Oral History Interview

with

TIMOTHY P. MURPHY

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By Michael R. Adamson

Adamson: You came in during the reorganization. As Dean Stephan tells it, it had become evident, in his words, that it was going to be impossible to perpetuate the company under the existing structure as Charlie, Russ Osterman and George Hutton were owners of 80 percent of the company, and so the reorganization came to provide a way of distributing ownership of the company. In other words, ownership in the company was too concentrated. Is this how you understood the situation when you came in?

Murphy: Yes, actually, that's accurate. There was an attempt—and I think you're aware of this—in 1984 to reorganize the company. In fact, a new company was set up with a lower capitalization base that allowed the next generation of engineers to have a greater participation in terms of ownership. That was before my time, obviously. I came on board in '86, but my understanding is there was some kind of a potential, either a real or a potential problem with the securities law when the stock certificates were issued, and I think also there was a change in the tax law that made it favorable to operate as a limited partnership rather than a corporation. So I think the initial 1984 reorganization was just that, to get a diversity of ownership. But then that one was basically terminated, and they redid it again in 1986 as a series of limited partnerships to take advantage of certain tax laws that were in existence, some that were going to expire at the end of that year.

But primarily I think the initial reason the reorganization took place was because it got prohibitively expensive for the younger engineers to buy in, because you had to buy in at book value, and so people would save their money, you know, forego their summer vacation, and cobble together some money, buy one-third of 1 percent of a share of stock, you know, because the equity had grown to the point where if you're buying at book value, it was quite expensive. So the idea was to create a new company with a low capitalization base where people could buy in and get a reasonable ownership interest.

Then in 1986, they decided there was even a better way, and that was to set up a limited partnership because there were favorable tax laws. Of course, anytime you have a corporation, you have the double taxation. With the partnership, you just have one. I think at that time the individual tax rates were actually lower than the corporate rates, and there was a favorable dissolution tax law that was going to expire at the end of 1986, and so the idea was to take advantage of that, and that's why the reorganization took place at the end of September of 1986, to take advantage of the tax laws that were in existence at that time. In '87, it would have been much more expensive to do it. If you ever go back and look, for example, at some *Wall Street Journal* articles in December of 1986, you'll see a lot of people doing exactly what we were doing, to take advantage of that tax law.

Adamson: This was the 1986 Tax Reform Act, or what was it earlier?

Murphy: Well, I honestly don't recall which tax act it was, but these were the Reagan years when there was a lot of tax law changes, and I just don't recall the exact year in which it was adopted.

Adamson: Dean [Stephan] made reference to the 1984 reorganization being motivated by an existing tax rule that allowed corporations, as you put it, under certain circumstances to liquidate without the tax consequence.

Murphy: Right.

Adamson: Is this something that also changed in 1986?

Murphy: No, I believe we're talking about the same tax law, but that favorable tax law was going to change effective 1/1/87. So it would be much more expensive to liquidate your assets. A lot of the gain that was realized on those assets went untaxed under the old law, the 1986 law, if you will, but under 1987 it would be taxed. For example, if you had assets and you sold them and you had recapture, ordinary income you had to pay the tax on that. But if you had the capital gain component, it was excepted taxation. After '87, both components would be taxed, and that applied to the assets of the Pankow companies at that time.

Adamson: That was the intent of the law, or was that an unintended consequence of the law?

Murphy: Well, they're always looking to raise addition tax dollars. I honestly don't know the answer to that, but it was a favorable tax law that was just, I'm sure, for revenue. To raise revenue, they changed it.

Adamson: So this was sort of the intersection of tax law and the requirements of the company, or in the absence of a tax incentive would something still have been done?

Murphy: Yes. Yes. In fact, that's what happened in 1984. My point is in 1980, they realized that they had to get a broader ownership base, group of guys, and the cornerstone of this company has always been employee ownership. I mean, you know Charlie's father was an engineer also.

Adamson: Yes.

Murphy: Maybe you've heard this story before, and other people can tell it better than I can, because they've been around longer, but his father was a very successful builder and engineer, but he worked for a company and he was always a salaried employee, and I think that made an impression on Charlie that he felt that his father never really got the full benefits of his efforts, his contribution to the profits of the company.

So in '63, when he started the original Charles Pankow, Inc., it was done with the idea that those who participate to the success of the company got to participate. In other words, you’re not only an employee, you’re also an owner. At that time, it was you would be a stockholder. Anyway, that was a lesson learned from his father’s situation.

Adamson: So from ’63 to ’84, there was no modification in that setup?

Murphy: There were all kinds of modifications, but the core entity, the general contracting entity, was always Charles Pankow, Inc. Now, there was another company, a wholly-owned subsidiary, for example, that was set up in Hawaii, and I think that there were other subsidiaries set up, for example, to own equipment, an equipment-leasing company. I guess I’d call those changes. But the core company that had a general contracting license was the same entity, from ’63 through ’84. In fact, I think it actually had it right up until ’86. I think when the new company was set up in ’84, it got another license, and some of the contracts were assigned to that. But that was such a short period of time, I mean, less than two years.

I think the contracts were formally assigned to that new corporation in ’84, then they were reassigned in ’86 to the limited partnerships, which also had general contractors’ licenses. It was almost a one-for-one matchup of the entities that were in existence as corporations in ’86 versus limited partnerships that were set up to be successors.

Anyway, that’s kind of a long-winded answer to your question, but it wasn’t as simple as just one company. As is the case, I think, with a lot of enterprises, there’s more than one company. In fact, Charlie was very active in—or I should say the Pankow companies, Charles Pankow, Inc., were very active in development, and, of course, every time you have a development project, you have a new entity. So there's a whole series of—it was called Pankow Development in Hawaii, and Chaskows in the mainland to do development. I guess if you take Charles and Pankow and jam them together, you get Chaskow. So there was a series of Chaskow 1, 2, 3, 4, etc., in the mainland that were set up to participate in development opportunities, and Pankow Developments—we call them PDs—in Hawaii. So it was quite an intricate system of entities, which Charles Pankow, Inc., is the parent. So to say it didn't change from '63 to '84 is probably not an accurate statement.

Adamson: Okay. I was getting at also how people bought in in that period if you weren't Charlie or Russ or George. You said in '63 they would buy stock in the company.

Murphy: Right.

Adamson: And that continued to be the case for two decades?

Murphy: Right. We always had to buy in. I mean, you know, you always had to pay the fair value of the stock, and as the equity grew, 1 percent or 5 percent value of the stock grew accordingly. I think that early on, of course, the capitalization base of the company was quite low. I mean, equal interest didn't cost that much money. Over time it grew.

The company from time to time tried to accommodate some employees by making loans to them, would be paid off over time, to try and get them enough money to buy their interest. But even with that, the ownership interest that someone in that situation could acquire was pretty low, relatively low. It really was. Ownership was concentrated in the hands of the three individuals that Dean [Stephan] mentioned, and my recollection is that their ownership interest was probably higher than 80, probably closer to about 85 or 84 percent. But anyway, it was basically three guys had the bulk of the equity in the company, and they wanted to have a broader base of ownership.

Adamson: Just before I ask you about why you were brought in, if we jump forward to today, you have Special Projects and CPBL, Charles Pankow Builders Ltd. Are these LLCs, LLPs or—

Murphy: LPs, limited partnerships.

Adamson: They're still limited partnerships. So the structure created in 1986 still persists?

Murphy: Yes, same entity.

Adamson: Then let's review why you were brought in.

Murphy: Okay. I believe that the existing CFO was not working out, and, you know, either you clicked or you didn't, and apparently—I never met this individual, but from what I've heard, it just wasn't working out, so the company was looking for someone else. Dean [Stephan] is probably in a better position to address that question from the company's perspective, but my understanding is there was this reorg, they wanted to get somebody in there who was compatible with the upper management and who also had a strong tax background or a tax partnership background, because that would be the form of the structure of the company going forward. I'm sure they talked to any number of people, I don't know, but I'm sure they did, and for whatever reason, they made me an offer and I accepted it.

At that point I was, like, thirty-four years old, and there was a pay hike that looked very attractive, you know. I had talked to—well, I did some due diligence on my end, too, because I had a number of clients in real estate, and they, of course, knew the organization, and they had positive things to say. I remember talking to one guy, Stan Cohen, I think, a developer out of Long Beach area. This is years and years ago. I don't know where he is now. He just had nothing but very, very positive things to say about the company and Charlie and Dean and those guys, and he said something like, "If you want to work with a hardworking, successful bunch of guys, then I recommend you accept the offer"—something like that. But it was very positive. So all the feedback I had was positive.

I was doing very well where I was at, but I was kind of at that point where, you know, I had been doing the same thing for a couple of years and I could see my career path. I was not up for partner for another three or four or five years, and it just looked like a great opportunity, and it was an area in which I was pretty knowledgeable, so I took the offer and hoped things worked out.

Adamson: You didn't know Charlie beforehand?

Murphy: No. No, only by reputation. I'd never met him.

Adamson: Then you were recruited, you indicated, through a placement agency that Dean had contacted.

Murphy: Yes.

Adamson: So the first person you met was Dean [Stephan]?

Murphy: I believe, yes. Other than the receptionist, it would be Dean. Yes, that's right.

Adamson: So how long did it take for them to hire you?

Murphy: Not very long. In fact, things happened so quickly, they wanted me to start right away, because there was an annual meeting. I said, "You know, I can't do that. I've got to give a minimum two weeks' notice." They tried to talk me out of that, and I said, "No, I've got to do that," and they finally relented.

The company used to have, I think, a May 31st fiscal year, and so then the annual meeting was like four months later, so June, July, August. So in mid-September there was an annual meeting, and I believe they wanted to terminate the existing CFO and get me on board for that meeting, but it was just premature.

But, anyway, I think I gave two weeks' notice and then came on board, so it happened very quickly. Furthermore, the reorganization was—I mean, they were about to select a date and go forward, so the sooner that I got in there, the sooner I could get involved in that. So time was of the essence.

Adamson: You indicated that your role was more implementation, that much of the planning had taken place.

Murphy: Right. Right.

Adamson: So then you also said that the implementation went on for a couple of years.

Murphy: Yes.

Adamson: Elaborate on that.

