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University of California
Berkeley, California

Michael Roster

Michael Roster: Attorney and Golden West Financial General Counsel

The Marion and Herbert Sandler Oral History Project

Interviews conducted by
Martin Meeker
in 2018

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Michael Roster

Photograph courtesy Michael Roster

Michael Roster was general counsel for Golden West Financial Corporation from 2000 through 2006. Before joining Golden West, Roster worked with Marion and Herb Sandler while at the law firms of McKenna & Fitting and Morrison & Foerster. He was general counsel of Stanford University and Stanford Medical Center from 1993 to 2000. Roster also has served as director and chair of the Association of Corporate Counsel, chair of the Stanford Alumni Association, and a director of the California Bankers Association and the Federal Home Loan Bank of San Francisco. In this interview, Mr. Roster discusses the following topics: the state of the Savings and Loan industry in the 1970s and 1980s, including crises within the industry; working with Marion and Herb Sandler as an outside attorney, getting to know the Sandlers and the status of Golden West Financial; tenure as general counsel for Stanford University; working at Golden West as general counsel; the sale of Golden West to Wachovia.

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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: April 12, 2018

01-00:00:00
Meeker: Today is April 12, 2018. This is Martin Meeker interviewing Michael Roster, and this is the Herb and Marion Sandler Oral History Project. We are at Mr. Roster's home in Pasadena, California, and this is interview session number one. So thank you very much for your time today and for contributing to this project.

01-00:00:29
Roster: Good. Welcome to Pasadena.

01-00:00:31
Meeker: Thank you, very much! It's good to be back. This is where I was born, so this is a homecoming, if you will. I was born right out there [pointing toward Pasadena].

01-00:00:39
Roster: Yeah, you can look at the Rose Bowl right out there.

01-00:00:41
Meeker: So when we do oral histories, we usually spend a bit of time on family background and upbringing, but I think where I'd like to start with you is your interest in law. You eventually earn your law degree, and practice as an attorney throughout your career. So when did you first become interested in studying and in practicing law?

01-00:01:08
Roster: Well, actually—I started as a journalist.

01-00:01:10
Meeker: You did! Okay.

01-00:01:10
Roster: I worked for the *Stanford Daily*, but I got hired by *Time* magazine as an undergraduate, and I put in maybe twenty hours a week for *Time* magazine writing twenty/thirty pages a week. They paid me a lot of money, and I enjoyed it.

01-00:01:26
Meeker: What were you writing for them?

01-00:01:27
Roster: Everything. If Ernest Ansermet, the composer, was on campus I would spend a day with him and interviewing him. If the *Time* essay was about, for example, secrets of presidents, I would interview maybe five of our history faculty and turn in material. When Bishop [James] Pike disappeared in the desert, from Grace Cathedral—his daughter worked at Stanford, so I spent hours trying to reach her about her father. It was an interesting and large part of my education was working for *Time* magazine as an undergraduate. In fact,

occasionally I'd get called out of class on a Friday—New York needed me to modify something—and the professors were thinking it was a message for them, and they'd look up: "Mr. Roster, apparently it's you they want." [laughter] So I'd step out.

01-00:02:13
Meeker: Did you ever have any bylines, or were you—?

01-00:02:15
Roster: Well, no—at *Time* you don't have bylines, but I also worked at United Press International for the summer, and there I did get bylines with UPI. And I wrote for the *Daily*, where I had bylines. But by my senior year I was realizing—I really enjoyed writing and journalism, but I kept wanting to solve the problems, particularly at the Stanford administration or other things. And I was also part time on the Stanford administration as an undergraduate. I matched roommates; I filled in for a dean at one point. So I just came to the conclusion—you know, you'd rather just solve the problems than write about other people's stuff. And that's what caused me to look at law school, and I went to law school. I teach law school now at the University of Southern California, and I tell the students there—a lot of what we do is like journalism. You amass a large body of complicated facts, you try to make them understandable, simplify them, and present them in a way others can understand—although in law you're also, hopefully, trying to present solutions. So I started at Stanford Law School. Vietnam was going on; we were all being drafted. I had a choice of going into the army reserves, the Peace Corps in Turkey—and I joined instead, Navy OCS, Officer Candidate School, after a year and a half of law school. They sent me through OCS, and then of all things sent me through Naval Justice School. I only had a year and a half of law, but they sent me down to Puerto Rico to be the legal officer. Down there, I was the officer in charge of the radio and television network for the Caribbean, the base newspaper, the legal officer for the base, and behind the scenes negotiating a treaty between the navy and Puerto Rico on what was going on. So I would fly to Washington three or four times a year trying to figure out how to resolve that.

01-00:04:00
Meeker: Was that at Vieques? Is that what you were dealing with?

01-00:04:01
Roster: Yeah. Vieques and Culebra, exactly, and the base in San Juan. In fact, we were negotiating giving away the base to bring peace to that. So anyway, so I was matching, again, my journalism and legal background then, came back, finished law school, joined the McKenna firm. In 1972-'73—this was unusual to anyone who knows law today—we were the only law firm that had an office in both LA and San Francisco. Gibson Dunn didn't—no law firm was in both cities. In fact, no *bank* was in both cities, other than Bank of America and the Sandlers.

01-00:04:37
Meeker: So there weren't national law firms at that point in time?

01-00:04:41
Roster: There weren't even statewide law firms! [laughing] And what was unique about McKenna—we were only eighteen lawyers. Not only did we have an office in LA and San Francisco, we had one in Washington, DC. And so I was going to do cable television work for them, and instead I was made Bill McKenna's sub person. We got along fine, and within a year or two I was handling some major work for the firm. The Sandlers were long-time clients of the firm, as were virtually all of the major S&Ls, Howard Ahmanson, Mark Taper, Bart Lytton—you look at any of the major leaders, and the S&L's were a major force of California development.

01-00:05:25
Meeker: So Ahmanson was Home Savings.

01-00:05:27
Roster: Home Savings.

01-00:05:28
Meeker: Taper was—?

01-00:05:29
Roster: American Savings.

01-00:05:31
Meeker: And Bart [Lytton]?

01-00:05:32
Roster: Lytton Savings.

01-00:05:33
Meeker: Okay. And this was '73 that you started?

01-00:05:36
Roster: Yeah, but again, I moved along pretty quickly. Back then, law firms moved people fast, unlike today. And I keep telling all the law firm chairmen today, you need to get back to engaging your talent and moving them up. The gene pool in America hasn't changed since '73. Why you are holding lawyers back for five or ten years is crazy. And I say that as a client nowadays.

Anyway, the Sandlers were tough clients. We all loved the Sandlers for being tough clients.

01-00:06:07
Meeker: What made them tough clients?

01-00:06:12
Roster: They were always focused. They wanted answers. They were always looking—"don't you bill me too much on this." And they had a person named

Rich Crane—I don't know if the name's come up before. Rich would often be the one calling us, and he would say, "Well, we're looking at this Truth-in-Lending provision and we're looking at this adjustable rate mortgage, and we're trying to figure out whether we have to disclose x under part B or part C." In other words, they had done their homework. They weren't going to waste money on our spinning our wheels. And it was only a few years later I said, "Rich, where did you go to law school?" And he laughed and said, "I'm always amused how long it takes someone to ask me that. I never went to law school." The Sandlers were smart enough to know to have just a capable operational person manage the legal work, and Rich was phenomenal.

And then when I would go to trade meetings, like the annual conventions—even though I'm a junior lawyer at the time, part of my job is to get to know clients. But Herb sometimes would see me, "Do you want to go to dinner?" I'd say oh, sure—and it was never the kind of typical group dinner. They *hated* that stuff—as I sort of did. We would go to a dinner, and we'd just have a nice dinner, because we all knew it's nice to be away from that and we could just talk about other stuff. And so I got along great with them.

Not only were they the only—I think I'm correct—other than Bank of America the only company that had banking operations in both Northern and Southern California at the time, [but] they also were in Colorado. Now, that was unique, to be multi-state. They got that from a grandfathered arrangement, and they used it effectively and they built on that. That's how I first got to know them, and we had other people doing their work, but I got to know them reasonably well.

01-00:08:06
Meeker: Did you engage with the Tapers and the Ahmansons and those folks as well?

01-00:08:10
Roster: Yeah, oh yeah, sure.

01-00:08:12
Meeker: Can you compare the Sandlers to them in terms of—?

01-00:08:17
Roster: The trade association for savings & loans was the California League of Savings [Institutions], and I would—the McKenna firm was essentially their general counsel, so we always had someone at their meetings, partly to make sure there would be no anti-trust violations—if you're running a trade association well, you know you want to have an outside lawyer so the record shows somebody was present to say, "No, you can't discuss pricing," or "You can't do these things." And it never came up that way, but you're there to protect that. And in the boardroom—Herb was always forceful. None of this oh, let's be nice and all. Herb would say, "We can't tolerate this. We have to fix this." Others—I won't name specific ones even now, "Well, Herb—can't we just get along on this?" And oh, he said no. And Herb would never

compromise with those things, and everyone knew that. There would often be chuckles in the room.

01-00:09:17
Meeker: Do you recall any particular issues that were a little thorny?

01-00:09:21
Roster: Well, we were looking at whether savings associations should be allowed to offer checking accounts. That was a big legal issue in the country. I'm not sure if Herb came down for it or against it, but there were difficult discussions about supporting legislation to do that. And if you're looking at your own company, you were trying to decide what's our competitive advantage.

The funny thing is—and I only learned this when I became in-house with the Sandlers—they had the exact same philosophy as my mentor Bill McKenna. And it's funny, when Herb first laid it out to me I looked at him and said, "Did you get that from Bill?" He said, "What are you talking about?" I said, "That's Bill's fundamental philosophy." And the philosophy is, you never start with: what's to our advantage? You start with: what's the right public policy? Now, that's unique among lawyers. But that's why Bill McKenna was so successful. He knew if you didn't start that way you're going to be fighting an uphill battle, and eventually you're going to be doing wrong things. But the Sandlers were the same way, and Herb would talk about that. We start with what's the right public policy, whether it's for Community Reinvestment Act purposes or national banking, or whatever. And then, and only then, do you say now—how will that impact us if that's what we do? And then you'd come to the conclusion—no, we're not going to fight it. We have to figure out—now, how do we run the company that makes sure we accommodate that?

And now—I won't get too much into it—at the McKenna firm we were, in like '74-'75 there were some huge class actions against all the major mortgage lenders. The major mortgage lenders were the savings & loans and Bank of America. The joke was Bank of America, at the time, was the largest savings & loan in the country. It was funded on passbook savings, and I think close to half its assets were mortgages. It really was one great big S&L, with all the same risks that the S&Ls had at the time. And we were trying to move the companies to adjustable-rate lending, because fixed-rate lending is a disaster. Right now—I'm getting too far afield here—America's sitting on something like $13 trillion dollars of fixed-rate mortgages. God help us if we have an interest-rate spike. That's what doomed the economy in the seventies and again in the eighties. It's why we were trying to move our banks back to adjustable rates. Fannie Mae and Freddie Mac have pushed the country back to fixed-rate lending, and we're going to have a horrible time if we have a spike in rates.

01-00:12:00
Meeker: A horrible time in terms of the—?

01-00:12:02
Roster: We're going to have $13 trillion of assets underwater in this country.

01-00:12:05
Meeker: Right—oh, assets will be underwater.

01-00:12:07
Roster: Right. You're going to have mortgages earning 3 percent and you're paying 23 percent for money. That's what we call borrowing short and lending long. But at the time, in '74 to '75—I don't want to get too far off here.

01-00:12:21
Meeker: Oh, so in terms of the assets, the loans are going to be underwater, and the bank. . .

01-00:12:26
Roster: Well, now—again, Golden West kept all their loans. We were unique, because we figured—and Bill McKenna had the same view as the Sandlers. The safest asset in America is the American home. Americans are not going to default on their home. It's their home, and these are hard-working people, including blue collar, moderate-income people. This is their home. The interest rate is the risk, and people forget. During the middle of Vietnam, and then post-Vietnam, we went from a 3 to 5 percent rate to a 23 percent prime rate in a matter of months. And a third of the assets of the American banking system were underwater.

