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University of California
Berkeley, California

Steve Daetz

Steve Daetz: Values and Leadership at Golden West Financial and the Sandler Foundation

The Marion and Herbert Sandler Oral History Project

Interviews conducted by
Martin Meeker
in 2018

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Steve Daetz

Photo courtesy of the Sandler Foundation

Steve Daetz has served as the executive vice president of Sandler Foundation since 2007. Before this position, he was an associate with the law firm of Cooley Godward from 1997 to 2002 and then associate general counsel with Golden West Financial from 2002 to 2007. In this interview, Daetz discusses the following topics: law school education and early career as an attorney; working as associate general counsel at Golden West under Mike Roster; getting to know Herb and Marion Sandler while at Golden West; the sale of Golden West to Wachovia; the expansion of the Sandlers' philanthropic work; the goals and initiatives of the Sandler Foundation; issues currently facing foundations; measuring impact and working with agencies.

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Project History: the Marion and Herb Sandler Oral History Project

Herb Sandler and Marion Osher Sandler formed one of the most remarkable partnerships in the histories of American business and philanthropy—and, if their friends and associates would have a say in things, in the living memory of marriage writ large. This oral history project documents the lives of Herb and Marion Sandler through their shared pursuits in raising a family, serving as co-CEOs for the savings and loan Golden West Financial, and establishing a remarkably influential philanthropy in the Sandler Foundation. This project consists of eighteen unique oral history interviews, at the center of which is a 24-hour life history interview with Herb Sandler.

Marion Osher Sandler was born October 17, 1930, in Biddeford, Maine, to Samuel and Leah Osher. She was the youngest of five children; all of her siblings were brothers and all went on to distinguished careers in medicine and business. She attended Wellesley as an undergraduate where she was elected into Phi Beta Kappa. Her first postgraduate job was as an assistant buyer with Bloomingdale's in Manhattan, but she left in pursuit of more lofty goals. She took a job on Wall Street, in the process becoming only the second woman on Wall Street to hold a non-clerical position. She started with Dominick & Dominick in its executive training program and then moved to Oppenheimer and Company where she worked as a highly respected analyst. While building an impressive career on Wall Street, she earned her MBA at New York University.

Herb Sandler was born on November 16, 1931 in New York City. He was the second of two children and remained very close to his brother, Leonard, throughout his life. He grew up in subsidized housing in Manhattan's Lower East Side neighborhood of Two Bridges. Both his father and brother were attorneys (and both were judges too), so after graduating from City College, he went for his law degree at Columbia. He practiced law both in private practice and for the Waterfront Commission of New York Harbor where he worked on organized crime cases. While still living with his parents at Knickerbocker Village, he engaged in community development work with the local settlement house network, Two Bridges Neighborhood Council. At Two Bridges he was exposed to the work of Episcopal Bishop Bill Wendt, who inspired his burgeoning commitment to social justice.

Given their long and successful careers in business, philanthropy, and marriage, Herb and Marion's story of how they met has taken on somewhat mythic proportions. Many people interviewed for this project tell the story. Even if the facts don't all align in these stories, one central feature is shared by all: Marion was a force of nature, self-confident, smart, and, in Herb's words, "sweet, without pretentions." Herb, however, always thought of himself as unremarkable, just one of the guys. So when he first met Marion, he wasn't prepared for this special woman to be actually interested in dating him. The courtship happened reasonably quickly despite some personal issues that needed to be addressed (which Herb discusses in his interview) and introducing one another to their respective families (but, as Herb notes, not to seek approval!).

Within a few years of marriage, Marion was bumping up against the glass ceiling on Wall Street, recognizing that she would not be making partner status any time soon. While working as an analyst, however, she learned that great opportunity for profit existed in the savings and loan sector, which was filled with bloat and inefficiency as well as lack of financial sophistication and incompetence among the executives. They decided to find an investment opportunity in California and, with the help of Marion's brothers (especially Barney), purchased a tiny two-branch thrift in Oakland, California: Golden West Savings and Loan.

Golden West—which later operated under the retail brand of World Savings—grew by leaps and bounds, in part through acquisition of many regional thrifts and in part through astute research leading to organic expansion into new geographic areas. The remarkable history of Golden West is revealed in great detail in many of the interviews in this project, but most particularly in the interviews with Herb Sandler, Steve Daetz, Russ Kettell, and Mike Roster, all of whom worked at the institution. The savings and loan was marked by key attributes during the forty-three years in which it was run by the Sandlers. Perhaps most important among these is the fact that over that period of time the company was profitable all but two years. This is even more remarkable when considering just how volatile banking was in that era, for there were liquidity crises, deregulation schemes, skyrocketing interest rates, financial recessions, housing recessions, and the savings and loan crisis of the 1980s, in which the entire sector was nearly obliterated through risky or foolish decisions made by Congress, regulators, and managements. Through all of this, however, Golden West delivered consistent returns to their investors. Indeed, the average annual growth in earnings per share over 40 years was 19 percent, a figure that made Golden West second only to Warren Buffett's Berkshire Hathaway, and the second best record in American corporate history.

Golden West is also remembered for making loans to communities that had been subject to racially and economically restrictive redlining practices. Thus, the Sandlers played a role in opening up the dream of home ownership to more Americans. In the offices too, Herb and Marion made a point of opening positions to women, such as branch manager and loan officer, previously held only by men. And, by the mid-1990s, Golden West began appointing more women and people of color to its board of directors, which already was presided over by Marion Sandler, one of the longest-serving female CEOs of a major company in American history. The Sandlers sold Golden West to Wachovia in 2006. The interviews tell the story of the sale, but at least one major reason for the decision was the fact that the Sandlers were spending a greater percentage of their time in philanthropic work.

One of the first real forays by the Sandlers into philanthropic work came in the wake of the passing of Herb's brother Leonard in 1988. Herb recalls his brother with great respect and fondness and the historical record shows him to be a just and principled attorney and jurist. Leonard was dedicated to human rights, so after his passing, the Sandlers created a fellowship in his honor at Human Rights Watch. After this, the Sandlers giving grew rapidly in their areas of greatest interest: human rights, civil rights, and medical research. They stepped up to become major donors to Human Rights Watch and, after the arrival of Anthony Romero in 2001, to the American Civil Liberties Union.

The Sandlers' sponsorship of medical research demonstrates their unique, creative, entrepreneurial, and sometimes controversial approach to philanthropic work. With the American Asthma Foundation, which they founded, the goal was to disrupt existing research patterns and to interest scientists beyond the narrow confines of pulmonology to investigate the disease and to produce new basic research about it. Check out the interview with Bill Seaman for more on this initiative. The Program for Breakthrough Biomedical Research at the University of California, San Francisco likewise seeks out highly-qualified researchers who are willing to engage in high-risk research projects. The interview with program director Keith Yamamoto highlights the impacts and the future promise of the research supported by the Sandlers. The Sandler Fellows program at UCSF selects recent graduate school graduates of unusual promise and provides them with a great deal of independence to pursue their own research agenda, rather than serve as assistants in established labs. Joe DeRisi was one of the first Sandler Fellows and, in his interview, he describes the remarkable work he has accomplished while at UCSF as a fellow and, now, as faculty member who heads his own esteemed lab.

The list of projects, programs, and agencies either supported or started by the Sandlers runs too long to list here, but at least two are worth mentioning for these endeavors have produced impacts wide and far: the Center for American Progress and ProPublica. The Center for American Progress had its origins in Herb Sandler's recognition that there was a need for a liberal policy think tank that could compete in the marketplace of ideas with groups such as the conservative Heritage Foundation and the American Enterprise Institute. The Sandlers researched existing groups and met with many well-connected and highly capable individuals until they forged a partnership with John Podesta, who had served as chief of staff under President Bill Clinton. The Center for American Progress has since grown by leaps and bounds and is now recognized for being just what it set out to be.

The same is also true with ProPublica. The Sandlers had noticed the decline of traditional print journalism in the wake of the internet and lamented what this meant for the state of investigative journalism, which typically requires a meaningful investment of time and money. After spending much time doing due diligence—another Sandler hallmark—and meeting with key players, including Paul Steiger of the Wall Street Journal, they took the leap and established a not-for-profit investigative journalism outfit, which they named ProPublica. ProPublica not only has won several Pulitzer Prizes, it has played a critical role in supporting our democratic institutions by holding leaders accountable to the public. Moreover, the Sandler Foundation is now a minority sponsor of the work of ProPublica, meaning that others have recognized the value of this organization and stepped forward to ensure its continued success. Herb Sandler's interview as well as several other interviews describe many of the other initiatives created and/or supported by the foundation, including: the Center for Responsible Lending, Oceana, Center on Budget and Policy Priorities, Learning Policy Institute, and more.

A few interviewees shared the idea that when it comes to Herb and Marion Sandler there are actually three people involved: Marion Sandler, Herb Sandler, and "Herb and Marion." The later creation is a kind of mind-meld between the two which was capable of expressing opinions, making decisions, and forging a united front in the ambitious projects that they accomplished. I think this makes great sense because I find it difficult to fathom that two individuals alone could do what they did. Because Marion Sandler passed away in 2012, I was not able to interview her, but I am confident in my belief that a very large part of her survives in Herb's love of "Herb and Marion," which he summons when it is time to make important decisions. And let us not forget that in the midst of all of this work they raised two accomplished children, each of whom make important contributions to the foundation and beyond. Moreover, the Sandlers have developed many meaningful friendships (see the interviews with Tom Laqueur and Ronnie Caplane), some of which have spanned the decades.

The eighteen interviews of the Herb and Marion Sandler oral history project, then, are several projects in one. It is a personal, life history of a remarkable woman and her mate and life partner; it is a substantive history of banking and of the fate of the savings and loan institution in the United States; and it is an examination of the current world of high-stakes philanthropy in our country at a time when the desire to do good has never been more needed and the importance of doing that job skillfully never more necessary.

Martin Meeker, Charles B. Faulhaber Director, Oral History Center, UC Berkeley

List of Interviews of the Marion and Herbert Sandler Oral History Project

Ronnie Caplane, "Ronnie Caplane: On Friendship with Marion and Herb."

Steve Daetz, "Steve Daetz: Values and Leadership at Golden West Financial and the Sandler Foundation."

Joseph DeRisi, "Joe DeRisi: From Sandler Fellow to UCSF Professor of Biochemistry."

Stephen Hauser, "Stephen Hauser: Establishing the Sandler Neurosciences Center at UCSF."

Russell Kettell, "Russ Kettell: A Career with Golden West Financial."

Thomas Laqueur, "Tom Laqueur: On the Meaning of Friendship."

Bernard Osher, "Barney Osher: On Marion Osher Sandler."

John Podesta, "John Podesta: Building Infrastructure for Progressive Politics with the Center for American Progress."

Anthony Romero, "Anthony Romero: Leadership of the American Civil Liberties Union in Times of Crisis."

Michael Roster, "Michael Roster: Attorney and Golden West Financial General Counsel."

Kenneth Roth, "Kenneth Roth: Human Rights Watch and Achieving Global Impact."

Herbert Sandler, "Herbert Sandler: A Life with Marion Osher Sandler in Business and Philanthropy."

James Sandler, "Jim Sandler: Commitment to the Environment in the Sandler Foundation."

Susan Sandler, "Susan Sandler: The Sandler Family and Philanthropy."

William Seaman, "Bill Seaman: The American Asthma Foundation."

Paul Steiger, "Paul Steiger: Business Reporting and the Creation of ProPublica."

Richard Tofel, "Richard Tofel: The Creation and Expansion of ProPublica."

Keith Yamamoto, "Keith Yamamoto: The Sandler Foundation and the Program in Breakthrough Biomedical Research at UCSF."

Interview 1: January 26, 2018

01-00:00:00
Meeker: Today is Friday, January 26, 2018. This is Martin Meeker interviewing Steve Daetz—that's the correct pronunciation, right—

01-00:00:16
Daetz: Yes.

01-00:00:17
Meeker: —at the offices of the Sandler Foundation in San Francisco. This is interview session number one. Well, first of all, we begin these interviews the same for everyone, and that's, just tell me your name, date, and place of birth.

01-00:00:32
Daetz: Steve Daetz, place of birth is Palo Alto, California, Stanford Hospital.

01-00:00:38
Meeker: Oh, no kidding. When were you born?

01-00:00:40
Daetz: February 20, 1970.

01-00:00:47
Meeker: Did you go to high school? Were you raised down there?

01-00:00:49
Daetz: Yeah, raised down in Sunnyvale with two older brothers, I was the youngest of three, and I went to Homestead High School in Cupertino.

01-00:01:02
Meeker: And Class of '88, I'm guessing.

01-00:01:03
Daetz: Class of '88, yeah.

01-00:01:06
Meeker: I was Class of '88 at Saint Francis.

01-00:01:08
Daetz: No way.

01-00:01:09
Meeker: Yeah. [laughs] Right nearby, that's interesting. Probably knew some of the same people. All right. Because this is really focused on Herb and Marion Sandler, I'd really like to move into that right away. But before we do that, I know that you were hired as an attorney to work with Golden West, and that would've been your first interaction with Herb and Marion, I believe, why don't you tell me how you got into law?

01-00:01:38
Daetz: Sure. I was your classic, undeclared overachiever. I was quite ambitious, but not sure what I was going to do with my life, and the law was interesting to me. My first year of college, I had a professor who said that "your analysis is perfect for law school if you're headed that way." I had never thought about it; no one in my family had been a lawyer, and, it put that little kernel in there that I kept thinking about. As college wound down, I started to think more seriously about what I would do next. I figured I was going to go on to graduate school of some kind. I was thinking about international relations or something else in that arena, but law school seemed to me a way to open up opportunities, and I was always about keeping my options open.

And so, I set out to sort of go to the best law school I could that made sense for me, and ended up at Berkeley for law, and still didn't know what I was going to do there. Most everyone at law school was headed on the litigation track; that's kind of the way it's taught. My first summer I spent at O'Melveny and Myers, here in San Francisco, and immediately I sensed that big-firm litigation was not going to be satisfying to me. I just felt that I was far more of a constructive person, wanting to reach positive outcomes, and I found big-firm litigation to be a lot about the partner egos going against each other, and it was an evidence of things having broken down, and I just wasn't that excited by it.

So, as I grappled through what I would do in law school, I started to gravitate more towards business law, which at Berkeley at the time, there weren't that many of us who were that interested. This was probably in the mid-nineties. I kept searching for classes that I could take that were business law oriented. I ended up taking a couple classes at the Haas Business School because they were more relevant. One class that was offered was a small seminar on venture capital financings; I found that very interesting. It turns out that my summer at O'Melveny actually led me to an opportunity to work at the law firm that I ended up with which was Cooley Godward, at the time here in San Francisco, and I was able to secure a job for my second summer at Cooley and loved it. And that was the first time I had that sense that this is where I want to be. This was my drift from being undeclared to, huh! This looks cool. I'm excited about this.

