Oral History Interview

with

KIM PETERSEN

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Pasadena, Cal.

By Michael R. Adamson

Adamson: So tell me about your background and career prior to joining Pankow and how you came to work with the company.

Petersen: I grew up in construction. My uncle owned a masonry company here locally, and so through high school and college I basically worked my way through both of those, working in construction as a laborer. So I was pretty much connected to the industry and got a degree in industrial business management, figured out I really didn't like that, and I never really went to work with any industry specification there, and ended up going back and getting all the core accounting classes for what amounted to almost a second degree in accounting, and ended up going to work for what was then a Big Eight firm.

I ended up with more or less an emphasis in construction but more so in development, joint venture partnerships, things like that, and got a cold call from a head hunter one day that I had talked to before, who said, "We have a company that's looking for an assistant controller position, development, kind of meets your skill sets. They've basically closed out their interviews several weeks prior to that, but are not real satisfied with the final candidates. Would you be interested?"

I basically responded asking who it was, and they said, "It's a company called Pankow."

And I didn't really respond, and I said, "Wow, that's kind of interesting. I think I know a little bit about them."

And they said, "Yeah, they're in Pasadena."

And I distinctly remember the conversation, because my response was, "Well, I know where their Altadena office is, but I have no idea where they are in Pasadena."

And she says, "Oh, well, we just say Pasadena because nobody knows where the heck Altadena is."

And I said, "Well, I live in Altadena. I live like a block and a half from that office." [laughs] So it was kind of an interesting coincidence there.

Ended up going for the interview and it, again, was in the development field. At that time they had three assistant controllers and were looking for a fourth, and this one was the development activities on the mainland, where they had a different assistant controller managing development activities for Hawaii at that time. There was a construction AC and a development AC on each side of the ocean. But that's basically how I got here.

Adamson: And that was 1983?

Petersen: That was 1983, yes. July 11th.

Adamson: At what point did you first meet Charlie Pankow, and what were your impressions?

Petersen: I remember—and by virtue of having this question in advance, I kind of had a chance to think back. I do remember it. It was at the Chronicle restaurant in Pasadena, where I think a lot of people met Charlie. They certainly went to lunch there a lot. Charlie, I remember, when we walked into the place, had his own table, it was obvious, because he walked in the door and they were ready to go, and I found out probably many lunches later that that was more or less Charlie's table.

The only thing I can distinctly remember from that lunch was Dean Stephan, I believe, our president at that time, was there, our CFO was there, and I was there. I think it was just the four of us, and I remember that the bulk of the conversation was Charlie, in a fairly polite, as he always was, manner, but very direct, indicated his disdain for CPAs. [laughs] So I was very quick to identify to him that I had not ever taken the license part. I'd never become a practicing CPA, even though I came out of the audit side. So it was kind of a joke that I wasn't technically a CPA, so I guess I was going to be okay.

But my first impressions of Charlie were obviously somebody who was extremely smart, appeared to be very business-savvy, and, of course, because of what I did in the company in the development side, I think I probably became aware a lot quicker than maybe somebody on the engineering side of Charlie's real attributes and interests that went way beyond civil engineering. But that was my first meeting with Charlie.

Clearly, I think anybody who met him, he was a pretty formidable person. Again in terms of being intelligent, but he wasn't a real boisterous kind of person. He kind of carried himself real well, but when he spoke, people certainly listened.

Adamson: In the short bio you sent me, I infer that since the development division was run by Russ Osterman and Jon Eicholtz, that those are the people you dealt with directly on a day-to-day basis?

Petersen: Yes, initially. I worked in development for the first six or seven months until the division controller was let go at that time, and then I moved into construction and kind of had other people doing development activities. But for that first six or seven months, I worked with Russ and predominantly with Jon. As I recall, Jon, I think, was hired either just after I was or just before I was.

Adamson: So, in general, what sort of interest did Charlie take in the accounting side and how often did you interact with him? Was accounting very much a back office sort of function, or was it sort of front and center of the business?

Petersen: It was very much back office, and in those early days it was taking care of a lot of menial things that Charlie needed to have done, but as a result, I think one of the questions you had here was how often did you deal with him, and I would say oftentimes. I mean every day of the week that he was in the Altadena office, there would be something. If it was advanced, high-level tax planning, probably the CFO and outside tax people were there at that time. But Charlie always needed petty cash, or he wanted to talk about how some artwork was going to be paid for and brought back from Europe or whatever, and so there was kind of a continual stream of that back end kind of accounting follow-up to all of his travels, which was, quite honestly, what you ended up dealing with in those early days at least.

Adamson: Do you have a favorite anecdote, other than this first meeting, that encapsulates the kind of person that Charlie was?

Petersen: Yes, I do, and it's not just one story, it's probably a multitude of them, but they all basically took the same shape. And it's the fact that, again, Charlie certainly was known and had a reputation as a civil engineer, and yet my exposure to him, and the common story would be, Charlie in Europe somewhere buying an extremely expensive piece of art which he had obviously studied and wanted for his collection, which didn't have a darn thing to do with our construction company or Charlie's civil engineering background. And, of course, he wasn't buying it on behalf of the company; he was doing all this personally.

But the fact that he would go through this arduous process in acquiring the art, and I don't have any clue as to what it takes to negotiate the value, and how's this going to be transported to the United States, and he'd e talking to me about who was going to ship it and the like, and would hang up the phone. And probably within the next half an hour, I would get a second call that said, "Okay, so I think I figured out the way to pay for it. I want you to put it on my credit card."

So I had several instances over many years where Charlie bought artwork that was very expensive. We're talking about six-figure pieces here, where I had to try to use his credit card to buy it, and his real driver behind it was, he wanted the mileage. This was just when the mileage programs had started with the airlines, and Charlie already had a million miles probably just from his travels, but he wanted those darn miles. And I remember telling him at one point that—I can't remember what card it was. I said, "You know, they only allow you a maximum of like less than $10,000 on a charge."

So he said, "Well, that's fine. Just charge $9,999.99. Get the vendor to do that thirteen times."

So we had many, many transactions so we could use his credit card to buy high-end pieces of art on these multiple charges, and to me, it's kind of an anecdote about Charlie. He was an engineer, but he was off doing his art collecting, which, I think, for a lot of us, we kind of knew it was a real big deal for Charlie. And yet after all that and all that money being spent and the travel costs and everything, Charlie wanted those darn airline miles, where, in the scheme of things, I don't think that really mattered economically that much to Charlie, but it was one of those kinds of details where he just kind of got focused on it and he would figure out a way to do it.

Adamson: That's great. You mentioned finding out in working with Charlie about his interests beyond civil engineering, and you mentioned art, but can you just give me an overview of his interests as a businessman or his other interests you were talking about?