01-00:13:05
Meeker: Right.

01-00:13:08
Roster: And we'll repeat that someday. Okay, back to—we were defending a bunch of class actions, and Bill McKenna came up with the concept of federal preemption, that federal law would preempt all these state laws. And we litigated it all the way up to the Supreme Court, and that required all of our clients to understand it. And it's funny, Bill wrote some regulations that were tougher than the state regulations, and our clients were saying, "Bill, what the heck are you doing? You're writing federal regulations that are tougher than what we've got!" He said, "Because that's the right thing to do. These are the regulations we should have, and keep your eye on the ball. We're going to argue federal law should preempt these state laws that are undermining safety and soundness. If we're going to do that, we'd better have really effective federal regulations." And Bill explained it—Herb understood that. He was one of the few who instantly started to realize, "Ah, I see where we're going."

01-00:14:04
Meeker: Well, also being somebody who was working in at least two states.

01-00:14:09
Roster: Yeah, that was less important for that purpose, because Colorado was always kind of minor to the company's operations. But Herb, being a lawyer, he

could see it—Herb and Marion. Bill used to say, "Oh, the Sandlers. I love them. Marion's the one—watch Marion. Always watch what Marion's doing." And he was right, I mean, in the company.

01-00:14:32
Meeker: You know, in these meetings was she present?

01-00:14:33
Roster: No, Herb would—they always had a great split of responsibility. I didn't fully appreciate it until I was inside the company. They were in offices adjacent to each other. It was really Mom and Pop, quote unquote. And in the company they were tough with each other. Herb would walk in on Marion, "What's happening here?" And you could hear them. Never crude or angry, but they were tough with each other. Marion had her areas: branches, mutual funds, marketing, HR, and Herb had lending, finances and strategic planning. And so there was that division. And in terms of government relations, that came under Herb. And then when I came in as general counsel, I started working in that area with him as well.

01-00:15:35
Meeker: Can you tell me a little bit about the context of ethics? Were Herb and Marion's ethics described or explained to you? Was this something that you came to learn in work?

01-00:15:53
Roster: No. That's funny you've mentioned that. We never had to discuss it. And it's only years later I realized, no, we never had to discuss most of these issues, and it's because we understood each other. I'm among the few, I guess, who would spend time with them at their home as well as at the office, without ever discussing it. They were separate. [laughing] We never had to talk about it. And again—we can come to when I went to Stanford, and they were amazing. They reached out to me in ways I never expected when I went to Stanford as the general counsel. But so we knew each other well enough that no, I understood exactly where they were. Now, when I was inside the company, I thought I understood it pretty well as their outside lawyer. And then getting to know them more as friends through the years, it was fascinating to see the company on the inside.

It was very revealing to see how it was structured, the ethics—you were asking about ethics—it permeated everything. You just did not step out of line, and we didn't have to have some fancy slogan hanging in the lobby. We didn't have seven points of corporate responsibility hanging around. Those are typical jokes that some of these monster companies—at Golden West/World Savings—that's the way it is. You do the right thing, or you're not here. And you never had to tell anyone, because if you ever had someone who wasn't of that [same level of] ethics arriving; they didn't like it. It's not because they were bad-doers, but they said, "It's kind of boring here." And I always said, "Yeah, that's the way we like it. It's how the company is run."

01-00:17:39
Meeker: Interesting. Is it possible to give me a sense of what others in the savings & loan community thought of Herb and Marion?

01-00:17:55
Roster: Well, Marion wasn't exposed to them that much. If she was at meetings, she was often sitting quietly and knitting. [laughing] Herb would be aggressive. He would say, "We can't do that," and he would speak up. As a lawyer for lots of other companies, not just banks and savings & loans but industrial companies through the years, I started to see—these companies got in trouble because a whole group knew that you shouldn't do it, but nobody had the guts to say it. What I loved about Herb is he had the guts to stand and say, "You can't do that. We're not going to do that." And he bothered people by doing that. All right? They would say, "Oh, *Herb*." But at the end of the day, he was right—over and over again. Well, that's not to say the others sitting in the room wanted to do bad things, or whatever. But they had fancy offices, some of them had private jets, they had their drivers driving them around. They would consider themselves kind of Pooh-Bahs, and they would sit there and think high thoughts. Herb was thinking about the details of the business, and you can't do this and why you can't do it, and why, for public policy, it's not the right thing.

Now, Herb would blow the whistle on competitors—and, there also was kind a kind of competitive advantage. They can't do that; we're going to call the regulator—and *did*, continually. Sometimes he'd call me as his outside counsel, then when I was general counsel. No, you call them. You tell them that x is doing this and stop them. Okay. There was a competitive factor to it, but at the end of the day it also was—if the industry went afield, we were all going to suffer from it.

Years later, before the financial meltdown, I remember we had a conference call. We were concerned that the whole banking system was getting out of kilter. The capital rules were not going to be effective if we had a disaster, and you never knew exactly what the disaster would be—but you know there's going to be one. You know every five or ten years we're going to have another meltdown. We didn't know that it would be this bad. We actually thought it might be an interest-rate meltdown. We thought Fannie and Freddie would take the system down because of their fixed-rate operations.

But there was a conference call, and, a very prominent guy on the call, said, "You know, the problem in the recent years is people have become confused—a free market does not mean one that does not have rules. You can't have a free market without rules. You have to have boundaries, because if you don't have boundaries, there will always be wrongdoers—or even rightdoers—who will go across the boundary line. And then the rest of us will have to start doing the same thing—because our shareholders will insist on it, or whatever." And this person said in the old days there were two sources for

those boundary lines. One was the wise old heads of the companies. Within the confines of the antitrust laws you would sit in a trade-association meeting or you'd be in Washington, and you would just say as a group: you don't do that; that's not what we do in this business. He said, "Today, that's old-fashioned, and nobody would allow for it. So you're left with the only other approach, and that's government regulation. And with the government having deregulated so much, we don't have boundaries, and we're going to have a serious meltdown."

And so you started to realize Herb's insistence on boundaries was an important one. I had another major client, one of the largest banks in the country. They were worried that because the regulatory agency had become so mediocre, there were not the right boundaries, and their stock value was going to suffer by the mediocrity of federal regulation. And I was hired to figure out could they, and others, contribute people, back-office operations, to get the regulator up to speed? And of all things, I wrote some memos, did some research, went to Washington, and I met with the head of a major bank regulatory agency, and he said, "We won't tolerate that. We can't have industry involved in it like this." That agency went out of business three years later.

01-00:22:17
Meeker: Was that the Federal Home Loan—?

01-00:22:19
Roster: No, the Office of—the Federal Home Loan Bank Board.

01-00:22:23
Meeker: Yeah, the Office of Thrift.

01-00:22:24
Roster: It became the Office of Thrift Supervision.

01-00:22:29
Meeker: Well, I keep on thinking back to the video that I saw of Herb testifying before the Senate Committee in response—

01-00:22:37
Roster: For Sarbanes-Oxley?

01-00:22:39
Meeker: No, no. This was in response to the savings & loan crisis in 1987, '86-'87. And he goes in and he sits down, and he is almost like this Old Testament prophet expressing his profound frustration with what has happened.

01-00:23:02
Roster: And he believed it to his core. And the CEOs of other companies didn't quite get it, that that's really who he is. [laughing]

01-00:23:11
Meeker: Well, you know, you see his colleagues sitting behind him, meaning the other bank owners, and they've got this inscrutable look on their faces. You can't really—

01-00:23:22
Roster: Although remember, you're taught to do that too, because the camera's on you, and whatever you do while that camera's on you—

01-00:23:29
Meeker: You don't smile. [laughing]

01-00:23:32
Roster: Any time you see any show trials going on in the Senate, God help you if the person's smirking or nodding, or whatever. So part of that's because they're trained to be that way, but in some ways they're revealing what they think as well, yeah.

01-00:23:45
Meeker: And then the Senators are also looking a little taken aback that they're, in essence, being taken out to the woodshed by this bank owner.

01-00:23:54
Roster: Right, right.

01-00:23:56
Meeker: So what you're saying sounds to me like that part of Herb's personality is consistent with how he operated overall?

01-00:24:10
Roster: Absolutely, absolutely. I had lots of larger and smaller clients, and they'd get in trouble, so there'd be committees looking at the things, and they'd be writing memos and they'd be scurrying around. What was a joy at Golden West is if something went wrong in San Antonio, in a branch, wherever—better call Herb. There was no hiding anything. There was no massaging anything. There was no putting a spin on it. And Herb and Marion set a culture that you better do that. You don't waste time massaging it or spinning it. You call us and say we've got this issue; we're working on it. Anything you want us to do? And sometimes Herb might or Marion might say, "Look, okay—problem? Take a day, look into it, and then get back to me and let's meet." Sometimes he would just say, "Get up here right now. Let's talk about it." And he'd come down to my office when I was in-house—"Come down here. I need you here."

He used to always joke—he said he talked to most of the other CEOs, particularly of the major banks—Bank of America, Wells Fargo—but even of the S&Ls. They were booked up for a whole year. "Well, why don't we get together on May 5?" "Oh no, Herb, "I'm booked up until, oh, it looks like August 10." Herb's calendar was always open, because he ran the company that way; the same for Marion, so that they were there as the issues arose and

would deal with them. And everyone in the company knew that—you'd better call Herb or Marian, and we better see what they think we ought to do.

01-00:25:37
Meeker: There is some truth to the Mom-and Pop-operation idea.

01-00:25:41
Roster: Absolutely, absolutely.

01-00:25:42
Meeker: They didn't have any in-house legal counsel in the seventies and eighties?

01-00:25:46
Roster: Later on they started to build some, and then they created a structure—again, years later I chaired the association of all the general counsels, and I would sometimes jokingly say, "I would never have invented this system, but once I saw it—first of all, why reinvent it?" But it was genius, typical of the Sandlers. There were three major divisions of the company: savings, lending, and mutual funds. Each had its own lawyers. The general counsel did more of the corporate stuff through the years and some other things, but these other lawyers didn't report to the general counsel. And then each of those three units had their own compliance teams. Often there were lawyers on those compliance teams, but they were separate. They were the watchdog, while the lawyers were there to help advise on litigation or whatever—and if problems arose. When I came in I wanted to know what was going on, but I had to make it clear to everybody—I'm not here to micromanage you. Don't worry. You can come tell me about issues. We'll work it out. And so it took about six months for them to realize oh, it's okay, we can talk to Mike. And then we were able to work that way. So no, through the years—I think when I arrived we had maybe twelve in the legal department maybe, something like that. But that's because they were spread out into the three divisions.

01-00:27:08
Meeker: Were you working at McKenna the whole time that you were—?

01-00:27:10
Roster: No, no, no.

01-00:27:13
Meeker: So you moved to Morrison & Foerster, is that right?

01-00:27:14
Roster: Yeah, yeah—Morrison was recruiting me almost after my second year, and I got to know a lot of their people, because we went to the same American Bar Association meetings. And I had put together a merger in 1980 of the McKenna & Fitting firm with Sellers, Conner & Cuneo, a Washington firm. At the time it was the largest merger in the world history of law firms. Today it seems ludicrous—sixty and sixty lawyers. Back then people were astonished that we're putting together—Dentons is now seven thousand lawyers total. So our little merger of sixty and sixty—but it surprised

everyone. And I started—I moved to Washington part-time, with the merger, to bring the two firms together. And after a couple years, I realized this was not a good thing and we should unmerge, and many of my California partners did not want to unmerge, so I decided okay, then I have to go. And I made it clear—I'm not threatening you, but if we can't unmerge, I really can't stay here.

