way. Of course, it would be much longer. Because a submarine sitting out here-- If we went

straight across, all they would have to do is set their sites here and you can hit the ship easily. These were ships that went unescorted; I'm not talking about ships that were escorted.

They'd go alone. So when they zigzag like that, there's no way-- Well, I wouldn't say there's no way. We didn't hear of anything, whether they ever got one of our ships.

JOHNSON: So you were giving them specific course and direction?

BERMAN: Oh, yes.

Then we had another thing. One day I got a directive from Halsey: "Send all ships to Antofagasta, Chile, for nitrates." Well, I don't know if you've ever looked at the map of North and South America.

JOHNSON: It's a long way away.

BERMAN: Well, Antofagasta, Chile, is further east than Newfoundland, which I never knew. And I was trying to figure out that when I routed ships to San Francisco there were like six thousand miles; when I was routing to Antofagasta it was nine thousand miles. Then I was trying to use the great circle route, and I suddenly found I was south of the South Pole, which didn't work too well either. [laughter]

Then we had other problems. We had a lot of ships that Kaiser [Permanente Metals Corporation] built very cheaply.

In fact, they didn't even have water makers. So I had to

find out where to get water. On the way, they could go to Pitcairn [Island], so we had to send a lighter to Pitcairn.

A lighter is like a small tanker. They carry water out to the ship.

But the worst part is, I had to get fuel for them, because they didn't have enough fuel to go to Antofagasta. So I would have to arrange for a small tanker to leave Pearl Harbor and meet this cargo boat east of Easter Island, because we felt everything east of Easter Island was safe. The Japanese submarines didn't have enough fuel to go that far. So I would have to arrange for a meeting, and I'd work on it sometimes all night long, because I'd have to work on two routes: one for the tanker and one for the ship that was leaving our base.

It was interesting work. I liked it; I enjoyed it. But it was a lot of hard work.

JOHNSON: You mentioned that Admiral Halsey directed the ships going to Chile to go to Antofagasta. That was to pick up nitrate?

BERMAN: Pick up nitrate.

JOHNSON: And that was used for--

BERMAN: Well, ammunition.

JOHNSON: Ammunition. For producing ammunition, then?

BERMAN: Sure. Nitrate's used in gunpowder.

JOHNSON: I see. Naval Advance Base "Button," was that the name of your base?

BERMAN: Yeah, all bases--you can write this down. I'm talking now so you can pick it up. All bases had nicknames, and ours at Espíritu Santo was "Button." But Guadalcanal was called "Cactus." You see, none of these things meant anything. We'd take any name that you could think of and use it.

JOHNSON: So you received a commendation from the admiral because, as I understand it, your ships had the best safety record and were most efficiently routed?

BERMAN: Well, they were more efficiently routed, let's put it that way, yes.

JOHNSON: I'm interested in your commendation for the *Coolidge*. Was that a warship or a merchant ship?

BERMAN: No, no. She was carrying over five thousand soldiers.

JOHNSON: So it was a troop ship.

BERMAN: A troop ship. And she wouldn't take a pilot. See, when I'd go out to pick up a ship I would fly an "H" flag, which meant there was a pilot aboard. So the captain immediately should have dropped a ladder. Not only that, when I saw what she was doing-- I learned how to semaphore, so I semaphored to the signalman to stop immediately--"You're heading for the minefields"--and she just didn't stop.

JOHNSON: Do you know how many lives were lost?

BERMAN: Two. That was all.

JOHNSON: So it was a fairly organized sinking, then, essentially.

BERMAN: Well, she went down pretty fast, but there were a lot of small navy boats around. There were a lot of boats in the harbor, and they all sent out all the small boats to pick up soldiers. And not only that, the minute she hit the mine, the captain beached it, and most of them jumped off.

JOHNSON: But ultimately it sank.

BERMAN: Oh, yes. She went right down, because she blew her stern off. When she hit the mine she was going this way.

JOHNSON: And these were moored mines that were several feet underwater?

BERMAN: They're six feet underwater.

JOHNSON: I see. You mentioned that the French woman, she went to Nouméa. That was a local, safer island?

BERMAN: Oh, it was safe, absolutely safe. That's where Admiral Halsey had his base.

JOHNSON: Did you have a chance to spend much time with Admiral Halsey?

BERMAN: I never met him.

JOHNSON: You just kept getting commendations from him.

[laughter]

BERMAN: I didn't see him. They came directly to the port director.

JOHNSON: In reading over some of the manuscript information, you have mentioned that you had done a lot with the maps and charts to organize them.

BERMAN: Oh, yeah. We didn't have any charts at all. So when they'd send me directions into Antofagasta, Chile, for instance, I needed a harbor chart for the ships I was sending there. Well, none of the ships that were being built during the war were ever thought of for Antofagasta, Chile. But I found an old navy ship called the Pyro, which was an ammunition ship, and she had charts of everything, so she had a chart of Antofagasta, Chile.

So I had copies made aboard the "Big E," and then I gave them to all the directors. I established a chart department. I would say, like, for instance-- We were talking about entrepreneurship. Well, that's like entrepreneurship to establish a chart department on a place like that, because it was something that was needed, but nobody ever did anything about it.

JOHNSON: Was this set up at the port director's office? Or how was that--?

BERMAN: In the port director's office. The funniest part, too, is that we didn't even have a barometer, and we knew we were coming into a typhoon season. So I went around to all the ships and finally found a mercurial barometer. There are two kinds of barometers: there's an aneroid-- Well, you were in the navy; you know about barometers. There's an aneroid, which, of course, is what everybody uses now. The old, old timer was a mercurial. So my job was to-- Every morning I checked the barometer to see where we were.

One morning I went in there and the barometer had sunk way down, and I thought, "Oh, boy, we're in for a big blow."

So I signaled all the ships to get ready for a big blow, and they all signaled back, "What are you talking about?" Well, what happened is mercurial. This mercury barometer had sprung a leak and the mercury was on the floor. [laughter]

So there was no blow.

JOHNSON: And you read that as a low pressure.

BERMAN: I thought it was a low pressure that was dropping fast. [laughter]

JOHNSON: I see. [laughter] So you were effectively a quartermaster at this point in the navy.

BERMAN: Yeah.

JOHNSON: But did they ever change your rate?

BERMAN: Oh, yeah. They changed me to quartermaster.

JOHNSON: And so you became a QM--

BERMAN: First class.

JOHNSON: QM1.

BERMAN: Yeah.

JOHNSON: So you went from third class to first class, up two ranks, pretty quickly.

BERMAN: Yeah. Well, because of these things, I did change in rank. Then I finally made chief just before I was recommended for a JG, so they decided to wait. But then I was so bad with malaria that I was in the hospital at the end more than I was out.

JOHNSON: So when you contracted malaria, how did that transpire?

Was it just a slow, gradual weakening, or how did that--?

BERMAN: No. As a matter of fact, I was in the port director's office. Well, it wasn't really an office; it was a big signal tower that we had. And I said to the port director, "I'm going out to see a certain ship about something." I don't remember what it was. The next thing I knew, I was in the hospital. I just conked out. It hit me that hard.

JOHNSON: Was the hospital pretty full of malaria patients at that point?

BERMAN: Well, we had a lot of malaria, but we had a lot of

wounded people, too, a lot of wounded people. In fact, when I was there, there was a marine next to me, and his chest was blown open, and he was dying. I had to lie there and just watch the poor fellow die. It took about two days for him to die. I couldn't move. They wouldn't let me out.

JOHNSON: That must have been a pretty difficult position to be in.

BERMAN: Oh, yeah. It was terrible, because-- Well, anyway, those are all parts of the war of living, I guess.

JOHNSON: So you went to the hospital. How long were you in the hospital at "Button" before they shipped you back to--?

BERMAN: Well, I was in and out. It wasn't that I was there once, I was in there many times. I would say over a period of six months I must have been in the hospital four or five times.

JOHNSON: Was there no malaria vaccine at the time?

BERMAN: Oh, no, no. We never had ourselves such a thing as a malaria vaccine. Even now you just get your pills. But all the quinine-- The islands that produce quinine were captured by the Japanese, so they gave me what's called Atabrine. And Atabrine-- They didn't know what the side effects were. It ate up the lining of my stomach to the point where I couldn't

eat anything.

So they sent me back to the States, and I went to, at first-- Well, this is another joke. When they decided to send me back to the States, the port director said to me, "Berman, you pick the ship you want to go back on. After all, you know every ship in the harbor." So I picked the Standard Oil [Company] tanker, because the union for the tankers was the best union they had. They even had a menu with a choice of three entrees--

JOHNSON: Wow.

BERMAN: [laughter] --which no other union had. And she was light; she dumped all her fuel. So I knew, going back, she wouldn't make much time every day with the wind blowing.

Oh, and before I left, they knew they had to get me a uniform.

Don't forget, all this time I was still without a uniform.

JOHNSON: Were you in khakis?

BERMAN: I was in khakis.

JOHNSON: Because everyone was in the same khaki uniform.

BERMAN: We all wore khakis, and they found khakis that fit me. Well, the only navy uniform that they could find for me, because nobody has extra uniforms-- But they did find one extra for me. It was a size forty-four. At that time I weighed 130 pounds. Well, first of all, the pants were

way too long, so they were dragging along. And the jacket came way below my knees. I walked down Market Street when I finally got back to San Francisco, and crowds would gather around me and wonder what this sight was. The shore patrol stopped me and said, "What the hell are you?"

I said, "I'm in the navy. What do you think I am?"

"Well, you look like a happy hooligan." [laughter]

I said, "Well, I don't care what I look like. This is the uniform they gave me; this is the uniform I'm wearing." [laughter] It was horrible.

Well, then I went back to-- This is funny. This is where the thing really gets funny. They sent me back to Treasure Island [U.S. Naval Training and Distribution Center]. I was waiting for a new instruction, and I was in the hospital there.

But they keep you working. I had a working party, and my job was to see that the compound in the center of the island was kept clean. So one day they brought--they marched, I should say--a group of sailors who were up for general court-martial, and they were supposed to be my working party.

Well, you know, when you're up for general court-martial, there's nothing worse. You lose your citizenship and probably do time on top of it.

So I said, "Okay, fellows, go and get your brooms and

shovels and everything and report back here." Nothing.

The commanding officer came by and he said to me, "What are you doing here?"

I said, "I'm waiting for my working party."

He said, "What do you mean you're waiting for them."

I said, "I told them to go and get their brooms and shovels."

[laughter]

He said, "You can't do that to these guys. They're not going to work. They're up for general court-martial. There's nothing we can do to them more than being dead." He said, "You've got to watch every move they make."

I knew they couldn't escape, so I went after lunch. The marines marched them back, and I said, "Okay, you guys got away with it this time. You're not going to get away with it again. I'm going to watch every move you make." So I marched them back to the shed where they had the brooms and stuff. Then they started to sweep, and as they were sweeping and cleaning, they got further and further away from me. Finally they started running. [laughter] Well, I started chasing some, but by that time, the others were gone.

So the commanding officer came back and he said, "Where's your working party?" I said, "I don't know where the hell they are." He says, "You're the worst damn officer--" I wasn't

an officer, but he thought I was. He said, "You're the worst I've ever seen." So the next two nights I was at the prison at one of the guard stations with a gun all night long. From there I got my leave, finally, and went home.

JOHNSON: Why did you end up at a guard station?

BERMAN: For punishment.

JOHNSON: For punishment because of--

BERMAN: Punishment for not being able to handle this working crew.

JOHNSON: I see. What year did you come back to San Francisco?

BERMAN: I came back to San Francisco-- It was early '43.

JOHNSON: So in all, how long did you end up spending out on "Button"?

BERMAN: About a year, I guess.

JOHNSON: About a year. On the Atabrine, which is the medication they had you on, I understand that didn't sit too well.

BERMAN: Well, they didn't know the side effects. Of course, they wouldn't give it after what happened to me; they wouldn't give it to anybody. Even to this day I can't eat garlic or anything spicy or anything like that. I can't do it. After so many years, I still have the effects.

JOHNSON: How long did you end up spending on Treasure Island?

BERMAN: Well, I was there about two weeks. And then, when I came back, I went to Mare Island.

JOHNSON: Which is up in--

BERMAN: I was in the hospital on Mare Island.

JOHNSON: Right. That's up in the San Francisco area.

BERMAN: Yes. That's a nice base.

JOHNSON: What were the navy's plans for you at that point?

BERMAN: Well, I was supposed to go aboard a ship. It was a salvage ship. I was hoping at that time that my commission would come through and I would be the navigation officer. That's what was hoped for, but it never came to pass. Because of the malaria and the Atabrine and what it did to my stomach, I just couldn't eat anything. They put me on what's called a sipi diet, and that's half and half every hour on the hour and a powder in milk every hour on the half hour. That's all I could have for quite a while. Then they sent me to Yosemite [National Park] just to-- That's where I got out of the navy, Yosemite.

JOHNSON: Tell me, then, about the rationale behind sending you to Yosemite.

BERMAN: Because of my stomach.

JOHNSON: Was there a hospital out there or some sort of--?

BERMAN: Well, they took over the Ahwahnee [Hotel], you know, the great hotel.

JOHNSON: So the navy had that hotel as a hospital?

BERMAN: Yes, and I was there mostly because of my diet. I mean, I wasn't bedridden or anything. But there, too, we did something. We used to rake leaves all day long. We raked leaves in the morning from here to there, and in the afternoon we raked the same leaves from there to here. [laughter] So I figured this was ridiculous.

We had a wonderful Catholic chaplain. His name was Father Gerber. He became my very close friend. In fact, he'd spend his vacations at our house many times. And I said to him one day, "Father," I said, "why don't we start a newspaper for the hospital? It would cheer people up and let them know what's going on." So we did. I had a camera, and that's when I got to know Ansel Adams. I started doing a lot of photography, and we did the little newspaper.

But then, too, the head of the hospital-- He was a wonderful man. He was a doctor, a four-striper. A couple of times, he said to me, "Why don't you come in to Fresno with me, because I want to go to the Masonic meeting." Well, I hadn't gone to a Masonic meeting in years, but I said, "Fine, at least that's something to do."

So we were coming back one night, and he said to me, "You know, Berman, we've got a problem with you, and yet it's not a problem." He said, "There's no future for you in the navy at all because of your stomach." He said, "What can you do? We could give you a desk job, but your record's too wonderful for that. Why should a person like you have to sit at a desk?" And he said, "But I can get you out on one condition. I'll get you out immediately if you sign all releases from the navy for a remuneration of any kind." I said I would gladly sign a release just to get out, because there was no sense staying in there. So that's what happened.

JOHNSON: How long did you end up staying at Yosemite?

BERMAN: I stayed there from October to March.

JOHNSON: And was that in 1944?

BERMAN: 'Forty-four. 'Forty-three to '44.

JOHNSON: I see. So you were there till the spring of '44.

BERMAN: Yes.

JOHNSON: I see. I'm intrigued about the newspaper and Ansel Adams. How did you run across Ansel Adams?

BERMAN: We started this newspaper and wanted to do some photography, photographs of the different patients of the hospital doing different things. We had a lot of marines

in the hospital, too. We needed a darkroom. So I went over to see Ansel Adams--I didn't know him from Adam--and I told him who I was and what I wanted to do, and he said, "Sure, you can use my darkroom."

I started using his darkroom and got to know him. Then he said to me one day, "Why don't you come out with me on some of my shoots and work along with me?" I did, and I got to know him very well. I got to learn a lot about photography.

I do a lot of photography. I can show you some of it. Some people think it's pretty darn good. I've won a lot of awards for it.

JOHNSON: Had you been very active in photography prior to meeting Ansel?

BERMAN: Oh, yeah. I was a good friend of Tom Kelly. I went to Art Center [College of Design], so I've always done a lot of photography.

JOHNSON: So this relationship with Tom Kelly had started earlier?

BERMAN: Oh, it started in 1935.

JOHNSON: And as I understand it, Tom Kelly was a very famous fashion photographer?

BERMAN: That's right, the best.

JOHNSON: How did you meet Tom?

BERMAN: When I had the liquor store, he had a little office across the street from the store, and we got to know each other that way. His wife Natalie [Kelly]-- I was single then, and we used to double date. We'd see each other a lot. And then, of course, when Tom would be working in his studio he would have a model, and he'd use her for an hour and a half, but he'd have to pay her for two hours. So he'd say, "Okay, Jules, the other half hour's yours." So I got to learn it all.

JOHNSON: That lifelong interest in photography has continued--

BERMAN: Oh, up till now.

JOHNSON: What type of photography do you find most enjoyable?

BERMAN: Well, I'll show it to you and you tell me. I'll show you some of it.

JOHNSON: Now, for the purpose--

BERMAN: I have done-- Well, for the book, the stuff that I have done most of--I'm going to do a book on it--are the Arabic nomadic tribes. I've done most of them all over the world. I've done them in Africa, and I've done them also in the South Pacific. The only place that I haven't done is in-- Well, I won't say Arabic. I mean, just nomadic tribes around the world. I haven't done China and I haven't done

Tibet. I've finished those-- They all have a complete set of pictures of all the different tribes throughout the world. I've got hundreds of them.

JOHNSON: What drew you to your interest in the nomadic tribes?

BERMAN: Their faces. I only photograph their faces. When you see it, you'll see what I mean. They're very interesting, very interesting faces. I use very long lenses.

TAPE NUMBER: IV, SIDE ONE

MAY 18, 1995

JOHNSON: That's some very interesting photography. I can see you've traveled all over the world.

BERMAN: Yes.

JOHNSON: So it was in the spring of 1944, then, that you were officially discharged from the navy?

BERMAN: Right.

JOHNSON: You sure had a lot of amazing accomplishments and did some very interesting things. As you look back on that--and the term has come up a couple times--you said, "What I did was very entrepreneurial" while you were in the navy. How would you evaluate the navy as an entrepreneurial experience for you?

BERMAN: If people ask me what I think my best accomplishment or biggest accomplishment is, I would say the navy, because in the navy, as you know, you're only a number. For me to go to the South Pacific and to work my way into the port director's office when I wasn't actually qualified and to get commendations and to come out recommended an officer, that's not luck. I mean, I'm not saying that braggingly, no. But that's only because of work and work and work, and to me that's a terrific accomplishment.

JOHNSON: In accomplishing these many things and the letters from the admirals and the recommendations for the commission, I mean, that's incredible. Are there several key factors, you think, that enabled you to--? Was it a particular mental attitude you had or--? I mean, you seemed very tenacious in going after advancement in the navy. Were there two or three things that you always kept in your mind?

BERMAN: Well, I told you that when I found myself checking invoices that didn't mean anything-- I was useless in the navy, and I didn't feel I wanted to be all the way down in the South Pacific and be useless. Also, after hearing these officers talk to one another and saying that they needed someone who knew piloting and none of them were qualified, I felt that I could be doing some good for the navy. I wasn't thinking so much of myself. I was thinking more or less of what I could do for the base, because if they couldn't find a pilot, they were in trouble.

JOHNSON: What do you think your attitude would have been had you not contracted malaria? Do you feel that you might have spent more time in the navy, possibly a career?

BERMAN: I possibly-- Yes, if I didn't get malaria I would-- I can show you my discharge. I had a 9.9 rating--or listing or whatever you want to call it, grading, let me put it that

way--and the only reason I didn't get a 9.9 plus is because, as one officer said to me, "You know, Berman, you've got hundreds all the way," he said, "but no one's perfect." He said, "As much as you are about as perfect as a person can be, you're still not perfect, so I can't give you a hundred. I'll give you a ninety-nine." So that brought my average down.

But I got along with everybody. I had no problem in the navy at all. But I worked hard. I really did. I mean, I'd stay over charts till all hours of the night and did a lot of work. It was hard work getting on and off of these big ships and boarding them and so forth.

And I did a lot of other things on the base, too. We had silent buoys for submarines, of course, as you know, and we would put a small boat attached to each buoy every night, listening for submarines. We had a pool of maybe thirty different people that we used. Well, I would do that assigning of the personnel to each one of these buoys, which was nothing.

And when we finally got complemented with men in the port director's office, just before I left, the port director gave this job to a young ensign, and he fouled it up like you can't believe. He had four people at one buoy and no one else at three other buoys. [laughter] It was just unbelievable that such an

easy job could be fouled up. Those were just some of the things that happened.

JOHNSON: How would you evaluate your leadership experience in the navy?

BERMAN: Well, I can't say I did much leadership, because the only boats I was on where I was in command had a crew of three. [laughter] I think whatever I was given to do I could have done. I could have led any number of men if I was given the opportunity or asked to do it; that was probably no problem. It's never been a problem, because I've had organizations with hundreds of people working for me. We wind up as friends, not as employees or employer. I never believed in that.

JOHNSON: Were there any particular--and you've mentioned a few people--but any key role models or leadership figures that, as you look back on the navy, you think might have had a significant impact on your relationship and your experience in the navy?

BERMAN: No, not really, because, you see, I only worked for the port directors. I had three different port directors except for the supply officer, who was of course nothing, in my opinion. But they left me alone, they really did. They

never bothered me. It didn't take much time for each one of them to tell me the same thing: "Look, Berman, you know what you're doing. All we can ever do is probably louse you up if we start interfering." So they left me alone. They all became good friends of mine, too.

JOHNSON: Did you keep in touch with some of them?

BERMAN: I did for a while, but I lost track.

JOHNSON: But it sounds like that's a pretty key management thing in and of itself--that is, the ability to realize that when they could not add any value to what you were doing, they were best just to leave you--

BERMAN: Well, that's because they were intelligent men. Look, I knew what I was doing; there's no question about that. Now, what could they do? They couldn't bring the ships in for me, because I was doing that. I was routing all the ships, and there wasn't much they could do.

JOHNSON: Did you feel that the navy affected your goals about what you wanted to do with the rest of your life?

BERMAN: Yes, definitely. Definitely, definitely, definitely I can say this. I can't tell you too many times, and I'll tell you why. I don't think I would have left Schenley [Industries] had I not been in the navy, because the navy gave me the confidence that I don't think I had before I went

into the navy. Because, as I just said, going into the navy, doing what I did on my own with no pull, no luck, no nothing, just on working hard and staying with it, gave me confidence such that if I went in business and stayed with it I could be successful. I think that maybe had more to do with the rest of my life than any one thing. Working for Schenley was nothing; it was a job. It was a very easy job, and all I had to do was just call on distributors. We had one price.

[laughter] It was very simple. The liquor store, of course, was different. That took a lot of ingenuity to go out and get business. But the navy, I think, gave me the confidence I needed, because when I went into the liquor import business and I didn't get an order for months, I stayed with it.

JOHNSON: Obviously you had enormous responsibility. While you were not supervising lots of people in the navy, the fact is that many men's lives and millions of dollars in cargo and the logistics for the war effort were resting in your hands when you would bring the ships through the minefields.

How did you assess that responsibility at the time that you were doing it?

BERMAN: I didn't assess it at all, not a bit, because I really knew what I was doing. And as long as I knew what I was doing, I didn't feel that much responsibility. Had I wondered if

I knew what I was doing, or if I wasn't sure if I knew what I was doing, I would say that I wouldn't, then, be concerned that hundreds or millions of dollars could have been lost and that people could have drowned. There could have been a lot of serious problems, yes.

JOHNSON: How would you compare the stresses that you faced in the navy compared with, say, later accomplishments in life and other stressful situations? Can you draw any kind of comparison between the two?

BERMAN: Well, the only stress that I had in the navy-- I said I got along with everybody, so it wasn't that I had any problems with any other officers, and none of the officers on the base were jealous of me because they couldn't do what I was doing. In fact, no one on the base was jealous because of what I was doing. Besides, I got along well with everybody.

But there was a stress and there wasn't a stress. The only stress was that if I did anything wrong-- But, as I said, I was so confident that what I was doing was right that I never gave it a second thought, because I was so--I won't say sincere, but I was just so--absolutely correct before I would approve anything in my own mind. Before I would let a chart go out, I would double-check it and triple-check it

until I knew it was exactly right. So I didn't have to worry about a mistake. Of course, I didn't make-- The only mistake I had made was when the mercury leaked out [of the barometer].

[laughter]

JOHNSON: Right. We're just about at the end. But going back to clarify a few points, you never had any official boot camp or any type of training like that in the navy?

BERMAN: Not a bit.

JOHNSON: And when you showed up at Wilmington, that was Wilmington where, sir?

BERMAN: Wilmington here.

JOHNSON: Down by Long Beach?

BERMAN: Near Long Beach, yes.

JOHNSON: I see, okay. I've covered a lot of things, and we've discussed a lot about the navy. Is there anything else that you would care to add about the navy experience for you?

BERMAN: Well, little things that I-- Just before I left the navy I got hay fever, of all things. I asked the name of the doctor that handled hay fever, a dermatologist, and they gave me his name, but I didn't use him.

I came home and ran into "Dixie" [Rolinde] Zellerbach [Loew] in San Francisco. Well, of course, you know the Zellerbachs are *the* family in San Francisco. So I said, "Dixie,

I have a problem with my hay fever. Do you know a good doctor I can use?" She said, "Well, the best one, unfortunately, is in the navy. He's in the South Pacific somewhere." And she gave me the name of the doctor that I had turned down.

[laughter]

JOHNSON: Wow.

BERMAN: That was funny.

JOHNSON: That's great. All right. Well, if something else comes up that you recall about the navy that you care to add, we can certainly put that in the tape later. But that--

BERMAN; Well, I'll tell you a few humorous things that happened.

We lost more men who were hurt with coconuts falling than were killed by the Japanese. Now, these coconut trees are very tall. You know, a coconut with its outer shell is very heavy. And when they fall, they fall silently. Believe it or not, we had a lot of men who had their heads split open just walking through at night and not seeing it.

JOHNSON: Wow. That's true, they do weigh--what--about ten pounds or so, maybe?

BERMAN: Oh, about.

JOHNSON: Wow.

BERMAN: And it's a long way down, too.

JOHNSON: Yes, that could be a problem. [laughter]

BERMAN: The worst part was, too, in the South Pacific, these large plantations were owned by Philips [Indus-tries]. They had these big plantations, and they hired Tonkinese, who looked like the Japanese. So a lot of them were killed by accident. I mean, they didn't do anything wrong, of course.

JOHNSON: Right.

BERMAN: But another funny thing is that they say if you stay there long enough, the natives start looking better to you. And, of course, we had the Melanese down there then. Well, they practiced cannibalism before we got there.

JOHNSON: The Melanese?

BERMAN: Oh, yeah.

JOHNSON: And that was the local tribe?

BERMAN: Well, that was a local tribe through there. And there was an island called Malekula. They still practice headhunting. It was another-- I used to go over there. I knew one chief there, and I'd just ask him if any Japanese submarines had surfaced. I said to him one day, "How come you people still practice cannibalism?" He said, "Well, we only kill our enemies. We don't kill anybody we like." [laughter]

JOHNSON: That's interesting. They were pretty friendly toward the U.S. at that point?

BERMAN: Yeah, they were friendly. They didn't want anything

from anybody. As I said, money meant nothing to them. I could do a lot more with cloth than I could with anything in the world I could give them, because there was nothing else they needed.

JOHNSON: Right.

BERMAN: And they didn't live long. They had elephantiasis, and they had tropical TB [tuberculosis]. If they lived to be forty, forty-five years old, it was a long life. They branded their faces, too. And of course, there was no education at all. They were about, I would say, as ignorant as any people on this earth. There's nothing there for them at all.

The only thing they have is enough to eat. There's no poverty there. But the elephantiasis is horrible, and leprosy.

I told Admiral [Aubrey W.] Fitch one day, "You know, we're fighting this war all wrong." And he looked at me and said, "What do you mean?" I said, "We should let the Japanese take this island. We should *make* them take this island. Then we should put our fleet around them and make them stay here, because they'd have to die. [laughter] There's no way they can stay on this island and live."

JOHNSON: Oh, that's funny.

TAPE NUMBER: V, SIDE ONE

MAY 25, 1995

JOHNSON: Good morning, sir.

BERMAN: Good morning. We were leaving the navy last time we talked, is that correct?

JOHNSON: Yes, sir.

BERMAN: Oh, yes. I have to tell you one thing. Because of the work I did with photography at Yosemite [National Park], the Curry Company, which ran Yosemite, offered me a job as their official photographer. We had a man in the navy who actually helped people when they got their discharges to get jobs, so he was beaming with a big smile. When I went to his office, he said, "Well, you have a wonderful job. You'll live in Yosemite. You'll be the official photographer." But, of course, he didn't know that my sights were higher than that, and I, of course, turned it down.

Then I went back home, and it made me start working for Schenley [Industries]. And they were more than glad to get me, because by the time I got back most of the employees of age of course were in the service. So at that point, Mr. Rosensteal asked me if I would go to New York, which was a much more important job, which I wouldn't do because I didn't want to live in New York. That's when I realized I had no

place to go with Schenley. I was at the end of the line as far as promotions would ever be. That's when I left. Then I went into what's called the broker's business. Now, do you want me to talk about that? Or do you want me to talk about Connie [Haines]?

JOHNSON: If we could back up just a little bit now, when you got out of the navy and went back to Schenley, you were living where?

BERMAN: Oh, I was living with my parents, although-- Yes, I was living with my parents at the time, and I was going with Connie Haines. I mentioned last time, didn't I, the opening of the [Hollywood] Palladium?

JOHNSON: No. But who was Connie Haines?

BERMAN: Well, Connie Haines was a feature singer with Tommy Dorsey. She still sings and is very popular. In fact, they had a group of old-time singers in New York. I think it was in one of the big theaters. I can't think of the name of it; I will in a minute. And she got a standing ovation against all the other so-called big names. She was the top singer with Tommy Dorsey.

As a matter of fact, [Frank] Sinatra was with Dorsey at the time, but he was just being paid scale. That's another funny story, because we used to go out afterwards. Sinatra

wanted to leave Dorsey because Dorsey had fallen in love with a young movie star who worked at MGM [Metro-Goldwyn-Meyer] --her name was Pat Dane--and he wasn't paying much attention to the orchestra, and contracts were coming up, and most people in the band were concerned. I had a friend of mine with [the] William Morris [Agency], and his name was Bud Silver. I told Bud that there was something strange going on at the Palladium, because this young singer would get up and all the girls would stand and ooh and ahhh and everything. He had something that I hadn't seen any other singer have. So I took him to the Palladium one night, and he listened for a while. He said, "Tell you what you do, Jules. You stay in the liquor business, and we'll stay in the talent business." [laughter] That's what happened with that.

Well, I went out with Connie for quite a while, about 1946-- Because this happened before the war [World War II]-- She was living out here then, though her original home was Florida. She lives there now. But in 1945 she was doing personal appearances at the Paramount [Theatre] in New York, and I was more or less left without a date, and some very close friends of mine told me about a young lady who was coming out from New York who didn't know anybody here, that it would be a pleasure to them if I would take her out. So I did,

and it was Ruth [Herskovits Berman].

JOHNSON: Who introduced you to Ruth?

BERMAN: A very close friend of mine named Ira Kaufman. He was a very good friend of mine, and he introduced me to Ruth.

Connie and I-- Although we-- We were never in love. We just had a lot of fun together. But she was very religious. In fact, she is a minister now. But I was never religious, and I don't think I could have ever married anyone who was too religious, because it just didn't fit into the way I wanted to live.

JOHNSON: How did you meet Connie in the first place?

BERMAN: That's a good question. I really don't remember.

I knew a lot of people in the picture business and entertainment business. It was through one of them. I don't know which one had introduced me to her. Of course, she would come and go as Tommy Dorsey would come and go. When they played the Palladium, she was here for-- I guess they were here a year.

I saw her almost every night. She is a wonderful person, a great person.

JOHNSON: Now, I had read that you had an interesting experience at the opening of a big production one night when your car was unavailable.

BERMAN: Oh, at the Palladium? Oh, that was really funny.

I had a deal with a Buick dealer. I would trade in my Buick convertible every year. I think all I paid was \$250 difference for a new car. The day that the Palladium opened, I took the car that I had to be traded in. I was dressed in a tux and everything, ready for the big opening of the Palladium.

I took my car over to pick up the new one, and they took my car and said, "Your car is in the back." There was a small garage in back of this large dealership, and there was a mechanic working on it. He said, "There is something wrong with this car that we have to adjust before I would let it go out."

I kept looking at my watch, and finally it got to the point where I had to pick Connie up and take her to the Palladium because we would have been late. I said, "I've got to do something. I'm in the middle of nowhere here. What can I do?" He said, "Well, use my car." It was an old jalopy. [laughter] So I took his car, and I picked Connie up, and we went to the Palladium. Of course, there were klieg lights and hundreds of people standing around to see the great Tommy Dorsey Orchestra and to see Connie Haines, and she got out of a car that no one would drive. [laughter] She thought it was funny. She had a great sense of humor. I was embarrassed as the devil, but as long as she didn't care, I didn't care.

JOHNSON: What year did you meet Ruth?

BERMAN: I met Ruth in '45.

JOHNSON: How long--?

BERMAN: We got married about eight months later.

JOHNSON: Now, that was about the same time that you left Schenley, is that--?

BERMAN: No, I was still with Schenley when I married Ruth, but I left very soon afterward. And I really had my problems, because I didn't want to work for anyone. Because I worked for one of the biggest, I realized any job that I would get, I could only go so far. Since most of the big liquor companies that I would want to work for all had headquarters in New York, there was no way that I could have gotten a job on the West Coast, knowing what I had anticipated I would like to do, unless I went into business for myself.

I went to see my friend Vern Underwood, and he said, "Well, there is a man down here looking for representation. His name is Fred Heineken, and he owns the Heineken Brewery." He said, "Of course, imported beers aren't selling hardly at all, but perhaps you could take this thing." I mean, Vern had a lot of confidence in me, because when I had my store, the one that I told you about, Llord's Liquor Store, I bought a great deal of merchandise from Vern. He knew the business

we built up and how we built it up. And he said, "Why don't you see Heineken." He said, "I'll take it on as his distributor. I'm sure you can get other distributors." Then I got Beringer wines. And then, as time went on, we kept getting more and more items. Of course, at first I was practically starving to death because we couldn't sell enough beer to make any real money. And Beringer was a pretty fair-selling wine. I got Simon Levi [Company] to represent me. They were a very big wholesale house at that time. And then I got-- Oh, gosh, we got Harvey Scotch and we got Guinness [stout] and Bass [pale ale]. Luckily, I made a deal with Guinness and Bass, although they're different companies. I represented both of them but just locally. Later I represented them in the United States, but we did a very good job.

My first trip that I left on to try to get business outside of Los Angeles, I got up at about five [o'clock] in the morning and drove to Bakersfield. There were two distributors there. Of course, I knew all of the distributors, because, as I said, when I worked for Schenley I used to call and say hello to all the distributors. So I went to Kern Wholesale and called on them. In fact, I had breakfast with the owner. Then I went to Bohemian Distributing Company and called on them. I didn't get any orders but-- Then I drove like the

dickens to get to Fresno. There were three distributors in Fresno. Then that afternoon I drove to Stockton. The next morning early I called on two distributors in Stockton. And then afterward I called on five distributors in Sacramento.

Then Tuesday night I drove into San Francisco. I stayed there Wednesday and Thursday and called about twelve distributors.

And then Friday I got up early and I went to San Jose, San Luis Obispo, and Santa Barbara, and then came home.

The first two trips, I never got an order. But I kept going back, and finally we started getting orders, and we started getting more items. Then we started getting an avalanche of items, because there wasn't really anyone else competing against me.

JOHNSON: Within the organization and the whole liquor manufacturing and distribution, what was your role? As you mentioned, you were trying to get distributors--

BERMAN: Well, I was only a representative at that time. I got a commission on everything I sold. Of course, later on we did our own importing. We bought from suppliers and we sold to the distributors. We would set our own price. But of course, you have to crawl before you can run, and I didn't have the money to do that.

JOHNSON: Now, starting back with when you met Freddie

Heineken-- What was Heineken at the time? Were they still making all their beer in Europe? Or was there some domestic production?

BERMAN: Oh, there never was a domestic production. Even to this day they do thirty million cases in the United States today and not a bottle is made in this country.

JOHNSON: When you met Freddie Heineken, I assume he was-- What was his relation to the family?

BERMAN: He was the son of the president. Then later on Freddie took over. He just retired two years ago. Of course, they're so tremendous today, all over the world, in every country. And they have breweries in Canada and South America, Australia, everywhere but here. I don't know why they don't have a brewery here.

JOHNSON: So what was the original--? My understanding is that it was Vern Underwood who said, "You might want to talk to Freddie Heineken about--"?

BERMAN: Yeah.

JOHNSON: What was the deal that you worked out with Heineken as far as what area you had responsibility for?

BERMAN: I was responsible for the thirteen western states. A man by the name of Van Munching, Leo Van Munching, had the East. He later took over for the whole United States,

because I very foolishly gave him Kahlua for the East, and he never sold any Kahlua. The reason he didn't sell any-- He wanted to buy a half interest in the company, and since I saw a future in Kahlua, I didn't want to sell something I already owned. Although by the time I gave up Heineken I was doing about half a million cases a year.

I've always said that thank the Lord I had Heineken and J & B Scotch and all the other brands that I had to help me promote Kahlua, because Kahlua on itself couldn't promote itself because it didn't have any business. But I was taking the profits that I was making on these other items and throwing them into advertising for Kahlua. So they all helped and we needed these brands at the time. Of course, we [Jules Berman and Associates] kept most of those brands except for Heineken. We kept every brand that we ever had because it didn't conflict with Kahlua. But they all helped. The money we were making off them was beginning to be quite a nice sum. We threw everything into advertising.

As a matter of fact, when I bought Kahlua, a very strange thing-- And this is something that I think everybody should keep in mind. By the time I went to Arizona, I had built up quite a fine line of imported liqueur, wines, and I even had some Scotches at the time. I knew I should go to Arizona,

but I knew the market in Arizona well enough to know that imports only sold in certain parts of Phoenix and Tucson. And it was a small market. But when I went to Arizona, I didn't get any business. But the Schenley distributor told me-- Since I'd been away from Schenley, I didn't know everything they had been doing. But he told me that they bought a company called Kahlua, and they couldn't sell anything at all. He said, "Jules, I think if you wanted you could probably buy it." So I immediately called New York to a good friend of mine who was high up at Schenley. He called me and said, "Yes, you can buy it for \$50,000."

I only had \$15,000, but a fellow across the street from me--his name was Manny Felix--he'd just sold his business, and I asked him if he wanted to go in with me, and he said yes. So he put in \$35,000. But as we started building Kahlua, slowly but I think very soundly, every month he said, "How much did we make?" And I would tell him. He said, "Let's divide it." And I told him finally one day, I said, "Manny, we can't do this. We've got to start putting some money in advertising and in promotion, because the item is selling on its own, but with promotion it will really sell." He said, "I'm not very well, and I'm not looking for the long haul." So he said, "I'm just interested in how much I can make per

month." I said, "Then I have to buy you out." So we sat down, and I worked out a deal where I paid him \$600,000 over the next five years, and I bought him out.

JOHNSON: What year did you start to buy him out?

BERMAN: It was '48, '49, about that. [tape recorder off]

JOHNSON: Going back to when you had your first deal with Heineken, I kind of get the impression that you were in a little bit of a desperate state. You mentioned that you were starving at that point. Where did you see the business going at that point? Were you purely in an "I need to sell something to put food on a table" mode? What was your feeling at that point?

BERMAN: Oh, my feeling was that I could see myself in the specialty business. I could not see myself in the distillery business because I'd have to be fighting the big boys. I figured that I would be great in the minor leagues but I would strike out in the major leagues. And that's what happened.

Later on, when we became very important to the industry, the big distillers were actually vying for our company to come into their houses because all we could do was to make their houses stronger. Because we had nothing to compete against national distillers or Seagram [Company] or Schenley or any of the other big boys. So they wooed us. As a matter

of fact, they helped me, too. If I needed a distributor-- Like for instance, I needed Branded Liquors in Boston, which is a very big house. I called Vic [Victor A.] Fischel, who was the head of Seagram [for the United States]. I said, "Vic, I need a distributor in Boston." I said, "You know, Branded Liquors would fit in beautifully with us and will fit in beautifully with you." He said, "You've got them," and he called them up, and I got them.

JOHNSON: I was intrigued when you talked about your first road trip when you were trying to drum up business. You went all the way and had no orders. How long was that initial dry spell for you?

BERMAN: Well, the first two trips I didn't get any orders. Then I started getting small orders. But then I started getting more and more orders, and finally that trip became very successful. Because when I first came in they weren't sure if I would show up again, so they were hesitant to give me an order because they didn't know if I was, you might say--a trite name--a fly-by-night salesman or if I was really going to be established.

JOHNSON: So you think it wasn't the products they were resisting, it was just the fact that you were not established?

BERMAN: Well, it was both. They'd never heard of the products before at all.

JOHNSON: Heineken?

BERMAN: No, they'd never heard of Heineken. And they weren't sure I'd be around to see them the second time. Although they all knew me, they didn't know me as a broker. They knew me as the western divisional manager for Schenley imports.

So I was wearing a different hat, and I had to sell myself to the distributors, that we were in business to stay in business.

And it got easier as we went-- Then, later on, distributors would call us up for items. So it just takes a long time.

But this is something, of course, about entrepreneurship that people have to learn. It takes perseverance and it takes hard work. You just have to put your mind to it and stay with it and have confidence in yourself and have confidence in your item.

I once traveled with another salesman who only had one item, and I went into different distributors with him. I had so many items that a lot of times I would give certain items to one distributor and other items to another distributor.

And he said to me, "I can't understand you, because you get so enthused about each item you sell." I said, "Well, if I didn't get enthused about them I couldn't sell them." So

it's enthusiasm that sells the product. If you don't have that enthusiasm, you're not going to sell the product.

JOHNSON: What was your mindset during those dry spells? Did you ever have any doubts about whether this was going to fly?

BERMAN: Not at all, because the dry spell was only at the beginning. Then it started gathering like a large snowball going down the hill, because the items like Heineken did take off, and Harvey Scotch, which means nothing to you of course, but, you see, it was a very fine Scotch at a very low price.

It was made by Distillers Corporation Limited, which is the largest distillery in the world. They own Johnnie Walker, Haig & Haig. They now own mostly all the big brands. It's almost a monopoly in the liquor business. When anyone goes to a bar and asks for a Scotch and soda, they get what's called a bar Scotch--it's usually a low-priced Scotch, but it would still be a good-quality Scotch--because it's not advertised.

That's the way Harvey's [Bristol Cream sherry] was. So we got in the biggest accounts with them, and we did a very good business with it.

JOHNSON: How long would you say the dry spell really lasted until things started rolling?

BERMAN: I would say the first six months I was in business

I was losing money. In fact, I had to borrow money from my relatives to keep going, because I wasn't making enough to pay my expenses.

JOHNSON: How many people were in your operation at the time?

BERMAN: Just my brother-in-law [Monty Lurie] and myself.

He was on the inside and I was on the outside. But then,

as we started moving-- Like, for instance, with Heineken

I think I had four men in the West just working Heineken alone.

I had quite a few men out working the retail trade for the wholesalers. That's why the wholesalers later on were happy to see us and happy to handle our merchandise, because we helped them sell the merchandise.

JOHNSON: Now, what was your relationship with the wholesalers at that point?

BERMAN: Well, at the time we were the importers. We bought from our suppliers and sold to the wholesalers.

JOHNSON: Okay. So you bought directly from Heineken in Europe and then--

BERMAN: And then billed the wholesalers here.

JOHNSON: And then the wholesalers went to their own distributors, is that--?

BERMAN: No, the wholesaler is a distributor. They went to the stores and bars.

JOHNSON: I see.

BERMAN: I sold the stores.

JOHNSON: Okay. What do you think was responsible for Heineken's enormous success? I got the impression that it was starting to grow when you took over in the West.

BERMAN: The success of Heineken was, at the time-- Well, let me put it this way. The American public today-- There is a snob appeal that appeals to the American public--I don't know whether you know that or not--because people want to have something that's snobbish. An imported beer is snobbish. For instance, when they drink sherry, they

want to drink Harvey's Bristol Cream, the most expensive sherry.

Now the "in" people are drinking a pure malt Scotch, for instance. And people do buy expensive cars. There is a snob appeal to a lot of different things. People want to go to a real expensive, fine restaurant. There are certain people who want that snob appeal. They have their clothes made, and they buy the best jewelry. It's a snobbish attitude. But they have the money, and they should spend it. What else should they do with their money?

JOHNSON: So then Heineken's growth was because they cultivated this image of--

BERMAN: The cultivation of the image was as an import. It was a funny thing. When I went to visit Freddie Heineken in Amsterdam, I went into a bar, and the bartender said, "We have an imported beer. It's called Budweiser." [laughter] Oh, I fell off the stool laughing, because here we tried to sell imported beer from Holland, and Holland is trying to sell imported beer from the United States.

JOHNSON: How popular was Budweiser in Holland?

BERMAN: Oh, it was just being introduced. I don't think it ever-- I don't know. I can't tell you. I don't know.

JOHNSON: Now, when you first met Freddie, he was living in--

BERMAN: He was living out here for a year. He was just a young fellow. The time I met him he was maybe twenty, twenty-one years old. He was a very nice guy. We became very good friends, and I liked him very much.

JOHNSON: How did your relationship with Beringer start?

BERMAN: Simon Levi, the wholesale house I told you about that had it, told me that Beringer needed someone to represent them, that they were sort of floundering as far as getting someone to call on their distributors. I knew Charlie [Charles] Beringer, so I went to see him, and I got the line immediately.

JOHNSON: Where was Beringer being produced at the time?

BERMAN: It was being-- I think it was near Saint Helena. Somewhere near there, near Napa and Sonoma.

JOHNSON: What was your conception of your business at that point? Were you trying to focus on particular areas? Had you already decided that specialty was what you wanted? Or were you still just trying to grow as quickly as possible? What was your strategy at this point?