Petersen: Yes. I think Charlie had, again, a much broader base than just the civil engineer. I actually think Charlie was a businessman first, and I mean that in the very specific nature of being very smart about business issues. I actually think, although some people will probably think it's perverse, the tax strategies and planning were actually a very big interest of Charlie's, because when you look at the nature of the structure of the entities that were set up and all the activities that were done, the tax side of it was a huge piece, and Charlie was involved in all of that detail. I don't know whether Tim [Murphy] got into that at all, because that's where he spent a lot of his career here, but tax planning was a big deal to Charlie, and I think he just had a broader sense of things beyond construction. He certainly had a very much love for construction. I think his interest in the industry was really as a hands-on builder, that the whole concept of innovation and the only way that you could innovate is actually [to] be doing the work. But I think he certainly loved to travel. I think that probably kind of fed his interest in art, in history, and I think [he] had many trips from Asia to Russia and Europe and Africa and the like over those years. But other than that, I'm not sure I can characterize a lot of his interests.

Adamson: Did he, if I have the right word, immerse himself into these tax and accounting issues as he might have done to buy a piece of art, or he just more or less set out his objectives and let you and others sort of execute them?

Petersen: He would set out his objectives, and it would be up to Tim in the earlier days and then I became more involved in the later periods and whoever our tax consultants would be, or attorneys at the time, might be a combination of both, it would be up to us as a group to kind of develop all the details, develop all the alternatives, and then Charlie would spend a significant amount of time vetting the details of all the alternatives. And quite often, just when you thought you had gotten to the solution, Charlie would pull another card out or change an element or whatever; want to see another option. He was very much about not committing until he kind of almost absolutely had to and figured he had the best answer. And whether it be our reorganization or deferred comp plans or whatever we were coming up with, there was never a direct first source answer. It was a long process drawn out and oftentimes only concluded by a due date where we said, "Charlie, tomorrow," or next week or whatever, "we have to have this done."

And so he said, "Well, it's not perfect, but here's the final version."

But he definitely wanted to hear through the details and was very, very bright in picking them up, of course, more so in the earlier years than the later years, I think, particularly these last couple of years, wasn't really that much into the detail, and I'm not sure he really wanted to be.

Adamson: I have this question about Charlie encouraging innovation, but before we leave the tax and accounting, I don't know if "innovative" is the right word, but were the things that you were doing in that area for Charlie—I don't know if cutting edge is something you use in accounting, but were the things you were doing groundbreaking in any way, or did you have to come up with unique things?

Petersen: I absolutely think that the answer is yes. I don't think there's any doubt about the fact that you look at a quasi-ownership deferred compensation program that really was about wealth transfer to the employees in the company for twenty years was an innovative program at its inception and the reason why it worked for twenty years. The fact that we're a construction company that is organized and developed along the lines of a limited partnership, I don't know of any other construction company, certainly large one, that's organized the way we are. So those, to me, are kind of cutting-edge different ways of doing business that have been very, very successful for us, and Charlie was a big, big driver in developing those programs. So I would definitely say there's been innovation, not just out in the field in the construction sites.

Adamson: What other traits, besides the ones you've mentioned, made Charlie a successful businessperson?

Petersen: I think he was extremely principled. I think from the get-go he knew what he wanted. He knew how far he would go to get it. He, again, was, I think, an innovative thinker in terms of if there was something and a goal that he needed or wanted to get to, there was always a way to get there, and I think that by virtue of his underlying principals, that really is what made him so successful, and I think people came to value those, too, came to follow those. That's what he really led the organization with, was the sound set of principals that everybody thought was the right way to behave and certainly differentiated us in the marketplace, I think.

Adamson: I think that segues, maybe answers the question about how just generally Charlie encouraged innovation within the company and getting the best out of people.

Petersen: Yes. Clearly he valued technical thinking, and it covered not just again the engineering process in the company in the field, which is where its nexus was, but it led to business thinking and other areas like that where he was not afraid to go find the best people in that area and then kind of stretch the boundaries of thinking in a technical sense of how to solve some of the problems. That was a big deal for him.

Adamson: Can you give me a sense of where Pankow was and where it was going as an organization when you joined it?

Petersen: My perspective was the fact that it was a very successful company, had a wonderful reputation, but it was clearly fractured. And by fractured I mean that there were, as I suggested, there were four different assistant controllers just to manage all the different groups and product types, in that we had significant development activities both on the mainland and in Hawaii and then had the construction entities on both sides. We also had a much bigger division at that time between the mainland and Hawaii. We had George Hutton, who basically established Pankow in Hawaii and developed it. He was kind of running his own ship. He had his own accounting department over there when I started. So, to me, it was, again, successful, but fractured, different people running different groups kind of all under Charlie's direction, and the fact that at least the books and records were reasonably disorganized at that time.

Adamson: You only worked for Pankow Development relatively briefly. If I understand it, the development groups were separate entities, but, as I understand it, that even Pankow Building, the company was doing accounting for the development.

Petersen: Yes. The company did the accounting for all of Charlie's entities through that period of time. That would include both development- and construction-related, and, as I suggested, the fact that he and his doctor had a trucking company was ours and an equipment company and the whole host of others. So yes, one of your big tasks when you first started here, they actually had you sit down and redraw the org chart, so that you would learn it, and it was an amazing piece of paper. It was a huge piece of like blueprint paper that they had you drawing on, and many, many entities, many, many projects.

Adamson: Were they already talking about reorganization when you arrived, or did that come with the change in tax laws a little later?

Petersen: When I showed up in 1983, there was already discussion about the fact that Charlie, in particular, was not necessarily satisfied with the current corporate structure, and at that time it was pretty traditional, corporate organization, shares of stock offered to senior managers in the company, who in most cases, if not all, basically leveraged their purchase of stock with debt, and they had notes and paid off over time. Charlie did not like that system. I don't know the details of his dislike. I just knew that that was an issue for him.

And sometime probably in, I want to say about 1984, there was a new corp that was set up in an effort to change some of that and to expand the group of shareholders, and so it stayed a corporate structure, but with an expanded group. But that lasted very, very shortly, from ’84 to the reorg in 1986, where the whole organization was looked at and certainly aware of the frustrations then of that second corp and saying, “Wait a minute. That corporate structure and shareholders like this is not what I want to do,” and that coincided with the timing of the changing of tax law in ’86, at least during the Reagan administration, where there was a substantial difference in tax rates between the individual rates and the corporate rates, and the theory being that if you could get the income into the hands of individuals that, in fact, one, they would have an effective lower tax rate but they could also shelter it with personal or other items, in Charlie’s case particularly, and therefore as a result, simply paid less in taxes.