01-00:04:44
Meeker: Your objection to litigation was basically corporate competition through other means, really through legal means rather than the marketplace. Was that your—

01-00:04:55
Daetz: Part of it was, as a young person, you're trying to imagine what your life will be like. I could not imagine being at a big firm, where my job was to fight the other side constantly, and sometimes on non-substantive grounds. Sometimes just procedurally, you wanted to stick it to them. I found no joy in that process. So for me, the idea of working with a startup company, or with the

investors who invest in startup companies, and building something, helping that organization to grow, helping them make good strategic decisions, that was just exciting to me. I didn't know where that would go for me. I didn't know if I would stay at the law firm indefinitely, or if I would eventually join one of the companies. There was a career path for a lot of people where they would go into the law at first and then they might join a startup. And certainly in the dot-com area, there were a lot of those kind of movements. People would go from the law to either in-house counsel role, or to a business development role.

I certainly saw that as an option for me, but what I loved about my experience at Cooley as a young lawyer is, you're working with really interesting clients; you could add value right out of the gates. There was so much work to be done that there was just an energy and a drive, and my learning curve was tremendous. So I felt like after three, four years of doing that, I was already operating at the level of what other people who had been there for much longer might have been, and it was exciting. It was exhausting; it was long hours, but I loved the deal. I loved the energy of whether it be the venture financing; the IPO, the initial public offering; or the acquisition. I loved that we were trying to get from here to there, and that my job was to try and help the leadership of the companies get there. And so, I just found it to be a very constructive use of my energies and my time. And then of course, the dot-com bust happens.

01-00:07:22
Meeker: Who were some of your more interesting clients?

01-00:07:27
Daetz: Well, there were some clients that were on the very cutting edge of kind of digital usage of technology around sports. One of my clients, I literally did their formation, their series A, series B, series C, IPO, and they were working with NBC to try and present the Olympics in a far more digitally engaging way. It was ahead of its time. The technology of broadband was not there yet to be able to fulfill their objectives. The final deal I was involved with for them was what we call the death spiral debt financing, which was, they literally had no way out. If they succeeded, the people who issued them debt would take over, and if they failed, they also would lose. So it was always like a lose-lose deal, but it was a desperation deal. So I saw the whole cycle. So companies like that.

Once the dot-com bust happened, I learned a lot about corporate culture. I was a huge fan of Cooley, and I loved what it did, but I also saw a different side of it once the work dried up, and I felt like my growth as a lawyer was like this: we're like, dramatic in the first three, four years, and then, a bit stagnant thereafter, because there just wasn't enough going on.

So I started to look for what else I might do, and the challenge, of course, in part, was, I had a very good life and reputation at the firm; I could see a lot of opportunities if I stayed. There were not a ton of options. It was a tight labor market. So every lawyer who had done what I was envisioning doing had already maybe lost their job because the dot-com had closed down, and so there were a lot of lawyers on the market, so I was trying to compete with people. And I had a job, which always put me in a better position, but I started to keep my eyes peeled for opportunities.

01-00:09:58
Meeker: Is this 2000, 2001?

01-00:09:59
Daetz: This is 2001, yeah. Now, I tell my daughters a very interesting story about how I ended up at Golden West. One of my tasks at Cooley was, I was an associate mentor. I was in kind of a leadership role as an associate. And, both because of that role and because of, I think, my nature in part, every day I needed to get up and walk around the office, talk to people. I needed the human connection. It was hard for me to just sit in my office and do the work, and I needed to connect with people. And so I would spend half hour twice a day just going around, and poke my head in, see who was available, and one of the women that I ended up going to talk to was someone who was a little quieter, was not as integrated into the group, or at least didn't feel that way to me, but I always wanted to reach out to her. I always wanted to see how she was doing. And so I ended up creating a bit of a connection with her, in ways that many others in the firm had not.

At some point in 2001 or '02, I don't remember exactly, she came to see me, and she said, "Steve, you've been very kind to me all this time and I really appreciate that. I've heard about an opportunity that doesn't feel right for me, but I think it would be perfect for you," and that was the Golden West job. It was life changing. You know, the message that I've always tried to tell my daughters is, is to be a good person, treat people well, and opportunities come. [pauses] So, Golden West was not even on my radar. I was someone who had come from the high tech, the high flying, and so to me, like, I'm not even sure I knew that Golden West was headquartered in Oakland. I mean, in retrospect, it's somewhat silly, because it was a Fortune 500 company, had long established roots in the Bay Area, but, it was really because of that interaction. It just opened the door, and I think I probably started at Golden West within three weeks of that.

01-00:13:22
Meeker: What was the job description? What were they hiring for?

01-00:13:26
Daetz: So, they were hiring for a corporate securities lawyer—I don't remember the exact title—working in the general counsel's office with Mike Roster, who was the general counsel, and Shawn Sax who was another attorney who

worked with Mike, and I had some trepidation. You know, any time you make a life change, you have some questions, but I dug into understanding what the company was. I looked very closely at its history, and spent a lot of time to try and understand it, and was sort of again, struck at how little I knew about it. I had remembered that my parents had had a World Savings account way back when, passbook account, so the name was there, but I didn't know it as a business as well, and I didn't frankly know banks that well, as businesses.

But I dug in; I understood how solid it was, and so it gave me some comfort. It was time for a change. I liked the idea of going in house, of working kind of with the senior management group. That was the one thing that the person who led me to the organization, she had felt for her that it was perhaps a little bit too intimate, a little too high pressure perhaps. I relished that idea of being able to work in the general counsel's office of a major company, and I was looking forward to getting to work with a senior team. It wasn't intimidating in any big way. Of course there's always some anxiety about meeting people who have been doing their business for thirty, forty years, and you don't even know how the business works. So there was a steep learning curve, but I was excited by it.

01-00:15:47
Meeker: Why do you suppose this woman at the law firm thought that it was going to be good for you?

01-00:15:54
Daetz: I think probably because she knew that I—she didn't know for sure that I was looking. In fact, she came to me and says, "I don't know if you're looking, but if you are, here's a really good opportunity. I think it'd be perfect for you." I think it's probably because I guess she had seen me work; she knew that I was driven. She thought it was a very good company. So I think she probably saw it as a good marriage, and she probably thought that I could very comfortably work in that type of setting, that kind of environment.

01-00:16:33
Meeker: At the same time, it is 180 degrees different from what you had been doing. Here's a long established company. It's not in a sexy line of work. It's savings and loans. It's not putting sports on the Web. [laughs] It's a real departure.

01-00:16:54
Daetz: It was. But I also knew that the work at the time at Cooley was fairly stagnant. And so I viewed it actually far more as an opportunity to work in house, to really get to see what a well-managed, well-run company would be like and to work with that team. It was all for me an exciting opportunity.

01-00:17:22
Meeker: Tell me about the integration process then. How did they bring you on board, and what did you learn in the first six months about the company and the people?

01-00:17:36
Daetz: Well, I'll tell you the very first day was the day after Thanksgiving, so it was a quiet Friday. I was just trying to get my feet wet, take care of all the HR stuff, and I remember meeting Herb that day. He was, perhaps because of the Friday casual day after Thanksgiving, he was in a sweater, probably one that Marion knitted, I'm sure. And, of course, now I had been spending the last several weeks reading up on the company, and by now, there was a lore around Herb and Marion. I hadn't experienced it, but I had been reading about it. So, he immediately put me at ease. He was very friendly, probably made a little jab or joke—"Oh, this is the new guy"—and I'm sure I said, "Nice to meet you Mr. Sandler," and he immediately said, "Call me Herb." So, that was kind of classic Herb, putting you in a very comfortable place right away.

I was terrified that I was going to mispronounce his name for the longest time, because I'd never met a Herb with a hard *h* in my life, and I just thought the word "herb" with a soft *h* would come out accidentally at some point, just because I—so there was always this moment of just, can I really call him Herb? But, I also was very fortunate that I got to work with Mike Roster, who was the general counsel, and just a really, really talented lawyer, hardworking, really helpful in advising me how to integrate in the company, telling me about how things work, wanting me to succeed. He was an unbelievable mentor.

01-00:19:44
Meeker: Do you recall the kind of advice that he was giving you, such as how to integrate into the company, how to succeed?

01-00:19:56
Daetz: I think, you know, one of the things, I think I was lucky that very early on I established credibility with Mike through early work, and with some other internal clients, and even, I think, with Herb. I seem to recall having an early project around explaining indemnification or something like that, and I laid it all out very clearly, "Here's the issues," and that was my first substantive interaction with Herb. And Mike just kept encouraging me to communicate clearly, to focus on what's important, to think for yourself, and he also modeled that behavior, because he himself is a little bit of a—he comes at issues in his own unique way, challenges things, questions things, and what I learned very early was, that's very much how the company was. It was very independent thinking. Don't just follow the herd; do the analysis. What does it tell us? I just always appreciated that you could— I think it gave me a lot of confidence to build on what I felt was already in me, but modeled it by Herb and by Mike: Bring your all into something. Bring your judgment and ask questions; probe it. Don't be afraid to call something out if something is gnawing at you. And that was just really unbelievable mentoring for a young lawyer. I had had a fair amount of that at the law firm, but I felt like it really crystallized at the company.

So for example, one of the reasons for Golden West's success is it avoided the big mistakes. There were a lot of times investment bankers or others would peddle things, come in and describe it, and the meetings on those types of meetings would involve Herb; and maybe Russ Kettell, the CFO; and Mike and the treasurer; and myself and a few others. And if something wasn't clear, we would just go at them, "Explain that again. That doesn't make sense." Or, if something felt too good to be true, we would call that. It was the kind of company that just, you didn't suffer fools. You called something if it wasn't right. If it was too complicated, you probably shouldn't do it. You know, Marion often spoke about "sticking to its knitting," and I was always impressed by how laser focused it was on executing what it knew its business plan and strategy was, and decluttering the rest.

01-00:23:46
Meeker: Can you tell me about this metaphor? I'd never heard that she turned her knitting into a business metaphor. When did you first hear this, and what did it mean, "sticking to its knitting"?

01-00:24:00
Daetz: It probably was first in an annual report. I don't remember precisely, but Marion always led the charge on writing the glossy annual report that went out to customers and others. It was a big undertaking, and she was always very insistent on it being clear in its communication, and it also had a little bit of a homespun feel to it at times. There were aphorisms. It wasn't quite Warren Buffett like in the way that he does his, but there was an element of that. It had some of these things. So "sticking to your knitting" would have been an example of like a theme that might've come across in an annual report.

But, one of the things that was, I think, to me, most impressive about the company, was how clear employees were on the business model. It didn't matter if you were in a savings branch, if you were in a lending operation, if you were in accounting, treasury, if you were a lawyer, and there were eight, ten thousand people. When I joined, it was probably close to in that range. Everyone understood how this business worked. Maybe not at every depth, at every level, but everyone understood what their contribution to that business model was, and with that number of employees, that's a very impressive accomplishment.

So, when you speak with Russ, you'll probably hear about—oh you should ask about the five easy pieces, which is really the way that Russ summed up the business model. So I won't go through all that, but at the end of the day, everyone knew that our business model only works if you have strong capital, if you have low loan losses, if you have low expenses. And so, you didn't have renegade departments with their own purpose, with their own set of distorted incentives for how to get their bonuses or how to get measured. This became very apparent to me in the Wachovia comparison to Golden West, and

we can get there much later, but Golden West did not have siloed operations. Everything built towards that business model, and that to me was very impressive. It really meant there was not a lot of wasted movement, and—

01-00:27:18
Meeker: Did you ever get a sense of how it was that they were able to build an institution that was not siloed yet it was operating in most states, and was a major financial institution?

01-00:27:33
Daetz: I think it's in part because it was a somewhat centralized, hierarchical decision making, at least when it came to the big issues, and the risk issues. There was a lot of effort in training, a lot of investment there. It also was a place that people would, I think, know whether they fit in the culture or not. So in some ways it attracted and retained people who appreciated that this company was well managed, well run, and valued execution, being a meritocracy, and so on, so forth. It was not a free swinging kind of place where a bunch of former investment bankers would be attracted to, and frankly, we wouldn't have wanted them either.

So, it was a clear culture, and of course, the company ultimately was run through something called the Office of the Chairman, which was Herb, Marion, Jim Judd who ran the lending and savings operations, and Russ Kettell as the CFO, and Mike Roster was not formally in that, but was also part of it from legal and other perspectives. Very few major decisions of any import did not get discussed and run through that mechanism. And then, you had a senior line of long-tenured VPs, their titles may have been different, but people who had spent twenty-plus years in the organization seeing it grow from the ground up, participating in acquisitions, understanding the way things were run, buying into that, and partly being elevated in their roles because they understood that model. So you ended up having long-tenured, senior managers, many of whom had moved departments through the years. Partly that was Jim Judd's genius slash craziness. So, people understood how different parts of the organization worked. It was very impressive in that way.

01-00:30:35
Meeker: I remember we spoke a number of months ago or probably a year ago in advance of me doing my interview with Herb, and I was asking you background, and one of the things that you really emphasized was the ethical atmosphere there, that you said you had never had to discipline the CEOs on questionable ethical decisions. Can you tell me that story?

01-00:31:06
Daetz: Sure. As background, sometimes the general counsel role, or a role as part of the general counsel's office, can be quite tricky. If you have a CEO who pushes the envelope, who wants to push the envelope, part of your role is to manage that CEO, keep them away from the worst, try and influence their

thinking. I think we can see what that might be like if you had a president today who can—imagine being a lawyer for the president.

01-00:31:53
Meeker: Who was a CEO. [laughter]

01-00:31:55
Daetz: Yeah, yeah. I knew lawyers who were in very difficult roles, who had to deal with fighting management on some of those issues. That was never an issue at all at Golden West. I never felt like I needed to be, or the general counsel's office needed to be, the ethical compass that would keep things on the straight and narrow. I think Herb and Marion had just strong views on integrity, on doing the right thing. One of my great takeaways was, do what's right, not just what's legal. And so, I was just never in an uncomfortable position like that at all, and it was more about doing your job, and doing it well, and advising your various clients, whether it be the board or whether it be people in treasury, or whether it be whomever, accounting department, and doing your best job to advise them through issues. And if there was even a whiff of something that was not right, Herb would've just killed it right away, and would've expressed outrage that it hadn't gotten to him sooner to squelch it right away. And so, the culture and the tone at the top was one of total ethics. You better have your shit together, because if you don't, you will get hit hard, because your analysis better be good. So, the high standards for quality also were part of this. They would not accept lapses in quality, and they would call it out right away. So I just felt like, from that standpoint, it was the easiest job for a general counsel's office to deal with.

The other thing that was impressive was the insistence on transparency on high-quality, internal and external reporting. So one of my jobs was also dealing with anytime there were disclosures to the market, of any kind, and we would go out of our way to be transparent with information. There are other companies, and there were other instances where it's a little bit more of a hide-the-content philosophy, and that just was not the philosophy at all at Golden West. So, they would encourage: "Can we say this better? Can we be clearer in what we're saying here?" Russ was terrific at that.