BERMAN: As I told you, we were only interested in specialties. It wasn't until many years later when a man-- Of all the names in the world, Dr. Armand Hammer bought a distillery called J. W. Dant [Distilling Company]. He called me up, and he wanted me to represent him nationally. He offered me a very good deal. But then, you see, I had a problem, because I was in with all the large distillers who'd helped me, and for us to represent a distillery was not quite what I wanted to do. But he gave me such a very good deal that I hired a special salesman. His name was Walter Girdwin, the most fantastic person in the world. In fact, he became my assistant later on.

Dr. Hammer was very smart. He came out with this company, this whiskey, J. W. Dant. At first we had a tough time, because it's a fight with the big boys, as I said. When you get into the major leagues, it's very difficult because of the national

distillers, Schenley and Seagram especially. They had the distributors tied up. But finally, Dr. Hammer called me one day, and he said, "Jules, I want you to sell J. W. Dant for \$39 a case." Well, that was ridiculous! He couldn't possibly produce it for under \$50. It was a bonded whiskey. So I called up McKesson. McKesson and Robbins at that time had probably twenty-five wholesale houses in the United States, and Jim Maloney was a very close friend of mine who was the head of the whole thing. So I called Jim up, and I said, "Jim, how would you like to buy a whiskey for \$39 a case?" He said, "You're kidding." I said, "No, it's J. W. Dant. It's pure. It's a Kentucky sour mash whiskey." He said, "I'll call you back." He called me back, and he said, "Send a container to each one of my houses."

Then I found out what Dr. Hammer was all about, because he had completely broken the market. So Schenley bought him out for I don't know how many millions of dollars just to get him out of the business.

JOHNSON: What year was this?

BERMAN: This was probably '55, '56, something like that. But the thing that I couldn't help being amazed at was that he was that smart to know he had no place to go in the business. The only way he could get out of it was to be a thorn in

the side of a big distiller so someone would want to get rid of him, buy him out.

JOHNSON: So he was actually selling below his own production costs.

BERMAN: Oh, yes. But he only did that, as I said, just to have someone buy him out.

JOHNSON: Did he put much advertising behind it, or was it just the price?

BERMAN: Not much. The only thing he did-- As you know, Dr. Hammer had terrific connections in Russia. I don't know whether you know that or not. He went there after the First World War, and he started making pencils. Then [he] became very good friends with Stalin. Somehow or other he opened up an art gallery, he and his brother, on Fifty-seventh Street in New York. They had all these Russian treasures. And then, when I went around with J. W. Dant, he sent out a large yellow diamond. It was the largest yellow diamond in the world. He bought it from someone in Russia who had the jewels to the royal family, the Russian government.

JOHNSON: These are the jewels that had come from the czar?

BERMAN: From the czar. And it was the largest yellow diamond in the world. We put it around the bottle. It was on a drop with a gold chain. We wrapped it around the bottle of J.

W. Dant and put a velour cover over it, and I got up at a sales meeting and said, "Gentleman, you're now looking at the most expensive bottle of a whiskey in the world, \$2.5 million." Of course, everybody would look when I'd take the velour off. I always had a Brink's man with me when I did that.

But many years later I had a place in Acapulco, and Dr. Hammer came down to spend Christmas with us, and he got a little drunk. So I said, "Dr. Hammer, we've been friends for many years. How the hell did you wind up with the crown jewels of Russia?" He looked at me, and he said, "I'm drunk, but I'm not that drunk." [laughter]

JOHNSON: Did he ever tell you anything?

BERMAN: No. No way!

JOHNSON: Fascinating. You had mentioned that you had at that point some other significant brand, Lancers, which, as I understand, was a Portuguese rosé wine.

BERMAN: Yes.

JOHNSON: How did that transpire?

BERMAN: Well, there was a company in New York, an import company, and all they had were wines. A fellow named Henry Baehard was the head of it. I was in New York, and I met him. Now, the thing that interests me in Lancers was that

it came in a crock. It was a Portuguese rosé wine with a slight sparkle, and it was very unusual. Actually, it tasted very good. Henry only operated in New York, and I made a deal with Henry to be able to handle Lancers in the rest of the country. He was glad to make a deal with me.

Well, we took Lancers from nothing and made it by far the largest selling specialty wine in the United States, because it had everything that people liked. It had a beautiful package in a crock, and it was a slightly sparkling wine. It had an effervescence, and it was a rosé, which some people like. Most people do like rosé. Although the real wine buffs turn away, the average person likes it. We did very well.

But the funny thing about Lancers-- When I sold out to Hiram Walker[-Gooderham and Worts], they lost the Lancers wine, and Heublein, which is a tremendous company, took over Lancers for the United States. Well, I'm not going to say it's the stupidity of a large company, because that wouldn't be right. Let's say that it's shortsightedness; let's put it that way. The shortsightedness of a large company was that-- Lancers had this slight sparkle which cost us \$3 a case extra duty--because of the sparkle. But that didn't bother us because we raised the price \$3 a case and nobody minded it. We were selling about two hundred fifty thousand

cases a year. At that time, on a specialty wine, it was a tremendous amount of wine. It was on every wine list. Well, Heublein, in their wisdom, took out the sparkle, and the minute they took out the sparkle, all they were selling was a rosé wine. The business just fell to nothing. In fact, it's off the market today. Had they kept the sparkle, I'm sure today it would still be bigger than ever.

JOHNSON: Now, what was your territory for Lancers?

BERMAN: Everything outside of New York.

JOHNSON: Everything outside of New York. In what way were you responsible? How did you promote that particular brand?

BERMAN: We had tastings mostly, through wine tastings.

Because that was different, the restaurants were willing to put it in, and the stores put it in. People were asking for it. I mean, it was in demand. It was a demand item.

JOHNSON: Had you done a lot of advertising in the media?

BERMAN: Not much. Not much. It was word of mouth more than anything else.

JOHNSON: And you said when you sold it, you had mentioned that you were selling some pretty significant--

BERMAN: About two hundred fifty thousand cases a year at least.

JOHNSON: Wow. In reading through the manuscript, another

major product that you had was the vermouths. Was it the Cinzano?

BERMAN: Oh, Cinzano. Yes, well, Cinzano in Europe-- Of course, it's next to Martini and Rossi. In fact, the Cinzano people think that they're bigger and better than Martini and Rossi. I don't think they are. I know they're very big in Italy. We had it for the United States, but we did very well with it. It's off the market now, but I don't know why, because we did very well with it. I can't see any reason why it should be off the market.

JOHNSON: Where was that made?

BERMAN: Made in Italy. With it they had a wine called Florio marsala, and that was made in Italy, too. I didn't think much of Florio marsala at all, except they said you have to take marsala if you take Cinzano. So we took it, of course. But we sold an awful lot of it, because all the Italian restaurants cook with marsala wine. So we did very well with it. I was amazed.

JOHNSON: What territory did you have for Cinzano?

BERMAN: The United States.

JOHNSON: The whole United States. Did you have a particular strategy for promoting this product?

BERMAN: Well, with Cinzano it wasn't too difficult, because

Martini and Rossi always went exclusive with one distributor in each city, and since they went exclusive with the one distributor, there is always another large distributor. Like, for instance, I got Young's Market to take on Cinzano because Martini and Rossi was handled by Simon Levi or Bohemian. If there is a strong item, you can always get one to counterbalance it. And we did pretty well with it. Of course, there are only three great vermouths that sell at all. One is Noilly Prat from France, which is a white vermouth, and then Martini and Rossi makes a red and white, and then Cinzano makes a red and white. That's all there are really in the vermouth business.

JOHNSON: I was intrigued about how you started with J & B Scotch. Could you relate that story?

BERMAN: Yeah, I was walking down Bond Street one day when I was in England. I walked by a store called Justerini and Brooks. I looked in the window, and they had private labels on everything. I noticed their Scotch had seven appointments to the kings and queens of England, and I thought to myself, "When those guys have that many appointments to the kings and queens of England--" So I went into the store and talked to the fellow who I was told was in charge, and he was busy taking an order from a woman for a couple of bottles of port

and two bottles of sherry. Then he hung up and asked me what I wanted. I said, "I want the United States for J & B."

TAPE NUMBER: V, SIDE TWO

MAY 25, 1995

JOHNSON: So you were saying that you wanted the United States for J & B.

BERMAN: No, I was wrong. I said I wanted J & B-- I wanted to try it out in California. I didn't ask for the United States at that time; I just asked to try it out in California.

And he said, "Well, we're retail stores." He said, "We have no access to any in bulk." I told him that Robertson Baxter's in Scotland, whom I used to buy bulk from, would sell bulk to anyone. If he would give me his blend, I was sure they could blend to his satisfaction, which they did.

So what we did with J & B, we tried an entirely different and new method in selling than we did in anything else, because we knew that nobody knew about it, and we knew that advertising would be foolish because it didn't have any distribution. I picked out the best liquor stores in each area. For instance, Vendome [Liquor], at that time in Beverly Hills, was by far the best liquor store. I went to see Morris Rubin, the fellow who owned it, and I said to Morry, "Morry, I've got a new Scotch. I'm going to let you have five cases a month, and don't ask for six, because you won't get it." He said, "I don't know if I want one." I sold him the label and everything.

I said, "You're going to have an exclusive in Beverly Hills, because no other store will have it." And he took it. I went to Jurgensen's [market] in Pasadena, and he took it. Then I went to John Walker in San Francisco, and he took it. I spotted it around in California with I think six or seven of the best stores, and they started pushing it because they had an extra profit. I sold directly to them. Then, as people started buying it-- They started going into bars asking for it. Then, later on, we got a distributor here, Sterling Liquor Distributors, and it became a big item.

JOHNSON: So as I understand, at that point there was no advertising behind it?

BERMAN: There was nothing behind it, because-- And we didn't spend anything on it, because these retailers had it exclusively, so it was up to them to promote it. But all these retailers that I picked sent out brochures and did a lot of advertising.

So they did the promotions for us, but in the meantime they were making a good profit on the product and they were only too anxious to sell it.

JOHNSON: What were the big competitors for J & B at that time?

BERMAN: Only one, Cutty Sark. Cutty Sark had the market completely sold out, so we had a tough time cutting into it.

Eventoday, the two light Scotches, what you call light Scotches, are Cutty Sark and J & B. That's it, and they have the market.

But J & B is stronger now than Cutty Sark.

JOHNSON: How do you define a light Scotch?

BERMAN: The average Scotch is a blend of malt and alcohol, and the malts that are used in a light Scotch are light malts and not heavy malts. It's a funny thing. In Scotland-- We keep going from one thing to the other, but that's the only way you can explain these things. The finest malt in the world is Glenlivet [Scotch]; it's grown in the mountains. But as you go down the altitudes, you get to the Lowlands, and Islay Scotches are the heaviest because they're the Lowlands malts. It's the malt that makes the Scotch. The light Scotches are the Highland Scotch of the malt.

JOHNSON: So those are the very premium.

BERMAN: That's the premium.

JOHNSON: So was J & B selling? What was the parity roughly in price between J & B and Cutty Sark at the time?

BERMAN: It was pretty much the same, you see, because I imported it myself. I also had a wholesale license in California. I was importing it and selling it. So I was taking a smaller profit, but I was giving the retailers a large profit. I wanted to build it up, and I didn't want to price it too high.

We priced it a little higher than Cutty Sark because we told everybody it was better. After all, we had seven appointments.

[laughter] I mean, you can't beat that. So we sold it on the appointments. There is a quality; no one can argue about it.

JOHNSON: And I understand the margins were a little better for the retailers?

BERMAN: For the retailers, sure. I gave the retailer a very good profit.

JOHNSON: Now, how long did you--? So essentially you were selling fifty or sixty cases a month through--?

BERMAN: Mainly it grew-- It started growing and growing. Then we got a distributor, and he sold to everybody.

JOHNSON: So how quickly do you think it went from relatively small-scale to a fairly robust size?

BERMAN: Not too long, not more than a year, maybe even less, because it gathered momentum very, very fast. Very fast.

JOHNSON: What was your feeling when you first started with J & B? Did you feel like this is really going to hit a home run? Or you wanted to just try it and see? What were you thinking?

BERMAN: No, I felt it really had a chance. I was sold on the seven appointments to the royal family. I was also sold

on the idea that the only competitor we had was Cutty Sark, which was a tough competitor, because they really had the market sewed up tight, but I thought we could break in. Again, I was depending on the appointments to the royal family to put us across. And the Scotch was good; I forgot to tell you that. So the most important thing was that the Scotch was excellent--still is.

JOHNSON: At what point did the advertising start really kicking in? Or did it ever?

BERMAN: Oh, yes, sure. As it went on, then we started advertising and promoting it.

JOHNSON: Who was primarily responsible for the advertising at that point?

BERMAN: What happened was that J & B-- As we got it started, I made a very big mistake. As we got it started, they made a deal with a very large company--I think it was American Tobacco [Company] or one of them--when they saw what was happening. I never had a contract with them. I just met the owner of the store. I trusted him, and I hoped he trusted me. He made a deal with one of the large companies, and I set up the company--their own company--and we lost it.

JOHNSON: What year was that that you lost J & B?

BERMAN: Probably '57, '58, something like that. I'm not sure.

Do not record the year because I don't know.

JOHNSON: Now, you had-- You had some interesting beers as well--Guinness stout and Bass ale.

BERMAN: Yes.

JOHNSON: Would you comment on how you ran across those?

BERMAN: Well, I knew they were big sellers in Europe. I met the Guinness people in London. In fact, the Earl of Ivey owned Guinness, or rather was the largest stockholder. He had beautiful offices in London. I met with him and his sales people. They gave me the United States for it. However, it was very peculiar, and I never could figure it out. The Guinness they sell in England is not bitter like the Guinness they sell here in the United States. It's a different beer entirely. Of course, it's not beer. I mean, it's a brew, it's a stout. But we did pretty well with it.

Then, of course, Bass sort of goes hand in hand with Guinness. I don't know why; they're entirely different. Bass is owned by Bass Charington. Bass Charington is one of the largest corporations in all of England--they're at everything--and Bass ale just happens to be one of the items that they're involved in. And I got involved with them. In fact, they even bought some châteaux in France, and for a while they wanted us to represent them--their French wines--but

I was already connected with Alexis Lichine and some other people. It would be too conflicting. I couldn't handle it.

JOHNSON: Were you actively looking for specialty types of beers at the time? Or were you just seizing opportunities as you saw them? What was your philosophy at that point?

BERMAN: We weren't actually looking for them, no. We were content with what we had. We didn't certainly want to take anything on, any competition at that time, with Heineken. Bass and Guinness were so distinctly different than any other beers or ales made in the world, and they were the best. So, in other words, there was no reason for us to look for anything else. We were happy with what we had.

JOHNSON: At that point--taking it up to about 1953, when you bought Kahlua--how large was your company?

BERMAN: Well, let's see. We had an office in New York, an office in Chicago, an office in Denver, an office in San Francisco, and we had maybe thirty, forty people. I don't know.

JOHNSON: What was the actual official title of your company at that point?

BERMAN: It was Jules Berman and Associates.

JOHNSON: Okay. Would you say at that point the company was highly profitable or--? How would you assess the performance of the company at that point?

BERMAN: We don't usually say a company is highly profitable. [laughter] Those are ambiguous words. It could be anything. And don't forget, everything we did we did on our own. And we never borrowed from the bank. We had to carry ourselves, and our brands had to carry the company. So we were profitable because we kept expanding. Yes, we were profitable. I drew a good salary out of the company, so we were profitable, all right. We never borrowed.

JOHNSON: Was that a personal philosophy issue of yours? Or you just never had to?

BERMAN: Oh, I have a funny philosophy. If you ask Marge [Gilmour] how often-- She's been with me thirty years. Ask her how often we pay our bills. That's the way my philosophy has been all my life. She'll tell you we pay them every day. They come in the morning. They're paid that afternoon. When we leave here at night, we never owe a penny to anybody. We ran our company that way.

JOHNSON: How do you think you developed that philosophy? Was there a particular thing that happened or--?

BERMAN: I think I was raised that way. My father [Barnett P. Berman] was that way. I know when he ran his big company [Commonwealth Oil Company]-- Well, I know they always paid their bills. I don't know if they paid every day or not,

but I was raised never to spend more money than you had and never borrow.

JOHNSON: So you basically had a philosophical aversion to that. Is that right?

BERMAN: It's exactly right.

JOHNSON: I see.

BERMAN: Although I'd been in debt-- I mean, when you get into land development, then you'll get into a real debt. You get into the millions. But that's a different thing, because you've got-- You now have an asset with the land, and plus, the only time you borrow money is to develop the property, which you get back when you make your sales.

JOHNSON: That's right.

BERMAN: So it revolves around.

JOHNSON: So that everything was basically-- Your expansion was financed completely by internal cash flow.

BERMAN: By the products that we sold.

JOHNSON: At that point, did you still have 100 percent ownership of the company?

BERMAN: I always did, even when I sold.

JOHNSON: At that point, what was the form of the company? Was it subchapters?

BERMAN: It was a subs corporation.

JOHNSON: I see.

BERMAN: I believed in this, and it worked for me. In fact, I'm working with a friend of mine now who has quite a company, and he wants to give stock to some of his people who have been loyal to him. I said I never did that. I gave my people a percentage of profits every year. They participated in profits. And when I sold the company, I gave them a percentage of what I got so that they got the same as stock.

But I said, if you started giving your stock away-- If you're going to be in business fifty years or so, you're going to be giving all your stock away because there are always going to be good people coming and good people leaving. But if they come and stay with you, and you give them enough so that they can retire-- When I sold Kahlua, all my top people retired.

JOHNSON: How would you evaluate the management experience, the difficulties and challenges you encountered, up to the point of 1953 with this company? I mean, my understanding is that it had grown fairly quickly.

BERMAN: I was very careful with the men I picked, very, very careful. They had experience. It's the old story. They had been working in the liquor business, but they'd been working with someone who either didn't pay them enough or didn't

appreciate their ability. We had a reputation in the industry so that I can say this. I have to brag about it. We had the best reputation for people, for people that wanted to work with us and people who

worked with us.

We only fired one person in all the years that I was in business, and that was because he was making so much money.

He used to sit in the office all day. I said to him, "Why aren't you out working?" He said, "With the way I'm making \$80,000 a year--this was in the fifties--"why should I go out and work?" So I had to let him go. I said, "You're making \$80,000 because you should be working." No, we believed in that.

Even our girls-- We worked out a program. If they were with us five years, they participated in profits. And we did that purposely. It was a good thing that I had a good accounting firm [Touche Ross] that set all that up. Every year a certain amount of profits would go into a pot, and this pot was kept, and we invested it, but very, very carefully.

I mean, we couldn't take any chances with the investments; it had to go into tax-free bonds, or it had to be taking urban securities, and so forth. And then, when a person had to

qualify for five years for it, they could participate. But what happened if a person only worked for you three years and for some reason left-- I'm talking about office help now; I'm not talking about the salesmen.

JOHNSON: Right.

BERMAN: Because office help changes quite a bit. Although we were very lucky, because we had mostly the same girls all the time we were in business. But sometimes they get married, or sometimes they leave for some reason. But if a person leaves before five years, the amount of money they have put aside for them goes into the pot. So there is this pot. And then, when we sold the business we divided the pot up with the girls that were left, so they all came out very well. I had a very good accounting company.

JOHNSON: It sounds like you were very progressive with respect to some human resource types of issues in understanding what motivated your people and kept them happy.

BERMAN: I only hired the best people, and I paid them more than anybody in the liquor business. My man in San Francisco for instance or my man in Chicago or my man in New York, he made more than the president of Seagram. But he got paid on a commission, so he had every incentive in the world to make money. But when he'd start making big money, we didn't

cut his commission. We never cut his commission, because the more money he made, the more money we made. So why would we want to cut his commission?

JOHNSON: Right.

BERMAN: I would never do that.

JOHNSON: I'm getting a sense, then, that you think the key to your success up to this point was--what?--your people and the way you--?

BERMAN: Oh, my people, no question. When I sold Kahlua, for instance, to Hiram Walker, I made them give each one of my people a five-year contract at their salary plus what bonus they received the year before as a base salary. Of course, they didn't want to do it. I said, "You can't buy the company."

I said, "I'm not going to take my money and walk away and leave the people who built it up floundering." I wouldn't do it and it worked.

JOHNSON: Is there anything else you'd care to add about those years up to Kahlua?

BERMAN: No, there isn't really much I can add about the liquor business until then. We just kept plugging along. I made a deal, one deal-- It was interesting. I had a line of cordials called Leroux, and I also had Bols cordials, which was a very fine line of cordials. I had two lines of cordials.

But I didn't have a grenadine, which is a nonalcoholic sweetening. And I knew in the stores that there was a Trader Vic's brand. Trader Vic's restaurants had a grenadine under his own name. Someone was bottling for him, and it was selling pretty well. So I went up to Oakland to see Vic [Victor] Bergeron, president of Trader Vic's. I was talking to Vic about representing him on grenadine, which was just a joke. He had a restaurant. But he gave me his name, and I paid him a royalty, and I started selling the grenadine.

Then Vic and I became very, very close friends. And then, of course, he was buying a lot of rums, a great deal of rums, and I imported a lot of rums that he needed--different types, even from unusual places like Martinique, Barbados. Rums like those just weren't normally used.

Finally, one day I was with Vic, having dinner with him, and he was telling me that his key bartender opened up a bar across the street from where Vic's restaurant was. Vic said, "You know, he knows all my recipes. What's to stop all my bartenders from doing this?"

I said, "Well, we've got to stop that. What we've got to do is to put everything in numbers so that the bartenders know that a mai tai is number one, number six, and number eight. But we have to have a--" That's when I decided to

bottle Kahlua in the United States. I had a bottling plant in San Francisco.

So I took a trip to the Caribbean. First I stopped at Cuba, because at that time Bacardi [rum] headquarters were in Cuba. That was before, of course, all the problems they had. Then I went to Jamaica, and then I went to Haiti, then to Barbados. I went to all the different islands and bought bulk rums. I had them shipped to San Francisco, and we blended them there in our plant so that to this day the bartenders in all the Trader Vic's restaurants all over the United States only know numbers. They have no idea what's in each bottle, whether it's a Demorara or whether it's a Martinique or whether it's a Puerto Rican or what's in it. We worked that out. That worked out very well for us, because Trader Vic's was in a lot of the large cities, certainly San Francisco. We made two restaurants here. Of course, at New York in the Plaza Hotel and-- Well, it goes on and on. Washington.

Anyway, we would get a distributor, and we would bottle each item like mai tai, navy grog, and so forth, and we would have a navy grog rum and a mai tai rum, Tahitian punch rum, and different names, which a lot of stores would sell. A lot of other bars would buy it too, because they wanted to serve the same drinks. So we did very well in it, as a matter

of fact. First of all, when we got a distributor in any market, in any place where Trader Vic's had a restaurant, we would say to the wholesaler, "Well, look, Trader Vic's is going to buy at least a hundred cases of rum a month from you, and he's going to pay the full price." The price that he got for his drinks, he can well afford the full price. And he wanted me to do that so that we could get the wholesalers to distribute it elsewhere. We did that all over the country, wherever he had a place, and we did very well. Then we had a navy grog that at Christmastime we sold thousands of cases of.

It's a funny thing. He really was a very bright guy, Vic. He wanted a flaming brandy. Any brandy that's 100 proof will flame. So all we did was to take a 100-proof brandy and put it in a bottle and have a flaming-looking label and say, "Trader Vic's flaming brandy." A lot of the French restaurants, a lot of the restaurants making crêpe suzettes and so forth, would buy the flaming brandy. They thought it was a special brandy. It wasn't special; it was 100 proof!

[laughter]

JOHNSON: That's great.

BERMAN: But I'm wandering all over the place.

JOHNSON: That's interesting about Trader Vic's. How many

stores or restaurants did he have then? Do you know?

BERMAN: Oh, he had quite a bit. He had one in Vancouver, he had one in Seattle, he had one in Oregon, San Francisco, here, Denver. Then he had one in Phoenix, New York, Boston, Washington. That was about it, I think, in the United States.

Then when he opened up in Munich, he said, "Take care of it." I said, "I can't take care of it there." He said, "What you do mean?" I said, "There are different liquor laws there.

I have to get the labels printed in your restaurants."

[laughter] He had no idea about those things. He was quite a guy.

JOHNSON: So it sounds like you stayed friends with him for quite a while.

BERMAN: The funny thing about Vic was-- A great thing about him: We never had a contract. We were friends. No contract.

When I sold out to Hiram Walker, they said, "Where is your Trader Vic's contract?" I said, "I don't have any." He said, "You've got to have one." So they wrote one up. I took it over to Vic, and he said, "I'm not going to sign this." He said, "What do you need a contract for?" I said, "Well, Vic, I sold out. I don't own the company anymore." He said, "Okay, I'll sign it with one provision." And he wrote down, "As long as Jules Berman is with the company." When I left the

company, a month later he changed. He took it away from Hiram Walker. He didn't like dealing with them.

JOHNSON: Really?

BERMAN: That was an interesting experience. I enjoyed working with Vic because he was quite a guy.

JOHNSON: Whatever happened with Vic?

BERMAN: He died. The restaurants are owned by the family. I know the family very well. In fact, the family used to fight like the devil, always argued. Once I got a rush call, "Come up to San Francisco immediately." I'd be the mediator. And Vic was always wrong, always wrong.

He had a very foul mouth. You never knew what he was going to do. One time he was being interviewed by a young girl for a magazine. I told Vic before she came in--I was in his private office--I said, "Vic, be quiet with her, because she is a young girl." I said, "At least use decent language." [laughter] So Vic went along, and he was doing all right, and finally, at the end, she said, "Mr. Bergeron, I have heard that you are the roughest, toughest person in the world to get along with." At this he changed his complexion entirely and said, "Young lady, I'm the roughest, toughest son of a bitch you've ever seen." He had a wooden leg, and he had an ice pick that he went like this with. [makes stabbing

motion] I thought she was going to die! [laughter] Of course, he was sitting down. She had no idea that he had a wooden leg. He was just crazy. He would do things like that.

JOHNSON: What was his background prior to being in the restaurant business?

BERMAN: He was a great chef. He was actually a French chef. The name Bergeron, I mean, he was a Frenchman, of course. He owned a place originally started out in Oakland called the Rinky Dinks. It was a hot dog stand. Then he decided to open up a Polynesian place.

But one thing about Vic-- I can tell you a story about Seagrams with Vic. I can go on and on with

different stories about Vic. But I had to buy the best rums I could possibly buy. He only wanted the best. He never wanted anything except the best. I can tell you the story about Seagram. It's very interesting. Mr. Sam [Samuel] Bronfman, Edgar [M. Bronfman]'s father, decided to open a distillery in Hawaii, because they felt that Hawaii is certainly a romantic island, and the rum coming from Hawaii would be accepted. Well, it sounded good, and I was doing the consulting for them at the time. They said to me, "Now that we're getting this Hawaiian rum, what's the best way for us to promote it?"

I said, "Well, the best way I can think of is to get Trader Vic to promote a Hawaiian rum drink in all his restaurants, and then we can advertise 'as featured in Trader Vic's, the Hawaiian rum drink.'" When I called Vic, I said, "Look, Vic, if you can get free advertising, what's it worth to you?" I said, "You know, Seagram goes in this deal, and they advertise 'as featured in Trader Vic's.' You get a tremendous amount of advertising for free." He said, "Sounds great."

So he came to New York, and we went out to dinner with Sam and Edgar. We went to Trader Vic's.

JOHNSON: Who were Sam and Edgar? Were they--?

BERMAN: The Bronfmans. They owned Seagram.

JOHNSON: They owned Seagram, okay.

BERMAN: I was doing consulting for them. But they were the top, top, top people in the Seagram's organization.

So we had dinner, and Edgar brought a bottle of Hawaiian rum. Afterwards, he said, "Now that we've had dinner, let's taste this rum." And it was the worst, godawful thing I've ever tasted. And Vic tasted it and said, "I wouldn't serve this in my restaurants if this were the last thing in the world." He got up and walked out. I don't blame him. It was terrible. And they never opened the distillery. They never opened the distillery.

JOHNSON: What accounted for it being so bad?

BERMAN: I don't know. [laughter] Whoever made it didn't make it right.

JOHNSON: Wow.

BERMAN: There is no excuse for it. They had plenty of sugar. They just didn't make it right.

JOHNSON: Is there anything else you would care to add before we get into the Kahlua years?

BERMAN: No. That's all that I can think of that was interesting before the Kahlua years.

JOHNSON: Well, my understanding is you were in-- You said you were in Arizona talking to--

BERMAN: Yes, I saw a young fellow named Al Lyons, and he told me, "Schenley wants to sell Kahlua." As a matter of fact, when we-- When I found out all they wanted was \$50,000 for it-- The reason they wanted to get rid of it-- They weren't doing anything with it, and it didn't mean anything to them. As a matter of fact, when we bought Kahlua it was selling less than a thousand cases a year throughout the world. That's all they were doing.

So, as I told you, I bought it with my partner [Manny Felix] across the street.

JOHNSON: Right.

BERMAN: And we started with it then.

JOHNSON: Now, how old was Kahlua itself at that point?

BERMAN: No one knows. It came from Spain, and from Spain, as far as we can see, as far as we can find out, rather, it came from Arabia, because the lettering is Arabic, and there was an Arab in the door. The Kahlua label is a door, a Moroccan type of door, and there is a person asleep. I know the label has been changed; now a Mexican is asleep. But originally there was an Arab asleep in the door. But we don't know. We did know it came from Spain. Before that, we don't know.

JOHNSON: Do you have any idea roughly how old it might be?

BERMAN: No.

JOHNSON: It could be hundreds of years old for--

BERMAN: It could be, as far as we know. I have no idea.

JOHNSON: I see. How long had Schenley owned it?

BERMAN: Not too long. I don't think they owned it over five years. They never tried to do anything with it. See, these large companies-- That's why Seagram had me doing consulting, and that's why they've asked me now to come back to do some work. They're not geared for this type of business, because in the specialty business, when you call on an average store, a small store, or even a bar, they order bottles. Like, for instance, Grand Marnier or Drambuie or even Kahlua, they might

order three bottles each because they only sell an ounce at a time. They're not going to buy cases of it. They do buy cases of Kahlua, but they don't buy cases of any other liqueur.

So it's a different type of business. And these big companies aren't geared for that. They're geared to selling bourbon in hundred-case lots, gins, Scotch, vodka in tremendous lots. You don't just sell three bottles of something; it's not their thinking.

JOHNSON: Now, how familiar were you with Kahlua before Al Lyons talked to you about it?

BERMAN: The only familiarity I had with Kahlua was that I had seen it around. I tasted it and liked it. In my opinion, the reason I liked it and wanted to buy Kahlua is that it was coffee, and most Americans drink coffee, so it's not a foreign taste. Most liqueurs are a foreign taste to Americans because most of them are herbs. Benedictine is an herb, for instance; Drambuie is a Scotch and an herb. Most of them are foreign-tasting, so you can only drink a small amount. Not only that, we saw immediately in Kahlua the great opportunities in cooking with it, using it for desserts. Even today, if they depended on people drinking Kahlua as an after-dinner drink, the sales would be a tenth of what they are. Mostly it's used in desserts and in cooking.

JOHNSON: So my understanding, then, is that you looked at Kahlua when you knew Schenley wanted to get rid of it, and you had some experience with it, and you thought it might be a good fit for the American market. Were you able to give a rough size to the market or how much potential you thought was really there?

BERMAN: No, I never had any idea. I knew that the liqueurs that had been around, like Grand Marnier and Benedictine, which were the strongest at the time, were doing about two hundred fifty thousand cases a year, as we were hoping to do someday. We were hoping that we could get to that stage.

JOHNSON: Now, at this point you had quite a few other lines. Did you see Kahlua as kind of a pet project? Or did you see it really leading the company onward? Or just another product to add?

BERMAN: No, no. We never handled Kahlua as another product, because we owned it. And in any business, if you just represent someone, the worst thing you can do is do too good a job. Because, as they said, we lost J & B because we did too good a job. You can lose any item if you do too good a job. So if we had something that we owned, and if it could build up, we realized we had a terrific asset. So we really worked Kahlua. We worked it hard.

JOHNSON: Prior to buying Kahlua, did you feel that the direction you wanted to go was to own some lines yourself? Or did it seem like a good fit and that you could buy this and be your own manufacturer? I'm trying to get a feeling for it.

BERMAN: Well, yeah, it sort of came out of the wind. When I went to Arizona, the last thing I ever expected to do is wind up with Kahlua. [laughter] And there aren't that many things you could buy, because most of the things we were handling were imports. They were all large companies, and they certainly-- I didn't have the money to buy them out, but I didn't want to buy them out. I certainly couldn't run something in Europe.

JOHNSON: Right. So Schenley actually had 100-percent-control ownership of Kahlua at the time.

BERMAN: For the world.

JOHNSON: I see. When you first embarked on this--and you've already described how you put together the financing for it--what did you see as the key success factors to really make Kahlua successful in United States?

BERMAN: Well, the first thing that I decided to do, I went to Mexico. I had a tiny plant that was no larger than a garage, it seemed. Anyway, I wanted to analyze it, and I wanted to make the best coffee liqueur in the world. Because I realized

if I had the best, I wouldn't care what my competition could be; it couldn't be better than mine. And I found out that Schenley was using an imitation vanilla, which is just ridiculous, because vanilla is so cheap and you use so little. So we rectified that right away.

Then we experimented with coffee beans. The best coffee that fit it with the right taste came from the highlands of Guatemala. Now, coffee is very tricky. Most people don't know that. You can buy coffee from all over the world. There is great coffee made in Kenya. There is a great coffee made in Jamaica called Blue Mountain coffee. There is certainly good coffee coming from Hawaii, the Kona coffee. Of course, in Central and South America there is good coffee, and they all taste different. My coffee broker once gave me a small coffee roaster so I could roast a pound at a time. Through Vern Underwood--because Young's [Market] also owned a coffee company called Huggins Young--he got me, from his broker, a pound of each coffee from all over the world, and I experimented with coffee. And for what we wanted, the beans from northern Guatemala were the right ones. They were very small. Even when we bottled them in Europe, wherever we bottled them, we sent the coffee from Guatemala.

JOHNSON: It sounds like you made some slight modifications

to the original recipe.

BERMAN: Very slight. As I said, everything we did was to make it better.

JOHNSON: So the first step was to go down there and analyze the actual recipe. You mentioned you went to visit the plant, and that was in--

BERMAN: That was in Mexico City. And then we brought it back.

Since I knew most of the distributors by that time and I was doing a good business with most of the distributors, I gave Kahlua to everybody. Everybody who had a wholesale license I would sell it to, because I figured if they had Kahlua they wouldn't take on another coffee liqueur also. I also found out during all the years I was in business, only 20 percent of the salesmen of any sales for us will sell specialty. Most of them want to call on a retailer and get a large order for the whiskeys or the gins or the vodkas; they don't like selling bottles. So if I had 20 percent of five

wholesalers, I would be much better off than having 20 percent of one wholesaler. So that was the theory that we had behind that, and that worked very well.

TAPE NUMBER: VI, SIDE ONE

JUNE 1, 1995

JOHNSON: Just to go back and touch on a couple of interesting and humorous stories about the navy, I guess one had to do with a friend of yours who was a baker who made a special kind of bread for you while you were in the Pacific. Could you tell me about that, please?

BERMAN: Yes. Of course, we had no screens, and this baker, who was actually a soldier of fortune--his name was Frenchie; he was a very nice fellow--as he was kneading bread, the flies would come around, and he couldn't keep them away, so eventually he would knead the flies into the bread. We got used to eating bread and taking out the flies as we saw them, for they were cooked. [laughter] One day he decided to give us something special, and he decided to make us raisin bread. But the trouble is, after he made the raisin bread we couldn't tell the raisins from the flies. So we had to take them all out. [laughter] So that was the incident there.

Another incident was that a PBY [patrol bomber] radioed us that they had seen a submarine near the island [Espíritu Santo]. Of course, we all went out. I had this picketboat which was thirty-four feet long. We had a fifty-millimeter

machine gun on the bow, and we had two depth charges, one on the starboard stern and one on the port side. And when we were going out, an older officer wanted to go with us, just hoping to see some action. But as we got out there for a while, our motors conked out. So there was a saying in the navy-- It wasn't really a saying. Someone had said-- I'm wrong again. Somebody had sent a message to Pearl Harbor from a destroyer, and the message was, "Saw sub. Sunk same."

This old officer said, "Well, we can send the message to the base that we saw a sub and was sunk by same." [laughter]

JOHNSON: Did you see any action that day?

BERMAN: No, we didn't see anything. We were just sitting out there. Actually we never saw any action on the water.

Oh, yes, at one time we were chased by--that was a long time ago--a Japanese destroyer. Actually their destroyers were as fast as our PT [patrol torpedo] boats. At that point I was on a PT boat just out more or less maneuvering, and the Japanese had seen us. So we beached the boat. That's all we could do, because we were no match for the destroyer. But I didn't see any real action when we were in combat.

JOHNSON: Except for the enemy shells and bombs that landed over on your island periodically, I understand.

BERMAN: Oh, every night. Every night we would be bombed and

shelled from planes and ships offshore. Every night we spent most of the night in foxholes. Sometimes it would be raining, and it wasn't too cozy in a foxhole when it was raining.

JOHNSON: Sure.

BERMAN: Then they would move our camps, our tents, from one place to another. We were always under trees so the Japanese couldn't see us. Then we had to dig more foxholes, but the trouble was there was only about three feet of dirt. The rest was all coral, and coral is pretty tough to dig through.

JOHNSON: Sure.

BERMAN: So we got a good lesson in digging.

JOHNSON: Well, those are some great stories.

As we left off in the last session, we talked a little bit about your entry into the Kahlua business and the fact that you had gone down to the factory and wanted to make some changes, such as using real vanilla and finding the best coffee for the recipe. At that time, when you had purchased Kahlua, what did you see, in addition to getting the recipe perfect, as the other key success factors that you needed to achieve in order to make the company really go?

BERMAN: Well, a success factor of any product, of course, is in selling it. And we had one thing going for us, and that is that a great many people travel to Mexico. Of course,

the tourism in Mexico is tremendous. We sold Kahlua at the airports very, very cheap. I think it was \$2 a bottle or something like that. I was asked many times why we sold Kahlua so cheaply in Mexico when it was so much higher in the United States. I said the only thing I ever wanted to do with Kahlua was to have people taste it, because that was the crux of its success, people tasting it and liking it. And it was almost impossible to get people to taste it here because we had very little distribution, plus the price was higher. But at \$2 a bottle almost everybody came back and bought Kahlua. And once they got it here and liked it, then they started looking for it in the stores. I think a great deal of our success was due to the fact that we did sell it cheaply in Mexico.

JOHNSON: Were there any particular resources that you felt you required or needed when you took over the company that you had to get, whether that would be a long-term contract on the coffee or access to some of the other raw ingredients?

BERMAN: No. You see, coffee as everybody knows--well, I won't say everybody knows, but as most people in the business know--is a commodity. The price changes, but it doesn't change too much. You buy it through brokers. And as long as we had our source, which we knew we had, we were going to stick with

it, because the last thing we could do is change the formula.

Now, what happened one time, a fellow came to see me from Sweden, and he had a formula for distilling coffee, which is something that I've never seen or heard about since. This was many years ago. He liquefied the bean. As you know, coffee is ground and roasted, and there are a great deal of grounds left. Well, in the grounds there is still a lot of taste of coffee which you throw away. But in his process, by liquefying the beans you got 100 percent of the coffee. We made a batch of Kahlua, but it wasn't Kahlua. It was what you might call a super-Kahlua. And then we had to make a very tough decision. As I told you, when we bought Kahlua I decided if we had the best product that we had nothing to worry about. This actually was a better product, but then it was no longer Kahlua. It was an entirely different taste.

As long as Kahlua was selling the way it was, I think we made a wise judgment. We just stayed with what we had.

JOHNSON: Do you remember what the sales of Kahlua were before you bought it?

BERMAN: Yes. I think I mentioned when we bought it it was less than a thousand cases a year worldwide.

JOHNSON: So as I understand it, then, the key issues for

you were making sure that you had essentially the finest coffee liqueur product out there in addition to coming up with a way to sell it, promote it. Those were the key factors in your mind, is that--?

BERMAN: Yes. And also we were lucky--we didn't have anything to do with it, but it was there--they had a special-mold bottle which made Kahlua distinctive, completely different than any other liqueur. Of course, we had the shape of the bottle registered in every country in the world. We used a law firm in Washington [D.C.]. And with countries changing the way they have been in the last twenty years or so, they were kept pretty busy, because we had it registered in every country.

JOHNSON: So the shape of the Kahlua bottle today, I understand then that that's the shape that it was back when you--

BERMAN: Yes. It was never changed.

JOHNSON: Do you remember what the origin was? We talked that the Kahlua recipe, we think, started in Spain, perhaps back as far as Saudi Arabia or the Middle East. Do you know when the bottle was developed?

BERMAN: No, I don't. It has always had that same bottle. Always.

JOHNSON: I understand the label has changed?

BERMAN: The only thing we changed was the label. There is

a doorway, and in the doorway is a Mexican sort of sitting down and has his head down over his chest. He's asleep, and he has a big sombrero. Well, originally, instead of having the Mexican, they had an Arab asleep. That's the only change that was made. You have to be very careful when you have a registered label that you don't change anything, because you can lose your registration. JOHNSON: Would you say that there was any particular overarching strategy you had at that point? Did you want to focus on the domestic markets and then global, or concurrently, or what? How did you plan to grow that?

BERMAN: Oh, we weren't even thinking of global at the time. You see, what we did with Kahlua-- As I said, I was lucky in one particular way, and that is I had these other items that we had built up that were quite profitable. Because we didn't have the money in Kahlua to advertise or promote it. And as I said, I bought out my partner [Manny Felix], who put in \$35,000. We never borrowed money from the bank, so we had to build on our own. And it took time. But we found many uses for Kahlua. Even today, if Kahlua depended on people drinking a liqueur after dinner, the sales would be very slow. But we used the versatility of the liqueur for mostly desserts. And then, when we hit upon the Black Russian, which was the

one big stepping point that we had-- Because that hit the country. It was like a craze, especially the younger set. And even today-- It's funny. The younger people love Kahlua. As they seem to come into their twenties, they seem to want to drink Kahlua. The sales just keep going and going.

JOHNSON: Tell me about how you got the idea to transfer Kahlua essentially from a straight liqueur to a mixture and dessert product. When did it occur to you that you should pursue that?

BERMAN: Well, one thing-- When I bought Kahlua I had a friend of mine at Schenley [Industries]--his name is Sander Heyman, he is a very close friend of mine-- He was in charge of advertising of all imports. He told me that a good friend of his whose name was Sheldon Marks was moving to Los Angeles, and he was a very clever advertising man. When Sheldon moved down here he immediately became affiliated with us. And all these ideas that we have--and I'll tell you so many more that you just won't believe it--were Sheldon's. I can't take credit for a lot of it. Because it was his idea to come out with a recipe book of just cooking with Kahlua. He came up with all these different uses, and it caught on. And today-- For instance, we were on a cruise, and about half of their recipes had Kahlua in

them. Jackie [Jacqueline] Kennedy helped us a lot, because at every party she had at the White House she always served a Kahlua mousse.

JOHNSON: What was the reason for that?

BERMAN: She liked it. There is no other reason. She didn't know me, I didn't know her. But she thought that was the best dessert she could serve. As a matter of fact, she went to Providence, Rhode Island, to inaugurate a submarine, a new submarine, and our distributor there called me up all excited. He said, "Jackie Kennedy is here, and she's having a big dinner after they christen the submarine, and they're going to serve nothing but Kahlua mousse." So things like that-- Our business in Washington [D.C.] all of a sudden just exploded, because naturally anything Jackie Kennedy did at her parties everybody wanted to do it at their parties. So it takes little things like that, but we can't take credit for it. It just happened.

JOHNSON: What year did you become affiliated with Sheldon Marks?

BERMAN: Sheldon came to me in about 1953 just when we started promoting Kahlua, but he was with me with everything I ever did, with [Lake] Arrowhead, the Huntington Harbour, and El Capitan Ranch. He was a very, very clever advertising man.

We used the pre-Columbian [art] and we can go into that later.

JOHNSON: Right.

BERMAN: We used everything. He was just great.

Then I had Rogers and Cowan as my public relations people, and they were the best there is. Of course, they are considered the best, but Henry Rogers just died last week. He was a very close friend of mine. But we had ideas-- Like, for instance, Helen Greco was quite a singer, and she was married to Spike Jones, so Rogers and Cowan had an idea to call her Lady Kahlua.

And we made a deal with her. We paid her very good money. She traveled around the country, and we had to hire a maid to go along with her. And Trafari dresses is all she wore.

But she'd go into a city, and Rogers and Cowan would arrange an interview with her on a talk show. Well, of course, they were only too glad to talk to the wife of Spike Jones, especially when she was a well-known singer. And of course, they had no idea what she was there for, except they thought she was just visiting. And the first thing they'd say to her, for instance if she were in Pittsburgh, was, "What are you doing in Pittsburgh?" Once she started, you couldn't stop her.

She'd say, "Well, I'm here to promote Kahlua--you know that wonderful liqueur from Mexico that everybody loves." And they'd try to stop her, because you're not allowed to advertise

liquor over the air; it's illegal. But she'd just keep going and going. She traveled all over the country for us. That was just one idea that we had.

JOHNSON: What year was that? Do you recall?

BERMAN: Oh, that was probably about '57 or '58. We were already all over the United States by then.

JOHNSON: Now, you bought it in '53.

BERMAN: Yeah.

JOHNSON: And Sheldon came on board--

BERMAN: Then.

JOHNSON: Right then. In reading through the manuscript, there were some other interesting advertising ideas. I guess one had to do with the typical family serving Kahlua.

BERMAN: Oh, that ad? Yeah.

JOHNSON: Would you tell me about that ad a little bit?