Adamson: Since Russ Osterman is one of the people we can’t interview for this project, I’m just wondering if you can talk about working for him and your experiences, your impressions.

Petersen: Russ, a very interesting guy. As I recall, Russ was a graduate of Michigan. He dearly loved the school, much like Charlie loved Purdue. Russ, gosh, I remember, I think he actually played in the Rose Bowl. I know he was a huge football fan. I remember probably that first holiday period, the only one I was in development purely, where Russ would host Rose Bowl parties, and you’d go to the game with Charlie and everybody, and he’d actually have coaches from Michigan, if they were in the Rose Bowl, up at the house. I mean he was a big, big supporter that way. And that, I hate to say it, was a lot of my contact with Russ, was around those issues. As I recall, during that period of time, Russ was doing a huge renovation on his home here in Pasadena, and I remember spending a lot of time making sure that the costs were properly allocated between what the company was paying him and what he was paying, because, as you can imagine, labor and materials and things like that were being procured for Russ' house, but they wanted to make sure that they kept it straight as to what was his and company costs.

But I didn't have a lot of contact with Russ on development projects because that, again, was the time when Jon Eicholtz had been brought in, and Jon was clearly running the development of the newer projects, which were Catalina Landing down here in Long Beach and [2101] Webster Street up north. Jon was responsible for the finishing-out of the project called 10560 on Wilshire Boulevard. So those were the ones where I had become involved in trying to assist in the accounting work, and that was all done under Jon's direction.

Adamson: I think it's my understanding that 3800 Washington was a separate entity as well that Charlie would rent. He would actually rent or the company would pay him to live up there instead of in hotels.

Petersen: That's correct. Yes. Charlie acquired 3800 Washington Street, I'm guessing, probably somewhere between '83, '84, somewhere in there, and set up a rent or lease program where, instead of paying hotel bills for him, we basically just paid a stipulated amount per month for rent.

Adamson: Now Tim talked about the reorganization, replacing the CFO who was there at the time. Was that the same CFO who was there when you arrived in ’83?

Petersen: No. The CFO who was there in ’83 when I started was a gentleman by the name of Jim Body. Jim had been the company’s first CFO back in the sixties, I believe, and then had left for the seventies. I think he went in to executive recruiting or something like that. I think they felt by the time 1980 or so had rolled around, that the accounting systems needed a lot of attention and had some problems and, as I suggested, were kind of disorganized, and so they brought Jim back. So Jim was one of the two people who hired me in ’83, and he was replaced by our division controller from Hawaii in, I guess probably in 1984, a gentleman by the name of Jim Allyn, who moved over here from Hawaii and became the company’s CFO for two years until early ’86, maybe late ’85.

We had a CFO who was hired for a very short period of time and did not work out, a gentleman out of what was then a Big Eight firm, and we went for probably about six months without a CFO prior to Tim being hired. Tim was hired two weeks before the effective date of the reorganization, so a lot of work and preplanning had been done with the prior CFOs and kind of launched through our attorneys and CPAs, and then the CFO position had kind of dropped out in those six months just prior to us making the change. And so when Tim started, he spent probably his first year here cleaning up the reorganization and putting things to bed on this deferred compensation plan and other things, which had been kind of overall thoughts and a lot of concepts and some detail, but really having to put all that stuff to paper and whatnot, and he worked extensively with Charlie on that.

Adamson: Was accounting reorganized as well as the company?

Petersen: Over time it was, yes. There were some people that were retained and others that were not, and we, by the late 1980s, had completely collapsed and eliminated the Hawaii accounting group and consolidated all accounting in the corporate office in Altadena at the time. So that was an opportunity for us to get rid of redundancies and get systems more standardized throughout the company, because up until that point, we really kind of had two independent systems, two different computers, two different softwares. The Hawaii group would send you their consolidation of all their accounting activity, and you'd have to try to manually integrate it into the stuff that we were using here on the mainland. The 1980s were a very interesting period in trying to just keep it all together.

Adamson: I saw something from Doug Craker talking about using a System 36 and Compaq 386s, and I remember those days.

Petersen: Yes. Well, we actually—gosh, I mean the company probably started on the IBM product in the 32, went from the 32 to the 34 to the 36 system and eventually ended up moving to the AS-400 product, which we still have today. So the company's been on an IBM product for decades.

Adamson: Tim gave me his take on the reorganization. Was it explicit or was it apparent at the time, Charlie's sort of long-range reasons for the reorganization?

Petersen: Yes, I think for those of us that were involved in the planning of it, I think it was pretty apparent that, again, the tax issue and being able to simply reduce taxes was a big item for Charlie. I think the other one was the fact that it allowed him an opportunity to diversify his interest in the company, it allowed him to spread it over a larger group of people, which I think everybody was certainly very interested in seeing happen, and truly carrying on this employee ownership concept. But as well, that organization allowed Charlie to kind of separate the issue of control from economics, because in the prior environment, and in a typical stock environment, you have to own the most in order to control; in other words, the old 50 percent rule.

And with a limited partnership format, we were actually able to create an environment where the economics were very separate from the control, and so you could literally own the one percent economics of the controlling general partner and control the entire company. And that ended up being very effective for us managing Charlie's kind of—although he never left the company—but his somewhat migration out of the day-to-day of the company in that we were able to start redeeming his interest in the company several years before he passed away, and he didn't give up control because that was obviously a big thing for him.

Adamson: People have remarked that Charlie never really retired, but from your day-to-day corporate office point of view, at what point did you see a transition away from a more direct involvement with what's going on?

Petersen: That's a hard one, because it was gradual and Charlie would pick and choose which things he wanted to be involved in and which things he didn't, and that continued, I think, to the day he passed away. So it's kind of hard. There's no magic line in the sand I can draw. But I would suggest that probably maybe as many as three years before he passed away, that certainly he was more disconnected from the day-to-day operations and maybe traveling more and a little bit more selective about what he got involved with and what he didn't, whereas prior to that, I never saw a topic he pretty much didn't want to get involved in if he felt like it. But it was a long gradual approach to kind of disconnecting from a lot of the day-to-day stuff.

Adamson: I don't want to be redundant here, but if you look at what the role of CFOs and Tim and then you have played in the strategic direction of the company, do you think the role that you play is typical for a company of your size, or has there been a closer relationship between the accounting, the CFO, and the strategic planning of the company than other places?

Petersen: I would suggest that in the time when Tim and I worked together, where Tim was the CFO and I was the corporate controller, which probably was up to about the year 2000, maybe, the accounting was very disconnected from the strategic approach to the company. It was more traditionally the backroom, ensuring profitability on projects and cash flow and things like that, but much more historically oriented. Tim's role then, because that was kind of my job and the task of the accounting department, Tim, by virtue of that organization and Charlie's need to continue to drive tax issues and the like, I think Tim's role was very much strategic and substantially tax-driven and not really business-driven for the construction company. That actually maybe occurred a little more in my area than it did his. His was, I think, much more driven towards tax money in Mr. Pankow's personal tax environment, which was always a big driver for him.