One of my jobs that I undertook was I thought that our 10-K, which is the big securities filing that you file annually as a public company, was a little too accounting jargony. It could've been a little more plain English. Marion's annual report was incredibly easy to digest, very much plain English, but I felt like there was a bit of a disconnect between what she was seeking to accomplish and the 10-K, which was a bit more driven by the accounting department. And, Herb and Russ and Mike were all in favor of me taking another crack at this and trying to completely rewrite everything, in a way that would communicate our information more clearly. It's just an example of, they were all about transparency.

One funny story about that was, after I had done this, and we had rewritten it, Marion came to—I see MOS or whatever it was on the phone. She didn't call me very often even though she worked down the hall. We worked in different spheres and so, and I'm like, "Hello, Mrs. Sandler," and she wanted to meet to talk about what I had done. Now with Marion, you have to understand, you never actually get much insight into how she feels about something right away. Like, I didn't know from that phone call whether she wanted to meet with me because she was quite upset about what I had done, or what. So we arranged to meet. She comes down to my office, sits down at the table, circular table much like this, and we walk through, one by one, her comments and feedback, and she explains why something might've been done differently. And I'm trying to take this all in, and it's all good constructive feedback. She says, "Thank you," and leaves.

I find out later through my boss, through Mike, that Marion really liked what was done, and she valued the time to be able to sit with me and give me some constructive feedback. So that entire effort was her way of expressing a compliment, and giving some feedback. As the recipient, I wasn't sure that that's what that was. It was a little hard to read. Marion was not always easy with compliments. That was her compliment to me, and that was something that Mike helped me to understand: "That's what's going on here; she really thought you did a great job."

01-00:38:37
Meeker: She was giving you time.

01-00:38:38
Daetz: Was giving me the time and the effort to have gone through it to give me the feedback, and that was always a little bit of the mystery of Marion. It was never quite clear to me why she couldn't have said, "You did a really nice job here. Let me give you some thoughts." She just operated in a different way. But anyway, back to the transparency, the company valued clear, analytical reports, and I think what also impressed me was, even reports that had been kind of staples, for years, there was a rigorous process to go through them together, to understand what are the trends, what are the implications, and there were continual suggestions on how to improve the reports, how to make them more effective for management. "Oh, this would be better if you change this column. What if we add a column to do this?" There was always efforts to tweak and improve, and in a rigorous, thoughtful way that was also very valuable for me to see.

01-00:39:54
Meeker: You just referenced the fact that it sounds like you had much more engagement, clearly, with Mike Roster, who would've been your boss, but also with Herb Sandler. Your engagement with Marion was perhaps more episodic, or related to specific issues. Can you describe the, from what you observed, the distribution and division of labor amongst Herb and Marion as co-CEOs, and how that worked?

01-00:40:33
Daetz: Sure. I will undoubtedly get something wrong here, but the first thing to know is the two of them compared notes, talked, all the time, so, but they did I think respect each other's domains. Herb was very involved in the financial side of external reporting, regulatory issues, public policy issues, board governance issues. Again, Marion would've had contributions into those, but, so, the reason my time was largely spent with him was because I was involved with the board, with securities issues, with securities filings, with public policy issues, and so naturally, I was working with Herb, sometimes with Mike, with Russ, on those core set of issues.

Marion was in charge of the branch operations, so the savings branches, the design of those saving branches, the operation of those saving branches. She was in charge of the website, the customer-facing website, a lot of the marketing. So, and of course, she was also, the two of them, along with Russ and Jim, were involved in all the big, strategic things going on, so, she was clearly involved in all of that. But, the marketing department, the IT, the website sort of operation, the savings teams, the branch teams, all of those reported directly to her. Any communication externally with customers or otherwise would be with Marion. She was an outstanding writer, and really insisted on that with anyone who worked with her, to the point where you were redrafting things many, many, many times. And then she also did the annual report that I mentioned before, which was kind of the big summation of the company, how its year went, and how to articulate that to customers, shareholders, and so on, so forth. That's broadly defined how I would split up their tasks.

01-00:43:28
Meeker: It's not unknown for companies to have co-CEOs, although it's quite rare, let alone those CEOs being married to one another, and, even the best relationship sometimes has difficulties. Were you guys ever exposed to anything along those lines? How did, I guess, the personal and the business interact in the context of the business?

01-00:44:00
Daetz: Jim Judd used to say, "You have three bosses: Herb, Marion, and Herb and Marion." You've probably heard this before. That's about as good a summation as I can think of, in the sense that, I actually think it's remarkable to me how well they functioned, given just the sheer volume of hours they spent together. And you'd have to ask Herb on how they made that all work. I do think they had some rules where they tried to stop talking about work at certain hours, and, they did have this division of labor a little bit to sort of give each other space in the domains. So I think, obviously, all of those things probably helped. It was always remarkable to me how different they are in their personalities and their approaches, and yet, in many ways how aligned they were on the core, and the values.

So I think, at the end of the day, I never saw any blowups, any flare-ups of any kind, very strong differences in style in how they operate, but I never really sensed any divisions that really mattered. And as a husband and someone who has seen many marriages, it still blows my mind how they made that work. I can't think of most marriages that could, through the combination of driving to work together; working together side by side, in a Fortune 500 company with all of the issues and stresses that that brings on; go home together; raise children for the years that they were raising children; do the philanthropy together for the years that they were doing philanthropy. They were married for fifty-plus years, but it's got to be the equivalent of a hundred years, for most couples, in terms of just the sheer amount of time, and how much they continued to care for each other and share ideas. They came at things in different ways, but they just had an incredible alignment, ultimately, in what they cared about and their values, and their analytical skills combined with intuition, and I think one of the reasons they were so successful is, neither one of them independently suffered fools. You couldn't get fools past both of them.

01-00:47:11
Meeker: I know that you've touched on a few things that might be considered sort of key elements of company culture. Are there any other elements about the culture that you think are worth remembering?

01-00:47:32
Daetz: So the ones I've talked about are the high standards for quality, the independent thinking. The other impressive part I'll just touch on briefly, as part of the idea of thinking for yourself, it didn't matter to them what others in the industry were doing, in the sense of, if they were pursuing a particular practice, we'd evaluate it, and if it didn't make sense for us, we wouldn't do it. There was no peer pressure of any kind, and when it came to regulatory issues, there was such a refreshing ability to tell regulators exactly what was on their mind, and I was very fortunate to be involved in working closely with Herb and Russ and Mike on a series of letters to regulators, responses to their proposed rulemaking, where we just laid it out into them: "This makes no sense," or, "You are introducing this risk," or, "You're not cognizant of this other risk and you need to be doing something about it." So, whether it be in the area of securitizations, which ultimately had a big impact on the mortgage explosion that happened, or whether it related to an accounting set of principles that they were doing, or whether it related to adjustable rate mortgage lending.

One of the great sources of pride for me was, we were telling people what was going on. We were identifying the risks. We were trying to say, "Hey no, you need more capital. These banks need to hold more capital and here's what the rule should be. This is how it will get gamed." We would explain to them, and one of the frustrations is, a lot of that felt like we were a lone voice in the wilderness, and every other bank would be asking for lower capital, or would

be happy with a black-box model that would allow them to hold less capital, or they were trying to just push the envelope on adjustable rate mortgage lending, and we would say, "Are you aware this is going on? Stop!" And I think I remember calls where Herb would say, "Can you believe what Countrywide and IndyMac are doing in their sales practices right now?"

And that, so the effort to try and sound the alarm, raise flags, raise issues, was very impressive, as was the ability to then filter those issues through our own company, and despite the competitive pressures, when your competitors are doing *x*, not to go to *x*, to hold firm on the deep, business-model understanding that we held our loans in portfolio, unlike the others who securitized and sold them off. So therefore, we would have direct negative consequences to our financial condition if loans went bad, and not to allow ourselves to fall down those same traps that others did, and to try and simultaneously warn about what we saw. That was a great source of pride. I thought it was an example of thinking for yourself, trying to do what's right. I mean, sometimes people probably looked at us like we were mad, like, "You are asking to hold more capital? You'd make more money if you didn't do it that way." And I just think that there was a very long-term orientation around what's the right thing to do.

The company was also very much into long strategic planning. It's not that those strategic plans ever caused a massive deviation in anything the business was doing, but it would always be a moment to kind of reflect and see, is there anything that we ought to be doing differently? So it was not a focus on short-term, quarterly results.

01-00:51:54
Meeker: Well that's interesting. Vis-à-vis what you just said and then what you had previously just said about missing opportunities for greater profits, although that would also entail greater risk, were you ever getting much pressure from institutional investors, or other large holders of Golden West stock hoping to see greater returns?

01-00:52:24
Daetz: So, you should ask Russ that question, but I doubt it, because they saw the long-term performance of the company. They appreciated coming in, the analysts did, to meet with Herb and Russ and get very transparent disclosures—"Here's what we're doing; here's why we're doing it"—and I think the holders of the stock were thrilled and delighted by the company's performance and were not trying to push the envelope as far as I knew.

01-00:52:59
Meeker: Because that's often the excuse, right? We have to do this because our stockholders. But it sounds like what you're saying is that it's—

01-00:53:06
Daetz: Well the long-term performance was so stellar. I mean, when your compound earnings per growth—earnings per share growth is perhaps only bested by Warren Buffett's Berkshire Hathaway, you get some latitude. Now I think, in the aftermath of the mortgage meltdown, I think some of the analysts who really knew the substance understood that our portfolio lending approach would be different than what Countrywide and IndyMac and others had been doing. But the unsophisticated analysts did not understand that, and that was painful to try and deal with—when the weight of the [opinion] seemed to be suggesting that any adjustable rate mortgage lending is bad—it's all the same and it's all bad—those who knew, knew that there were qualitative differences. But those who didn't, didn't really care about the differences.

But one of the things we talk about is, as part of the quality control inside the company, we never farmed off underwriting to others or to a computer system. We never farmed off appraisals to a computerized system. It may have been more expensive, but we believed in having that in house. We didn't really use much in terms of consultant support at all. If we thought that we needed the following system for the IT, the internal information technology work, then it would be built in house. So yeah. There were many ways the company could've tried to eke out more short-term profits, and it just had a very long-term orientation. So that was also refreshing to see.

The other thing is, I always felt like the company tried to do right by others. So, whether that be in a customer-service sense, or there's stories of when things were a little bit lean. There was always, "No, we're going to honor these loans. We're going to avoid layoffs. We'll move people around. We'll shift the departments, because we're not lending as much anymore, but we're going to do the right thing by people." And that was always admirable, and I think one of the things that struck me the most, and this tells you a lot about Herb: When the sale of the company had been announced and now we're kind of in the stage where you haven't closed the deal yet, but you're working things out with the others, there was a meeting in his office between the CFO of Wachovia, and I can't remember if the CEO of Wachovia was there as well. I think may have been either in person or by phone.

And the CEO essentially was offering up a golden parachute to Herb and Marion, partly because the deal prior to Wachovia's acquisition of Golden West, the prior CEO had walked away with a $200 million golden parachute, or whatever the amount was. It was kind of an obscene amount. And, Herb insisted on having a severance pool for the employees, and what he said is, "Marion and I own a lot of equity; we're going to be just fine. I'm worried about the people who've been here for ten, twenty, twenty-five years. I want to do right by them." And I think Ken Thompson and I think Tom Wurtz was the name of the CFO, I think they were stunned. They had never contemplated that the CEOs of a purchased company would take nothing for themselves other than what equity they had built up over forty-plus years of owning the

company, and that their only insistence was to have a severance pool, that Herb would have the right, unilaterally, to assign and allocate, based on tenure, and so on, so forth. I mean, that tells you everything you need to know.

01-00:58:29
Meeker: I would like to ask about the decision to sell, and the context for that. You arrived, what was it, in 2002? Is that right?

01-00:58:39
Daetz: Yes, yes.

01-00:58:41
Meeker: Okay. The sale happened, I believe, in 2006.

01-00:58:44
Daetz: Yeah.

01-00:58:45
Meeker: Was there discussion around what the long-term feasibility and future of Golden West was when you arrived?

01-00:58:58
Daetz: When I arrived at the company?

01-00:58:59
Meeker: Correct.

01-00:59:02
Daetz: So, I would not have envisioned the sale of the company. It was the kind of company that people spent their careers in. If the culture worked for them and if they worked for the company, it was the kind of place you wanted to work in, because of all the reasons we've discussed. So people spent decades at the company, and there was a lot of effort and investment in the next generations of people, so there was a lot of, as I mentioned, in the lending and savings departments, there was a lot of cross training people who would one day be in charge of a lending operation then next year, they'd—well, what would really happen was they'd get on an airplane with Jim Judd, and by the time they landed, they would've had a new job, in a new location, in a different department.

And, so there was always grooming of talent going on in different areas of the company. And there was always a concerted effort to involve the next generation of leaders in decisions, in thinking about what are the big issues coming forward. There used to be these management trainings that would happen in Monterey and other places, where cohorts from different parts of the company would come together and be asked to work out a set of issues, or to come up with some ideas for how to address particular issues. So there was a lot of that that was constantly going on. I think what was happening in the Office of the Chairman was a whole other set of issues that, I'm not totally clear on what happened, but I think there was some discussion of maybe doing

a management buyout, to—again, Herb would know this best, but the market was frothy. The mortgage market was frothy.

01-01:01:44
Meeker: What does that mean?

01-01:01:46
Daetz: You had Countrywide and IndyMac making loans to anyone and everyone at 105 percent LTVs, with virtually no appraisal. It was just, it felt unsustainable. It felt a little scary. I remember affirmatively being in meetings where we would raise a start rate, which is somewhat technical, but which would make the loan less attractive to a potential borrower. So we were actually taking steps to try and mitigate the risks that we saw, but I think the overall gestalt is that we were entering kind of a very uncertain market, and my guess is that Herb and Marion and Russ and Jim might've sensed that things were going to hit the wall at some point, and that would be a very difficult transition for everyone in the industry, even though I think we had outstanding capital and we felt very good about where we were.

01-01:03:03
Meeker: Well, they had already seen that happen, probably, three or four times.

01-01:03:06
Daetz: They had already seen various things happen. This was somewhat different because now you had the combination of far more ARM lending of certain types that were riskier, far more subprime. You had a securitization market which was very advanced, which wouldn't have existed decades before. You had derivatives on those securitizations. So you had all kinds of whole new variables that, I don't think anyone really understood the intertwining of some of these things until it all collapsed. But so, you'd have to ask others, but I think there was some—part of the discussion around a management buyout may have been in part to help mitigate some of the risks that were emerging.

And then, I don't know what was going on with everyone in the Office of the Chairman in terms of their own desires to retire at some point. I know that Herb and Marion were very active in the philanthropy during these final years, so they were trying to run a Fortune 500 while they were trying to be involved actively in the philanthropy, and they wanted to be doing more of that as well, I think. Jim Judd and Russ Kettell may have had some desires over time to pull back.