BERMAN: Well, it was Sheldon's idea. We had a group of pre-Columbian figures sitting around in a circle. Oh, no, no, no. That was Helen Greco at the Ambassador Hotel with the largest and longest table they had, and it was a real formal dinner. It was set for a formal dinner. She's standing in front of the table, and it says, "Every typical family serves Kahlua." All our ads had a tongue-in-cheek humor in them, you might say. Because then we started using the

pre-Columbian figures in our advertising. But Sheldon had a great gift. He was a fabulous person.

JOHNSON: How did Carl Reiner get involved with--?

BERMAN: Well, Carl Reiner was not too well known then, and we needed somebody to do a Black Russian ad. Now, we wanted to promote Black Russian nationally, and we only used it in magazines. I approached Carl Reiner because I knew some friends who knew him quite well. At that point he wasn't that well known, so we could hire him at a fee that we could afford. And he was easy to work with and nice to work with. To this day I still talk to him and see him. That worked very well, though.

JOHNSON: What was the image that you were trying to--? You mentioned that the ads were typically all tongue-in-cheek. What was the kind of image you were pursuing with the product when you positioned it?

BERMAN: The only thing we were trying to do was draw attention to the ad. The easiest way and the best way is if you can have something that's tongue-in-cheek that people can look at and have a little chuckle over after they read it. Because if it just says, "Kahlua is the finest liqueur in the world," that doesn't excite anybody. Because anyone with any liqueur will say that.

The cleverest thing that we had--if you can find that ad--was what Sheldon did for a Christmas ad. It was something like, "The night before Christmas and all through the night the Kahlua was being served from left to right" or something like that. [laughter] I mean, just a funny thing with Kahlua in a famous Christmas poem. We did a lot of things like that.

And then, of course, the thing that we did mostly, which I thought was our greatest, was that we promoted Kahlua with the pre-Columbian [art]. For instance, we would get in a top museum in the United States because the Kahlua collection was famous. And the museums wanted our collection. Of course, when you-- It's one thing to go into a liquor store and see a Kahlua ad, but it's another thing to walk into the top museums in the United States and see that Kahlua collections are pre-Columbian. You get that word Kahlua in a museum.

Then one year Rogers and Cowan worked out with the women's ready-to-wear association a Kahlua brown for fall. And then we had large rubber bottles made, about four or five feet tall, and if you walked down Fifth Avenue you'd see Kahlua brown colors and big Kahlua bottles in Bonwit Teller, Saks [Fifth Avenue], and all the top stores. We tried to advertise Kahlua away from the liquor stores so we could draw attention

to it, and it worked very well for us. It really did.

JOHNSON: Tell me how you got involved with pre-Columbian art in the first place.

BERMAN: Oh, that's a funny story, too. I think I told you that I had this manager in Mexico. His name was Fernando Montalvo. I inherited him with the company. He was an old man, though, and he wanted to go home at five or six o'clock, which is all right, except in Mexico no one serves dinner before nine thirty or ten o'clock. So I had nothing to do for about four hours. There was a jeweler there whom I had gotten to know over a period of years. I used to have cufflinks made with the Kahlua bottle in gold, and I had all kinds of things made in this jewelry store with the facsimile of Kahlua bottles. I would give them to my distributors. I was in there one evening. He said to me, "Mr. Berman, a fellow brought in some pre-Columbian today." He said, "I don't deal with it." But he said, "Maybe you'd like to have these pieces." So he showed them to me. And I knew nothing about pre-Columbian; I'd never even thought of it. And I was more or less intrigued with it. I think there were four pieces. So I bought the four pieces. Then I went back to the hotel. There was a bookstore on the way back, and there was a book on pre-Columbian art, which was in English, of course. I bought the book and

started studying pre-Columbian. I took a liking to it because it's a lost art. It was something that was done hundreds and hundreds of years ago, pre-Columbian. Of course, the average pre-Columbian I collected was from about 700 BC to almost 700 AD. I have a couple of pieces about two thousand years old.

But then, what the diggers would do when we were collecting it at Kahlua, they'd started bringing pieces in. I gave my manager a Polaroid camera to take pictures, and I knew the pieces I wanted. We just gathered a tremendous collection.

Toward the end, though, the diggers were getting smart. They'd come in with ten pieces, and two or three would be fake, and they'd say, "You've got to take all ten." Well, if the prices were all right, I didn't mind buying the ten and throwing the three away.

But we've had a terrific--well, just wonderful--response with the pre-Columbian. It's something that I got very much interested in. And it really did Kahlua a lot of good, because the museums loved it. As soon as we get a break, I'll show you a letter I got from the L.A. [Los Angeles] County Museum [of Art] with the pieces I gave. It's almost unbelievable how much they appreciate having these pre-Columbian pieces. We were in a good position to get them because we were in

Mexico, and the diggers would just keep coming in.

JOHNSON: Where were most of the pre-Columbian pieces you have discovered?

BERMAN: Well, that's also a good question. My collection is a complete collection of all over Mexico--complete. As I collected it-- I had at that time five or six hundred pieces, but I did not have any pieces from the little isle of Jaina.

It's a little island off of Campeche. It's such a small island; it's not even bigger than Catalina. The clay was very soft, so most pieces did not keep. But suddenly one day a woman called me. Her name was Mrs. Stein, and she was at the Del Capri Hotel. She said, "Mr. Berman, I have five of the greatest Jaina pieces in the world, and I'm staying at the Del Capri.

Would you like to see them?" I couldn't wait to go over and see them. Her husband had a fleet of shrimp boats, and they were shrimping in that area, and somehow or other she got ahold of these pieces. I took one look at them, and-- I still have them, you know. I wouldn't even give those to the museum.

They are so rare. She gave me her price, which was very, very high, but I needed those pieces. I did not have a complete collection unless I had Jaina. So with Jaina I have a complete collection of every different culture in Mexico. There are about eight different ones that-- But you have to know. You

really have to know. It's like anything else, you have to know. If you study art, you have to know exactly-- There is very good Matisse and there is bad Matisse. I mean, every artist can't paint a gem. It's the same way with pre-Columbian.

I went over to see [Earl] Stendahl, who's the largest dealer in pre-Columbian. He is a very good friend of mine, very good. Because I worked with the museum with him for both UCLA and USC [University of Southern California]. He would show me pieces that he was asking \$40,000 for, and he looked at me and laughed. He said, "Jules, there is not one piece here you'd have." I said, "You're absolutely right."

The quality, of course, was inferior. But that's how I got to know Dr. [Franklin D.] Murphy, because I was on the board with him of the UCLA pre-Columbian Museum.

JOHNSON: Tell me, who's Dr. Murphy.

BERMAN: You don't know Dr. Murphy?

JOHNSON: I don't know Dr. Murphy.

BERMAN: He was chancellor of UCLA, that's all.

JOHNSON: From what year--?

BERMAN: Haven't you ever seen the Murphy gallery?

JOHNSON: I know there is a Murphy Hall.

BERMAN: I mean, the walk outside with all the statues as

you walk across the campus.

JOHNSON: I haven't been to it, I must admit.

BERMAN: Well, it's right outside of the business school. You just walk right out in the front, and there are all these--

JOHNSON: Oh, in the sculpture garden area?

BERMAN: The sculpture garden. It's the Murphy Sculpture Garden.

JOHNSON: Okay.

BERMAN: That's the name of it. He came to my house quite a few times. He kept staring at one piece, and he said, "This piece is something." He said, "I'd give anything for this piece." He kept looking at it so long, I said, "Dr. Murphy, it's yours." So he never forgot that. He was a wonderful man.

JOHNSON: How many pieces in total did you have?

BERMAN: All together I had about seven hundred. And I had a full-time curator. But the problem I had was that since they were pre-Columbian and fragile, I had to rent a warehouse so I could lay them on the floor in different categories according to which culture it came from. And it was a job, because we had to get them packed. Although we had it professionally packed to the museum, they would come back broken. Her name was Valerie Frizzell. She would sometimes go with the pieces

to the museums.

JOHNSON: And she was your curator?

BERMAN: She was my curator, yes.

JOHNSON: What ultimately happened with your collection? I understand you gave some to the L.A. County Museum.

BERMAN: Well, I gave them quite a few pieces. And then I found out that they had sold some of my pieces, which upset me very much, because they sold some because they didn't have room. I paid for the room for the pre-Columbian room. I'll show you a letter I have from the museum for that, in fact.

I sold some in Europe. I had some very large pieces that I couldn't put in my house, and I sold those in Switzerland. But I gave a lot away. Mostly I gave them to different museums.

JOHNSON: How long did you offer the Kahlua pre-Columbian exhibit to the different museums around the country? How long a program was that?

BERMAN: Well, sometimes two or three months in each museum.

JOHNSON: But was it a couple of years you did this or--?

BERMAN: Oh, no. We did that for many years, many years.

JOHNSON: Until you sold the company.

BERMAN: Until I sold the company.

JOHNSON: Oh, I see. Interesting.

BERMAN: In fact, I have a catalog right in back of me from one of the museums, and I'll show it to you--in fact, two museums. I'll show it to you.

JOHNSON: How active are you today in scouring the world for new and unique pieces?

BERMAN: I'm not interested in new pieces. I gave a lot away. I had the best. I have about three hundred pieces left in my house, so that's all I want. I don't have any room.

JOHNSON: Okay. Interesting. Going back to when you first went down to Mexico, had you seen the factory in Mexico prior to buying the company?

BERMAN: No. It wasn't much of a factory.

JOHNSON: Tell me about your experiences and what you saw the first time you flew down there.

BERMAN: I flew down and met Mr. Montalvo. He was the only one working in the plant, because they weren't doing any business.

I knew we had to get a bigger plant if we were going to do any business, because they weren't equipped to do hardly any business. So we found another location. We were only in this other location about two years, and we built our own building.

Our business had picked up so much in, I think, the third year that we built our own building.

JOHNSON: What was the location of these original three

factories?

BERMAN: They're all in Mexico City. But I must say something, too. This is humorous. Mr. Montalvo, although he had a master's degree at Penn[sylvania] State [University]--he came to this country for his education--he still thought like a Mexican. When we were going to build our new building, we decided to build a two-story building. The bottom floor would be the raw materials and the finished materials, and on the second floor we would do the bottling. So when I saw the blueprints of the building, I said to Mr. Montalvo-- He showed me an elevator in the building. I said, "Nowadays, in companies that have bottles in cases, they do not use elevators. They use a conveyer belt with the cases to go from the first to the second floor. And when they finish bottling, they use a chute. That eliminates an elevator completely, which is hard to work with and so forth." Well, his jaw dropped, because to him an elevator meant modernization. Anyway, when we finished the building and I went to look at it, there was an elevator. That's the way it is. [laughter] The Mexican mind is something that no American can understand.

I had this wonderful distributor in Mexico. I think I told you his name was Cuillery. He said to me one day--this was many years later--"Kahlua is doing very well." He said,

"I want to expand my business. What I'd like to do is give you a six-month note on all shipments I get." And he said, "You know that I'm good for it."

I said, "Well, I certainly do."

He said, "I'll pay you--" I think he said 18 percent interest. That was the going rate in Mexico. So we did this for about a year.

Then one evening my telephone rang, and it was

Montalvo. And he said to me, "Mr. Berman, I have to tell you something."

I said, "What?"

He said, "I've been stealing from you for a long time." His conscience bothered him.

I said, "What do you mean you've been stealing?"

He said, "Well, I have."

So I went down to Mexico the next day.

I had Price Waterhouse in Mexico doing our accounting, and I had Goodrich, Dalton, and Riquelme. It's the largest law firm in Mexico. They have over sixty attorneys. They were supposed to be watching and running the company for me, because I didn't want any trouble with the government. So I hired the best.

We sat down with Mr. Montalvo, and I said, "How could you be stealing? We've been watching. We've been taking the accounting of the company, and everything is absolutely the way it should be." But what he was doing, he was taking the six-month notes and he was borrowing against them, but when they were due, he would pay the bank when they were due. So he actually was stealing six months of business. So, of course, both the attorneys and the accountants wanted to have him arrested. But I said, "Well, that won't do us any good." Because he was a very good--I won't say manager--but he was a very good chemist, to put it that way. He knew how to make Kahlua. So all I said was, "That won't do. We'll keep Mr. Montalvo on. We'll cut his salary in half, and I'll credit the other half. But we'll let him work." Because he was crying. He said, "If you put me in jail, my poor children--" Horrible stories. Anyway, he agreed, of course.

I went to Mexico about four months later, and in the middle of the night the phone rang, and it was Montalvo. He said, "I must see you immediately." I said, "Well, Mr. Montalvo, this is the middle of the night. I'll see you for breakfast." So I saw him for breakfast. And this is something so unbelievable that only a Mexican would do it. When I tell it to you, you're not going to believe it. I said, "What's

your big idea, Mr. Montalvo, that you want to see me about?"

He said, "I had a great idea." He said, "If you double my salary, I'll pay you back quicker." [laughter] And that's the way he thought.

JOHNSON: Wow.

BERMAN: One time I wanted to start with some ceramic clowns for Christmas. I figured I'd have a different clown every Christmas, because I would give a person a collection of clowns, and that would give them, you might say, an incentive to buy a Kahlua clown.

JOHNSON: So it was a promotional item?

BERMAN: It was for Christmas. Yes, a promotional--

JOHNSON: So you'd buy Kahlua and get the ceramic clown.

BERMAN: No, the Kahlua would be in the ceramic clown.

JOHNSON: Oh, I see.

BERMAN: It was a bottle. Well, not a bottle, it was a ceramic container. So I went to see this fellow who made them. I said, "How much for one of these clowns?"

He said, "Ten pesos."

I said, "How many for five thousand?"

He said, "Twelve pesos."

I said, "How come you charge more? I should get a rate for buying quantity."

He said, "No, you take all my production. I'll have to charge you more." [laughter] That's their reasoning.

JOHNSON: Wow.

BERMAN: It's almost unbelievable to think a way that a Mexican thinks. There is no way you can go down there in Mexico and expect them to think the way we do. They just don't.

JOHNSON: What ultimately happened with the clowns?

BERMAN: We didn't go into the clowns. We went into other things that were very successful. Instead of the clowns we used pre-Columbian figures in ceramics. We used to allocate them to our distributors, because they could have taken up quite a bit more. But then they had to be made out of bone china. Otherwise the alcohol would seep through just plain ceramics. And we wanted to sell them short, because, of course, we didn't want any after Christmas. But we would sell them in May when we had a national convention, and we'd allocate them to our distributors. They took all they could get, no problem. They looked forward to it, as a matter of fact.

JOHNSON: You went down and saw your first plant, and you said you had Mr. Montalvo as your one employee. You immediately assessed that you needed a bigger facility. What kind of problems did you encounter from an operations standpoint? I imagine it would be very problematic to go in and try to

operate a company in another country. Tell me about some of the problems you encountered with making the transition from one plant to another and keeping your arms around the manufacturing process.

BERMAN: Well, it wasn't that tough. You see, one thing that I learned--and I think I've said this before-- I said it at school. You hire the best people you possibly can in anything you do, and it makes it much easier for you. So we hired another person to work in the plant, and I hired a girl who graduated top of her class in accounting at the University of Mexico. She's still with the company, incidentally. Maria Guiterrez. We knew the cost of Kahlua to the penny. She sent me reports every week, and if there was a bottle missing, we knew it. We never had any thefts.

TAPE NUMBER: VI, SIDE TWO

JUNE 1, 1995

JOHNSON: All right, at the end of side one we were talking about your employees. You mentioned that you had a woman named Maria in accounting?

BERMAN: In accounting in Mexico.

JOHNSON: What was her last name?

BERMAN: Guiterrez, I think it was.

JOHNSON: How many employees did you have when you built your new production facility?

BERMAN: Do you mean the second one or the third one?

JOHNSON: Well, I understand you had the original factory that was small, and then you moved to a second one very quickly.

BERMAN: We had about thirty there.

JOHNSON: Thirty employees. And then you decided to move to-- Now, you ultimately built your own facility, right?

BERMAN: We built one in 1966, a beautiful one, where they are now. It was absolutely magnificent. There were two buildings. The first building was just a showplace. We had lunches and things for visiting groups to taste Kahlua, and we had music. It was a very strange thing, though. Well, I don't know. I don't want to go off on a tangent again,

because what I would be talking about it would be a tangent.

In our new plant, our last plant, nothing was American. And because I trusted our employees so well, I knew they would only do the best for the company. I didn't check on what they were buying. I went in and the whole office was Olivetti. I said, "When we build a new plant, we're going to buy all new equipment." I had no idea that, of course, we'd be buying everything made in Europe. I thought everything would be made in the United States. We had Olivetti in the office, and in the plant it either came from Italy or it came from West Germany. So I said to my people, "Where are our American products? Where are our IBM [International Business Machines] typewriters and stuff that we had before?" They said, "Mr. Berman, that's too expensive. We can buy all this equipment much cheaper."

Then I found out there was 100 percent duty on American products. I went over to see the American ambassador [John Gavin]. As a matter of fact, [John F.] Kennedy was president, and I wrote a letter to him. Had he not died, I think some action would have been-- Because I received a letter from him. I explained to him, "We had a Ford station wagon, and now we have a Mercedes. I asked why we had a Mercedes instead

of a Ford. The Mercedes was cheaper than the Ford." I said, "This is ridiculous. Here's a country that wants to buy from us, and they're willing to do business with us every way they can, and we have no reciprocal agreement with them. There's a reciprocal agreement they have with Canada, but there's none with the United States."

JOHNSON: So, as I understand, the Mexican government was charging 100 percent--

BERMAN: Duty.

JOHNSON: And how did you feel that this should best be resolved? What was your--?

BERMAN: A reciprocal deal. There's not that much exported out of Mexico. I wasn't thinking of opening plants down there like they're doing now and all that, but I was only thinking of a reciprocal trade agreement.

JOHNSON: That would essentially be--?

BERMAN: Our duty would be cut down the way it should have been. Of course, there aren't that many things exported from Mexico. In fact, the man who really ran Mexico-- Oh, I can't even think of his name.

JOHNSON: Is it Mr. Alemán?

BERMAN: Yes, Miguel Alemán, whom I knew very well. I talked to him quite a bit about it. He said that they're not exporting

that many things out of Mexico. As a matter of fact, I told him one day, "You know something?" This was many years later, just before I-- In fact, I think I'd already sold, but I was still running the company for Hiram Walker[-Gooderham and Worts]. No, I take that back. I still owned the company, because I remember-- I said, "You know, Kahlua is the best ambassador that Mexico has around the world. You tell me any other product made in Mexico that's accepted as a premium item."

And he thought a while, and he said, "There isn't any."

I said, "And what do you do for us? Nothing. The least you can do is help us with our advertising." And he gave me \$100,000 a year for advertising.

JOHNSON: Is that right?

BERMAN: Yeah.

JOHNSON: Now, was he president at the time?

BERMAN: No. He was smart enough that when he got out of the presidency he still ran the country more or less. I shouldn't say that. That's pretty harsh. But he picked who should be president and so forth. I knew him very well. He was also in charge of tourism and many things. He helped us in every way he could, because it was true. Of course, Kahlua around the world today is not even considered a Mexican drink anymore;

it's Kahlua. I was traveling around the world, and when I was in New Zealand over Christmas there were billboards all over. Kahlua is a terrific item there. It doesn't say "a Mexican product," it just says "Kahlua" as it's bottled now.

JOHNSON: What ultimately happened with the import duties that were so high for American products?

BERMAN: You mean now?

JOHNSON: Were you able to get those lowered or--?

BERMAN: No, because I was just working, as I said, through the president's office and with the secretary of state [Dean Rusk] when Kennedy got killed. When he got killed everything came to a screeching halt, because I had no one to talk to, or I didn't know anyone to talk to.

JOHNSON: What was your hope in talking with the president?

I mean, the best-case scenario would have been, after talking with President Kennedy, that--what?--they would have pressured the Mexican government to lower the duties or what?

BERMAN: Well, yes. It had nothing to do with Kahlua. At that point I wasn't working, because Kahlua was doing great.

But I was very upset that we built a new plant and nothing in the plant was American. That's what bothered me, because I hated to see all these imports come in at a cheaper price than we could get them from the United States.

JOHNSON: So you ended up building yourself two plants in Mexico, is that right?

BERMAN: Yes.

JOHNSON: What was the rationale? Was it strictly to increase capacity? Or what was the rationale for building the first one and going to the second one?

BERMAN: Well, because of increased capacity. Business kept picking up and picking up. Now they have two plants in Mexico.

JOHNSON: How did you go about formulating projections with respect to plant capacity, size, and what you thought you would need?

BERMAN: Oh, we had an idea. We had an idea of what we would do, and we had projections, sure. But the trouble was with our projections. We always overran our projections. No matter how much more we thought we could do, we always did more than that. In fact, when I ran the company for Hiram Walker, after I sold it to them, I sent them a projection for the following year. This is really an interesting story. And Mr. [Harry] Hash, who was president for Hiram Walker, said to me, "You'll never reach those figures." I said, "I will reach them." And I reached them in October, not in December. So I asked him for more advertising money. I said, "Since we reached our projections, I want additional money, because the best

season is to come." And he wouldn't give it to me. So I got very angry at him. I said, "How much would you pay if our business was down? How much would you pay to get the business back?" I said, "Mr. Hash, when a snowball is going downhill and it's gathering momentum, it keeps going, and this snowball is going. A little push will go a long way. But you try pushing it uphill and see where it goes." But he never gave me the money, and I quit. I just couldn't stand his reasoning. It didn't make sense to me.

JOHNSON: How long had you stayed with Hiram Walker after selling Kahlua?

BERMAN: Seven years.

JOHNSON: Seven years. So that would have taken--

BERMAN: But, in the meantime, I had Arrowhead, and I had Huntington Harbour, I had-- But still, every time I'd go back East he would always say to me, "I'm not going to bother your company at all; it's doing so well that anything I could do could only ruin it." So they left me completely alone.

JOHNSON: So that seven years lasted from--?

BERMAN: From 1969 to '73.

JOHNSON: How would you characterize your role in the operations down in Mexico?

BERMAN: What do you mean my operations?

JOHNSON: Well, as far as the operations of the plants, would you characterize your role as being very hands-on? Or did you give them a great deal of autonomy? And how did you--?

BERMAN: I gave them a lot of autonomy. I do that in everything I ever did. I always hired a person and said the same thing to them, "If you make any mistakes, I'll back you, but don't make too many." I told you I hired the best people. Maria would send me a report every week as to every bottle that was sold. And my girl who I had, whose name was Mrs. [Loretta] Shaw, every morning when I walked in there would be on my desk accounts receivable, accounts payable, sales-to-date for the month, sales-to-date for the year, sales-to-date against last year at this time, and sales-to-date a year ago this month. So I knew exactly where we were, where we were going, and whether there was any problem, because if there was a problem we could check it immediately. So I had a tight control over Mexico, and as long as things were going well there was no reason for me to butt in.

JOHNSON: How much time did you end up spending down in Mexico?

BERMAN: I'd go there every five weeks and spend two days.

JOHNSON: That was standard procedure?

BERMAN: That was my standard.

JOHNSON: How automated were your facilities down there?

BERMAN: Well, except for bottling it wasn't automated at all, because, don't forget, in those days with accounting we didn't have any of the equipment that we have today; it all had to be done by hand. But the manufacture-- What's the latest equipment? I don't think there's anything newer today in bottling. But we did everything by hand down there. The help was so cheap there that-- Except for bottling. We did use a bottling machine and a labeling machine.

JOHNSON: But I understand that when you sold the company you had approximately forty people working down in the plant?

BERMAN: At least forty people. It was really a thing of beauty. Our bottling room was all white tile, and all of our employees had white smocks that they wore that said Kahlua on the back. And every night they'd turn the hose on and the plant would be absolutely spotless. So I mean, it was really something to be proud of.

JOHNSON: Was the way the plant ran, do you think, more a function of your input or having chosen Mr. Montalvo and telling him how you wanted to run the plant?

BERMAN: Well, Mr. Montalvo-- This problem we had with Mr. Montalvo was quite a few years before we sold the company. So I hired another young fellow whom we trained who worked under Montalvo, as a matter of fact, and had put him in charge.

And he was very good.

JOHNSON: So he was in charge of all the hiring and firing and all the day-to-day--?

BERMAN: Yes.

JOHNSON: I see.

BERMAN: Except for the office. That was completely Maria's. We had four girls in the office.

JOHNSON: From reading the manuscript, I understand that you had to pay import fees when you brought the Kahlua up from Mexico.

BERMAN: Yes.

JOHNSON: And that you had discovered something about the proof of the alcohol and that perhaps--

BERMAN: Well, I think we mentioned-- Didn't we mention that the other day?

JOHNSON: I think we might have touched on it briefly.

BERMAN: Because this is very important. When I say it's very important, it's very important for a person to know their business, every phase of their business, no matter what it is. I was reading the import regulations, and duty was \$10.50 a gallon for a wine gallon. Well, a wine gallon is 100 proof. Now, since Kahlua was 53 proof, I would have paid 53 percent of \$10.50 a gallon. But since it was a wine gallon, not a

proof gallon, I was paying \$10.50 a gallon for 53 proof Kahlua.

So I had an idea. If I could bring Kahlua here in 100 proof and bottle it

here, I could save 47 percent of \$10.50 a gallon times 2.4 gallons to a case. So I went to see the ATU.

JOHNSON: Which is?

BERMAN: Alcohol tax unit. I asked them, "Am I reading this right, that this is a wine gallon, and if I would bring Kahlua in and bottle it here I'd pay the duty on the bulk?"--which was 100 proof. "If I bottle it here, I'd cut it down to 53 proof. That's legal?"

The fellow I talked to was in charge of Southern California. "Yes," he said. "Absolutely," he said. "It's a foolish law, now that you bring it up. It's a foolish law, but that's the way it reads. You're perfectly right in doing it."

So I did. We built a plant in San Francisco, and we bottled Kahlua there.

Then we made this deal, I think I told you, with Trader Vic's [restaurants]. We bottled all the Trader Vic's rums there.

JOHNSON: Right.

BERMAN: Then, since we had a real fine bottling plant-- We

built a beautiful bottling plant. We got Lucky stores for their private labels. We got Thrifty [Drug and Discount Stores] for their private labels. We got Vons [supermarkets]. We did a tremendous private label

business--gin, vodka, rum, Scotch, and bourbon under their own labels. We'd buy it in bulk and bottle it. So we did a big business up there.

JOHNSON: So in a sense you almost got into a whole new business simply because of a duty issue with your--?

BERMAN: Yeah.

JOHNSON: So you would bring it in in bulk and big barrels--?

BERMAN: No, we'd bring it in in trucks.

JOHNSON: And then cut it down?

BERMAN: We'd add sugar, mostly liquid sugar, to bring it down. We'd bring it in without sugar.

JOHNSON: How many bottlers did you have of Kahlua in the United States ultimately?

BERMAN: We had three: one here, one in Detroit, and one in New Jersey.

JOHNSON: What was the strategy behind having three as opposed to one and letting them service the United States market?

BERMAN: Freight. We made Kahlua so accessible to distributors.

You know, when you run a business the biggest thing you look at is turnover of inventory. We had five hundred distributors. But because we were bottling in three places and we had warehouses in three places, a distributor could order every week. Now, think what that means to a distributor. Otherwise, if we were bottling in Mexico we'd have to buy a container in order to save the freight. It was so easy for a distributor to buy Kahlua that you didn't have to have much of an inventory. And we loved it, because that way we kept our distributors because they didn't want to lose it.

JOHNSON: Did you own all three of the bottling plants?

BERMAN: No, only the one in San Francisco.

JOHNSON: And then the other two you--?

BERMAN: We paid so much a case for bottling.

JOHNSON: I see. But, as I understand it, Kahlua was still being bottled in Mexico for--

BERMAN: For Mexico and also for Central America, and we did a big, big business after a while in the Caribbean, because, you know, a lot of Americans go there to buy it duty-free.

So we had a key distributor in the Caribbean, and he did very well in Saint Croix.

JOHNSON: How did you determine that it was the right time

to pursue going global with the Kahlua distribution?

BERMAN: Well, as our sales increased and kept increasing, I was approached by the Cherry Heering people in Denmark, that they would like to bottle Kahlua and represent us in Europe. And since I didn't have anyone else, I made a deal with them and they bottled Kahlua and sold it. It moved well in most countries in Europe, except England, because England is a tea-drinking country. [laughter] But we did very well, especially in Sweden, Norway, Denmark, Germany, France, and Italy.

JOHNSON: So they would just buy it in bulk from Mexico and have it shipped--

BERMAN: No, they would make it from scratch. The only thing they would buy from Mexico would be the beans from Guatemala.

JOHNSON: So how many places was Kahlua actually being manufactured?

BERMAN: When I had it, only two. Oh, it was being made in Argentina, too.

JOHNSON: So it was being made in Mexico, Argentina, and--

BERMAN: Copenhagen.

JOHNSON: I see. Now, today--?

BERMAN: I don't know. I have no idea. I know they do a tremendous business in the South Pacific. As I told you,

when I was in New Zealand I saw billboards on it. When I went in the stores I saw Kahlua stacked up, mass stackings, which means they sell a lot of it. I know they do at least a quarter of a million cases in Australia, so they must have a bottling plant down there. I'm not sure. I'm not quite sure. They must have.

JOHNSON: What was the rationale behind actually producing Kahlua in Europe as opposed to just bottling it? Was it that transportation costs would be too big?

BERMAN: That's freight. And not only that, there were different regulations. You have to have different labels. After all, you can't have an English label in Germany. So I thought it would have been foolish for me to try to break into Europe without knowing the market. Cherry Heering had been in business in Europe for a couple of hundred years, and they knew the market very well, and all phases of the market. I never tried to do anything I didn't understand, and I knew going into Europe would be something that I really didn't understand.

JOHNSON: Is there anything else you would care to add about the bottling or the manufacturing side of Kahlua?

BERMAN: No. It was a very simple-- Oh, yes, there's only one thing that I insisted on. Each batch that was made, no

matter where, whether it was San Francisco or whether it was Mexico or whether it was Copenhagen, no matter where, I insisted that a vial was sent to me in Los Angeles so that I could taste it. Even though I knew that they knew how to make it and I never had any problems, I also knew that one bad batch could ruin your business. We had to protect ourselves so that there never would be a bad batch of Kahlua. There never was. That's very important.

JOHNSON: How large were these batches?

BERMAN: Oh, it would just be a small vial, just to taste.

JOHNSON: But that would be a sample from a batch of say--

BERMAN: Oh, a batch of maybe five hundred gallons or a thousand gallons.

JOHNSON: Would they have to get your approval before they could bottle that?

BERMAN: Well, yes. As soon as I would get the vial and taste it, I'd immediately call them up and tell them to go ahead.

JOHNSON: So they would air freight that to you? [laughter]

BERMAN: Yeah.

JOHNSON: So you had Kahlua for breakfast sometimes.

BERMAN: [laughter] God, I used to taste it so much. I'd almost get sick of tasting it. As a matter of fact, I had some last night.

JOHNSON: A little while back you had talked about Mr. Montalvo and Mr. Cuillery of--

BERMAN: Vinos Finos.

JOHNSON: Now, you mentioned that Mr. Montalvo had been involved in doing some dishonest things with taking notes. Was Mr. Cuillery involved with that at all?

BERMAN: Oh, no, no, no.

JOHNSON: It was a totally separate issue.

BERMAN: Mr. Cuillery was, my gosh, the finest gentleman you could ever meet in your life, the most honest person that you could ever meet.

JOHNSON: I understand he was a Frenchman. How did you end up meeting him?

BERMAN: Well, he had a large wholesale company in Mexico. When I got Kahlua, I went over to see him, and he took it on. I stayed with him all the time when I had Kahlua. Of course, Kahlua got to be his biggest item after a while, so we had a very good friendship.

JOHNSON: I understand you had a common interest in horses.

BERMAN: We sure did. We used to go out to his stables all the time and ride and see his horses, yes.

JOHNSON: I understand he had some Olympics aspirations or was--?

BERMAN: No, no, he mounted the Mexican team. He bought the horses. In 1932 and 1936, Mexico won the equestrian [events] in the Olympics. And those were his horses. He was a great horseman himself.

JOHNSON: How would you characterize your relations with the Mexican government in looking back on that?

BERMAN: You see, I was very careful. I took a very, very low profile. As far as the Mexican government was concerned, our managers-- There was Montalvo at first, and then later on it was [Albert] Berrensen who took his place, and then it was Price Waterhouse and Goodrich, Dalton, and Requerme.

I mean, they were the ones who were running everything. I had very little to do with the Mexican government. So the only time-- Well, actually, I didn't want to be too well known in Mexico. I purposely did that, because I had nothing to gain. I knew Mexicans liked to deal with Mexicans. I knew that the only thing I could ever do was maybe cause a problem.

But the few times I did meet with officials from the Mexican government, I did. Of course, I had to. But, you see, in Mexico it's different, although it's changed now. We were Kahlua S.A. S.A. means "société anonyme." No one knows who-- When I sold the company to Hiram Walker, I just gave them the stocks. Actually, if I had the stocks here today and

would hand it over to you, you'd own it. There's no record.

So nobody knows who owns their stocks. Of course, they changed that law; they changed it quite a few years ago. But we had a grandfather clause, so we could do it. I had very little to do with the Mexican government, because if they wanted to talk to me, I had, as I said, my personal attorney, Pancho Lopez Figueroa. He would go with me, and he would do most of the talking. We had no problems. We had no problems whatsoever. In fact, it was much easier doing business in Mexico than doing business here.

JOHNSON: I understand that you made your decision to exit the business. What was your thought process behind different alternatives for the company? I understand there were even some considerations about going public at one point.

BERMAN: Yes. Bob [Robert] Lehman of Lehman Brothers wanted to take us public because we were growing so fast. I made some very foolish mistakes, and I regret it. In fact, I stay awake nights, honestly, because of the stupid mistake I made by selling Kahlua. I should never have sold it. There was no reason to sell it, except I took advice from my accountants and my lawyers who said, "What do you need it for? Your son doesn't want it. And you have Arrowhead and all these other things that keep you busy." What really destroyed me was

building too good an organization, because it really didn't need me. I had an assistant, Wally [Walter] Girdwin, who's the greatest person in the world. He would kill himself for me. He worked from early morning to late at night. He'd do anything. All my people around the country, my key people, were loyal, and they knew their business backwards. I mean, they were tops. As I said before, the other day, they were the highest-paid people in the liquor business, because I paid them a commission. As business got better, I never cut the commission. I just let it go, because the more money they made, the more money I made. So my people were wonderful.

And it got to the point where the only things I ever really was doing at the end except making these trips-- I didn't lose track of anything. I always went to New York once a month, went to Chicago, San Francisco, my key spots.

And then there was a liquor convention every May which I always went to. That's where I saw all my distributors. But the company was very well run, very easily run. And I showed you the thing, too, about Arrowhead, how well run that is.

So I don't know what it was. You might say just the ability to build good organizations.

JOHNSON: How would you characterize the hierarchy in that

organization? Was it fairly flat? To what extent was decision making delegated? The impression I get is that you like to have good people in place and let them kind of run the business.

BERMAN: Oh, they can run their-- No, they don't run the business; they run their particular area. I would make the decisions.

But you see, if you have a thing going well, like, let's say, Kahlua, there aren't that many decisions to make. The most important decisions I was making the last three or four years were advertising, telling Sheldon how much I want to spend for advertising and what magazines or which way we wanted it, because the manufacturing was taken care of. Distributors, we had over five hundred of them; we didn't want any more.

Our offices were well staffed, so there wasn't that much to do. And that was trouble. That was my downfall, building too good an organization.

JOHNSON: How did you make the decision about how much to advertise and in what venues?

BERMAN: Five percent of gross sales went into advertising.

JOHNSON: Now, was that a number that you had always had? Or did that come upon you one day? What was that?

BERMAN: It came upon us as we started gathering momentum.

Of course, at first a good 5 percent of nothing is nothing.

[laughter] But as we got up to the real money, we put 5 percent

for advertising, and the more we did, the more we spent.

JOHNSON: As far as the allocation between billboards and magazines and--

BERMAN: Well, we were very careful, and I would say we were pretty smart in that. For instance, I would go to Miami, and I would take a lot of billboards from the airport, because people from all over the country went to Miami--wealthy people, people we want to sell to. So spending money in Miami is like spending money nationally. And we had billboards out in California. There were a lot of places where billboards weren't effective, like, for instance, Chicago, where everything's crowded. You see your billboards way on top of a building that no one could see. But in advertising, I always took the back page of the *Playbill* in New York because anyone who could afford to spend \$50 for a seat in a theater can afford a bottle of Kahlua. And I only advertised in monthly magazines. I never advertised in weekly magazines. And we advertised in the most sophisticated magazines, like *House Beautiful*, *Architectural Digest*, that type of stuff that people took home and read, kept.

JOHNSON: Did you have an organization or help from a marketing company or an advertising company to help you zero in on the demographics? Or was that more of a gut feeling?

BERMAN: No, that was Sheldon. Don't forget, I told you Sheldon was really a genius. We'd discussed it, though; he and I would discuss it. And when I'd go to New York, unfortunately I spent most of my time with magazine people, because they'd want to entertain me and see me. But what we did also-- This is very important. We took full-page ads in magazines from January through September. In October, November, December, we'd stay out. That's when all liquor advertisement goes in. For the first nine months, we were the only ones in the magazines, because liquor people always advertise around Christmas. So we'd rather own a magazine for nine months instead of getting lost with dozens of other advertisements during the Christmas season.

JOHNSON: How seasonal or cyclical were your sales?

BERMAN: Well, it was like everything else. We had a good, steady business. And of course Christmastime, December, would be at least double the average month. People gave Kahlua away and had parties and things like that.

JOHNSON: Now, was the retail price pretty consistent throughout the year? Did that ever--?

BERMAN: It was pretty consistent. We didn't change prices hardly at all.

JOHNSON: Now, from a standpoint of looking at your competition,

who did you feel was your competition for Kahlua? And how did you go about pricing that product? BERMAN: Well, the only competition we had at first was an item called Tia Maria. It's a coffee liqueur, and it's made in Jamaica. What we actually did, we avoided Tia Maria as much as we could. If people asked us about it--and, of course, many people did, because they were strong in New York-- I didn't break the New York market until the last. It was the last state I went into, because I knew it would take more than any other state as far as money and promotion. I knew Tia Maria was strong. We knocked them out of the box in no time. I figured it would take five years, and we did it in two years. But we always said if you like Tia Maria that's fine, but Tia Maria's not Kahlua. If you like Kahlua, it's one thing; if you like Tia Maria, it's another thing. I told my people if I ever heard them knock another product I'd fire them. And they never did. There's no reason to. If you have a winner, why worry about the second person.

JOHNSON: Now, what was your strategy behind choosing your price points?

BERMAN: Well, we took a good profit for ourselves, and we were-- I don't remember the price we sold at at the time. But, you see, what helped us was bottling it here. Don't

forget, we picked up almost \$20 a case just for doing nothing.

We had a profit of over \$20 a case before that import problem, so we were making close to \$50 a case.

JOHNSON: How would you categorize your margins as opposed to the competition?

BERMAN: Ours was much more because of the tax.

JOHNSON: You had much better margins because you were able to avoid some of the tax?

BERMAN: We avoided the tax by bringing it in at 100 proof and cutting it down. The others were paying a \$50-a-case duty; we were paying like \$25 duty.

JOHNSON: I see.

BERMAN: So that's a big difference. That's the crux of it. And we still took our markup.

JOHNSON: So your feeling about finding the right price-- I mean, that can often be difficult when you've got a unique product.

BERMAN: It's not our percentage. An importer will take about a 30 percent markup on his costs. A wholesaler will take 30. That includes advertising and everything. A wholesaler will take usually 25 to 30 percent, and a retailer takes 40 percent.

JOHNSON: You basically took your costs, figured in a nice

profit for yourself, figured in what the percentage would be for the people down the road, and that's how you arrived at your retail price?

BERMAN: At the bottom price. Well, don't forget, every state has a tax, so the price in each state would be different. I think the tax in California is only \$1.92 a case, but some states have taxes as high as \$4 or \$5. So that makes a difference. And don't forget, all these taxes and costs, a retailer or wholesaler will take a markup on that, because that's part of his cost.

TAPE NUMBER: VII, SIDE ONE

JUNE 1, 1995

BERMAN: One of the reasons I didn't go public is that I had a very good tax adviser-attorney. He said, "Jules, I hate to bring this up, but if you pass away, as it is now I can fight with the IRS [Internal Revenue Service]-- Because it would be hard to determine your wealth, because I could say that your company is you." And he said, "And chances are I could get a very good figure for what your estate is worth."

But he said, "Once you go public and your stock is worth so much a share, there's no argument. And the way your company is going, your stock will be worth quite a bit of money. You have to know that before you go into it, because you're going to control the company, and you're going to have most of the stock." That was before I even thought of selling it. And that's why I didn't go public. And then, too, I was glad I didn't, because I would have-- Later on. We'll get into two public companies I ran. I just don't like public companies.

JOHNSON: Now, we'd talked in the last session about your aversion to debt, if you will. Throughout the whole operations of Kahlua, did you ever use any type of debt financing?

BERMAN: We never financed anything. As I told you last week, we paid our bills daily. If we didn't have it, we didn't do it. It's just as simple as that.

JOHNSON: I know that this is kind of a sensitive subject, but what made you ultimately decide, "Yes, it's time for me to focus on other things and sell Kahlua"?

BERMAN: Foolishness. Absolutely crazy. I think I told you last time when we brought that up, the Gallo brothers had the right attitude. They were offering \$400 million for their companies, and [they] said, "All you offered us is money, and we have plenty of money." And the way Kahlua was selling and the way the organization was running, it was ridiculous for me to sell it, because all I did was invest in a lot of crazy things that didn't make sense and lost most of it.

JOHNSON: But at that time, you were also involved with what other projects mainly?

BERMAN: Well, I was very busy, yes. I was very busy with Lake Arrowhead and Huntington Harbour. Besides, I had a jacket company [Empress Company] that I owned, and I had a helmet company [McHale Company] that I owned. They were all doing well. So actually, since they were all doing well-- I mean, Kahlua was just one company out of others that was doing well. It was very foolish. But I didn't realize that Kahlua was my life at that time.

The other companies were just companies, but this was something that was my baby.

JOHNSON: Now, how about the rest of your liquor business at the time? How was that functioning?

BERMAN: Well, we still had quite a few items. But toward the end I would say 70 to 80 percent of our efforts were just on Kahlua, because we didn't own any of the other brands. Although, as I told you, I always had Trader Vic's to the end, which was very profitable for us. And we had Lancers, which we did very well with, extremely well with. And we had quite a few other items that-- We had the Leroux cordials, and we did a lot of business with Seagram [Company]. In fact, we even sold some items they owned because they couldn't sell them. It's funny. As large as Seagram was, they could not sell Leroux cordials, so they bought Leroux, which we represented. We lost it because they bought it, and they came back to me and said, "Please take it over," and I took it over and did a very good job with it. But they couldn't do it.

JOHNSON: Do you remember what the sales growth had been historically for Kahlua over the years? Was there an average increase per year that comes to mind?

BERMAN: Well, there was an average increase after I got out

to-- I think it more than doubled every year. But then the English company that bought it [Allied Brewers], they paid a billion dollars for it.

JOHNSON: What year did you actually exit?

BERMAN: I left in '73.

JOHNSON: But you had actually sold Kahlua in--

BERMAN: Yes, '66.

JOHNSON: What were sales at that time?

BERMAN: When I left the company, the sales were probably about seven hundred thousand or eight thousand [cases] a year.

JOHNSON: And that had started with a thousand cases a year back in '53?

BERMAN: Yeah. That's just for the United States, the seven hundred thousand. But Mexico was doing maybe two hundred thousand at the time.

JOHNSON: What would you estimate your worldwide sales were at that point, in '66?

BERMAN: Well, Europe was probably just doing about a hundred thousand at the time. Now it's doing very well, but that's about all it was doing. It was just getting started.

JOHNSON: So it sounds like you were doing close to a million cases.

BERMAN: Yes.

JOHNSON: And when you decided to get out-- Actually, I should back up a second. With your sales growth, obviously, that's an annualized increase that's pretty significant. Were the profits moving pretty much in lockstep fashion?

BERMAN: Oh, yes.

JOHNSON: Growing faster?

BERMAN: Growing much faster, because-- Well, the volume of business you do, your overhead is lower because your office help and-- But, as I said, we paid all of our men on commission.

We were doing so much more business that the profits were just skyrocketing.

JOHNSON: How did you end up selling to Hiram Walker [-Gooderham and Worts] as opposed to someone else?

BERMAN: They just approached me. As a matter of fact, I was doing consulting work for Seagram for years, and when I sold out Mr. [Samuel] Bronfman was very upset. He said, "Jules, you're family. Why did you sell to a stranger?"

I said, "I don't know." It just caught me at a time that I was very foolish. I can't explain it.

JOHNSON: How did you go about arriving at the selling price?

BERMAN: I just threw out a price I thought was a-- I told them, "This is one price--" I said, "One thing is that you cannot buy this company unless you give all of my people a

five-year contract with the money they're making now, including their bonuses, because I don't want to sell out and have you start putting new people in." They didn't want to do it.

I said, "You don't buy." Then they did it. In fact, they told me later that it was the smartest thing they ever did.

JOHNSON: So you, I understand, then-- Did you use any type of traditional evaluation techniques for the business?

BERMAN: No.

JOHNSON: You threw out a number and they said okay?

BERMAN: They'd buy it. But I was very foolish. I could have just sold them the United States rights. At that point I was just so involved in so many things, I just-- They caught me off guard.

JOHNSON: Do you feel comfortable, for the record, saying what the company ultimately sold for to Hiram Walker?

BERMAN: Well, the funny part was, I did that later on when I sold Lake Arrowhead to Boise Cascade [Corporation]. I made more money from that. I worked harder for them than I did for myself. I wanted to show them they made a good buy.