And so I moved to Morrison & Foerster in 1987. I only took one lawyer with me. I did not want to hurt the McKenna firm. Eventually, something like forty-five lawyers moved over to MoFo. I started just in the LA office, then started commuting to Washington as I used to—I did not bring clients or intend to bring clients, and that's sort of unheard of in today's world too. I was surprised—I had many clients call; they were angry at me. I said, "Why are you angry?" "You didn't tell us you were moving." I said, "You're going to stay at the McKenna firm." "No, we're not." Naïve Mike—what did I know? So again, I started to go—I lived in both places. I became managing partner here in LA with a major position here, but I was co-head of the banking practice worldwide, which is why I was in Washington. I was doing a lot of the bailout deals, the ones that came up in '87, '88, and I was representing [a number of] major companies. But I also had another niche. I knew how to use a savings & loan—or something I sort of helped develop, the non-bank bank. These were banks that didn't meet the definition of bank under the Bank Holding Company Act—and now this is getting technical. So I was able to come up with the idea of why General Electric or Ford Motor Company, and others, could own credit card banks. And for Merrill Lynch, I could figure out how we could create a nationwide trust operation for them, even though national banking wasn't allowed and even though a securities firm's not supposed to own a bank. So that was part of my niche as well.

01-00:29:55
Meeker: Were you a registered lobbyist?

01-00:29:58
Roster: No, and I was very careful not to be a lobbyist.

01-00:29:58
Meeker: Yeah, I guess I'm curious about representing S&Ls leading up to the crisis, and then up to the eighties.

01-00:30:12
Roster: Well, there are several crises—remember, we had one every ten years. I would jokingly tell my lawyers, "This last one is my fourth." Yeah, the first one was '73, that I walked in on. And then we had one toward the end of the seventies, another one toward the end of the eighties, and then we have the thing that became the most recent meltdown.

01-00:30:31
Meeker: Do you see any of those specifically as savings-and-loan crises? Or are they all just banking crises in different—or do you see much of a difference between savings and loans, and banking overall?

01-00:30:43
Roster: Well, there was back then.

01-00:30:44
Meeker: Yeah, there was a regulatory difference.

01-00:30:46
Roster: Savings and loans had certain advantages for taxes and what they could pay on deposits, and they were focused on mortgage lending. I think we're going to have to reinvent it some day. In fact, I meet with a bunch of people every year and discuss those issues. For our low- and moderate-income families in America, I would recreate the thrift charter and go back to the reason we had a truly thrift charter. But I would let the phone companies own it. I would let Walmart own it. And I would set a rule that you can't have more than—make up a number—$25,000 total deposits from a single family, and the maximum loan you can make is $1,000 or something like that. And we would be able to solve a large part of the banking and predatory-lending problems we have in this country by letting people bank on their—they all have a mobile phone. And you regulate the charter, but you let AT&T and Verizon deliver that banking product at a very competitive rate, and no predatory activity.

01-00:31:52
Meeker: You know, now that one doesn't necessarily need cash, it might not be necessary to have—

01-00:32:00
Roster: But you can dispense cash at ATMs, so you can come up with all kinds of ways to get cash to people. But we're getting back to the—

01-00:32:07
Meeker: I guess you don't need checks. Maybe that's the innovation.

01-00:32:10
Roster: Yeah, although sometimes you do, but there are ways to deliver that, even if you need a paper check.

Yes, everyone wants me to write a book someday about the crises. We should never have had any of them. They were all stupid. There were big problems in the system each time. We did the wrong things each time. Now, in the first one I was watching Bill McKenna who masterfully knew that. He and the industry got criticized years later, of buying time. But people forget back—I think it was the seventies crisis—many of our major banks were insolvent. Bank of America, Wells Fargo, Continental Illinois, Citi, maybe Chase—they were truly insolvent. And there are two tests of bankruptcy: your debt exceeds your assets, or you don't have cash flow. Bill taught me how—what you

really have to do is keep them open, and they will right themselves, as long as you don't let them do stupid stuff. I watched him with some of the savings and loans in the seventies, but we did it with one of our bank clients as well. We bought time. Even though we were outside lawyers, we made sure they didn't do new stupid stuff. Now, if you have corruption, you have a different situation. Most of our banking crises have not been because of corruption—a couple in Texas, but most of it was not real corruption. It might be bad management decisions or whatever. If you lock the institution down, you give it two, three, or four years, it's like a well-built sailboat: it rights itself. I used to give a talk to the bankers—we ought to put a third of you in the penalty box every three years and not let you do anything new and innovative. And at the end of the three years, you'll be among the strongest banks in the world, making huge profits. And then we'll let you out of the penalty box and you'll do new stupid stuff, and we'll put you back in six or nine years later.

01-00:34:16
Meeker: Is that one of the reasons why Golden West/World, in its history, only had a couple of years where they had negative growth?

01-00:34:25
Roster: Right.

01-00:34:26
Meeker: Because they didn't do anything new and innovative.

01-00:34:29
Roster: Right. Don't do stupid stuff. Again, the formula of the company was knowing that the biggest risk was the fixed rate, and it still is today. I twice turned down being general counsel of the FDIC. I didn't want to deal with the political stuff. But I told a number of the people there, "God help us when we have the interest-rate crisis coming. It will happen someday." The savings-and-loan business is an absolutely sound business, and the Sandlers knew that. People aren't going to default on their home unless they're really desperate. The interest rate is the risk, so let's make sure we have adjustable-rate mortgages—not the aggressive, abusive stuff that some of our competitors started to do. And the only reason for negative amortization is at a time of spiking interest rates you need to protect the family, the home owner, in that rising rate environment.

And if you go through all the history—and World ran, I think, a thousand simulations. And Herb would tell the Federal Reserve, "We've run a thousand simulations. We'll give you the papers." The way the money cycle works, yes, we'll have a spike and then it will come down. And if you manage the negative amortization appropriately, the family doesn't lose their house, even though it's a skyrocketing rate for a while. If you look at our portfolio; we did not bring down Wachovia. Someday somebody's going to have to really look into it. We've watched the portfolio. And by the way, Wachovia should not have been seized either—I can come back to that in a minute. If you look at

our portfolio—yeah, it corrected itself in a matter of a year or two. As interest rates came down, those families paid off the negative amortization and kept their home, and then the rate kept coming down some more—the borrowers didn't have to refinance, their rate came down automatically because our loan brought it down as interest rates came down.

01-00:36:32
Meeker: What is the mechanism then that allowed families to retain their homes in a skyrocketing interest rate environment?

01-00:36:39
Roster: In the seventies when we had that problem? They were fixed-rate loans. The family wasn't affected, the bank—whoever was holding the asset got affected.

01-00:36:52
Meeker: Well, later on then, in the—

01-00:36:55
Roster: For Golden West?

01-00:36:56
Meeker: Correct.

01-00:36:56
Roster: With our adjustable rate?

01-00:36:57
Meeker: Yeah.

01-00:36:58
Roster: First of all, unlike our competitors and unlike Fannie and Freddie, we kept the prepayment penalty. And I ended up in that class-action litigation with the McKenna firm. We were defending the prepayment penalty. We were showing that you have to have that prepayment fee for the first three years, otherwise your borrower is going to constantly churn the portfolio. They're going to refinance over and over again to their advantage, and it's going to *not* work for the company. In its short term, okay for the borrower—long term it's not to their benefit either. Fannie Mae and Freddie Mac made money on that churn. That's a key reason they packaged it as—oh, we're consumer-friendly. With all the refinancings, they pocketed a bunch of fees, and then they sold the mortgage off again. As they participated in this churning mortgage market—and what people don't remember is in 1973-'74, the total banking assets of the United States was $3 trillion. That's Bank of America, or Chase alone, today. The total assets of this entire country, in banking, was $3 trillion. One trillion of that was fixed-rate mortgages—and a total disaster. That's why we were in trouble back then.

01-00:38:14
Meeker: So the—the churn—so basically, when you talk about Fannie and Freddie making money on that, that had to do with fees and points, I guess?

01-00:38:23
Roster: Yeah, yeah. And then resecuritizing it.

01-00:38:27
Meeker: And the reason the churn wasn't good, which was really the families always trying to score the lowest interest rates possible?

01-00:38:36
Roster: Right, right. Short term, and often pushing themselves—a lot of the defaults were not the lower-income families. It was dentists and doctors playing fast and loose with money, and not knowing what the heck they were doing. The reason—

01-00:38:47
Meeker: So they were trying to realize equity on their homes and then cashing out?

01-00:38:51
Roster: Yeah, yeah, borrowing instead, and going and buying some fancy wine and buying a new car and doing whatever they did, cashing out the equity of the house. The Golden West borrower intentionally was more of a moderate-income family. They didn't see the house as their cash cow, and we didn't encourage that. We encouraged—no, this is your home—and by the way, pay off your mortgage. The Sandlers were unique, years ago, of coming up with a system that you could pay your mortgage twice a month and not just once a month. That seems simple to you? It requires complicated computer programming, because all the computer programs and securitization programs all count on one payment a month. It's amazing how much you quickly reduce the loan by letting the borrower pay twice a month—and we had a system of doing that. World encouraged pay off your loan. Just pay it off, and don't go borrowing against it.

And again, World didn't believe in the FICO scores for underwriting. Fannie and Freddie did what we call desktop underwriting. You don't go out to look at the property. You just sit at your desk and you look at the FICO score and you look at comparables and you underwrite and do it that way. We knew the FICO score might be useful for credit cards. It was totally unpredictive for the mortgage for the family house. What mattered there, is who's the borrower? Are they hard-working? Do they care about what they're doing? And what's the value of the property? Is it going to hold up? And so we required pretty decent home-loan-to-value ratios.

Jim [James T.] Judd used to have this wonderful process. The company had two corporate jets—not for flying executives around. It was to get Jim Judd and his lending people to three or four or five states in a given day. They would fly in, get a van, go with the local people—look at every house that maybe went into foreclosure. "Okay, what did we miss here? What does it teach us?" It wasn't blaming people, it was, "What did we learn here? How do we keep this in mind? Should we do something different in our underwriting?"

And so the Golden West portfolios were very safe, and that's why we were unique. We didn't securitize it and sell it to anyone else. We kept it. We kept all of our loans. We did not play that game of WaMu [Washington Mutual] and everybody. So, go ahead.

01-00:41:20
Meeker: Well, I was just going to ask—who did you engage with at Golden West/World?

01-00:41:24
Roster: How do you mean?

01-00:41:25
Meeker: Who were your main contacts?

01-00:41:26
Roster: You mean as an outside lawyer?

01-00:41:28
Meeker: Yeah, as an outside lawyer.

01-00:41:30
Roster: Rich Crane, the non-lawyer who was delegating out questions and all. I didn't deal with Herb *that* much, because these were more operational things, so often it would be whoever is running the lending operation or somebody who's running the regional branches. Now again, when it got to be larger issues, the class actions that were going on—but there you had fifty/a hundred clients all jointly defending the class action. So then there would be meetings of the CEOs, and I would sit in on those.

01-00:42:03
Meeker: So an example of a class action, one, I guess, would have been the one about the due-on-sale clause?

01-00:42:06
Roster: Due on sale, prepayment clause, and late charges, yeah.

01-00:42:12
Meeker: Are any of those worth discussing to provide insight into how the Sandlers ran their business?

01-00:42:20
Roster: Not really. Again, Bill McKenna was very good at reminding the industry why the prepayment provision was so important. And I remember we hired an economist, a professor at UCLA, Richard [W.] Roll, R-O-L-L, and if we were going to go to a jury trial, he was great. We practiced over and over. He explained what the prepayment is about in a way that a layperson jury would get, and when we did some practices they got it and said, "Oh God, of course! That's why you have the prepayment charge." But that didn't distinguish Golden West in any particular way.

01-00:42:58
Meeker: So there was a class action by citizens, people who purchased homes—?

01-00:43:03
Roster: By plaintiffs' lawyers. Well, no—by plaintiffs! You can find them—but no, this was a moneymaking—I'm not being cynical, it's how—it *is* what happens in class actions that still ticks me off. I get some notice that Verizon has overcharged me, and I'm a member of the class. And what's my settlement? I can get $20 off if I buy a new phone from Verizon, and renew my contract for two years—and the lawyers get $20 million. So Verizon has paid off the class action where they've done well, and they've cleverly used it as a marketing scheme on me! I once made the mistake of writing a judge that I opposed it. I was already retired. I was opposing some settlement. I was put on the mailing list for every single damn—I was getting packages every single day of all these lawyers churning out stuff, so I had to write to the judge, "Please take me off your list. I don't want to see this, and I'll go along with the class settlement."