But I think that with the change in 2000 and the fact that there weren't two positions anymore, there was just one, I think there was certainly the start of more integration of the traditional accounting into the strategic planning effort of the company, and at that point there was no formal strategic planning. That was not started until after Charlie passed away, but there was certainly some strategic-planning-type efforts done just prior to Charlie's passing that I was certainly involved in that were not tax-driven.

Adamson: As far as, not the decision to go ahead with the project, but the financing of projects or getting projects to work financially, is that something that you were involved with?

Petersen: Not really. That type of issue was typically dealt with by our senior operating people, the likes of Dean Stephan or Rik Kunnath or Charlie in some cases. Of course, it depends on the type of project. If it was certainly a development project, we're developing our own building or structure, we were certainly heavily involved in that side.

But the CFO's role, I think, in large measure was that of ensuring that the clients that we were bringing in were of quality, that there were no credit issues, assuring that there would be good cash flow on the project and watching that. But as far as securing the financing, not really.

By virtue of the fact that we had had a development group for so long, there were individuals working in our development group, either in Jon Eicholtz's group, or after Jon left, there was a gentleman by the name of Mark Perniconi, these guys had done some of the development work for Charlie. So when we ran up against owners who needed assistance in entitlements and financing, our development group would provide that support because they had the specific experience, whereas a lot of other companies it would be the CFO who would kind of get involved in that. We actually had the expertise much more specifically since we had done so much development work internally.

Adamson: Dean Stephan said that coming out of the reorganization he had a bet with Charlie how fast the company could double its size, and I think Dean said he had ten years and Charlie had twenty. I think Dean said that within a few months of ten years, they actually doubled in size in terms of volume, I guess. I'm just wondering if you could comment on what role or how the reorganization enabled the company to grow.

Petersen: The link of the reorganization to the growth of the company, I'm not sure I can make that direct link, other than the fact that it incentivized more people through more diverse ownership. Things like that certainly had an impact. I think with the reorganization, we perhaps got a little bit better organized as to who was doing what and the responsibilities, but some of the entities that ended up growing up as specialties, were segments of the business, didn't start in 1986. You have Pankow Special Projects, which really starts under Rik Kunnath and Wally Naylor, are in the early nineties. It doesn't get formalized into an entity until 1995. And the third entity now on our kind of construction matrix is MidState Precast and MidState is a lot newer than that. So I think that it set the stage for evolving these separate disciplines, but I'm not sure the reorg itself was the big driver behind our volume increase. I think that's much more related to market conditions and how we were able to advantage ourselves against the market.

Adamson: So in the late eighties and early nineties, there was a conscious—I don't want to say a number to shoot at, but there was some idea behind growing the company that—

Petersen: I think there was, but I think it was pretty veiled. It was not the kind of vision that you see today where Rik sets out visions and targets and things that are very well publicized and adjusted and otherwise. In those days, I think that whatever that vision was for growth was just to grow, not necessarily to a specific target, because, by and large, I would suggest for the company's first thirty-five years, it basically hovered between 100 and 130, 140 million dollars a year in volume. And there were some spikes in there, but they would go back down to those levels, and it's not until the last five to ten years where the company has developed a fairly steady upward trend, and really only the last four or five years where it's been continually upward, and that would definitely suggest a growing market lead, with 2008 we're about $470 million, so that's a long way from 100 in what was a long period.

Again, by virtue of the type of project we were looking for and the conditions that Charlie set, which I'm sure you've probably heard from other people you've interviewed, we were a very small niche in the market. It's one thing to be a niche builder, but when you spec lump-sum, design/build, 15 percent gross profit fees, these mandates from Charlie kind of restricted how much the company could really grow because you were, I think, limited in terms of the types of projects you could even go after.

And since then, of course, we do a multitude of different work that we didn't do back then in product types. Negotiated lump sum is great if we can get there, but we do GMAX and cost plus and all kinds of work today that Charlie, I'm not sure to this day, would have found desirable. But that's actually something that's changed just here in the last five years or so.

Adamson: Well, not every year, but for most periods that if you look at any period, most of the people employed were retained. I don't think there were any mass layoffs, but as it turned out, whether the amount of work that George and Charlie and Russ were able to generate was enough to keep the people employed who were on the books. But from the flip side, there doesn't seem to be a conscious effort, a design behind getting a backlog of work to ensure that these people would be here; it just kind of worked out that way. I don't know. As you suggest, it's a little more formalized now but—

Petersen: Yes. Back then, I would tend to agree with that comment, because to suggest that there was a growth pattern for a substantial backlog, and if you take that to a further degree, you would suggest that there's a permanent growth target for the company, that would start to suggest leadership succession, succession planning, the next generation, and I don't think that that was a thought for Charlie. That's the reason why he worked until the day he died, is that he really didn't have a good succession plan. And when you start thinking about the kind of bigger volumes and getting hiring and retaining more people, there has to be an organizational structure that kind of fits that.

Charlie, I think, liked to move those pieces on the chessboard around quite a bit and wanted to retain that control and that, in some ways, I think, became a very limiting factor on how big we could be. And to the extent that we were only doing 130 million dollars a year, the company was very profitable at those levels. And, of course, when I say the company, I'm representing what happened in the construction company. Charlie, because of these other business interests, had opportunities to make money elsewhere, particularly in the development area where he made considerable amounts of money.

Adamson: Dean Stephan said that at some annual meeting, and he didn't give me the year, that he suggested and they started breaking down the revenue between the three offices at some point, he didn't say which, and I've got all sorts of statements about Hawaii doing better, the ebbs and flows of the different offices over time. First of all, I'm just wondering if you have any idea when they may have started tracking revenue by office.

Petersen: Because of the organizational structure, there was separately reportable information back when I started in 1983, because you had a separate company doing business in Hawaii from the mainland. I think that when it became more comparative and analyzed a little bit more was sometime probably during the mid to late 1980s that we started to broadcast more of this information, and it became a little bit more competitive perhaps because of that data.

But to suggest that there were ebbs and flows in each office is exactly what happened. There's no basis to suggest that Altadena or Pasadena produced all the volume or the biggest volume in every year, because that's not the case. I think over time it has produced the most volume and the most gross profit, but it cycled up and down. I went back and looked at a couple years within each kind of decade, and back in a period during the eighties, it was kind of split one-third and one-third and one-third between Los Angeles or Altadena and the Bay Area and Honolulu. Then I looked at it in like the mid nineties, it was 75 percent Altadena, 15 in the Bay Area, and 10 percent in Hawaii. And in the mid 2000s, you have as much as 50 percent of the volume coming out of Hawaii and only 25 percent out of northern and southern California.