Then I think there was presented an opportunity of someone expressing an interest in purchasing. I don't think that it was really being shopped for a sale, and I think that opportunity presented itself, and I think from there, it happened probably relatively quickly. I remember I had just come back from Yosemite with my daughters, on an annual trip in March or April of 2006, and I got a call from Mike Roster, and then I got a call from Herb, and essentially the task was to quietly work with them on the potential sale, which, on the one

hand, I had to kind of absorb that news just on so many levels—one was pretty shocking, would be very shocking to the employee base—and on the other hand, I knew I kind of had a job to do, which was, my job was now, as the corporate securities lawyer, was to be deeply involved in helping this deal to happen.

01-01:06:03
Meeker: This shockingness that you describe that you experienced and you anticipated the employee base would experience, can you describe that? Is that mostly fear of losing one's job, or does it go deeper than that?

01-01:06:16
Daetz: No, I think part of the shock was simply, this was a very stable, long-tenured company, where people imagined and could imagine spending their career at. So people have invested a lot of their careers into a really great company, that they really enjoy working at, and now it could be gone. So the shock, putting aside anyone's individual, personal situations, I don't think it was in the consciousness of most people at the company that this was a company that could be sold. There was probably far more speculation around who would be running it next and who would fill in what slots. So, and for me, it was, you know, I worked in the heart of the operation with a lot of discussions at the board and other levels, and I think this all happened very quickly. And so it was a shock because, it's not like an event where you can see the succession happening three years out, and you work towards it and then it happens, and you've had multiple years and time to plan for it. This was, whoa!

01-01:07:42
Meeker: Was the sale the kind of sale that the buyer, Wachovia, was expecting to simply increase reach, or improve efficiencies? And the improving efficiencies, of course, would have resulted in massive layoffs.

01-01:07:55
Daetz: I think for them it was a combination of geographic expansion, and expansion of a lending operation which they didn't have at the same scale. And, at that point, the lending operations were still very strong, and they didn't have the same branch structure in a lot of different places that we did.

So, from a personal perspective, for me, one of the hardest things was knowing this and having to quietly be a lawyer, go about your own business, and not communicate with anyone. That just puts a personal pressure on—you're weighing all this news and all this information and you have to just hold it in. You know, that's part of a job of being a lawyer.

At a personal level, I thought what was interesting and again emblematic of Herb was, as the smaller company being bought by the bigger, very often a lot of the headquarters roles disappear in the smaller company, in the acquired company. And so, he certainly knew, as I did, that the opportunities for a general counsel's office of the smaller acquired company in the bigger one

would be limited, because they would've had their entire, whole new, whole team, and he was very cognizant of that, and very—again, this is part of his kind of human empathy side. He would talk to me about—and that's really where the introduction of the foundation started to happen, which was, I don't remember the exact quote, but something to the effect of, "I know you have a lot to do here with the deal, and we appreciate what you're doing with this, and it's important to see it through. Be aware that at the back end, Marion and I, there'd be an opportunity to perhaps work with us on something after."

He was essentially signaling to me, "There's something for you. There's an opportunity. Thank you for what you're doing. Work hard; we need that done, but"—and it was just kind of the way he is. His antennae are very up for, what are the impact on people? It's why I mentioned the severance story. He was monomaniacally focused on that. "How do I get this pool to protect people?" So, I think it was a difficult transition for a lot of people in the company. I think, not just how unexpected it was, but also the cultures of the two organizations were quite different.

01-01:11:29
Meeker: How much research goes into studying the company that's purchasing, by the company that's being purchased? I mean, there must be some, because I know that's not just a cash purchase, that the stockholder, or at least the people who had equity were getting I think a mixture of cash as well as equity in the larger company, so you would want to have some insurances about the health and the well-being of that larger entity.

01-01:12:04
Daetz: Yes—

01-01:12:05
Meeker: But I don't know if there's cultures used as well that are studied. I mean, what else goes into this?

01-01:12:09
Daetz: No, they're certainly looked at. I think, inevitably, in any merger, "there is," as Herb likes to say, "there's an element of romance." There's a desire for it to work well. It's like any mating ritual. You're presenting your side and their side, and you're trying to see all the positives. I think the more the acquisition process went on, the more we started to see some of the cultural differences, and I would characterize those as, some have to do with size. So, Golden West would have been 10,000 or so employees. Wachovia, I don't remember exactly, but let's say ten times that, 100,000 people. Again, the number is probably off. So, that introduces just the potential for bureaucracy in ways that we were able to avoid.

Then you had the dynamic which was really more fundamental, which is that, again, everyone in Golden West understood our business model. We knew what worked, what didn't work. When you got to a company like Wachovia,

that size, every business unit was its own silo, had its own bonus metrics. So, Golden West I would describe as a bunch of people in the same boat rowing in the same direction. It was a crew. I mean, you may have had the coxswain who did one thing—you may have had the lead person, whatever—but everyone was rowing in the same direction.

What you noticed very quickly at a company of the scale and size of Wachovia is, people are not in the same boat. Your treasury department, which for us was a function to serve the ends of the business, at Wachovia, the treasury department is its own profit center, trying to make its own money its own way. Then you have a wealth management piece doing its own thing, and then you have, not just the residential lending, but you've got commercial lending, and you've got all these things, and every one of them has its own head and its own unit, and they are all paid based on their own unit's performance, not based on the company's performance.

At some level, it's a function of size and scale, but it was quite noticeable that culturally, they operated very differently. When we would have a meeting, those who attended were those who needed to be there. When they had a meeting, you might have 150 people on a conference call, and, it was not necessarily well managed, well run. Just, two totally different beasts. So I think that that makes it, depending on where you are in the Golden West employee location, wherever you are both geographically and in terms of department, your experience, when and if you transfer in, just could be totally different. So yes, there is diligence, but, you don't have a full sense of all that until you really actually start to merge together, integrate.

01-01:16:27
Meeker: Were there any misgivings as the process wore on about the match?

01-01:16:36
Daetz: I'm sure there were misgivings by different people about different things. And I should say, one other thing that happens is that, part of your commitments to each other once you sign the agreement is that you will be sort of working in alignment to make this successful, and you haven't technically closed the deal yet, but you're already kind of starting to blend the thoughts and the companies together. And, Wachovia was excited about having a lending operation, and to get it to—I think they were far more prepared to have it be more aggressive in its lending than we ever would've been. So that was something that you started to get a little bit of insight into.

On the other hand, there were so many other things to focus on. There was the integration of, what were you going to do with all your benefit plans? What were you going to do with all—that there is so much work that is going on to try and to get this thing to happen, that we didn't always have visibility into all the different cultural things that might have been going on. And then of course, it all happens. It all gets compressed, and the deal closes in a relatively

short time, because there wasn't a whole lot of other regulatory review, so it all happened very quickly.

01-01:18:25
Meeker: Do you have any final thoughts about Golden West? Were there postmortems done on it? Did you guys meet together and say—

01-01:18:41
Daetz: Well, we had a lot of, I don't know if I'd call them postmortems, but we had a lot of discussion. One of the things that happened is after the deal, and I forget the exact dates, but put it on the second half of 2007, when things started to get choppier in the markets, and then ultimately in 2008 when a lot of things got choppy—I certainly never had a sense that Wachovia was particularly well managed, that there was so many moving parts that they couldn't possibly understand all the issues under every silo, and that they had a lot of risks and losses and the kinds of things that—litigation over things that they were doing in practices that we would not have had any single one of those litigations over a twenty-year period, and they were dealing with multiples of them, in any given year, and it was startling, just that kind of a difference.

And then I think, for them, I think they started to use the Golden West losses in the loan portfolio, many of which were inevitable once you have market declines that were suffered, use it as the excuse for the problems they were having. And that became a little more difficult to stomach, as sort of being felt like you were being scapegoated, as a company that we all felt was run incredibly well, run not to try and push volume or not to try and take risks because we held everything in portfolio, to know the kinds of things that they were suffering actual losses for in some of their business practices, but having it feel like we were being scapegoated for the losses that they were suffering and the problems they were suffering, that was painful. And that was painful to any number of former employees, not just Herb, but certainly Herb and Marion. But, people who worked in savings branches, who had been there for decades, who loved the company and knew its business practices, knew how ethically run it was, to have that be kind of the perception, was incredibly painful.

01-01:21:26
Meeker: Not to mention the media and the *Saturday Night Live* episode and all that kind of stuff that comes out.

01-01:21:33
Daetz: I will say that the Golden West employees in that period were incredibly important, I think, to be kind of reinforcing values to each other, and the messages that they were conveying here, to Herb and Marion, about how unfair it was, I think made a big difference. We created an opportunity for employees to articulate their perceptions, and more than a hundred letters came in from people talking about how unfair these reports were, and the Golden West that they knew and experienced. I also think that the practical

reality is any number of people were hurt by the negative press, because on the one hand, you had a recessionary environment, so, you had job losses, and all that flows from that, but then you also had people who, putting Golden West on their resume, and if you're trying to get a job in another bank or lending market, again, people who were uninformed about really what happened, that could be viewed as a taint.

And I think that was really painful, and that's I think partly why Herb worked so hard, and Marion and I and others, to try and push back against the reporting, that we thought it was just so fundamentally flawed, that it was juvenile in its understanding of the markets, of the understanding of what really was going on in the lending operations, what really our role had been in trying to warn people, regulators and others, all the differences in the adjustable rate mortgage products between Countrywide, IndyMac, and what we did, and then the fundamental difference which is that we kept everything on our books, and so as a result, we have no incentive to push the envelope because it just hurts us directly. It was so painful to get unfairly caught up in that, and I think we were doing our best to push back for employees, for the reputation of the company, and of course, with Herb, you're now impugning his integrity, which I always found so unbelievably unfair. I've never met someone with more.

01-01:24:50
Meeker: Do you feel like there was ever any meaningful vindication of Golden West in the wake of all that?

01-01:25:05
Daetz: Again, those who know, the analysts with deep knowledge, the people who really understood what was going on, I do feel like there is vindication. They were never snowed in by it all, I don't think, so I think there's vindication in that sense. With the media and kind of the quick-hitting analyst kind of stuff, not really. I think it's very hard to move kind of a conventional wisdom on something. Now on the other hand what I will say is, and perhaps one saving grace in it all, is Golden West is not a household name, not a—

01-01:25:57
Meeker: Enron.

01-01:25:59
Daetz: —certainly not—didn't operate at that scale or had any kinds of issues like that. And so, when people talk about the mortgage crisis and things that happened, unless you have a real agenda against Herb or Marion, politically or whatnot, it really doesn't surface, because the scale just wasn't at that level. The focus is much more on the Countrywides, and perhaps the IndyMacs, and the Lehman Brothers, and that kind of arc; that's the storyline. So that, I mean, that's not vindication, but it's just, it means that it doesn't always surface in quite that same way as it might for some others. But I also feel like in some ways there will never be full vindication, because I still run into people who,

when you ask them about ARM lending, or whatever, they immediately kind of go to the most extreme practices, and it just takes a lot of effort and a lot of time to talk them through the nuances. And we're not in a culture or an age where nuance is valued, and I think that makes it very difficult.

01-01:27:26
Meeker: Now just as an aside, this hearkens back to what happened in the nineties around managed care, and how Kaiser got wrapped up in it, when, although they were a pioneering managed care organization, they weren't practicing managed care in the same way that led to the abuses of that era, yet, the whole sector—

01-01:27:48
Daetz: Get wrapped up.

01-01:27:49
Meeker: —got wrapped up. It's fascinating, and, but—

01-01:27:54
Daetz: Yeah. I think that, in terms of the postmortems, the only things that I think that I thought about, and I'm sure Herb has as well, is what else could we have done differently? Again, I feel like, from a product perspective, I don't think anything that happened was about the product, any of the losses that Golden West suffered. I think you could always question whether Wachovia was the right partner, I suppose, but that's [laughs]—ultimately Wachovia got purchased by Wells Fargo and interestingly, Wells Fargo, based on the analysis we've done, has made a lot of money on our portfolio, not lost money, and that's all but using public information that we can get our hands on, and that they've reported. That deal, and our portfolio, has been quite good for them. That has never gotten into the press, and in light of Wells Fargo's other problems, probably never will.

We had a business strategy to lend in the, what I would call the mid-market, the 200-to-600,000 range, call it—there's wiggle room on either end, but—and, we had a lot of lending in California. So what does that mean? It means that we were not lending in San Francisco that much, because I'm sure there were loans, but in terms of percentages, less in the high-end markets, like a San Francisco or the higher markets in Palo Alto or East Bay or Marin, and more in places like the Inland Empire, Fresno and other parts of California that ended up suffering dramatically in the mortgage crisis. So, the business model was built around what had historically been very low-risk lending, residential lending, and with, I think our average LTV, loan-to-value ratio, was 70 percent or something like that. So there was a 30 percent cushion between the value of the house and the loan, and every model and every forecast suggested yeah, so you have 10 to 20 percent losses in the market, or in a most extreme case, 30, and we still had equity. We still had a position to absorb that. Plus, we had a lot of capital as a company.

What the models did not anticipate was a 50 percent drop, or in some places, even more than 50 percent. So, I don't have any qualms at all about the lending practices, the lending products, and I don't know that one could actually have thought and said, "Gosh, we need to run our company as if there's 50 percent market losses on these houses." As Herb would say, "You wouldn't be in the lending business if that's what you really had to do." So, the only kind of, with the greatest benefit of hindsight, macro mistake might have been that the way we ran our business, which was designed to maybe reduce risk, ultimately created some risk because of the geographic concentration in the mid-market in places that got hit by 50 percent.

01-01:32:01
Meeker: That's a serious counterfactual. [laughs]

01-01:32:04
Daetz: It is, but—

01-01:32:07
Meeker: Well, not an entirely realistic one, either, I think. I'm sorry.

01-01:32:13
Daetz: No.

01-01:32:14
Meeker: Not realistic in the sense that, I think that your channeling of Herb is correct, that there is no business that would be done under those conditions. So, I just kind of have this vision of all of these large savings and loans and other home lenders in a car together, but Countrywide is the one in the driver's seat, and heading toward a cliff, and whoever's in the back seat isn't being listened to.

01-01:32:53
Daetz: Yeah, well I think that's right, and I think the—Countrywide had public ambitions to be *x* percent of the market. I mean, that was in spoken statement: "This is where we're headed. We're going to grow, grow, grow, grow, grow." And, they were willing to automate; they were willing to make their products more attractive in the short term, even if they created far more risk for the borrowers ultimately. At the end of the day, all they really needed was a back-end buyer of the securitization pool, or the tranches. So, that was the only constraint for them, was how much would other people buy from the—and I don't remember all the numbers, but we were 1 percent of the market, less, and we never set goals on being a percentage of the market. It was all about kind of what made sense for the company. There were times where, because we ran so efficiently, we didn't need to grow our lending business dramatically in order to be profitable and do well.