01-00:44:03
Meeker: Interesting. Tell me about your decision to leave Morrison & Foerster and join Stanford.

01-00:44:11
Roster: Yeah, that was total serendipity I guess you could say. I was sought out by Bank of America potentially to be their general counsel. And I used to think—there are only two or three places I'd ever dream of being general counsel: Bank of America, Stanford—and I can't even remember the third one at the moment.

01-00:44:36
Meeker: Stanford because you were an alumnus?

01-00:44:37
Roster: An alum, and I was later chair of the alumni board. [laughing] About every five or ten years, when the banking industry gets in trouble, the directors and officers get in trouble, and I do seminars on what did you people do this time around? And we were doing a conference at the Marriott near LAX on bank director and officer liability—and it was a good conference. We had lots of lawyers, lots of in-house lawyers, a lot of executives in that room—maybe three hundred. And on the panel with me was a guy named Scott—I forget his first name, not Gordon, the other Scott from Stanford Law School. [Kenneth E. Scott] And he had been a regulator in the past. The panel was over, and I was about to catch my afternoon flight to Washington. That was my routine; every other week I'd take the—because I'd put in a full day here, fly to Washington, and show up at the office the next morning and work on the airplane on the way there. Ken, Ken Scott. So Ken pulls me aside and says, "Would you be interested in being general counsel at Stanford?" And I said, "Ken, everybody would want *that* job. Why? It's open?" He said, "Yeah, Gerhard [Casper] fired the general counsel."

What do I know? Sure, so I just got on the airplane. I got to our Washington office and said well, that would be interesting. So I updated my resume and sent it to him. I didn't realize he was on the search committee. And unlike most places—like most normal organizations, a university has a faculty search committee for the general counsel. And they fly me up there—well, actually first of all a major recruiting firm actually shows up here at my house in Pasadena. I said, "I'll still donate. You didn't have to waste your [time]," because they flew down from San Francisco. "You didn't have to fly here to talk." They explained I wasn't exactly what they were looking for. They wanted someone with university experience—and it was also the two hospitals and the whole medical center—who had healthcare knowledge and all that. And I said, "Well, it's fine. Don't worry about it." And then a few weeks later I get asked if I'll fly up and meet with the search committee. Oh, okay, what the hell. And they sent me some material, and I'm on the airplane—maybe it was PSA at the time. I'm looking at the numbers and going whoa! What is going on there? Because the numbers were high, the budget and everything.

01-00:46:51
Meeker: The numbers were high. What kind of—?

01-00:46:53
Roster: The cost of running the Stanford legal department, and what we were paying in settlements and things like that. So this was a committee. It's got Ken Scott from the law school, it's got the chief of surgery—it's got this kind of mix of faculty. And we're talking, including about the alcohol policy and things like that, and one of them blurts out—he shouldn't have said it, "You're the *first* person who made any sense of all these people we've met." It kind of took me by surprise. Okay. And then I get called two weeks later, "Gerhard would like to meet with you." So I fly up again—and I'd met Gerhard once or twice. He had come from the University of Chicago to be Stanford's president. And we're in his office and we're talking five or ten minutes, and all of a sudden in his wonderful German accent, "Ja, I want you to be my general counsel." I said, "Gerhard, no, no. You need to think about this. You don't make decis[ions]—. He said, "Why? I want you to be it." And he said—and explained he was going to name Condi Rice as provost tomorrow, John Shoven as the head of the School of Humanities and Sciences, and he'd like to name me as the general counsel. And I said, "Oh, you're going to do a hat trick." Gerhard is *not* a sports fan. He had no idea what I meant about a hat trick. And I said, "Don't worry about it." I said, "Tell you what—you take twenty-four hours. If you really want—." And so exactly twenty-four hours later my secretary—I'm back here in LA at my office, and she says, "There's some man with a German accent who says you're expecting his call." And I say, "Yes, Gerhard?" He says, "Ja; it's twenty-four hours. Will you take it?" And I said, "Okay, I'll do it."

Now, it was a shock to my lawyers. I had very close ties to the lawyers working with me. I always had wanted to bring the next generations up.

That's how I ran my practice group. It's absolutely alien to me what many of the modern lawyers do with, "It's my book of business, and I will sell it to the highest bidder." My view is no, no, no. My job is to mentor the next generation, just like Bill McKenna and Paul Fitting mentored me, and they passed on to me *their* practice; it's my obligation to build that practice and pass it on to the next generation. So I'm thinking all right—this is a good opportunity. And I had already started to feel—our biggest competitor was not Gibson Dunn or Latham & Watkins; our biggest competition was the other inside lawyers. That unless we got better at what we were doing in law firms, we were going to potentially *lose* what we do. So yeah, okay, I'll go in-house, and I'll be general counsel at Stanford.

I had no idea what I was getting into. [laughing] I think all of us on the administration the first six months would have said, "Had we known what we were getting into, we never would have taken this job." And in fact my counterpart at Cornell had, like me, been a managing partner at a very major New York law firm, had been chair of their alumni board, had become Cornell's general counsel and walked out on them after two months and said, "This is insane. I will not do this." His successor was the Congressman from Ithaca, who had retired, "Oh, this is a great job!" He walked out on them after several months and would not do it. Because when I called them to find out how they had done certain things they had to explain—those people are not here anymore, we have *another* acting general counsel. And that's when I learned being general counsel of a university is a very difficult, complicated job. When we did the merger with the—remember, we merged our [Stanford] medical center with the University of California—UCSF. And then I had to do the unmerger. And the legal staff at UC was phenomenal. Jim [James E.] Holst was the general counsel. Challenging as my job was at Stanford—being general counsel of the UC system is unbelievable. People have no idea of what goes through a modern university. It's not faculty or student issues—it is some of the most complicated legal issues you can imagine, and it's *everything*. It's government contracts, it's HR, it's intellectual property, it's medical center—it goes on and on. And it's like a fire hose on you twenty-four hours a day/seven days a week. Gerhard, about a year or two into it said, "I knew all the firms in Chicago—Kirkland & Ellis, and others and their lawyers all had their little specialty. I'm watching you—you're covering everything. You seem to know what you're doing." And I hadn't even thought about it. And I said, "Well, it's probably because I headed the last of the practices at our major law firms where you *had* to be able to do everything. When you're running bank [practice], even though I had to know all the bank regulations, I had to understand what they did with HR, and wanting to know if your property would be at risk, and what it would do to litigation. Again, most modern law firm lawyers don't get exposed to that. But it's why I ended up doing it, and I thoroughly enjoyed it.

01-00:51:41
Meeker: Was he suggesting that you needed to potentially expand?

01-00:51:44
Roster: No, no. Quite the contrary. I inherited twenty-seven lawyers and paralegals, and I brought it down to five.

01-00:51:50
Meeker: Wow.

01-00:51:51
Roster: And we brought in three law firms at fixed pricing. Back then, that was radical. I never heard of the Association of Corporate Counsel. It's the trade association of all the in-house lawyers. They had me speak to their annual meeting a year after I did this outsourcing. I was their public enemy number one, that I had changed things as I did. Then they put me on the board, and then I became the chair, and now I head the Value Challenge, where we're basically saying to both inside and outside lawyers, "You've got to change what you do." And the Sandlers knew I had done that. That was, I think, one reason Herb was interested in recruiting me, because I didn't believe in the traditional method.

01-00:52:31
Meeker: You know, you had mentioned to me, I think, some role that the Sandlers played while you were at Stanford. Was it simply just—?

01-00:52:40
Roster: Yeah, no, no. Again, they're tough businesspeople. [laughing] I got along fine with them, and I respected their toughness. So I go to Stanford—I didn't even plan to ever talk to them once at Stanford. Out of the blue Herb calls and said, "Marion and I are having some friends over for brunch on Sunday. Would you like to join us?" "Sure, okay." And I don't know if, you know, this was at their condo in San Francisco with the big round table. And Herb and Marion would hold these brunches on Sunday. The most wonderful thing! There was never side talk; there was a single discussion, and Herb would start the discussion. And a very diverse group of people. I would tell people years later the most intellectually challenging time I had at Stanford was the time I sat around the Sandler table. Some of the most extraordinary discussions—not academic per se, but really important discussions. And then out of the blue they said, "What are you doing at Thanksgiving?" I often came down here to Pasadena, but that year I wasn't. He said, "No, come join the family." I went *whoa!* And I did.

01-00:53:47
Meeker: Do you remember what some of those discussions were about at the brunches?

01-00:53:49
Roster: One example, medical ethics. For example, do you have a right to die? And we had the chief ethicist from an East Coast medical center and a prominent chief justice from elsewhere in the world. You know, and I would have thought their answer at the beginning was self-evident—yeah, you have a right to die. By the end of this discussion, I think we were all worried about

whether you have a right to die, because we got into the issue—well, who will decide? And to what extent will insurance underwriters play a role in how much intervention is appropriate? And those who are wealthier will be able to buy into extending life. Others—it won't become *Soylent Green*, if you remember the old movie where we recycled people.

Meeker: [laughing] Soylent green *was* people.

01-00:54:36
Roster: Yeah, yeah. But the reality is it was a more difficult issue than I ever expected it to be as we talked it out.

01-00:54:43
Meeker: But I assume that you would have brought some of your legal expertise to bear on the conversation?

01-00:54:47
Roster: Those discussions never *were* like that.

01-00:54:51
Meeker: Okay.

01-00:54:52
Roster: There was never, "What does the lawyer think?" First of all, everyone in that room, typically, had a very catholic, lower-case C, understanding of life. So you'd never sit there about well, what does the lawyer think? No, no, it was—and that was one of the great things about the discussion. It was just the quality of whoever was speaking and what they had to say.

01-00:55:18
Meeker: Did you get to meet some people who you stayed in touch with at those lunches?

01-00:55:24
Roster: Some. It was more the Sandlers bringing us together. There was a prominent professor of English at Berkeley. There was no reason that I was going to call *X* about—let's talk about a new novel, or anything like that.

01-00:55:42
Meeker: You said that you then started to go to their house for Thanksgiving.

01-00:55:47
Roster: Well, that was one time. And again, sometimes weekends. And again, it never even dawned on me while I was there that just like them, they—when they were home, they were husband and wife and raising a family. And yes, they might work at home for two or three hours, but when that's over, that's over. It's not what we do here at home. I never even thought about, when I was with them—we were friends, we're at the house. We enjoyed being together. When we're at the company; we're at the company. We do what we do. I think most

people at the company would have been surprised to see them at their home in Lafayette—Marion would often have these lobster fests, and she's in a sweatshirt and no makeup—and this is not the Marion anyone knew. And Herb's in a floppy hat to protect him from the sun and maybe twenty friends and some family members just enjoying lobster. And Marion's opening lobster parts and dipping—from a Maine background, this is what you do! So it was those functions—totally different. Totally different, and I think most people at World would never envision this couple that way.

01-00:57:01
Meeker: Was there anything that traveled from one to the other, like a core of personality or something that was—?

01-00:57:06
Roster: No.

01-00:57:07
Meeker: Or it just seemed like two separate operations?

01-00:57:10
Roster: No, and they weren't going out of the way to do that. There was never a kind of well, now we're home we're going to be the home Herb and Marion now/we're at the office, we're the office [Herb and Marion]. No, it's just how—it's why they were so successful, including at the office—Marion, we can't do this. Whatever. Got home—totally forgotten. We don't argue, we don't litigate that.

Now, I'll tell you one thing. They had an opening for the general counsel, and they knew I was probably looking to do something after Stanford. So they said, "Would you come over? Do you have any interest in coming to the company?" And that hadn't even crossed my mind. I said okay, and I was—in fact, it was the beginning of Christmas vacation. My route was to drive down Interstate 5, so I figured okay, I'll swing through Oakland and meet with them for a half hour or whatever, and then I'll get on the 580 and battle traffic—that interview was among the most challenging interviews I've ever had in my life. [laughter] Three hours, I think. Marion grilling me, just grilling me, appropriately. What do I know about management, things like that. And it was a tough interview. And then when they hired me and I joined them, for the first year—maybe it was two years—I reported to both of them. That was unique in the company; virtually no one reported to both. And that was challenging, because Marion had one style of management, and Herb had a very different style of management.