[laughter] No, I didn't regret the volume that was increased, because I was running the company, and I wanted to-- I guess I had enough ego that I wanted to show them that they made a good buy.

JOHNSON: Was it a straight cash deal with Hiram Walker?

BERMAN: Yeah. This is really interesting. They were to pay me a certain amount of money at that point, since I had really only-- The original purchase price was \$50,000. I had a terrific capital gain. And at that time, the

capital gain tax was 20 percent. So Hiram Walker, being smarter than we were-- And I hired the best tax people in Southern California, and also I had Touche Ross as my CPAs [certified public accountants]. We figured out the price and the tax.

So Walker said, "Well, you won't have to pay the tax"--they bought me out in January--"until next March, so what we'll do is give you a note at 6 percent, and March 1 we'll pay you the difference," which was quite a few million dollars. So that was the deal.

I went home that night, and I was thinking about it, thinking about it, and I called up my tax people, Touche Ross, and I said, "What stupid jerks you are."

They said, "What do you mean?"

I said, "I should be receiving the interest every month, not at the end of the year, because if I got it every month I could keep reinvesting it, and by the end of the year, the 6 percent interest"--that's what they were paying me in those

days--"would accumulate. So I should have been paid monthly, not at the end of the year." But it was too late.

JOHNSON: So they gave you a note for the full purchase price of the company?

BERMAN: No. They paid the full purchase price less the tax. They gave me a note for the tax, just for the tax.

JOHNSON: Now, when you sold to Hiram Walker, did you exit the rest of your liquor business at the time?

BERMAN: Yes.

JOHNSON: So this was kind of a lock-stock-and-barrel exit.

BERMAN: Yes, and they couldn't keep any of the items. Because, as I think I mentioned before, [Heublein] took Lancers, and Trader Vic's wouldn't stay with them. And the other items, they just went off in different places. So they lost all the items. They were really only interested in Kahlua anyway, so they didn't care.

JOHNSON: Now, looking back, we've kind of touched on them, but if you were to summarize one or two things that made Kahlua so successful, what would you say those were?

BERMAN: Well, first of all, I'd say it's a very, very good liqueur, and it's so versatile. I think it's the versatility of it that-- Mostly in desserts. As I said before, if you took just the sales of a drink from drinking it after a meal

like most liqueurs are used--

like, for instance, Benedictine or Drambuie and all those-- there's nothing they can do with them except use them after dinner. Grand Marnier, yes, they make crêpe suzettes with it, but how many people eat crêpe suzettes? Kahlua you could use in everything. It's great over ice cream. It's great in coffee. It's great in a lot of different things, even baking. There's no end to it. I think that's what really made it, and that's what's making it now. It's still going. I mean, it has not stopped by any means.

JOHNSON: Do you have a rough idea of what the current case sales per year might be?

BERMAN: You mean worldwide? No, I have no idea. I know the English people--it's owned by Allied Brewers in England--they raised the price \$20 a case, for what reason I'll never know, but they did, and they lost some volume. They lost quite a bit, but they're picking it up now. People are starting to pay the higher price for it. For a while people sort of revolted against it. But I think they're up over two million cases a year in the United States alone. Around the world I would say they're doing three million cases. That would be a fair figure, I would think.

JOHNSON: We've covered a lot of ground with respect to Kahlua.

Is there anything else you would care to add?

BERMAN: I don't think so. We did everything I think we could do with it. We had a color with it; we had pre-Columbian with it; we did something that no one else had done. As I said, we sold every distributor, and we did that purposely, because we made it so easy for them to buy.

Now what's happening is the English people are going exclusive in each market. Well, that means that other distributors that do not have a coffee liqueur are looking for one, so now there's starting to be some competition.

They're not getting anywhere, but they're still out there.

And these service bars, you know, a lot of these bars cheat.

If they find one that tastes like Kahlua in the service bar, they'll serve a cheaper item. They do that with Scotch, they do that with bourbon, they do that with everything

BERMAN: They'll refill the bottle?

JOHNSON: No, they're not allowed to do that. That's a federal offense. But if you ask for a Kahlua and they're serving this in the back bar, I mean a service bar where you don't see the bottle, they'll give you something else. That's being done, but I don't think it's being done too much, because they get a good price for Kahlua. And usually Kahlua is in the front bar, so I don't think that happens too much.

TAPE NUMBER: VIII, SIDE ONE

JUNE 8, 1995

JOHNSON: Last week we finished up with the Kahlua years, and now I'd like to move into Lake Arrowhead. Could you please give me a little background on how you got involved with the Lake Arrowhead project?

BERMAN: Yes. First I have to back that up and tell you, while I had Kahlua I had no interest or any knowledge of the development business. But a very good friend of mine--his name was Joe [Joseph] Brown, who was a CPA [certified public accountant]--told me that he had a chance to start developing in the Salton Sea, and he introduced me to a sales manager. His name was William Newell. Since he was a CPA, he also had another manager run the company. It looked like a good package to me, so I invested in it. And it was unbelievable the way we sold property down there. In fact, we even bought a plane and brought people down on the weekends. And then we hired buses. It was so unbelievable that people would come down. Of course, the property was selling so cheaply. Actually, it never turned out to be a great development at all, but we sold an awful lot of property. We did put in a golf course, and we did put in a yacht club, which we promised.

We sold out, and it was quite profitable. Well, then, in the meantime, when I was in the liquor business, a very good customer of mine was carrying food to all the racetracks, and of course one of them being Santa Anita [racetrack]. And his name was Harry Curland. He was very well known. He called me up one day, and he said that the L.A. [Los Angeles] Turf Club, which was Santa Anita, had just sold Pacific Ocean Park, which they tried to develop as a second Disneyland. They thought that having it on a pier in Ocean Park would be something that would attract people. But instead, people stayed away, and they showed a tremendous loss. He remembered years ago they bought Arrowhead, but they never did anything with it. He said, "If they could show a profit on something else, the new board would have the pressure taken off of them, because they're under terrific pressure at this time because of the loss they took at Pacific Ocean Park." He said, "I think Arrowhead could be purchased." So he called up Robert [P.] Strub--who was president of Santa Anita--and he arranged for me to meet the board.

I drove up there just to take a look at it. In looking at it and not talking to anyone, I mean, it was impossible to get an idea of what it could be worth. But I could see that if done right it would have to make a lot of money, because

it's really the only lake that we have that could be privately owned. Because Big Bear, there are a lot of cabins around it, and at Arrowhead I saw beautiful estates. Just a small portion was developed, but what was developed was absolutely beautiful. For instance, the [Edward L.] Dohenys had an estate so large up there that they had golf carts to get around. And the Hamiltons had a beautiful place, and Otis Chandler had a beautiful place, and Walter [F.] O'Malley had a beautiful place. I mean, it was like the who's who in Southern California had their second homes there. So all it needed was development. There was nothing else around there.

Of course, I didn't know the price. So I met with the board, and they were very, very cold. They took the attitude with me, "We don't have to sell. We might sell if the right offer came. But just bear in mind that we've got to be very particular who we sell it to, because--" As a matter of fact, the Strubs had a big home up there. "Our friends live up there, and we cannot sell them out. So we've got to be sure whoever buys this will keep up the image that has been created there." And I might add, as long as the L.A. Turf Club owned the property, they never sold their lots. All these beautiful estates were sold by a man named J. B. [Benton] Van Nuys. Van Nuys Boulevard is named after him. That was done in the

twenties. And they bought it in the thirties and never did a thing with it. So they didn't want to get involved in the real estate business, and particularly they didn't want to sell any property.

So they asked me to give them a proposal. In the meantime, I could see that they were very cold to me, and I also knew from many rumors that they were very anti-Semitic. As a matter of fact, a Jewish person never could buy a lot on the north shore or join the yacht club. But it was just a freak happening: that is, a telephone rang, and one of the members of the board was called out of the room. At that particular time Robert Strub said, "Well, let's not talk about any deals until this gentleman gets back."

So one of the members said, "I want to barbecue ribs this weekend, and I don't know how. Does anyone know how to barbecue ribs?"

And I said, "Well, we happen to represent Trader Vic's. If you want to give me your name and address, I'll send you the glaze and the sauce and everything else. I could get a kit for you." And he did.

The next thing I knew, everybody gave me their names, and we broke the ice that way. Of all the deals I probably made in the world, it was the craziest deal, because just

by talking about barbecue ribs warmed the board up to me.

So when this gentleman came back in, the ice was broken. And Robert Strub said, "Well, what will you pay us for Lake Arrowhead?" Well, I knew they paid \$3.5 million for it. That was the information that my friend gave me; that's what Harry Curland told me. I knew they had to show a profit. And from what I could see, just horseback figures, owning the lake, owning the village and the hotels and three thousand acres, had to be worth quite a bit of money. So I offered \$7 million for it. I just took it out of the air. I said, "I'll give you \$100,000 today, I'll give you \$1 million in a month, and the rest I'll pay you out of sales in the next three years. And of course, you'd have a first trust deed on the property." They asked me to step out of the room, and I did. And when I came back, they accepted it. So I gave them a check for \$100,000. I was to meet at O'Melveny and Myers, who represented them, the next day to start writing up the agreement.

Well, soon as I left them I called up City National Bank and talked to Al [Alfred] Hart, who was the president, who was a very good friend of mine. I said, "Al, you've got to make a \$100,000 check good for me, because I just wrote one."

[laughter] I knew he would, of course. And then I needed

\$1 million, which we got from the Mormon Church-- actually not from the church itself but through a company that they controlled. It's called Utah Construction [and Mining] Company. As a matter of fact, the man who ran Utah Construction Company--his name was Joe [Joseph] Mower--he was an ex-two-star general in the war [World War II], and he was an attorney.

I immediately hired him to run Arrowhead, because we could easily pay him more than he was getting from Utah Construction.

Then, after we did that, we decided to go public, and we went to O'Melveny and Myers, and they subscribed it for us, the SEC [Security Exchange Commission] for public offering, which we got. I paid back the Mormon Church, and they also got some stocks at \$5. We came out at \$10. They got some stocks at \$5.

And then the troubles began, because the people living up there didn't want anything changed. They had an idea that we were coming in there-- Oh, I forgot to say that the three people who had the Salton Sea--Joe Brown, and Bill Newell, and myself--were the ones who actually bought Arrowhead, although Bill Newell bowed out very quickly because he's used to fast-selling type of real estate. He didn't like the quality type of real estate that it took to sell Arrowhead. So we had no trouble selling our shares. We had very good brokers.

And we raised the money.

But then we started hearing rumors that a lot of the property owners were very upset that the Turf Club had sold the property and that a group which they didn't know was going to take over and could possibly ruin the whole atmosphere of Lake Arrowhead.

So what I did, I called five of the strongest property owners up there to a meeting, at which I had the top attorney from O'Melveny and Myers. We also were using Gibson, Dunn, and Crutcher for our water, because owning a lake and having a water company is something else; there are different laws which O'Melveny and Myers never practiced. But Gibson, Dunn, and Crutcher had a very good water department. So I had the attorney from Gibson, Dunn, and Crutcher, a top attorney from O'Melveny and Myers, and also the attorney from Title Insurance Company. So I called these five different property owners, and we sat around a round table at the Hilton Hotel. I didn't want a table where there was a head and a foot, so to speak; I wanted it round so we were all equal. I brought the three attorneys with me, and they brought their attorney, and I told them point blank, "Look, all we ever intended to do is to make Lake Arrowhead better than it's ever been, and you

people somehow are fighting us, and I don't know why. We haven't done anything yet, but we hear rumors that you're not happy with our owning the property." And I said, "I'll let these attorneys tell you what our rights are and what your rights are."

And the attorney from O'Melveny and Myers said immediately, "Now, Mr. Berman and his company own all the lake and the property around it." And he said, "It's a private lake, and they own it. You can only use it if they let you use it."

And I asked the Gibson, Dunn, and Crutcher [attorney] -- Sturdy was his name -- and he said the same thing. Then I asked Title Insurance, and they told them.

Now, there are a lot of technical things that get involved in these things. If you sell property to the lakefront and people put a dock from their property over the lake, they could have a prescriptive right of ownership in the lake if you leave it there five years. So what we did, we put a reserve strip around the lake. It was done actually at altitude 5,106 feet, so everything under 5,106 feet belonged to us. Everything above that belonged to the property owners on that particular lot. So when they built their docks, they anchored their dock on our property, and every dock up there paid a fee. And of course, every boat paid a fee. So the lake was a very

good source of income. And then, of course, there was the Mutual Water Company, which serviced the whole area for water, because the lake was 285 feet deep. So it was very deep. We had no problem, of course, with the water.

The next problem I had was the yacht club, because they wanted a certain part of the lake partitioned off every Sunday so they could have their yacht races, their sailboat races.

Well, that was also a dilemma because, after all, all the property owners had the same rights to use the lake as the yacht club members, and why should these people have the choice of the lake where other people had the same rights but yet they can't use a certain portion of the lake? I thought it over very carefully, and I thought, well, all I would do if I deprived the yacht club of not using the part of the lake that they wanted to would be to cause enmity. Not only did I let them use the lake, I gave my committee boat, a little old boat that I bought and I'd fixed up very beautifully, and the yacht club members eventually became my friends.

Then we had one other problem. I'll tell you all the problems we had; then I'll go on as to how we dealt with it.

Lake Arrowhead is beautiful, and the reason it's beautiful is because of the trees. Well, I was concerned that if we sold lots around the lake that people would start chopping

down trees. Actually, the shores would be barren, and the beautiful trees would be cut down, and it would lose its look.

So I discussed it with my people. We decided that in selling real estate most developers will retain the rights of the underground water, or whatever it might be, so you never get that. I won't say you never get that, but in many subdivisions you don't get that. But you have the right to do that, and it's perfectly legal. So I said, "Well, if that's legal, why isn't it legal for us to sell the lots and keep the trees?"

So anytime they want to cut a tree down, they have to get our permission. That way they can't just deliberately start cutting down trees." And it worked. And that's why Lake Arrowhead is so beautiful today, because no one can cut down a tree unless it's approved. Now it has to be approved by the property owners, but at that time it had to be approved by us.

And then we had an architectural committee and all plans had to go through the architectural committee, because we kept a very strict architectural control of the houses. And because of snow loads, they had to have a forty-five-degree angle on the roofs. What we did, we had Stanford Research [Institute] do a study of the whole area, and they told us that we should build a golf course and deemphasize

the lake, because naturally the lake can only hold so many boats, and you can only have so many docks, and we had three thousand acres around it. So what we did, we didn't sell any lakefront lots at all. We built the golf course. And we had an awful time with the Sierra Club, because in order to build the golf course we had to tear down forest, and they were calling me up every day calling me "murderer" and everything else. But anyway, we developed a beautiful golf course. Then the problem was, how did we get people to join? Because a lot of people would come to us and say, "Well, I belong to the Los Angeles Country Club, and we're accepted everywhere in the United States." So I would say to them, "Well, I belong to Lake Arrowhead Country Club; I'll let you play here if I can play at L.A." And of course they said no. So we stuck it out. We had hundreds of people who wanted to pay green fees just to use the course, and we wouldn't let them do it, because they had to be members. We stuck it out until we finally got enough members to make it worthwhile. Many years later we sold the country club to the members, and they're very happy with it.

Well, anyway, we started selling real estate, and we sold lots on the farthest part of our property, and we sold out very well. It was unbelievable how fast we could sell

these lots. And we only sold a certain amount to make the profit that I wanted to make, and we always declared a dividend to our stockholders. I didn't sell as much as we could have, because what can really kill you in a real estate deal is selling too fast, and then you have resales. And if a person buys a lot and wants to resell it, well, to whom? And if they do, they have to take a loss in most real estate deals. But as we sold lots, each subdivision that we would enter into sold for more than the last one. In other words, the people who bought the first lots could make a profit if they wanted to sell. That's what made it a very strong development, because we got closer to the lake as we were going.

Now, we did this for about seven years. And we did a lot of little things to make it more enjoyable for the people living up there besides building a beautiful golf course. I noticed when I walked in the village on a Saturday night there would be a lot of teenagers sitting around and talking, doing nothing. So I built a beautiful dance pavilion right out on the lake. It was very romantic with beautiful lanterns and things. And it was no problem to get groups to play for this dancing, because they'd stay there. We had special rooms for them, and we'd give them a speedboat. So they'd have a nice weekend and play a few hours every night. So we got

some of the top bands, you might say, in the country, because they wanted to come up there more or less for a vacation, and it was no problem. [tape recorder off]

JOHNSON: What year did you first get involved with the Salton Sea project?

BERMAN: About '55.

JOHNSON: And that lasted until--?

BERMAN: Well, we sold on terms. I imagine it lasted till about '68. We gave them long terms to pay off.

JOHNSON: At the time what did you think was the attraction of the Salton Sea?

BERMAN: It was attractive for a second home for very low-price people. There was good fishing there. We put a golf course in and that's about all. It was just a desert home.

JOHNSON: You had mentioned that Santa Anita had owned Pacific Ocean Park.

BERMAN: Yes.

JOHNSON: Where was the park located?

BERMAN: In Ocean Park, on one of the piers in Ocean Park.

JOHNSON: Okay. What town was that near?

BERMAN: That's in Santa Monica.

JOHNSON: In Santa Monica. You had mentioned that the board of Santa Anita was considered by some to be anti-Semitic,

and you said there was no ownership on the north shore or the yacht club. Was that of Arrowhead?

BERMAN: At Arrowhead, yeah. Well, the funny part about it-- All these so-called--if you want to call them that-- I hate to call them that. Well, the people who were against it--let me put it that way--all became my friends. And the yacht club asked me to join, and I wouldn't join. I didn't want to be the only Jewish member.

JOHNSON: When you bought the deal, what did you actually buy from Santa Anita with respect to the village and--? BERMAN:

Well, we bought the village, we bought the hotels and three thousand acres and, of course, the lake. Incidentally, UCLA has a conference center up there [Lake Arrowhead Residential Conference Center]. The Turf Club gave it to them, I think, for \$1 a year. The title was sort of ambiguous, so we just decided that if there was any problem we'd just turn it over to UCLA. They still use it. As a matter of fact, they still use it to this day. It's a beautiful conference center.

JOHNSON: What percentage of the lakefront property did you buy? I understand that some people already owned some of it.

BERMAN: I would say we bought 80 percent.

JOHNSON: And you mentioned there were two-- How many hotels?

BERMAN: Well, there was the North Shore Tavern, which UCLA got. Then there was a lodge [Arrowhead Lodge] which we took over. We remodeled it and made a beautiful hotel out of it.

I was on the board of the [Albert] Parvin Company. We did all the hotels in [Las] Vegas, so we completely stripped the lodge and rebuilt it into a beautiful place.

JOHNSON: How many rooms did these two hotels--?

BERMAN: I imagine about three hundred all together.

JOHNSON: And so in total, roughly, the acreage that you bought up at Arrowhead was probably--?

BERMAN: Just forest. Most of the rest of it was all forest.

JOHNSON: As far as the actual size, you'd say how many thousands of acres?

BERMAN: It was over thirty-three hundred [acres].

JOHNSON: Now, what actually constituted the village?

BERMAN: Well, the village was very old, but it was very quaint.

It was a typical Alpine village. It was built by J. B. Van Nuys in the early twenties, and it had a general store. It had all the little things that you'd want in a village. Of course, it's been torn down since. I think it would have been much prettier. Because the design that we had for the whole area was to move the village and build a new one, and we were going to build it in a place called Harbor Bay. We

were going to build a real Swiss village, have goats walking around, have a small cheese factory, and have all the people dressed in *Lederhosen* and just make it the atmosphere of being in Switzerland. Instead of that, they built a modern village on the site of the old village. And there have always been parking problems. That's the first thing that Stanford found out for us; there could never be enough parking.

JOHNSON: What year did you buy Lake Arrowhead?

BERMAN: 1961.

JOHNSON: I was intrigued that you mentioned that you went to the Mormons. How did you run across the Mormons or their company for--?

BERMAN: Through a broker. Actually, we needed money, and there are money brokers that I knew. This one fellow had an in with the Mormon Church, so he did it; he arranged it. He got a fee for it, of course.

JOHNSON: What was behind the decision to go public as opposed to soliciting private investors and--?

BERMAN: Well, we went public for the simple reason that as we saw Arrowhead we saw other opportunities that could come along. And also we needed to raise quite a bit of money. We had to pay off, don't forget, \$7 million. We gave them \$1 million, but we still had to pay back the Mormon Church.

So we raised it. And you can see by that report how we operated the company. We were never late in any payments. We had such good credit with the bank that banks were fighting for our papers, because it was clean paper. We sold everybody on the same basis--unless they wanted to pay cash--20 percent down, equal payments for five years. And the banks gave us 80 percent on the paper. So actually we got 80 percent of the paper plus 20 percent down, from which we paid our salesmen 10 percent. We paid them a high commission.

JOHNSON: Do you recall how much you raised on your initial public offering?

BERMAN: I would say we raised \$4 million at least.

JOHNSON: Now, what percent of the company did you retain?

BERMAN: I had about 40 percent of the company, because I bought Bill Newell out. Because, as I said, he was one of the three who came over from the Salton Sea. He didn't like Lake Arrowhead. It wasn't his type of operation. So I bought him out immediately.

JOHNSON: What was the name of the company that actually had the public offering?

BERMAN: Well, Sutro and Company handled it here. And in New York I'm not quite sure. It could have been Lehman Brothers. I don't know.

JOHNSON: What was the name of your company at the time?

BERMAN: Lake Arrowhead Development Company.

JOHNSON: Were they a California corporation or--?

BERMAN: We were a California corporation, yes.

JOHNSON: And what was your title in this new company?

BERMAN: I was CEO [chief executive officer] and president.

It was a one-man operation, because Joe Brown never even came up to Arrowhead. So I ran everything.

JOHNSON: Now, you were running Kahlua at the same time. How did you allocate your time between the two?

BERMAN: Well, I had a beautiful home in Arrowhead, which I bought. At first the company had a house that the Turf Club used when they went up there. It wasn't much of a house.

I used that at first. And then I saw a man building a beautiful home. It took him two years to build it, and I always said to him, "Well, if you ever want to sell that house, let me know." Because it was all stone, beautiful stone. The upper part was beautiful redwood, and each room inside was a different kind of wood. It was beautiful. And his name was Guess.

I said to him, "If you ever want to sell the house, please let me know." I was crazy about the house.

So he called me up one day when he finished it. He only lived in it about three months. He called me up and said,

"Jules, you'd better come and see me."

I said, "What for?"

He said, "I'm going to sell the house."

I said, "You're kidding."

He said, "No. I have to sell it."

I said, "Why?"

He said, "Well, I have a twenty-four-year-old daughter, and she has a child. I'm absolutely crazy about the child, but, you know, up here at Arrowhead in the wintertime a beautiful twenty-four-year-old debutante from Pasadena doesn't get many dates. She doesn't want to live up here." He said, "I can't stand losing my grand-daughter, so I'll go back to Pasadena."

So I drove up. I bought the house right then and there.

I bought it as it was, everything in it.

JOHNSON: What year was that?

BERMAN: That had to be about '66.

JOHNSON: Now, when you bought the land around the lake, did you actually buy the land where the water access--? The rights to the existing houses that were there?

BERMAN: Well, we owned the Mutual Water Company for the whole area, so yes. The whole area depended on the lake for water, because there was no other source of water.

JOHNSON: Now, the Dohenys and the other families that had

houses up there, I assume they had docks already.

BERMAN: They had docks, yes.

JOHNSON: Now, did they end up--?

BERMAN: As a matter of fact, they had covered docks. They drove in like a garage where the boat was covered.

JOHNSON: Did they have to pay you, then, for the access to the lake once you--?

BERMAN: Oh, yes. As a matter of fact, there was a fellow--his name was Eddie Juane--who had the boat company. The boat company, of course, was a very big operation because they built all the docks. They took care of all the boats. And in the wintertime, of course, we had to take the boats out of the water, because it snows up there. It freezes up there. The lake never gets frozen over, but still, it's too cold to keep boats in. I was up there once visiting a friend of mine before we ever bought it, and Eddie Juane was telling me how he kept two sets of books, one for the Turf Club and one for himself, which was the biggest mistake he ever made. Because when we bought Arrowhead, the first thing I did was get rid of Eddie Juane.

The next mistake I made is that I had a skipper [Ashby "Jeff" Powell] who worked for me for many years on my boat, and I brought him up to Arrowhead to run the boat company.

Well, I know my skipper knew boats backwards. He could fix anything, but he didn't know how to run a company.

So I had a friend of mine back East named Jerry Spitz, who loved boats, and also he'd just sold his company. When I put my skipper in to run the boat company, we were losing money, so we wrote to all the stockholders and said that I personally would buy the boat company from the company at a price that was a fair price. "If you have any objections, register your objections, and, naturally, I wouldn't buy it."

No one objected. I brought Jerry out, and he and I owned the boat company.

We did a lot of things there that were never done before. We built a Butler building with storage capacity where we would-- We built this very large building. It was four hundred feet long and about two-hundred-and-some feet wide. We had all our shops down below. Above it were slots where boats could be put in and stored. And then we had a moving fork. It was an experiment. We were lucky that it worked, because if it hadn't worked we would have been out \$400,000. But the boats were picked up out of the water by this fork, and it would put it in one of these slots. And of course, there's good money in storaging, very good money. The boats would be stored all winter long.

There was another thing that we did, something special. As the boats would come out of the water, we'd take them out. We'd have our mechanics and our people-- We had two men who just did that. They'd go over the boat very carefully to see if it needed any work, and if it did we would write to the owner and tell him what the boat needed. Normally it would cost so much, but if we were allowed to do it over the wintertime he would get a terrific reduction. We had to keep the boatyard busy the year round, and, of course, there were no boats on the lake. There wasn't much for our people to do, yet we had to hire people by the year, because being up in the mountains you can't just snap your fingers and get help. Plus, we had the same help year after year.

And we had another problem. We didn't have computers then. But Memorial [Day] weekend, for instance, everybody wanted their boats put in the lake. We'd run through our books up until then maybe ten charges a day; all of a sudden we'd have like five hundred or a thousand charges. So I got an idea that if I could make a deal with one of the large gasoline and oil companies to use credit cards we could put everything on credit cards, and we wouldn't have to do the bookkeeping.

So this took a selling job on my part but was easy to

sell. I called up Union [Oil]. I called up [Atlantic] Richfield [Company]. I called up Standard Oil [Company], I said, "Look, I'll give you an exclusive on the lake." We had three docks. Don't forget, there are a thousand boats on that lake all together. That gives them a lot of gasoline. And we had two gas stations, one in the village and one down the road. So we used an awful lot of gasoline. I said, "The best part about it is that I'll insist that everyone who has a boat have a credit card." So Standard Oil went for it, and it worked out beautifully. I became friendly with the president of Standard Oil of California. And we had a Rolodex with everybody's name on it, so when they'd come in for fuel for something-- The only thing that they wouldn't do is handle the sale of boats. But even the repairing we would put on the Rolodex, so that eliminated an awful lot of bookkeeping for the company.

JOHNSON: What were all the functions of the boat company?

BERMAN: Well, we bought so many boats that we had a rig, a big diesel rig, where we could haul five or six boats back. But most were boats from Chris Craft. When we hauled them ourselves, our cost per boat to haul was maybe \$150 to \$200. We'd charge \$300, which was the normal rate. So we made money on just hauling the boats. And the boat company built the

docks and maintained the boats.

JOHNSON: Was the boat company, then, the same thing as the marina? Was it the same?

BERMAN: Well, the boat company on the north shore is where we did the repairing. On the south shore we had over two hundred boats that we rented. And then we had a paddlewheeler that went around-- I think I have a picture of it. We had a paddlewheeler that went around the lake. And the people loved it. Even today I wish I would have kept the paddlewheeler.

People are now paying I think \$7 or \$8 a ride, where we only used to charge \$1 or \$2. And people are standing in line.

TAPE NUMBER: VIII, SIDE TWO

JUNE 8, 1995

JOHNSON: So you were telling me about the paddlewheeler.

BERMAN: We found that paddlewheeler way up in the sloughs near Stockton. And my ex-skipper and myself brought it down to San Francisco. We put it on a ship, brought it down to Wilmington. Then we had to get a special permit to take it up to the lake, because it was a wide load. We had to bring it at night with a motorcycle in front and a motorcycle behind it so that we could-- It's a wide load. But we made a lot of money, because it kept going around every hour.

JOHNSON: So as I understand it, the boat company in the marina you operated-- You had boat sales.

BERMAN: We had sales. We had a store where we sold all kinds of boating supplies. Now, the thing that's important and the reason we had to take over the boat company is because this other fellow, Eddie Juane, that had it before us, if somebody wanted to buy a boat from him, he would put it into the lake. Well, we tried to get it out of the lake. We had to get a court order. And it was very difficult. Plus, because of the people living up there, those extremely wealthy people, I tried to get people interested in character boats. Today there's a Character Boat Association for which I'm supposed

to go up every spring and lead the parade, because they still have some of my boats up there. But at that time they weren't interested. They were only interested in speed. Every-body wanted the fastest boats in the lake. And there were accidents.

There were a lot of accidents. And the insurance, since it was a privately owned lake, was astronomical. So we had to do two things. First of all, I had to make a deal with the county of San Bernardino that they would have two sheriff boats. We would supply the boats, but they would supply the men, for which we paid the county to have a speed limit of thirty-five miles an hour. And actually they'd get a ticket if they went over it. So that controlled that. But we, of course-- Since we owned the lake, we would not allow anyone to put a boat in unless they were a property owner. It was strictly for property owners.

JOHNSON: How big would you estimate the lake is in size?

BERMAN: I think it's thirteen miles around, something like that.

JOHNSON: Okay. Going back a little bit to when you bought it and you paid \$7 million, you mentioned that it was kind of a number you--

BERMAN: Took out of the air, actually.

JOHNSON: What kind of a risk did you feel that you were taking?

Or did you feel it was a pretty sure deal? What were your feelings at the time?

BERMAN: I didn't think I was taking a risk because I saw the homes that were there. In fact, sometimes the salesman would have a tough time selling, and if I was around, he'd say to me, "Jules, help us with this customer." So I'd take him out. What I did, I bought from Wrigley's two great big old Chris Crafts, twenty-seven feet long, and I really fixed them up beautifully with three cockpits and three windshields.

I'd drive them around the lake. And I said, "Well, if you're thinking of buying in Arrowhead, this is the Doheny estate.

This is Walter O'Malley's." I mentioned all the big names, you might say. I said, "If you think all these people are crazy, then don't buy. If you think they know what they're doing, then if I were you, I'd buy, because there are only so many lots for sale. Once they're gone, they're gone."

I'd use reverse selling on them, and it worked.

JOHNSON: So what did you envision ultimately as what Lake Arrowhead would become, if you were to describe it back then?

BERMAN: Well, you see, the problem is-- I learned very quickly.

When Boise Cascade [Corporation] wanted to buy Lake Arrowhead and offered us \$25 a share for the stock, the stock wasn't selling for that. I had to offer it to the stockholders.

And they grabbed it. I didn't want to sell, because we hadn't sold the best property yet. What we had sold was the worst property, and we did very well. So what would happen once we got into the lakefront lots, which went for a half a million [dollars] apiece for a while? They sold out. That's when real estate was high. They went for half a million apiece.

If I had sold them at the beginning-- Originally I understood they sold the lakefront lots for \$25,000.

JOHNSON: But when you were initially sizing up this opportunity of Lake Arrowhead, did you envision it as a big place for wealthy people to have second homes? Or did you think it would be a great vacation destination for tourists? What did you want it to become?

BERMAN: It wasn't so much tourists. See, we were in the real estate business. I was more interested in the three thousand acres and dividing it up into lots. And if you divide 3,000 acres plus a village plus two hotels plus a privately owned lake, \$7 million is a very cheap price.

JOHNSON: You mentioned some interesting sales techniques that you used to help sales along. What other types of things did you do to promote Arrowhead?

BERMAN: Well, we advertised it: "A resort of the four seasons." We have some copies of ads here we can show you.

Because we do have spring up there, we do have fall, and we do have winter. So it is a resort of the four seasons.

We said, "The only resort of the four seasons in Southern California." People sort of took a liking to it. JOHNSON:

How did the population up there change? I mean, my understanding is that a lot of the houses were second homes for people. How did the population of the Arrowhead community change throughout the year?

BERMAN: Well, there's no question about it, it's a summer resort. In the summertime it was filled. And in the wintertime-- I would say 30 percent of the people would live up there year round. That's about all.

JOHNSON: Now, you said you promoted it as a resort of four seasons. Did you feel that there was another place that you were in competition with?

BERMAN: No. I know we weren't in competition with any other place because, as I said, the only other lake is further up in Big Bear, and it's also used as a reservoir, so sometimes in a dry year it's very shallow--you could walk across--where Lake Arrowhead is very deep. Since they used Big Bear as a reservoir, there was no end to how much water could be taken out.

JOHNSON: How far away is Lake Arrowhead from Los Angeles,

say downtown Los Angeles?

BERMAN: It's about ninety miles. You can easily make it in about an hour and fifteen minutes, one hour and twenty minutes.

JOHNSON: What was your feeling about the role that promotion played in the ultimate development of these lots? Was Arrowhead relatively unknown at the time?

BERMAN: It was known, but nobody thought about it, because you see, the Turf Club never advertised it, never sold a lot.

People knew it was there, but so what, you know? Nobody went there. The hotels were closed. Everything was closed. So it was almost like a ghost place. The people who had these big homes would go up there.

JOHNSON: Now, in doing some research and looking at the old manuscript, I understand that there were some discussions about putting a ski resort up there.

BERMAN: We tried. I bought a snow-making machine, and I lost a lot of money on that. And we had a ski run. But the problem is we were too low. We were only around fifty-five hundred feet or six thousand feet. We could make snow for three days, and everything was great, and the next day it would get warm and it would all melt. So I sold it all to Snow Valley, which is a little further up. It's good skiing, but there's no

place to stay there, so they stay at Arrowhead anyway.

JOHNSON: To this day, do they still get a lot of the winter skiers staying down in Arrowhead?

BERMAN: Oh, yes. People who go to Snow Valley stay at Arrowhead.

JOHNSON: What kind of ski resort were you envisioning for Arrowhead at the time?

BERMAN: I wasn't envisioning it as a ski resort; I was just envisioning skiing as a plus. Because of the summer-- Also I forgot to say that Arrowhead is a mecca for waterskiers.

That's another problem we had. Because a lot of people would start waterskiing at like six [o'clock] in the morning, and then my phone would ring. Some irate person would call up and say, "I came up here to rest this weekend, and all I hear is these damn boats making nothing but noise." And you can't stop it, because these other people just came up to waterski. So you just had to live with it.

JOHNSON: How did you handle those kinds of problems?

BERMAN: You couldn't handle it. I mean, as I said, you can't tell people not to waterski, because that's why they came up. The same thing when I had these-- I told you I had this dance pavilion for these kids. Well, the area in Arrowhead is in like a basin, and it resounds. So when these bands

would be playing this music for these kids--because they play very loudly--you could hear it across the lake. And if a person wanted to go to bed early and opened their windows, they were bound to hear. But it did a lot of good, too, because it kept the teenagers happy. Otherwise they didn't want to go up to Arrowhead.

And then I had another problem. I had to keep the motorcycle gangs from San Bernardino out of Arrowhead. Luckily I was very close to the sheriff's department. When we had dancing, they patrolled the village. As soon as they saw those motorcycles come up, they made them turn away.

JOHNSON: How did the motorcycle gangs get involved with Lake Arrowhead?

BERMAN: Well, they just wanted to come up and cause trouble, that's all. They never got involved, because I saw to it that the sheriff's department was there ahead of them. And they never really got involved. We never had any trouble with them.

JOHNSON: Well, as you've described it, it sounds like the revenue was kind of cyclical with respect to the operations aspect of the lake. You did some things like the winter boat repairs and some winter storage, which would help, but--

BERMAN: It was cyclical. I mean, it's really-- As I said

before, Arrowhead is primarily a summer resort. And this is what I got from the country club two years ago, thirty years after I built it. As far as I'm concerned, they still think the world of me.

JOHNSON: It says, "Thank you for your many contributions to the Lake Arrowhead Country Club."

BERMAN: That's a beautiful vase.

JOHNSON: So up in the Lake Arrowhead area there was a marina or a yacht club that people could join. There was a country club. And then the residents, basically they were free to join whichever they wanted? Or was that part of the deal of living up there, that you were members? Or how did that--?

BERMAN: No, no, no. You had to qualify. Just buying a lot did not allow you to use the country club. And of course, the yacht club was there way before us, so they were very particular who they took in. [tape recorder off]

JOHNSON: All right, continuing on, the manuscript mentioned some interesting facts about some nuns who were living up at Lake Arrowhead in the [Santa Anita] Hospital. Could you fill me in on some of those details?

BERMAN: Yes. The Turf Club, when they owned it, built a beautiful little hospital, and it was run by the nuns, I think of Saint Croix. I'm not sure exactly which branch of the

Catholic religion they were, but nevertheless they were nuns. And right after we bought the property, the head sister called me and wanted to meet with me. She asked me point blank how much money we were prepared to give to the hospital to help maintain it. I looked surprised, and I said, "Well, we weren't planning on giving anything. Why should we give?"

She said, "Well, Santa Anita always gave."

So I called Bob Strub up, and I said, "Bob, what goes on with the hospital that they're asking me for money?"

He said, "Oh, that." He said, "For us it was a gimmick. We got extra racing days for charity. We got two extra racing days because we gave the ticket sales, whatever came in, to the nuns in the hospital. So the hospital really helped us with those extra racing days. But since you don't have any of that, there's no reason for you to give them any money."

The hospital is another long story. So finally, after about three years, the sister came to me and she said, "Mr. Berman, we're going to move on, because we're dedicated in our work, and nothing ever happens at Arrowhead. A few people get sick but not many. Most of the time the doctors deliver children, and they don't need a hospital for that. The only time we get any real business is during ski time. When somebody

breaks their leg or something like that, they bring them to the hospital. It's not worth our while staying here. I have a chance to sell the hospital for a motel." She said, "It would make a perfect motel because of the rooms. Each room has a bath." And she said, "We have a kitchen. I've had some pretty good offers from different motel people."

So I said, "Well, we can't do that. For goodness sake, how much do you want for it, the hospital?"

She told me, and I bought it. I personally bought it. I went to the bank and borrowed the money and bought the hospital, because I knew we needed a hospital. As a matter of fact, Stanford Research studied the whole area. Besides getting a hospital, they said we needed a cemetery. Well, I couldn't figure out where we were going to have a cemetery in a mountain area, but they said eventually we should have a cemetery. I mean, that was a whole master overview of the whole development.

But now that we had the hospital--and I owned it, of course--it was losing money. So we decided to raise some money. And through my very good friends-- George Jessel was alive then. We had George Jessel, and we had Tony Bennett, and we had Mary Costa, the great opera singer. We got them up there to do charity work, or rather we got them at no charge.

We just gave them beautiful rooms at a lodge, and they performed. We sold tickets for \$1,000 a ticket, and we raised quite a bit of money.

We had different things to raise money. Another thing happened that was very funny for the hospital: When we built the hotel, a new hotel up at the lake, we had Bob Hope come up. We had ex-president [Gerald R.] Ford, and we had a lot of dignitaries come up. At that time, of course, I was out of Arrowhead. But they called me up, and they said, "Because you saved the hospital, we want you to draw the winning number."

Because part of the deal was that we had a \$1,000 dinner, but there would be a drawing, and whoever would win the drawing would win \$5,000. So they asked me to take out a number, and I did. I gave it to the girl to read, and it was my name.

Well, of course I said immediately, "Well, since this is charity, of course I would give it back to the hospital." Well, nothing could have been worse. Everybody called me every name they could think of. [laughter] They said, "Whose name really came up?" [laughter] I was trying to do something good, and it backfired.

JOHNSON: So you operated the hospital as a not-for-profit--?

BERMAN: We had some doctors operating it for a while, and then the county bought it from me, actually. But now it's

being used as a rest home, which is where it really belongs.

It's still there.

JOHNSON: How many employees did you have at the peak with Arrowhead?

BERMAN: Oh, gosh, I really don't know. We had sixty-five in the boat company alone. We had a maintenance crew of probably thirty or forty. At the golf course we had at least forty, fifty. And then, of course, if you consider the buildings that we were doing and things like that--we did a lot of construction--it varies at different times. It could be as high as five hundred at a time. It could be as low as one hundred fifty.

JOHNSON: So you were primarily selling the lots.

BERMAN: That's right.

JOHNSON: How much of the actual development of the property, building the houses, was your company involved with?

BERMAN: In building houses?

JOHNSON: In building houses. Or did people buy the lot and then bring in their own builders subject to your approval?

BERMAN: I'll tell you, I learned very quickly that when you sell a person a lot, you're through. When you sell a person a home, you're never through, because there's always something wrong with it. Either a window leaks or a window sticks or

a drawer somewhere doesn't work or something. So I'd rather make less money and sell them a lot and be through with it than build a house and have to worry about it. But we did build a lot of condominiums. We did a lot of building, especially condominiums.

JOHNSON: And then the wealthy owners would just basically buy the lots and build whatever structure they wanted subject to the architectural restrictions?

BERMAN: With one exception. This is really funny. One person came to the architectural committee and showed his plans for a house, and he built a different house. They called him on the carpet because he had to tear down his roof. It didn't have a forty-five-degree angle. And he was with the Internal Revenue [Service]. [laughter] Imagine that!

JOHNSON: So someone from the Internal Revenue Service was building a house, and he gave you bogus plans--

BERMAN: And built another house.

JOHNSON: And then you had to tell him to tear it down.

BERMAN: He had to tear it down, certainly.

JOHNSON: And you've been audited every year since then?

[laughter]

BERMAN: No. But that was what happened.

JOHNSON: Interesting.

BERMAN: I don't know whether I want to put that in or not.
I think we'd better not.

JOHNSON: How much time were you devoting between Kahlua and Arrowhead during those years?

BERMAN: Well, you see the problem is--and this is really what hurts--I had Kahlua so well established as far as organization that there was very little for me to do. First of all, we had our distributors around the country, and we had a reputation of not changing. We had the same distributors for many, many, many years. Because if a distributor did a good job, what's the use of changing him? Of course, every now and then one may go out of business or something, but most of them were very profitable and they wouldn't change. And I had very good help. The only thing I spent most of my time on was sitting down with Sheldon Marks on the advertising, thinking out a new plan for the year of what were we going to do in advertising. And the same thing happened to Arrowhead, as you see the report. You can see that there was not that much for me to do, because we did have a wonderful organization. Now, I shouldn't say organization. We had wonderful employees, and they knew what they were doing.

JOHNSON: Who would you say were the key employees of Lake Arrowhead Development Company?

BERMAN: I would say Ron [Ronald] Cotrell was the key. He was the man I stole from, I think it was, one of the big accounting firms. He was a terrific controller. And I knew every day exactly where we stood. It's the same thing I told you about Kahlua, how I used to get reports every day. The same thing with Arrowhead. And of course, Joe Mower was the general manager, and he was excellent. He saw to it that our development costs were in line. He saw to it that the work was done in time. Then, of course, I had Jeff Powell, who was in charge of the lake. And then I had a terrific manager for the country club who ran it beautifully. So we had key people. Oh, yes, I can't forget Cliff Helms, who was our sales manager. And we had the same salesmen. If a salesman couldn't make at least \$150,000 a year with us he wasn't any good to us, because the business was there. If we gave leads to a salesman and he didn't-- Well, our men did take advantage, because if they stayed with us-- If we hired a new person, for instance, and if we gave him leads-- Because we advertised a lot, and when we advertised, people called in. We'd tell them to come up to Arrowhead. You see, in the off season we would use the lodge to our benefit. We would let them stay overnight up at Arrowhead, but we charged the salesmen a very small fee, just like \$5 a night, just paid for the laundry and the cleaning.

But we kept track, because he could have all his relatives come up and not make any sales. [laughter] But if he, for instance, got three or four rooms or three or four weeks in a row and didn't make any sales, then he didn't get any more rooms. We ran a very tight ship. But it worked because we had the right people, and they all performed.

JOHNSON: Did the employees share in the equity of the company?

BERMAN: Well, they all got bonuses. They worked on bonuses, sure. As the company made money, they made more money. The salesmen, of course, made it in commissions but the others made it in Christmas bonuses and so forth.

JOHNSON: Did they own stock or--?

BERMAN: No, we didn't give any stock away. No, we never did that. But we had incentives for different departments, and they all did very well. Our employees were well paid. They were very happy.

JOHNSON: Now, that cadre of people you mentioned, did they own stock in the company? Or was that--?

BERMAN: Which is that?

JOHNSON: Like Ron and--

BERMAN: Ron Cotrell?

JOHNSON: --Cliff, were they stockholders as well?

BERMAN: They weren't stockholders as well, no. But when we

sold out, I saw to it that they got paid a very handsome fee, which would keep them for five, six years or more. As a matter of fact, Ron Cotrell went with Boise Cascade. As far as I know, he's still with them. And Joe Mower moved up to Seattle.

JOHNSON: So how would you describe your management style? You mentioned you had some very fine people working for you with respect to Arrowhead. How would you describe your style and your decision making?

BERMAN: Well, as I said before, the same thing in Kahlua, the same thing in Arrowhead, and at Huntington Harbour it would be the same thing: I look for the best. I didn't take any inexperienced people.

I did take one inexperienced salesman who was a friend of mine as a salesman at Arrowhead. His name was Bob [Robert] Beaver. He had just lost his business, and he was broke. I knew he was a good salesman. He knew nothing about real estate. I put him on a commission basis, and for the first three months he didn't sell anything. Then, for some reason, somehow, he sold to the top surgeon at Queen of the Angels Hospital, and the next thing you know he sold doctor after doctor at Queen of the Angels Hospital. Then I had another fellow who was a friend of mine who never worked before.