It's interesting, because I think you would have a really hard time creating a Golden West today. I think it would be very hard to be an ARM lender at the scale that we were. I don't think the regulators would look favorably. I think there's been kind of a taint in that, and I think so much of it is so knee-jerk

and ill informed. I think we really tried to run our business to mitigate risk, and, as I'm sure you've read in some of the materials, we had the lowest loan losses of anyone in the industry, even those who did fixed-rate loans. As long as you ran it well and intelligently—and I think what the management team at Golden West was so good at was understanding those big risks and not letting it go there.

01-01:35:21
Meeker: Well that's, you know, that all of course goes back to holding the loans, because if you're doing that, then you want to engage in such activity as preventing or mitigating payment shock when the mortgage rate goes up.

01-01:35:39
Daetz: Yeah. No, we used to monitor all that very closely. We'd have all kinds of internal reports that would look at all the loans by, you can stratify it by FICO score, you can stratify it by LTV, whatever way you wanted to do it, geographically, and would show you how much so-called negative amortization is growing, how many loans if any are at any risk of a recast event, which is when it re-amortizes to a higher payment. It wouldn't even register, it was so small, because part of it is, the loan was structured to not really have a recast or re-amortization event until way down the road. So there was a lot of time for things to kind of make right in the interim, so you wouldn't put the borrower under that pressure of that strain of that payment shock.

And I think what just drove us nuts was that the loan that had worked so well in portfolio, by changing the terms, by, all of a sudden, you were making it very attractive to the borrower at the front end on the low cost, but the payment shock would come in two years, or three years, and it was like guaranteed to happen. There was no recovery time, and I think what was so painful was that people equated these two loans as the same thing, and they're all ARMs. They're all ARMs that allow negative am. And, it just made it difficult to distinguish the two, and that's where I think the news reporters, not all of them but most of them, really just didn't understand.

01-01:37:29
Meeker: In these after-the-fact conversations that I imagine you and Herb have had over the years, have you guys ever talked about the American love and endorsement of broad home ownership?

01-01:37:46
Daetz: Not really in that way, no. I know Herb took great pride in the fact that Golden West would lend to a lot of people that others would have traditionally redlined out from loans. So, yeah, the fact that there were a lot of African American borrowers and others who could have access to high-quality loan products, that was a source of pride. But in terms of the broader, macro way you describe it, not quite in that way.

01-01:38:22
Meeker: So we've managed to go close to two hours at this point, and I think that we should devote at least ninety minutes if not two hours to the philanthropy. I imagine you probably don't want to continue on that road today.

01-01:38:39
Daetz: We should probably take a break; I would agree.

01-01:38:41
Meeker: Okay. All right. Do you have any final thoughts on Golden West, or anything else that you'd like to add about that particular chapter?

01-01:38:58
Daetz: No, I think that pretty well covers. Thank you very much.

01-01:39:03
Meeker: Good. Thank you.

Interview 2: March 5, 2018

02-00:00:39
Meeker: Today is March 5, 2018. This is Martin Meeker interviewing Steve Daetz for the Herb and Marion Sandler Oral History Project, and this is interview session number two. We are here again at the offices of the Sandler Foundation. Last time we met, we spoke in some detail about Golden West Financial, your role there in the legal departments, and getting to know and observing Herb and Marion in their business setting. Even before they sold their company, they started to become much more involved in issues that they were passionate about, and in funding some of those issues. When you were at Golden West, to what extent were you exposed to these passions that ran beyond what Golden West was up to?

02-00:01:45
Daetz: Certainly in my early years, very limited, if at all. I think I had known that they were involved in an anti-predatory lending organization, but that didn't happen at the very beginning, but, it was pretty compartmentalized. I didn't ever really have that much exposure to it, and I don't think most people in the company did. So, I think people knew that they had been involved in political giving, and that, you know, some of that is public information. But in terms of the philanthropy, I don't think most people had exposure to that.

02-00:02:29
Meeker: What did you know of their political giving?

02-00:02:32
Daetz: Well I knew they were on the Democratic side of the ledger, and I had sort of picked up—I mean obviously, banking itself, there's a lot of people who are on the opposite side in banking. And so, I think when you work with Herb and Marion you understand that they think about the world differently, they approach things in a certain analytical fashion, and that they just viewed the world differently than most. They ran a company differently than most banks were run. I didn't know it when I first joined what their political leanings were, but I did over time, and I think most people in the company knew, but, it never really engaged with or interfered with the company in any way, that I could see.

02-00:03:29
Meeker: Did this jive well with your own politics?

02-00:03:33
Daetz: Yes. Certainly it did with me. But again, it wasn't really a part of everyday life at the company. The company was about, what was unique was, it was a culture of high integrity, excellence. People were held to a high standard of work, and that was really what you focused on. You focused on execution, and it was really—I think I may have mentioned this last time—it was remarkable to me how, it didn't matter what department you were in, you understood the business model; you understood what worked, what didn't, and

a lot of the other stuff just kind of was not allowed or not tolerated, or people who had that kind of slipped away. It was quite a focused company.

And so I think most of us who were in there were focused on doing our jobs and doing them well, and we knew that we were held to a high standard, and people who worked well there thrived in that high standard. So, the politics and philanthropy didn't really intermix. There may have been an element where occasionally like, I think with the American Asthma Foundation work, there were some times where Marion might ask the marketing department for some guidance, but that was probably the extent to which there was any interaction.

02-00:05:03
Meeker: At what point did you learn the extent to which they really wanted to make an impact through philanthropy?

02-00:05:12
Daetz: I actually think it really became clearer to me when the sale of the company was happening, and I think I may have mentioned that Herb approached me and said, "There's something that Marion and I are deeply involved in, and we'd like to talk with you about that once this transaction is over." That was really the beginning kernel of understanding how deeply involved they had been already in philanthropic activities. And so, during the course of, I would say, I guess it would be April, 2006, when the deal was first announced until the end of 2006, Herb was kind of giving me kernels of what they were involved in, and part of that was what I was focused on, trying to ensure that this big M&A deal was moving along well and all that. He was trying to sort of gauge my interest level in what they were up to. So there was, during that period of 2006, he would have conversations with me—"Are you interested at all in this"—and I kept kind of holding him off, because my mindset was elsewhere, but slowly, he would bring me in, and I think he was trying to gauge whether this was serious, whether it would be something that I would consider.

And, I remember talking to my wife about that, at some point in mid-2006, and mentioning that Herb had been talking to me about this, and her comment was interesting. She's very instinctual, and she said, "That's perfect for you." And I think what she meant by that was, even though I was very high charging and went to a good law school, and went to a good law firm, and all the rest, and was envisioning being a GC and a company executive, I was never motivated by money, and I was never motivated by all those things, and I always had a strong, I don't know if social justice is the right word, but kind of a strong sense that there was more to life, in that I wanted to be more involved in other things. Part of that stems from my own upbringing with my parents who always had nonprofit brochures scattered throughout the house.

And so, I had an early exposure to it, but I think Nancy, my wife, just recognized that that would be a good opportunity for me to work with really highly capable, high-functioning leaders in philanthropy, and marrying that business-like approach with this kind of more the social orientation. And the funny part of that story to me was, there was this period of several months where Herb and then Marion entered the fray and were sort of pitching me on, "Hey, this is really exciting; we'll be one of the biggest foundations in the country," da-da-da-dah, and as soon as I expressed interest, Marion wanted my resume, and she wanted to interview me. And I think that was just her style, her approach, and I just went along with it.

But that's when I started to get a feeling from them about how deeply they were invested in these things, and it also exposed me to a side of Marion that I had not seen. The Marion at the company, and I was on the same floor with the two of them, and the CFO, and the general counsel, and a couple of others, Marion was someone that everyone in the company always was a little nervous when they approached her office, because she's very direct, there's not a lot of loose talk—it's all focused—and she had a knack for kind of finding the areas in your argument that were a little soft, or perhaps identifying areas that you didn't even realize were really soft, and she could just be very tough.

And so I think the perception that most of us in the company had was that she had a very tough exterior. We didn't really get to see the other side of Marion as employees, and through this turn of kind of talking to them about their philanthropy, I began to see a different side to her that I had never been exposed to. I would say for one, I think she was in a more emotional space just because of the sale of the company. I think that was hard on her. This is some of my perception. This had been a company that the two of them had really launched and built over a forty-year career, and I think, I sensed, that the sale was emotional, perhaps for both of them, but Herb has always has this emotion that's more raw; with Marion, it was much more covered. And so to see that, to sort of see that this process was a closure of their business career, I think that was hard.

So she was in a more emotional space that I saw, and I'll never forget that she spoke about the children, Susan and Jim, as their proudest accomplishment, which again, would never have been a comment that she would have ever talked about in a business setting, and I remember her being teary-eyed as she expressed it. And as someone who had worked on the same floor with them for five years and had seen her in many different meetings, it was powerful to sort of see how deeply she felt about things. And then she would also talk about the philanthropy in some of these meetings, and it was just a whole new side to her that I had not quite witnessed.

So, that's how I began to get a feel for the kinds of things that they'd been involved in, and it was still a very new arena to me. I knew about, through my

parents and others, I knew about various nonprofits, but I didn't know much about their approach; I didn't know much about all the different kinds of things that they'd been funding; and so that was part of an educational process for me.

02-00:12:14
Meeker: So as part of this process, were you getting a sense about what their ambitions were for the post-Golden West Foundation?

02-00:12:23
Daetz: Yeah. So they wanted to devote the rest of their lives to doing this philanthropy, and that was quite clear that they had been running a Fortune 500 company, and on the weekends, at nights, taking meetings with leaders of nonprofits, and they were in their mid-to-late seventies at that point, and I think it took a lot out of them to be so deeply involved in running a company that really required them to be very hands-on, and, trying to make meaningful investments in a range of areas, whether it be science or some more policy advocacy areas. This was a lot for them to be doing, and I think they were looking forward to having the time and the space to devote full time to philanthropy.

And so then at that point in the fall of '06, we started to talk more and more about it. I had my first chance to meet Susan and Jim, and we looked at the office space, actually, together, when it was just bare, and I could tell that there was actually, by this point, I could tell an enthusiasm that they had together about doing this, about this new phase. So that was fun to be along for the ride with them in that. And for me, it was then about trying to understand the philanthropy a little bit better. I'm someone who likes to, I like to take in information and synthesize it, and frame it for myself in a way that makes sense. I now had to sort of help go from kernels of things that they had done, which clearly had themes, but to try and be an outsider looking at it and trying to compartmentalize it a little bit in a way that would make sense to me. And I think ultimately helped everyone, but I was also now establishing a whole range of procedures and policies, because we were now going to be operating slightly differently.

So there was a lot of just putting in some structures, but I remember, that was the early phase of putting together one of these kind of one-pagers that kind of summarizes the giving, because they had previously been describing the giving by issue area—human rights, civil rights, da-da-da-da-dah—but it seemed to me that there were some other thematic things that were going on, and I tried, in an early document, to frame that up, and that ended up sort of sticking for a while, and then we've morphed that through the years. But that was my way to try and help understand what they were really after, what are the issues that drive them, what are the issues that wouldn't, and then also, what is the philosophy, what is the giving approach, and that was really important for me to try and understand early on.

And Herb had done some of this and, you know, he often writes notes down, with pen, and occasionally, he'll convert it to typing, but I was trying to synthesize all this, and make sense of it, and then document it in a more formal way around: What is our approach to philanthropy? What kind of things will work for us? What kind of things won't work for us? And what is it that motivates them, and what are the things that don't motivate them or would not work for them? Late '06, '07, was feeling that out a little bit more.

02-00:16:14
Meeker: Where were they on all those issues at that point in time?

02-00:16:18
Daetz: What do you mean by "where were they"?

02-00:16:19
Meeker: I mean in the sense of what motivates them, what doesn't motivate them, what they think they can accomplish with the foundation versus what actually comes to fruition.

02-00:16:31
Daetz: I think it was quite aligned with their business philosophy. So, I think in some ways it was a process for me of trying to discover and understand it as instead of that they didn't have their own intuitive and/or analytical sense of what would work for them. So, a principle that carried over from the business was just the focus on leadership, and I think that was just something that they knew through many years that ultimately, this work is hard, success is not guaranteed, but you have a higher probability of success if you have talented leadership.

The second thing I would say is they were very big in the company around strategic vision or strategic planning, looking beyond just the here and now, and looking over the horizon, and that was something that carried over very strongly into the philanthropy, which was, you're looking for talented leaders who bring that kind of strategic sense to their work. It's not just a little tactical chess move; it's more being able to think, where do we need to be as an organization over the horizon?

So, those were some examples of some kind of fundamental principles that were just who they were. This is what they believed as leaders of the company and it made perfect sense to translate that into the philanthropy. Another one would be if you do believe in those leaders, then invest in them in a way that empowers them. So, the whole principle where we give general support, flexible support for most of our grants, is a derivative of that. You wouldn't, in a company, you wouldn't hire a talented leader and then pigeonhole them with little pockets of money that you give them. You give them resources to go execute. And I think that was also a philosophy, of, it's hard enough to find a great leader who has that strategic plan and that drive and all that ambition,

in the management jobs and all the rest, but if you find them, give them resources, and give them meaningful resources.

And I think that was probably something that I've looked over the course of their philanthropy, over the twenty-five-plus-year period, and I've kind of, for myself, documented what they did in different years. In the early years, it was a hundred thousand here, fifty thousand there, and kind of smaller grants, but you could see the evolution emerging in the 2000s where they were making bigger bets on people, on organizations. And so I think as that moment of going into 2006, 2007, and going full time, they had already gone through their own evolution around what kind of level of giving felt comfortable to them, and that they were fully prepared to make seven-figure bets on people.

And so when we got here in '07, and one of the things we were trying to figure out is, how do you prioritize what we focus on, and I think we kind of went through this process of understanding like if we're not going to be giving at least about $500,000 to something, it's probably not worth the time, because you'd be spending the same amount of time on a $500,000 or a million dollar grant as you would on a $200,000 or $250,000 so, we started to kind of move our kind of starting threshold around the half a million level. And then we just, kind of by feel, kind of said, "Well, we're probably not going to give a group a million a year, unless you really feel pretty drawn to the leader, to something that they're doing." And we made some exceptions where, every once in awhile, you'd find a leader that was in an earlier stage organization. Five hundred felt too big for them, and so you'd be willing to maybe go to $250,000, $300,000, but we didn't, we tried not to, spend our time there.

So these were the kinds of things that we just, as we kind of made our way through '07, '08, and just tried to sort of understand what we were looking at, what we weren't looking at. But going back to your initial question, I think the principles and the philosophy were there, and they were grounded in their business life.

02-00:21:29
Meeker: At what point were you actually hired on to the foundation?

02-00:21:35
Daetz: Well, I think I probably started employment first day of '07. I had already been working really with them in the second half of 2006, but we didn't have all of our HR systems and everything set up until January 1, so that's when, formally shifted over.

02-00:21:54
Meeker: You said that they wanted a formal application and I assume that was followed by a formal interview. Was this kind of a repeat of your entry into Golden West?