01-00:58:44
Meeker: How would you describe those two?

01-00:58:46
Roster: Herb's kind of talk it out, whatever. Marion is—[rapping table for emphasis]—what are your three points? You'd better have them in order. And

you'd often plan, you'd think it through, and you'd sit down—everyone went through this experience with Marion. You'd be thinking it through, and you think you've got it in order, and she asks you the most obvious, basic question that hadn't even crossed your mind. And you think what a fool am I. [laughing] Oh God, and she just cuts to the core of the matter. And she didn't do it meanly—it was right to the core of the thing that you should have caught all along.

But there was one thing that came up—I don't remember what it was, and I was frustrated. And I went to Herb, and I was just telling him—"You know, come on. What do I do about this?" And there only were a few times he got stern with me. Not harsh or mean. He said, "No, you don't do that. You have issues with Marion; you discuss it with Marion. You don't come to me. You deal with Marion. And if you have things with me, you come to me on my issues." But then he said one of the most interesting things. He said, "You have to understand, the quality of this company and the uncompromising of our standards is because of Marion Sandler—and always remember that."

I walked out and go, "Oh, my God! Of course." See, Marion maintained the company standards—tough. I sometimes tell people now that she was like the strictest teacher you've ever had, and everyone goes, "Oh, you don't want to take her course. She's tough. She's going to call on you. She's a tough grader." That's Marion. You then realize that's the best teacher you've ever had, and you revere that teacher—that toughness is what you really, really cherish—you learn from it a lot. And that was part of the company always, and as Herb put it, the standards of this company are due to Marion Sandler, and he was right.

01-01:00:35
Meeker: Well, that's interesting, because that then goes back to—I believe it was what McKenna said, "Watch Marion."

01-01:00:41
Roster: Yeah. Now again, he fully appreciated Herb's strengths as well, but he knew the force Marion was as well.

01-01:00:51
Meeker: You know, by this point in time—you arrive there, I guess, about 2000? Yeah? Right.

01-01:00:59
Roster: February 15, 2000.

01-01:01:00
Meeker: February 15, 2000.

01-01:01:04
Roster: I know because we had a trustee meeting that morning, so I'm sitting with the Stanford trustees, where things are kind of moving around, whatever. And

then I drive across the bridge, quite literally, and that afternoon I'm invited into a meeting where clearly I don't know a lot, but it's a serious problem with a mortgage portfolio. And I watch, in half an hour, the most focused, open discussion of this mid-level management team. They're working it out and they're coming up—why don't we—? And I said to myself, "Well, that's certainly not the way Stanford runs!" I go back to my desk, and about an hour later a project management plan flashes on my screen. I'd never even seen one before. Somebody in that room—I didn't even know they existed—had been taking notes, not pushing us, had been mapping out everything that was going to be needed to work on this project and solve it, and the plan allocated everybody's responsibility and the due dates and everything. I went wow, this is a different world I'm in now.

01-01:02:00
Meeker: It sounds like it felt good. [laughing]

01-01:02:03
Roster: Oh yeah, yeah! Bear in mind, there are benefits to both—what it takes to run a university versus running a corporation.

01-01:02:12
Meeker: You know, by this point in time, around 2000—and certainly ramping up in the few years afterwards—they both become much more engaged in their philanthropic work. And certainly part of their philanthropic work is political, particularly around the Center for American Progress, which was established in 2003, I think.

01-01:02:37
Roster: We would sometimes go to dinner at Sam's Grill. It's funny, because when I came to California the first time in my life I was with my dad and stepmother and half-sister, and our first dinner was at Sam's Grill. So there was always this sort of fondness there. And when I was working at *Time-Life*, they would sometimes put me up in San Francisco for spring break, for the entire week, I'd go over to Sam's Grill for a meal. And the Sandlers—we really liked it there. I remember sitting around the table naming Center for American Progress. Marion is saying, "What should we call it?" How about *Center*? The same thing for ProPublica—sitting around, and she's looking at Herb and me, "Isn't there something you lawyers call pro-something, *pro bono*?" Okay, and out of that comes the name ProPublica. So go ahead with your question, yeah.

01-01:03:25
Meeker: Well, I'm curious about the bleedover, if you will, from their philanthropic work to what's going on at Golden West. I don't know what the word I'm looking for is here. [laughing] But you know, was there any overlap between their philanthropic work and what they were doing at Golden West?

01-01:03:53
Roster: Right. Absolutely none, absolutely none.

01-01:03:57
Meeker: Okay.

01-01:03:59
Roster: It was fascinating to watch, because you know at a lot of our major companies, the CEOs use their CEO position to chip away at political and social stuff. And Herb and Marion never would allow the company to become a political entity. Now clearly, we'd have relations with some members of Congress—but on both sides of the aisle. And they often—in the company's successes, they respected the company. They respected what we did. They knew we were going to be honest.

When I was an undergraduate at Stanford, Bart Lytton—by the way, of Lytton Savings—and some industrialist from Chicago, some manufacturing guy, we had a panel at Stanford and I was involved in it. And the question was: Should a modern corporation be a social force for good? And it was fascinating. Bart Lytton absolutely was arguing for that. Yes, we should be. The other guy was saying absolutely no—our task is to stay focused on what we do as a company. Now, you reward your workforce. You do the right things in running the company, but you don't start treading into the political and even social do-good work.

I don't know if the Sandlers thought about how we got—no. It was never—if you were to ask members of the company did you feel the company was political—nothing at all. And in banking you have to do community outreach, Community Reinvestment Act and all. We were unique, because we actually made good loans to lower- and moderate-income families including minorities. In fact, we were sought out by Fannie and Freddie because we had such a strong and diverse portfolio. But we did it because it was the right thing to do, not because we were figuring out how to be political and do this. And we did not do what—we didn't have the Bank of America Foundation that's giving $5 million to the symphony and $30 million to—we just didn't do that. You don't do that in the company; you do that on your own time. So the Sandlers, yes, they would do that on their own time with their own money—never the company.

The interesting thing is once a year we would reward employees in the company for *their* outreach to the community. But it wasn't the way a Bank of America/Wells Fargo would do it—oh, well, we're going to give you time and we'll take credit for this. No, no. This was on their own time. We're not giving you time off! We're not giving you money. If you want to do it, you do it. Good for you. And Herb said—and he invited me, and I went to every—but the first year he said, "You're going to be amazed at what you see." And he said, "You may start crying." He would sometimes cry. We would bring in fifteen/twenty people—they could nominate themselves, or their coworkers could, of things they were doing that deserved recognition. Now, you know, at some companies you'd give them $50,000 or $100,000. I think we gave them

[several thousand dollars] and a lunch with the Sandlers, which was the highlight. Okay, we're going to have lunch with the Sandlers.

We would go around the room, and each one would tell about the things they were doing—and it was truly impressive. It wasn't the Bank of America Foundation or the Fannie Mae Foundation—it was a woman, let's say in San Antonio, who was working in a shelter for battered women. She was there every single weekend, and she was pouring her own savings into it and getting others involved because *she* believed in it. And you would—all around the room, these were people who were absolutely involved in—because it was the right thing to do for them. It wasn't because Golden West/World said, "Oh, do that and we'll get some credit for you." So back to your question—no, no, no. The political, or even the [social improvement] stuff, was never part of the company, other than our core operation.

01-01:07:50
Meeker: Let's talk about the last phase, the last number of years of Golden West. Actually, let me first ask—you've moved from being an attorney working with them outside of the company to being general counsel inside the company. Was there anything that surprised you when you arrived? And there was also what, a seven-year gap—?

01-01:08:17
Roster: No, no, but bear in mind, I still went to the American Bar Banking [Law] Committee twice a year and still read the *American Banker* at Stanford and all. So no, I could still understand the industry. The surprises were I thought I knew the company. Seeing it run inside; there were a lot of aha moments. You're going, "Oh my God! Of course; this is how it works." I was surprised at how truly extraordinarily well run that company was, and how lacking of overhead, how lacking in silly nonsense it was. I sort of knew it, but watching it was—you've heard the legend. There's no receptionist on the headquarters floor, and I was on that floor. Yeah, there's not—why waste money on that? No, no. No issues about that.

The joke was you can only have one size paper clip, not two. And I told that to somebody, "Yeah, that must be apocryphal." And he said, "No, I'm the one she ordered to do it. "Why do we have two sizes? We're going to have only *one* from now on." We weren't supposed to have Post-[its], you know, the little yellow stickers. And you didn't cut articles out—you didn't waste time. This was—I have to assume this was a Marionism. A paper would show up in my in box, just kind of random. No cover note saying, "I thought you would find this of interest." There are just a bunch of initials in the upper right-hand corner. You think, what the hell is *this*? And you go oh, Herb started it. I get it. And you suddenly had that aha moment. Oh, but of course—I don't need him to say *I thought you'd find this of interest*. I don't need transmittal notes. Here it is, okay, I got it. Cross your name out, on it goes. The whole company ran

that way. You just didn't waste time or effort, and no one had to explain it to you, necessarily. You'd go oh, okay. I get it. Good—good system!

In San Antonio we had a nice cafeteria, a very—kind of a campus environment that the Sandlers built. And they built it on land [the company purchased], and donated half the land to a community college, so the community college was built on the other half—which was great for our workforce, but it also gave us access to people coming to us. The tradition of the company—you don't hold lunch meetings. Now, at Stanford every meeting is a lunch meeting. At Morrison & Foerster—my God, the whole building was tied up in lunch meetings! Who's coming around delivering the sandwiches here? And then, after the client meetings, the staff swarm and everyone takes more food home. At Golden West—*no*. You don't waste money on that. We don't waste time on that. You go to the cafeteria, you have lunch. If you have a meeting, go have your separate meeting. We don't waste time that way.

Most people left at five in the evening, but it wasn't the civil servants' kind of—it's five o'clock! We're getting out of here! No, you were expected to show up on time, you were expected to go home, be with your family, or do what else you did. In fact, it was sort of—again, it was never stated. That's the beauty of it—no one stated it. But the sense was you're not very efficient if you're hanging around here too long. Why are you here at six? Why are you here at seven? There was no *benefit* to being around and have the boss see you around. No, you're supposed to get your work done, and go home and hopefully do good things when you get home. That was—it was interesting to watch. Because at a law firm, you sure better be there at nine and ten at night. You're expected to be here.

Any other surprises? Just watching how Herb and Marion interacted. And then, I did not know Jim Judd or Russ Kettell before. I knew the names; we interacted a little bit. Watching how effective they were—because it was a four-person management team, and how really effective the four of them were—they had *very* different personalities. Herb and Marion were different, but each of them—very different people. Respected each other, each had their strengths. We knew their strengths, they performed, and you just watched. In half an hour—make decisions, move on.

01-01:12:27
Meeker: Well, I think that's one of the things that I find to be interesting, and found to be interesting, is the way that it's talked about as Herb and Marion Sandler—they were the proprietors.

01-01:12:39
Roster: Herb and Marion was almost a single word.

01-01:12:40
Meeker: [laughing] Right!

01-01:12:40
Roster: Yeah, *HerbandMarion*. It was kind of *HerbandMarion*, yeah.

01-01:12:43
Meeker: But then there were also, two, other individuals who—I think one of them was president.

01-01:12:49
Roster: Yeah, one was president of the holding company, and one was president of the World Savings, and it was flipped in the other way. But they each had their areas. Jim Judd was running the operations, the branches, the lending system and all. And Russ was running the finances, chief financial officer. He was watching out for our balance sheet and our borrowings and whatever.

01-01:13:15
Meeker: Was it of your opinion that they were granted the authority that would typically go with those positions?