They all stayed with me, though. Bob eventually started making big money with us. And then I had another friend named George Krause, and he used to work for Carnation [Company]. Well, he got the Carnation people to start buying. We had the president, the sales manager, and that's how it went. A good salesman, if he gets in, he gets referrals. A good salesman will work on referrals. Once they get one person, then they ask them who else they know and so forth. And then, when you get a lot of those going, your business starts getting tremendous.

JOHNSON: Why did you ultimately decide to sell Lake Arrowhead?

BERMAN: I didn't have any choice. That's one of the bad things about a public company. Boise gave us this offer that was higher than the market, and I didn't want to sell, but I didn't control it. I had a lot of stock, but I didn't control the company. The stockholders elected to take it. There was nothing I could do about it. I had to offer it to them.

JOHNSON: So you yourself were not able to hang onto your 40 percent?

BERMAN: Well, that 40 percent was turned into Boise Cascade stock, and a Boise Cascade stock at that time-- They bought us at \$25. It went up to \$78. So I kept the Boise Cascade stock and sold it out later on. But there was nothing I could

do, no.

JOHNSON: Was it a hostile takeover?

BERMAN: Oh, not at all, no, because our stockholders voted to sell the company. I had no choice. It couldn't be hostile--not when my stockholders wanted to sell.

JOHNSON: And what year was that that you sold to Boise Cascade?

BERMAN: 'Seventy-three, I think it was.

JOHNSON: So your total involvement with Arrowhead ran about thirteen, fourteen years?

BERMAN: Twelve years.

JOHNSON: Looking back, other than you weren't ready to get out of the business up there, are there any regrets that you have about how you operated Lake Arrowhead or what you would have done differently?

BERMAN: No. As a matter of fact, looking back, I think we did as good a job as anybody could possibly have done by selling the worst property first and saving the best property for last. Because I was called up north to Lake Tahoe for Incline Village, and they wanted me to take that over. And what they had done, they sold all their best property. They were stuck with property way in the back country, and there was no future there, so I wouldn't do it.

JOHNSON: You had talked a little earlier about how the strategy

was that if you sold the cheaper property first, then, as you move closer, the values--

BERMAN: Kept going up, kept going up.

JOHNSON: Now, whose idea was it to do it that way?

BERMAN: Mine. Well, you see, accountants, too. I'm going to give you a couple of examples of accounting which are very interesting. Now, when we decided to sell property around the country club, we had a long road to bring in. Now, off that road we would have had maybe six or seven subdivisions eventually, which we did, but to get to the lake was quite a way. Well, I think at the time they had Price Waterhouse; I'm not sure. They said that we had to take the cost of the road and attach it to our subdivision, because we may not ever build another subdivision along the road. Also, the same thing happened with the second lake, because, you see, the golf course is built around another lake. It's a beautiful little lake.

JOHNSON: What's the other lake called?

BERMAN: Gosh, I don't know if anyone gave it a name. I'll think of it if there is a name to it. Anyway, we developed these lots around the-- It's just a little tiny lake. But we designed the golf course, then we designed the lots around it. Well, this accounting firm said, "You've got to take

the cost of the golf course and attach it to the lots, because the lots are worth"--in those days--"\$40,000, and the lots away from the golf course are worth about \$25,000." We're talking many years ago, of course. Those same lots today would be worth maybe \$300,000, \$400,000, if they were available.

So they said, "So in order for these lots to be worth \$40,000, they have to be along the golf course. Therefore, the golf course--" Then we changed CPAs [to Touche Ross], and they said, "No, the golf course is its own identity. It's an asset.

It has nothing to do with the lots around it." Because eventually we sold the golf course individually, by itself.

So they were wrong, but they both were right in their own thinking. At Christiana [Oil Company], we had another thing with accounting. When we get into that, I'll tell you about it.

I found out there's no set rule in accounting, because both theories are correct. You can easily reason that if you build a long road and get to a subdivision that you may never build subdivisions along the long road. It makes sense.

But if your plans work the way you think it's going to work, and it does work that way, you did build the subdivisions along the road, so you take the proportion of each subdivision in the road, and the same thing goes along with the golf course.

JOHNSON: So you end up taking the cost of the road and capitalizing that into an allocation strategy for however many subdivisions you happen to--

BERMAN: Yes, have in the plans.

JOHNSON: We've talked about this a little bit before. Are there a couple of key issues that you look for in evaluating a real estate project?

BERMAN: Yes. One especially key-- I want something that nobody else has, because I don't think I'm any better than the next developer. For instance, if you were to say, "Well, you go out to Ventura Boulevard, and there are about twenty acres to be developed, and there are homes on both sides," I wouldn't touch it. Because what could I do that they haven't done? What could I do better that they hadn't done? I don't want to get into that kind of competition. I don't think I'm that good, so I won't do it. Arrowhead appealed to me because it was different. The [El Capitan] Ranch appealed to me because that was different. And Christiana Oil appealed to me because Huntington Harbour was the only one of its kind in Southern California. So what I look for is the unusual subdivision that people want. I'm not talking about a pie in the sky. But the proof is in the pudding. I mean, they all were successful except for El Capitan. That was because

of the county.

JOHNSON: In retrospect, do you regret having gone public with Lake Arrowhead?

BERMAN: Yes, because I didn't want to sell out. It's the last thing I wanted to do. I wanted to take Lake Arrowhead and make it a tremendous company, because we had a lot of offers to go into other places. Like, for instance, a couple of years ago I had a chance to buy Apple Valley. And I had a deal with Getty Petroleum [Corporation] to buy it. In the meantime, they sold out to Texaco, and I never got it. See, that would appeal to me, because Apple Valley is something different. It's a very fine development.

JOHNSON: So, if I understand this right, you would urge any person in a similar situation to carefully consider whether they want to go the public route because of some of the potential pitfalls that they may--

BERMAN: Well, there are a lot of good things to say about a public company. Now, when we get into Christiana, I'll tell you how a public company destroyed me--a very, very strong company--because I couldn't control the board, so I sold out. The company didn't sell out. I got the stock from \$2 to \$24 and sold out because the board wanted me to make a lot of moves that I knew would lose money, and I wouldn't do them.

JOHNSON: With Christiana.

BERMAN: Christiana. So that was a public company.

JOHNSON: Is there anything else you'd care to add about Lake Arrowhead?

BERMAN: Well, nothing I can think of. There's probably a lot I'll think of when I get home.

JOHNSON: Well, we can add that to it later.

BERMAN: We'll add that. Oh, incidentally, the reason I'm doing this, I'm involved with UCLA, is because on the board of Boise Cascade was Dean [Ernest C.] Arbuckle, who was dean of the business school [Graduate School of Business] of Stanford University. He and I became pretty good friends.

TAPE NUMBER: IX, SIDE ONE

JUNE 8, 1995

JOHNSON: All right. You were talking about Dean [Ernest C.] Arbuckle.

BERMAN: Yes. He was on the board of Boise Cascade [Corporation]. About two weeks after he went back to Palo Alto, he called me up. I was surprised that he would call me. He said, "Jules, I've been thinking about you."

I said, "Me? I don't believe it." And I said, "What about?"

He said, "Well, you know, our [Stanford University Graduate School of Business] graduates are grabbed by the large corporations before they ever get out of school." And he said, "You've done things that are just the opposite of what our grads are told happens in the outside world. First of all, you took Kahlua, which was owned by Schenley [Industries]--they're a large liquor company, and they couldn't do anything with Kahlua--and you made it the number-one selling liqueur in the world. Then you bought Lake Arrowhead from the Los Angeles Turf Club, which is a very powerful company that could do anything they wanted to, and yet they couldn't do anything with Arrowhead." And he said, "Look what happened

with Arrowhead."

I said, "I know."

And he said, "But most of all, you took Christiana Oil when it was \$2 and was owned by the Du Ponts, and you ran it up to \$24 before you got out. You've taken things from the big companies that they couldn't do anything with and were successful. I want to show our students that there's a place out there for an individual."

So I went up to Stanford, and I made two speeches up there to the whole school. And then I think Dr. Al [Alfred E.] Osborne [Jr.] was going to school at the time. I'm not sure. But I think he heard me speak when I was speaking at Stanford.

JOHNSON: Do you remember about what year this was?

BERMAN: No, I don't really. It could be in the early seventies, I would think. I don't know.

JOHNSON: And you had met--

BERMAN: As a matter of fact, it was in the papers. It was in *Newsweek*. We have it in my clippings somewhere. I could find out. Or Marge [Gilmour] could find it in a minute.

JOHNSON: And you had met Dean Arbuckle through your relationship with Boise Cascade for the purchase--?

BERMAN: Of Lake Arrowhead.

JOHNSON: I see. Now, there's an interesting letter that was sent by Boise Cascade having to do with your operations and an evaluation of Lake Arrowhead. Is there anything you would care to share about that?

BERMAN: That wasn't done by them. That was done by Economic Research Company. That was done without our knowledge at all. Only after they bought the company did they send me that.

JOHNSON: I'd just like to read the last paragraph. It says: In summary, an acquisition of this company involves much more than a purchase of a collection of assets. It includes association with an experienced, smoothly operating, and successful management that takes a great deal of pride in the project and in the results they have achieved and expect to achieve in the future. The company has been run tightly with high utilization of capital, borrowing ability, and people. Furthermore, honesty, fair dealing, and a commitment to high quality have been exhibited at all times. As a result, the company is highly regarded by the banking community, by its customers, by its consultants, and by the real estate industry in general.

BERMAN: Very flattering to have that.

JOHNSON: That's very significant.

BERMAN: That's very nice.

JOHNSON: I can imagine you taking a great deal of pride in this.

BERMAN: [laughter] When I got it I couldn't believe it. I couldn't believe that was us. But we did run a tight ship, and we stood behind everything. We never had a lawsuit. We

never had any problems.

The only problem we had was one fellow called me up and he said that he bought a lot, actually a very cheap lot, and he said, "Your salesman promised me that now that I've bought the lot that I have membership in the [Lake Arrowhead] Country Club."

I said, "It can't be. No way. It's two different identities."

He said, "No, I was promised. If you don't do it, I'm going to sue the devil out of you. I'm going to report you to the real estate commissioner." And he said, "I'll see that you lose your license."

Well, he didn't know it, but Milton Gordon at that time was real estate commissioner of the state and a very close friend of mine. So I called Milton Gordon up, and I told him, "This fellow's going to cause some trouble."

He said, "That fellow, he does that all the time." He said, "He goes around and he buys the cheapest lot, and then he threatens to sue the developer because he knows they don't want to lose their license." So he said, "Tell him to go to the devil. There's nothing he can do." So those are some of the things you run into.

JOHNSON: Sure. Looking back, was there anything that really hit you that was totally unexpected or you said, "Boy, I really didn't expect things to turn out like they did"?

BERMAN: Well, yes. About three years ago I got a call from Lake Arrowhead from a fellow who prints the newspaper. He said, "Jules, I want you to come up next Friday."

I said, "Well, I don't want to go up to Lake Arrowhead next Friday."

He said, "You've got to come up next Friday."

I said, "Well, I'm not coming."

So then I got another call from a fellow named Faye Boileau, a friend of mine. He said, "Jules, come up next Friday. I want to see you."

I said, "I don't want to go up next Friday."

Finally, my closest friend [Jerry Spitz], who was my partner in the boat company, called me up, and he said, "Jules, I've never asked you to do anything like this, but come up next Friday to Lake Arrowhead."

I said, "Okay, Jerry, I'll come up."

Well, I came up. The village was packed. The parking lot was packed with people. They had a podium, and at the podium were the state senators and judges from San Bernardino.

And, oh, my gosh, there were all kinds of people sitting there. The state senator got up and said, "The lake is now a hundred years old today, and there's been a vote taken by people living in this area of who did the most for the area in the hundred years that it has been in existence, and Jules Berman is the one that we picked." They put a time capsule in the village, and they gave me a terrific trophy. And two years ago I was called by the country club of Lake Arrowhead to come up for a dinner, and they gave me this beautiful crystal bowl. I'll just have to describe it. It's a crystal bowl, and it says, "To Jules Berman, with deep appreciation from Lake Arrowhead Country Club"--I think it's deep appreciation for all the things you've done or something like that--"1993."

So people have remembered, and still when I go up there and walk around the village they say, "There goes Mr. Arrowhead" to this day. So it's lived on.

JOHNSON: This may be a tough question, but in looking back, are you more proud of your accomplishments as Mr. Arrowhead or Mr. Kahlua?

BERMAN: Both. I'm proud of both of them. Why wouldn't I be? How can you take one from the other? I would think, though-- I'm going to be honest. I would think more of Arrowhead, now that I think about it, because with Kahlua, I was known

in the liquor industry, and I had made other brands successful. But Arrowhead, I was fighting an uphill battle at first, don't forget. As I told you, I had to have a meeting with the top people. They didn't want me up there, and they were starting to fight with us for everything. I had to sell myself to them. And the only satisfaction I ever got out of it--it isn't a question of satisfaction, but it's something that you want to call reward or I don't know what you call it--is when the yacht club asked me to join. At first they wouldn't let us near the place. But all those people became my very good friends, very good friends. I had no problems at all at Arrowhead with anybody. It was a wonderful relationship with the community that we had. So with that said, we treated everybody fairly. We ran a tight ship, but we ran a good ship, and people liked us. That's all I can tell you.

[laughter]

TAPE NUMBER: X, SIDE ONE

JUNE 15, 1995

JOHNSON: In our last session, we finished up, for the most part, with Lake Arrowhead, and this morning we're going to start off with your involvement with Christiana Oil [Company].

Sir, if you would, just relate how you initially got involved with Christiana Oil.

BERMAN: Yes. There was a man by the name of Sam [Samuel] Banowit, who was a customer of City National Bank. He had two hundred thousand shares of Christiana Oil, and he wanted to get control, or get mostly control, and he needed two hundred thousand more shares of stock. So Alfred Hart, who was president of City National Bank, called me up and told me that the stock was selling at \$5 and that he would lend me \$1 million to buy the two hundred thousand shares. In a year Sam Banowit would pay me at least 10 percent interest, and Al Hart was going to charge me 6 percent. But if the stock went up, of course, I had the choice of keeping it. And he said, "No matter what happens, you're going to make \$40,000 and do nothing." He said, "I'll handle the whole thing."

As it happened, unfortunately, Sam Banowit died very shortly after. The stock went down the tube, and, of course, I was stuck, because he wasn't there to buy my stock. And of course, I could hold the bank liable for it, but I didn't

want to do that.

In the meantime, I was a very good friend of D. [Daniel] K. Ludwig in New York, who-- Of course, everyone knows who he is, one of the wealthiest men in the United States. The next thing I knew, one of his men, whose name was John Notter, came out from New York to see Al Hart and myself. He said, "D. K. Ludwig also owns two hundred thousand shares of stock, and since there's only one million shares out, with the two hundred thousand that the bank is holding for Banowit, the two hundred thousand that Berman has, and the two hundred thousand that Ludwig has, we want to put Berman in as president of the company, and he can vote our stock. We want him to run the company." So I told him I'd let them know. I talked to Al Hart, and I said, "Look, if I get you whole"--that is, if I get the bank whole--"I want to buy your stock at what you paid for it," which was \$5. So I took over the company. It was in terrible condition. We had a \$35,000 tax bill which we couldn't pay. And I found out that the fellow who was running it-- His name was Douglas. He was a relative of the Du Ponts, because, you know, Christiana was always owned by the Du Ponts. And we dealt with Laird and Company in Wilmington, Delaware, who handled the stock, and that's owned by [E. I.] Du Pont [de Nemours and Company]. So it was very much a Du Pont operation up until then.

JOHNSON: Did Du Pont sell the stock to the major--? How did

that work? What was Du Pont's relationship when you got involved with Christiana?

BERMAN: Well, Douglas is sort of related to them. He was like, you might say, a poor relative. I think they helped finance it originally. But when I finally went into the company, they were running it-- He was a graduate of Yale [University]. He was running this little company where all we had were some oil wells that weren't producing. We had a lease together with the Standard Oil [Company] in New Jersey for one million acres in Libya to explore oil. We also had thirty thousand acres of property on the big island [Hawaii], a part of the Parker Ranch.

When I went into the offices, I thought I was going into General Motors, because all they had out here was Huntington Harbour, which they were just starting with and which was not doing very well. I couldn't believe what I saw. So the first thing I did was clean house. I got rid of all these vice presidents. There were four or five of them. None of them were doing anything. I brought in a fellow named [Harry] Fisher who had very good experience in running an operation, such as what we needed for building a-- See, we built a whole community there just like we did at [Lake] Arrowhead. I found out that they were building houses, and if the houses didn't sell they just kept building new ones. So I sat down with

the board, and I said, "What we're going to do is stop building immediately. We're going to fix up all the old houses." They weren't really old houses but houses that were in disrepair. Since they didn't sell them they weren't keeping them up. "And until we clean all these up, we're going to have to take a terrific loss. At least for whatever we sell we'll have cash coming in. But it's going to be tough for the next year or so." And we sold all those houses. Then we started building.

Of course, we had the channels. And we had a lot of problems, because we could sell lots along the channels, but we couldn't sell lots away from the channels. Most people wanted to live on the water. It was a water-oriented development.

We also had a problem that the boats couldn't come into Huntington Harbour because of Highway 101. But luckily, at that time I was [California State] athletic commissioner, and Governor [Edmund G. "Pat"] Brown was a very good friend of mine. I convinced him that if we raised the highway at least thirty feet the boats could come in, and he did that.

Well, that opened up the whole operation then, because people could start bringing their boats in. Of course, that made it very salable, because they had a home with a slip in front of their home. Then we started building condominiums, and we started to do a lot of things.

I can cut it pretty short, because it wasn't anything exciting, except we got the stock up to \$24. We were making a good profit. We built a very beautiful shopping center, and we built quite a few condominiums. I had a very good sales group, and I did the same thing there that I did at Arrowhead. I had a terrific sales manager. I've only worked with our own salesmen; we never worked with brokers. And it moved very well.

Finally, when we were doing exceptionally well, I didn't have control of the board. I thought I did. But there was one person whom I put on the board who I thought was my man, but he wasn't. Because some of these other people on the board from back East-- You might say from

Du Pont. Although I can't really tie them a hundred percent in with Du Pont, they were part of that group. They wanted me to buy a prefab company and do a lot of prefab building.

I didn't want to do that because I checked into it and I found out at that time that the unions would fight it, because the unions did not want prefab houses being built, because that cut down on their work.

Also, as part of our company, I said that we had thirty thousand acres in Hawaii. I went over and looked at it. It would be years before that could be developed, because there was no water at all. It was way on the other side of the

island where it was even hard to get to. So, luckily for me, I sold it to--I can't think of the name of the company--a large company, and they had the staying power.

But what I did in the meantime, I found out that Camp Elliott in San Diego was for sale, that the marines wanted to get rid of it. Well, you know, with the government, you don't buy anything from them, you exchange with them. So I talked to a person in charge--I forget who it was--and he gave me a list of properties that they would accept in exchange for Camp Elliott. Then I hired a very good real estate attorney.

His name was Jim Johnson, and he was with Mitchell, Silberberg, and Knupp. I had him work it out with the government, and we bought the Murphy Ranch, wherever that was. I had no idea where it was because it was just a name to me. We wound up owning almost twelve hundred acres in the middle of San Diego [Tierrasanta], which we started developing immediately.

As a matter of fact, our master plan was so good that the mayor of San Diego [Pete Wilson] had a special luncheon for me, inviting all the banks and everyone, and saying this is the greatest asset that San Diego could possibly have with this master plan. Well, of course, that's when our stock went up.

JOHNSON: How did you formulate this master plan? And what do you think made it so successful?

BERMAN: Well, I had a firm [MacIntyre and Quieros] who did the master plan for us there, and they also-- Ludwig later bought Westlake Village, and he asked me to master plan that.

I had the same people do it. I have to think of their names, because I haven't mentioned their names in years. But they were the best. And we started to sell property in San Diego. As I said, our stock went up to \$24.

Then, when they wanted me to buy this company and other companies that I could see were bad investments, I wanted out. Because when we had a vote, the person who I thought was on my side, he was a swing vote. He voted against it because he thought it was great to have it diversified and have a lot of other companies. But I wanted to stick to the real estate business. So I said to the board, "I'll sell out, and I'll leave the company. But I want a letter of opinion from a very strong legal firm as to what I can sell for without being sued." Don't forget, I had all that stock, and if the stock had gone down very fast, I could be sued by all the stockholders. So we received a letter from O'Melveny and Myers, because they're the largest law firm in Southern California. They said that if I sold at \$16, they'd give me a letter of opinion. I made Christiana pay for it. I sold out at \$16 and left the company, because I just didn't want any part of it. But that was the extent of Christiana.

During the time we had it, this fellow Fisher did a very good job. And we had a very good interior decorator [Albert Parvin Company]. I was also on the board of the Parvin company. And the Parvin company was a very big company for interior decorating. In fact, we did all the hotels in [Las] Vegas, every one of them, up until ten years ago. I had them do the model houses. In fact, they did such a great job in the model houses that when people bought the model houses they insisted that the furniture go with them, which of course was just great. We sold them as fast as we could build them.

JOHNSON: Was this in Tierrasanta [San Diego] or Huntington?

BERMAN: No, this was Huntington Harbour. At Tierrasanta, we built some low-price housing.

JOHNSON: Now, Tierrasanta, as I understand it, is just north of the [San Diego] Stadium, right?

BERMAN: Right.

JOHNSON: So you ended up trading, you said. Was it the Murphy Ranch for--?

BERMAN: The Murphy Ranch is what we bought with cash.

JOHNSON: To trade?

BERMAN: And then we traded it with the government, because it is what they wanted. I did a lot of trading with the government.

That's the only way they'll get rid of property.

JOHNSON: Were there any special development issues you ran into developing on a former military site, like unexploded ordnance or things like that, or hazardous material that made it more difficult for you?

BERMAN: Oh, this was before all that. Actually, there was nothing like that there. Actually, I don't think that base was used for many, many years. There were no ammunition dumps or anything like that.

JOHNSON: Now, what year did you actually get involved with Christiana?

BERMAN: I got involved in Christiana in about '65, '66, or something like that.

JOHNSON: So that was right about the time you were leaving Kahlua and you were still involved heavily with Arrowhead?

BERMAN: Yes. As I said before, when we bought that property in front of La Costa, near San Diego, I had a debate in my own mind as to which company to throw it into. But what happened with Christiana-- There was a ranch for sale, sixteen thousand acres. It was partly in Oregon and partly in California, mostly in Oregon. It was on Goose Lake. I thought that would be a good venture for Christiana. But when I got out of Christiana, we hadn't made the deal yet. So I bought it myself [as Berman Development] together with Flying Tigers. Bob

[Robert W.] Prescott, the president, was a very close friend of mine. So the Flying Tigers and I bought the ranch, but we never developed it. We sold it several years ago.

JOHNSON: What was the name of that ranch?

BERMAN: The Point Ranch near Lakeview, Oregon.

JOHNSON: What had you envisioned ultimately becoming of that ranch?

BERMAN: Well, it was over a million geese a year at that ranch, because it was a point at Goose Lake. That's why they called it the Point Ranch, because it was right on the flyway.

There are a lot of hunters in the world, and we envisioned selling acre lots, for instance, and selling enough of them so that they could use the rest of the sixteen thousand acres to hunt. There are a lot of elk up there. What Bob and I did is we started a hatchery. Because there was a lake as big as Arrowhead in the middle of the ranch, too. We started a hatchery for trout in the lake, and then we also had hatcheries for wild turkeys, grouse, partridge, and pheasants. And then we planted some sunflowers for the seeds to keep the birds when we released them near the area so many people could hunt.

It was a hunter's paradise, but we never developed it. I mean, we had visions of it.

But the funny thing-- I may as well stay with that scene. I'm wandering around now. The trouble is that with all these

things I tell you, one sort of wanders into another. We had this ranch, and then Bob Prescott died. Well, as long as Bob was alive he had a jet, so he and I could fly up there.

It's the little town of Lakeview, Oregon. We were about three miles from Lakeview, but it was very difficult to get to. So after Bob died, we decided to just sell the ranch. For about ten years we tried every way we could to sell it. But it's a very hard ranch to sell. On the ranch there was one of the most beautiful homes you've ever seen, because the fellow who owned it before us was very wealthy. He had this ranch as his own little pet place. And finally some Chinese people from Hong Kong bought it. What they bought it for I'll never know. But that also brought problems, because Federal Express bought out-- [tape recorder off]

JOHNSON: Flying Tigers being sold to Federal Express.

BERMAN: Federal Express. Well, these Chinese people contacted me, and they wanted to buy the ranch. I gave them a price. It shocked me, but they said okay, they were willing to buy. In the meantime, Federal Express took over Flying Tigers. This was only about two months after Federal Express took over Flying Tigers. I knew they never knew they owned the ranch. So I called up a couple of people I knew at Flying Tigers. Of course, they had moved out, but they told me who to call in Memphis, Tennessee.

I called up this fellow who was a comptroller for Federal Express, and I told him who I was. Of course, he didn't know who I was. I told him about the Point Ranch, which he never knew he owned, and I told him we had an offer. We were trying to sell it for years, and we had an offer. It was a good offer, and we should accept it immediately, because I only had twenty-four hours to give these Chinese people an answer.

He said, "Well, we can't work that fast." He said, "Well, I have to send some people up there and analyze the area and just see if it's a good price." I was prepared for that. I expected him to say that. I mean, what else could he say, since he never knew he owned it, and somebody called him up cold and said we're offered this price? He probably thought, which I would think, that this fellow Berman is trying to pull a fast one on me and steal the ranch. I said, "If you think the price that I'm quoting is too low, I'll take that, and you can have the ranch."

So then he checked up on me with some of the executives of Flying Tigers who had retired. He called me back, and he said, "Can I call you Jules?" I said, "Yes." He said, "Jules, I've never heard a report of anyone like I've heard about you. They said, 'If Jules tells you this is the best offer, you'd better grab it.'"

I became very friendly then with Federal Express. They were nice people to deal with. We sold the ranch to the Chinese people.

JOHNSON: How did you come up with that price?

BERMAN: You know, real estate is a funny thing. There is no set price on real estate. It isn't something that you manufacture, and you can take this-- Well, take anything. Take this pad. I'm holding a pad in my hands. It's paper. You know what paper costs, you know what it costs to print, you know what all this is, you know how much profit you want to make, you have competition. But in real estate you have a sixteen-thousand acre ranch with a beautiful home on it, and it's seven miles of frontage on Goose Lake--three thousand acres in California and the rest of the thirteen thousand acres in Oregon.

Hold on. This really brings up something. About three months ago, I got a call from Weyerhaeuser [Company]. They said, "We understand you own the Point Ranch. As you know, the government is not selling any timber. We'd love to make a deal with you, because there is a fortune in timber on Point Ranch." [laughter]

JOHNSON: Wow.

BERMAN: That's what happened after we sold it.

JOHNSON: You were talking about the valuation of real estate

as--

BERMAN: Yes. Real estate is only what anyone will pay for it, really. Of course, there are comparables. But it's pretty hard to compare a ranch that's one of a kind. Because the ranches around the Point Ranch will sell for \$100 an acre, because there's nothing there but just land. It's only good for grazing. It's not even good for grazing in the wintertime, because it snows. So what they do, they just have feeding in the summer and that's all. Now, where did we digress from?

JOHNSON: Well, we were talking about Christiana. When you started there, you had planned on this ranch being part of Christiana, but you left the company.

BERMAN: Yes, that's right. I left Christiana. And then also with Christiana I wanted to buy the El Capitan Ranch in Santa Barbara. It was thirty-six hundred acres five miles north of Santa Barbara with three miles of frontage on the ocean, private beach. Plus Highway 101 went through it. So I personally bought that along with Point Ranch. But this was my own private ranch.

JOHNSON: Right. Before we start into El Capitan, I just had a couple of follow-up questions. What was Christiana's real business at the time that you took over as the president?

BERMAN: Actually, it was really-- I mean, they were in the oil business.

JOHNSON: Were they profitable then?

BERMAN: No, I don't think so. As I said, they had an option for one million acres, but we never found oil.

JOHNSON: In Libya?

BERMAN: In Libya.

JOHNSON: Did you end up traveling over there to investigate that?

BERMAN: No, no. As I said, we were partners with Standard Oil of New Jersey, and they were going to do the exploration.

But then again, here is where accountants come in, two different thoughts. Standard Oil of New Jersey had explored, I'd say out of the million acres, probably eight hundred thousand acres and never found oil. So what the accountants, Price Waterhouse, wanted to do was to write off, say, three-fourths of the money that we had made out for the option. But when the new firm, Arthur Andersen, came in, they had a different idea entirely. They said, "Even though you didn't find oil in

that many acres, the last twenty acres could bring in some oil wells." So you can't really write it off until you explore the entire million acres. So there were two schools of thought on that, same as there was in Arrowhead.

JOHNSON: Did the second firm want them to capitalize those costs then?

BERMAN: Yes.

JOHNSON: Before they could write them off?

BERMAN: Yes.

JOHNSON: I see. How much did Christiana lose in that Libya venture?

BERMAN: I don't know offhand, because it was an option that we were paying out every year to the Libyan government. It wasn't very much. I would say we probably paid out \$100,000 a year for probably ten years.

JOHNSON: So it sounds to me like you effectively transformed Christiana from the oil business more to the real estate business.

BERMAN: Well, yes. There wasn't any oil business, really. The Libya thing didn't work out. The oil wells they had were defunct, so there was nothing left except real estate.

JOHNSON: Now, how did they end up getting the land for Huntington Harbour?

BERMAN: Well, it was a swamp, and this fellow Douglas was the one who made the deal. He made a good deal, but he didn't go through with everything. For instance, they had no way of getting to the ocean. And also, he built all these houses that didn't sell, and we had a big problem with the expenses.

JOHNSON: Now, what did you mean by saying there was no way to get to the ocean?

BERMAN: Because of Highway 101. The boats couldn't get under it.

JOHNSON: Right.

BERMAN: We really had to raise the highway and also had to raise the railroad tracks. That was quite a job, because I had to go back like a quarter of a mile on each side of the rise for the railroads. So it was quite a deal.

JOHNSON: So the state ended up helping to finance that?

BERMAN: Only for the road, yes.

JOHNSON: And you ended up having to pay for the railroad?

BERMAN: No. Well, we paid for part of it, but the railroads did it.

JOHNSON: How many acres in total was that development at Huntington Harbour?

BERMAN: I would say it was at least two thousand acres.

JOHNSON: So that was private homes and--

BERMAN: We had a shopping center, we had a yacht club, and we had a water company, a sewer district. We did everything.

Now I see that they're advertising that some large company is trying to buy the marshlands across from Huntington Harbour.

We tried to buy it when we found that Huntington Harbour was successful, but we couldn't. There's a road that goes through there, and we couldn't even-- The county was very tough. Orange County wouldn't let us put a bridge across

it at all. So I think these people that-- I read in the papers that they're having problems. I knew they were going to have a lot of problems.

JOHNSON: You'd mentioned that in Tierrasanta you had used a master plan or a good organization.

BERMAN: Yes.

JOHNSON: Was that same organization used for Huntington Harbour?

BERMAN: I used that first. Yes, that's who I used. Oh, I have the name. MacIntyre and Quieros. They were terrific. They also did Westlake.

JOHNSON: Now, how did you find working with a master planning company like that? How does the interaction work? You're the president. You own the land. How much direction do you end up having to give them? How does that really work?

BERMAN: You don't give them any direction, because they know exactly what to do. As I said before, in all the things that we've done, you hire the best. And they work with the county; they don't work with me. They work with the county. They'll ask the county what the county will allow them to do, and the county will tell them. So they have to go within the parameters of what's allowed and the density and so forth that the county will allow. So you have to have someone who is very strong, very strong, and well respected. Otherwise

you could be in serious trouble.

JOHNSON: When you start into a project like that, at the beginning, how do you get your arms around the whole issue of "Is this going to be profitable?" Is it a gut feeling? Do you use detailed cash flows?

BERMAN: It's hard. It's a gut feeling, I think. See, like I said before, the developments that I have done are the unusual developments. As I've also said before, I don't think I'm any smarter or any better than the next builder or developer. I don't want to develop a piece of property where there's another developer next door, because I can't do anything he can't do. What can I do that he can't do? So I look for the unusual.

JOHNSON: Now, I understand that when you had taken over, Huntington Harbour had some older homes that had not been sold that were in a little bit of disrepair. How did you arrive at the proper way to price those houses knowing that that may influence what you may be able to ultimately get for some of the other houses?

BERMAN: Well, there were some that were sold, and we knew what they cost. I hired a large crew of workers who were carpenters and electricians and painters and so forth to go in and completely redo these homes, even landscape them. They were beautiful. And we sold them practically at cost

just to get rid of them so we could build something that we knew would sell. But that's like anything else. As I said before, when you're buying land, you don't know what it is.

But when you build a house, you know what it costs, and you know what profit you want to make. You have to know the area, what's selling in that area, what price is selling in that area. And of course, on the water you could get a good price for a home, and away from the water it's just another house.

So we had to be in line with other houses in Huntington Beach except a little better, because we were a private community.

JOHNSON: Looking back on the Huntington Harbour experience, with the exception of the key access to the ocean that you obtained by raising the roads, what other major challenges or obstacles did you find in that?

BERMAN: Well, one of the worst I had there was-- Since the lots along the channels sold so well, I decided that we wanted to have longer channels. But in order to do that, since the CCandRs [conditions, covenants, and restrictions] were already done, I'd have to get approval from all the property owners.

So we solicited the property owners and asked for longer channels. And everyone approved, because it was only an asset to the area, except one woman, who was Japanese. Mr. Fisher said to me that she just won't sign.

So I went to see her, and I asked her if she would sign.

She said, "No."

I said, "Well, if we build another house for you to your specifications, no matter what it is, would you sign?"

She said, "No, I like it here."

I said, "Can I buy your house here? You name the price and I'll buy it."

She said, "I won't sell." And she stopped me. We couldn't build any longer channels.

JOHNSON: Do you have any idea what her rationale was?

BERMAN: No. There wasn't any. She liked her house. Her husband was a doctor. She was comfortable with the way she was living for some reason. I don't know. I never could figure it out, because everyone else signed it. She wouldn't sign it. That was the only problem I ever had.

There was one thing that was interesting. I got a call one day from CBS [Columbia Broadcasting System], and they said, "We have a program on Saturday afternoon where we go around the country and we talk to different developers in different cities. We decided to ask you if you would go on the program since you're developing Huntington Harbour and Arrowhead and it's entirely different from all the other builders who are just building ordinary homes."

I said, "Sure, I'd love to."

Well, the first thing this fellow asked me was "I understand that in both Huntington Harbour and Arrowhead there are no black people living. What is your reason for that?"

Well, here I am on national TV with a question like that. And I told him point blank, "Well, it just happens that none of them see fit that they want to live there."

He said, "Will you sell to them?"

I said, "Well, certainly we would."

And he said, "I also understand that when you go into the county of San Bernardino and Orange County you get anything you want." He said, "How do you get that? I understand there's a lot of payoff that goes on in the development business."

I said, "On the contrary. Our developments are so far above average that the counties welcome us coming in." When we got through with that interview, I could have killed the guy, because that was terrible asking those questions.

JOHNSON: Sounds like a bit of muckraking going on.

BERMAN: Yeah, he was just looking for something sensational. He wasn't looking for anything about development.

JOHNSON: Well, that CBS tradition has continued. [laughter]

BERMAN: [laughter] It could be.

JOHNSON: What year was that?

BERMAN: Oh, it probably was around '68 or '69.

JOHNSON: Was it one of their big name--? Was it like a young

Mike Wallace?

BERMAN: I don't know who this fellow was. I really don't know who it was.

JOHNSON: So what year did you ultimately leave Christiana?

BERMAN: I left Christiana in about 1970, approximately.

JOHNSON: So you'd been with them about--?

BERMAN: I was there about five years.

JOHNSON: Is there anything else that you would care to add about your time with Christiana? Any of the developments of issues dealing with the board?

BERMAN: Well, no. The only thing I could tell you is that after I left Christiana they went into all these other deals that I didn't want to go into, and the stock went down the tube again. I think it went down fifty cents or something like that, because they were stupid deals. Not that I was smart, but they were stupid, really stupid.

JOHNSON: Do you know what ultimately happened with Christiana?

BERMAN: I don't know. You know, I really don't know, because they did everything so wrong that I think other people came in. I don't know. I don't know if it's still in existence or not. I don't think so, but I don't know.

JOHNSON: Interesting. Well, you had mentioned that in addition to looking at the ranch up in Oregon you had your eye on a ranch up in Santa Barbara called El Capitan [Ranch].

BERMAN: Yes. I started devoting all my time to El Capitan, and I had a beautiful master plan for that. And, as I said, it was on the ocean, and we were one of the largest producers of avocados in this state. I had the master plan. We would use it as an equestrian center. We didn't use it as an equestrian center. We wanted to develop in two-, five-, and ten-acre ranchos. We sent it to the county. I hired a fellow named Stan Thomas, who'd been living in Santa Barbara all his life. He knew everybody. We went and we talked to each supervisor individually. We brought them to the ranch. We showed them the ranch. We told them what we wanted to do. Then we went to the planning commission. We showed them what we wanted to do. We wanted to be sure that we had approvals before we went in front of them.

And they told us what they wanted. What they wanted plus what we were going to do-- They wanted a polo field, because they were afraid they were going to lose a polo field in Carpinteria. Also, they wanted a large campground, because the El Capitan campground on the beach is owned by the state.

It's one of the most popular campgrounds in the state, and it was overflowing. They said, "If you will build a campground across the road--" There was an underpass that we had that went to our campground. So we built a beautiful campground.

We built one, and we had a children's zoo, and we had a bird

sanctuary. It's still one of the most popular campgrounds in the state, if not the most popular.

We finally went in front of the board, and we were approved unanimously. Because, as I say, homework was done. They told us what they wanted, and we did everything they wanted.

And then the roof fell in on us, because some of the professors at the University [of California, Santa Barbara], two especially--

TAPE NUMBER: X, SIDE TWO

JUNE 15, 1995

JOHNSON: All right. You were mentioning that some of the professors there--

BERMAN: Two professors in particular started a referendum against us to stop us developing the ranch, because they claimed that since El Capitan was one of the most famous ranches in Santa Barbara-- As a matter of fact, on my deed it went back to a gift from Prince Philip of Spain to Captain Juan Ortega, so it did have a lot of history. But the plans we had were so beautiful for the area that that's why we were approved.

But these professors got the students to go out on the street, and they started saying all kinds of things about me and what El Capitan would do. They showed pictures of Arrowhead as it is today, and they said, "This is what Arrowhead looked like before Berman bought it." Then they showed photographs of some broken- down lake where everything was all shacks and in disrepair. They said, "This is what he did to Lake Arrowhead." They did the same thing with Huntington Harbour.

Then they said, "Berman is a member of organized crime, and he's here to rape the land."

I found myself trying to defend myself. I really got angry at myself for-- You might say I was angry at myself, because why should I have to defend myself when I hadn't done

anything? So I hired a very good attorney, Stan Abbott, whom I had for years. I said, "Stan, why can't we stop these people?"

He said, "Jules, the referendum comes up in two months. I can't get you in court by that time. And what are you going to do if you get them in court? What are you going to sue them for?" He said, "They don't have any money."

So I finally talked to these professors. I said, "What do you have against our developing El Capitan?"

They said, "Because we can't share it."

I said, "Well, anyone can share it if they want to buy any of our property."

They said, "No, we mean we want to share it, but we don't want to pay for it."

I said, "Well, that's ridiculous." At that particular time in Santa Barbara-- I don't know if you were here at the time, but they had actually tried to ruin a Bank of America, and there were riots. It was a horrible thing up there. They were against everything. One night they let some of my horses loose on the freeway, and it was terrible.

JOHNSON: What year was this?

BERMAN: This was in '72. But I did get some ten-acre parcels approved. Stop this for a second and I'll show you. [tape recorder off] We can go on. These professors said, "Unless we can share it, we're against it." Well, I did develop twenty

ten-acre parcels, and they stopped me. But it was so ridiculous, because the ten-acre parcels that I developed people built beautiful homes on. Actually, they planted avocados, and they're making approximately \$50,000 a year and living in a beautiful area. So it worked out wonderfully for twenty people. But had they allowed me to keep going-- And on top of that, the county isn't getting any money from the ranch, because I think the ranch pays like-- I finally sold the ranch to Texaco. I think Tex only pays about \$20,000 a year in taxes. And these particular ten-acre ranches, because of their homes--they're all million-dollar homes--they pay more than that, each ranch. So it's [Santa Barbara] County that really lost out. What I finally did, though, is sold the ranch to Texaco, because they always wanted to drill on the ranch. I never would allow it, because I was afraid if they didn't find much oil but they did find enough to make it worth their while it would destroy the looks of the ranch. So when they found out that I wanted to sell it, they bought it. Because there's oil on both sides of El Capitan, but there's no oil on El Cap. They never found any oil on it. They still own it.

JOHNSON: What year did you get involved with El Capitan?

BERMAN: I got involved with El Capitan in about '66, '67.

JOHNSON: And how did that come about?

BERMAN: Somebody told me about it. Don't forget that was just after I sold Kahlua and I had cash. Then, when it didn't work out for Christiana, I could think of nothing better than to put my money into property along the ocean. I thought anything along the ocean had to be gold. But I didn't know about the problems we ran into. Because they had a coastal condition, as you know, later. For the first quarter of a mile from the shoreline nothing could be built. That's been changed now, but that was on after we bought the ranch--it wasn't there when we bought the ranch--which meant we couldn't build anything a quarter of a mile from the shoreline.

JOHNSON: Now, who did you end up buying the ranch from?

BERMAN: It was a company. I don't even remember the name of the company. It was a man. His name was Shelley, I think. He owned it. Well, he had investors, but he owned most of it. I paid cash for it. And there's a funny story with him, too, because he said to me, "You get everything except my two horses." He said, "My children love those horses like they love each other."

I said, "That's fine. I've had horses all my life, so I can understand that."

Then he called me up about two months later, and he said, "Will you take my horses please?" He said, "I can't find a place to keep them, and it's very expensive to board them

out." So we took the horses.

But in the meantime, I started raising Arabians. We had 250 Arabians. I wanted to draw attention to the equestrian facilities, and I built-- Next time I see you, I'll show you the equestrian setup. We had two tryouts of the Olympics on the ranch. We had such a wonderful jumping course. Also, we had two hundred fifty Arabians and twenty-nine Lippizanners that I bought from the Spanish Riding School [in Vienna]. I had a girl [Valerie Frizzell] who worked for me who was Austrian, and I told her, "Why don't you talk to the Spanish Riding School when you go home and see your mother. Ask them if they would sell us some horses." Because they would never sell any horses.

What happened during the war, when they had to get rid of them-- Well, they never got rid of their horses, but they had to hide them. There should be another place to breed Lippizanners. So Ruth [Herskovits Berman] and I were in Bangkok, of all places, about two years later, and I got a telephone call from my office.

They said, "We heard from the Spanish Riding School, and they want to see you as soon as possible." So Ruth came home, and I went on to Austria, and I bought the Lippizanners.

Lippizanners are the most fantastic horses in the world. See, I wanted to draw attention to the ranch. I knew I needed something unusual. I could think of nothing better than riding in, for instance, the Rose Parade. We did it in the parade

in Santa Barbara, where we had somebody walking with the name of El Capitan Ranch behind it. They'd be riding the Lippizaners.

And they became famous. But then I had to bring over trainers from Austria, because no American knew how to ride the Lippizaners. But these were all dreams that blew up. In the meantime, I was busy with the horses. It was a very wonderful way of living. I loved it. But then it got too complicated, because you go to all the different horse shows and so forth.

These are national championships. We had seven of them.

JOHNSON: So, as I understand it, you were hoping to use the equestrian center there and your horses as a drawing point for the real estate operations?

BERMAN: Yes. What we did when we planned the roads-- We had a bridle path alongside of each road, which meant that each ranch owner could ride from his ranch to the next ranch or wherever he wanted to ride. So it was a completely equestrian-oriented development. There wasn't anything like it in the state--again, something unusual. It was unusual, plus the fact-- They had a private beach. And also you're five miles from Santa Barbara. What could be sweeter?

JOHNSON: I understand there are some health benefits for horses in salt water?

BERMAN: Oh, yes, for thoroughbreds. A horse that runs a lot on a track, there's a pounding on their legs, and they get

a fever. The horse's hock is no bigger than your wrist, and, don't forget, a horse weighs 1,050 pounds on average. This pounding on that small amount of bone, after they do it a while, they get a fever, and there's nothing better than salt water for their legs. So that's true.

JOHNSON: So when you initially bought this property, did you end up having to haggle over the price a lot? Or how was that--?

BERMAN: I never haggle.

JOHNSON: It sounds like most of your deals are--

BERMAN: They're always clean. If somebody gives me a price I don't like, I won't buy it. If I like the price, I buy it. When I sold Arrowhead, for instance, to Boise Cascade [Corporation], I told them--their stock was \$25-- I said, "What I'll do is take two for one." That meant they paid \$12.50. I said, "You can't buy it for any less. That's my one and only price." And they paid it. The

same way with Kahlua. When I sold it, I gave Hiram Walker[-Gooderham and Worts] a price, and I said, "That's my one and only price." I never haggled.

JOHNSON: It sounds like there were quite a few things going on. You had an equestrian center there, three stables, five training rings. You had a five-eighths-of-a-mile track, a

polo field, an incredible avocado crop.

BERMAN: And lemons.

JOHNSON: When you bought the property, where did you see this going? It sounds like part of it was to develop real estate, but it sounds like you had an even bigger vision of what El Capitan would be.

BERMAN: Well, we planted more avocados because it was a very profitable crop. Santa Barbara is very unusual for avocados.