02-00:22:05
Daetz: Different in that Herb and Marion weren't there for my initial entry into Golden West. I'd been interviewed by the general counsel, and treasurer, and chief accounting officer, and so on, so forth. Actually, it's the kind of interview that probably makes most people nervous, but I found it quite amusing, and therefore was not nervous about it. The reality was, they don't suffer fools. They wouldn't have even been talking to me if they didn't think that they had a pretty good hunch that I had the capacity to work well with them, and to do this.

What was amusing about it was just how quickly it pivoted from the pitch to the "now you need to sell yourself to me a little bit." And, I think Marion had sort of cultivated the art of the interview over many, many years, and I think she felt that it was part of the process one should take, that, "we shouldn't make exceptions, even though we know him and even though he's been working for years on policy papers with Herb and on SEC stuff and other things," and even though Marion got to know me through some work that we did on some other areas, "we still should go through the process."

And so, she sat across from me with my resume. Herb was over there, laughing—not laughing, but kind of smirking, and I don't think he said a word. He may not have been allowed to say a word; I don't know. And Marion would just walk me through my resume: "Why did you make this decision? What did you do here?" And again, for me, it was pretty straightforward. And I think I have always enjoyed interviews, so I never—but it was an amazing part of the process, and I remember telling my boss, Mike Roster, I said, "This is weird," and he said to me, "They did it to me, too. They had known me for fifteen years, and they still wanted to formally interview me, so."

02-00:24:15
Meeker: You know, going from a company when there's board of directors, there's shareholders, is a more classical employment situation, going to a family, small family foundation in which you're going to be working not only with your former bosses but their kids, is, I imagine, a totally different or could appear to be a totally different situation from the outside.

02-00:24:41
Daetz: Well it was even more than that; it was now a transition out of the private sector. So, I think that was probably the hardest part for me at the time, was, I mean, I knew Herb. I felt like I understood Herb and was very simpatico with him. I didn't know Marion as well, and Marion has a tough approach, and so I knew that, and I didn't know the children other than one chance to meet with each of them. So, this was, yes, it was a bit of a leap of faith, and I would say for me, Herb was the cornerstone of that leap of faith, but I think the part that was hardest was that I was—you know, I had gone to law school; I had envisioned a private sector career. I enjoyed that dynamism, and I felt like I was taking a left turn, or right turn, whichever way. This was not just going

from company A to company B. This could potentially, if it didn't work out, it could've derailed my private sector career, and I think that was—you know, I had three kids by that point, and it produced some questions and anxiety.

The other thing is, I have always been someone who likes the collegial interactions with people. Last time we talked, I mentioned how I used to go walk around at the law firm and just touch base with people. That was really important to me. I had peers who were in the same situation as midlevel or senior associates. You could have closed-door meetings with people. At the company, I was holding a little different space because I was tucked away on the seventeenth floor and it was mainly senior execs around, but I went to lunch regularly with peers of mine in different departments. I thrived on having that kind of interaction in those relationships, and I think I knew this going in, but it also became quite apparent when I got here. I was isolated a little bit, and part of, it was never anything that the family at all did, but it was just, I had no peers. I had no one I could really have a closed-door meeting with, because at the end of the day, they're all related, and even though all of them are wonderful people, it's still different. If there's something going on that I am trying to manage my way through, I don't have anyone to talk to.

That was hard. And it's still; we are a very quiet, small place, and again, there are really no peers. So it's something I had to get used to, but I would say the biggest challenge was just being willing to make that leap of faith out of the private sector, and having—if I were to do it, it would've been with the Sandlers. It would not have been with any—but even so, I am someone who likes to reflect on these things, and I spent many times thinking about, is this the right fit for what I want to do in my life and career, and that was ultimately outweighed by the opportunity to align my, again, my professional background with more of a social dimension, and in more of a philanthropic, trying to do something better for the world, and that ultimately outweighed it.

02-00:28:45
Meeker: From my understanding of the world of philanthropy, given the size of the Sandler Foundation in terms of how much it gives away every year, compared to the staffing model here, it's sort of out of balance in comparison to other foundations of a similar size—

02-00:29:04
Daetz: Or perfectly in balance. [laughs]

02-00:29:05
Meeker: Well that's what I wanted you to comment on. At what point in the planning process was it determined there weren't going to be an army of program officers and other folks to run that whole portion of the business, or of the philanthropy, rather?

02-00:29:28
Daetz: Well, I think we always intended it to be small. Part of that is, when you give bigger-dollar grants to fewer organizations, and you're not structuring yourself around specific topics, for the most part. You really need generalists' skills, so you can apply those skills to science one day; you can apply them to something else on another day. And we also like to develop relationships with the organizations we do fund so that we can see if there are ways we can add value, whether it be on a management question they're dealing with, or help them think about their strategy long term. So we like to roll up our sleeves, so therefore you're not in the traditional program-officer model of most foundations where you assign a budget to an area, you hire the person, and they're responsible for then giving grants in that area. I think we all knew that was not where we wanted to be.

The other dimension here though is, there is pretty centralized decision making around these grants, so, there are some foundations where staff both make the recommendations and there's no family involved, or the board is a bit distant. This was one where the donors wanted to be and would be very actively involved in the giving, and therefore in the decision making. And so, it just means that anyone who comes in here needs to understand that you're making recommendations that should be well informed, whatever, but ultimately there is a decision-making process.

And so, I think we kind of knew that it wouldn't make sense to have a lot of people here running around doing stuff, because Herb and Marion roll up their sleeves as much as anyone, and I do too. So this is not a place where, oh yeah, they do the work; they do the diligence and we sort of sit in—no, we dig in ourselves, and so that also changes the dynamic. We did add a couple of people in the—oh, I can't remember exactly; it was probably around '07, '08, and I actually thought it was not as helpful as we would've hoped, partly because now it was a matter of managing their time, and having them be involved in things that I knew may not go anywhere, because I was having other conversations with them. And all of a sudden, I was trying to sort of manage people's time, and I was getting a lot of questions from Herb and Marion, "Well what are they working on right now?"

It became clear to me that we don't need a lot of staff time. We occasionally will need consultants to help on something, but the worst-case scenario was to have kind of an unoccupied staff doing things that just kind of make work that wasn't going anywhere. And, at the end of the day, I needed to be responsive to what Herb and Marion's interests were as those evolved. So, when we had about two or three additional staff here, I found it less workable and less productive than for us to largely work together and make a lot of those joint collaborations, do them together.

02-00:33:37
Meeker: Were they basically program officers?

02-00:33:40
Daetz: No, we had some good people, but there were a couple of relatively senior people, and then there were one or two more junior research people, and it was hard because we just moved quickly from topic to topic sometimes, and we're not looking for expertise in a particular area. It was just harder to sort of keep them fully attuned and engaged at all times, so.

02-00:34:13
Meeker: Well you mentioned digging in to something, either a particular funding area or a particular nonprofit that you're interest in potentially funding. What was the method for that, and maybe how has that evolved over time, if it has?

02-00:34:32
Daetz: Actually, I think we're relatively efficient at getting to know groups. So by that, I mean, first thing, we don't take unsolicited proposals, so we don't have a whole slew of things coming across the transom. I still get more than I'd like. Somehow they find us and they send it in, so I still have to send my fair share of polite but respectful rejection notices. But we don't get a lot of that fluff.

So then, it's a matter of, is there something or someone or some organization that piques our interest? Typically what we do then, and we've been doing this for a decade, is, invite them in, not really typically for that first one asking for a lot of work on their part. We're trying to get to know them, because again, we're evaluating leaders at the outset. And so we'd have an hour meeting, occasionally it would go a little less or a little longer, and after that meeting, we would all sit around and talk about our reactions, what are our perceptions of this, and there was always kind of a rule that you would go youngest to oldest, in terms in that, and I think part of that was, yeah, I think Herb and Marion wanted to be able to hear what others perceptions were. They didn't want to crowd out those perceptions by commenting first, and on the other hand, I think they were also always evaluating, how did that person read the room, or that leader?

And so we would talk about it, and I would say, more often than not, we're like, "Eh, we're not interested enough to really pursue this much further." So then, through an hour meeting, you have cut through a lot of stuff and you've made your decision. Then occasionally, there would be someone that'd go, "Huh, we should learn a little bit more," and that might then entail asking for some additional material about the organization. It could be their budget, their organization chart, their latest strategic plan, and perhaps another, maybe another document that describes some of their current work, or whatnot. Then you take a look at that, and you can, looking at those sets of materials, you can form some judgments about how well organized, managed, well run this organization is. Do they have a strategic plan? Every once in awhile you'd find an organization that really isn't operating under one; that tells you something.

And so, you would now kind of be peeling the next layer of the onion and say, "Okay, I like this leader. There's something there; the materials look pretty good." And then you start to kind of dig in and talk to people. You start to understand what—we have a lot of grantees now, so you can now ask people, "Have you interacted with this person yet? What do you know about their work?" And you could sort of begin to triangulate both through people you knew, and then sometimes you would call people you didn't—it could be other people in philanthropy, but it could also be other nonprofit leaders—and you begin to form some impressions through that.

So, at each stage, you're kind of trying to evaluate, is this still something worth pursuing? I can give you a concrete example. In '08 when the fiscal crisis happened, we did tighten our belts a little bit. We were in the middle of evaluating Earthjustice, an environmental litigation firm. We were the only funder of theirs that had ever really gone to meet the CFO, really tried to understand their financials. We had met the leader, had seen all the organization materials, read their strategic plan, thought it was very impressive, met the financial people, thought it was very well run, well managed, and all the feedback we were getting from everyone was how they take on the most important cases; they're really strategic; they're this hidden gem in the environmental sector; and they happened to do litigation which a lot of foundations shy away from but we tend to be drawn towards.

And so that was a point in time when we were—actually, if we weren't really that excited about something, we would probably have said no because we were kind of looking at our overall budget and the impact of the fiscal crisis on our corpus. But that was one where, no, no, no, no, this group is what we are looking for. This is the type of group that has a great leader, a great level of impact, well managed, and it doesn't matter if we are in a fiscal crisis right now. This is the kind of group that makes sense for us. And there was a lot of hours, a lot of hours, because when you're making that front-end dive, and because our philosophy is to stick with things, and potentially to grow our commitment levels, depending on their circumstance, you do a lot of front-end work. But that was just one where my colleague Sergio and I just felt they are really, really top notch, and I don't care that we're in a fiscal crisis right now. This is our kind of group. So, but it's hours and hours and hours of front-end work before you really pull that trigger.

02-00:40:17
Meeker: Using the Earthjustice example, I know that Jim Sandler has a long and abiding interest in environmental issues, and it seems, from the interviews that I've done, a lot of the interest in funding that kind of work is maybe originated with him, whereas Herb, and Susan, and I would assume, Marion, had somewhat different interests. How did you plug into that?

02-00:40:47
Daetz: I'm closely involved with Jim and Sergio in the environmental giving. I guess I try to stay connected to most everything going on here. I sort of feel it's my responsibility to know. There are occasionally some smaller grants that we do in Baja California related to the environment that I can't say I know, and in my mind, I get confused which one is this and which one is that, but Sergio knows that very well. But, I know, I feel like it's part of my role to understand and hold the standards across the board, and so, yes, you're right that the environmental impetus originated through Jim, and I think Jim knew that he wanted someone to work closely with him in that work and that's why Sergio was brought on, probably in '07 or '08, early on, to really help turn kind of some of Jim's interests into something more concrete.

But Sergio, he's an interesting case because he came from the Packard Foundation where he had been a program officer, and Jim got to know him through that, and I think Sergio has had a little bit of an evolution in his own philanthropic view. I think he was originally much more smaller-dollar projects, and I think we've tried to include him as much as we can in other non-environmental philanthropic things, both to expose him to it, but also because well we know he has an interest in it, and because he adds value to our thinking in it. So, he is now, I think, has embraced the philosophy around investing in people and leaders, and not just kind of very short term, targeted, programmatic grants.

But no, he and I talk all the time, and Jim as well, and we kind of have these meetings where we get together and sort of say, "Well what should we be looking at next?" So, we're all pretty involved, and at this point, I don't—Herb is also very invested in that work, so we always include him, and if there is a grantee that we are thinking about, we always make an opportunity for him to meet the leadership, to ask questions directly. It's just a way to have—because we're a small enough group that there's no reason we should create little side pockets. We all try to bring them involved, so.

02-00:43:26
Meeker: What is that method of communication, engagement, with the main players here? Are there weekly meetings, monthly meetings? Does it mostly just happen over email these days?

02-00:43:37
Daetz: No, no, not—I mean, there's a lot of email forwarding. I think if we have grantee issues that emerge, that, you know, an update on some impact that they've had, we'll share that around to everyone. We try as best we can to have monthly meetings—occasionally there's travel and things that interfere—just to sort of have moments where we ground ourselves, but there are a high number of just spontaneous conversations that happen here. So, the most happen between Herb and me, probably because we're the ones here all the time, and the ones who have probably the broadest vantage point over everything we're doing. So we meet; we talk all the time. But if there's some

update on something that he and I are deeply involved in, we will talk to Jim and Sergio about it here in the office. It doesn't have to be a formal meeting; Herb will keep Susan informed and up to date on those developments.

It comes in different forms. It's not always a formal meeting. There'll be plenty of times where Sergio, Jim, and I, and/or with Herb, will convene around this table to talk about some environmental thing that's going on. I think that's the benefit of being small. It's the benefit of all being here. It would be much harder to have that if you had remote staff, but a lot of those spontaneous conversations happen.

02-00:45:18
Meeker: How do you keep up with the broader universe of activity that's going on, of new organizations that are doing something new, more established organizations that might be taking a turn in a good or maybe a less productive direction?

02-00:45:36
Daetz: Well, I think some of it—I can't say we're perfect at it—we are—I guess on the one hand, I don't feel like we need to keep on top of every development that happens, because I sort of start from our core of the kinds of groups that we are supporting, and I think we generally have a pretty good understanding if something is happening in one of those that we need to pay attention to. When we meet with those leaders, which is at least once a year if not more, we'll hear about other things going on, so that's another way that—sometimes there's branches off of trees. So if you think of CAP and John Podesta as sort of a hub, or trunk of a tree: Originally there was a faith-related organization that spun out of CAP and we provided seed funding for that. We'd been talking with John about these issues of growth and equality and whether we needed to do more work there. That organization ended up getting incubated, kind of out of CAP just so it had a launching space, and now is a stand-alone nonprofit that we are supporting.

02-00:46:55
Meeker: What is that one?

02-00:46:56
Daetz: Washington Center for Equitable Growth.

02-00:46:58
Meeker: Oh, okay.

02-00:47:02
Daetz: And so, sometimes you have, I don't know if you'd call those spin-offs, [laughs] or what you would, so there are certainly things that we find out about through existing grantees. And then if there are things that we read about—it could be in journalism, it could be in another area—we will call the leaders that we know, and we have enough depth of those relationships that they will tell us the unvarnished, their viewpoint of them. That's actually one

benefit that I think we do have as a foundation, is that we, because we are longstanding donors to organizations, we really develop a relationship of trust with these leaders, and because we're giving flexible dollars, which is their most valuable resource, they really want to keep us happy because that's really important to them. And we just have a very nice relationship where we can just ask them for their views on different things, and that helps us either identify things or to quickly dispense things that we may have had some intellectual curiosity about.