So it truly moved around and, in fact, was very fortunate for us because part of sustaining this level of work was we'd always have an area that was suffering and perhaps one or two of the other areas we're picking it up, which is actually part of the big change, I think, from that sustained period of static volume to today where over the last three years there's been gradual improvement in each area to the point that where in 2007, 2008 you have almost all offices, all divisions, are profitable.

Adamson: I've run this question by a couple of people, and I don't know if I have it exactly down here. But at some point, I think it was 2101 Webster, there may have been another one around that time, but one of the last development projects that Charlie and

Russ or Charlie and George got together on was in the late eighties. I guess, I've asked if that was the case because the market changed after that or just because they were getting old and they didn't want to do these anymore, or do you have any take on the end of the development process?

Petersen: Yes, I do, because I certainly witnessed it, and I don't think it had anything to do with their lack of desire to keep doing it, but I think it was the market conditions, because if you look at the vast number, if not almost all the development projects that we did, they were done with very, very little leverage that needed to be provided on Charlie or the development entity's part. You could basically do a [2101] Webster Street project for a three million dollar letter of credit. That was your commitment to the project.

So, effectively, as long as you didn't mess the project up, is 100 percent financing, and with the change in market conditions and everything else by the early nineties, that ability to build projects that way was nonexistent. And you looked at equity conditions that have grown since then to what today you probably have 30 or 40 percent into a job, at least, of your own money, that was just too much money for Charlie and these guys, particularly because they had grown up doing dozens and dozens of projects, if not more, with little or no equity in it and a lot of upside.

So I think that the markets just basically changed and that development format didn't work anymore, and they were unwilling to take the kind of personal risks that they would have had to take to make it continue, because they would have had to take a lot of the money they made in the early projects and roll it into speculative future jobs, which I think they did not have an appetite for doing.

Adamson: I'm going to rephrase this third question on the second page. Doug Craker noted that Pankow doing its absolute best when times were the worst, I'm going to ask you to comment on Charlie's sort of competitive edge in competing with others. I know a lot of the work was negotiating, but I think Doug's comment qualitatively got it, the sort of competitive spirit in Charlie, especially in downtimes, to sort of thrive as a company. I'm wondering if you can comment on that.

Petersen: Well, I think you made the comment earlier that we didn't or haven't had mass layoffs, and I think that that's the result of the fact that we regularly ran thin, have traditionally run thin. Charlie always had an expectation of getting the absolute most out of people in the company. In fact, I remember when I started here, the joke was there's no rocks to hide under, so don't look for one, because it was just that kind of expectation. And I think when you have that kind of expectation and people are able to deliver on it, you have a highly leveraged organization from the people side.

And so while other companies cycled greatly through their people in good and bad times, that would slow them down, they would have to retrain, it didn't develop a culture. Well, Pankow, as you can tell from even the people here today, it's not unusual for somebody to have been here twenty, twenty-five, thirty years. There can be a great value in that, and I think that's where, as Doug Craker may have suggested, the company really did have a competitive edge and has today. There's a tremendous amount of culture and continuity in the company, and, as a result, we have a pretty good idea of how to do it. I think today we are trying to learn better ways to do it. We don't think, as we may have done a little bit more back then, that we knew it all. But I think that by virtue of having a fairly small group of people, that when times got tough, okay, they got tough but it didn't have to result in letting go of half the people. You could still make a profit and then retain the folks.

Adamson: While Charlie was around and in charge, would you say that he engaged in strategic planning in the MBA, McKinsey sense in any way, or do you think he just had a sense and ability to sell work and keep the pipeline going and that's more or less—basically was in his niche in construction and he thrived, he just didn't really need to have a strategic vision of where the company was going?

Petersen: Yes, much so the latter. I never saw an MBA style strategic planning until, unfortunately, I think, after his passing. I also think it has to do with priorities, in that if you know Charlie's full extent of his involvement, his investing, his business interests, I'm not sure during a lot of times whether Charlie had a lot of interest in seeing the company grow or not motivated to be real strategic in the company. And he might have been busy doing one of many other things that interested him, and as well as the fact that when he did focus on the company, I do think he had the ability to rely on long-term relationships to develop work. The idea that we would have to go to a new client all the time, I think, was not Charlie's way of doing business. He developed longstanding relationships with groups like Winmar, Corporate Property Investors, several organizations like that where we did dozens of repeat projects, and so he was very good at maintaining those relationships with those key people.

Adamson: Was there any financial criteria that was [maybe] not absolute but in the back of Charlie's mind when he was deciding whether or not to undertake a project?

Petersen: Well, as I suggested earlier, I think other than format in terms of being negotiated and hopefully design/build if we had that opportunity, but a moniker for this company for forty years was you've got to figure out a way to get 15 percent, which leads to some pretty creative thinking in tough markets where I think in some cases we actually kind of jacked up the gross profit just to kind of make sure Charlie felt we sold the job appropriately. And then first time you measured gross profits for accounting purposes, you took it right down to reality, which might be 9 percent—still a great GP. But Charlie basically set the bar very, very high for gross profits on projects, and in some ways I think that that certainly benefited the company, because it really created an environment of shooting for the absolute best that you could do. But on the side of growing the company, it was a very limiting factor. In fact, I believe it was one of the greatest things that inhibited the company from growing, was again setting the bar so high that in a lot of areas it was unrealistic or unattainable. Certainly you could talk to the likes of Tom Verti and Rik and Dean about the projects that we had to pass on because we couldn't meet that type of criteria.

Adamson: In talking about the management structure of Pankow, Dean Stephan noted, quote, "Titles in the company didn't mean anything, unlike a lot of companies," and I think he was referring to Bechtel and those sorts of construction firms, "these are highly structured. Pankow, we were highly unstructured and very, very fluid," unquote. I just want to get your take on what the strengths and weaknesses of being a very highly unstructured and a very fluid company from a management point of view.

Petersen: Well, I think when I started, that Dean, his comment is absolutely correct, and I think that existed for many years and, in fact, maybe even through the end of Dean's career with the company. But I think that you can manage a company to a certain size that way and, in other words, there's no accident that that type of management led to a sustained annual volume of 130 million dollars and some big years, but otherwise, that was kind of the average. And certainly since then, we have a much more structured management organization, which is necessary in order to be able to do the kind and of size work that we're talking about. So I think it fit that niche, and the fact that if Charlie didn't really have a big desire to grow the company substantially, then I think it certainly allowed for us to stay very nimble and flexible in certain areas and perhaps get the best skill sets out of people.