The avocados are ripe there in September and October. Of course, you know, 80 percent of the avocados grown in this state come from the San Diego area. And we had some property that we developed in Poway. All we could get for a pound for avocados in the spring was eighteen to twenty cents. But in the fall, because there's such a shortage of crops, we got seventy to eighty cents a pound. So that's a difference.

JOHNSON: As I recall, there was something about-- That area is particularly frost-free?

BERMAN: Yes. The avocado people call it the banana belt.

It's sort of an area shaped like a banana. There's never been a frost there, which, of course, makes it great for raising avocados.

JOHNSON: And what accounts for that?

BERMAN: I don't know. It's just nature.

JOHNSON: How about being closer to the ocean? That helps regulate the temperature a little better?

BERMAN: It probably does.

JOHNSON: Describe to me what your involvement was with the [United States] Olympic [Equestrian] Committee prior to buying El Capitan and how El Capitan was tied into the equestrian?

BERMAN: Well, I wasn't involved with the Olympic committee until we bought El Capitan, and then I got a call from the Olympic committee wanting to know if they could use El Capitan's course for tryouts for the Olympics. And of course I said yes. We had a big dinner the night before the first tryout.

And of course, the people who are in the equestrian, participants in the Olympics, are all very wealthy, because a horse eligible for the Olympics-- When I say eligible I mean he has the stamina and he has the fortitude. It's very difficult to find a horse that can do the things that are required in the Olympics, because the jumps get higher as they go, and the horse gets more tired. It takes great heart.

Those horses are worth anywhere from \$350,000 up. So a person who can afford that in these countries around the world must have money.

So we were sitting and having dinner in the beautiful ranch in Santa Ynez named Juan y Lolita. And the conversation was, when you ride to the hounds, how many dogs do you like

in the pack? Ruth and I started laughing, because we never rode to the hounds. [laughter] But that was the topic of the evening, great discussions about that.

But then I got involved with the Olympics. And then, when they had the Olympics here, as you can see by all these things over here, I got very involved in the Olympics. I'm still on the committee.

JOHNSON: So, that started in-- Was that '68?

BERMAN: It was '68. Then we had the international judges of dressage come from all over the world, and they met at El Capitan. Colonel Handler, who's head of the Spanish Riding School, conducted the methods to be used in judging. We had a meeting which lasted three days. On the last night we had a big barbecue for everybody. And in the box stalls were the Lippizanners. We opened up the top half of the box stall, and Colonel Handler had a movie of the Lippizanners, and of course all these horses at the

door were watching the picture, and they were neighing as they saw the horses. [laughter] It was very exciting, very exciting, something I'll never forget.

JOHNSON: Now, you also had a five-eighths-of-a-mile track there.

BERMAN: Yes. That was around the polo field. But we didn't

have any thoroughbreds. We did have thoroughbreds but not for racing. We used them for jumping. But I had a Tennessee walking horse who was a national champion. I used to ride him around the track. We used him just for exercise.

JOHNSON: You had mentioned dressage. For the benefit of those of us who are less well educated about horses--

BERMAN: You want me to explain what dressage is?

JOHNSON: Yes, please.

BERMAN: Dressage is the ultimate in riding. It's all done with pressure. If you see a person ride dressage, you'll see him ride erect and his hands held low with the reins. You won't see any movement at all. Yet the horse will do all kinds of different maneuvering, such as sidestepping, such as cakewalking, such as many things that you do. It's all done by touching a horse in a certain place. It's very sophisticated. There are very few people who would know it.

That's why I had to bring the trainers here from Austria, because no one here knew how to do it. Well, they do it, but not very well.

JOHNSON: Did you end up planting more of the avocados when it looked like--? Was it Proposition 20 that basically precluded you from being able to develop?

BERMAN: Yeah. From developing out along the ocean? No. We planted more avocados in the back because we couldn't develop

that, anyway. And it was more profitable, actually, to plant avocados than it was to develop it.

JOHNSON: But you still had in your mind at that point that you still wanted to go ahead with the development?

BERMAN: Well, we had over two and a half miles of frontage, of level land along Highway 101, that we wanted to develop.

JOHNSON: So ultimately you only ended up selling-- Was it twenty parcels?

BERMAN: Yes, twenty ten-acre parcels was all I ever sold.

JOHNSON: In what year did you finally say uncle? "Enough fighting with these people"?

BERMAN: 'Seventy-three.

JOHNSON: At that point, were you actively looking for a buyer?

BERMAN: Yes. But I didn't sell it until 1981.

JOHNSON: Now, I understand that prior to Texaco you almost closed the deal with someone else. Could you explain that briefly?

BERMAN: Well, yes. That was with the Seventh Day Adventists.

And also I had a deal--it wasn't really a deal, but it was a talk--with the Mormons. The Mormons wanted to buy it for a university. They felt it was a good location for a university because we were right near the airport of Santa Barbara.

Santa Barbara was a nice, clean city for students to go to.

And we were on Highway 101, which is easy to get to. So that

was their idea. But the Seventh Day Adventists I really thought would buy it, because they were telling me-- In fact, I even visited some of their hospitals. They wanted to show me how they operate. They said that even though they're religious, they have problems in families like most Americans do, and sometimes a father and mother and the children just don't get along together too well. They could think of nothing better in the world than to have a place like El Capitan. What they would have done was take the box stalls--the box stalls were twelve by twelve [feet]--and make little rooms out of them and have lavatories at each end. They felt that if a family worked together away from their own environment and they were out in the air and so forth and would go swimming together or horseback riding together that the family could become close to one another. That was their idea, that they could do a lot of good. Plus the fact--you must remember--they're vegetarians, and with all that land at El Capitan, they could grow an awful lot of vegetables. They would have these people working and doing it. I really thought we had a deal with them, but it didn't go through.

JOHNSON: So roughly it was almost--what?--eight or nine years where you were trying to sell it?

BERMAN: That's right.

JOHNSON: Was it the avocados that were basically making it

profitable at that point? I mean obviously you must have--

BERMAN: It was the avocados that were keeping us going, yes.

Otherwise there was no income. The campground had an income, but not enough. I borrowed money from the bank, and I was--

For the first time in my life I was very short of money.

Besides, I had other properties that-- I had the Huntington

Hartford Estate in Hollywood. That's seventy acres right

at the end of La Brea Avenue and goes all the way up to Muholland

[Drive]. I had fifty acres in Goleta, a shopping center,

which I couldn't get approved. So I had a lot of property,

but they were all vacant. So it was costing me money every

month with nothing coming in except from El Capitan. Then

I had the Point Ranch, too, which I leased out. At least

that paid its overhead.

JOHNSON: In reading over the manuscript, you mentioned that,

I guess, some of the professors and some of the people who

were against your developments tried to create some influence

over the water board. Is that--?

BERMAN: Well, what happened is still going on in Santa Barbara.

After the referendum went through-- Don't forget, these

professors aren't exactly the most stupid people in the world,

although I don't like the way they think. They're really

communists, because they had these students out going house

to house and saying, "Vote against El Capitan. Vote for the

referendum." And they stopped at nothing. As a matter of fact, we sued the county, and we petitioned for all these students', you might say, admission cards. Because according to law, the only people who can vote on a referendum are people who actually have permanent residence in the area. And with eighteen thousand kids voting against this, our attorneys said that these should be thrown out. But there were so many people locally who were stirred up through these professors that the judge said, "Well, how do we know that these students won't want to live in Santa Barbara when they graduate?" That was the decision that he made, which was absolutely ridiculous. We could have appealed it, of course, and won.

But at that time, everything was taken out of me, because I had my dreams. The reason I had loved El Capitan was because of what happened at Christiana, where I had the board against me when I settled, and also when we had a public company at Arrowhead and they voted to sell the company, which I didn't want to do. I wanted something of my own where I didn't have to talk to anyone to do what I wanted to do. So that was my dream. When I got approved by the board of supervisors, I figured I'd sell maybe four or five parcels a year just to have a nice livelihood the rest of my life. It never worked out that way.

JOHNSON: How did the water board affect the operation?

BERMAN: Oh, now, after they defeated us, they knew they couldn't go on for more referendums. But then they got very--you might say--very smart. No one votes for people on the water board. So they got everyone they could to vote for these professors to get on the water board. Then they declared a moratorium. It's still going on. All these years there's a moratorium against building in Santa Barbara.

JOHNSON: Because they will not provide the water?

BERMAN: They won't attach water. They turned down water from the Santa Ynez River. And the county is in tough shape, because there are no new developments. If you can't get water, how can you develop? So that's what they did.

JOHNSON: So you thought that you might sell to the Mormons or the Seventh Day Adventists. I understand that there was also a gentleman from the Middle East who had expressed an interest in--

BERMAN: Oh, yes. Well, that was a day before the Texaco [offer]. I got a call from a fellow-- He was an Arab, and his son went to school in Santa Barbara, the University of California at Santa Barbara. He visited Santa Barbara and he liked it. So he called me up, and he said, "I understand that your ranch is for sale." I said, "Yes." Now, at that point I owed City National Bank \$1.5 million. And because of the trouble I was having with all these people, Bram Goldsmith, president

of the City National Bank, a good friend of mine, said to me, "Well, Jules, if you get your name off of the ranch and put it in trust with the bank, no one is going to know who owns it. I think it will be easier to get anything through that you want to get through there." So I put it in trust with City National Bank, but that didn't fool anyone. It was the first thing they asked: "Well, if it's in trust, who's the beneficiary of the trust?" Of course, it was me. Anyway, City National Bank-- Really, it was in their name.

So I met this fellow, this Arab, in Bram Goldsmith's office, the president of City National Bank. I told Bram, "For gosh sakes, Bram, you should be quiet." Because I had a deal with this fellow for \$9.5 million, to sell the ranch for \$9.5 million, all cash. An attorney from O'Melveny and Myers met us at the office, and he said to me, "Well, of course, Arabs have their way of working. They always agree to the price until you go to close the deal." So we got in Bram's office, and this Arab said, "Well, I thought it over. I don't think it's quite worth \$9.5 million. It's worth considerably less, I think." I said, "There's only one price." I knew he wanted it. He said, "Well, I'll have to make a phone call."

Bram was trying to sell the ranch for \$5 million; City

National Bank was offering it for \$5 million. And I said, "Bram, you can't do that, because the ranch is worth much more than that."

He said, "It's in our name. I can do anything I want."

Anyway, this fellow went out and came back and said, "Okay, I'll pay the price." So we agreed to meet at O'Melveny and Myers the next day.

In the meantime, that night, a fellow by the name of Hazzard-- He was head of Texaco for the West Coast. I knew him because he'd talked to me several times about leasing the ranch, part of the ranch, for oil wells, and I wouldn't do it. He said, "I understand that you're

selling the ranch." Now, how he found out I'll never know.

I said, "Yes."

He said, "I'll give you \$1 million more than your offer right now."

I said, "I'm meeting him at O'Melveny and Myers at noon to close the deal."

He said, "I'll meet you at ten o'clock."

I said, "You'll have to have a check."

He said, "I'll have a check."

I said, "Yes, but it has to be a cashier's check."

He said, "For me, the banks will open up."

I met with them in Bram's office again. I told Bram, "Now, be quiet." I said, "This gentleman is from Texaco."

He said, "Okay, let's open escrow right now." He laid down a deposit. Of course, a real estate deal is never a deal unless it's signed, so verbal doesn't mean anything. Otherwise I could have been sued. But luckily that is a real estate law. So I sold it to Texaco.

JOHNSON: For about \$10.5 [million]. Now, you did keep some of the property.

BERMAN: Yes, I kept a ten-acre parcel.

What we sold were some ten-acre parcels. I sold one to Shirley Jones and Jack Cassidy. She was married to Jack Cassidy, and Jack died. I sold it to them on term. All of a sudden I couldn't get any payments from Shirley. So I called her up, and I said, "Shirley, how come you're not paying?"

She said, "I don't know. Call my business manager."

So I called him up, and he said, "I don't want Shirley to have that property." He said, "I'll quick-claim back to you."

I said, "Now, wait a minute." I said, "Shirley paid \$90,000 for a ten-acre parcel. It's worth at least three

times as much now."

He said, "I don't care. I don't want her to have it." It shows how stupid some of these managers are and these picture people depend on them.

So he quick-claimed it back to me, and I sold it for \$300,000. Now, she could have sold it for \$300,000 just as easily as I did. Then I had a sixty-acre parcel that I kept out and I sold. And I kept 120 acres. You have to learn.

And that's where experience comes in. When I sold Kahlua, if I had just sold the United States and kept the rest, a Hiram Walker would have bought it anyway. And if I had sold Arrowhead and kept Totem Pole Point, they would have bought it anyway. Totem Pole Point went for \$3 million. Then, when I sold El Capitan, I got a little smarter. I kept 120 acres and those other two parcels, which I sold. So I actually own this 120 acres for nothing, because I got paid by Texaco.

JOHNSON: Sure.

BERMAN: So that's where experience comes in. That's where you have to learn.

JOHNSON: Did you keep the beachfront property?

BERMAN: No. But I have the right to use the beach. That's in my agreement. I have the right to use the beach.

JOHNSON: Did you keep the equestrian portion?

BERMAN: No, that went with Texaco.

JOHNSON: So then the part that you own now--

BERMAN: It's just raw land.

JOHNSON: Do you have a house up there?

BERMAN: No, nothing. No. It's just raw land. But it has the use of a private beach. You can see the view. It's the most beautiful piece of property--

JOHNSON: Is this it?

BERMAN: Isn't that gorgeous?

JOHNSON: Do you have the avocado business on part of that?

BERMAN: On some of it, yes.

JOHNSON: Would you sell part of it? Or you just use it--?

BERMAN: No, I'll sell it all. I can't sell part of it. It's one parcel. I can't do that.

JOHNSON: But it sounds like it's a place that you still go to and enjoy periodically.

BERMAN: Well, my wife doesn't like it, so it's no good for me. [laughter] Oh, well, when I was up there and we had the ranch and we had all the horses, I'd get up in the morning around six o'clock and I wouldn't come back until it got dark.

I'd be out in the back with the avocados or lemons or I'd be riding most of the time. And we were training horses all the time. I was on my horse all the time. It was wonderful.

I would love to live up there.

JOHNSON: And you would if it wasn't for Ruth not liking it?

BERMAN: Ruth doesn't like it. Well, there's nothing for her to do. She's from New York. She doesn't know anything about ranches.

JOHNSON: It sounds like you went through quite a lot with the whole El Capitan experience.

BERMAN: Well, it was the first time in my life, really, where I really hit defeat. And the worst part about it all, there was nothing I could do about it. And I had done nothing wrong.

I did everything right, and I had these people telling these terrible things about me. And I couldn't fight back, because, as my attorney said, "They can sue the hell out of you, but you can't sue them because they don't have anything." And they're telling all these things about me--you have no idea how terrible it was--about my being a member of the Mafia.

JOHNSON: And you were on the president's crime commission or--?

BERMAN: Yes. I was on the crime commission, anti-crime. So I'm still-- Well, not anymore. But I was an adviser to the district attorney's office here for many years. So I am against crime. And here these-- Member of the Mafia! It sort of gets you upset and sickened over such a thought.

And then to show these horrible pictures. Where they got them I don't know. But they painted me as the worst person who ever lived.

JOHNSON: As you look back on that experience, what things might you do differently, if any?

BERMAN: There's nothing I could have done at the time differently. You see, I did what actually was prudent to do. As I said, we took each member of the planning commission and the board of supervisors individually to the ranch, drove them through the ranch, told them what we planned to do, asked them if they had any ideas, and they would tell us. Like they told us about this polo field, which we never used, and the different things that they wanted us to do, which we did. We did everything they asked us to do. So when we went in front of them, they approved it immediately. Now, what else can you do? Who would ever think of a referendum? There's one thing that's sure--the last thing I wanted to do was to tell you about my failures. The way it sounds, everything I do is great. But you're never sure of anything.

Oh, I forgot. I was offered \$30 million for a part interest, for half interest in a ranch by City Investing Company, a big public company. [George T.] Scharf-fenberger was president. I wouldn't take it, because I said I wanted my own little thing. I paid for the ranch. It was clean. It

was clear. I didn't want the offer. And it's a good thing. Also, a lot of my friends wanted to invest in the ranch. What would have happened if I had taken investors and found out that we got stopped? They would have thought that I double-crossed them. It was the worst shock I've ever had in my life. I mean, it made me sick. I had to borrow money from the bank, which I'd never done, but I had to.

But then, it's a funny thing. I sold all the property at one time except the Point Ranch. I sold the Huntington Hartford Estate. The same thing happened there. I sold it to an Arab. I had three offers in two days, and we were trying to sell it for ten years. And the property in Goleta, I sold.

El Capitan, Goleta, and the Huntington Hartford Estate, we sold them all within three months. So from being absolutely broke, I suddenly had cash. But real estate is funny. You can hold onto it and hold onto it, and then, when you sell it, you find out you had five buyers. [laughter] In the meantime, you can't get one buyer for years. It happens a lot of times in real estate.

JOHNSON: Is there anything else you'd care to add about El Capitan?

BERMAN: No, I think we covered pretty much about El Capitan. It was just a big disappointment, that's all. And the one that really got hurt is the county. Because, had I done what

I wanted to do, the county would be receiving terrific amounts of money in taxes. This way they're receiving nothing except those twenty-acre estates. That's all. I think that's about all about El Capitan.

TAPE NUMBER: XI, SIDE ONE

JUNE 22, 1995

JOHNSON: In our last tape we basically finished up with El Capitan Ranch. Now we're going to discuss some of the other businesses that you've been involved with since that time period. We had touched on it briefly, but it sounds like you had a pretty interesting relationship with Dr. Armand Hammer. Could you describe how you first met him?

BERMAN: Yes. Dr. Hammer bought a Kentucky distillery. This was when we were in the liquor business, of course, before I sold out. He bought J. W. Dant Distilling [Company], and he hired a sales manager who called me and wanted to know if we would distribute this whiskey nationally. Well, as I said before when we were talking about liquor, I steered away from whiskey because it was in the big leagues. And also I had the support of the large distillers who wanted me in their houses, because I had all, you might say, the frills, the specialties that they wanted. I didn't conflict with them in any of their items. So it was quite a decision for me to make to take on a whiskey line. But I met Dr. Hammer. If anybody ever met Dr. Hammer, they know he was a terrific salesman. So he sold me on the idea of representing him.

Well, in the meantime I hired a fellow named Walter Girdwin, who was with Seagram [Company] before. Actually he was with Calvert [Distilling Company], which is a part of Seagram. Terrific fellow. And after a little while he became my assistant all the time I was in business. When I sold out I made him wealthy enough to where he could retire. But we had a very tough time with whiskey, because the big houses were controlled by the big distillers. The national distillers like Schenley [Industries] controlled most of them. And once these big distillers got into a house, there was no room for another bourbon. So we weren't doing well at all. I told Dr. Hammer that as far as I could see we had no place to go.

So one day he called me up. He said, "I'd like for you to sell this whiskey at \$39 a case." Well, that was absolutely ridiculous, because a bottle of bourbon whiskey is 100 proof. And at that point the cheapest one on the market was \$54 a case, so he was \$15 under the market. And of course, he was taking a terrific loss.

So I immediately called up Jim [James] Maloney, a close friend of mine who is head of McKesson and Robbins. McKesson at that time had branches in every major city in the United States. So I figured if I could get McKesson to handle J. W. Dant, I would have just one customer who could control

the whole United States. So I called Jim

up, and he said, "Absolutely, we'll take it on." He said, "Send a container to each one of our houses." So we did, and it started selling very well.

But what I didn't know was that Dr. Hammer was way ahead of me. He knew he had no place to go in the industry. So what he did was he became a thorn in the side of every major distiller, because he was underselling so badly that they didn't want to meet the competition. So Schenley bought him out at a terrific profit to himself, which was a very smart move. Only a person like Dr. Hammer could do that. He really lived a fantastic life. He and I became good friends.

I used to go up to the Empire State Building at about four o'clock, and then we would go down below, and he'd have a limousine waiting for us. We would drive to the Seventy-ninth Street yacht anchorage, where he had a beautiful big yacht.

We'd go aboard the yacht, and he'd go down below and change his clothes, come up in his pajamas and a robe. He had a Japanese valet for years when he moved out here. He still had the valet, and this valet would make us hors d'oeuvres and drinks. And we would just leisurely go to Red Bank, New Jersey, where he had a beautiful farm and he'd raised Aberdeen

Angus cattle. So someone would meet us at the dock, and we'd go to his home and have dinner. He would go up to his room, and I had a room. Of course, I took overnight changes and so forth. But we'd get up in the morning and go right to the boat. And as we were leaving Red Bank, he would go down below and shave and change his clothes and come up. By that time this Japanese valet would have breakfast for us. We'd arrive at Seventy-ninth Street yacht anchorage and go to the Empire State Building. So that wasn't too shabby a way to live.

But when he came out here, he called me. I'd just bought Arrowhead. He wanted me to get involved with Occidental [Petroleum Corporation]. At that point, Occidental was, I think, selling for fifty cents a share. I didn't want to get involved with Occidental, because at that point I had too much to do with Arrowhead and Huntington Harbour. Also, I was still running Kahlua and my liquor business. So he bought some shares of Lake Arrowhead stock--not a lot, but he bought some.

We had a place in Acapulco we went to at Christmastime, so he came down to Acapulco one time. And when he was in Russia-- It's well-known that he went there right after the First World War. As a young physician he took care of many

sick people, and he became a very good friend of Lenin. Well, anyone who was a friend of Lenin could do anything in Russia. As a matter of fact, when the United States had problems with Russia in all the years of the Cold War, he would quietly go to Russia and sit down and talk to whoever would be head of state, because they respected him being a friend of Lenin. But when he left Russia, he came out with a lot of the treasures and jewelry, and he and his brother opened up an antique shop, a beautiful, beautiful shop on Fifty-seventh Street in New York. It's known as the Hammer Galleries. It's a well-known gallery.

When we were selling J. W. Dant he gave me a yellow diamond, the largest yellow diamond in the world. It was on a gold strand. We would wrap it around the bottle and put it in a velour bag. And when I held a sales meeting, I would say, "Gentlemen, this is the most expensive bottle of whiskey in the world. It's worth \$2 million." And of course, I took out the bag and showed them the diamond.

Anyway, when he was at the house at Acapulco, one night he got a little drunk, and he was feeling very good. And I said to him, "You know, Dr. Hammer, you and I have been friends for years. There's one thing I'd like to know. How in the devil did you ever wind up with the crown jewels of

Russia?" He looked at me with a sort of a twinkle in his eyes and he said, "Jules, I'm drunk, but I'm not that drunk."

So we were good friends until he died. That was about the end of my relationship with Dr. Hammer.

Now, what else would you want to go into?

JOHNSON: So I understand, then, that your first contact with him really had to do with him seeking you out to--

BERMAN: Yes, he sought us out for J. W. Dant.

JOHNSON: Do you remember about what year that was?

BERMAN: That was probably about '58 or '59, something like that.

JOHNSON: So he had Occidental Petroleum at the time?

BERMAN: No, no, no. He lived in New York. He didn't even know about Occidental Petroleum. He only became involved with Occidental Petroleum when he moved out here. At that point, the only thing he had was a distillery and a few other things. But he was a wealthy man by then. JOHNSON: How deep was his pocket--or did it have to be--to finance this selling J. W. Dant at these ridiculously low prices?

BERMAN: To be honest with you, I don't know how deep his pocket ever was. I know it was deep, because don't forget, as I said, he had all these crown jewels of Russia. Lord knows what they were worth, but this one diamond that I had

was worth \$2 million. But whatever it was, he poured it in. And McKesson did a terrific job in selling, enough that Schenley bought him out for I don't know how many millions, but it was quite a bit.

JOHNSON: So you think he definitely made money on the deal, although--?

BERMAN: Oh, sure he made money on the deal, but he made it in a way that very few people would think of or would do: take that chance, keep taking losses. But they had to get out of the business. So it was very clever.

JOHNSON: Do you think that strategy would still work today in the right situation?

BERMAN: Sure. I think it could happen in any business. I'm in investment now, where we have-- We call it Mobile Storage [Group]. We buy these large containers off the ships when they're through with them and fix them up. And we rent them out. We're doing very well with them, and there's a terrific need for them. For instance, even when they had the earthquakes here, a person could rent one of our containers and put their furniture in storage and keep it right on their grounds. But our big business is with the government and with big companies. For instance, in [operation] Desert Storm we did a terrific business with the government, because they needed someplace

to store certain things and lock them up. So we're doing very well with that. But what we do, as soon as someone starts up we buy them out. So in order to kill competition we keep buying out other people who could go into the business. And that would work today. I think it's similar.

JOHNSON: Are there any concerns from any competitive standpoint that you may ultimately have to address because of that strategy, do you think? Or is that not an issue because it's a relatively small--?

BERMAN: Well, yes, it's not that big an industry. I think we have four thousand of these mobile storage containers. But it's not an industry that bothers anybody or that too many people want to get into. It's just a small business. But it isn't a small business, because when we get four thousand units paying a \$115 a month-- There's no maintenance except when you get them you paint them. Then, when you deliver them, you get paid for that. The overhead is nothing. So it's a very good business.

JOHNSON: How did you get involved with that business?

BERMAN: I have an investment firm I work with, and they put me in it. It's been very good for me lately. I make about 12 percent. Then we depreciate it. So for the first four or five years it's all protected.

JOHNSON: Just for interest's sake, what is an asset like that considered for tax purposes, for depreciable life? Is that seven-year or--?

BERMAN: We depreciated it in four years, three to four years. And the people we have working for us are from large accounting firms, so they know what they're doing. As I said before, in everything that we try to do we hire the best. So they know what they're doing.

JOHNSON: In the manuscript, there was some discussion about Bernecito Ranch, I guess, up near Lodi.

BERMAN: Yes, well, that was one of my big losers. A fellow came to me and told me that there was good money in raising Aberdeen Angus. People would buy them for investments. So this ranch was for sale, the Bernecito Ranch. It was a beautiful ranch, and it was near Lodi. I bought it, and we started raising Aberdeen Angus. And the next thing we knew, we bought a ranch in Nebraska, because we wanted to-- That's more in the cattle area than it is in Lodi. Because Lodi is certainly not in the cattle area. You see, in a breeding program such as Angus, your bulls are worth a lot more than the heifers or cows. The farmers that raise cattle want Angus bulls because they do produce better meat than the other breeds. And Nebraska was in the center of everything. But we had a lot of trouble

there. We had a drought the first year. And of course, in the wintertime we would feed them corn. We raised a lot of corn. But the drought ruined us. We were paying \$5 a bushel for corn for a while. But we made money for about four years.

I was in it about five years. We made money the first four years, but the fifth year the whole market just fell apart, so we took a terrific loss--rather, I took a terrific loss.

The cattle business is a peculiar business. You can make money, historically. You can make money for years and lose it all the last year, because the market just fell apart.

JOHNSON: What year would you say you got involved with that ranch?

BERMAN: I probably got involved there in '70. I got out of it in '76, I think.

JOHNSON: So that was about the time that-- In context with El Capitan [Ranch], then, that was--

BERMAN: Yes, that was when I had already gotten over my problem with El Capitan, and I was just holding on at that point, selling the twenty-acre parcels.

JOHNSON: Right. What did you see as the opportunity with this cattle-raising business?

BERMAN: Well, there was a demand at the time for Aberdeen Angus, because it does produce the best meat. And there weren't

too many people actually raising purebreds.

These were all registered cattle. So there was a demand for breeding. We'd sell it to farmers, one or two to each farmer, who would use it for breeding stock. And as I said, for a while it went very well. But then the market fell down to nothing. For an Aberdeen Angus that would bring \$10,000, we'd be lucky to get \$1,000 for it. We sold some bulls for \$10,000 or \$20,000. But when the market fell apart there was nothing we could do.

JOHNSON: What type of analysis financially or marketwise would you do before entering that kind of business? How do you assess something like that?

BERMAN: Well, I talked to different cattle people, and I talked to breeders of Aberdeen Angus who were telling me how well they were doing. That's about the only thing you can do. I'd go to the shows, because they have cattle shows all over the country, and talk to the different breeders to find out just what they're doing. At that point they were all doing very well.

JOHNSON: When you look at an opportunity like that, do you incorporate some sort of minimum return on investment or use a payback period or some sort of discounted cash flow? Do you say, "I think it's going to provide 12 percent return,

so I'll do it"? Or is that--?

BERMAN: Yes, we analyze it very carefully as to the profits. And then I hired a very good accountant to run the company or manage the company. He was good. But it's just one of those things that happens in a lot of different types of businesses. You can make money for years, and all of a sudden the bottom falls out. We didn't know about the bottom falling out, so we got out of it right away, took a loss, took a terrific loss, and got out of it.

JOHNSON: Is there a particular return on investment that you use as a rough rule of thumb for your projects? How do you--?

BERMAN: No, because each one's different. Some will show a terrific return and some will show-- Well, unless they show at least a 15 or 20 percent return, I'm not interested. And that's after taxes. I mean, that's net. Unless it does that, it doesn't interest me at all.

JOHNSON: Were you the sole owner of this?

BERMAN: I was the sole owner of that, yes.

JOHNSON: And did you put it into a corporation? Or was it a--?

BERMAN: Well, we put most everything in subchapter S corporations. Most everything we did was subchapter S.

JOHNSON: I think a lot of business people are probably familiar with why you'd go with a subchapter S. But for the purposes of this history and people reading it, what were some of the key advantages you saw going subchapter S?

BERMAN: Well, you're protected by a corporation. In other words, they couldn't sue you individually. They'd have to sue the corporation if it came to that. And you didn't pay corporate taxes because it was your own personal thing, so you saved that double tax. That's about all there is to it.

It's mostly in taxes. Also you're protected by a corporation instead of individual ownership.

JOHNSON: Well, I'm sure that will help the readers of this who aren't as savvy in business.

BERMAN: Now, what I'm telling you is what I did. The tax laws have been changed so much in the last five years that I don't even know if that works today. So I wouldn't say that a person should use this as a basis to start a sub-chapter S corporation. If the tax laws haven't been changed, it's fine, but I'm not sure. I haven't heard of it being changed.

But I know that so many tax laws have been changed that this could probably be one of them, although I haven't heard of it.

JOHNSON: What is your assessment as to why the market ultimately

went south?

BERMAN: You mean the cattle?

JOHNSON: Yes, sir.

BERMAN: It got to be a fictitious business after a while.

I wanted out after a while because the breeders would come to me--the same thing with the Arabian horses--the breeders would come to me and they'd say-- We'd all have to have auctions.

Because in the cattle business, we had a great number of calves every year, and we wanted to sell them off when they became old enough. And the breeders would come to me and say, "We'll bid \$200,000 on a bull or \$50,000 on a heifer, but you have to come to our auctions and bid that." And the group got together, and they would do that. I wouldn't do it. That's how many people lost their money.

JOHNSON: Now, what was the rationale for--? I'm assuming these bids were far in excess of what a market value would be.

BERMAN: But, you see, the little person who didn't know anything about it, he thought that was the going rate, that that was the going rate of the price of the animal. But it really wasn't the going rate; it was a fictitious and trumped-up price. It should never have existed. As far as I can see, it's completely dishonest. But it's been going on for years

that way.

JOHNSON: Help me understand a little bit. So there was essentially collusion between some of the larger ranches, that they would bid excessively for each other's animals?

BERMAN: That's right.

JOHNSON: And then what would happen?

BERMAN: Well, the smaller bidders-- For instance, if the first four or five animals come out and somebody bid \$50,000 or \$20,000 and the next one comes out, the smaller bidder, he's going to figure that's the value of the animal, because he knows the reputation of these big breeders. It was just a very fictitious business at that time because it wasn't fair. But they were doing it. And they did it in the Arabian business, too.

JOHNSON: So, as I understand it, the big boys would get together to make these agreements and trade a few bulls, hoping then that the little guys would jump in, and ultimately their goal was to sell to the little guy for \$50,000.

BERMAN: Right, right.

JOHNSON: And then he's left holding an animal that no one in their right mind would pay that much money for.

BERMAN: That's right, and they bought them. They didn't know any better.

JOHNSON: Were there any interesting tax shields or interesting aspects of that business that attracted people? I mean, to create losses or--?

BERMAN: Actually, we sold a lot of cattle to investors, to big companies that just did cattle investing, and people would get all kinds of tax benefits through it individually. Most of the cattle that was sold was sold that way. They paid a high price for the cattle. Then they got a write-off on it. They were interested in the write-off, actually.

JOHNSON: And then my understanding is that-- It was in '86 that Congress with the Tax Reform Act significantly limited those types of tax shelter investments, whether they be oil wells or cattle. It sounds to me like it pretty much killed the industry.

BERMAN: Oh, it's dead now, yes.

JOHNSON: You can't really have a business whose sole purpose is to generate losses now.

BERMAN: Well, what you have to do-- See, the laws are changed so often that-- And I'm not a tax expert by any means. But the last I heard, if you invest in those types of investments, you must show a profit every fourth or fifth year. So you can't keep taking losses or writing off your losses.

JOHNSON: I understand that there was some litigation that

fell out off-- Some investors had bought some of the animals and turned around and sued some of the owners of the cattle that sold them.

BERMAN: Yes, there was an investment company in Arizona, and they called us up one day and they wanted to buy about three hundred head of cattle. There was a firm of accountants in New York who had worked out the tax benefits for the investors.

We supplied the cattle. Then, of course, when the market really fell apart, the investors took a terrific loss, so they sued the people who got them into the deal. They also sued the tax company and they sued the place where they were keeping the cattle. Then they sued us. But they didn't have a case against us, because all we did was supply the cattle.

And many of the cattle that they bought from us had won many shows. So we had nothing to do-- We never even knew who the people were. So that was just one of those lawsuits where they sue everybody.

JOHNSON: How was that ultimately resolved?

BERMAN: Well, believe it or not, in order to get it over, we-- I think we gave close to \$1 million to this law firm just to get it over with, because these people really got taken. We had nothing to do with it.

JOHNSON: And then at that point you dismantled the company.

BERMAN: Yes. We had an auction. We sold everything off. We didn't care what we got, just to get out of it.

JOHNSON: You mentioned that this was one of the losers of your--

BERMAN: It was a loser, all right.

JOHNSON: Would you consider it a pretty big loser?

BERMAN: Yes. I think I lost about \$3 million in that deal altogether.

JOHNSON: As you look back on that experience, is there any advice or any things you would do differently now if you were to look at an opportunity like that again?

BERMAN: Well, it's stupidity. I never should have gone into it. I didn't really know the cattle business. And the history was that you could make money for years and lose it. But when we got into it, we thought that was in the old days. We thought in the new days there wasn't going to be a loss. But it's the old story: unless you know what you're doing-- And we didn't know what we were doing, although I hired top people. We won national championships, and we had a great herd of cattle. But to be honest with you, I didn't belong in that business. It's just as simple as that. It was a stupid judgment on my part. That's just another story. Stay out of businesses that you don't really

know.

JOHNSON: It sounds like the whole litigation issue was pretty ugly and that they ultimately came back to you. And yet you really had nothing to do with it, but--

BERMAN: Well, that's right. They even sued the person in Colorado who kept the cattle. They said the reason the cattle didn't bring much money was they weren't kept properly, yet the cattle were kept properly. So, you know, it's a broad brush. When they start a lawsuit, they sue everybody.

JOHNSON: Can you see any way to mitigate those types of concerns in a business today?

BERMAN: Not in a business that can go up and down, no. The only thing I could say is that type of business you should stay out of. And where we did make money in cattle was a little different. At the Point Ranch, believe it or not, we would buy steers from Mexico in March, take them up to the ranch and let them graze all summer, and then sell them in October. Well, they would gain at least three hundred pounds. It's mathematical. Actually, it's all mathematical.

They only weigh about six hundred pounds when you buy them, because they're just weaned from their mother, and they weigh nine hundred pounds, approximately, when you sell them. At that point you were getting like thirty-five cents a pound,

so you make \$100 an animal. And the only thing you had was the cartage back and forth. So you'd finally wind up with \$60 net, which was a good-- The Bank of Oregon would finance you completely, 100 percent, and that way you could make money.

JOHNSON: Now, how long were you in that business?

BERMAN: I did that about five or six years.

JOHNSON: At the same time that you were running the other--?

BERMAN: Yeah. It was a different business entirely, because we only had steers, and we had all the grazing land up there.

But then I found a good tenant-- Again, they were all over the place. I found a good tenant for the Point Ranch who-- That's exactly what he did. He paid me almost as much as we made running it ourselves. So I'd rather have a good tenant and get paid by him than try to do it ourselves. So from then on, until I sold the ranch, he was my tenant for many years.

JOHNSON: And what year was that that you sold Point Ranch?

BERMAN: I sold the Point Ranch-- Let's see. That was in 1982 when I sold it.

JOHNSON: Is there anything else you'd care to add about the cattle business?

BERMAN: [laughter] No. I wish I was never in it.

JOHNSON: [laughter] I sense that. In reading over the

manuscript, back in the seventies it sounds like as you were getting out of El Capitan Ranch--or as far as the involvement with that--and out of Arrowhead, some of the activity with the liquor business picked up again a little bit.

BERMAN: Yes. I was asked to bring in some wines, and we took out our license again. We started selling some imported wines. We also had some wines from the Argentine which we did very well with. We had a pretty good business going, but we just never really hit it big. So I just phased it out because it wasn't worthwhile.

JOHNSON: Did you reassemble some of your old team, like Sheldon Marks and--?

BERMAN: Well, I had Sheldon, but he was the only one. I mean, Wally Girdwin and the rest of the people there had retired. Some of my other people are still with my old company, and I wouldn't take them away from there.

JOHNSON: Now, one of the products you were involved with, as I understand, was Lamoka?

BERMAN: Lamoka. That was the one I was telling you was made in Mexico. It was a terrific product. We sold it very easily. I designed the whole bottle and everything. If we ever have any more sessions, I'll bring one and show it to you. But the cartons came in all broken, and we had an awful time.

JOHNSON: Now, how did you get involved with Lamoka in the first place?

BERMAN: It was my idea. I knew coffee was a big seller. But what I did, I mixed coffee with chocolate, and it was a very delightful drink. In fact, I thought it was better than Kahlua, actually, because of the chocolate being mixed with--

JOHNSON: Where did you do this mixing?

BERMAN: In Mexico.

JOHNSON: That's where you first started experimenting with coffee and chocolate?

BERMAN: Well, no. I started experimenting with that years and years before that in the early fifties in Puerto Rico. We had a liqueur called Chokalu. But we had so much trouble with help down there that it wasn't worth it, because they come in any hour they feel like it, and if you say one word to one person they all walk out. It was very difficult.

JOHNSON: This was in Puerto Rico?

BERMAN: In Puerto Rico. So we dropped it.

JOHNSON: So in the seventies you turned up this old idea you'd been working on for mixing coffee and chocolate.

BERMAN: Lamoka was a very big disappointment to me, because I knew it was a good product. I knew the package was beautiful

and would sell. And the distributors were all enthused about it. But these shipments came in. It was just unbelievable.

JOHNSON: So you opted to have it made in Mexico just like Kahlua.

BERMAN: Yes.

JOHNSON: But how was Lamoka different than Kahlua as far as the production?

BERMAN: The outfit that I picked in Mexico is actually a very large company, one of the largest. I would think that I could rely on them to use good cartons. I picked out good cartons, but I didn't get what I picked out.

JOHNSON: This is just the actual cardboard box they would ship it in?

BERMAN: Yes. They all collapsed when they were piled on top of one another. Consequently, there was so much breakage that we had to relabel whatever was left here. It was very, very expensive. I was heartbroken on that, because it was a wonderful item that would have gone places.

JOHNSON: Now, was this facility down in Mexico City?

BERMAN: Yes.

JOHNSON: Before, you had owned your own facility.

BERMAN: Yes, and we knew what we were doing. This way I was contracting out.

JOHNSON: And the reason for contracting it as opposed to doing it yourself was-- What was your thought process?

BERMAN: Oh, I didn't want to build a big plant, because I didn't know how Lamoka would go. I still wasn't interested in building a plant at that stage.

JOHNSON: And your rationale for making it in Mexico as opposed to--?

BERMAN: Well, it would be imported. It's a funny thing. I met a fellow the other day. He said, "I saw a friend of yours, and he said to give you this." He gave me a miniature bottle of Kahlua.

JOHNSON: Was it the coffee connection or the--? I guess what I'm wondering is why Mexico as opposed to the United States or Europe?

BERMAN: Well, freight, of course, is heavy from Europe. But this company that I had chosen in Mexico was a very large company, and it did a very large business. I just couldn't understand why they used these cheap cartons with me, because they had to ship their own stuff out. Certainly they never had any breakage. It completely ruined us with all the distributors. I had nothing but trouble. And we had to go and repackage everything.

JOHNSON: So ultimately it sounds like it just became too

much of a--

BERMAN: Well, I just got so disgusted with it because of all the work we had to do to clean it up. After all, you can't expect the distributors to have a lot of broken bottles in a case and syrup running in all directions. So it was a horrible thing.

JOHNSON: Now, what is the status of Lamoka today?

BERMAN: Well, it's dead. I own the name. I had it copyrighted. If the right person had it, they could probably do well with it. Except today it's almost impossible to introduce a new item. There are only two distributors in Los Angeles that distribute liquor, and they have so many items that to ask their salesmen to go out and try to sell a new product-- They just won't do it. The market scene is completely--

JOHNSON: Is it conceivable, though, that you could revitalize Lamoka, get the production straightened out, and successfully introduce it now?

BERMAN: Only if we did so much advertising that people would ask for it. See, that was always Seagram's method of merchandising. They didn't care about the distributors. They would hit the market with a tremendous amount of advertising and have people ask for it in the stores, and once the people asked for it in the stores, the stores had to put it in.

That was the way they operated, and they still operate that way.

JOHNSON: So that's how you would promote Lamoka today?

BERMAN: Yes, if I wanted to invest a couple of million dollars in promotion, which I'm not about to do. It's the only way you can do it today. Then have your own people go out to the stores and pick up the orders and give it to the distributors. It's an entirely different thing.

JOHNSON: So what years was Lamoka in the forefront for you?

BERMAN: It was about '82, '83, something like that.

TAPE NUMBER: XI, SIDE TWO

JUNE 22, 1995

JOHNSON: At the end of the first half, we talked about when you had Lamoka, and you said that was in the early eighties. And your involvement with the liquor business essentially ended at what point?

BERMAN: Well, actually my involvement as an importer I think ended in about '75. But when I was in Europe one time, I got a call from Remy Martin, which is one of the largest-selling cognacs in the world. They were being represented in the United States by an importer, and they wanted to set up their own company. And they hired me. Actually, they hired another fellow and myself--because we were very close friends--to set up their American company, which we did.

In setting up their company-- But the problem is-- This is a joke. When they first wanted to set up their own company, they were told you've got to hire people from Harvard [University] Business School because they're the best. And some of the fellows from Harvard that were running the company, when we looked into it, actually didn't know the first thing about liquor. They didn't hire any liquor people. They hired well-educated business school students. So we changed distributors, and we put it on a very sound basis. We realized

that Hennessy cognac had the lower-price cognac, a three-star business, so we went after the VSOP [very superior old pale] business and the better cognac, and we got it.

Then we came in with a Scotch called McCallum Glenlivet, which is the finest Glenlivet in the world. I imported that myself. That was my own baby. And we sold that. We sold the contract to Remy Martin; they're distributing it through their company now. I think we made a mistake, because the way McCallum is selling now, I'm sure it's making a great deal of money here. But they paid us \$1 million, so we were glad to get it. But they were glad to have us. So we had a good relationship with them. We really set them on the right track.

JOHNSON: What year did that relationship last from? When to when?

BERMAN: I made a five-year contract. It lasted from probably '85 to '90, I guess, something like that.

JOHNSON: Is there anything else you would care to add about your involvement with the liquor business up to that point?

BERMAN: No. Pretty much the last thing that I did was Remy Martin. I was out of it from then on.

JOHNSON: In reading over the manuscript, I noticed that you spent a while in the helmet business.

BERMAN: Yeah, that was-- My accountant, Touche Ross, told me that there was a helmet company called McHale Company and they were doing very well. The man who owned it did well enough that he wanted to get out of business and retire. So I looked at the business, and it was doing exceptionally well. They had Harley-Davidson and Kawasaki. They had all the big motorcycle companies. They also had all the police departments, which is a tremendous business, because people don't realize that there is state police, there are county sheriffs, and there's city, local, police. So you multiply that by fifty states, and you have an awful lot of helmets. We did very well with that. I probably visited that place twice a year.

We did exceptionally well with that until one time when a driver hit a wall. His name was Peter Revson, and he was the son of Charles [H.] Revson, who owns Revlon. He was killed. He wasn't wearing one of our helmets, but he was wearing another helmet. They sued the helmet company, and they collected. In that business, your insurance, liability insurance, is based on sales, like 2 percent of sales. That's all we were paying, because we never had any claims. Well, when this thing happened, our insurance jumped up so high that I went to all our customers and told them that we had

our insurance raised so high that we'd have to raise our prices accordingly, and they wouldn't pay it. They said, "You have a contract with us at a certain price." Because we got our contracts on the first of the year. And, of course, it was a sweet business. We had no salesmen. Business just came in because we had these accounts for years and years and years. But with the insurance that high, we would have lost money. So I liquidated the company with tears in my eyes.

That was probably foolish on my part. I probably would have lost money for a year or two. But I'm sure the insurance companies would have come to their senses, because there weren't any great accidents after that, and the insurance would have been lowered enough so that we could have continued.

Then we had another company [Empress Company]. When I was at Ohio State [University], a fellow by the name of Harold Brooks was my closest friend. In fact, I knew him in grammar school. We were always the closest of friends. One day he said to me, "Jules, why don't we go into some sort of a business together?" He was related to Norton Simon. He was a sales manager for Hunt Foods [and Industries] and all the things that Norton Simon was involved in. I don't know how Harold found this deal, but there was a material called Nomex. It's made by [E. I.] Du Pont [de Nemours and

Company]. I don't know if you've heard about it. It's used in the service.