01-01:13:20
Roster: Oh absolutely, absolutely, right, right. Now, again *HerbandMarion*, the single word, okay. Herb and Marion will do what they do. But there was no issue if Russ were to come and say, "I don't think we should do this." Or, "I think we need to look at this." Herb and Marion—if you worked for them for more than a year or so, you're only there because they trust you, and you understand them and they understand you. And so the culture is—yeah, you express what you think you need to express, and it'll be listened to, absolutely. Now, I'm not kind of making up this kind of Camelot thing. And, if anything, that did surprise me a bit. People think universities are highly political. At Stanford, it really was not. Gerhard, in particular, and Condi Rice created a culture—you spoke up. In fact, Gerhard's motto was: "Business as usual, at Stanford, is that there will never again be business as usual." You'd better speak up if you think something needs to be fixed or given attention. The same was true at Golden West.

Another surprise, if you will—I don't know if you knew the two guys who used to run Wells Fargo. I'm going to forget their names. They were kind of like the Herb and Marion, but they were two guys.

01-01:14:45
Meeker: Carl [E.] Reichardt?

01-01:14:46
Roster: Yeah, Carl and the other guy. [Paul Hazen] The joke at Wells is every two years they would shuffle the deck. They would just move people around. People go, "Oh my God, what have they done?" And you would sort of, "Oh God, it's coming, the shuffle at Wells, moving people." And I think you know back—the old really strong Wells Fargo produced many of the key bankers throughout the country. If you came up the management ranks at Wells Fargo,

you were well trained—Dick [Richard M.] Rosenberg, running Bank of America came out of Wells—many of the leaders of the industry did.

What I didn't realize is Jim Judd did that at Golden West/World. And Herb, would say, "Oh yeah, that's Jim." The system was, every two/three/or four years, Judd would simply reach down and grab somebody and say, "You're going over here now." Sometimes the person you were reporting to—you became their boss. Totally unnerving sometimes. Many times it made no sense to the worker—what did he do? And then you'd start to watch—! Brilliant! So for example, technology, back office, computers—that is a nightmare at any company. Judd, out of the blue, took our head of lending and said, "I'm moving you to San Antonio. You're going to head IT." He said, "I don't understand anything about IT." "That's why I want you there. I want you to drive it, to make sure it's producing what we need in the branch system and the lending. I don't want it to be interesting for the IT people. I need it to be managed to be producing what we need while you're there." Fantastic.

But there was also a tradition at the company—I didn't see it personally, but I was told about it numerous times. We also made it clear to people that if we made the move and you didn't succeed, it was our mistake not yours. Our fault. All right. We thought you could do that one well. We're not going to fire you because you didn't succeed—and it was important to be able to do this, that people understood—we're not going to kill you because we put you in a difficult spot and you couldn't do it. We're going to say, "Our fault. Okay, where should we move you now?" All right? So out of that you're building—you get people out of their safe silos. They don't just say I'm going to be this forever, and I've got to get rid of the person above me if I'm going to get my promotion. You're getting people to realize their potential—but you're also cross-fertilizing the entire company. You've got people who are in new fields, but they understand the people in the other parts of the company. At Bank of America and all—they have no idea what those other people do. And I watched—middle management and above that, people who really understood how the company works.

Another thing that was interesting at the company, when Herb first interviewed me about coming in, he pulled these papers out of his pocket. And I said, "Oh, I have that too." And Marion goes, "Oh God, you too?" "What?" She said, "That's what Herb does."

01-01:17:45
Meeker: Yeah, it's your notes.

01-01:17:47
Roster: My script! Herb takes them out and he holds them, and he said—in this little—and pencil, by the way, like I do. He's got, I don't know, fifty names. And he's saying, "Let me show you," and he's starting to name all these people, and he's proud as a papa. "Bill's in here, and he's *fantastic*. And we're

working on this." And then he said, "But let me show you what's down below. These people, we think he's going to be fantastic, and he's," and you just see this pride in him.

I'm one of the few who would sit through the board meetings, because I'm the general counsel. The tradition was you didn't have the head of a division giving the board presentation. You went down one or two generations. And by doing that—first of all, you told the head of the division, "You're not such a Pooh-Bah that only *you* come around." And bear in mind, most of them were comfortable. They didn't need to be Pooh-Bah at the board meeting. We were telling the next generations you're really important. You're coming to the board—*you're* telling them about the lending changes we recently made. You're going to explain to them where we think these are the three highest risk factors this quarter and what we'll be doing about them. *And* we're always telling the board—we're doing this partly because we want them to have the exposure, but we want you to see the next generation, so *you* can help evaluate the next generations of management here, that it won't be a surprise to you. That you will *know* them. So if we say we think Bobby is going to come up—most of the board said, "Oh, fantastic! She was fantastic at those last few meetings." You won't find many companies, anywhere, that do that.

01-01:19:25
Meeker: Well, it's interesting that you have executives, chief executives, who pay really close attention to not just one or two levels beneath, but it sounds like many more.

01-01:19:39
Roster: Right. So I'd sometimes walk in on Herb, and he might be contemplative. I said, "What?" Herb had a tradition, back when the company was smaller, he would call everyone on their fifth, tenth, fifteenth, twentieth anniversary. Now, that was a big deal at Golden West/World, that the Sandlers called you. And I don't think anyone expected it, but, "Martin, this is Herb. It's your tenth anniversary. I just want to thank you for being at the company." You won't find many CEOs who do that—and do it because they really mean it, as opposed to the PR groups that, "Yeah, here's your list. Here's three buzzwords you can say to them, all right?" And he would tell me, "That was Sally." Are you still with me? "Do you know Sally in San Antonio?" I said, "No, I don't think I do." "We hired her twenty-five years ago. She didn't finish high school. She was a branch teller, but we—she's now a regional manager. Her stock is worth well over a million dollars. She's put three kids through college. She owns the home. She's donating half of what she makes to this charity she works in." And over and over these people would say, "Mr. Sandler," and they'd all call him Mr. Sandler. There was no Herb-ing going on—Mr. Sandler or Mrs. Sandler. "I can't tell you what you and this company have done for my family." And we would get that over and over and over and over again. Every one of those calls. And it wasn't because they were making

it up or trying to ingratiate themselves with the CEO. They were telling him very sincerely what this company meant to them.

01-01:21:11
Meeker: Well, spending twenty-five years in any single job—

01-01:21:13
Roster: Yeah, but in most companies you have huge turnover.

01-01:21:18
Meeker: Right.

01-01:21:19
Roster: At Bank of America, Wells Fargo people are coming and going—whatever. At Golden West, particularly after we moved to San Antonio—and USAA was there, so they would try to recruit some of our people. Then over time Chase and Citi had their operations centers there. World would sometimes lose people to these competitors. We *gladly* took them back—and many came back. And they would tell our workers, "Yeah, I was getting a hundred dollars more a month. God, it was not worth it. [laughter] You have no idea what this company is like, how much better." And that was great for the workforce to hear that, sincerely, from their coworkers.

01-01:21:55
Meeker: Well, this then all comes to an end with the sale of the company.

01-01:22:00
Roster: Right.

01-01:22:01
Meeker: And as general counsel, I imagine you must have been brought in pretty early on in this process.

01-01:22:07
Roster: Right.

01-01:22:08
Meeker: Can you walk through that?

01-01:22:11
Roster: Oh, it's a very memorable time. [laughing] I'm in my office. Herb says, "Can you come down?" You know, we're on the same floor, so this might happen five/ten times a day, "Mike, can you come down here?" So I come down, he says, "Close the door. We're thinking it's time to implement the succession plan. I want to talk to you about the possibility that you will play this senior executive role, and Russ, and whatever and whatever." I said, "Oh." Okay, he said, "But I've also been talking to investment bankers, because before we can do that, we also have to make sure about the attraction of selling the company. I've been talking to so-and-so, and we're looking at potentially—not because we plan to, we actually don't plan to unless—so here's my list of potential

purchasers. What do you think?" And I'm whoa—because no one on earth would ever expect Golden West to be sold.

I gave him my thoughts on it. Some things transpired that resulted in Wachovia expressing a strong interest in—yeah, I was with Herb and Russ when we sat down with the Wachovia people at the Park Hyatt, and we're talking through whether this made sense. It was the first meeting, and then Herb separately went off with the CEO to talk real deal terms, and it looked like it was in the ballpark, even though the succession plan still was potentially to be implemented. Now, again—I was flattered at a role they wanted me to play, along with Russ, Jim, and others. But I had enough clients to know that often it's only every other leadership team that succeeds. When you have the great head of Stanford, the great head of Bank of America—the next person is never going to be that great person. You're going to go through a year, two, three years, of some turmoil and chaos. And then you're going to settle down, because you're often going to bring the next person who brings it back to order. So I thought oh, this will be interesting.

01-01:24:22
Meeker: Sort of being the transition—so you were—?

01-01:24:23
Roster: Well, that's not what they had in mind. But in my mind, I've known enough from my clients—and particularly, you're replacing Herb and Marion? No one's going to replace Herb and Marion, all right? [laughing] It would be a challenge, for the new management team. But so we—then I had to call in my lawyers and say, "You can't tell another soul. We're convening the board, and we're going to talk about a sale." And they're going—it's Steve and Shawn, two of my deputies are going—what?

01-01:24:51
Meeker: So Steve Daetz and—?

01-01:24:52
Roster: And Shawn Sax. And it turned out the board was meeting, I think that week or the next. And we were—I can't remember if we were at the Sandlers—I think we were at their house, at the condo, at the time. And we were having a dinner, and Herb said, "Now, I'm going to raise something with you that's going to be a surprise. Outside are two lawyers from Wachtell Lipton, and we're going to talk about a potential sale of the company." You could hear the gasps from the board. Although also looking and saying, "Huh, we wondered if something like this was coming." And so, I had always known if we ever got something like this the lawyers I would use the lawyers at Wachtell—so bear in mind, they flew out in eight hours' notice. They were prepared, we walked through it, and then the next day we walked through it some more—and we made the decision to do it.

01-01:25:47
Meeker: Why did people expect that something like this might happen?

01-01:25:52
Roster: Well, you're always worrying about—first of all, you've got the thrift industry. Okay, you've got all the challenges. You've got WaMu that's been gobbling up everybody. You've got Home Savings, Great Western—we're among the few that's still doing adjustable-rate loans. WaMu is doing it, but it's a different kind of a thing they've done. IndyMac is a disaster, and we know that's sitting out there. And they are—if you're a board member, and remember I was—when I was at Stanford, I was an outside director and vice-chair of Silicon Valley Bank, so I'd been there when you're going—we're never going to replace John [C.] Dean while he's CEO. The consultants all say, "Oh, you have to have a succession plan," like the GE nonsense. You can't have a—if you've got a strong CEO, he's going to kill anybody who's coming up, unless or until he's ready to think now I might deign giving it to someone. So if you're at Golden West, you're not going to raise with Herb and Marion, "Well, I think it's time you people go away and we'll find somebody else." The succession plan has to be, "If and when you're looking at it, we have to talk about what to do." So sure, it's on the board's mind.

The sale to Wachovia was a surprise, except remember—Wachovia was a very well-run company, but then First Union bought them, because First Union was a basket case and changed its name to Wachovia. Herb and Marion—I think his name was John Medlin something like that, who had been the CEO of real Wachovia. And they always would say to me, "That's the one other bank in the country we respect. Their branch operations are exactly the way we would run branches. If we were in commercial banking, it's exactly what we would be doing." So even though we knew Wachovia was largely First Union—okay, there was a match there. There were some other benefits.

And then I was with Herb—Marion did not sit in on these. Herb, Russ Kettell and I, we spent several days after the merger was underway with the CEO and the CFO of Wachovia—and again, this wasn't my area per se, showing them a billion to two billion of overhead could be cut out. If you really brought discipline to that company, it was an absolutely unbeatable company. So it made sense, even though very different businesses. We're a mortgage lender; they're into all the other stuff a commercial bank does. And everyone always expected Wachovia and Wells would merge someday. Wells, the West Coast strength; Wachovia the East Coast. It's just the two CEOs disliked each other, and you had to reach a time when both of them were ready to retire and someone could merge them, okay? This was an awkward way to bring them around. Not the way we would have done it.

Now, what I learned later on, remember—so we did the merger. And then months later we started to see problems going on. It didn't bother us, per se, it almost increased—wow, if they can only get this overhead under control, and

if they bring some discipline to this real estate crowd that's in New York that's taking chances, and if you can deal with these problems with the auto lending and the things we were learning about—yeah, you've got a strong company.