But when you don't have it organized very well, it's an environment that probably was suited to Charlie's management style of—I won't call it being a dictator, but almost, in the sense that if you don't have a lot of structure to it, everything comes to one decision point and that's Charlie. So I guess that works as long as you maintain that level of work. But again, once you get away from that and you want to start to do bigger work or you want to start to plan for organizational succession, you need to get people in the right places, then that format doesn't work. And I think a lot of us knew that and, of course, with Charlie's passing, I think there was a very deliberate intent to change that, and it's very much different today.

Adamson: I'm going to ask you to sort of square the circle here. If Charlie's one of the reasons for the reorganization and he had an interest in the company outliving him, at the same time he was, what you say, almost a dictator in some respects, management sense, what sort of company do you think he envisioned that would outlast him when he was gone?

Petersen: Well, in fact, I think that became his huge dilemma during the last year of his life because, to a large degree, that's what I worked on for him, which was what would the company look like in a future environment. Charlie would support singular individuals as being a successor and, over a period of time, perhaps would become disenchanted with that person and transfer it to the next person. I went through several of our senior people that way, such that there was no real heir apparent.

And I think before Charlie passed away, certainly in the last six months, almost all the work I did for him was working on alternatives for the future, and there were a number of alternatives proposed. Virtually all of those that I had come up with entailed more than one person, because there was no other Charlie Pankow, and I imagine that was very difficult for him because he saw himself and the company as one. When you're at that level and you develop the company out of your garage, you know, forty years, to separate the two is almost impossible, and so it's probably hard for him to—and probably never did envision his passing to begin with, but the fact that he can't separate the two.

So I think he had a real problem envisioning how the company could look after him, because I would provide him with a number of different proposals, including the one that we ended up using after he passed away, and there would be a lot of analysis and a lot of what about this, what about that, can we change this, can we change that, and he just could not in the end accept the fact that, in his opinion, that was too much of a democracy, that the company should be run, in an ideal environment, by a single individual, in which case it would just come round about, and you would say, "So who is that individual?" Because there was nobody. So I think that that was a very difficult thing for him to deal with and, to a large extent, never really kind of fully resolved when he passed away.

Adamson: On my next question, I'm going to ask you to step back a few years from the last few since Charlie's passing, to just talk about since you came on, if I have Dean Stephan's timing right, they were doing more in the area of estimating and cost accounting and so on from the seventies, but from when you came on in '83 and going forward, talk about developing these systems, back office systems to support the front office work.

Petersen: Sure. I think that there was a realization by Dean and Charlie and perhaps others that they needed to collect more data in order to feed the estimating system historically and things like that. They had some great people in that area, more specifically Bob Law, who needed to, one, develop his own system and, I think through many years crafted a fairly sophisticated system internally using Excel to manage estimates, which is still used today, and then pieces of it that are fed from the accounting system. So we tried to link the two both with software and then conceptually, trying to identify what data needed to come in the front end and come out the back end in order to meet their needs, not necessarily meet the accounting needs. So particularly with the computer conversion done in the late nineties, there was certainly more emphasis towards project setup, cost tracking, from the project side, not the accounting side. And they continue to be developed to this day.

Adamson: Were there any issues with scalability that you had to overcome? If you grow the company, that they take on more projects, was it apparent that going from half a dozen to a dozen projects at one time to more, was one of the issues you had to deal with?

Petersen: Oh, absolutely. I think that, again, by virtue of its design, its organizational, its officers, and the like, from the seventies and the eighties, the company wasn't very scalable at all, hence, again, the kind of fixed-volume level. I think there was certainly in more recent times the fact that we had a huge bubble of volume in 2001, for which we were not prepared to deal with. We didn't have all the people in place and it was a pretty tough year. We made money and whatnot, but at a pretty extensive expense in personnel and feeling the need to hire people that wouldn't normally fit in our culture, and you kind of knew it going in, but you needed a body.

And so after the 2001 year was really kind of a corporate sense that we needed to get much more organized about understanding what growth meant. And, of course, if you look at the growth curve since then, it's been a very stabilized curve going up because of understanding the infrastructure you need, the systems, the expertise, and the culture and understanding where it can be different and where it can't.

And I think getting the company to separate levels of responsibility, the idea that the Pankow Special Projects entity, it has its own officer core and its own president. It has symmetry with our large structures group or with Charles Pankow Builders Ltd., but it really marches to a different drummer in terms of work type and type of people it takes to do the work.

That was a big hard thing for Charlie. Charlie, although that entity and those people were around for many years prior to his passing, never spent much time or attention with our tenant group. It was a way to kind of help pay the bills, but it wasn't anything to him about innovation or technology or the real nuts and bolts of building, but it certainly helped pay the bills and today is an essential part of who we are. It's not about paying the bills. It's a distinct part of Pankow, but very much different from Charlie's vision.

Adamson: You've already mentioned talking to Charlie about succession and the kind of company that would be there when he was passed, so my follow-up is to ask you to talk about how that succession was actually executed once he was gone and what's in place today.

Petersen: Basically, when Charlie passed away, one of the current individuals was the named successor, and I think at that point in time the individuals at the top of the company realized that it was just kind of like musical chairs, and that whoever happened to be on that seat at that time would be the name. But, again, there was no driven agenda, game plan, or structure that had been developed for that person to take the company.

So with Charlie’s passing, there was some very senior-level meetings at which time I was able to disclose to that group that there had been some modeling done. I was asked to pull those models out. There was one that was a very apparent kind of preferred model, which is the model that we have today, where there are six general partners from different disciplines in the company who have that controlling interest, and then a group of limited partners which don’t have any control but which share in the economics. So we were able to continue the philosophy of that, the employee-owned company, by expanding that limited partnership group to now there’s a total of probably thirty to thirty-two limited partners and then these six general partners, and they would be your CEO and company presidents and the CFO and whatnot, and a process for voting issues at the top, controlling issues at the top, much more of a what I would call professional corporate structure.

I know when our bonding company saw that immediately after Mr. Pankow’s passing, they said, “”Yeah, you guys have got it right. You have figured it out. You are truly, and we would identify you as, a professional organization.” Because their big issue, as with many, is how these transitions happen, and, unfortunately, as they articulated to us, most of them don’t happen very well because they are either family issues, the fact that there was never a sense of passing it on to anybody, there’s a forced sale to a third party, some parties actually close their doors, I mean, all kinds of kind of bad answers.

