

Kommerstad Center Speakers Forum Reflections on an Entrepreneurial Life

BERNARD MARCUS *

Introduction of Mr. Marcus

Professor Edward S. Adams—co-director of the Kommerstad Center for Business Law and Entrepreneurship:

It is my great pleasure and honor to welcome Bernard Marcus, the co-founder of The Home Depot. His speech today is sponsored by the Kommerstad Center for Business Law and Entrepreneurship, made possible by a generous grant from Robert Kommerstad, a 1952 graduate of this law school and president and CEO of Provident Investment Counsel in Pasadena, California. Unfortunately, Bob cannot be here today—we miss him and regret that he is ill and unable to come.

As a friend of Mr. Marcus, Bob wanted me to share some comments about Mr. Marcus's past that he thought might be enlightening. When Mr. Marcus was a young man in college, he worked at summer jobs in the hotels in the Catskills of upper New York. Among other things, he learned the art of hypnosis and performed this art on stage. We look forward to being hypnotized by him today, and I am delighted and grateful to introduce him here.

Mr. Marcus is a man who took his dream of a start-up business to what it has become today—a company with over \$100 billion in market capitalization, the 25th largest capitalized company on the New York stock exchange. Its stock is 100 times its price in 1984. There are more than 1,260 Home Depot stores with 280,000 employees and it's still growing.

* Bernard Marcus is one of the cofounders of The Home Depot, Inc., North America's largest home improvement retailer, which has revolutionized home improvement with the warehouse concept. Mr. Marcus has served as chairman of its board of directors since the company's inception and as chief executive officer until May 1997.

Mr. Marcus was the inaugural speaker for the Kommerstad Center for Business Law and Entrepreneurship at the University of Minnesota Law School on October 9, 2001.

In fact, while layoffs are occurring at entities such as General Electric, Motorola, Proctor and Gamble, and many others, Home Depot will create another 40,000 new jobs for workers this year. Sales in 2001 are expected to exceed \$50 billion.

Not only is he a phenomenally successful entrepreneur and businessman, Mr. Marcus is a great humanitarian as well, and he may share some of his experiences in that realm with you today.

I would like to say again how honored and grateful we are that he's here with us. This is an excellent opportunity for us. I can't imagine anybody who could better fulfill the role as the first speaker for our series.

Thank you very much, Mr. Marcus.

Bernard Marcus:

I don't know where Bob dug that up, about me being a hypnotist. It's true. And believe me, in today's consumer environment, you really have to be focused and be a hypnotist to get people to shop.

On the Creation of The Home Depot

Let me tell you a little bit about The Home Depot. It's a unique experience. And since I was asked to talk to you about entrepreneurship, which I think is very important, it's important to know what kind of things can be accomplished in this world.

I'll tell you about myself. At 49 years of age, I was in the retail business in California, caught up in one of these corporate upheavals, and I was fired. I was CEO of a company that was very successful—in fact, the most successful company in the home improvement business. But that didn't make any difference and I was out of work. I decided that I never wanted to go through that experience again—I wanted to go into my own business.

I was very fortunate to have people behind me who were also entrepreneurial—financial people, willing to back my partner and me in an endeavor. We started The Home Depot.

We talked about this idea. All of the stores before The Home Depot were 25,000 to 30,000 square foot stores, kind of small stores, and very cherry-picked—carried maybe 8,000 items. They had three hammers, or two saws, something like that. We decided that we wanted to put under one roof everything that people would need to do a house. We wanted to bring in 30,000 items, an enormous amount, maybe four or five times the amount ever carried before. We would have enough of an assortment that people would almost be able to do any kind of a job that they'd want to do.

Then we had this great idea to buy not through distributors or wholesalers, but to buy direct from manufacturers so that we could sell the product at a better price. That in itself was a revolution in our business, because everybody bought from wholesalers. So we put that change in. Then we said, "Hey, why are hardware stores successful, small hardware stores?" They're successful because people are there to help you. And you walk into a small hardware store, there's somebody there to help you, walk you through something, walk you through a project. We said, "Let's put people on the floor who know what they're talking about. Now let's give them total service." And that, by itself, was revolutionary in a big store. Now we're talking about opening stores that were 60,000-square feet, probably three times the size of any store like it. There were a couple that were 30,000 feet in those days, but most of them were in the 20,000- to 25,000-foot range.

Then we said, "Let's sell at prices they've never seen before in this industry." And that was another total revolution in the business. In fact, most of the manufacturers did not want to see it happen and none of the retailers wanted to see it happen, and there were many roadblocks put up in front of us. But we thought it was a great concept—being able to buy everything you wanted, being able to buy quality products, being able to buy it at the cheapest prices possible, and having somebody there to help you.