JOHNSON: I've used it.

BERMAN: You've used it?

JOHNSON: Yes. My flight suits were made of Nomex.

BERMAN: Well, here's what happened. We were approached by the government to make, like you said, flight suits, because, as you know, they're fireproof. It also acts as a wetsuit. Do you know that?

JOHNSON: I've been in the pool with it, but I really wasn't aware of its wetsuit properties.

BERMAN: Well, they had a fellow in the North Sea for four or five hours in it, and he was perfectly all right.

Well, the government came and saw the plant that we had at the time that we bought it, and they said, "Well, this isn't big enough. If you're going to get a contract from us--because we're talking about thousands and thousands of units--you have to build a much bigger plant." Well, we did, but we never got the big order that we were promised.

We'd get orders for like five hundred at a time or three hundred, but not enough to make it really exciting, not with all the equipment we had. We would even sell these things, some of them, to submarines. When they go up on deck, in case they

would fall overboard, as I said, it would act as a wetsuit.

But we finally gave up with the government, and we came out with a line of sport jackets made out of, you might say, imitation leather. But they were beautiful. We had good designers.

We sold to every top store in the country, and we were doing very well.

Except one day on a Friday afternoon, a fellow who was running the company--his name was Charlie [Charles] Taub--called me, and he said, "Jules, I've decided that I want to buy the company from you and Harold." He said, "I'll give you so much."

He told me what he would pay me, which was very little. "I'll give you until Monday noon to make up your mind." Here's the fellow who we let run the company. We let him go to Hawaii.

We let him go to Italy to look for fabrics. We gave him a car.

We did everything for him, because he ran the company. Harold didn't want to run it, and I certainly didn't want to run it.

The company was doing very well. Harold at that time was in the hospital. He called Harold up, and Harold almost had a heart attack, because he was a good friend of Harold's.

So I called Harold up. I said, "Harold, what do we do?"

Well, Harold said, "We don't have any choice. We have to sell it to him." He said, "You're not going to run it,

and I'm not going to run it. If he walks out Monday, what are we going to do?"

I said, "Well, let's sell it to him."

So we sold it to him. But now he didn't have any money. The fellow who was supposed to back him up somehow or other changed his mind. So we really had a quandary. We were in a quandary, you might say, because we couldn't keep him. As long as we knew he wanted out, we couldn't trust him. So we liquidated the company. It was a shame, because it was a good company. But we got a lot more liquidating it than he offered us for it. So that wasn't a bad deal. It just happened to go sour because of the greed of one person. That didn't work out.

JOHNSON: Now, what years were you in this business?

BERMAN: Oh, I was in the business for quite a few years, probably about seven or eight years. This was in the sixties.

JOHNSON: Would you say it was the mid-sixties?

BERMAN: Mid-sixties and early seventies.

JOHNSON: Now, how did you run across this Nomex material?

BERMAN: Well, this fellow who came to Harold with the deal had a swatch of Nomex that he'd gotten. He said that it was controlled by Du Pont, and Du Pont was anxious to get someone

to make it. I'm glad to see that they're doing it now. They were anxious for us to do it, and we really thought we had something there.

JOHNSON: Now, did you have an exclusive with Du Pont to use the Nomex? Or were they just a supplier looking for someone to make clothes?

BERMAN: No, we had exclusives with the air force, I should say. That's about the only part of the-- And the submarines. That's the only part of the armed forces that would be using it. But it didn't work out.

JOHNSON: Now, when you bought this, was it put into a [subchapter] S corporation?

BERMAN: No. On that particular deal, because Harold and I were such good friends, we were in a straight partnership.

JOHNSON: So you two basically were the only owners of this company?

BERMAN: Yes.

JOHNSON: And there was a limited production facility that the air force wanted?

BERMAN: They wanted us to more than triple the size of what we had. They said, "We'll give you orders for thousands of these suits, so you have to be prepared to take care of it,

and you're not prepared."

JOHNSON: So did you end up going to a new facility?

BERMAN: Yes. We moved, and we put in a lot of sewing machines.

JOHNSON: Where was this?

BERMAN: This was down on Wall Street in Los Angeles. We had a large loft there that we'd rented.

JOHNSON: How many employees did you have there?

BERMAN: Well, you see, we had the machines. We didn't have very many employees because we didn't have any orders. But at the end, with Empress, we probably--without the army, of course--had fifty machines going. We had a nice little business. We sold high-price merchandise.

JOHNSON: Now, in the past we talked about being in the clothing business where one of the products you offered were dresses that were--

BERMAN: Copies?

JOHNSON: Copies of real high-end types. Was this the same company?

BERMAN: No, no. That was my biggest loser--not in business. This fellow came to me. His name is Regan. I don't mind mentioning his name. Because he can sue me all he wants for defamation of character, but it can't be, because I'm telling you the truth. And what I'm telling you the district attorney

knows. My attorney put me in with him. What he wanted me to do was get him a line of credit at a bank so he could open up letters of credit with China. As he explained to me, when he got an order he would send his order to a factor--because that's common in that ready-to-wear business--and if the factor approved the credit, he would have them shipped, but he'd have to put up a letter of credit. Then the deal I had with him-- He could draw on the credit that I arranged for him at the bank and get a letter of credit, but when the store paid the factor, the factor would pay the bank. But this fellow was a really dishonest person. What he did then, he went to another factor. He wrote a letter to this factor that he'd been using--and he signed it--that "all moneys received by you will be paid to Imperial Bank." Unknown to me, he went to another factor, and the other factor paid him direct. I lost about \$800,000 on that. The fellow is strictly dishonest. I mean, there's no question about it. He has made no attempt at all to repay me anything.

JOHNSON: What time span did this cover?

BERMAN: Two years. That was about two and a half years ago.

JOHNSON: Now, how did you actually lose the money?

BERMAN: I let him draw on the bank. He drew about \$800,000 on the bank, and I had to pay it back, because that was my

credit.

JOHNSON: The bank came looking for you.

BERMAN: Yes, sure.

JOHNSON: What ultimately happened with this Regan fellow?

BERMAN: He's still around. I could put him in jail, but it's not going to do me any good. I talked to the district attorney about it. He has no money. He deceived me. It's a horrible, horrible thing.

JOHNSON: In retrospect, looking back at that, what would you have done--? I mean, obviously you wouldn't have done it had you known this was going to happen, but were there any warning flags or things you would look at?

BERMAN: Yes, there were warning flags. But, you see, my attorney was sharing offices with him, so I thought that he was protecting my business. Because I saw him drawing letters of credit, and I didn't see any money going to the bank, I said, "Why are you drawing letters of credit?" He said, "Well, I'm paying now for merchandise that's going to be shipped in October." And this was like in July and August when he was drawing all this money out. In the meantime, the merchandise was coming in, and he was collecting. There was no business in October at all. The only other thing I can-- Well, I protected myself the best I could, but I'd never dealt with a dishonest

person before. And when he wrote a letter to the factoring company that all the checks were to be paid to Imperial Bank, I assumed that-- The last thing I ever thought he'd do is change factors.

JOHNSON: If you were going to get into this kind of arrangement again, how might you protect yourself?

BERMAN: I wouldn't get into another arrangement again.

JOHNSON: So basically, as I understand then, you're saying you have to know this person and really feel comfortable with them.

BERMAN: Oh, that's right.

JOHNSON: And that's the guarantee as opposed to--

BERMAN: See, there was nothing he could put up for collateral. I thought I had everything in collateral, because when the money went to the factor, the factor would give him 80 percent of the invoice. So with the amount of profit involved in that item, which was very profitable-- He showed me orders for millions of dollars and all sorts of things. But he was terribly dishonest.

Then I invested in a company called Property Mortgage Company on second-trust deeds. They also were dishonest. In fact, there have been a lot of write-ups in the paper about them. I lost a great deal of money there. For years I was

getting paid every month by them.

JOHNSON: What was dishonest about their arrangements? What were they doing?

BERMAN: They were getting paid under the table to make bad loans. And the loans they made, people couldn't pay them back. I was one of like eight hundred people who-- It was a Ponzi scheme that they had. They were getting money every month, but they were paying out every month. They kept rotating it until they finally got caught. So in the meantime, we were getting paid every month.

But then I hit a lucky deal. This was the luckiest deal that ever happened to anyone. A fellow came to me, and he had a ranch in Tehachapi. This ranch was twenty-six thousand acres, and he wanted \$100 an acre. I think we went into this, didn't we?

JOHNSON: A little bit.

BERMAN: One hundred dollars an acre. I looked at it. I think we did this. I told him I would take an option on the ranch, and I drove out and looked at it. It was so rough. There were some good spots and some bad spots, and it was very windy.

I told them I'd give him an option of \$10,000 a month. In the meantime, I would call the engineers I used at Arrowhead and have them fly into the property and we'd look and see

how many forty-acre ranches we could get out of it. Because forty-acre ranches would sell. There are a lot of people in Southern California who would love to invest in something and have their own if it's cheap enough. We figured we could sell them for \$50,000 on terms; there would be a good market for it.

A couple of months before we even did anything, I started getting calls from a wind [power] company. Different wind companies would call me. Finally a company called Zond called me. They were the largest of all, and they wanted to make a deal with me. So I made a deal with them and also with Southern California Edison [Company]. I, at that time, laid out \$30,000 in options. The deal I made with them was that they paid \$35,000 a month for six years. I have two more years to go on that. That was a stupid deal, entirely different from what I originally thought of, and it's just one of those lucky things that falls into your lap every now and then. So that was a beautiful thing that happened.

JOHNSON: How long did that whole deal last for you? I mean, I know it's still going on, but from the time you originally looked at the property to the time you had a contract with the wind company--?

BERMAN: Well, it didn't take long. They wanted it very badly.

Because they had wind engineers check the whole state, and that particular ranch has more steady wind than anyplace in California, of all things. They wanted it very badly, so they wanted to write up an agreement as fast as they could.

It probably took a month before we had an agreement.

JOHNSON: So they're going to lease it for another two years?

BERMAN: Well, you see, I have a six-year lease, but I've used up four years already on the \$35,000-a-month deal.

JOHNSON: So what will happen at the end of those two years?

BERMAN: I lose it. I'm out.

JOHNSON: You lose them as clients? Or you don't own any of the property?

BERMAN: You see, I sold them my options. I didn't sell them the property. They had to pay for the property separately.

All I laid out was \$30,000, of which I got back about \$2.6 million over six years.

JOHNSON: That's great.

BERMAN: That was a lucky thing. You can't learn that in business school. You can't learn that anywhere, because that's pure luck.

JOHNSON: Now, when you were looking at making these forty-acre ranches, my understanding, then, is that you were thinking that people would use these as getaway homes up in the mountains.

BERMAN: It's for horses and stuff like that, yes. A lot of people want to get away and have a place of their own. And for \$50,000 they'd love it.

JOHNSON: Did you apply your traditional return-on-investments types of analysis?

BERMAN: Well, I couldn't tell. You see, that's why I was having it flown. I wanted to see how many forty-acre parcels I could get, because just driving around, I couldn't get any grasp of how many forty-acre parcels I could get. Some of the property was pretty level; most of it was mountainous.

JOHNSON: Is there anything else you would care to add about the Tehachapi land?

BERMAN: No. It's still going; that's all I can say.

JOHNSON: Going back to the clothing business with Harold Brooks, you ultimately liquidated the partnership you had with him. Would you describe that as a big money loser?

BERMAN: It wasn't a big money loser, no, because we made money on the time we operated. It wasn't the kind of business that you invested an awful lot of money in. All we had were sewing machines mostly, and there's always a market for those. So you take a loss, but you don't take a big loss.

JOHNSON: Going back one business before that to the helmet business, how did you buy that particular business?

BERMAN: As I said before, the accountant that was assigned to me by Touche Ross was also the accountant for the helmet company, and he knew that the owner wanted to retire and sell out. He was a good friend of mine, besides. He thought it would be a good thing for me to have as a sort of a side business, which it was. It was well run. And there were no problems at all with it, had never been a problem.

JOHNSON: What type of business form did you use for this business?

BERMAN: Subchapter S.

JOHNSON: And you're the only--?

BERMAN: I was the only owner. We owned the property.

JOHNSON: Where was this produced?

BERMAN: It was off Florence Avenue near Western [Avenue].

JOHNSON: And you were running this during the mid-sixties?

BERMAN: Yes.

JOHNSON: In reading over the manuscript, I understand you had some international customers, as well.

BERMAN: For the helmet?

JOHNSON: Right.

BERMAN: Oh, yes. We came out with riot helmets when all the riots started occurring in the United States. All the police departments had to have riot helmets. And I think we sold

Chile twenty thousand of them or something like that and some other countries. Only riot helmets, though; that's all we sold to them.

JOHNSON: How many principals were involved in this business?

BERMAN: Well, there was just me and one other, just me and the manager. That's all. It was a very simple business.

The companies that we sold to, which I mentioned before-- We only dealt with the large motorcycle manufacturers, and they would sell to all their outlets, their dealers. But we did business only with the manufacturers of the motorcycle.

The only thing they would do is change their colors. All the helmets were alike, you know. It was very heavily restricted as to what kind of helmets you could wear. They must be round, and they must be tested. There's no way you can design an unusual helmet because they won't pass inspection.

JOHNSON: How did they test them?

BERMAN: Well, how they test them? We had about a forty-pound, round lead-- I don't know what you'd call it. It's almost like a tube of solid lead, but it had a sharp point at the end, and on top of it was a ring, and we had a rope that we had attached to the ceiling. And when the inspectors would come, they would take one of our helmets, and they would drop this lead on the helmet to see if it would penetrate. If

it penetrated, we were in trouble. But, of course, it never did.

JOHNSON: Who were the inspecting agencies at the time that you had to deal with?

BERMAN: I really can't tell you that because I don't remember.

I don't know if it was the Department of Transportation or what it was. No, I don't think it was JOHNSON: I think now in motorcycle helmets the Department of Transportation is the big--

BERMAN: That's who it is. That's right. It still is. That's what it was then, too. But there's very strict control.

JOHNSON: Sure. How much competition was there at the time from some of the other manufacturers? You mentioned Peter Revson was killed using a different helmet.

BERMAN: He used a Bell. Bell is a big helmet company. But, you see, Bell had a different business than we did. Although he used their helmet in that race-- We sold mostly to drivers, and we had a little radio built into the helmet. But Bell would sell the stores. In other words, they sold to hundreds of motorcycle stores. We never sold to the stores. We didn't have any salesmen, so we only sold to the manufacturers of motorcycles. It was much easier for us.

JOHNSON: I understand that in addition to police departments,

security forces, riot police, some race car drivers, you also were an equestrian--

BERMAN: Equestrian, that's right. How we ever got that patent, I don't know, but we did. We called it Caliente. Every jockey and exercise boy would wear our helmets, and all equestrians. We had that patented. Everytime you would see a person jumping, they would use our helmets. We sold that to Miller Harness [Company], our distributor. They're the largest in the United States for distribution of equestrian equipment. We had Miller for all the time we were in business. So it was a big business, too. It's hard to believe you could sell so many helmets of that type in a year.

JOHNSON: What would you estimate your yearly sales were at that point?

BERMAN: Oh, I'd say about \$10 million.

JOHNSON: I gather from the manuscript that certainly, when dealing with some of the governmental agencies, the price perhaps wasn't as big an issue for them. They're more concerned with performance.

BERMAN: No. Dealing with the police department-- We also sold the army, too. We did quite a bit of business with the army. I forgot about that. No, if you have quality, and if you have what they want, they're not looking into trying to

save money on anything. Whatever our price was, they paid. They never had a problem with that.

JOHNSON: I'm getting an impression that you were pretty much, with respect to like law enforcement, the only game in town.

BERMAN: Well, it's funny. There are other people who could make the helmets. They're making them now. Since we went out of business, they're certainly making them. But we sort of had a reputation. I mean, we had really the best reputation in the business. They wanted to do business with us, so it was very easy for us.

JOHNSON: Now, you ultimately disbanded the company. Is that--?

BERMAN: Because of insurance. If I had stayed in business that year, I would probably have lost half a million dollars.

JOHNSON: Did it end up being a big money loser for you when you ultimately--? How did you assess your overall six or seven years with the company?

BERMAN: Well, no, it made good money all the time. So when we liquidated it, we took quite a loss, of course. But on the other hand, we made money for quite a few years.

And then also we had another business that did very well. When we bought Lake Arrowhead, with it went the boat company. The boat company was run by a man by the name of Eddie Juane.

He was allowing people to put boats on the lake who didn't live in Arrowhead. We had a strict regulation that only property owners could have their boats on the lake. Well, to get a boat off the lake wasn't as easy as it sounds. You have to go to court and you have to present your case, of course, and everything. You can do it, but you can't do it overnight; it may take you six months. So I had to get rid of Eddie Juane.

So what I did--which was a mistake--I brought my skipper [Ashby "Jeff" Powell] that I had on my boat, whom I trusted with my life, to come and run the boat company. Well, the problem we had was that he was a great skipper, he knew how to fix boats, but he was not a businessman. And running that boat company took a very good businessman, because we made all the docks on the lake, and we sold a great deal of boats. We had a big repair department, and it was a big operation. We had a store. We were losing money in the boat company, and only because of mismanagement. And though I loved Jeff, I decided that what I would do was write a letter to the stockholders that I was going to bring in a businessman for the boat company, but he would not work. He would want to own part of the boat company. And if it was agreeable to the stockholders, I would buy the boat company from the company

and pay them a very fair price. It was approved. I brought out a fellow by the name of Jerry Spitz, who was a very close friend of mine who ran a large business in New York and sold out. Well, Jerry came out, and he and I owned the boat company together. We did very well. We put in a building. It was about five hundred feet long and about three hundred feet wide and it was about one hundred feet high. It was a Butler building. And what we did, we had our shops down below, but on top

of that we stored boats for the winter. We had a special crane made that would lift the boats and put them in a-- Well, it was like a slot. The only problem was if the crane didn't work we were in trouble, but we took that chance, and it worked, and we did very well.

Then we had a problem with that, because in the wintertime there wasn't much business. But what we did, when we would take the boats out of the water we would have a couple of our mechanics check the boats very carefully. If the boat needed some work, we would write a letter to the person and tell them that normally it would cost \$300, for instance, to fix whatever was wrong with the boat. Maybe it needed upholstering. We had a complete boatyard. We could do

everything. And if it needed to be painted, whatever it needed, we would give them a discount during the winter in order to keep our crew busy. Most people did that because they liked their boats looking spic and span for the summer.

We then got a big rig and we brought boats back from Chris Craft, like they bring cars back. We could bring five or six boats at a time. We would charge \$500 for freight, and actually that's what it would cost normally to put her on a freight car and bring the boat out here. But we could bring it out with our rig for not more than \$250. So we made an extra \$250 on each boat that way.

Then we had other problems, because up until Memorial Day we may have five or six charges a day go through--and don't forget, this is before computers--and on Memorial weekend we were just inundated with all kinds of people buying in the store: people buying gasoline, people putting their boats in the water, which we charged for. So I finally decided that I would make a deal with one of the big gasoline companies.

I made a deal with Standard Oil [Company] where everybody at Arrowhead would have a credit card, and they would have it in a Rolodex in the boatyard. In order to have the exclusive gasoline on the lake and also for them-- We also had two gas stations in the village. We became a wholesaler, and I made

them take our credit cards for everything except the sale of boats. So that eliminated our bookkeeping department almost completely, because everything was charged to Standard Oil. So that was a pretty good move. It worked out well.

TAPE NUMBER: XII, SIDE ONE

JUNE 22, 1995

JOHNSON: All right, sir. At the end of the last tape, you were discussing how you got the [Standard] Oil Company to handle all your charges to alleviate a lot of the concerns as far as handling all the transactions.

BERMAN: Yes. Because by doing that, that eliminated our complete bookkeeping system. But [Lake] Arrowhead actually is a summer resort, and we had to keep our people busy in the boatyard during the winter, and that was a problem. That's when we built most of the docks, and that's when, as I said, as we took boats out we would see what could be done to them to bring them up to the condition they should be in. So we were kept busy doing that. It worked out very well.

JOHNSON: When did you ultimately exit the boat business at Arrowhead?

BERMAN: Exit or sell it?

JOHNSON: Sell it or get out of the boat business?

BERMAN: Well, unfortunately, after we sold Arrowhead we kept the boat company, Jerry [Spitz] and I. But then Jerry decided to retire, and we sold the boat company in about 1982 or 1983 or something like that. I didn't want to sell it. But, of course, I wasn't running it, so I couldn't force him to.

But he just wanted out. So we sold. We didn't have any trouble selling it, of course.

JOHNSON: Who did you sell it to?

BERMAN: I don't know the man's name. Jerry knew the fellow. But we got our price. And he, in turn, sold it. So I don't know. It's still going, of course.

JOHNSON: Is Boise Cascade [Corporation] still the owner of Lake Arrowhead?

BERMAN: Oh, no. Boise didn't keep it long at all. Now, there's a case again where a large corporation buys-- You've read the report about the company we had.

JOHNSON: The quality of the management.

BERMAN: The quality. One thing that we didn't go into was the second paragraph about the people I had, how I gave them, you might say, complete charge of their department. We had these meetings, and they ran their department without any interruptions, which worked out very well. Of course, we did that in all our businesses.

JOHNSON: Is there anything else, sir, that you would care to add about the boat company up at Arrowhead?

BERMAN: No, not very much.

JOHNSON: We've covered quite a few businesses, some that were more positive than others today. Are there any that

we left out? Or is there any information that you would like to add to the ones that we've talked about so far?

BERMAN: Well, the only advice I can give anybody is if they have a good business, don't sell it. Because you wind up with money you don't know what to do with, and then you invest it in silly things, unless you put it all in bonds or something like that, which is not too exciting. But if you're an entrepreneur, you can't pass a deal that comes by that looks pretty good, even though-- I don't think there's any person in the world who can pick a winner every time. You have to pick more winners than losers, of course. You know, just like I'm in this thing Breath Assure. It's going very well. Also I'm in the Mobile Storage [Group], which is doing well. But I've been in other deals--I mentioned Property Mortgage [Company]--where I lost an awful lot of money. You just keep trying here and there hoping that it works.

JOHNSON: Are there any common threads that you feel run through the successful ones that maybe weren't there in the unsuccessful ones in your own mind?

BERMAN: Well, the two that I was thinking of-- For instance, I mentioned the Empress [Company], when Charlie [Charles] Taub called us. It's something that you can't foresee. I mean, how can anyone protect themselves when their manager

calls you up and says, "I want to buy you out" and gives you two days' notice. There's nothing that we could have done about that except to try and sell the company as a growing company. But Harold [Brooks] wasn't in the mood. He was sick, he was in the hospital, and I didn't want to do it. It's very difficult.

You've got to hire the best people. That's the only success we've had in any business is hiring good people and standing behind them and letting them feel that they can make their own decision. Because that gives them confidence and also gives them loyalty. Because without incentives, I don't-- I'm dealing with Texaco right now on some things, and they say no to everything. Well, it's easy for them to say no, because if they say no they can't get into any trouble. But if they say yes and something goes wrong, they could get into trouble. So they'd rather say no. It's very obvious. There's got to be an incentive for people, I think, in any business that you go into if you're hiring them. That's about all I can say.

TAPE NUMBER: XIII, SIDE ONE

JUNE 29, 1995

JOHNSON: In our last meeting we talked about some of the other companies that you've been involved in--some more successful than others--particularly in the seventies and eighties. Is there anything else that you care to add about those companies or those experiences?

BERMAN: Well, no, only that we decided to go into the retirement home business about ten years ago. And we found some very, very good locations. We decided that it was a business that was up-and-coming, and it was needed very badly. We found a place along the ocean in Dana Point, a beautiful place. We found a beautiful place in La Jolla. And we found a beautiful piece of property in Sun City. Our partner in that would have been Rose Hills [Memorial Park] cemetery. Rose Hills happens to be very, very well financed. In fact, they have millions of dollars in the bank that they don't use. They actually came to us, or came to me, and asked me if I would put a deal like that together. I didn't have to put anything up, but I did buy the property for them and got approval for the rest homes. Some even have plans made. But it was a lot of work, and I began to realize that by the time we built these things-- And you don't rent them out overnight. It

takes about a year before you get to the stage where it breaks even. And I just didn't feel I wanted to waste three or four years of my life building these rest homes and then waiting for them to be filled, because I thought I could do things without doing that much work. Not that I was lazy or anything like that; it was just at a time in my life that I didn't want to start all over again and start a whole promotion program.

But Rose Hills wound up with the property, and we had a good relationship. I think they went ahead with it. I don't know.

That was one thing that we looked at. The idea was good, but the timing was wrong.

And of course, we're always offered deals. Just this week I was offered a very good deal--which I may take--a shopping center in Riverside across from the University [of California, Riverside]. For the key tenants they have Ralphs market and Sav-on Drug [Store], and of course they have the satellite rentals. And the return is pretty good; it's about 12 to 14 percent cash on cash, and that's a good deal. If everything checks out, I probably will go into that, because that's what I'm looking for. But deals like that do not come too often, not when you get key tenants like that. And you're in a location that just can't go wrong, because you have the whole university to draw from. Plus there are fifty thousand people within

a radius of five miles of the property. So there are always deals coming up. There's no end to it. A person just has to take their time and pick the right one.

Of course, there are a lot of terrible deals around, too-- They sound good at first, but when you get into them they're nothing like the way they're presented to you. So we turn down lots of different ideas that people bring to us.

JOHNSON: What are the key issues or factors that you look for in a deal such as this one?

BERMAN: First of all, the tenants. How strong are they? In this particular shopping center, Ralphs spent \$1.5 million last year improving their store. Well, their lease is up next month. You know darn well they're going to renew their lease, because they're certainly not going to spend \$1.5 million fixing up the store and then walk out on it. Because the store always pays overage. It's on a percentage lease. And the drugstore always is over their guarantee. So they're doing business, and that's the important thing. First of all, you look to see how sound the people are that you have the leases with. Luckily, in this particular shopping center everyone pays over their guarantees. So it's a successful market center.

But you have to remember, in going in a shopping center, if somebody can build a new one two blocks away, and if they get the right tenants, they can steal a lot of business away from you. So it's a very tricky business and one that is very versatile. You can lose. You can have a great business one year and the next year be practically out of business because of competition. But Ralph's being so strong, and since they've spent that money, and the drugstore being so strong, and all the satellites are doing well, it sounds like it should be a terrific deal. Now, when we see all the paperwork we may change our mind, but what I've seen so far looks pretty good.

JOHNSON: So they pay a straight rent plus a percentage of sales?

BERMAN: Yes. All shopping centers operate that way. I won't say all, but 99.9 [percent] operate that way.

JOHNSON: Now, would you go into this deal as the sole investor?

BERMAN: Yes.

JOHNSON: Do you ever consider partners? Or you like to run the show yourself? How does that--?

BERMAN: Well, if it's too big-- We just bought some property on Ventura Boulevard where we have three tenants, and I have a third of that. But it was presented to me on that basis.

There was nothing for me to do except just invest in it. It's well run and well rented, so it was a good deal.

JOHNSON: How would you structure the financing for a purchase such as this, the shopping center?

BERMAN: Well, the deal that I have presented, if we like it, we would put up \$600,000. It's a \$2.5 million investment, and the rest of the money would be a thirty-year loan so that we can live with the payments very easily. If you couldn't get a thirty-year loan, then, of course, I couldn't touch it. But just scouting around, I found out that there are many lenders who would love to be involved in this particular shopping center. You have to shop this stuff around, for interest rates and so forth.

JOHNSON: Right. How do you come upon deals like this?

BERMAN: I don't come upon them at all; people come to me with them. I never look for a deal. If you're in business for a while and you're fairly successful, the deals come to you. You don't have to go looking for them. I wouldn't know how to find a deal in Riverside, for instance. I don't go to Riverside at all except to drive through it. I wouldn't even know that it was there. A broker brought it in, a broker that I've done a lot of business with. I have a lot of confidence in him.

JOHNSON: What areas do you feel most comfortable going into? Obviously real estate and-- Are there a few areas that you really feel comfortable with, like real estate and consumer products?

BERMAN: Well, in real estate you've got to go where the growth area is. I think I said once before, if we'd have bought property years ago on Vermont Avenue or Beverly Boulevard towards Western [Avenue] down through that area, property hasn't increased there at all. In fact, it has gone backwards. But had you bought in the [San Fernando] Valley, the property has gone way up there.

JOHNSON: Right.

BERMAN: It just depends on where people are moving, where people want to live. And there are studies that are made on that. It's not too hard. I have a company that I've been using for a long time, and they do the research on all these products, all these locations. They tell me the average income of the people living there and if they have children and so forth and so on, so we have a pretty good picture of what to expect before we go in there. That should be all that should be done: study the area very carefully. In the building business there are a lot of people who overbuild. They'll take a certain area where a house will sell for \$200,000 and

they'll build a \$500,000 home. Well, it doesn't belong there.

Of course, in the long run these people lose quite a bit of money, because people don't want to pay \$500,000 for a home and be surrounded by \$200,000 homes. So the builder, whoever it might be-- And now that there's a buyer's market, they'll never do anything like that. But there's always someone that tries it. That doesn't work. As I said before, you have to study these things before you do it. You can't jump into a deal. That's when you get hurt.

JOHNSON: Now, how do you assess deals that are a little more difficult to get your arms around, things like, perhaps, Breath Assure?

BERMAN: Well, Breath Assure is strictly a gamble. All together I put \$400,000 in it for advertising. And I only own a share of it; I don't own or control the company by any means. It was just a gamble that it would work. I wouldn't advise people to do that kind of investment. You might say you have a gut feeling on something like that. There's nothing like it on the market. Now there are a couple that have copied it, but they're not getting anywhere, because all the money we made in Breath Assure we keep throwing back into it, and the more business we do, the more we advertise. So it's gathering momentum as it goes. But it's a gamble, just like

this Fridgeroc that you just saw.

JOHNSON: Would you do a quick description of the Fridgeroc?

BERMAN: Well, I told you about it. It's a product that's mined. And what it actually does--and the selling point is--it keeps anything in the refrigerator colder than normal, because it absorbs so much of, you might say, the coldness itself.

It cuts down on electric bills about 35 percent. It keeps everything fresh. And more important, it kills all odors of any kind that may be in the refrigerator, which up to now has been Arm and Hammer baking soda. So it's really a neat product. It's a product that will sell, I feel. I know you feel that way. Dr. [Alfred E.] Osborne [Jr.] is very enthused about it because he's tried it. Right after you try it, you'll see the same thing.

JOHNSON: Do you have any idea about how big you think this market is or could be or what the potential may be?

BERMAN: No, except to tell you that every person that has a refrigerator or has a freezer uses Arm and Hammer [baking soda], so you have every household for at least two or three of these. So how big is that? In the millions. There is nothing like it. We have it patented.

JOHNSON: And I also understand you have exclusive rights to the research.

BERMAN: Rights for the mine, yes.

JOHNSON: Now, had you not had it patented or exclusive rights to the mine, do you think you would still go ahead with this venture or--?

BERMAN: No. If we didn't have exclusive use of the mine, then anyone could do it. If anyone else can do it, they can undersell you. Take a person like Trader Joe's. He'd find out about it, and he would start using it under his own name. And he only works on a 20 percent markup, so he'd undersell all the stores that we'd put it in. He'd ruin the market for us.

JOHNSON: Where do you see the distribution going with this product?

BERMAN: I see it going in almost all the major chains, especially Home Depot and places like that. I think most chains will put it in.

JOHNSON: Grocery stores?

BERMAN: Yes. Even hardware stores, because it is a product that could be easily handled in a hardware store.

JOHNSON: Sure. Anything else you'd care to add about Fridgeroc?

BERMAN: No, except it's been proven. It's never been offered except commercially. And they've done a tremendous job,

tremendous. We just made a deal, I think, last week since I talked to you. They made a deal in China--I think it's about \$1 million--to supply the Chinese with large portions of Fridgeroc. Although they don't use that name anymore. Let's say the product. They've been using it in the United States commercially for quite a few years. There are different things. Like, for instance, I had an idea the other day for Breath Assure for dogs. People love dogs. The only trouble with dogs is that they have bad breath. So we're coming out with a package to sell to the veterinarians and to the pet supply companies with Breath Assure. There's a pretty good market there.

JOHNSON: My mother's married to a veterinarian. [laughter]

BERMAN: Ask her.

JOHNSON: He's actually the president of the California Veterinary Medical Association.

BERMAN: That's wonderful.

JOHNSON: So he's pretty influential.

BERMAN: Does he handle big animals or small?

JOHNSON: Mostly small. He used to handle larger animals but now mostly just small animals.

BERMAN: My cousin at one time was president of a veterinarian association for the United States. He was in Cleveland, and

he was the first one to start operating on large animals and representing many zoos. That's all he did for a while. He had a big operation. He made antitoxins for cattle. So he built up a big business just doing, you might say, the unusual thing that the ordinary veterinarian doesn't do.

JOHNSON: Right. Just for the record, how did you get involved with Fridgeroc in the first place?

BERMAN: Through my attorney. He represented the people who had it. And the man died. The man's wife didn't want it, so she more or less gave it to him, and he told me if I wanted it I could have it.

JOHNSON: How old is the company?

BERMAN: Well, the company is probably about five or six years old, but they only went after the commercial. They never went after the home.

JOHNSON: I see.

BERMAN: They made up this package that I gave you, but they never offered it.

JOHNSON: Are the large industrial buyers using it primarily for energy saving or for the odor absorption?

BERMAN: Well, you take the large meat companies that buy it, they use it for energy saving. And if you take the people who use it in their refrigerators that deal in vegetables,

they use it to keep the vegetables fresh longer than normally if they did not use it.

JOHNSON: How does it do with absorption of, say, fish smells?

BERMAN: It kills all the smells.

JOHNSON: Wow. I mean, that seems to be one of the primary objections people often have about keeping seafood around. Interesting.

BERMAN: Well, when you get it home, try it in different ways. Then you'll know.

JOHNSON: Great. I'd now like to turn a little more to overall how your management philosophy is. I know we've talked about it quite a bit. What factors influenced you to go out on your own? What was your thinking behind your decision to say, "I want to work for myself"?

BERMAN: Well, you see, I started out working for myself when I had the [Llord's Liquor] Store, you remember.

JOHNSON: The liquor stores.

BERMAN: The liquor stores. And I was working seven days a week. Then I went to work for Schenley [Industries]. I was western divisional manager. And they wanted me to move to New York, and I wouldn't move. I realized that was the end of the line as far as Schenley was concerned. I had no place to go except to hold the job as long as I guess I-- I don't

know how long. But they liked me very much. And I always performed. So I could have been there indefinitely. But then I was stuck with a certain salary, and I was stymied, so I didn't like that. That's when I resigned and went in for myself. I felt I had a lot more to offer than just to work for a company and take orders from-- I hate to say it, but I had to take orders from people whom I didn't think knew half as much as I did.

JOHNSON: But you experienced that to some extent in the navy as well. [laughter] As we all do. You often run into people who are senior to you who may not see things quite the same way that you do.

BERMAN: Well, that's true. That's true about anything, though.

JOHNSON: When you went and decided to open your own liquor business and you started carrying some of the lines, I know that you had some trouble selling initially. You made a couple of trips that didn't--

BERMAN: I never received an order, right.

JOHNSON: Would you describe that first business as being rather centralized or decentralized?

BERMAN: I don't know what you mean by centralized or decentralized.

JOHNSON: In other words, was the decision making fairly structured? And did you delegate a lot of authority? Or did you keep a pretty tight rein on that early--?

BERMAN: No, no. When I started out there was just myself and my brother-in-law [Monty Lurie]. And he wasn't a salesman; he was inside. All he did was answer the phones more or less. He didn't do much billing. But I made the contacts. I knew the wholesalers.

JOHNSON: When you started to grow, what criteria did you use for selecting your managers and your employees?

BERMAN: Well, as I said before, I always stole people, people who had a good reputation and people who knew the distributors and knew the retailers. It's much easier to get a person who knows the industry than it is to hire someone new and try to train them. So we gave very good deals. And as I said, we were paying commission. And we never changed the commission even though our volume got large. Our people were the highest-paid people in the liquor business. There's no question about it.

JOHNSON: How did you make your decisions? I know that's a difficult question, but how did you make your decisions, in other words, with respect to how much you relied upon the advice of the others versus making the decisions yourself

in those early years?

BERMAN: Well, I don't know if I'd mentioned this before, but I think I did: The head of the National Distillers [Chemical Corporation] [Beverly Ohlandt] had a big sign in New York in back of his desk, and it said, "No one of us is as smart as all of us." And I listened to people. I wanted people to argue with me. There was one salesman I had who kowtowed to me, and I couldn't stand it. Walter Girdwin, who I told you was my assistant, loved him. I kept him because of Walter, but I never would have kept him if it was up to me. He did produce. But whatever I said, no matter what it was, he'd said, "Absolutely, boss, that's the way it will be."

JOHNSON: That's an interesting point you raise. I assume basically you're talking about people who are "yes men."

BERMAN: That's right.

JOHNSON: Is it your opinion that entrepreneurs or people building businesses can run into traps and that they get lured by having a bunch of "yes men" around them for their own ego's sake? I mean, is that a trap that you see people could fall into?

BERMAN: Oh, sure. That's a very serious trap that you could run into very easily. Because if you do make a mistake and everybody agrees with your mistake, it could lead to disaster.

You should have people who would argue with you and show you where you're wrong, absolutely. And I respected a man for that. And anyone--if they read this book or go out to get a job--should voice their opinion when they see something wrong in what's being done, because no one's perfect. Nobody could possibly be right all the time. So a lot of times, when a person's wrong he should be shown where he's wrong. That's very important.

JOHNSON: So my impression, then, is that you were delegating a fair amount of authority--as you've kind of touched upon earlier--with your people throughout all your businesses.

BERMAN: That's right. They ran their division or their territory completely. There's only one thing that they had to do with me. I was very loyal to my distributors, and if they wanted to change distributors they had to call me and give me a very, very good reason why they wanted to change.

It didn't happen very often. It only happened a few times since I was in business.

JOHNSON: These next couple of questions are going to deal with issues of continuity and change. As you became a more experienced entrepreneur, did you notice any change in the balance between heeding the advice of others and--? Do you think over time you tended to listen to your people more?

Or did you get a better sense that you really had your arms around it yourself and that was less important?

BERMAN: Well, first of all, you have to have a plan. I'll go further than that. You have to have a policy. I can very easily give you a policy, for instance, in [Lake] Arrowhead. We started as far away from the lake as we could when we started developing it and worked toward the lake, because we knew that the best property was for last. Had we started selling the best property first, we would have been in trouble, because we would have nothing to sell if things ever slowed down. And that was our whole philosophy in selling. You build a golf course and sell lots around it. The same thing at Huntington Harbour; we did the same thing. We sold property away from the waterfront.

And with Kahlua, we sold every distributor no matter who they were. That was our policy, and we told our distributors that. I don't know whether I told you that--yes, I think I did--with Kahlua, when we started bottling it here to save money on the duty, I was afraid of a whispering campaign, that our competitors would say, "Well, Kahlua is not as good as it used to be because it's bottled here now." So we experimented with Arizona, which was a fairly good little market for us. But we did enough volume in Arizona that we

could tell if anything went wrong. And if we lost Arizona, so what? I also tried it in Oregon, which was a state monopoly.

And we had no problems. Then, when I decided to go national with it, I knew my distributors were as smart as I was and they could soon figure out that by bottling it here we were going to save that money. So I wrote a letter to each distributor telling them we were going to bottle here and we were going to save that extra duty but it was all going into advertising, which meant that they would be doing that much more business.

And we really lived up to our word. We really pounded the advertising on Kahlua from then on. The distributors loved it because they were selling more merchandise. Had I not spent the money for advertising, the distributors would have been furious with me, because they'd figure that I was making that extra \$20 a case and doing nothing for it.

Now, that's what you've got to do. You have to be honest with people, and you have to figure that they're as smart as you are and that you're not going to try to pull a fast one on them, because then they would get upset. And of course, if they get upset, you lose them and you lose your business.

It's as simple as all that.

JOHNSON: As a manager who was working for you at that time, would that person have encountered a lot of rules and regulations?

Or would there be more, "These are the basic things I want you to do. Here's your latitude to act"?

BERMAN: No. It was very simple, actually, selling the items we did. Of course, we keep talking about Kahlua, but we had a lot of other items. Like, for instance, on

J & B Scotch we went exclusive in each market. The reason we went exclusive in each market was because there were a lot of Scotches out there, and you needed to support the distributors. Don't forget, if you sell every distributor, he's not going to give you much support. Why should he if everybody's got it? But we made it so easy for them to buy Kahlua, and we did so much promotion, that every distributor did a great amount of business. We made it so easy that they could turn their inventory fifty times a year. Well, they can't do that with anything. They can't do it with Scotch.

It depends on the item. Very few items you can go multiple distributorship with. You need the support of a distributor if you really want them to do something for you.

See, we didn't expect the distributors to do anything for us with Kahlua. But I also knew that only 15 percent of any sales organization will sell specialties. Most of them want to go into a volume item. They want bourbon, gin, vodka, and Scotch, the volume items. They don't want to worry

about liqueurs or any specialty item. Salesmen just don't want to waste their time. They'd rather have 15 percent of thousand than 50 percent of a hundred. That's about the way it works out. It's as simple as all that.

JOHNSON: In your experience as an entrepreneur and in working with other successful entrepreneurs, do you find that the most successful ones tend to centralize their decision making?

Or do you think they tend to decentralize and delegate more?

BERMAN: Well, it's hard to say how other people operate. I would say that any successful entrepreneur will make the important decisions, but he will give the actual operations of the business to key people, because he can't do everything.

An entrepreneur running a large business can't handle sales and purchasing and accounting and all that. I mean, it's just impossible. So he's better off to hire the right people for that and just to see that everything is done right.

JOHNSON: To what extent did your philosophy about selecting managers change as the years went by?

BERMAN: I don't think it ever changed. I always felt that I had to get the best people. And no matter what it cost, we hired the best people. And they stayed with us. I don't think you can change-- Although I did, only in one instance-- I have a cousin of mine [Joseph Roberts] who was my eastern

divisional manager. His son [Michael Roberts], who just graduated from Michigan, took a business course in Michigan.

We brought him into the business, but he learned the hard way. He learned just pounding the pavement and just calling on retailers, working with distributor salesmen. He would go out with a distributor salesman, and when they sold other items he would try to sell Kahlua with that. Today he has a key job with a very big company in the liquor business. But I was hoping if I stayed in business that he would be running the company someday. He's a very bright person. He was the only young fellow that I brought in. But he was with his father, and his father trained him well.

JOHNSON: Over time did your philosophy about decision making and delegating change? Or was that relatively consistent?

BERMAN: That was consistent. It has to be consistent. If you keep changing your policy, then your employees get confused, because they don't know what you're going to do next. But if they know you have a certain policy and you live with it, they know where they are and they know where you are and they know what they can depend on. So you can't run a business and change policy. It doesn't work.

JOHNSON: But over time, from Kahlua to Arrowhead to-- Did any of those policies change in that respect?

BERMAN: Well, they were entirely different businesses. Because with Kahlua, you only sold distributors, and they sold the retailers, and the retailers sold the consumer. Whereas at Arrowhead and Huntington Harbour, we sold directly to the people who were going to buy the lots and build their homes. So instead of passing through three different sales companies, there was just one. We sold to the user, so it was much easier.

JOHNSON: This is shifting gears a little bit. In your opinion, what is the best way to handle subordinate opposition to a particular decision or to the goals of the company?

BERMAN: What do you mean by--? I don't understand the question.

JOHNSON: If you have someone who works for you who just really doesn't agree with the way you want to do things or where you're taking the company--I realize it's a difficult question--but how do you like to handle that type of subordinate opposition to--?

BERMAN: Well, if we had that-- We didn't have it. But if we would have had it, I would have had to let the person go. But luckily we never had it. Because as I said, you've got to have a policy, and you've got to stick behind the policy. Because if the policy works-- In our case, the policy did

work, because we made money in all our companies. The reason that they worked is because we stuck with the policy. We never changed. The one thing that you have to build up--and it's very important--you have to build up in your distributors or whoever it might be, even if you sell to a person a lot, confidence in the company so that they're going to back up whatever they say. And you can only do that if you have a policy and you stick with the policy.

Now, when I had a talk one day at UCLA with a group, one of the questions that was asked to me-- "Let me ask you something, Mr. Berman. Suppose that I was selling office supplies. Now, my office supplies aren't any better than the next person's. How do I get in, and what policy do I use in selling my office supplies?" My answer was very quick.

I said, "You've got to sell yourself. You've got to sell to your buyer that you're the person he should be dealing with, that you would give him better service and you would give him the best prices and the best of everything. In fact, in all sales you sell yourself anyway, whether you're selling your product or not. You don't realize it, but before they buy anything, they have confidence in you. Otherwise they wouldn't buy from you at all. But when you have competition, like office supplies, you've got to sell yourself. That you

can do a lot more than giving him service, because he's not going to get it anywhere else. Outside of that you have nothing to offer."

JOHNSON: This is an interesting question. What factors may lead an entrepreneur to get bored with an organization over time?

BERMAN: It's simple. It happened to me almost. I had Kahlua so well organized that there was nothing much for me to do except watch the advertising, work with the advertising and change it from time to time. You get a little bored with it because it runs too easily. That's the only thing. It's the same thing day in and day out.

JOHNSON: What should an entrepreneur do in that situation, in your estimation?

BERMAN: Well, he should be smart and be happy he has the privilege of having that kind of an organization, because most organizations today are nothing but headaches. If you have one that runs so smoothly that you can get bored with it [laughter], then you've got a great organization. Otherwise you wouldn't be getting bored. You'd be busy trying to, you might say, fill up the leaks, fill up the gaps and so forth that happen in so many businesses today. That's important.