Murphy: Michael, at that time, we're probably talking about, I'd say, twenty, plus or minus, corporations, succeeded by twenty, plus or minus, limited partnerships. So there were just a lot of corporate minutes and resolutions and all that that had to take place. Also, there were assignment documents. A lot of the equity of the company was tied up in non-cash, non-liquid assets, notes receivable, real estate, things like that, and so there's all kinds of assignment documents that have to have approval that have to take place. I mean, you can't just transfer title to a property when you've got a loan on it without getting consent of lender and things like that, so there was a lot of that that went on. I mean, it really forces you to find out where all the assets are, to assign values to them. I was not only identifying assets, transferring them, assigning values, getting appraisals, a lot of the nuts and bolts of the reorganization was taking place either contemporaneously with the date of the reorg or subsequent, and you did what you had to do to effect the reorganization, and if you had to sign any transfer documents or anything of that nature, you followed up later on, and that went on for an extended period of time just because there was a lot of stuff, there were a lot of assets.

The other part of it was a corporate structure actually is quite simple, quite straightforward, whereas a limited partnership interest is much more amorphous, is much more complicated because of the nature of the pass-through and you have more flexibility in the partnership structure. And the decision was made, I think rightly so, that not every stockholder was going to be a limited partner. Am I going into too great a depth here?

Adamson: No, please, no, I'll get it all sorted out, I mean, when I read it.

Murphy: Because if you're a stockholder, it doesn't really affect your 1040, but if you're a partner, you get a K-1, and so it affects your 1040 and your personal tax returns. So the decision was made just to identify a handful of people to be limited partners, and then everybody else we called them unit holders, but they basically had a contractual right to participate in the economic growth of the company. So it was a very complicated structure, and we called it a unit agreement. It's basically a contract with—I think there were five senior employees who were identified to be limited partners, and the other twenty or thirty employees who were identified as unit holders got a contractual right to the economic increase year over year. So it took us a long time to finalize the wording of the unit agreements.

I've got to tell you, Charlie could be relentless in working and reworking. Talk about thorough. I mean, literally, we must have revised that unit agreement a dozen times, and he just wouldn't let it go until he absolutely had to. Because the reorganization took place late in '86, we really didn't have an annual meeting in '87. But then we had one in '88, and we worked on that unit agreement literally right up until we had to issue that prior to the annual meeting in—I guess it would be April or May of 1988. So that's what I'm talking about, two years to absolutely finalize the reorganization documentation.

It was both dealing with the assets that existed at the time of the reorg, but also working out the details of this deferred comp agreement on a go-forward basis. That was very complicated. Then we had to somehow create a scenario, an economic scenario, where the limited partners and the unit holders were economically treated the same, and that was a quite complicated, because the partners were getting their interests on a post-tax basis, and these guys were getting it on a pre-tax basis, so we had to work through that, too.

I'm probably telling you more than you want to know, but I'm kind of giving you a flavor of the complications that took place during that 1986, 1987, 1988 time frame. But it was real interesting working with Charlie because this guy was very—I mean, he can be very detailed when he wants to be. He's pretty much a high-level guy, you know, because he has so much going on. But when he wants to get involved in a document, I mean, word-for-word he's going through and making sure that he's comfortable with the wording of that. Anyway, that gives you a flavor of what was going on during that period of time.

Adamson: Now, I know you came in after the decision to become a limited partnership was in place, but looking back, in retrospect, were there other alternative paths they could have taken at that time under a corporate structure that could have accomplished their goals, or was that something—

Murphy: You just jogged my memory. There was another interesting thing going on. Charlie and Russ and George had 80 or 85 percent of the equity in the company. Prospectively, their interest went down quite a bit. For example, I think that when it was a corporate structure, I think Charlie's ownership interest varied as people came and went, but it was always like 50.3 or something. In other words, he always had more than 50 percent. Well, if he goes below 50 percent, does he still have control? And, believe me, he wanted to have control, and everybody understood that. So if we had gone like an S-Corp, which would have essentially eliminated the double taxation, the only way he could maintain control is if he had 50 percent interest, and the goal here was to reduce his interest, so that didn't work.

So if you look at the objectives and you look at the alternatives, the only one that really worked was the limited partnership, because the limited partnership, you've got all these limited partners who are unit holders, but you also have the corporate general partner, and the corporate general partner is responsible for managing the affairs of the limited partnership. Whoever controls that, the corporate general partner really controls everything. So it was structured so that the corporate general partner really was a 1 percent owner in terms of economics, but by virtue of being the general partner, really controlled the whole thing. And guess who owned the stock of the corporate general partner? Charles Pankow.

Adamson: Right.

Murphy: So that structure allowed him to get the favorable tax advantages that they wanted to get and also get a broader-based ownership, and so actually he and George and Russ, primarily Charlie and Russ, significantly reduced their economic interests. Arguably, it was kind of altruistic, but at the same time, it's a great way to—I mean, almost visionary in terms of trying to perpetuate the company. I mean, so many of these companies, they're family-owned, and when the founder dies, you know, how do you transition it? But Charlie had that pretty well figured out. But the key to accomplishing that was to ratchet down his ownership interests, and so the limited partnership worked perfectly to accomplish all those objectives.

Adamson: So if you look at the industry as a whole, was this a solution that was appropriate particular to the way Pankow was set up, or do other construction companies follow this sort of path?

Murphy: I think that the Pankow companies is [*sic*] probably somewhat unique, and I say that because there aren't that many out there that have broad-based employee ownership. Most construction companies are kind of like family-owned or family-owned with a few key senior executives in an ownership position, where you've got the Turners of the world that are publicly traded. So there aren't that many really that have a broad base of ownership like Pankow does, so I think it is unique. I mean, I'm sure there's some out there, but not very many.

Adamson: You've just alluded to my next question. Dean Browning made the same comment last week that suggests a way of looking at the organization from the view of Charlie wanting to see to it that the company outlasted him, and as Dean put it, that was why he decided to distribute ownership in it. So even at this point of the reorganization, the wheels of succession are churning.

Murphy: Yes.

Adamson: You suggested that that was always something on his mind. Can you fit the reorganization into that and then elaborate on that bigger point?

Murphy: Yes. Couple of points, Michael. Number one, I think most people in Charlie's position would want to transition the company to their children, and Charlie was—that was never part of his grand scheme. And believe me—you've met Rick [Pankow]. I mean, these are wonderful individuals. But for whatever reason, Charlie felt that people should move up within the company based on merit, and if it's father-to-son kind of a succession, that maybe you get the right guy, maybe you don't, but if it's wide open, then you're going to get the best people to succeed. For whatever reason—I think this may go back to his father's situation—he was very anti-nepotism, very anti-nepotism, and that's by no means a reflection on his children, because they're all very capable, competent, hardworking people. But that was never part of his game plan. It was always employee ownership and those who will rise to the top will do so based on hard work and talent and merit and so forth. So that was part of it.

The company was started in '63. Now, this is well before my time. In 1976 he actually did a lot of estate planning, because you'll see entities called the Pankow Family Trust in 1976 and so forth. I think at that time he had accumulated a sufficient amount of net worth and anticipated accumulating more. [laughs] And he actually went through and restructured his ownership such that while he maintained control, a good portion of the future growth and value of his interest would go to his children and grandchildren. And this is quite common where you try and reduce your estate and create a structure such that future growth goes to your kids or grandkids, and that was done in 1976. So, obviously this was on his mind way back ten years before I ever came on board. I'm speculating here, but I think that was always a primary objective, to create a scenario that would allow the company to perpetuate after he left.

Adamson: Okay. Now Dean Stephan has said that Charlie thought it would take perhaps twenty years for the company to double in size after the reorganization. In fact, he framed it in terms of making a bet. I'm not sure if they actually laid any money on it.

But Dean said he thought it would only take a decade, and as he tells the story, within a few months of ten years, Pankow had doubled in size. So my question is, what role did the reorganization play in reaching this milestone?

Murphy: I think it was a key contributor. Obviously, the primary reason the company grew was because of the operations success of the company, of those involved in the projects, who negotiated and executed the contracts. But the elimination of the corporate tax allowed the equity to grow more quickly than it otherwise would have. In fact, we were also able to kind of defer some of that taxation so that there was almost like an off balance sheet deferred liability that we did not have to book due to taxes. Partnerships don't pay taxes. But clearly the tax aspect of the reorganization allowed the equity of the company to grow more quickly than it otherwise would have. Yes, clearly. I'll bet you—I mean, over the period of time you're talking about, the reduction in taxes, I mean, it was probably a healthy seven-figure amount over that period of time, which was a lot of money.

Adamson: So, now, what other things were done by the company or by Charlie to ensure that the company endured in the form that Charlie had set it up past his lifetime?

Murphy: Well, he hired good people. [laughs] He really had an interesting management style. On one hand, he was a great motivator. I always felt it didn't matter what you did the day before, the week before, you still had to show up that day and produce. It wasn't just me; it was everybody. In some respects, it's a big company with these big projects, but in another sense, it's a small company where there's no place to hide. You've got to produce or you're shown the door, which is a great environment for kind of the self-starters for the people who kind of figure things out.

So I think that Charlie was able to identify and hire people that worked well in that environment, kind of self-starters. There wasn't a huge amount of corporate bureaucracy or company bureaucracy, so it's not like Charlie had to be there to oversee their activities. Like Dean Stephan, you know, very, very successful, very capable individual, and there were others like him. So I think that's a big part of the perpetuation. You get good people, and, of course, the reputation is very important. Charlie would never do anything that would taint the reputation of the company because he thought that was critical to the success and the perpetuation of the company. He always took the high road. He had a pretty good set of guidelines or rules in terms of operational running of the company, identifying owners that we would do business with. I mean, some owners he thought were more trouble than they were worth, and he just wouldn't even—he would pass on that opportunity.

In terms of there were certain essentials that had to be in contracts, and he made sure he was insistent upon those things, that, you know—I mean, if you have a good contract, necessarily you'll have a good job. If you have a bad contract, in all likelihood you'll have a bad job. So he really emphasized the contractual part of the operational aspect of the company, and, of course, that carries over to today.