To us it sounded like a great formula. But all of the people who knew what they were talking about said there was no way; and pretty big money was on us not being able to do it. Manufacturers that sold to us made sure that they got paid quickly because they thought we were going to be out of business in a very short period of time.

We hired entrepreneurs. We hired hungry people—people who were highly motivated, who wanted to make it, who were enthusiastic, and didn't care about hours—people willing to put in the time and sweat

equity that was necessary. And we gave them a piece of the business—stock in the company. It was not a public company, but if we went public, they would get a piece of the action. They came from all different kinds of places in Atlanta, where we opened our first stores, and we rewarded them for coming with us. We knew if we got wealthy, they would become wealthy with us. And we started this thing out.

I must tell you that the first year was a very, very difficult year—we thought that the naysayers were probably right. Out of our original \$2 million-dollar investment, we lost \$1 million—50 percent of our total investment the first year. Then we began to see that customers were starting to come back, traveling from as far away as 50 miles to come to our store—traveling in and telling us where they were from, and why they came to us.

For a number of years, it was the greatest secret in the world, because nobody knew how much money we were making. All of our competitors would come in and see this store loaded with merchandise. They'd come in, the competitors, and say to me, "How you doing, Bern?" and I'd say, "Oh my god, I can't pay the bills." And nobody copied us, because they all thought that it was too difficult. *One of the major things about entrepreneurship is keep it to yourself for a while, okay? Get a head start on the competition.*

In 1982, we went public, our first public offering. If you bought original stock in the company, at \$12 a share, today it would be worth about \$1,200. A thousand shares of stock would be worth \$1,200,000. Not a bad return on an investment. And the people who joined us were very, very successful. The company developed, over only 20-some years, into what you see today.

We've become one of the most successful companies, not only in the United States, but also in the world, in retailing. I think we're number three or four, something like that. We don't intend to ever catch Wal-Mart. They're the best—there's nobody better as far as I'm concerned. But they give us the target on where we can go. And, frankly, we think that there's a long way to go.

We have 1,267 stores. By 2004, we'll have 1,000 more stores. We're almost going to double in size over the next three years. That's an enormous amount. We have 290,000 people on our payroll. By 2004, we'll have over 500,000 -- almost half a million people working for us. The growth continues, and the success continues. You look at the

numbers and you see that, in our business, we have the highest net profit, the highest sales per square foot, the highest rate of return, and the highest return on equity.

We've run a company that is unique, unusual, and started by entrepreneurs. That's really interesting, because entrepreneurs basically don't have the discipline to do some things they should do. Entrepreneurs are basically nuts—they're crazy. I was crazy. But I was smart enough to surround myself with people who were good managers, who understood that you have to control your numbers, as well as control your emotions. Entrepreneurship is emotional—you're emotional, you're passionate about your business, and you get involved in your business totally. You are totally immersed in what you're doing. If you're not, you can't be successful.

Over the years we've been able to do that; and we've reached the point today where we're a \$50-billion-dollar company looking at being a \$100-billion company. Think about a \$100-billion and you might say to yourself, "How did this come about? What kind of a company is this?"

On Customer Service and Giving Back to the Community

There's something behind the company that you don't know about that's part of our success. It's the one thing I left out when I started to tell you about what we did—the culture of the company. The company was started by two Jews, an Irishman, and an Italian—a pretty good combination. We had one thing in common—we believed that you had to give back to the community. We believed that you had to help your fellow people. We developed a culture in the company that's a very simple one to explain. It says, in very few words, we care for each other, and we care for the customer. We care for each other, and we care for the customer. Think about this sentence; it's very simple.

You hear a lot about customer service. In every business, there's customer service. If you're in the retail business, if you're selling automobiles, if you're in the law business, if you're in the engineering business—you have a customer that you have to satisfy. And if you don't satisfy the customer, they don't come back, so customer service becomes very critical.

How do you get good customer service? You get good customer service when your people want to help the customers. Most retailers put out big books on customer service. They put out pamphlets, they put out books, but they don't typically live by what they've said. We have done almost everything in our power to help customers in our stores—there is nothing we don't do.

There are famous stories where customers have brought products back to our stores that we don't carry. There's a story in our company where people walked in with two tires and wanted a refund. We don't sell tires. We gave them a refund, because they were good customers. They were confused; they thought we carried them. And that's the way we have built our business.