TAPE NUMBER: XIII, SIDE TWO

JUNE 29, 1995

JOHNSON: All right. In your own case, what has been your attitude as an entrepreneur toward such managerial activities as organization, staffing, motivation? Did you like certain aspects better? Did you like to motivate people better or organize them? Was there any part--?

BERMAN: Well, I told you before several times, I believe that everyone should have an incentive. Without incentive, I mean, it doesn't mean a thing. Because just to put in their hours and get paid and not get extra money for doing something good just takes away all the initiative that a person must have in order to help the company and to get ahead. So everything we did in all our businesses was to allow the employees to participate in the profits. That's very important. And you give them goals, give them quotas, and if they hit their quota they get an extra number of dollars and so forth.

JOHNSON: How does an entrepreneur define organizational objectives?

BERMAN: It's hard to say how you define that. Well, you might say, different businesses have different types of organizations. If you are in the manufacturing business, it's one thing. If you're a distributor, that's another thing. If you're

a retailer, it's another thing. If you're a professional person, it's another thing. So every one has its own, you might say, type of initiative. You can't just use it as a broad brush. You've got to look at each company.

Let's say you have a manufacturing company, and you have a thousand people running a lot of machines. Well, it's very difficult to figure out a bonus for them, a quota for them.

It isn't, actually. It can be done, of course. But it's a lot different than if you have a sales organization. That's only selling. Well, it's simple then, because you give each one a quota, and if they reach their quota, then they get a bonus. And if it's manufacturing, if they can manufacture efficiently and manufacture more than what the original number of units was that was expected of them to do, they get paid extra for that, for each unit they do more. A lot of companies do that, but you have to be very careful in manufacturing on that basis. Because in order to reach a bonus, a lot of times the workmen will slough over his job and not do an appropriate job. Then you get a lot of returns and you have a lot of problems. So it's got to be very carefully watched.

It's got to be very carefully thought out. And a big company such as that must have very, very good managers of each department and complete supervision all the time, seeing that the quality

is kept up. As I said, with Kahlua, whenever we'd bottle anywhere in the world they would have to send me at least an ounce so that I could taste it to be sure that we never had a bad batch. Quality control is the most important thing in the world if you're producing anything.

JOHNSON: How much distinction have you made between the line and the staff in your organizations? We had talked in the past about some of the pools of money that people could be eligible for after they'd been with the company about five years or so. Was there a big distinction between the line and the staff people?

BERMAN: Yes. That program of five years was mostly for office people, because we wanted people to stay with us. But the salesmen had a quota every year. Every one of our distributors had a sales quota every year. And if they reached their quota, then they got extra pay. But then, if they reached their quota, which was always higher than the year before-- We were making that much more money too, so we didn't mind. We wanted them to make more money. And they always did. It was just one of those things. Our business always kept going up and up.

Except at Arrowhead. Our people at Arrowhead and Huntington Harbour did not receive bonuses, but we protected

them. We would not work with brokers. So when a broker would bring in a buyer, we'd just tell the buyer, "We're sorry, you have to deal with one of our salesmen." And of course, that's tremendous for the salesmen.

JOHNSON: Sure.

BERMAN: And we only had twenty salesmen at Arrowhead. I think we had about twenty at Huntington Harbour. So they were busy, and they made very good money.

JOHNSON: The next phase of questioning has to do with decision making. This is a kind of an open-ended question. How do you go about making decisions? In other words, for real tough decisions, are there some tools that you use to help reach the correct decision in your mind? Or can you describe a little bit how you would deal with any type of tough decision?

BERMAN: Well, it depends on the decision. If it was a tough decision, I would ask for outside advice. Depending on what the decision is--an accounting decision or a legal decision or even a competitive decision--I would call up other people in the liquor business who I knew very well and talk to them about it. In the real estate business, you're pretty much on your own. The real estate business, actually, was very easy, except that you had to know where your niche was, and you'd stay within those boundaries. We would get outside

opinions depending on what phase it was or exactly what we were looking for. I hired this Stanford Research [Institute] to do a lot of work for us. They did a very good job.

JOHNSON: Do you yourself use any decision rules for smaller decisions, such as, you know, the old taking the pros on one side and the cons on the other? Are there any matrices or any types of little tools that you use?

BERMAN: Well, I don't have a policy for that. I mean, whatever makes good sense, you might say, is the one we use mostly and the one where we get hurt the least and the one that costs the least. Because our relationship has always been good with the banks. We never overextended ourselves in anything we ever did. In other words, if somebody came to us with a deal that involved many, many millions of dollars, that was way ahead of us. We wouldn't touch it. I didn't like debts. We paid our bills every day.

JOHNSON: These questions coming up are a little more, perhaps, business philosophy related. How attractive to you is the possibility of very large rewards as well as very large losses?

BERMAN: You're talking about one extreme to the other?

JOHNSON: In other words, if you got-- Let's just say there's a venture, and you could hit it real big or you could lose real big, perhaps of an equal magnitude--

BERMAN: I wouldn't touch it.

JOHNSON: So, I mean, the next question is, how are you attracted to opportunities where obviously you've got large rewards and the downside is fairly limited? Is that, in a sense, the kind of project you go after?

BERMAN: Yes. Well, this shopping center I was just telling you about when we started this conversation has been offered to me. It looks very attractive, at least enough to check into it further, mostly because of the tenants that we have. You can't go too far wrong with a Ralph's and a Sav-on Drug Store.

JOHNSON: My impression is that for the most part you really try to limit the downside. Are you willing to limit the downside in exchange for putting some extra limits on the upside?

BERMAN: Well, you try to limit the downside as much as you can. Right now, at this present time, as we're talking, deals are tough. First of all, if you have a lot of money, it's hard to invest it in anything, because the stock market is going crazy. Nobody knows where it's going and when it's going to drop or what it's going to do. Bonds, which I invested in mostly when I sold the company, aren't paying anything. It's very difficult to find something. But I will not invest in anything that has a terrific downside. I just can't afford

it, and I won't do it.

JOHNSON: I realize some of these questions are kind of a little bit vague and ambiguous, but we're trying to hopefully get our arms around a little bit some of your philosophies.

To what extent do you get into deals where it is very difficult to quantify potential gains or losses? Or do you usually feel that you've got a pretty good handle on exactly what the gains and losses can be?

BERMAN: No. What I do-- I give that to my CPA [certified public accountant]. I have him tear it apart. That's what he's doing now with the shopping center. I don't depend on my decision. I want him to check it out. I go to professionals for that.

JOHNSON: Do you ask him to look at worst-case, best-case types of--?

BERMAN: How much can I be hurt if I go into this deal, the worst that can happen? I want to know exactly-- Things that I may not even think about he may know. You've got to look at the downside on a deal. But, you know, things happen that none of us can expect. Look at Orange County. Who in the world would ever expect that to happen? Bankruptcy. The wealthiest county in the state. If somebody told you to buy Orange County bonds a few years ago when they were paying

pretty good, you'd jump at it. It was like gold, so we thought.

The one thing you've got to remember, there's no such thing as a sure thing, no matter what it is. Now we're finding that out, finding out the state of California is not an AAA bond anymore; it's only A. And the city of Los Angeles is only A, not AAA anymore.

JOHNSON: We've talked about some of the ways that you try to limit the downside in your deals, but as a whole, how do you feel about uncertainty in the deals that you're involved with?

BERMAN: The uncertainty? Well, as you get older-- At my stage right now, if it's uncertain, if there is any uncertainty at all, then I won't go into it. There's no reason to.

JOHNSON: Am I getting the impression that that philosophy has changed a little bit over time for you?

BERMAN: Yes, sure. I lost all that money that I told you about. I was taking chances in a lot of deals up until now. But I won't from now on. I can't afford to. I'm certainly not going to let a person like Regan, where I lost all that money in Property Mortgage [Company], where I lost \$2.5 million-- I'd never do that again.

JOHNSON: Now, does that mean, then, that you're not feeling there is or was a great deal of uncertainty with either Breath

Assure or Fridgeroc?

BERMAN: Well, I put a certain amount of money in Breath Assure, and I figured it was like a flier. I could afford to lose that if everything else went wrong. But I won't go in any other deal, for instance, similar to that until I wait and see what happens with it.

JOHNSON: So then, once that has done fairly well, as it has, then, as I understand it, you may be willing to look at another type of similar venture.

BERMAN: Maybe. Which would be like Fridgeroc now.

JOHNSON: So then, you are willing to take a flier, per se, with a fairly limited scope, but not more than a couple or one at a time? Is that--?

BERMAN: Oh, only one at a time.

JOHNSON: How do you feel about activities that are routine and require repetition as an entrepreneur? Are there a lot of things that you like to do every day that are routine? Or would you rather be dealing with new types of issues all the time?

BERMAN: Well, I like doing different kinds of things all the time. I hate routines. That's why I probably like selling so much. Because you're seeing different people, and you're traveling, and you have to have ideas. You're using your

mind, and you're also challenging yourself that you can sell to these certain buyers. It's a challenge, really. I'd hate to have a job where I just sit at a desk and write numbers.

JOHNSON: So you're saying you'd have a tough time sitting there as a CPA?

BERMAN: I'd die. [laughter]

JOHNSON: Which of your skills and abilities do you think are most important in influencing the way that your businesses go?

BERMAN: I think I have a natural aptitude for grasping something quicker than almost anyone else, something new that comes along that I can see a future in that maybe a lot of people just don't see futures in and coming up with ideas how to sell them. That's why I did so much work for Seagram [Company].

That's why Kahlua is so successful. Because even for Arrowhead we used different kinds of advertising that drew attention--

JOHNSON: Could you offer some specific examples?

BERMAN: Have you got any of the ads of Kahlua?

JOHNSON: I have--

BERMAN: It was all a tongue-in-cheek. And at Lake Arrowhead, I told you I had Sheldon Marks. We advertised it as "the resort of the four seasons." We don't have four seasons in Southern California. We have winter and summer. But up at

Arrowhead they have fall and spring. So that's what we did.

Our first ad for Huntington Harbour is "In Huntington Harbour, you do not mow the lawn. You swim in it. You fish in it--" Let's see. You fish, you swim, and "You bathe in it."

JOHNSON: I like that.

BERMAN: I mean, little things like that we'd do that were different. And every year at Kahlua, of course, we won every contest in advertising, because our ads were very unusual.

But you've seen most of those, haven't you?

JOHNSON: To what extent do you feel you control the destiny of your businesses as opposed to outside forces?

BERMAN: Well, I control the destiny of the business as to the policy that we set. I'd let these people alone once we'd get going, but I'd set the policy. Like in Arrowhead,

as I told you, we started developing the furthest away from the lake that we could possibly develop, because we knew that as we got closer to the lake, property would be more valuable.

And also the idea of not cutting down the trees, that was my idea. We owned the trees. No one could cut down a tree unless we allowed them.

And on Kahlua, I helped Sheldon with a lot of the advertising.

So I would set a policy. Also, I would come up with ideas as to promoting. We used different methods of advertising

and promotion, different than the average liquor store. As I told you, with our pre-Columbian [art collection], who would ever think of going to top museums in the United States and seeing the Kahlua collection? Since when does a liquor company advertise in top museums in the United States? It just isn't done. We just tried to do something that was different.

And, as I said before, the reason I was interested at the time to buy Arrowhead and Huntington Harbour was that they were different than anything else for sale in Southern California. Because Arrowhead was the only lake in Southern California. Huntington Harbour wasn't the only place-- Of course, Newport Beach has-- Or Lido Isle has the slips in front of the homes. But this was a complete community only for boats at home. The slips were in front of the homes. So it was not hard to sell when you had something different.

JOHNSON: To what extent do you feel that outside forces dictate or significantly influence the success or lack of success of your ventures?

BERMAN: When you say outside forces, what do you mean by that?

JOHNSON: Whether they be regulatory in nature or competition or changes in taste or something that you hadn't anticipated.

BERMAN: To develop, today, it's very difficult. There's one thing I didn't tell you about. We bought four pieces of property, old apartment houses in Koreatown. There hasn't been a new apartment complex built in Koreatown, I guess, since before the war [World War II], I mean since 1940. So we were going to build 125 units, and overnight the city downzoned the property to eighty units, which they can do. Now they can do it. They never used to be able to do it, but it's something new. It didn't pay to develop eighty units, so I had to sell the property, because there was no sense in going ahead with it and losing money on it. But the person who bought it--there have been a lot of write-ups about him--he can get anything he wants from the city, and he got 125 units. I couldn't get it. I didn't have an in with the city at all. Well, he got it. So those are the things that happen that you can't figure on.

JOHNSON: Is there a way you try to manage the risk of some of those types of issues? Is there a way you can mitigate some of those?

BERMAN: There's no way, no way. Like, for instance, with my ranch in Santa Barbara, I told you we had twenty ten-acre parcels. They downzoned it to a hundred acres overnight. And there's no warning, there's no nothing. The board of supervisors just

decided they wanted hundred-acre parcels, and that's it. They pass it, and that's the end of it. You can't appeal. You can't do anything. That happens all the time. I wouldn't buy a piece of property until I had a final map on it, because they can always change.

JOHNSON: A final map meaning--?

BERMAN: Meaning that everything's accepted by the city as to the density and so forth and the lots approved and so forth.

JOHNSON: To what extent are decisions to go into a deal for you affected by the availability of financing?

BERMAN: Well, I've got to be honest with you: I've never had trouble getting financing. Once you build a reputation, it's not too hard to get financing. Although I haven't tried in the last three or four years. So maybe today I couldn't borrow anything, I don't know. But I had no problem getting financing. Today, the way the real estate market is, I think it would be very difficult to get financing. I really do.

JOHNSON: Well, the next question is how much time and effort is taken from decision making and devoted to financing? It sounds like for you it's--

BERMAN: You could waste a lot of time, because in order to get financing, first you've got to know how much you need. In order to find out how much you need, you're going to have

to know how many pieces of property you're going to develop. You've got to know exactly what the city is going to allow. And that can take a year and a half to two years before you can get everything finalized. The first thing that you have to do, you have to get a study made. And there are companies that do that. It takes six months. For instance, let's take Hillcrest Country Club. You're familiar with that. Let's say you wanted to sell that, and somebody wanted to buy it, and they wanted to develop it into homes. Well, here's your problem. You may have to make a study of traffic, because you're going to have a lot more traffic on Pico Boulevard. Can Pico Boulevard take much more traffic? The next big problem is schools. Do you have enough schools around there that they can absorb, say, five hundred more students? Fire department, police department, all those have to be studied very carefully before the city would give you an approval. That takes about six months before they give you an answer.

Now, somebody bought the property across from the shopping area on La Cienega [Boulevard] where all the stores are, the Beverly Center. An English firm paid \$32 million for the property across the street, and they were going to build a Four Seasons Hotel there with a lot of other things. But

the city wouldn't allow it because of traffic. It's busy now. What would happen if the Four Seasons was there and they had a big party? They did allow some stores in there. Ralphs is in there, some theaters are in there, and a few other smaller things, but nothing great like they wanted to do. They took a beating for \$32 million for that property, because it wasn't worth \$32 million for what they got out of it. They were sure they could get through anything they wanted to; they never got it.

JOHNSON: It sounds like this may not be as applicable to your particular situation, but what is the importance of innovative financing in the creation of new products and ventures in your mind, from what you've seen?

BERMAN: Well, I can't give you a really good answer on that because I've never done it. Although I can give you a general theory. When you come out with a new product, no matter what it is, you have to promote it and advertise it, because no one has ever heard of it. And it takes a great deal of money today to push it along. No store will put in a new product, not unless there's promotion behind it. That depends on how big you want to go. You can put in millions if you want to. But it depends on the product, too. How important is it? What price does it sell for? Is it food or is it clothing

or is it furniture? What is it? But if you can't promote it, then how are you going to sell it? The thing today is, unfortunately, no one is looking for new products. So if you come out with a new product, you've got to sell the store the idea that they need this product, and that's not easily done today.

You're having it with your product.

JOHNSON: Certainly.

BERMAN: So you know exactly what I'm talking about.

JOHNSON: Yes, sir, I do. [laughter] The next couple of questions are with respect to the environment and entrepreneurship. Are there elements in the environment that you think encourage and promote entrepreneurship?

BERMAN: Your questions are very broad. Where are you talking about? What area in the environment? Are you talking about cities? Are you talking about certain areas, like Watts? Or are you talking about certain areas like Beverly Hills or--?

JOHNSON: Okay. I agree that these questions are very vague and ambiguous and difficult. Let's take California, for instance. The environment being the sum total of availability of financing, of the regulatory environment for any type of entrepreneur. How big a role do you think those types of

conditions--? I mean, do you think if the conditions are right entrepreneurialism will really flourish? Or doesn't it really make much difference because entrepreneurs are going to do their thing one way or another?

BERMAN: Well, there's as much room for an entrepreneur today as there ever was if he comes up with the right product or the right idea. But if he follows someone, he has problems.

It's hard to say, because unless you know what the idea is or what the product is--if there is a product--you can't answer it. Because every one is handled differently. Like I told you, when we started with J & B Scotch, we didn't have enough, so we gave five cases to only certain retailers because we didn't have enough for general distribution.

But by doing it that way, we had people pushing it. But if we'd had a thousand cases a month, we'd have gone through a distributor. So everything has to be studied first, and then you figure out the best way to get it to the consumer. There are a lot of shows today that you can enter into depending on the product. And, of course, advertising is your best medium.

JOHNSON: You mean like trade shows or--?

BERMAN: Trade shows, yes. You see, you're painting with a very broad brush. I don't know exactly what you mean. If

you would mention a product, I could probably give you a better idea.

JOHNSON: I guess I meant it in terms of-- Like, when you looked at starting your first liquor business in Beverly Hills, there was a particular environment. Prohibition was ending.

It sounds like it was very well regulated but it was still pretty wide open. Whereas today there may be more money available for new types of ventures, but also there may be a little more of a regulatory environment with respect to product liability issues and things of that nature.

BERMAN: Well, you cannot in your right mind start a liquor store today, because the chains have everything pretty well tied up. When I was in business, I was the only store in Beverly Hills. There's a lot of difference when you have that. You have Trader Joe's, you have Cost Plus [World Imports], and you have all these terrific discount outlets that sell so cheaply that an individual would never make it. Not a prayer.

JOHNSON: Kind of shifting gears here, what noneconomic characteristics do you think, whether they be ethnic, religious, or cultural, influence an individual to become an entrepreneur?

BERMAN: It has nothing to do with any of that. I think it's born in a person. I mean, I met a Chinese woman the other

day. She lives in Bel Air. She's a stockbroker, and she's worth millions. She came over from China. She speaks perfect English. She has a big organization. And she decided to do it. She went to school and studied. It has nothing to do with it.

The blacks do-- I mean, Johnnie Cochran I think is a good example of-- But nevertheless, he's considered a top attorney. There are many good black attorneys, many, many good ones. And many of them are heads of big companies today.

So I don't think it has anything to do with it. I think it's the people themselves.

JOHNSON: Now, you mention it was born in someone. What role do you think our parents, peers, role models play in developing entrepreneurs?

BERMAN: I don't think that parents have anything to do with it. I think it's a person's feeling that he wants to sell.

It's almost like a calling. I've always wanted to sell. I told you I started around Christmas trees when I was still in high school. Now, what gave me the idea, I was sitting and talking with my father [Barnett P. Berman] to his friend [Harry Goldberg], and he told me he had too many Christmas trees. And all of a sudden the idea hit me, "Well, why can't we sell them on consignment?" I mean, it just hit me that

fast. So I would say it had to be born in you to do that.

Otherwise I wouldn't think of it. I would say, "Well, that's too bad that you have too many Christmas trees."

JOHNSON: Good point. Are there any chief characteristics that you think are common to entrepreneurs?

BERMAN: Well, yes. I think an entrepreneur is a person who likes his own independence, number one. He has to be very ambitious. Otherwise he'd be very grateful to have a job working eight hours a day and receiving a salary and insurance and a bonus and retirement. So it has to be born in him or her. He or she wants to be in for themselves. It's got to be almost like a calling I think. [tape recorder off]

JOHNSON: We were in the process of talking about entrepreneurs and some of their characteristics and desire to work for themselves, and you were talking about your calling for sales. Do you think that managers tend to be lower risk takers than entrepreneurs? Those who work in a large corporate environment?

BERMAN: Oh, sure. There are a lot of people that only look for one thing. And the majority are that way. So I don't know what percentage are entrepreneurs, but it has to be a very small percentage. All they're looking for is a good salary, a good job, a good expense account, and mostly their

retirement benefits. Don't forget, that's the way we used to hire people at Schenley. If we wanted to steal someone from another liquor company, we wouldn't give them a bigger salary, we'd give them a bigger expense account. That's what they wanted. Of course, when you're an entrepreneur, everything comes out of your own pocket. So it's a different world. When I worked for Schenley, I had an unlimited expense account. So it's a little different.

JOHNSON: These are a couple of questions that are "Would you agree with the following statement?": that managers are comparatively cool, rational, not attached to their product, plant, or the customers?

BERMAN: Well, you see, again, you've got to qualify these questions. Whoever gave you these questions didn't qualify them properly. Does he have an incentive? If he doesn't-- Like I'm dealing, I told you, with Texaco. I might as well deal with this desk, because they'd rather say no than say yes. Because if they say yes and something goes wrong, they can get fired. If they say no, they can't get fired. So if a person is a manager and he's getting his salary and he gets all his vacation and gets his bonuses and so forth, that's all he's looking for. He doesn't expect any more than that.

JOHNSON: I realize that some of these questions are difficult

because they are so--

BERMAN: You see, the reason they're difficult is whoever asked the questions hasn't been in business. I can tell you that right now. Because the first thing you would think if they're in business is, do they get bonuses? What do they get? You do get a lot of things when you work for a big firm that you don't get-- Actually, an entrepreneur gets nothing except what he creates. Don't forget, you start from scratch, and whatever you do you do on your own. You know that. So a lot of people want the comfort of a monthly salary and two weeks' vacation every year and also probably a very good insurance program for them that's paid by the company. There are a lot of pluses working for companies. But changes can happen, too. I was just talking to this fellow who's next door. They do a lot of business with Sinclair Paint, and Sinclair Paint just sold out. People working there don't know if they're going to be there tomorrow or not.

JOHNSON: Is that right?

BERMAN: Sure, because who knows when people sell out what they're going to do?

TAPE NUMBER: XIV, SIDE ONE

JUNE 29, 1995

JOHNSON: All right. You were talking a little bit about your friend talking about Sinclair Paint and some of the uncertainty now with--

BERMAN: And now everybody's uncertain if they're going to be there. Look what's happening with the naval base in Long Beach [Long Beach Naval Shipyard]. What are those poor people going to do? It's been there for years. That's the trouble with a job, too. You never know when they're going to cut down or when they're going to merge into something, and you lose all the years you've been there. Of course, there's nothing like being in business for yourself, no question about that. But everybody can't do it. And everybody else, if they did go into business, they wouldn't be successful, because they just don't have the wherewithal to promote, to be able to use their ingenuity to do more business.

JOHNSON: Do you think that an entrepreneur as opposed to a manager views risk differently in the sense that an entrepreneur perhaps may feel that they are in much more control--whether they are or not--of their destiny? Whereas the manager may just see the risk part of it and feel like he doesn't have a whole lot of control. Does that--?

BERMAN: Well, an entrepreneur, if he goes into anything-- First of all, he takes over the company. Otherwise he wouldn't be an entrepreneur. He'd be working for someone. And a person working for somebody is used to working for somebody. He's not an entrepreneur, and he sees things differently. All he looks at is what his weekly or monthly pay is going to be and benefits the company gives him. He doesn't consider starting from scratch, because he has a salary. The company has already been established. Otherwise he wouldn't be there.

So usually a person working for someone is going into an established business. Very seldom does a person work for an entrepreneur as he's going into business unless the entrepreneur has a great deal of money to pay a salary while he builds up his business, which is very rare.

JOHNSON: Now we're going to move into some of the summary questions. As you look back--and we've addressed these over the last several sessions--are there a few single things that you're most proud of or you've found most rewarding as an entrepreneur?

BERMAN: Well, I told you. First, I was in the navy. That's what I'm the proudest of, because I was just a number. I could be lucky in a lot of things. I told you last time how I got lucky buying this property in Tehachapi--or rather not

really buying it, I had an option on it. Look what happened with it. That was just strictly luck. But, you see, if I wasn't an entrepreneur, I never would have gotten that opportunity, because I wouldn't have gone into it. So those are the pluses of an entrepreneur, of taking a chance. The worst I could have lost was \$30,000, but look what happened with the plus side of it. The only reason I was proud of the navy is because of being a number. Besides, as I said, you only saw one letter. There were many.

And I was pretty proud of the success of the liquor business. We've built up a very large business, and I'm proud of [Lake] Arrowhead and Huntington Harbour. Yes, I guess they're about all equal.

JOHNSON: And what would you rank as your greatest disappointments throughout your career?

BERMAN: Oh, the greatest disappointment I had was not a business that I bought, it was a business I wanted to buy. It was Apple Valley, which I thought I had bought from Getty [Petroleum Corporation]. But then when they sold out to Texaco-- They sold out their business, and I was still supposed to get it, but Texaco just never came through with it. Instead of that, they gave it to some of their employees. I worked on it for

three years.

I was disappointed, of course, in the helmet business [McHale Company], because that was a wonderful business--very badly disappointed, because it was running so smoothly and so well.

I was disappointed in the jacket business [Empress Company] when this fellow [Charles Taub] told us that he wanted to buy us out by Monday and it was Saturday, and then he couldn't do it. Because we thought-- He gave us-- You give a person everything. You think you have him for life, and they turn on you. He used to take trips to Hawaii because his son lived there. There are only a few stores in Hawaii, but we didn't care. He would take his wife to Italy to buy suede probably two or three times a year, which he didn't have to do. We let him do everything he wanted to do. We didn't care. The fellow died a pauper. After this, people wouldn't back him up. And I was very disappointed. I got disappointed in people.

And of course, this fellow Regan was just an outright dishonest person. So it isn't so much the businesses themselves, it's the people.

JOHNSON: In looking back, are there any things in particular that you would do differently if you had the opportunity to?

BERMAN: Never sell Kahlua. I was stupid, really stupid. I was so involved with Arrowhead and Huntington Harbour and the ranch, and Kahlua was running so smoothly, that the only time I really paid much attention to Kahlua was in the advertising. We'd lay out a program for six months, and I'd go over all the ads for six months, go to New York and place them with the different magazines--the *Playbill* and all that--and that was all there was to it. The rest of it was all cut-and-dried. I never should have sold it. It was ridiculous.

And, as I told you, I didn't want to sell Arrowhead, but I had to because of the offer we had. See, Kahlua I owned 100 percent, but Arrowhead was a public company. When we got the offer from Boise Cascade [Corporation] I had to give it to the stockholders to accept it.

And then, when we had Christiana Oil [Company], which owned Huntington Harbour, I didn't want to sell that either, because I'd just bought the property in San Diego [Tierrasanta].

But then I couldn't live with the [E. I.] Du Pont [de Nemours and Company] group, who wanted me to buy a lot of other companies.

I could see it would have been a complete loss. And there were losses, but I was out by then.

That's why I wanted the [El Capitan] Ranch and I wanted to sell-- I had it all approved for two- and five-acre parcels.

I just wanted to sell like twenty or thirty a year or so for the rest of my life, just enough to pay the overhead and so forth and enough to live, because I knew as time went on it would be worth more and more money. That was a big disappointment when they took a referendum out against me.

In fact, that was the biggest disappointment of my life, really.

JOHNSON: What are the most important contributions that entrepreneurs such as yourself have made to the Los Angeles area?

BERMAN: Well, we supplied a lot of jobs for a lot of people.

At the time we had Arrowhead, we had two hotels, a country club, we had a village, we had the lake operation, the boat operation. We probably hired about 400 people. And at Huntington Harbour, we probably-- We made a shopping center, and we had a hotel. We probably had about 150 people there.

Of course, Kahlua, we had people all over the country. We didn't have a lot of people, but they were well-paid people.

JOHNSON: But, of course, with Kahlua, in addition to the economic impact that you had, you also had the impact on the arts because of what you did with the Los Angeles County Museum [of Art].

BERMAN: Oh, yes. Well, that was just my own hobby. Let's

put it that way. It's just like horses are my own hobby.

JOHNSON: This is an uninteresting question, but what do you think the forecast is for the entrepreneur, the one guy with the new idea, over the next ten to fifteen years?

BERMAN: It depends on the idea. The best example is [William H.] Gates [III]. Look at what he's done. When he can take an outfit like IBM [International Business Machines] and put them on their knees, a young guy of thirty-nine years old, that's all you need to talk about an entrepreneur. It just takes an idea.

JOHNSON: Are there any specific uncertainties in the future that you think are going to be especially problematic or difficult for the entrepreneur to negotiate?

BERMAN: Oh, there are a lot of different challenges. I mean, first of all, the laws change so much. Like, for instance, in land development. It would be very difficult for an entrepreneur to start a land development business because it takes so long before you can do anything. As I say, it takes six months just to have it studied, to see if the city will allow you to do it. And then to get your financing and so forth, you've got a year and a half or so of wasted time. And you've got to tie the land up in the meantime somehow, whether it's an option or whether it's a deposit or whatever

it might be, which you may lose if you don't do anything. There's an awful lot to that.

There's plenty of room for entrepreneurs, because there are new things happening all the time. I mean, who would have thought years and years and years ago that computers would be ruling the world? We'd never even heard of computers when I was in school. How do we know what's going to happen next? There's always going to be something. There's always going to be something that somebody is going to come up with and it's going to be accepted. Even a little thing like Breath Assure, just a little thing like that. So you never know.

JOHNSON: You mentioned computers. Are there any other industries that you think are particularly attractive?

BERMAN: You mean new kinds of businesses? Yes. I think 10 percent of our power comes from solar energy. As people get involved in that, I think that's going to be the coming source of power, no question about it. As far as heating the homes-- They're already heating the swimming pools. If you go to Rancho Santa Fe, most of the homes have it now. And as you know, they have cars now that they're experimenting with. And they're going to perfect it. Of course, they'll have to have batteries so when the sun isn't out the cars will run, but they'll work all that out.

I have a friend of mine who graduated from Caltech [California Institute of Technology], and he's sold quite a few inventions already. He's got one now that seems to me to be a winner. It runs on a battery. It's got a two-cylinder engine. And when the battery runs down, as you're driving, you start the motor, and you run on this two-cylinder motor. Because you're just going fifteen, twenty miles an hour. It's just around town for shopping or something. But in the meantime, it's charging the battery. And then in about an hour the battery starts. Again, you turn off the switch and you go on your battery. Now, that could be perfected to where it can be something really worthwhile. But it's a good idea.

You see, all these things are all in the future, but it's there. And you know now that the latest thing in alarm systems is your fingerprint. Whoever would have thought of that in the past? So there's always something new that's coming up. Whoever thinks of it is going to make a lot of money.

JOHNSON: Is there any particular advice you would give to up-and-coming entrepreneurs, the would-be entrepreneurs?

BERMAN: Well, if they get a good idea and it makes sense-- If it can be patented, have it patented. But talk it over--

Like, for instance, last night Al, Dr. [Alfred E.] Osborne [Jr.], was telling me one of his students came up with a mini brewery, and Al's wife said it was the worst beer she'd ever tasted. [laughter] She said no one in the world could drink it. But there are a lot of these mini breweries now that are doing very well. Of course, that's not new now. There are a lot of people doing it. But funny enough, they're selling. A lot of these small breweries are doing very well. They sell all they make, like the tailor-made suits. They make small batches, but they're good. So there's no end to what could come up. If I could think of any, I'd do it. Unfortunately I can't give you any ideas. I don't have any.

JOHNSON: But what about the mindset? Is there a particular mindset important to have for the entrepreneur?

BERMAN: What do you mean a mindset?

JOHNSON: I mean, I know that in your case you exhibited a lot of dogged determination in some areas where you met some enormous obstacles, and you just kept pushing ahead. BERMAN: Well, yes. Whatever you do, at first it's going to be tough, because no one's ever heard of it. They have to have something that they can test with their friends or test somehow and know that they've got something that people want. And then they have to start. Of course, the problem is getting financing.

What they're doing affects the financing.

As I told you, with BreathAssure we started with \$400,000, which is a lot. We hit it pretty big to start with, but we only went locally. So we hit it real big.

Then we spread out. With Kahlua, we only started selling Kahlua in California at first. Then, as we made more and more money, we spread out more and more. It went on its own momentum. We didn't borrow any money from banks.

It's just something that you've got to do yourself. You've got to have confidence in what you're doing. And you've got to be sure what your competition is, above all things.

If you've got tough competition, you're in trouble, because they're already established. And you've got to be sure that there's a demand for your product. Because if there's no demand for it, what good is it? And you've got to be sure that you can get the right distribution and so forth. In those cases, you go to a distributor, established distributors who would do the work for you if you've got something that needs retail stores or whatever or restaurants, whatever it might be. That's what distributors are for. They all have to be studied separately.

I'll be glad to help any of the students I can on anything

I can help with. Certainly, if I knew all the answers I wouldn't be talking to you. I would talk to General Motors [Corporation].

But there are only basic principles in business, and that's about all you can expect out of any business. There are no miracles. Just remember that. You can tell that to all your friends or if you have a class or something. Well, I can't say that. It was a miracle that I took an option on that property and it turned out to be windy. [laughter] That was a miracle. It was only a miracle, a stupid miracle. But see, if I didn't take a chance, I wouldn't have done that. JOHNSON: Yes.

BERMAN: Well, it didn't take any brains. It didn't take any study. I wanted to study it. I was paying people to study it for development. But it turned out to be windy. So you never know. I wouldn't tell people to do things like that again. But it was such a reasonable price, \$100 an acre, how could you go wrong? If there's enough level property.

JOHNSON: Right.

BERMAN: And those are the things that you have to really study.

JOHNSON: Well, sir, before we conclude the interview, is there anything else you'd like to add for the historical record?

BERMAN: I can't think of anything. I'll probably think of

a lot of things once we're through. And if I do--

JOHNSON: We can always add them.

BERMAN: We can add them to it.

INDEX

- Abbott, Stan, 310
 Adams, Ansel, 101
 Albert Parvin Company
 (interior decorators), 241,
 290
 Alemán, Miguel, 195, 196
 Alfred Hart Company (liquor
 distributor), 62, 63
 Allied Brewers, 220, 226
 American Federation of Labor,
 6
 Apple Valley (California),
 274, 436
 Arbuckle, Ernest C., 275-77
 Arthur Andersen (accounting
 firm), 297-98
- Baehard, Henry, 136
 Banowit, Samuel, 283
 Bass Charington, 146
 Bass pale ale, 121, 146, 147
 Beaver, Robert, 268
 Benedictine liqueur, 162, 163
 Bergeron, Victor, 153-60
 Beringer, Charles, 132
 Beringer wines, 120, 132
 Berman, Barnett P. (father),
 1-5, 8, 17-30, 33-36, 39,
 51, 148, 430
 Berman, Barry (son), 52
 Berman, Hilda (sister), 39
 Berman, Ruth Herskovits
 (wife), 117-20, 313, 330
 Berman, Sadie Nebel (mother),
 1, 5, 9, 12, 26, 34, 39,
 51
 Berman, Sandra
 (daughter-in-law), 52
 Bernecito Ranch (Lodi,
 California), 342-43,
 349-51
 Berrensen, Albert, 209
- Bohemian Distributing
 Company, 121, 139
 Boileau, Faye, 280
 Boise Cascade Corporation,
 223, 253-54, 269-70,
 275-77, 315, 384, 438
 Bols cordials, 153
 Branded Liquors, 126
 BreathAssure, 385, 393, 396,
 418, 443
 Bronfman, Edgar M., 159-60
 Bronfman, Samuel, 159-60,
 222
 Brooks, Harold, 362-67, 374,
 386
 Brown, Edmund G. "Pat," 286
 Brown, Joseph, 228, 233, 244
- Calvert Distilling Company,
 335
 Camp Elliott (San Diego,
 California), 288
 Carey, Cal, 71
 Cassidy, Jack, 327
 Cherry Heering (liquor
 company), 205-7
 Character Boat Association,
 252
 Chokalu liqueur, 354-55
 Church of Jesus Christ of
 Latter-day Saints, 232-33,
 243, 321
 Christiana Oil Company, 273,
 274, 277, 283-85, 290-92,
 296-99, 305-6, 324, 438.
 See also Huntington
 Harbour
 Cinzano vermouth, 138-39
 City Investing Company, 332
 City National Bank, 62, 232,
 283, 284, 325-26
- Columbia Broadcasting
 System, 304-5
 Commonwealth Oil Company,
 19-28, 30, 148

Cotrell, Ronald, 265, 267
 Crosby, Bing, 38
 Curland, Harry, 229, 232
 Cutty Sark Scotch whiskey,
 142-45

Dane, Pat, 117
 Dietrich, Marlene, 38
 Distillers Corporation
 Limited, 129
 Dorsey, Tommy, 116-18
 Drambuie liqueur, 162-63

Economic Research Company,
 278
 E.I. Du Pont de Nemours and
 Company, 284-85, 287,
 362-63, 365, 366, 438
 Einstein, Albert, 6, 7
 El Capitan Ranch (Santa
 Barbara, California), 273,
 296, 297, 306-33, 343-44,
 438
 Elwood, Mike, 42-43
 Empress Company, 219, 362-67,
 374, 385, 437

Federal Express, 293-95
 Felix, Manny, 125, 161, 174
 Figueroa, Pancho Lopez, 210
 Fischel, Victor A., 126
 Fisher, Harry, 285
 Fitch, Aubrey W., 79-80, 114
 Flying Tigers, 292, 293, 295
 Florio marsala wine, 138-39
 Fridgeroc, 393-97, 419
 Frizzell, Valerie, 185, 313

Gallo, Emilio, 219
 Gavin, John, 194
 Getty Petroleum Corporation,
 274, 436

Gibson, Dunn, and Crutcher
 (law firm), 234, 235
 Gilmour, Marge, 277
 Girdwin, Walter, 133, 211,
 334-35, 353, 400
 Goldberg, Harry, 17, 430

Goldsmith, Bram, 325-27
 Goldwater, Barry M., 14, 16
 Gompers, Samuel, 6
 Goodrich, Dalton, and
 Riquelme (law firm), 189,
 210
 Gordon, Milton, 279
 Grand Marnier liqueur, 163
 Greco, Helen, 177, 178
 Guinness stout, 121, 146, 147
 Guitierrez, Maria, 192-93,
 200, 202

Haig & Haig, 129
 Haines, Connie, 116-19
 Halsey, William F., 85, 86,
 90
 Hammer, Armand, 132-35,
 334-40
 Hart, Alfred, 232, 283, 284
 Harvey's Bristol Cream
 sherry, 129, 131
 Harvey Scotch whiskey, 121,

128-29
 Hash, Harry, 198-99
 Hearst, William Randolph, 41
 Heineken Brewery, 120, 122-23,
 129-31, 147
 Heineken, Fred, 120, 122-25,
 131, 132
 Helms, Cliff, 266, 267
 Hennessy cognac, 360
 Heublein (liquor company),
 137, 225
 Heyman, Sander, 175
 Hiram Walker-Gooderham and
 Worts, 136-37, 153, 157,
 196, 198, 199, 222-25, 316
 Holliday, Frank, 22
 Huntington Harbour
 (California), 268, 273,
 285-87, 290, 298-304, 402,
 407, 413, 414, 420, 422,
 436-39
 Huntington Hartford Estate,
 322, 332, 333

 Incline Village (Lake Tahoe),
 270

 J & B Scotch whiskey, 139-45,
 164, 404
 J.W. Dant Distilling Company,
 132-34, 334-39
 Jacoby, Sanford, 42, 58
 Johnnie Walker Scotch whiskey,
 129
 Johnson, Jim, 288
 Jones, Shirley, 327, 328
 Juane, Eddie, 246-47, 251,
 379
 Jules Berman and Associates,
 124, 147-53. *See also* J &
 B Scotch whiskey; Kahlua
 liqueur

 Kahlua liqueur, 26, 55, 123-25,
 147, 150, 153, 154, 160-67,
 170-82, 186-227, 264-65,
 268, 276, 281, 316, 328,
 403-5, 407, 409, 413, 421,
 437-39, 444
 Kahlua pre-Columbian art
 collection, 176, 180-87, 439
 Kaufman, Ira, 118
 Kelly, Natalie, 102
 Kelly, Tom, 101-2
 Kennedy, Jacqueline, 175-76
 Kern Wholesale, 121
 Koverman, Ida, 38
 Krause, George, 268

 Laird and Company
 (stockbrokers), 284
 Lake Arrowhead (California),
 223, 228-37, 276-80, 315,
 328, 379-84, 402, 407, 413,
 414, 420, 422, 436-39
 Lake Arrowhead Country Club,
 237-39, 281
 Lake Arrowhead Development
 Company, 244, 265-68,
 269-70
 Lake Arrowhead Residential
 Conference Center, 241
 Lamoka liqueur, 354-58
 Lancers rosé wine, 136-38,
 220, 225
 Lehman, Robert, 211

Leroux cordials, 153, 220
 Lichine, Alexis, 146
 Lipsey, Emanuel, 36, 40, 56
 Llord's Liquor Store (Beverly Hills, California), 34, 36-49, 56-58, 398
 Loew, Rolinde Zellerbach, 111
 Los Angeles Turf Club, 229, 230, 241, 245, 259, 276
 Ludwig, Daniel K., 284, 289
 Lurie, Hilda Berman (sister), 11, 12
 Lurie, Monty (brother-in-law), 129, 399
 Lyman, Mike, 62, 63
 Lyons, Al, 160, 162

 MacIntyre and Quieros (planners), 300
 Maloney, James, 133-36
 Marks, Sheldon, 175, 176, 178, 212, 214, 265, 353, 420, 421
 Martini and Rossi, 138, 139
 McCallum Glenlivet Scotch whiskey, 360
 McHale Company (helmet company), 219, 361-62, 374-79, 437

 McKesson and Robbins (liquor distributor), 133, 335, 339
 Miller Harness Company, 377-78
 Mitchell, Silberberg, and Knupp (law firm), 288
 Mobile Storage Group, 340-41, 385
 Montalvo, Fernando, 180-81, 187-90, 192, 201, 208, 209
 Mower, Joseph, 233, 266-68
 Murphy, Franklin D., 184-85
 Murphy Ranch (San Diego, California), 288, 291
 Mutual Water Company, 235, 246

 Nebel, Abraham (uncle), 10-11, 23, 50
 Nebel, Benjamin (grandfather), 5-9
 Nebel, Emanuel (uncle), 10-11, 23, 50
 Nebel, Louis (uncle), 10, 23, 50
 Newell, William, 228, 233, 244
 Noilly Prat vermouth, 139
 Notter, John, 284

 Occidental Petroleum Corporation, 337, 339
 Ohio State University, 52-54
 O'Melveny and Myers (law firm), 232, 233, 234, 235, 289, 326
 Osborne, Alfred E., Jr. 49, 277, 394, 442

 Pacific Ocean Park (Santa Monica, California), 240
 Point Ranch (Lakeview, Oregon), 292-96, 322, 332, 351-53

 Powell, Ashby, 247, 251, 266, 379-80
 Prescott, Robert W., 292, 293
 Price Waterhouse (accounting firm), 189, 210, 271, 297
 Property Mortgage Company, 370-71, 385, 418

 Reiner, Carl, 178-79
 Remy Martin (liquor company), 359-60
 Reserve Officers Training Corps, 32-33
 Roberts, Joseph (cousin), 406
 Roberts, Michael, 406
 Robertson Baxter's, 141
 Rogers and Cowan (public relations firm), 176-77, 180
 Rogers, Henry, 177
 Rogers, Will, Jr., 37
 Rose Hills Memorial Park,

387, 388
Roth, Stanley, 42, 58
Rubin, Morris, 141-42

Santa Anita Hospital (Lake
Arrowhead, California),
259-61
Salton Sea (California), 228,
239-40
Scharffenberger, George T.,
332
Schenley Industries, 42,
58-64, 108, 109, 115, 116,
120, 124, 133, 134, 160-65,
175, 276, 335, 336, 339, 398,
431
Scott, Bert, 38
Seagram Company, 126, 133,
158-60, 162, 220, 222, 335,
358, 420
Shaw, Loretta, 200
Sierra Club, 237-38
Silver, Bud, 117

Simon Levi Company (liquor
wholesalers), 121, 132, 139
Sinatra, Frank, 116-17
Southern California Edison
Company, 372-73
Spanish Riding School of
Vienna, 313
Spitz, Jerry, 247-48, 280,
380, 383-84
Standard Oil Company, 21-22,
28, 249, 285, 297, 382, 383
Stanford Research Institute,
237, 242, 261, 415
Stanford University--
Graduate School of Business,
276, 277
Staunton Military Academy,
12-17, 33, 42, 51
Stendahl, Earl, 183-84
Sterling Liquor Distributors,
142
Strub, Robert P., 229-32, 260
Sutro and Company
(stockbrokers), 244

Taub, Charles, 364-65, 385,
437
Texaco (oil company), 311,
326-27, 329, 386, 432, 436
Thomas, Stan, 307
Thrifty Drug and Discount
Stores, 36, 37, 43-44
Tia Maria liqueur, 215-16
Tierrasanta (San Diego,
California), 288-90, 300,
438
Title Insurance Company, 234,
235
Touche Ross (accounting
firm), 151, 152, 224, 271,
361, 374
Trader Vic's (restaurants),
153-59, 203, 220, 225, 231

Underwood, Vern, 120, 123,
165
United States Olympic
Equestrian Committee,

317-18
Utah Construction and Mining
Company, 233

Van Munching, Leo, 123
Van Nuys, J. Benton, 230, 242
Vinos Finos (liquor
distributor), 188

Wallace, Steve, 49
Warner, Jack, 38
Weyerhaeuser Company, 295-96
Wilson, Pete, 288

Zond (wind power company),
371-73