I think a lot of what he did probably, he kind of gleaned from his days with Kiewit, and Kiewit is still around. I don't know that much about the Kiewit company, but I think there are a lot of parallels, maybe. You probably know more about that than I do. I don't know. Are you talking to Ralph Kiewit at all?

Adamson: I'm trying. It hasn't come to fruition, but it's out there.

Murphy: He was also pretty conservative in terms of cash flow. I mean, he would keep cash or equity within the company, what you need for bonding and banking purposes. He wasn't stripping out the profits every year. I think that goes a long way toward perpetuating the company. Those are the things that come to mind.

Adamson: After the reorg, you stayed on as CFO?

Murphy: Yes. I was hired, day one I was CFO, in 1986. I actually stayed in that capacity, I think, until 2003. Really, for personal reasons, my parents were quite ill, and they lived up in Spokane, so I was flying up there about once every month. Anyway, our family got together. We ended up moving them down to L.A. in kind of a nursing home. My dad needed a lot of attention. My mom had the independent care. So at that point, I transitioned from a full-time employee to part-time consultant, so it's, whatever, that's seventeen years. I stayed involved in like the tax and some of those other aspects that are kind of unique to my background, and hand off a lot of the operational stuff, because there's some very capable people. So my role right now, for the last four or five years, has been more focused on taxes and things like that in kind of a part-time capacity. Coincidentally, Charlie died, I think it was January '05—

Adamson: ’04.

Murphy: ’04? I’m sorry.

Adamson: I believe so.

Murphy: And then I succeeded him as one of the directors of the Charles Pankow Foundation, which occupies a lot of my time, too. But, yeah, the reorg was a big deal, but you still had this ongoing company that needed a lot of attention.

Adamson: You indicated to me that you spent much of your time dealing with Charlie’s non-company business ventures, and you gave me a list. I go down the list, you can say something or not say something or at least tell me what these ventures were and then maybe sum up.

Murphy: I know it’s on the list, but maybe I should mention a couple of other things that I don’t think I included on the list but really were quite significant. The company had, when the corporation formally dissolved, it still had a lot of assets and those were put into kind of what we call a [unclear] collection trust to be liquidated and paid out to the stockholders of the old corp. I mean, we’re talking about, you know, tens of millions of dollars of equity. So I was very much involved in the liquidation process of—you know, there were a lot of notes receivable and condos in Hawaii, for example. We had to collect all that. There were a lot of unsold units over in Hawaii. We had to market those. A lot of my time was spent, and that really isn't part of the operational aspect of a construction company. These are more development-related. So the engineers were out building buildings and dealing with that, but somebody had to kind of oversee or be involved in the liquidation of the assets, and so I spent a lot of my time doing that. A lot of these were Hawaii-based, and the market in Hawaii in 1986, 1987 was not real good, so we kind of had to hold onto them until the real estate market kind of firmed up. So a lot of that was actually liquidated in, I think, the late eighties. I think things kind of got better and we were able to realize the value of those assets, but that was a two- or three- or four-year process to liquidate those assets. I'm sorry, I don't think I included that on the list.

Adamson: Washington Street and Webster Street were—I think 2101 Webster is the one.

Murphy: Right. 2101 Webster, have you ever been there?

Adamson: Yes. That's where I interviewed Dean [Browning] last week.

Murphy: Good. So it's obviously a commercial office building. I think it's about twenty stories, right in the area of Oakland. That was a development done principally by Charlie, and I think early on he had a partner there. I think Matthew Bender was a partner and a tenant. But anyway, that was a big, big deal. I mean, that's a big office building, and it was difficult because it was a very, very highly leveraged. He didn't really put a lot of money into that, and so, you know, it was always an effort to make sure that you met all the loan covenants and paid the bills. But I was heavily involved in that, and that was touch and go. I mean it would ebb and flow with the marketplace.

But there were all kinds of issues about that, lender-related, and then there was a lawsuit where some people—he actually had acquired, or one of his entities had acquired, the option to purchase that, and he acquired it from a couple guys up in the Bay Area, and subsequently they came back and claimed that they were entitled to an ownership interest in the property. Anyway, it evolved into a lawsuit, and so he had to deal with that, and he had to refinance the property from time to time, and you always deal with tenant issues, although we had another fellow who dealt with that primarily, and you're signing new leases, things like that. So it's a lot of work. It was a big deal.

He held on to that obviously throughout his lifetime. In retrospect, he had a chance to sell it in the late eighties, and he probably should have, because the property value went up dramatically, and then in the early nineties, of course, it went down. But, you know, for whatever reason, he decided to hold on to it. Thought it would go up more, I guess.

Adamson: Washington Street, I don't know that address.

Murphy: Washington Street is—I think it's like an 18,000-square-foot home in San Francisco, real nice area of San Francisco.

Adamson: 3800.

Murphy: 3800 Washington. Have you seen that?

Adamson: No. That's where he had his art collection.

Murphy: Yes. It's a grand old house. It was built in 1904. I think it was a couple years before the earthquake, survived. He bought that in 1982. He had a lot of business activities in San Francisco and, again, this was before my time. I came on board in '86, but my understanding is he would always stay in a particular hotel when he went up to San Francisco, and that hotel was being torn down. So he was kind of looking for another place to stay.

The story I heard is that about that time that King Tut exhibit came through the United States, and he went and was quite impressed with that, kind of got an interest in art and actually started collecting art, and so he needed a place to house his art. It's a very impressive piece of property anyway, so for any number of reasons he acquired it in 1982 and kind of used that as his San Francisco residence when he was up there. He really divided his time between Altadena and San Francisco, for the most part.

That turned out to be a very difficult property. He actually acquired it in the name of Washington Street Associates, which was a general partnership between him and this woman by the name of Heidi Betz, and he basically funded the purchase of it, and then there was a falling-out between them. She was a very successful art dealer, I guess, in San Francisco, and I think she had a lease and her lease was up, and so she was looking for a place. So this house was so big, she could actually use part of the first floor for her office, and then he had his living quarters up on the third floor. He was out of town most of the time anyway, so there was somebody there. But anyway, there was a falling-out of the two of them in, I'd say, '88 or so, I think about that time frame, and then that gave rise to a protracted really series of arbitrations that you've probably read about a little bit.

Adamson: I've read the—was it *Forbes* or *Fortune* story and a couple *Chronicle* stories and never have got the end, how it was resolved.[1]

Murphy: Well, it was resolved, the actual—and a lot of this is the reason he had the arbitration was so that it was not a matter of—there's no public record per se, but he prevailed. She did have some money into the property, and so he was given the right to acquire that from her for X dollars, and then she was out. But it was a very bitter process, and there were all kinds of ancillary lawsuits or arbitrations that kind of spun off that. I think the result was challenged by Mrs. Betz and her attorney, and so it just had a life of its own. I mean, literally it went on. I think that it probably started in '89. I think '89 was—because I remember it was ongoing when they had the earthquake. Remember the World Series in the Bay Area? I think it was '89. So they were actually in arbitration when they had the big earthquake, and everybody kind of ducked under a table or something. I mean, they were fine. I think this thing actually was not finalized for two or three years. But early on, she was more or less evicted from the property, so he had total control, but it was just a big litigation mess for an extended period of time, and I got

[1] Christie Brown, "The War between the Collectors," *Forbes*, 26 August 1991, 126–7; Jerry Carroll, "An Opulent Mansion Becomes House Divided," *San Francisco Chronicle*, 20 February 1989; Reynolds Holding, "New Lawsuit in Old Battle of Ex-Partners," *San Francisco Chronicle*, 1 June 1991.

quite involved in that, too. There's a lot of accounting involved in who spent what, and what was she entitled to, that kind of thing.

Adamson: Just as an aside, and I'm sure someone told me this, but before he acquired that property, he had been collecting art. So where was he keeping it before then?

Murphy: Well, the answer is, I don't know. But I think that because I was familiar with the inventory listing of the art, and I think that really the bulk of the art was acquired after he got the house. I mean, if you look at the acquisition dates, I mean, he—where he kept that, I don't know, but I think it was a manageable number of pieces prior to his acquisition.

Adamson: Okay. Because the story as it went is he collected his first of art during the war in trade for some cigarettes.

Murphy: Yes, well, that was just one item, so it was very manageable.

Adamson: Just one more question on Webster Street. What was his business decision on doing development, whether just that project or any of the projects he developing?

Murphy: It's interesting, because ostensibly he always held himself out as a builder, you know, Pankow Companies Builders. But the fact of the matter is, he did a lot of development, and you don't really want to hold yourself out as competing with the owners that you do business with. I mean, he did it and so forth, but he really never made a public display of that.

But he did from time to time pursue development opportunities, and twofold; number one, he thought there was a development opportunity to make money on the project itself, but also it would give rise to a construction contract for the company. In fact, the Webster Building we were talking about, the company built that. I think it was done in about the ’84, ’85 time frame. So it’s a way to generate additional work for the company, you know. Obviously, it’s a captive project. So the opportunity to make a reasonable construction profit on the job existed, too, and you’ve always got lenders and so forth looking over your shoulder.

He pursued any number of developments. He did a couple of projects up in San Francisco. It was called the AT&T Building or the PT&T Building, was right down like on Third or something. There were a couple of older buildings that he developed in the Bay Area and then held them for a while and sold them. Another major project was San Jose Plaza. There are two big buildings in San Jose that he developed and the company built. That was before my time, although they were still owned when I came on board.

In fact, he was really a very successful real estate developer. In terms of where he’d make a lot of his money, it was really on real estate development, and he was very, very good at it because in those days you could actually tap a property or acquire property, you know, for a reasonable amount of money, and then he would try to get a loan for the entire amount of the project. In other words, they were very highly leveraged, so he could get them without getting a lot of money tied up in the project.

I think what people may not realize is—remember I said early on in 1976 he did some estate planning where he took his economic interests in the construction company and basically divided that among he and his wife, their interest, the kids' interest and the grandkids' interest, such that the kids and the grandkids really had a higher economic interest than he and Doris. He really made his money on development projects, and his construction company interest was really not liquidated until his death. I don't think people really—but he was a very, very astute developer, and he was very good about timing, when to sell a project. Like the San Jose Plazas, I think he sold those right at the top of the market. I think he sold them to a subsidiary of Johnson & Johnson or something, and I don't think they've ever done well since. I wish he had sold the Webster Street project when the price was higher, but he didn't. But the two projects in the Bay Area, they did very well. Also, he and Russ had an office building in Eugene, Oregon, of all places, that they sold. They held for a long time, and they sold it prior to his death, maybe a couple years prior to his death, and that was very successful.