So I think we kind of had a roadmap that we had started to lay out prior to Charlie. Even though it didn't have his stamp of approval on it, it was the obvious way to move forward. And I think the idea that the transition in ownership of the company is philosophical from the standpoint that it's not a person's company. And with Charlie, it was his company, no doubt about it. Again, started in his garage, kind of typical post-World War II charging guy does it. It is his. With the transition in 2004, I use the word a lot, but I think it's very appropriate, it really is about stewardship, the idea that we're all in it together. There is a hierarchy, make no doubt about that. We have a CEO, and he controls a lot of the company. But the idea that his job is not to basically get as much as he can and then go out the back door. Hopefully through our mutual success that that all happens, but it's really about making sure that the company is turned over to the next group of people in a better shape than the way you got it. I think that's the way we look at the company, and I think that's what our bonding company notes that continues to kind of make us different. It didn't use to be one of our hallmarks, but it has very much become one, that they have a real sense that we're really about making the company better and being able to hand it off to the next group of people and actually have a plan to do it, whereas they certainly didn't see one before with us, and with a lot of their other clients still don't see one.

So that kind of is a characteristic of the organization and its change and certainly very difficult timing, too, with Charlie's passing and needing to make all those changes. But, fortunately, it was pretty obvious to us that we all needed to kind of get together and pull for the company, and I think that actually happened very easily. You didn't have any one person, including the person who was kind of named as the apparent successor at that point, saying, “Hey, this is mine, and I’m going to take it,” and you end up with some kind of dispute or something. It was nothing like that.

And I think, too, is to identify how successful the transition was, when you look at Mr. Pankow’s passing and all of the legal issues that transpired after that regarding his assets and whether they were owned or not owned or who’d get paid, the first one, I think, to get settled was his redemption of his interest from the company and his purchase from the company. So I think that we felt that that was the right thing and it was the right value, and the family worked with us. There weren’t any disputes there, and I think that worked very well.

Adamson: This just came to my head, but one of the things that Tim Murphy said, that with the reorganization—I’m sorry if I’m jumping around. But with the reorganization, there were unit holders. People had bought into the company. You mentioned about borrowing money and having some shares, but coming out of the reorganization, that those people had to be paid off as well, and that was done with a relatively short period of time.

Petersen: Yes. With the reorganization and the closure of the old corporations, that stock value was kind of frozen at that point in time and had to be redeemed and was, in fairly short order. It was replaced by what was called the company unit program, which lived for over twenty years, and it was a deferred compensation program whereby you only had a few partners who kind of had to deal with the economics of the company on their tax returns, and was kind of held—they didn’t get the personal benefit of that income, they just had to put it on their returns. The actual economics of the company was shared through this deferred compensation program, which is the equivalent of a phantom stock program. We call it company units. It could have been shares of stock. They were valued the same way where you take the number of shares over the net operating income of the company at the end of the year, and that's the value you would get for that year.

The difference was the fact that because of the issues of purchasing stock in the past, the company unit program didn't cost you anything to get in. Units were awarded to you based on length of service and your job and the value of the company and whatever, so that was a big distinct change. In fact, that was the cumulative buildup in value of the company from 1986 when it was reorged until just last year. That program shut down two and a half years ago, and when we brought a much broader group of people into the partnership, we expanded to this kind of master limited partnership we have today where you are a true limited partner and you get an economic interest every year.

We had to shut the old company unit program down, and that was paid off in a period of three years when it was projected to take ten years to pay it off. So, again, by virtue of the success of the company and the fact that we maintain a lot of liquidity and don't have debt and things like that, we were able to settle that company unit liability, so much like the stock transition in '86, that the old stock was paid off fairly quickly. Then you had a twenty-year buildup in value, and Mr. Pankow's passing, which triggered a big payment under that program, because he was a company unit holder just like everybody else, and then within three more years, the fact that we liquidated everybody else's cumulative interest in that program as well.

So, again, that's another hallmark of the company is the fact that it's employee-owned, the employees, to the extent you're a limited partner, unit holder or whatever, are allowed to participate. You build up a lot of value over a lot of years, and the company has actually reduced that to cash and paid you, other than just at your retirement day. So that's a huge retention factor in the company.

Adamson: Yes, I can understand that. This question is basically pulling straight from your little blurb you sent me. You stated that you were responsible for Charlie's business and personal accounts, and you witnessed acquisitions such as 3800 Washington Street and Middle Ranch. Tim Murphy told me a little bit about those ventures and a few others. I'm just wondering what did you do for Charlie in regard to these nonconstruction activities?

Petersen: When I say business and personal, they were all personal. It was just the fact Charlie kind of, for whatever reason, carved his banking into what he considered true personal items and then things he did that might be related to business, which could be his artwork or could be one of his other entities or whatever. So it was managing just the disbursements out of those accounts for many years where Charlie would just feed you the bills or tell you to go talk to somebody about something he had bought and he needed to get it paid for and accounted for. In other words, we would have a distribution system where it would all get coded, and so we could tell Charlie. Every month, he would walk in and you would have a summary of his business and his personal accounts to show what he had spent his money on. That was a big part of it.

But some of it was obscure as the fact that for whatever reason, whether it was because of his daughter's interest in horses or whatever, Charlie was interested in buying a ranch. I can remember him giving me a big package he had gotten for a place right—probably a half a mile from where we're sitting right now, called Eaton Canyon Stables, and he had me take a look at this big brochure they had to sell this thing, and then he told me to go down there and look at it. I had no clue what I was looking at, other than the fact that there was a barn and there was a ring and there were horses there.

Then separate and apart from that, he had found Middle Ranch, which I believe was Cecil B. DeMille's old ranch in Tujunga [Canyon] there, which was six, seven hundred acres, and it's amazing because the price of this place here in Pasadena, which was about ten acres or fifteen acres, was just a little bit cheaper than what he paid for all that property out there. I can't remember how he came about that. I had nothing to do with how he found Middle Ranch and bought that, but we obviously had to account for that along with the other entities.

But my work in that area was substantially paying the bills and making sure they got paid out of the respective entities for which the activity was occurring. That's kind of part and parcel of it.

Adamson: I think some of these last few questions are basically asking you to rephrase things that I think you've talked about, but what have you liked best about working at Pankow?

Petersen: The people. There's no doubt about it, it's the people. I love coming to work here every day, and it's entirely about the people I work with, because it's a tough business. There are problems every single day. Not that there aren't in other business, because it's just a tough business. But the people that have been attracted to this company are just phenomenal.

About six months ago, I was in a restaurant with another one of our officers and our bonding company, and the bonding company, there was a guy who has been with us for probably about fifteen years and a younger guy who's just recently started, and they were talking about Pankow. The older guy is telling the younger guy about Pankow, and kind of right in the middle of this conversation, he stops, and he says, "I have to tell you, I've never run into a company like Pankow."

And the younger guy says, "Well, what makes them so unique?"