01-01:29:19
Meeker: What level of participation do you have in the new company?

01-01:29:22
Roster: None, per se. No, no.

01-01:29:23
Meeker: None. So you were basically—

01-01:29:25
Roster: We had our offices for about a year, as the Wachovia people were moving in, and then we were moving out. No, no. But the meltdown occurred while we were no longer at our offices. And remember, I think the government seized Washington Mutual on a Tuesday or Wednesday. Usually the government only seizes a bank on a Friday. For whatever reason, the government seized WaMu on a weekday. What then happened, because I would listen to KCBS, the CBS outlet in San Francisco. Suddenly, Thursday night, CBS—not just the local affiliate, the entire CBS network was saying, "And it's reported that Wachovia is going to fail this weekend." And it created a run on the bank. [Robert K.] Steel, I think that was his name, was the new CEO. While he had experience at Goldman Sachs and as a regulator at Treasury, as I recall, totally unprepared to what you do in those situations. And the board at Wachovia wasn't prepared.

But what was bizarre is the government was going to use Wachovia to salvage other failing companies. This was getting insane! Now, six months later I was getting recruited to come to Merrill Lynch and be a senior lawyer at Merrill, and I was learning stuff there that I hadn't heard. That Merrill and Wachovia had secretly been discussing a merger before the meltdown—they were far along, in fact, to merge. It didn't come about because of personalities, or some such thing. But during that two-week meltdown, the government was planning to put Wachovia into Morgan Stanley to salvage it. They were going to wipe out Wachovia, but they were going to salvage Morgan Stanley with Wachovia. Then the decision—truly, I think I've got all this right. And Citibank was crashing. They were going to put Wachovia into Citi to salvage *it*, and you're going—what in the *world?* You're wiping out a company to salvage other companies that are all crashing and burning? And truly, that is what was going on that weekend. The government was desperately trying to figure out what to match up. And again, I don't think I'm overstating it, and I said earlier in the interview—

01-01:31:51
Meeker: This was all in the wake of Lehman, right?

01-01:31:53 A
Roster: Yes.

01-01:31:53
Meeker: This was after that.

01-01:31:54
Roster: Yeah, and bear in mind—I still think—I'm not sure Lehman should have been wiped out; I'm not sure Bear Stearns; I'm not sure AIG. My point about in the seventies, I think I saw in bailouts, unless there's corruption, you lock down the company. And there's something weird about banking. Even if a bank is insolvent, people still send money to it—every day they send billions and billions of dollars to this company.

01-01:32:19
Meeker: Yeah, especially with direct deposit and all that stuff.

01-01:32:23
Roster: Yeah, everything. And if you run it right, it's going to fix itself. All right? I also learned from the prior bailouts, if and when you start pulling the thread out, it doesn't stop for a long time. And it ripples through, and you're—because I had to do this in Arizona in the eighties. We watched the government seize a bank. And having seized it, everybody around were then written down. And having written them down, you seized them, and those assets were then written down, and you were in what we called the spiral to hell. And Arizona *was* a true spiral to hell.

And again, I don't want to be Pollyannaish—if you've really got your wits about you, you say, "No, no, no. We're going to lock you down, and we're going to make sure you don't do stupid stuff." And bear in mind—we made money on the bailout. We the United States. The government should *always* make money on a bailout. The government's unique—it can print money! Not real dollars, but it infuses a trillion dollars, okay? And remember, the government made money on the entire bailout, except for our propping up the auto companies. The only part where we lost money was that we disguised the bailout of the auto companies as a financial return on their lending affiliates. But if you do it right, of *course* you should make money on the bailout.

So in any event, the big clincher was Merrill had already been seized, as I recall. And I actually did have—I called some key people in the government and said—because they were planning to wipe out—they came up with this idiotic concept that they were going to move the—remember, Wachovia had a reasonably strong securities operation as well, a securities firm. They were going to put the bank into Morgan Stanley, and then suddenly Citibank, and the securities part was going to stay separate as Wachovia Securities. Well, [the Wachovia banks and the Wachovia securities customers] were totally integrated in the computer. The interaction of the customer base, of the database, was absolutely intertwined. You're going to do what—in a weekend?

You're going to pull this apart? And I had to remind the government, because they had missed it—Wachovia Securities was the second-largest retail securities firm in the country. And you are going to scare the hell out of this entire country that you put Wachovia into bankruptcy, and you move the banking assets into Citi or Morgan Stanley and not kind of admit that you are really bailing them out with this little play you just did. And your second largest retail securities firm in the country is going bankrupt. And the computer has to be pulled apart, and there was—there was a gasp by one senior regulator. He said, "Oh my God." They had not thought it through.

Now, to the extraordinary credit of the people at Wachtell, during the legislation they snuck a single sentence into the legislation that allowed them subsequently, with their client Wells Fargo, to take—remember, Citibank went to bed that night thinking Wachovia was coming into them the next morning. If I—I'd have to go look at the—I think they woke up the next morning and maybe read in the newspaper, heard, that actually they didn't get Wachovia; it was merging with Wells Fargo. And it was to the credit of Wachtell, they had slipped in this sentence into the legislation that allowed them to do the deal. Wachovia [was held together as a separate entity] and it went into Wells Fargo, and Citibank sued and it was settled a year later.

01-01:36:16
Meeker: So I'll have to look at the transcript to try to piece this all together, but do you think that your conversation had anything to do with that?

01-01:36:27
Roster: Whoever knows what—no, I don't think the people in Washington had fully understood the security side of Wachovia.

01-01:36:36
Meeker: And when you say *Wachtell*, that's the securities?

01-01:36:36
Roster: No, Wachtell Lipton is a major law firm in New York.

01-01:36:39
Meeker: Ah, okay. All right.

01-01:36:40
Roster: It's the firm I used when we sold the company to Wachovia. But I'd always—again, I headed Morrison & Foerster's banking practice, and I knew my compatriots in the business. Nobody came close to Wachtell in quality. So I used them when we did the sale to Wachovia, but—and I had no involvement in this. It was only later I learned that it was the people—we had no role in it, but somebody at Wachtell apparently had gotten into that legislation a single sentence that allowed Wells Fargo to take it away from Citibank.

01-01:37:14
Meeker: So if this had to happen, which it sounds like you don't think it needed to, but it made more sense, in the end, for Wachovia to go to Wells rather than Citi?

01-01:37:28
Roster: Right, right, for lots of reasons. Citi is an international bank. Again, more recently, I've been on the board with a former CEO of Citibank, and I've gotten to know him, and we've talked a bit about this, not a lot. Every bank—every company, every—entity—it has its own DNA, it has its own culture; it has its own structure. Mergers are very difficult. Most of them don't work, right? They really don't, unless you've got a real leader at the top who demands that you do it my way or no way. But to the extent you're looking at the DNA, the bones of the company, Wells/Wachovia—everyone always expected some day they would merge. Wachovia/Citi would be a really interesting but difficult thing to put together. It could have been done, it could have happened, but this was a better approach. The best approach should have been to let Wachovia function on its own. Bring all of the banks into stability quickly, reasonably quickly. You tell the country no, things are in order. There's a safety net. Everyone has a safety net. They're not going to go under. The various banks and securities firms have been locked down. The United States has infused—pick a number—half a trillion dollars in them. We have these capital notes, and it would take a gutsy politician to do it, to say—and we expect to make a whopping return on this for the taxpayers.

01-01:38:57
Meeker: Is the reason why that didn't happen is the governors of FDIC feared that they *would* go bankrupt?

01-01:39:06
Roster: No, no, no, no. Governments don't go bankrupt. [laughing]

01-01:39:08
Meeker: Right, okay.

01-01:39:11
Roster: The FDIC is run by a board, not—no, no. I don't think the FDIC—well, sure, they'd worry about the insurance fund, because they're insuring things. No, it was more Treasury, it was [Hank] Paulson at Treasury and others. You're worried about the international markets; you're worried about debt-default provisions in indentures and what's being triggered. Because remember, as soon as you pull that little thread and you think you know what's happening—you don't. You don't realize that you just triggered monster defaults in Europe, and [that results in] calling the debt and freezing the assets, and suddenly the whole world's [banking system freezes up], and you have almost no place to sort it out. At least if you're within our U.S. borders, you can maybe get the Fed or the Comptroller of the Currency and the FDIC to say, "No, this is what we're doing."

[paragraph deleted in editing process]

Okay. I once, years ago in one of the other S&L crises, I had a client, a well-known savings institutions here in California that told the government, "I'm not doing any of your bailout deals. Take that. You're not going to ruin my company." They almost destroyed his company. They made it clear to him—you are going to do some of these bailouts. And he came to me and he said, "Mike, what do I do?" I said, "Yeah, we're going to have to do some of these deals." Another one, a very major company, did several bailouts, and my firm helped structure it. And a year or two years later, that CEO called me and said, "I can't run the company with the government, what it's doing." And I'm not talking here as some goofy anti-government person or anything. He said, "I cannot run the company with all these things they keep demanding. They make no sense. Get me out of this deal. I don't care what it costs—end it." And we did. Bear in mind, in the process we salvaged some key banking assets, his company built a much better branching system—he did okay with it, but he also was right after a year or two, "For Godsakes stop this. I cannot run the company this way."

01-01:42:11
Meeker: I bet we could talk about this much longer.

01-01:42:12
Roster: Yeah, I don't think I will.

[break in audio]

01-01:42:16
Meeker: So did you play any role in the establishment of the Sandler Foundation?

01-01:42:21
Roster: No.

01-01:42:22
Meeker: Okay.

01-01:42:24
Roster: Again, that's a separate world. They would not *want* me to mix my role at Golden West with that part of their life. The interesting thing is when they were interviewing me that December, in addition to their grilling me about being a manager, I said something like—what I had planned to do since I'm single. And I said, "Well, I plan to give it all away." And there was this strange look on both their faces. And I'm thinking, "Oh, did I say something wrong?" And I said, "What?" They said—and then Herb got that wonderful smile of his and said, "That's what we're doing. Did you not know that?" I said, "No, what?" He said, "No, everything we have we plan to give away like you've just said you plan to do." I said, "Oh, okay."

Now, the other unusual thing is I needed to hire a lawyer—and somewhere there Steve Daetz's resume came to me, and I interviewed him and said, "Wow, good guy." I got a call from the chairman of his law firm who said, "I

can't believe you're getting this guy. He's the best lawyer I've ever worked with—partner or associate, ever, in my career." And then he said something not flattering, "And I can't believe he's joining *your* company, of all places." [laughter] I said, "Oh, thanks." And I knew the guy. And Steve came in—he was way better than even I expected. And I went to Herb one day, and I said, "You know, I think I know who could run this company some day." And he looked at me and he said, "What?" I said, "I think Steve could be what we've been looking for over time." And then he talked to Marion, and as is typical, they started to get to know Steve more. And then Herb came and he said, "You know, you're right. He is way beyond what we had seen—you're right." And they approached Steve to take him out of being in my legal department to work directly with Judd and start working with the whole company. And Steve had a difficult decision to make, and he decided he did not want to go that route. He wanted to stay a lawyer, for lots of reasons, but that was the only—so when they sold the company though, that's when they—and Herb came and he said, "I'd like to approach Steve about his being the head of the foundation. Would that be a problem?" I said, "No. I think he'd be great."

01-01:44:38
Meeker: What was it about Steve and his qualifications, or his personality, that you thought would have made him a good potential CEO over time?

01-01:44:49
Roster: He is a very smart person but never tries to show you he's so smart. [laughing] He's very passionate about things, but he also will make absolutely sure it's done right—like Marion, there will be no compromise. But never in a harsh way. It's always no, that's not right. He's a great writer. Herb used to joke, to me he said, because I'm always marking things up like Marion. And then he said, "*Steve's* even doing it now." [laughter] And he's well organized, and he's disciplined to get things done, but without being a bureaucrat about it. He's got a very affable manner, and he gets things done—and that's why he's done so well for the foundation.

01-01:45:35
Meeker: Did Marion's health problems ever come to bear on Golden West?