So he did real well, very disciplined, and, of course, he had the ability to acquire a property and hold it, and the timing is very important in real estate, as you probably know. Also in Hawaii, he was very successful on development projects in Hawaii.

Adamson: With George?

Murphy: Yes, George and he. It seemed like—quite often in California he and Russ would be involved in the development projects. In Hawaii, it would be he and George because George was in Hawaii, brought the opportunity to him. They did a lot of—I can throw out some names. They probably don't mean anything to you, but they're very successful high-rise condominium projects: The Craigside, Hale Kaheka, Honolulu Tower, Honolulu Park Place. Some of these, you know, I mean, they're wonderful buildings, but they're also very successful developments from the developer's perspective, and he was involved in those. People always think of him as a general contractor and so forth, but he developed millions of square feet of commercial office and residential properties.

Adamson: Now, it's my understanding, and I don't know if I'll be able to end up talking to George, but George also had his own development projects separate, or was it always with Charlie? There was one project in particular where Pankow pulled out as the builder, and then there was a successor.

Murphy: Right. That was after George left the company, and so George pursued that with some other people. It was the Aloha Tower. I think they called it the Aloha Tower Project.

Adamson: Right. U.S. Pacific Builders or something.

Murphy: I think so. I think Dean Browning could tell you the story on that. I think Dean was involved in that. Obviously, George Hutton came to Pankow to do it, and it was a big development. It was a great opportunity, great location, and for some reason, and I honestly don't know—others do; I don't—Charlie pulled out of that. I think there might have been some differences between Charlie and George relative to that project that was the reason that Charlie pulled out, but I honestly don’t know. But, yeah, I am aware that that happened.

Adamson: So George left. I don’t have his résumé, but that’s a year I never pinned down.

Murphy: I would say—if this is 2008, oh, boy, I could look up the records, but I want to say probably ’92 or ’94, something like that. I really don’t recall exactly.

Adamson: So that’s right at that time—

Murphy: Yes.

Adamson: A couple things more about development. You said he could buy and hold a property. Does that mean the land or the land and the building?

Murphy: Maybe the best way to answer it, give you a case in point. Honolulu Park Place is probably four or five hundred units. Have you seen it? It’s a big project.

Adamson: Just a picture.

Murphy: Pictures. That piece of property was acquired and held for at least eight or ten years, and I know there was a lot of thought given to developing it at various stages, but it just didn't make sense. So Charlie was not going to just do a project to do a project; he was going to wait until the timing was right. Of course, in real estate, if you have staying power, that's very important, and so he was very disciplined in waiting till the opportunity came along that made a lot of sense economically. So that's why I say he—and he had the financial wherewithal to kind of, you know, pay the property taxes and whatever else needed to be done to keep the property. A lot of guys, they'd tap a piece of property with an option, and then they've got to do something before the option expires and so forth. But Charlie didn't. He had the wherewithal to hold that until it made sense to go forward.

Adamson: Now, did he just know, say, the Bay Area and Hawaii markets very well? Did he drive around? Did people bring projects to him?

Murphy: No, he didn't drive around, I'll guarantee you that. [laughs] Well, the [2101] Webster Building, there were a couple of guys up there, Mike Townsend—Monroe Townsend—and his partner, Jeff Smith, I think, and I believe that they actually acquired an option on that site and they were going to develop it, but they couldn't pull it off, and their option was going to expire. Somehow they knew Charlie, and so they were trying to find somebody to come on board with them. Anyway, to make a long story short, they approached Charlie. Charlie agreed to. They assigned the option to—when I say

Charlie, to one of his entities, and then Charlie ended up acquiring the property. So that was brought to him.

I think the developments in San Jose and Eugene and probably San Francisco, Russ Osterman was very much involved. He was probably the guy that made that happen, and he was the guy out there making the initial contacts and so forth. Russ was a very, very astute, bright, hardworking guy. I mean, he just really was the guy that made those projects happen, quite frankly, more than, I think, Charlie.

Now, having said that, I wasn't around in those days, but you can talk to Dean [Stephan] or some of those guys and see what they say. I mean, Charlie was on board with it, but Russ was the front guy on a lot of the California projects. George more on the Hawaii projects.

Adamson: Middle Ranch?

Murphy: Middle Ranch. Again, I believe this to be true. But Charlie's daughter always liked horses. Have you met Betsy?

Adamson: No. But I heard that she likes horses.

Murphy: Yes, she likes horses, and my understanding is that she wanted to have a ranch and a very modest ranch. So they were driving out northeast of town and looking at a ranch, and Charlie noticed there was an adjacent property for sale, and so he inquired about that. Well, it was the old Cecil B. DeMille Ranch, and, I mean, like over six hundred acres, very rundown. But it was actually owned by—at that point, DeMille was no longer living. I think it was owned by his daughter. What was her name? Cecilia DeMille Harper. I think she had died, and so the property was on the market, and, for whatever reason, Charlie then acquired that and—

Adamson: What year is this?

Murphy: 1987. In fact, I can remember sitting down at the old Chronicle restaurant down here, and it was very late in the year, I mean, like December 31st, and they're bringing papers by to sign. But he bought it, and he put it in an entity called Middle Ranch Ltd., and basically he and Doris at that time had a limited general partnership so he had the corporate general partner and so forth.

Then he proceeded to develop the property. A lot of people were concerned that he was—you know, here's this builder. He's going to put a bunch of condos in there, and so they were quite concerned about it. I think it was at that time, and I think it still is, zoned for grazing or agriculture. A lot of it is hillside, dry riverbed. But anyway, he got it with the intention of keeping it as a ranch, and, of course, the project, it took on a life of its own. The more he got involved, the more it evolved into a bigger project.

Betsy is married to Fritz Tegatz, who used to be an engineer at Pankow. He's a Purdue guy. But they've been married for a long, long time. Shortly after Middle Ranch was purchased, Fritz left the company to devote full-time to the ranch. I mean, this is a big, big property, and the intention was to develop, to put a lot of barns on it, and then rent the stalls out to third-party horse owners, which is what happened.

But that was very difficult. I think part of the land was in the county, part of it was in some city, and it was very difficult to get the entitlements to do what they wanted to do. Part of it's in a potential riverbed, and so it's very complicated. So Fritz spent a lot of his time on that. If you have an opportunity to go out there, you should, because it's a real showpiece. It's a real high-end Equestrian Center. It also has what they call the clubhouse, which is a beautiful building that—oh, I don't know how big it is, probably ten, twelve-thousand square feet. It will have like receptions or wedding receptions or events, corporate events, and we've even had some company Christmas parties out there from time to time, and so it can very easily accommodate, you know, a couple hundred people. I think when they—now I'm talking 1987, this development and the building of all the barns and so forth probably took six, seven, eight years to do, and Fritz was very heavily involved. Charlie was very heavily involved. But they turned that into just a first-class Equestrian Center. If you have the chance, you should go out there to kind of get an idea of how nice it is.

Adamson: There's a residence?

Murphy: Several. Charlie and Doris had a home. I mean, there were several buildings. I mean, it's 600 acres, 656 acres. So there were several buildings on it when he bought it, and, of course, they fixed them up. But there probably are three or four or five residences out there. I know Betsy and Fritz have one. I think the foreman has one. Charlie and Doris had one. I mean, I couldn't even tell you, but probably in that range.

But they also built probably well over two hundred barns that would house over two hundred horses, which is a big deal. I think they have open grazing, and then they have these—I think they call them pipe corrals, but then they have these beautiful barns. I think they probably house, I'm guessing, three or four hundred horses out there, which is a huge operation. I mean, I've seen the revenue side of it, and there's a lot of money coming in, there's a lot of expenses, but it's a big operation.

So what's interesting is when I was first hired, I was hired with the understanding that Saturday was a workday, and we'd all come in here first thing, you know, eight o'clock on Saturday. The only difference was you weren't wearing a tie, and we would usually work. It was usually a half day, maybe more. Charlie would spend his week up in San Francisco, but the weekend, you know, like he'd fly down on a Friday. So Friday, Saturday, Monday, he'd be in the Altadena office.

Well, the reason I bring that up is when he acquired Middle Ranch, he started to spend his weekends out there. So probably for the first ten years of my employment, I was, you know—not only me but others spent a lot of your Saturdays coming into the office, and that was expected. But then all of a sudden, Charlie had other interests on Saturday, and so he would go out to the ranch. So it kind of freed up our Saturdays, which was kind of a nice plus. [laughs]

But it was a big project and took a lot of—I was pretty much involved, you know, more on the financial end. I mean, Fritz was the guy that was making it happen, and Betsy also, and Charlie. He was very heavily involved in that. I'm probably not giving you a full sense of the amount of time and effort it took to make this thing happen. Anyway, that's Middle Ranch.

Adamson: So it's still going on the scale that you mentioned?

Murphy: Yes.

Adamson: MP Communications Partners?

Murphy: [laughs] This is a fun one. Let me give you just a little bit of background. Charlie had a good friend, business associate, by the name of Bob McCarthy, Robert McCarthy, an attorney up in San Francisco who's no longer living. I think that Bob and Charlie met—well, I know Bob's law firm was very knowledgeable in bonds and surety and so forth and did some work for the company years ago, and I think that's how Charlie and Bob met, and they were just lifelong friends, or at least from that point forward.

Bob had a couple of, I think, radio stations up in Red Bluff or Redding, in that area, and he kind of knew his way around the FCC, around Washington, D.C., area. So during, I think, the nineties primarily, maybe late eighties, but I think the nineties, the FCC was—you know, the Reagan years, deregulation and so forth, and also cell phones were a big deal. They'd have these lotteries to give rights to develop certain areas for cell phone use called the MSAs, metropolitan service areas, and then the RSAs, the rural [service] areas. So people who won the lottery and were able to develop these areas in the major metropolitan areas made a ton of money. So there was money to be made, Bob knew about it, brought this opportunity to Charlie, so Charlie thought, "Well, let's pursue it." And so you'd have a lawyer back there who would submit these applications for the lottery process. They're so valuable now they auction them off. But in those days, I mean, you can't believe where the cell phone industry was then versus where it is today.