It's kind of interesting because myself and the other officers are listening to this, you know. And the guy thinks for a second, and he said, "It's the people. But as importantly, it's top to bottom. I don't care who it is that I have talked to or met in that company, they're just an amazing group of people." To me that said it all. It really did. Here's a guy who is with a top-ranked surety. In the business, they're only known for kind of dealing with top cream of the crop, who has seen a lot of our competitors who are their clients or other, what I would consider very successful construction companies. Yet this guy holds us above and apart from the rest simply because of the quality of people in the organization. Anyway, that's what it always comes back to for me.

Adamson: As a follow-up, then, what do you attribute the success in attracting those sorts of people in the first place and selecting them, picking them and making sure they come to Pankow instead of somewhere else?

Petersen: Yes, I think we have benefited. As much as I didn't come from Purdue, I think there is a certain Midwestern culture that bred the company for many, many years, although now when you look at the population of the company, they have a lot of people that are still from Purdue, but a lot of people from elsewhere, but that kind of Midwestern culture. I think that we're about ethics, and people see that in us. We're not a lot about hiding behind the scenes and doing things covertly or disingenuous or whatever. We're about telling the truth and taking responsibility, and we do that at the job site, in the office.

I think that when things become fairly transparent like that, you find people that like that environment, that really appreciate it, and you find people that aren't that comfortable in being that exposed and don't like it and they don't belong here. We've tried to get a little better about that in terms of using some kind of personality-based testing in recent years to kind of try to help quantify some of those skills, and in some cases we've been successful, and in other cases, we haven't. But I think we kind of know what makes us tick, and we can kind of see that in the type of people that we do hire, and I still think there's an interest in the company in trying to get people very young, very early, right out of school, and growing them in the company. It doesn't work in all divisions in all areas all the time, but I think to that extent we still like to do that. There's a reason people stay around for those twenty, thirty years. They kind of grow up around here and understand the values, and they support those values, and that kind of helps pushing the company forward.

Adamson: What has changed most about the company, what area, or what has changed most since you hired on?

Petersen: That's one question that you have on your list, and I don't have an answer that I wrote down. I must have missed it or maybe subliminally skipped it. I don't know. "What has changed most since you hired on?" Oh, wow. I think that the recent past is so blatantly in front of my face that I have to focus on that most, and I would say it is its ownership structure, the idea of stewardship, the idea of really planned strategic growth, diversification. We're just a lot more—I hate to use the word "sophisticated," but I think we are more sophisticated company than we were in the past. And we're not a stepchild to something else. When you have an owner who has a lot of different interests and they kind of go in and out, albeit the fact that they're here a lot and want to know all the details, they've got other interests in other things, and I think everybody's working for the company, especially in senior management, it's all about the company. It's all about construction, and I think that with that kind of focus it's part of the reason why we've been very successful. I think we've got some really, really good leadership in the company that has taken that culture and moved it forward, even though they or we have been here for a long time. I think we understood a lot of the shortfalls of what we have been operating with and can kind of see it differently in the future, and I think in the last few years have been actually able to execute it. So that's been the big change for me, if I pinpoint one specific thing, that's it.

Adamson: There was a recent September 2003 article in the *Los Angeles Business Journal* that stated that Pankow "offered small company intimacy and large company capacity."[1] What does that statement mean to you even today?

Petersen: I think it comes from the standpoint that small company intimacy talks about relationship of the employees within the company. Again, we get a lot out of a little, so people are constantly crossing lines and working together in that kind of team concept and for the good of the company. You don't get lost in corners around here, so I think it is kind of an intimate relationship we all have with each other.

But then we've got this tremendous technical capacity, and the fact that the company is larger than life, and Charlie had a lot to do with that, that, you know, if you asked people when Charlie was still alive, how big is the company, they would have said, "Oh, you guys have got to be a billion-dollar-a-year company." Regularly you would get people who would make comments, and not necessarily a billion, but a much, much bigger company.

I think a lot of it has to do with a lot of the technical expertise we bring to the table, the fact that Charlie was a huge supporter of our involvement in ACI [American Concrete Institute] and other very technical organizations, and innovation through R&D, and R&D in our business is nonexistent. Nobody spends money on R&D. So I think that

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[1] "Charles Pankow Builders Ltd.: Celebrating 40 Years of Building Excellence," *Los Angeles Business Journal*, 29 September 2003, S7.

we had some tools in our tool belt that really identified us as maybe it's kind of a smaller quaint-type company, but look at what they can build. And of course we had, I think, some hallmark projects to say, hey, here's the work we've done if you have any doubt about our technical expertise. So it's a good blend of the two.

Adamson: We've talked about the organization of the company since Charlie passed. What else are you and people in the firm top management doing to sustain the type of company that Charlie created after all of you who worked for him and knew him personally have retired?

Petersen: Well, I think that that really has to do with the fact that in our strategic planning efforts, which followed Charlie's passing, it's been a real commitment to define those cultural elements that are really a lot about Charlie that would continue, that would be part of our strategic statement, our mission and values going forward, and the idea that, you know, the builder of first choice and integrity and innovation and those things, those come from Charlie. I think rolling those into our strategic plan is probably the best thing we did to try to continue Charlie's legacy, because those are then blended with the other business attributes we've added after that about growing the business and diversification and some other things, but they're all done within that framework of those primary things, ethics and other things that were very, very important to Charlie, and we believe to this day are extremely important.

Adamson: Well, the Foundation has called this the Charlie Pankow Legacy Project, so my final question is: What is the best way of understanding Charlie Pankow's, and by extension, his firm's legacy or, if you will, contributions to the building industry? What are you known for and what should we remember Charlie for?

Petersen: The word gets overused, I guess, but innovation, truly, the standpoint of unique building techniques, problem solving, really the idea of not being afraid to take on the highly technical problems and yet doing it in a smart way so that risk transfer, indemnity, things like that, were always tops on Charlie's list about, okay, well, we'll take the risk but with the right compensation and risk transfer elements. Those are kind of big things.

And then the idea that in order to do that innovation and those other things correctly, that Charlie would always want to be known, and the organization be known, as a true builder and not a broker, because so many people within an organization are just managing the work of others and the whole outgrowth of construction management by the owners and the like. I think the idea that we're still a true builder, that we actually still do a lot of our direct work and are very proud of it, as opposed to just managing a bunch of subcontractors, I think that would be a legacy that Charlie would definitely want to be known, and as well as continued support, which has obviously been offered through the Foundation of growing the industry, and that's everything from the R&D efforts to the educational aspects, to memorializing the values that he thought were important for the future. I think that was a legacy item for him as well, which is much bigger than the company.

Adamson: Right. Well, very good. I think we'll leave it there, and I thank you for your time.

Petersen: Sure. Great. It's a very interesting project. I really wasn't very familiar with it.

[End of interview]