But I don't pretend that we need to stay up on every latest development in every field, because again, we're not trying to canvas a field and give money to everyone in a field. We're trying to identify really talented leaders, and really talented organizations that have a lot of capacity. A recent one that we supported was a group called the Leadership Conference on Civil and Human Rights, based out of Washington. So, for years, probably five years, Anthony Romero has been telling us, "Keep an eye on Vanita. Vanita Gupta's terrific. She's one of our more talented people." She was at the ACLU, and then she went to the Department of Justice, and then after the transition in the administration, she ended up joining and becoming president of the Leadership Conference.

Now we had been supporting the Leadership Conference at a very small level, partly as a favor to Martin Eakes, and partly because of importance that he saw to what they did. Vanita comes in. We'd been hearing about her for years. We already know the organization. We know its strengths and its flaws, and now we meet Vanita. She comes in, had one of these hour meetings with her, some of her leadership team that she had brought on. We get exposed to them, we have a follow-up meeting, and now we're giving them meaningful support to really transform that organization. We weren't looking to fund the Leadership Conference. We weren't looking to fund Vanita, per se. It was one of these examples where a leader, a talented person becomes available joining an organization that has the potential to transform it; we learn about that through relationships and now we are the biggest funder of that organization.

There's a lot of that that happens. There's a lot of that kind of organic growth stemming from existing relationships. It's probably not that different than the venture capital world, where someone knows someone, or someone was some executive officer here and then moves over to there. It may happen at a different pace in the VC world, but a lot of it is the relationships, because we're ultimately evaluating people.

02-00:50:32

Meeker: The Sandler Foundation has been called an entrepreneurial foundation. Does that ring true with folks here?

02-00:50:39
Daetz: Yeah! We've done a lot of startups; that's certainly something that entrepreneurs are involved in. I don't think we set out, when we're looking at an area, I don't think we set out to form new things. It's not our only modus operandi. It's much easier just to find existing leaders and support them. But every once in awhile, and there's something that we care about that just doesn't have any group that you would be prepared to invest in, and so you realized that the best thing we could do is find the right leader, plug them into a platform that will allow them to do that work, and give them a lot of money up front so that they can hire really talented people and kind of set it on its course and in as healthy a way as you can.

So, certainly ProPublica was that. Washington Center for Equitable Growth was that. Learning Policy Institute, which is a new education think tank, was that. It's a lot of conversations with the leaders, a lot of trying to understand what their vision is, and then, providing them seven-figure-plus support out of the gates. And I think one of our views is, it is very difficult for multi-funder collaboratives to do startups effectively, because I may have a particular bigger vision, but someone else may say, "Well I am really only interested in this," and then the next funder is only interested in this, and next thing you know, you've developed a startup by committee, and it kind of then loses its essence.

So, our philosophy has been: Hire the best people. Let them hire the next set of best people. Set it on its course, and don't even make them worry about funding or raising funds in their first year. Just focus on building a strong organization and strong team, and then, others can see whether they think you've created something of value, but now you've already got *it*. It's already been molded out of clay. It's not some kind of crazy platypus that you've created through some committee fund or mechanism. And, that's actually, I think, proven to be quite successful as an approach.

You've heard the story of where we were 100 percent of ProPublica's funding out of the gate, and now we're probably 10 to 12 percent of their funding. That's a homerun just from a standpoint of, put aside the output and the impact of the work, but it's, as an organization, to kind of get to that stage, that was always the goal. And we're hoping that that happens with the other startups that we've formed, that they no longer become dependent on us, that we're going to have sunset at some point. We're going to close our doors, and we hope that what we've left behind are strong institutions, because they're going to live on and keep doing the work.

02-00:53:56
Meeker: In those first couple of years, 2007, 2008, amongst the four family members, was there broad unanimity on the organizations and individuals who should be funded? Was there much meaningful dissension on some—

02-00:54:18
Daetz: I wouldn't characterize it as dissension. No, I think, by the time we got here, there were already a stable of nonprofits that Herb and Marion had been supporting for a few years. Some like CAP was early days; they'd been supporting the ACLU. So there were already quite a few organizations, and I think—

02-00:54:39
Meeker: Human Rights Watch, I guess.

02-00:54:40
Daetz: Human Rights Watch for sure, yes, and then some of the science ones, and Susan and Jim had been involved in all of that. So, yeah, I think one of the things that Herb and Marion have always done very well is communicate, and keeping Susan and Jim informed, getting their input, having them join meetings. They were there at the early meetings with John Podesta when they were talking about CAP, so they could sort of see the process; they could participate in the process. So, I think, Jim's always had this interest in the environment, principally, and Susan's always had an interest in education as a primary area for her. I think Herb and Marion care about those issues, but they weren't as deeply individually drawn to them. Actually, I may be overstating that because I know Herb and Marion had also done some work in education themselves. But, there was always an accommodation for those interests, and I never sensed from Susan or Jim that they were not also on board with kind of the broader portfolio of organizations that were already part of the Sandler Foundation and that were becoming part of the Sandler Foundation.

02-00:56:06
Meeker: Did Herb and Marion have different emphases on what they were most interested in?

02-00:56:15
Daetz: Yeah, a little bit, but again, I don't think in any ways that are incompatible. I think ultimately, ProPublica is Herb's vision and creation, more than Marion's. Marion certainly participated and had lots of input, but he was the driver. He's always been drawn to exposing corruption. He's always been drawn to journalists, and I think this was just something he wanted to do. He was very excited about making that happen. And, I think Marion was actually more skeptical of it, as a concept, because I think Marion was a bit more focused on the end impact, and that journalism of itself is just a means.

So I think a lot of her early questions had to do with how much should we be doing on the backend, how much, sort of, of the so-called advocacy side of things. And there were also questions not so much coming from Marion, but questions about whether this should have more of a bent, in terms of its type of journalism, or whether it ought to be neutral, and so we got a lot of input from people. But I think Herb was the driver. Marion was certainly very invested, because once it was clear we were moving forward, and Marion was

involved in helping them with the name of the organization, and any number of things, but I don't think Marion would have come to journalism on her own, totally separately.

And I think Marion cares a lot about the quality of the management. She's very astute at evaluating people, both first impressions and also providing input along the way. She's less emotionally attached, is my perception. She's less emotionally attached to some of the organizations. Again, there may be things that I wasn't always seeing, but she could look at an organization and detach herself from the fact that we were funding it and just identify its flaws in a very analytical frame. And, I think Herb and I tried to do that but probably can't do it as well as she could, because occasionally, he and I have a little bit more of the emotional side that sometimes kicks in.

02-00:59:03
Meeker: Are there any particular organizations you can think of that her critical acumen, I don't know if it was game changing, but at least it had some impact on that organization or this organization's decision to work with [laughs] it?

02-00:59:20
Daetz: There were probably several that I can't think of right now where even at the early interview stage, she was highlighting things and we just probably just dispensed with it very early on. So those don't come immediately to mind, but Marion just is very good at sticking to her principles and her standards, and I always think of her as sort of that returning to first principles, and not letting the romance of an organization, or the mission, or whatever dilute kind of, "Let's get back to first principles here. What's their strategy? What are their goals? What are their accomplishments?"

She was very skeptical of some community organizing things that we had been looking at, or had been supporting, and I think she would just question beyond the mission, beyond what they were hoping to accomplish: What were they actually accomplishing? And could they actually execute on that? And I think she was very good at that, at forcing those tough conversations about why are we doing this, why are we supporting this, are they really that good?

And so, there's some examples, but I think in general, I would just say that she had that aptitude to be able to—she cared deeply about the work and the organizations, but she could remove herself from that and could just focus, and that's certainly a skill that we all try to emulate, because in this arena, there are a lot of really good good-hearted, talented people trying to do meaningful things, and I think you have to. But that alone can't be the story. It also has to be, can you actually envision them accomplishing big things, managing a big organization—or it doesn't have to big org—but managing an organization to having significant impact and having that kernel of, that drive and that strategy? It's not enough to just fund really good and good-hearted

people. So, I think we all carry that, but I think Marion carried it probably the sharpest.

02-01:02:06
Meeker: You know, back to the ProPublica example that you were talking about, were you hinting at the question about whether there should be a 501(c)(4) element as well as a (c)(3) in that organization?

02-01:02:20
Daetz: I don't know if it was ever conceived of as a 501(c)(4), so much as having a bit more of a voice, a little bit more of a progressive tone or something in its approach or its story selection, and I think, I know there were some voices that were encouraging that, and I think there were strong voices in the opposite direction. I know I was very strongly in the opposite direction of not feeling like this ought to have a slant, that it ought to be high-quality journalism; it takes you where it takes you. I could really care less if you're exposing corruption on either side. It doesn't matter to me. I don't really tolerate it in either side. And I think ultimately, Herb was there too and Marion.

So we just needed to go through that process, because we were getting input from a lot of people, and some people who had a vested interest in us maybe funding their slant at it, or their approach to it. But I think it landed in the absolute perfect place, where it still cared about impact, and it's still that. It is in the DNA of ProPublica where they're still looking for stories that can have impact, but you're not setting out an advocacy agenda with your journalism. You're doing high-quality journalism in an area that you think will expose some problems, but you're not then linking it with some kind of an advocacy campaign on the backend or something like that.

02-01:03:48
Meeker: You're not bringing in a Rachel Maddow type to really put a stamp on what the ideology of this organization is.

02-01:03:55
Daetz: Yeah, yeah.

02-01:03:55
Meeker: Hmm, interesting.

02-01:03:57
Daetz: Yeah. I think the other thing I will say that I—and this isn't about ProPublica per se, but it maybe touches on it. One of the things that I've been most impressed by kind of here is, and it also happened at the company: there was a lot of time for reflection and a lot of time for thinking things through clearly. And people sometimes ask me, "Well Herb and Marion, are they geniuses?" And I always say, "No, no, no, no, no, but what they are unbelievably good at is decluttering, and bringing focus to the real important issues, and then letting kind of the common sense out of those situations rise to the top." I've found it very valuable. So you may come in with something, you may have a very

emotional reaction to it, but at the end of the day, you still have to kind of step away from that and you need to clear it out, focus on the important things. And I just think that they had an unbelievable knack for dispensing with garbage, dispensing with people who were going to be destructive or not constructive.

And then, the decisions that are made end up seeming so obvious, in hindsight, but that's partly because of the process that they just didn't let themselves get thrown about, and I think part of that was a skill that they had honed together, and that they kind of incorporated into the company. You often hear the "What's the good business reason for doing that?" kind of slogan that was written about in this book by Jason Jennings, and that really was true. Like, why are we doing this? And what's that all about? I called it with Marion the "return to first principles," or "What's the good business reason for doing that?" but ultimately, there is just a lot of common sense that I think the two of them bring to bear and that I try to bring to bear to questions that come up and issues that we are exploring.

I don't think it is that we're operating at a higher scale of intelligence at all. I think it is just, there is perhaps an accumulation of knowledge gained through the years of, "When is that person—they're really just fooling you here," or, "Oh, that person really has the skills to get it done." It reveals itself as this big "Aha!" moment but it's really not; it's kind of a process that kind of lets you get there. I may have been a bit opaque, but it's actually, this common sense thing is really, for me, one of the things that I take away the most from working with them.

02-01:07:15
Meeker: I'd like to pursue a conversation about Marion, and she passed away about six years ago now, is that—

02-01:07:27
Daetz: Yeah, June first of 2012, wow, yeah.

02-01:07:30
Meeker: Right, so almost six years. In her last year or so, did she talk much about the work of the foundation, or for that matter, her work with Golden West, in terms of legacy or what she'd like remembered? Did you get any of that from her?

02-01:07:55
Daetz: I don't remember it framed in that way. She was very involved all the way through, up until her health no longer allowed her to. So, she was ever present but I don't remember specific conversations around legacy in that way.

02-01:08:15
Meeker: What about in terms of the foundation, the work that she really wanted to see happen?

02-01:08:20
Daetz: I think she probably would've wanted, more than anything, to have the standards be maintained. I think that she really enjoyed high-impact, high-functioning organizations and leaders, and I think she didn't really suffer fools, and didn't want to really spend [laughs] much energy or time on things that were subpar. So I think for her, it would've been, I think of it a little bit less around subject matter, and a little bit more around excellence and standards, and keeping up that side of what we do.

02-01:09:10
Meeker: I have a question just in general about foundations, and multiple large foundations is nothing new. I think really the history of it in the United States goes back to the fifties and sixties with the Ford Foundation really having this major impact on American policy and politics. But now there are a number of high-profile foundations; there are new ones emerging all the time, particularly with the growth and wealth in the tech sector, for instance, and you see the Zuckerberg Chan Foundation for instance, which didn't exist five years ago and now is a major player on the scene. One question I want to ask is, like in the private sector, is there competition amongst foundations?

02-01:10:05
Daetz: I suppose there is, but I view it as a pretty broad ecosystem. I don't think any two foundations are at all alike, and I've said this many times to people, "I have a hard time imagining myself, even after doing this for more than a decade, of being content working in a different foundation structure." It's very personal, certainly if you have a living donor, and most institutional foundations would probably drive me insane.

02-01:10:41
Meeker: Why is that?

02-01:10:43
Daetz: Oh, everything. Their approach to giving is just so fundamentally different than what I believe matters. We talked earlier about sustained, large, general-support grants, getting to know the leaders well, and the other thing we haven't talked about as much is, we really strongly care about insuring that it is the organizations and the leaders themselves who are the real experts. I think this is a huge flaw in the philanthropic sector, where the foundation leaders or the institutional foundation leaders, or the program officers, concoct a strategy in their own halls about how change will or should happen, and then what they do is, they're the masters of that strategy, and then they dole out bits of money to different organizations who are then assigned to do pieces of that strategy.

It's completely treating the nonprofits as supplicants who are almost contractors to accomplish *x*, or *y*, and that just doesn't sit well with any of us here. It doesn't sit well with me, and I think we firmly believe we are not subject matter experts, and if there's anything we add, it's that we try and

identify really talented people, and then we try and push those talented people and organizations to be better. But we don't micromanage them. We don't get involved in their tactical decisions. We try and stay really kind of high level. We try and make sure they're thinking about their own strategies, their succession plans, their longer range issues; have they built up their communications capacity that they need to be successful? And I think a lot of institutional foundations view things in such a different mindset, that they are the ones with the strategy, and that the organizations, they're less focused on the health of the nonprofits.

So, your question was a little bit broader. Is there competition? I'm sure there is, but at the end of the day, the competition may well be that someone wants to—there might be some hesitancy to fund someone else's project. So if something is called the Blank Blank Blank Project on This, other donors might say, "Well they've got plenty of money; why should I fund that?" I suppose that happens. That's always the question that we have when we do a big startup, like a ProPublica or whatnot, because if it's sort of publicly out there that you're prepared to give them ten million a year, others will say, "Well you don't need my money."