So Charlie and Bob, thus MP, McCarthy Pankow, MP Communications Partners, again, a limited partnership, and I think it was 80-20. Basically, Charlie had 80, Bob had 20, and they submitted applications on these lotteries, and they didn't win. But it was not a big deal. I think each application was like thirty-five bucks, and then the lawyer's fee on top of that, and you do it for a hundred or, you know, and if you hit the lottery, it turned into a valuable asset.

But then there were some areas that, you know—and if you win, you've got to develop that area, otherwise your rights lapse. There were some what they call real lotteries of some areas that were never developed, and so Charlie and Bob or MP Communications pursued some of those. I mean, these were not very desirable, obviously, but the people who won didn't even care, they let it lapse. But this was the infancy of the cell phone era. So the revenue just wasn't there, and so Bob and Charlie actually won probably seven or eight of these re-lotteries.

Then they had a fellow that Bob knew go out and kind of do a survey, they called it, to see whether it was economically viable to develop these things. This guy thought that there was an opportunity for a couple of areas on the outskirts of Albuquerque to develop, and through Bob's contacts, they were able to get one of these cellular companies. I mean, there's been so much consolidation taking place in that industry, that I'm sure this entity isn't even around anymore, because it ultimately ended up in Verizon. But they developed these two sites that are kind of on the major highway or freeway corridor that goes through Albuquerque, and somebody else loaned them the money. It was called New [unclear] West or whatever it's called, it was like the forerunner of Verizon, for example. It would cost you like $150,000 or something to put the tower on and all that, and then you had to have a management contract with a cellular company.

But what happened is the—so they get these things up and running, and people go through, and you earn a fee as they go through your area. Well, then the cell phone industry just exploded, and the usage in this area just—I mean, it just ramped up tremendously. I mean, literally they spent probably thirty-five dollars per application and probably two or three times that to pay the attorney to file it, and they ended up with this income stream from these two cell sites, and your costs are like negligible. [laughs] You have a lease to—I think it was probably an Indian tribe or something on a tower that doesn't cost you hardly anything, and you have a management company that manages it and does all the paperwork and so forth, and they just send you the net check.

Early on, of course, it was kind of a break-even proposition, and then they earned enough money to kind of pay back the loan to get the thing up and running. But then it got to the point where it was literally generating, you know, a million bucks free and clear annually.

Adamson: Annually?

Murphy: Yes. Then, of course, the operator started to ratchet the rates down, so that's the bad news. They're reducing your rates per call, but the usage was so exponential, you're still making money. But it got to the point where there was so much consolidation that they had to sell it, which I think was the right thing to do, and that sale actually took place. I think it was finalized after Charlie's death, but it was kind of in the works. We could see their handwriting on the wall, because through consolidation, for example, if Verizon didn't want to do business with us anymore, through other acquisitions they could actually build out a competing set of towers, and basically that would eliminate our income stream. So they could either buy us out or build around us, so at that point we worked out a deal and we sold it to—I think Verizon was the operator at that point in time.

But, anyway, what's interesting is it was an area Charlie knew nothing about, but he knew McCarthy knew what he was doing. We got a law firm back there. I remember Jeff Craven with a very—oh, I'll think of their name, but it's a well-established big law firm [Patton Boggs] back in Washington, D.C. Basically, Jeff and I then kind of oversaw this thing, which was a lot of fun for me, too, because it was fun to go into Charlie's office and say, "Okay, Charlie, I got the monthly report for MP." He enjoyed our Minutes of Use, the MOU. "Our minutes of use went up by 46 percent over last month," I mean, it was just a great success story, so it was a lot of fun. And McCarthy was a great guy to deal with. I mean, here's a business venture that Charlie knew nothing about, but he kind of was able to evaluate it based upon input from others. Early on, you know, he did not have success, but he stuck with it, and it turned out to be a great investment over the long run. Anyway, that's the MP Communications story.

Adamson: Is this something a model that he used or is this a one-off?

Murphy: One-off. Well, I say it's a one-off, except he did pursue other FCC lotteries, and I think they did win one for one band that was used for a lot of, you know, like paging systems, and they ended up selling that for like $35,000 or something like that. So they did kind of dabble. If they had gotten one of the MSAs, metropolitan districts, and if you look at the number of people who submitted applications, and you kind of figured your odds and so forth, I mean, literally you had like a one chance in fifty or seventy-five of hitting a grand slam homerun, economically. Unfortunately, we didn't get those, but then we got this refill, this re-lottery, this RSA in the Albuquerque area that turned out to be a lot of fun and more than paid for the ones that didn't pan out. It just gives you an idea that here's a guy who, I mean, by training he's a civil engineer, and he's getting involved in these FCC licenses for cell phones.

Adamson: Is that an example of what you meant when you stated that Charlie was, as you put it, clearly far more than merely a civil engineer?

Murphy: Oh, yeah. Yeah. In fact, after he died, we were kind of talking about him and just kind of reflecting in some kind of a social setting. My wife was there, I think we were [unclear] a bunch of us. And no, he was this and a civil engineer, and my wife said, "Oh, my god, I absolutely forgot he was a civil engineer." I mean, she didn't think of him in those terms, and if you met him in a social context, I mean, you just would not think of him necessarily—Michael, if you were to ask people you interview, "When you think of Charlie Pankow, what's the first thing that pops into your mind," I don't think very many people would say civil engineer. Let's put it that way. More of a businessman, art collector or, you know, whatever.

Adamson: The last two on your list are C–A–P or CAP Management and Development.

Murphy: Yes, these were interesting, and I got heavily involved in these. These were a lot of fun. There was a development project, a condominium development project, over in Hawaii called The Cliffs. It's at the north end of Princeville up at the north end of Kauai. This was developed, the Pankow Companies built it, and it was primarily a Charlie-George development with a couple of outsiders. I think each guy had about 25 percent of the development. It came on at a bad time about 1979, 1980, and if you recall, that's when interest rates were just going very, very high. They sold out about two-thirds or three-quarters of the units, and then the sales operations just came to a screeching halt. So they were left with like fifty or sixty units unsold, and they didn't know what to do with them so they rented them for a while. That wasn't too good, so they thought, "Well, let's timeshare them." I'm probably in about 1983 or '84, now, probably '84, '85, and timeshare has come a long way during that period of time. I mean, timeshare was around in 1985, but not to the extent it is today. None of the big Sheraton or any of those guys were involved. They've gotten involved since then. So they were kind of starting from a standing start, what are we going to do?

So they went and, anyway, they timeshare these units and created a sales program from standing start, and it really took off. They had a very talented fellow by the name of Scott Church running it, a great manager, hardworking, bright guy. They not only liquidated, they annexed all the units they had. The fifty or so that weren't sold—they annexed and sold those. It was so successful, then they started buying other units and annexed them into the timeshare pool and sold those as well.

Again, this thing took off to the point where, I mean, they would have months where they would have a million dollars of sales of timeshare. [laughs] It's a beautiful location, but still. Very reputable. I mean, there's a lot of timeshares. A lot of these projects have given the industry a bad name, but this was very reputable, and you had the right of rescission and so forth, so if somebody wanted to get out, they allowed them to do so.

But Charlie was very heavily involved, George was involved, Scott Church, a fellow by the name of [unclear] was involved. I got very much involved. But again, it was something that Charlie had never been involved with, and it was an idea that somebody brought to him, and he did his due diligence and concluded, "Yes, let's give it a try." Of course, he and George provided the financing for it, and it just took off. For a couple of guys, they had never even heard the word "timeshare" probably the year before that, and they were able to take this thing from a standing start, turn it into a very successful development project.

I think when George left, he then took that over, took over the operation and kept buying units. I've been over there a couple times. It's a beautiful project. Unfortunately, it was severely damaged when Hurricane Iniki hit that [in September 1992]. I think it was several years ago, but it was rebuilt and so going today. But, again, that's not exactly what civil engineers do.

Adamson: Right. I'm going to pause here.

[Begin File 2]

Murphy: Well, it's interesting, the family, Charlie, of course, when they developed that, Charlie kind of had his pick of the units, and he ended up buying one. It's in Building A, which has a beautiful view. It's on the cliffs, obviously. He retained that, and even after his death, the family has retained that because it's just such a beautiful area. I've been over there a couple of times and stayed there and, you know, it was just a beautiful place to go. Poipu Beach is, too.

Adamson: Now you have "etc., etc." here. It brought up the question that I had was, was art collecting a business interest of his, or was that purely a hobby, avocation, something that you would not define as a business interest?

Murphy: I'm trying to think if Charlie had any kind of an interest that didn't have some kind of a business connection with it. [laughs] I would say that the art was done for obviously more than one reason. He wanted to furnish and display that in his big beautiful house he had in San Francisco. But I think he also realized that the art would probably hold its value and perhaps go up in value. I mean, art goes like this, you know, it's up and down. I don't think he bought it primarily with a profit motive, but I think he realized that it had value, and so it wasn't like buying a racehorse that whatever your investment is, it's gone. I mean, there was residual value in the art, plus you get the added benefit of looking at it and enjoying it. I think that was really his motivation.

I think also the guy liked to shop. [laughs] Dean [Stephan] could probably share with you some of the stories where they were traveling, and he'd go into a store and—I mean, I can't say he was a compulsive buyer, because I wasn't there, I don't know. But he really bought to the point where even in the San Francisco house, which was quite large, he had accumulated so much stuff, artwork, that there was no place to hang it, and it just ended up sitting in a closet.

But to answer your question, when he died, he gifted the art collection to the Foundation. The Foundation then, of course, liquidated that, and I believe that the aggregate sell proceeds of the art collected exceeded what he paid for it. Now, keep in mind he started acquiring this stuff in the early eighties. So it's well over a twenty-year time frame. But still, I mean, I think he kind of realized that there was some value there. But he never really sold any art. I mean, he didn't buy to sell it. He had a beautiful extensive Russian icon collection, and I mean well over a hundred pieces, maybe closer to a hundred and fifty. He told me once he was approached by a fellow who said, "I'll buy your icons for ten million bucks," and he turned him down. I mean, that's a lot of money. I'm sure that his purchase price was far less than that, but he had put together a very impressive collection, and they're tough to get. So, I mean, if it were purely a profit motive, I think he would have sold them. But that wasn't. He was a collector. He wasn't a trader.