01-01:45:40
Roster: No, no. First of all, there was always strong next-level management, so the branches, the mutual funds and all, they had really high-quality people. And she would never ever tell anyone she wasn't feeling well. She would never say, "Oh, I really don't—." She would never complain to anybody, that I ever saw. Some days she might not be there, and I'd say, "Is Marion okay?" And Herb would say, "Well, she's not feeling well. It's okay." That's about the extent I'd ever seen.

01-01:46:12
Meeker: So it was never really discussed.

01-01:46:16
Roster: No, but it wasn't that serious while the company is still running either. The health problems got worse after the company was sold and all. It was a matter of timing.

01-01:46:25
Meeker: Did you stay in close contact with them over time?

01-01:46:27
Roster: Oh yeah, oh yeah, yeah. Well, first of all, I kept my condo in San Francisco for like two years, which was a block away. So often they'd say, "Can you join us for dinner?" "Yeah, okay." And the doorman would say, "Where are you going?" Because everyone drives. I'd say, "I'm walking over there." And then Elizabeth Warren had approached them years earlier, and I remember we had had dinner at their condo in San Francisco with Elizabeth. She had come up with an idea about credit cards and industry self-policing. She was on the faculty at Harvard, and we agreed it was a really good idea. And the Sandler Foundation put up, I think, $3 million and Pew Trusts put up probably like $3 million. And Herb and Marion asked me to help shepherd that along. So after the company was sold, I went in and worked with the group that was trying to develop that. We had an office in San Francisco. So that went on for a whole year as well.

01-01:47:18
Meeker: Oh, I didn't realize that Elizabeth Warren was involved with that.

01-01:47:22
Roster: It was her idea. The clean card, what was called *clean card*.

01-01:47:27
Meeker: But that was, unfortunately, one thing that never went anywhere.

01-01:47:30
Roster: Yeah, complicated. It could have. We'll go back to the—remember I told you about this well-known guy who said, "Free market doesn't mean you don't have rules, you have to have rules to have a free market." We were far along with several major bank/credit card issuers and several huge retailers, ready to do this, and the government agencies were very supportive—it was like Underwriters Lab. Elizabeth talked about this openly. General Electric invented Underwriters Lab to sell toasters. You couldn't have toasters blowing up, so they realized you had to get an industry to set standards 100—120 years ago. We needed to maybe do the same with credit cards, or else somebody else was going to have to set it [up]. I'll never forget, one major bank was far along but suddenly said, "No, Mike, we can't. The analysts will beat us up. Our earnings on that portfolio will go down for a quarter at the—because we hired, we hired a major bank consulting firm to meet with any bank that wanted to do it. We would not see the reports to the bank although we would pay the cost of this company that had all the data to test the bank's portfolio and then tell them what would or not. And this major credit-card

issuer said, "We can't do it. You've got to make the industry do it all together at the same time." In other words, regulate us, which Elizabeth implemented with the Consumer Financial Protection Bureau.

01-01:48:52
Meeker: You know, in the aftermath of the financial crisis, Herb and Marion reappear in the historical record in terms of the *60 Minutes* exposé, the skit on *SNL*, and other people have talked about how that was very hurtful to them. Were you in touch with them?

01-01:49:16
Roster: Oh, absolutely, absolutely. I think it was me, maybe someone else—I found a column in an East Coast newspaper that seemed to be the language that was used in *Saturday Night Live*. Herb sort of knew about it. There were some lobbyists, largely with the payday loan industry that were orchestrating going after the Sandlers as a way to also go after the Center for Responsible Lending, which was going after the payday lenders. It was a very well-orchestrated attack—including some major trade groups had signed aboard on that, trade groups that had *nothing* to do with banking.

01-01:49:55
Meeker: Right, yeah—it always—I went back and I watched the skit.

01-01:50:02
Roster: I don't think that skit will ever appear on TV again.

01-01:50:04
Meeker: Well, it's on, if you—

01-01:50:06
Roster: It's on YouTube and stuff.

01-01:50:06
Meeker: It's on You Tube, yeah. Aside from not being very funny, I also find it to be a bit anti-Semitic.

01-01:50:17
Roster: Correct, correct.

01-01:50:19
Meeker: You know, especially in the way in which they're portraying them, which isn't really how they—

01-01:50:22
Roster: Right. With an accent and with the clothing, even looking like European refugees, yeah. It was orchestrated.

01-01:50:33
Meeker: Yeah?

01-01:50:34
Roster: Somebody got to the writers and got it put in—I think.

01-01:50:40
Meeker: That's interesting.

01-01:50:42
Roster: Washington can be a very corrupt place. We're seeing it play out now too, in different ways. Yeah, no—absolutely.

01-01:50:51
Meeker: Given the sale to Wachovia, and then Wachovia was taken over by Wells, and now Wells is going through its own set of difficulties, largely self-inflicted, it might be hard to really separate out the legacy of Golden West, but I'm wondering if you would make an effort at that?

01-01:51:17
Roster: Well, now—you know there's a website that Steve had helped put together. If you haven't seen it, go look.

01-01:51:22
Meeker: I haven't—yeah, I haven't seen that.

01-01:51:23
Roster: Oh, no, no, go look at the Golden West website. It has been up since—I think a year after the meltdown. It's very fact-based. It will lay out everything about how the company was run, about how the portfolio ran, how we underwrote loans and all, and it has a lot of data. Condi Rice used to tell me, we would go out for dinner at times, "You learn not to read the newspaper." You sort of know that on your own, but when you're really into difficult issues, and you read even papers you trust in reporting, and you see how wrong they are, you make the decision that I can't—the Secretary of State, the National Security Adviser—I can't run Golden West, or whatever, on what they say today. I have to think—what will they say fifty years from now? Did we do the right things or the wrong things? I think if you go in the Golden West history at all, every step of the way was done the right way—including even in the last year.

Now, when Wachovia took over the operation, they were trying to spike some parts of the lending, which we would never have done. And I think various alumni of Golden West were getting really upset watching Wachovia abuse things. The problems of Wachovia—if someone really—some people are getting into it. You'll find that it was a lot of the New York real estate lending; it was a very badly run company, in many ways. We would see it because when we had these sessions with the then-CEO and CFO, they were into these horrible silos at Wachovia. And everyone was maximizing profit in the silo, even if it was disastrous for any other part of the company. You could do all kinds of terrible things in lending, because then Treasury made money on it. And you're going good God, you shouldn't be doing that! And there was no real system at Wachovia to say, "You're right! This is a *really* terrible thing

we're doing. We've got to blow up the silos." We would talk about it; you've got to get rid of these silos. But everyone was managing within their silo, and it wasn't—apparently at the top down, to be able to say, "This is *not* going to work."

So and again, we thought that if someone finally dealt with the silos and got rid of this billion dollars or more of wasted overhead, you had a really strong company. Had you followed what I had proposed, that you lock the place down, maybe you form Good Bank/Bad Bank, and you work out the bad assets—but the bones of Wachovia were very strong, you would have a very strong company today. And it probably *would* merge with Wells Fargo—before Wells Fargo shoots itself in the foot—and you'd have a very strong national franchise, out of it.

01-01:54:35
Meeker: You know, clearly by doing this project, and many, many other more important factors, Herb and Marion Sandler will be part of the historical record. What do you think that people should know about them if we're looking back to their life in this particular era? Into their *lives*, I should say.

01-01:55:05
Roster: Well, first of all, they had such different backgrounds. Here's Marion up in Maine, a well-established family. Herb, growing up desperately poor in New York. I think he's told you he had never been in a single-family house—not to stay—he'd never *been* in one until he went to Marion's house. His father was a gambler who lost money all the time. That's why Herb is so strong against gambling, the lotteries, and all. And yet this very tall New Yorker and this rather short Maine person meet up—you have such different people, who absolutely loved each other. I mean totally—you hear about soul mates—these are true soul mates, including respecting and loving each other's differences. And then they make this insane decision—let's go to California and buy this—one of—some little thrift, and see what we can do. And Barney Osher said—oh, okay, we'll do that. And they come out and they buy this thing that's owned by this Methodist family, the original Golden West Savings in Oakland.

And they worked—I think you know—they work as secondary management a half a year, and then they form—and they do form a Mom and Pop operation. Herb does loan collections at home, calling people—"You're delinquent." Marion's working on the books at home. They're building a company. And then World Savings becomes available down here in Southern California—they had also been a client of my firm—and they *buy* it! [laughing] And Marion makes the decision—well, the word *world* is shorter than Golden West, and that'll be better for signage, so we'll call it World. That's how it came about. It's a shorter word for advertising and let's use that. I don't think in their wildest dreams they expected to build what it became. None of us—anyone who's successful, I think if they're normal, decent people, never said,

"Oh, I'm going to be a Pooh-Bah. I'm going to be great." That wasn't what they were, but they built truly an amazingly—I've represented what, three/four hundred different companies. This was truly, easily one of the most extraordinary companies you could ever imagine.

And it's a shame that with the meltdown and Wachovia—and the *Saturday Night Live*-type skits and *60 Minutes*, that at least in short-term history, people have lost—this was one of the most extraordinary companies you could ever build. And I hope someday, whether it's Harvard Business School, Stanford—somebody—will say, we need to teach that this was a real startup. Remember, these were real startup people! They did—they are among the pioneers of the startup company, in all the ways that startups got going. And they really built a great company—particularly when you look at the workforce. This was an amazing workforce, and the quality of the company.

01-01:58:06
Meeker: So it's both the profit but also the culture?

01-01:58:08
Roster: Yeah, oh yeah, absolutely. And they go together. Herb and I talked about this recently, because I fly American Airlines a lot and you get the sense American's management runs the company on numbers. If you run a company where you're looking at the *numbers* first, you're going to make a mess of things." I was at my Stanford Alumni Board. We had a CEO on the board who'd always be looking at the numbers, "Well, I see on page twenty-two, such-and-such is a problem." And I'll never forget, it was one of my first board meetings, some other very prominent CEO on the board says, "Bill, I hope you don't run your company that way." I'm thinking—whoa, this is going to be interesting. And the other board member continues, "Look, by the time you're CEO you should instinctively know *everything* going on in your company. You look at the numbers later to test yourself, to challenge yourself: What am I missing here? You don't stare at the numbers to tell you how to run a company"—as most of our airline people are doing today. And that means you know the company, you know everything in it, and you know its workforce. And you know that this company doesn't succeed if you do not have a really qualified workforce that loves working there. Because if you do that, and you've got the right business model, you *can't* fail. Right? And the Sandlers, on their own, came to—understood that. That's how they built the company.

01-01:59:25
Meeker: Do you have anything else to add? That may be a nice way to wrap up. Is there anything on your agenda that we haven't gotten to?

01-01:59:32
Roster: I don't have an agenda. No agenda here—my notes here. [reading through notes] I think we may have covered all this, yeah. I don't want to take away the last comments you made—there was never anything ostentatious about

this couple and their family. Their condo in San Francisco—beautiful place. Same for the home in Lafayette. But there was nothing ever lavish about it. It was just absolutely great taste, good taste in it. And all that keeps going back to never wanting to be—it's funny, when we'd go to Sam's Grill or somewhere for dinner, Herb would never pay for somebody to park his car or valet—he would go drive around the block and find a parking place, because you just don't waste money. At the end of dinner we would take the leftovers, you know? Including the bread. And it would be, the next day it would be in the little kitchen we had on the floor, not just for us, but for any of the other workers there. And it isn't because they had this view of do-goodness or anything like that, it's that—it's the right thing to do. You don't waste. It's just the right thing to do—why would you waste this?

And much of them, everything about them, is—what's the right thing to do? And it's funny how simple that is. In the book [by Jason Jennings, "Less is More"], Marion asks, "what's the good business reason for doing that?" This is a slightly broader statement of that same concept—what's the right thing to do? In everything in their lives, everything about the way they ran the company—"What's the right thing to do?"

01-02:01:24
Meeker: That's a good point. Well, thank you very much.

01-02:01:26
Roster: All right! Good.

01-02:01:26
Meeker: I appreciate all the time that you've given.

01-02:01:27
Roster: Good, good.

[End of Interview]