And we're now ten years into that ProPublica experiment and as I said, we've demonstrated that, through their own excellence in producing high-quality content, and us trying to very carefully reducing our level of support, and very much in dialogue with the management, now we're at a point where we are a small percentage. But we never try and go out and call things the Sandler Investigative Journalism thing. At the end of the day, these are not about us. These are about propping up high-functioning nonprofits that will survive.

02-01:14:35
Meeker: In the terms of the investigative journalism sector, for instance, there were already a few organizations established, I think, with the Center for—was it Responsive Journalism? Is that one of them?

02-01:14:50
Daetz: There were several; there were several different ones.

02-01:14:52
Meeker: —Center for, I think, Investigative—

02-01:14:53
Daetz: Investigative Reporting.

02-01:14:59
Meeker: What about establishing a new field, a new organization in that sector whereas things already existed? Was there a long conversation about establishing something new versus helping something that's already there?

02-01:15:20
Daetz: Sure, we always go through that. So, part of it is, do you think that those organizations have the same core vision and mission of what they're trying to accomplish, and, if they are not operating at the scale that you think would be necessary to be high impact, do you trust that their leadership could get you there? Again, this is part of the process when you're thinking about a startup. You're not aiming to do a startup, at least we're not. We're aiming to try and—part of our diligence was asking people about the field; asking about its strengths, its weaknesses; asking about, well what if this, and we actually had a one-page document that would sort of summarize, what are your reactions to standing up something like this, and we got a lot of feedback from a lot of different quarters.

So, we weren't itching to do something new, but I think over time, it emerged that we probably needed to. And then it became—because here's one of the issues: With ProPublica, the issue was, how do you convince top-caliber reporters and editors to join you? That was one question. Second question is, how do you convince other newspapers to publish your work? We knew we'd have our own website, but we didn't—so anyway we had to solve the talent question and the distribution question, and I don't think we got comfortable that you could address those with the existing nonprofits. And we were fortunate that Paul Steiger could solve both of those problems, because of his stature; the timing worked out well for him.

So I'll never forget the moment when we were in Steiger's office, Herb, Marion, and me and Paul, and we're talking about this, and I remember distinctly when Paul used the word "we": "Well you know, we, if we're going to create something like this"—and I was just like, huh, he just said "we." That was the first gauge that I had that he went from becoming someone we interviewed and asked about what something like this should look like, to maybe he actually envisions being involved himself. And that was kind of one of those magical meetings where it's like, the idea goes from a piece of paper to, my goodness, I think we're going to be able to do this. And that was very exciting, because there have been plenty of times where we had a concept for something, but we didn't find a leader, and so it's sort of it never transpires. And that's hard because we all want to do something but we don't find a leader we can invest in.

02-01:18:26
Meeker: How much time do you personally spend engaging with other leaders in the foundation world?

02-01:18:34
Daetz: Periodically on calls, and periodically when I travel East, usually Herb and I try and set up various meetings with other philanthropic leaders. By this point, I think I kind of know the modus operandi of many or most of them, and so, there are some that I speak to far more frequently because I know that we can cut through stuff and we can go straight to discussing something substantive.

There's a few organizations that have been through multiple leadership changes just in the decade we've been here, and so you're always trying to gauge, well what is the impact on that institutional foundations now that they've changed leaders? And so some is, we have to go and cultivate those, I think.

Herb, I think, is uniquely very good at that. I think he is very able at using his relationships to sort of network and meet others, and he's got enough of the philanthropic reputation that he can sort of open many doors. I think that is probably one of our biggest challenges going forward, is, that is a skill set that I think we all—Herb is very good at trying to bring us all into these meetings and you're getting to know people, but it's a bit different when Herb Sandler calls for someone, tries to set up a meeting, than when someone else does. It's just, that's the nature of the world, that's the way it is, and I think we all need to work hard at continuing to push that, but that is something that he's particularly good at.

But I do try and stay in touch with people, particularly in areas that we are exploring, and find out, well where are their heads? There is one now that we're doing on voting, and I'm sort of keeping multiple organizations warm on the topic. I don't want them to put money in now because for the reasons we talked about before, it would destroy it too early [laughter] to have a multi funder, but I want them to know that we're doing it. I want them to be aware of it, and maybe in a year, if it proves to be successful, there'll be a cadre of other leaders who are primed, and ready to say, "Okay, well I like that; looks like you guys have executed and we're prepared to provide money." That's how I try and keep those relationships going.

02-01:21:01
Meeker: Do you have much experience with younger startup foundations coming to try to maybe emulate what the Sandler Foundation has done?

02-01:21:11
Daetz: I don't know so much about emulate. I think there are, as you said, there are a lot of new philanthropic leaders. We have actually met with a few of them and given them our perspective on philanthropy, which is just one perspective. Some of them maybe more—you've got a whole different blend. Some are highly politically active, and they do philanthropy; some are not politically active at all and they have a particular interest and they don't want to do anything controversial. So you've got all types, and I think all we can do is sort of demonstrate to them that there is an approach to thinking of the organization, the nonprofit, as the organization you're trying to build, and we are happy to share with them our one-pager that sort of very clearly encapsulates our philosophy. And I think a lot of nonprofit leaders, particularly new ones, but even ones who are established have really appreciated something like this, because it gives cohesion to what we do.

And so, just last week I was on the phone with a New York-based leader of a nonprofit who, she's in her first year in trying to work with a family to identify their philosophy and their strategy, and she loved kind of spending time and hearing about the way we do it. It very much aligned with her thinking, but she hadn't seen it really represented. So I do think we represent a bit of an archetype of a way to do this type of foundation giving. It won't be for everyone. Some people have different subject matter interests, and some are a little bit more intrigued by the idea of using their capital for positive societal goals, but they may not come philanthropically; it may come through what's becoming trendy, called impact investing, where they may put their money to work in a different way. Maybe it's actually an infusion into a startup, but the startup has a mission that is more socially aligned.

So, it kind of depends on what the core values and interests are, and to some we might seem a little old school, and sort of doing philanthropy in its traditional sense, but I still think that the approach that we have is a very satisfying and gratifying way to do it, because you really get to deeply know organizations and make a meaningful difference in their capacity. It's not just with the startups; I think about some other groups. There's a group in Washington that works on safety net issues for low- and moderate-income people, and their subject matter's in taxes and budgets. For the past decade or more, we have helped them to build out a strong communications capacity. They were quite wonky and weak, and then they really moved up the sophistication scale, and we've helped them build out and strengthen their state network of groups across all the country, and one of those groups was one of the ones pushing back against Kansas when they tried to sort of do their crazy experiment under Governor Brownback around taxes.

So I feel really good that we have helped build the capacity of organizations, and I don't ever tell that group, the safety net group, what to work on. I don't ever tell them, "Hey, this is the year for the earned income tax credit." But what I do is, I ensure that they have really talented people who know how to do *x*, *y*, and *z*, and that can be deployed in whatever subject matter they decide is the issue of the moment. And I find that incredibly gratifying to know that we are making them a stronger organization, and that they can pivot; they can use their smarts to move into whatever area is relevant at the time.

So there's examples like that where I feel like we have just taken an organization that already existed—ACLU is another example, where ten years ago, we made an investment in their affiliates. Again, we did not tell them what those affiliates should work on; we didn't try and say, "Well this should be working on reproductive rights," or whatever. We said, "No, it's important that you have stronger affiliates," and they had a plan that they developed, and we worked with them on how to build up ten affiliates over a ten-year period that would be stronger, and now they're blowing right through that.

You asked earlier about evaluation. I don't sit there and go back, "Now what did you accomplish because of that investment that we made, and what issues did you work on in Michigan because of that?" It's actually enough for me to see that a high-functioning group has built this, and we set these standards of excellence early on, but they have built this capacity, and to then read the reports of what they're able to do as a result. I don't need to tie it back to my dollars tightly in the way that some really focus on evaluation. I find that to be a little—I don't know. It feels very artificial and egotistical to me, some of that.

02-01:26:52
Meeker: You've developed a capacity to determine, through multiple data inputs—sometimes those data inputs can be very qualitative about when an organization is succeeding and doing the kind of work that makes you want to continue to support. What do you do in the opposite circumstance, when an organization is not living up? How do you decide when it's not meeting the expectations, and then what do you do in those cases?

02-01:27:35
Daetz: So I think the good news is we haven't—any of the ones that we're making really big, seven-figure bets on, I think by and large, we're quite pleased with. So there are some organizations where maybe we started them out at $300,000, $500,000, and we've never grown it. We still think that they're an important organization in the ecosystem, but we haven't been convinced that the leadership is such that we are prepared to go and take them to a whole other level. So there are those. There have been only a couple of instances where we felt like there is a breach of trust, where the leaders have just really not been totally honest and straightforward with what's going on, and so in those rare circumstances, we'll get out, and we'll just say, "That was"—you know, and it's almost always understood that that's what happened.

The others, there have been a few times where we have phased out of things. Those things are, again, they haven't typically been the bigger-dollar ones, but it's been ones where we will tell them, "Look, over the next three years, we'd like to go. Next year we'd like to go from $200,000 to $150,000, and then $100,000, and then we'd like to stop"—so we give them like a couple of years running room to sort of anticipate that. We never want to spring something like that on an organization that is otherwise doing well, but it's not as central to us anymore. So we have some examples of that.

I think we're going to go through a set of organizations in the coming years that will go through leadership transitions, and including some of the bigger ones, and let me give you as an example right now. Earthjustice, the same leader that we started with, Trip Van Noppen, is leaving this year, so there's sort of an orderly process for his transition. Now it so happens that I'm the chair of the search committee for that transition, so I'm going to be deeply involved in who gets put in, but, that will be a change in the organization.

Now, we happen to feel good enough about the organization and there's enough confidence that they will have another good leader. It will never quite be like Trip was.

And I think we're going to see that with a number of organizations that go through leadership transitions, and then we kind of have to reevaluate, in a way. If we had been giving a million dollars to an organization and they go through a leadership transition and we're not that fond of the person, we still wouldn't go to zero right away. We would still try and phase it down. But that is an issue, because at the end of the day, we're investing in people that we have the confidence—you have to have the confidence that you could give them a million-or-whatever-dollar check, and you trust that they will make good judgments with that money, because you're not telling them what to do. You're telling them to invest in the most important areas for their organization, and if we no longer have the confidence level in the leadership, it certainly changes that dynamic around our comfort level giving them general support.

So, we do occasionally move things around, but if I look at our sort of general pool of organizations, they're pretty steady, because we feel pretty good about what they're doing. We have had instances where we will tell them, in no uncertain terms, like, "We're worried about quality slipping. That memo that *x* just sent us was crap," and we will tell them that was not up to the standards that they should expect of themselves. Now that doesn't mean we're going to cut their money, but we want to say, "Look, we expect, and we expect you, internally, to have very high standards, and this didn't meet that." Herb and I were on a call last year with an organization that we've supported for many years, where the energy and the drive from the people that we're on the phone with was just like—it was post-election so there was some depression, but they couldn't get themselves out of that mindset. And we said, "No, you've got to snap out of it."

And so we will be very blunt and direct, but it doesn't necessarily change our funding, but it's about, "Hey, we and the rest of everyone who's funding you is funding you to bring energy and drive, not to sort of wallow in the moment." I had one of the leaders, his message to his staff was, "Tomorrow we grieve; next week, we fight." We're all going to have our moments, but "next week, we fight," and that was really the message that we want to hear, and when we weren't hearing that, a month after the elections, like, "You guys better change your tune." So, that's kind of how it manifests itself, more than anything.

02-01:32:45

Meeker: I think we should probably get around to wrapping up. I know that you've developed kind of an outline of things that you think are important to discuss, and particularly in terms of Herb and Marion as the creators of this

foundation. Is there anything on there that I've missed so far that we should spend a few moments on?

02-01:33:09
Daetz: I actually think we've touched on a lot of it. As I sort of step back and think about them, in preparation for this, there's a couple of things that jump out at me. One is, just at a fundamental level, I have never heard of or met a couple that has spent more hours together. They were married for fifty-plus years, but it's probably a hundred years by most marriage standards, or 150 because of—and what's remarkable to me is how they did it. I got to see it both at the company, and I got to see it here which was more intimate.

But, really, in some ways, it's a love story that's hard to even encapsulate, about how you can have two people who really have different personalities, but a shared set of values, and a shared set of not just values, but standards. Marion was the standard setter and sort of by reputation, but don't ever believe Herb isn't also. He may be softer around the edges, but he— [laughs] I always find it amusing when people think that they can—if they can get past me and go straight to him, [laughs] oh, good luck with that one. But just the way that, as a couple, just how they functioned, how they were able to raise a family, in the midst of running a Fortune 500 company, and in the midst of sort of doing philanthropy together. It's just unbelievable to even imagine most couples surviving that and staying devoted to each other.

What was amazing about working at the company was just you could see how the company was built in a way that aligned with them and their standards, and their values, and there wasn't a lot of wasted movement. The people who stuck around and stayed in leadership positions there were high quality, and would bring a lot of their intelligence to bear. There just wasn't a lot of crap that went on in the company. There's always a sales force and a sales team and they do what they do and I'm sure there was stuff, but overall, just the company was just such a reflection of them, and always improving, always focused on executing better, always speaking out.

That's one thing that I got a privilege of working with Herb on, was being the oddball in the banking industry speaking out against these various things. And every other bank was over here, and we were kind of over here saying, "Uh, there's risks!" And so it was just really a reflection of them, the company was, and you hear that from all the messages that people still write letters to Herb, and they certainly did after some of the negative press came out, just how those values and the integrity of the company was so fundamental.

The other part is just the family dynamics are so interesting to me. You hear plenty of stories of families of wealth, where the family dynamics are all screwed up, or the children are all screwed up. And I think what's remarkable here is sort of the shared values that the two children have, and the fact that they work together, that they have spent their times working together, and also

being, by all measures, unaffected by the wealth, and all committed to putting the wealth to work for others. However that parenting, [laughs] and the children's receptivity to it, however it worked, and I'm sure it's not perfect, but it's pretty remarkable to have a family that is that closely aligned on values, and unaffected by wealth. And then I think to do the unique philanthropy the way they do it, we've touched on that, but it's a whole other story line.

And then the final one is just really Herb, how he—I've never seen a better caregiver for Marion, and I didn't see one-tenth of it, but what I saw was really amazing, because she dealt with health issues for the final twenty years of her life, and he'll often talk about her, how tough she was in fighting through that, and I don't doubt that for a minute. But, when something wasn't right with her, he went into hyper overdrive to solve it, and that is its own story in itself, how that worked out. So anyway, those are sort of the five or so things that, when I just step back from the day to day, it's just amazing, amazing life stories.

02-01:38:37
Meeker: Well great. I think that's all I have, so.

02-01:38:40
Daetz: Sounds good.

02-01:38:41
Meeker: Thank you very much, Steve.

02-01:38:42
Daetz: Of course.

[End of Interview]