Adamson: The Washington Street property was ever used for business purposes, receptions or hosting?

Murphy: All the time. Well, first of all, Charlie used that as his—in lieu of getting a hotel, he would stay there, so the company would then—he had like a rental or a lease agreement with the company, and so the company would pay a monthly lease amount to Washington Street Associates because Charlie went there on business. So there was that revenue aspect of it. There was a period of time where they did lease it out for business functions. I'm probably talking about the nineties now, maybe the late eighties, but it took him a while to kind of fix this place up. It was a showcase house when they got it, but it needed some work.

But they would have functions there, and at the peak year they probably had a dozen or fourteen or fifteen functions there, big get-togethers, and I think they would rent them for like eight or ten thousand dollars a night or something like that. So it's a nice revenue stream. But then some of the neighbors started complaining, so they stopped doing that. They cut down the number, but they would do it for a charity, and it's pretty tough for the neighbors to complain about that.

They did some filming up there, too, but then they stopped that. I think the Hollywood crowd was just more trouble than it's worth. So, yes, there were a number of, I guess, business-related features to that. But certainly it was his residence. Mrs. Betz had her art operation there for a while. It housed his art collection. We'd have company Christmas parties there. I mean, it was a wonderful place to go, just a beautiful piece of property—I mean, spectacular. I think the family ultimately sold it, and I honestly don't know what the purchase price was. Rick Pankow could tell you. But I think it was listed, anyway, for something north of twenty million bucks. Of course, in the Bay Area, I mean, that's one of the highest priced markets in the country, but still twenty million is a lot for a home.

What's interesting, too—I guess I kind of ramble here—

Adamson: That's okay.

Murphy: —there was some property right next door, 3810 Washington. Did you ever hear of that?

Adamson: Is that the guesthouse or the carriage house?

Murphy: Yes, the guesthouse—carriage house, actually.

Adamson: Dick [Walterhouse] was telling me about how he was called in to—

Murphy: Fix it up?

Adamson: —supervise some of the [unclear] jobs.

Murphy: 3800 Washington, I mean, it dwarfed the property next door, and actually the driveway ran between the two houses and the actual garage was under the 3810 property.

I think they had an easement. But there was a fellow who—I think there was an attorney who leased the 3810 property, and I think he was one of the guys that was complaining about the events and so forth.

I really don't know the full story, except that he and Charlie got a little sideways, and I remember one day Charlie walked in and says, "Find out who owns that property." So we did kind of a search and so forth, and I think the fellow who owned it actually lived in Singapore or Hong Kong or something, and that the lawyer who lived there was actually a tenant. I was not directly involved, but Charlie then, I think through an intermediary, an attorney, I think, found out who this guy was, made him offer to buy the property, bought it, evicted the tenant. [laughs] And then developed it into a beautiful home. You can imagine, like a rental like that, they're not always given the full attention that a primary home would. It wasn't in very good shape. I know Charlie spent a lot of money fixing that up, and, in fact, it was so bad I told him I thought, "Charlie, why don't you turn that into a greenbelt, just tear it down?" Of course, that's not what you say to a builder. So he got Dick's crew in there, and they really turned it into a very nice property, and I think that when the property was ultimately sold after his death by the family, I think the buyer bought both properties, 3800 and 3810. If you look at them, the exteriors are kind of complementary, and so it makes sense to try and keep them together. The properties, they're built from property line to property line in the Bay Area, as you know, and so the setbacks are quite, quite limited. But, anyway, that was the 3810 story, and, again, what I've described probably took over the span of about eighteen months or twenty-four months, but that's how he solved that problem.

Adamson: You gave me a list of anecdotes or stories that illustrate how you worked with Charlie or illustrate what kind of person Charlie was?

Murphy: Well, I guess, my relationship with him was probably a little unique, and I'm just trying to give you a sense of that. Because I'm not an engineer, I don't really get involved in the operations of the building aspects of the business. So I was very heavily in some of the things we talked about, but also his estate planning and just, you know, I'd go into his office all the time or he'd call me all the time, "What's new? What's going on?" So I'd tell him, and then you'd go through all that, and then you'd have a little time just to talk about any other thing that comes up. Those are actually some of the most interesting times, I thought.

I remember, for example, one time, this is probably in the nineties or something and he was getting older, and he would share with me some of his kind of ideas about the company, what he thinks is critical to the success of the company. I'm thinking, "Why is he telling me? I'm never going to run this company." I said, "Charlie, you should write these things down." You know how some companies will have the little card with the ten rules of federal insurance bonding, you know. Because there are some very well thought out principles that I think kind of transcend time. I think they were as applicable today as they were thirty years ago when you started the company. I said, "Charlie, you should write those things down." So he did. So it was kind of fun to go through that process to kind of see what he thought was important. For whatever reason, he decided he was going to incorporate these into the bylaws of the company, because he thought then it would have staying power, I guess. So he came up with these ideas, and every time he'd come in, he'd think of another one and so forth, and so we'd draft these things. This went on for a period of time, but it was really kind of interesting to see what he thought was important in running a business.

So we incorporated these things, and it also kind of dovetailed into his objective to perpetuate the company. So then when we got them all written up, then it was time, and he solicited input from other people, too, I think Rik [Kunnath] and Tom [Verti] and some of these other guys. I think Dean [Stephan] had left by then, so it must have been the late nineties. So we got these things all kind of written up, and I said, "Charlie, if you really want to incorporate these things, because I'm looking down at these things, and I got to tell you, you know, you violate several—you don't even comply with some of these things."

He was a little bit troubled by that, because sometimes the rules don't always apply to him, you know. So we talked about it further anyway, and then he realized that even if he incorporated these, somebody could come in after the fact after he was gone, and with a stroke of a pen, you could change them. At that point, he kind of lost interest, and it would have been kind of a little bit troublesome if you incorporate something and then you violate it. Like borrowing from the company—not borrowing from the company—but he did it all the time, stuff like that. It was an interesting process to go through.

Adamson: Have you saved a copy of any of that?

Murphy: I don't know. Let me go through and see if I can find that. I might even have it on an old disk or something. I'll see if I can find it. I don't know that I do. I can't even recall exactly what all went into that, because it was constantly changing. But I thought that was kind of an interesting exercise.

Another thing, you were talking about perpetuation of the company, and he was always focusing on how to perpetuate the company, and he realized that at some point there would be somebody running the company that probably never even knew him. So he wanted to try and do something that would prevent, for example, somebody taking over the company and just selling it out to a third party, you know. So we talked about that quite a lot, and we actually came up with some pretty creative ideas.

We included some language in some of our—remember these unit agreements I talked about, maybe Dean mentioned this to you, where there's a vesting schedule attached to these agreements. So we included, for example, and we modified the agreements so that if the stock of the corporate general partner were ever sold to somebody who had not been an employee for three years, everybody immediately vests. Well, then the liability goes from whatever it was, it becomes quite significant at that point. So the idea was maybe that would be a deterrent to somebody, a successor, selling out to a third party. So things like that kind of give you a sense of what he was thinking about. I mean, he was thinking about a lot of things other than just the next project Pankow Builders was going to do. Very focused on perpetuating the company, for example.

There's all kinds of interesting stories. Did you ever get into when he was—you know, he had a kidney transplant, you're aware of that?

Adamson: I interviewed his doctor, Josselson.

Murphy: Josselson, yes.

Adamson: He mentioned that.

Murphy: There was a period of time, I think that was done in 1995, it was right around the Northridge earthquake. It was done up in San Francisco, of course. But I remember going up to his house, and he was in bad shape. And this man traveled extensively. Well, his physical condition was such that he couldn't travel, and he was on some kind of a self-dialysis program. I used to go up there maybe once a week. We had a few things to go over with him and sign them, and he didn't look good. There was a lot of these medical supplies in the room where he'd kind of hang out during the day, and his kidneys were malfunctioning. He wasn't eliminating all the impurities in his system, and he looked kind of pasty and yellow and a little bloated and perspiring, and he was on all kinds of medications, and that affected his sense of balance, for example.

But I remember going up there, and he'd be sitting in a big chair. I just wanted to get in and out of there because, you know, you could tell he wasn't—he didn't look good. I'd say, "Hi, Charlie, how are you," and so forth, and every time I'd go up there, he'd always get up. He'd always stand up, and I'd say, "Charlie, don't get up," and so forth. And it was an effort for him just to stand, because his balance was affected by some of the drugs. But he'd always stand. He just had this certain sense of decorum, and I guess that's how you greet somebody when they come into your home like that.

He always kind of had, I guess I'd call it a sense of decorum or always handled himself very professionally and so forth. I mean, this was in the context of there was nobody else around, he didn't have to stand up or something, but that's just the way he treats people, and I always remember that. It's just kind of a wonderful memory I have of him, and I'm sure his health was—he wasn't feeling well and so forth. He never complained, not once. I think he was about age seventy, somehow they determined he was a candidate for transplant, so he got that from his son Steve.

Adamson: Right.

Murphy: And you heard that story?

Adamson: Yes.

Murphy: Okay. Then it just extended his life for another ten years, and, I mean, he went through all kinds of therapy and so forth, and I'm sure he was on medication for the rest of his life that allowed him to travel and so forth. But that was a tough time for him. But I think the family or Judy [Vawter] can give you a better sense of that than I can.

Adamson: You have a couple of other stories here. Scott in Hawaii, George in Hawaii?

Murphy: Oh, okay.

Adamson: I don’t know who Scott is.

Murphy: Scott Church. Dean Stephan may have told you this story, and he can tell it better than I can. But to give you an idea about the company and about his management style, the company is not heavily structured, and so it’s great if you have self-starters who kind of come in there and figure out what to do. George Hutton was with Charlie when he was at Kiewit, and George was on a project, so George had to stay with Kiewit for a while, and then he subsequently came across with Charlie and the original group. George was sent out early on, I think, in—and, of course, the company started in ’63, and I think it’s about ’65 or ’66, George was sent out to Hawaii to do a project, and it was a success, but it was just a one-time deal, you know. There was no other work there. So Charlie was out there to visit George and see how things were going, and they were wrapping up the project. As Dean tells it, the project’s about done, and George hasn’t got any other work to do, so he says, “Okay, Charlie, what do you want me to do now?”

And Charlie says, “Hey, George, I’ll see you later. I’ve got to go catch a plane.” [laughs]

Adamson: That’s great.

Murphy: Did Dean tell you that story? That’s a classic. It’s a classic. That just shows you his management style.

Fast-forward a few years. Scott Church was a development fellow over in Hawaii, a young guy—he's probably older than I am, but we're all younger back then—that George had seen in action and wanted to hire Scott. I think he worked for one of the big trusts or one of those big companies over there, Bishop Estate or somebody. George pursued him, and ultimately Scott decided to come to work for the Pankow Companies in Hawaii. There's a lot of development going on over there at that time.

So the day came for—this is Scott telling me the story. Says, "So it's my first day on the job, so I show up at the reception area. Of course, George comes out and greets me, introduces me to a few people," and then takes me around, introduces him to everybody, and then takes him and says, "Okay, Scott, here's your office," and walks away. [laughter] And Scott said, "I couldn't believe. I just then basically had to sit down and figure out what to do."

Of course, so there's no constraints. It's fascinating to kind of get a sense of the management style that he had at that time. He always said, "I just want an even playing field," and he was not afraid to compete with anybody. He just wanted an even playing field, and that's, I think, one of the reasons why the company has not pursued a lot of the public projects, you know, government stuff, is because quite often it goes to the person who's got the political contacts or whatever the reason may be, but it's not necessarily the company that submits the best proposal. So the company has historically not really approached a lot of the public work, it's been mostly private work, because Charlie just wants an even playing field and will compete with anybody. That was kind of his approach.

So people who work well within an environment kind of gravitated toward the company, and one of your questions early on was what did he do to perpetuate the company? Well, I think hired those kind of people that would work well under that kind of a structure or non-structure.

Adamson: Inevitably, some people left of their own volition, but when it came time to identify someone who wasn't thriving within the structure, was it Charlie who gave them the notice that they—

Murphy: Well, no.

Adamson: Or was there more of an H.R. approach?

Murphy: No, Charlie was not the bearer of bad news. He was probably the decision-maker, and it was short and swift if somebody wasn't working out. The company, I think they still do it, but you sign something indicating that you're—what do we call it, you're an employee at will or something, you don't have an employment contract. So either party can terminate their relationship pretty much at any time. You always make a few hiring mistakes, or somebody gets disgruntled or something and doesn't perform. But, no, I don't think Charlie fired anybody face-to-face. There were other people to do that, and that's as it should be. I think that's probably pretty common. I mean, I had to do it a few times. I'm sure Dean did more than his share. But that's part of the business, and if it's not working out, it's not in anybody's best interest to perpetuate that. But it was always very fair.

The company, Michael, has always been, in my opinion, anyway, more than fair with people, whether they left on good terms or not. In terms, like we have all these company unit agreements, these equity interests, and so on, the company always honored its obligations in terms of those deals. So, you know, some of your best marketers and so forth are like former employees. We've got a number of people who bring projects to us that used to be an engineer with the company who now go with a developer and so forth. They know how we operate and bring us an opportunity. Maybe it works out, maybe it doesn't, but I think it makes sense to treat people well on a number of reasons, but one is I think it's a good business move. But the company's always been very reputable and fair with employees.

Adamson: You have down here Charlie's initial meeting with Federal Insurance.

Murphy: Did Dean [Stephan] tell you the story?

Adamson: No. I don't recognize Federal Insurance if he did.

Murphy: Yes, Federal is the bonding company, it's a subsidiary of Chubb. But Federal has been the bonding company for the Pankow Company since day one. My understanding—and you're getting this at least secondhand. I'm sure George [Hutton] or Dean is closer to the facts than I am. But Charlie shared this story with me once that early on when he was thinking about leaving the Kiewit commercial group and starting his own company, in other words, you need bonding capacity to do the kind of projects he wanted to do, and he didn't have the net worth to get the bonds to do the projects he wanted, unless somebody were willing to, you know, provide that bonding. So he contacted—the usual way of getting, you know, you hire a broker or you engage a broker and then go talk to the bonding companies and then they bring the bonds to you. And he tried that and he was unsuccessful. The various agents were just unsuccessful.

So Charlie said there was a—now this is probably, I don't know, 1962, '63. There was some kind of conference of sureties in Las Vegas, and Charlie still felt that he could set up a company and so forth, start his company, but he needed the bonding capacity. So he got in a plane, flew over to Las Vegas, and tried to talk to some of the principals over there, get the agent out of the way, just deal directly. There was a fellow, I think his name was Alec Kerner or Alex Kerner, I'm sure he's no longer living, but he was the head guy at Federal Insurance Company at that time. Charlie sat down, just like we're sitting down, one on one, and Charlie told him this story about how he could do projects for less and make more money than the competition. Obviously, I wasn't there, but apparently he did this is such a convincing way that this Kerner took a chance on him and agreed to provide some bonding, necessary bonding, to do some of the projects.

Now, having said that, I think that there was another company through his father that assisted as well early on, but Charlie was the kind of a guy that, you know, if somebody said no, he didn't give up very easily, and just through force of personality, he was able to get in there and convince these guys that he could do it better than the next guy. It's almost like, not necessarily that the rules didn't apply to Charlie, but he wasn't going to let them get in the way of his objectives. Not that he's out there breaking laws or anything, but some of these business barriers that you run up against all the time, the other people would just hit them and that's the end of it. But he would just keep pushing through to accomplish his objective. Very focused and very strong personality. If he sat down with you and he wanted to convince you of something, chances are he would accomplish his objective.

But it's a great story. I would hope you'd have the opportunity to talk to George Hutton, and I don't know if you ever talk to Dean again, but I think Dean could tell that story better than I can. I think it's quite important because it has to do with the origin of the company.

Adamson: Dean may have told the story, but the name just doesn't ring a bell, off the top of my head. You have a question mark next to meeting with President Reagan.

Murphy: Yes. Have you talked to Judy [Vawter] yet?

Adamson: Yes, but just strictly about the art collection.

Murphy: My understanding is that there was a period of time when Hawaii was quite slow, and this was in like the '88 time frame. Keep in mind that China had just gone through that Cultural Revolution from '66 to '76 and so forth. Anyway, Mao was gone and Deng Xiaoping was in charge, and he was going to realize that he had to kind of open the country up. George had some contacts through Hong Kong and pursued them, because Hawaii was just nothing was happening there, to see if the Pankow companies could do a project in China. Now, this is 2008. I mean, there's all kinds of hotels, western hotels, and so forth, but if you go back twenty-some years, it was completely different, and there weren't any really western-style hotels. So he and Charlie went into China, I'd say at least a half a dozen times, to try and get the entitlements to do this. They were going to build a Pankow City in Shanghai. They actually got the entitlements from the local guys and then they realized that it never happened because there's always another layer of approvals in the Chinese government. But they went in there a number of times.

Well, my understanding, as a result of that—and, Michael, you've got to verify this because I don't want to use this unless somebody else can verify it. But my understanding is that somehow Reagan found out that these guys had gone into China. I'm talking about 1987 or '88.

Adamson: Right at the end—

Murphy: So, of course, he had Bob McCarthy, and he had some contacts back in D.C. And, anyway, I've gotten this through other people, and he never told me this, because he just doesn't talk about stuff like that, but that Reagan wanted to find out his thoughts about China and so forth because he'd been over there so many times, and that he had lunch with him or something back at Washington or in the White House or something, to share with him his experiences traveling in and out of China during that period of time.

Judy could probably validate that or verify that. But I always thought that was kind of an interesting little story.

Adamson: I think Dean [Browning], last week, said that there was a possible hotel in Shanghai that Charlie pulled out at the end because he had to keep the profits in the country.

Murphy: Here's the problem. You couldn't get your profits out of the country, you know, the RMB. So, of course, I think the concern was that they could always kind of change the rules on you. So if you sold a unit, a condo unit, you couldn't get your money out of the country, and so we explored possibly selling it, having title transfer to the units, but then have the currency, like if you sold it to General Electric or something. They wanted to buy the unit there for the businessmen they sent there, to have the actual cash, the actual transfer of funds outside of China. And it just got too complicated. So once we realized that you really couldn't—and then how do you get the money in there to pay the people? The whole lending structure was too complicated. They just weren't set up for that kind of thing. Now, they've come a long way in the last twenty years, but I guarantee you twenty years ago, these guys were really trailblazing, but getting the RMB out of the country was problematic.

Adamson: I think the last one on your list is interaction with young engineers.

Murphy: Yes. Let me give you an example. He loved to sit down and talk about construction projects and technical aspects of a job and so forth. He just loved to do that. I mean, he'd been doing this all his life. I can remember, we'd have some, like, off-site managers' meetings, and there'd be a lot of us there and a lot of the younger engineers, and then you'd always have kind of a social hour and you'd go out to dinner or something afterwards. I can just remember him sitting around, and here he is, seventy-something years old, and there's some guy there who's twenty-five. [laughs] He was almost a bigger-than-life kind of guy, somewhat intimidating, a little bit awkward to approach, but, you know, they'd start the dialogue, and pretty soon he'd be asking them, "Where are you working on? What project you on? How's it going?" And he'd kind of draw the guy, some young engineer, out. Then he'd be talking about technical issues of a construction project, the engineering aspects of it, and then he'd give his input and so forth.

But he loved that give-and-take. He always enjoyed the business. He always enjoyed the business. Always he loved intellectually stimulating things, and I think that's why—I mean, this is my opinion, but I think that's why his horizons were much broader than just engineers solving engineering problems, because he really had a very innate curiosity, and he was a great listener, not afraid to ask questions, and I think he was very, very—I mean, he's talking to so many people and getting so much input, he was very good at determining whether you knew what the hell you were talking about and would ask you questions, I think, to probe to see if he felt you knew what you were talking about.

But I guess that's why I put that down, just that he always was interacting or enjoyed the opportunity to interact with engineers, and for the most part, he didn't have a lot of direct contact with them, because they worked through the various layers within the company. But I think at heart he was always an engineer, loved to build stuff.

Adamson: You indicated that you thought that Charlie's professional legacy was in the process of being written. What do you mean by that?

Murphy: Well, he was always an advocate of—like design/build was a big theme. In other words, in the scope of the project you've got the owner, you've got the architect, you've got the structural, all these guys. He thought, and I think rightly so, that if the architect gets control of the project, I mean, the architect knows it, but he doesn't know how to build buildings, so there's a lot of inefficiencies involved in there. So the sooner you can get the builder involved in the process at the decision-making stage, you can get a much more efficient building and eliminate some of the problems that arise when you have an architect draft the plans and so forth and really doesn't appreciate all the—doesn't really know how to build a building.

So he was always trying to inject Pankow Builders early on in the project. In fact, if you got to the point where the plans and specs were more or less drafted, we weren't involved. At that point, you just put it out for bid and the lowest bidder got it, and that's not the kind of project he wanted to pursue. What's interesting is that you see a lot of—I mean, typically government projects, for example, they do exactly that. They get plans and specs, they put it out to bid, low bidder would get it, he'd build it, there'd be all kinds of change orders, all kinds of problems, and the costs would go from whatever it was to some higher amount, and lawyers get involved and solve the problems.

A lot of municipalities realized that there's got to be a better way. So a lot of the municipalities, states or cities or, you know, University of California Regents, for example, have gone to more of a design/build competition, which is what Charlie was kind of promoting forty years ago. So he's always been a proponent of that, and I think to a certain extent that's catching on. Now, is that Charlie's legacy? Not really. But he was kind of a proponent of that.

His legacy—I mean, everybody—he has a legacy through his family, has a legacy through the company. As long as the company perpetuates, it's going to continue to operate, I think, the way he structured it. But I think he also has a legacy through the Charles Pankow Foundation, and I remember when he set it up. We set it up in, I don't know, December of 2002 or something, just modestly funded that. But then the intention was upon his death, certain assets would be dedicated. That would really be the funding source, and that's exactly what happened. He dedicated a huge part of his estate to fund that, and it's gone forward now and it is funding research projects, principally in the commercial building sector that try and make it a more efficient, more productive sector, in other words, identify problems and research those and try and come up with solutions. We've got some that have actually been incorporated into the Building Code, which is kind of gratifying.

But he always thought that there was a better way. We've got to figure out a better way to do things, a more efficient way to do things, build buildings better that cost less that take less time. He was always striving towards that, and that's kind of the focus of the Charles Pankow Foundation. I should probably get you a copy of the mission statement. Actually, you can go online and look at it. Maybe you've already done that.

But I think that to Charlie's credit, there is an advisory committee of about twelve very prominent individuals within the construction industry, various architects or civil engineers or structural engineers and owners that are Advisory Council members that really devote their time to vet various proposals, research proposals, and we're just now getting to the point where some of these things are being finalized and everything is in the public domain. So I think to the extent Charlie was an advocate of design/build or research within the construction industry, I think that the Pankow Foundation will further that, and I think it will be a wonderful legacy for him. He was always very intellectually curious about trying to solve problems, do things better, and in this industry quite often the margins are so small, there's not a whole lot of R&D going on in the construction industry, so hopefully, he can make a difference through the Foundation. It's just in its infancy, it's too early to say, but that's the objective.

Beyond that, I'm not sure what I could say about his legacy. I think the company's going to be a wonderful legacy, but that's just more of the same, really. I can't think of anything else on that topic.

Adamson: Okay. Well, I've reached the end of my questions. If there's any summation you'd like to make, concluding remarks, go ahead.

Murphy: We've kind of been all over the board. I'm sure when I walk out of here, I'll think of other things that may be of interest to you. I just have to say he was very fair. I mean, he was always kind of looking out for number one, but he was always very fair. For example—and I think that has carried on to the company, which I think is a wonderful aspect of the company—do things right. I know sometimes when he proposed something that was to his benefit, to the detriment, he'd kind of like, you know, put forth an idea. We'd be sitting in his office, and he was very creative. He'd always think about things. Nine of out ten made no sense for various reasons, but I remember we'd sit down and I'd say, "Charlie, that's a great idea," and kind of flesh it out a little bit from my perspective. Or I'd say, "Charlie, that doesn't work for thus and so reason."

Sometimes you'd have to tell him stuff you didn't want to hear. For a guy who could fire you on the spot if he wanted to and had a very strong personality, it's not always a fun thing to do. And yet I knew if I generally felt he was wrong and I was right, I could always appeal to kind of his—I know he always had an innate sense of fairness, you know, kind of that Midwestern work ethic, I could always appeal to that, and he'd always digest that and end up doing the right thing.

Keep in mind, this is a fellow who, if he makes a decision to go this way or that way, could affect the lives of several hundred or a thousand people, if this projects goes or doesn't go, when you look at all the people that work on the project and the families and so forth. So I think he was very kind of wise in his decisions, decision-making process, very thorough, very reflective, and basically got it right most of the time, and very fair-minded, actually kind of understated in many ways. Like this thing with President Reagan, I don't even know if it happened, that's how— [laughs]

Adamson: Under the radar it was.

Murphy: Under the radar it was. I'm just kind of rambling here, just trying to give you a sense of how I interpret it.

Adamson: Well, one thing that one of your comments made about employing people on projects raises the point—the word "stakeholders" is thrown around a lot, and I know projects have to stand on their own terms, and I know there's a pride in the buildings you build, but was there a sense on projects of urban development, community development, what it meant beyond the structure?

Murphy: You know what? I'd like to say yes, but the real answer is no. I mean, he got a lot of professional pride and sense of accomplishment in building a project, but if it didn't make economic sense, he would walk. If the architect designed a building that at the end of it was not very attractive, but very functional, I mean, he would build it. We don't design it, we just build it, and that's our role, that's the company's role. But I don't think he was trying to necessarily—I mean, the primary objective was not to make Los Angeles a more beautiful city or a nicer placer in which to live. He was a builder, and he would pursue those jobs that he thought were profitable and made sense for the company.

I remember talking to a guy. We did this project down on Sunset and Vine, and this fellow says, "Oh, man, those units are so small. You know, I don't think I'd want to live there."

I said, "Look it. We just build them, we don't design them." [laughs] But that's the role of the builder, really. I mean, you do have input on the design process, but more in terms of functionality and cost savings and things like that, more efficiency. But, no, I don't think that he was really trying to make a lasting impression on the city of Los Angeles, to beautify or anything like that. No, I can't say that, no.

Adamson: But he certainly wouldn't have thought of himself as a public works project, in terms of a recession, trying to find projects simply for the employment it would provide?

Murphy: Michael, I can't say that, because if the economy were in recession and if a project came in the door and it didn't make sense economically and so forth, he wouldn't do it. He wasn't probably a big fan of Roosevelt back in those days. In fact, I don't think he ever voted Democrat [*sic*], which is not surprising for a guy in his position. In fact, when a project was done, if there were people around, I mean, one of the reasons the company does union work is that you can go to the hiring hall and get the guys that you need, but when you don't need them, they go back to the hiring hall.

So there was a period of time, for example, when George Hutton, when things had really slowed down in Hawaii, and George kept a bunch of employees around that, quite frankly, weren't doing anything, and Charlie was quite critical of George, saying, "George, we don't have any work for these people. You've got to let them go." But that's the kind of decisions I think people in his situation have to make. I mean, it's a tough one, but for survival of the company, you've got to do that. You can't just keep people around that aren't producing. So no, I can't. And if you talk to Dean or anybody else, I think they'd tell you the same thing. He was a businessman to the core.

Adamson: I know you said that there's various reasons why the company hasn't been involved in public works, public agency projects. In times of recession, was there a more of a motive to look for those sorts?

Murphy: Yes. I mean, if the private projects aren't there, then you got to look elsewhere. For example, I think we called it the MTA project downtown [Los Angeles]. You know where Union Station is downtown. We built that project, and it was a huge project for the company that came along during the period of time when there wasn't a whole lot going on, and that was kind of a quasi-public job, and we did that.

The other thing was interesting is Pankow Special Projects, which has really grown into a huge component of the overall workload every year, actually started out as an entity to do work during slow times. I mean, basically we've always been a base-building kind of ground-up general contractor and weren't interested in doing TI rebuild in buildings, things like that. Well, when times get tough, you've got to do what you can do. So probably in the early nineties, that was a tough time, '91, '92. I don't know if you remember that. It was for the construction industry, and there were opportunities to keep people busy by doing that kind of project, work in existing buildings. So Pankow Special Projects was started for that reason, from a standing start and just doing some TI work or miscellaneous jobs, and it was actually looked down upon. The base-building guys, you know, "Oh, those TI guys, you know." A lot of the base-building guys didn't want to do that, because they thought the more important work was the ground-up projects.

But that project had its infancy during the early nineties when times were tough, and I know Dean [Stephan] was very much involved in that and got Dick Walterhouse up in the Bay Area involved and, of course, it's grown to the point where it's very significant, as it does a lot of work. Not quite as much as the base-building group, but a significant amount of projects, and it's contributed heavily to the bottom line of the company over the last decade at least. But it was an outgrowth of tough times, and just like some of the public projects we've taken on, we took those on because, you know, you got bills to pay.

But we've always, historically, wanted to pursue the private sector. The private sector is much more efficient. We've actually had employees that worked on that, the MTA project, that just, you know, it was so frustrating that they ended up leaving the company because they'd get so frustrated and it was such a long, like a three-year stint, they just, you know—and dealing with those government officials, and just the inefficiencies of a public job versus a private job, it just drove them crazy. I mean, not literally. They just didn't want to do that anymore is what I mean. But we do pursue public jobs now. But I think the public sector is a little bit wiser than it was twenty, thirty years ago, in terms of procuring the work and executing it.

Adamson: This has been fascinating. Thank you for your time.

Murphy: I'm happy to participate. I'm sure when I leave here, I'll think of other things, but I'm happy to talk to you again. But that probably gives you enough to kind of fill out some of the aspects of Charlie’s life other than just pure construction operating aspect of his life.

Adamson: It’s been great.

[End of interview]