I was reading a letter on the plane from somebody who was with a marketing group in the Midwest, and he told me a story about going in to a Home Depot because he needed to fix a faucet. The fellow who took care of him spent almost a half an hour dismantling a faucet that was there on display, to show him how to fix the leak in his faucet. He said, "I spent a total of \$1.25." A dollar twenty-five and a half an hour. He said, "Now let me tell you what has happened since. . . ." He spent around \$700 in the next three weeks at The Home Depot store, because of that \$1.25 sale.

Why do our people do it? We don't pay commissions. We tell our people that if somebody walks in the store, you take care of them—whatever it is, even if you don't make the sale. We have people come in and we don't carry the product. Our people will go to a phone, and make a phone call to a competitor, so that the customers know where they can find it. That's what customer service is all about.

We talk a lot about caring about each other and caring about the customer. How does that come up? I'd like to tell you a story you may never hear about. We recently went through a terrible catastrophe in this country. We had the worst thing that could happen happen to us in New York City. I want to tell you about how Home Depot responded. Around 9:00 the first plane hit; about 9:15 the second plane hit. At 10:30, there were seven stores that had trucks filled up. They ran up and down the aisles, and they picked out axes, picks, generators, flashlights, tarps, wheelbarrows—all of those things that they knew the rescuers would need. By the way, they never called Atlanta—nobody ever called the home office—they did what they knew we wanted them to do.

We had trucks from seven different stores on their way to New York City and the Pentagon. Home Depot had the only trucks allowed in New York City. We supplied all the emergency stuff that they didn't have themselves for the first three days. We set up a war room in Atlanta, and also in New York. FEMA, the FBI, the Secret Service, the fire department, and the New York City police department were calling to tell us what they needed. They needed different kinds of facemasks--- we got 20,000 to them within seven hours. They needed certain kinds of generators--- we had them brought in from all different parts of the United States. We did that for the first four days.

At the Pentagon, they needed treated lumber to shore up the buildings. We supplied that, mostly by ourselves without manufacturers. We don't have any idea of what we spent, but that's the way we react. If a hurricane hits the United States, our people know that they do whatever they have to do. They fill trucks up and they get them out. We do that in floods. We do it in earthquakes. We did it in San Francisco. We did it on the East Coast. I'm not aware of any retail company, or any company in the United States, that reacts that way -- I'm really not. We don't publicize it. It happens because all of our people, internally, know what we do. When you walk into a Home Depot store, you see people laughing and smiling and enjoying what they do, because of who they work for and what our culture is.

Our company is successful because of how we conduct ourselves. Our people believe in what they're doing because they're part of an organization that conducts itself and has social behavior that's unique and unusual. And we don't have to sell it, because it sells itself.

Everybody in the New York area, every associate that we have, understands exactly what we do, and is proud of what they do. And we know how many people were affected by that bombing--- many, many people. We knew what they were going through, and we felt that we had to do what we had to do.

We've evolved, after 20-some odd years. Stores used to be 60,000 square feet -- they're about 135,000-square feet today, we carry maybe 15,000 - 30,000 items. Next step, we're over 50,000. We're on the Internet--our special order system means that people can order approximately 500,000 items out of our stores.

Seventy-percent of the people in the United States own their own homes. Seventy-percent--the highest amount in the world. And we give

them the stuff to do the repairs—fix their houses—and build their own houses. Years ago they could not buy sixty percent of the products that we carry in our stores today—they weren't available to homeowners—they were only sold through electricians, plumbers, or carpenters. The lighting that you have in this place was not available in stores. And there was a double and triple mark-up.

Today it's affordable for everybody. You can re-light a house today, in any market that we have, for as little as \$600.00. That would have cost \$5,000 twenty years ago. We brought the price down on almost everything that you do, and our business is getting bigger and better.

This all happened because of several things. I love to go to universities, because they don't teach this in universities—they don't talk about the American system. The system that we have here, the free enterprise system, is the greatest system in the world. It's the only place in the world that somebody like myself—having grown up in Newark, New Jersey, from immigrant parents that did not speak English—can succeed beyond anybody's wildest dream. Except my mother, who said, "This is a golden country. You can be anything you want to be here." My mother believed it.

The greatest day in her life was the day she got her citizenship in the United States. She cried for days. I remember, she cried for days. She was so proud of being a citizen here—she called it the Golden Lamb—and we don't appreciate how great this country is until something like this terrorist attack hits us.

The people who hit us hate everything this land stands for. What do they hate? They hate freedom of speech, they hate liberty, they don't like criticism, and they want everybody to be what they want them to be. You women in the audience could not be this audience if you were there. In their land you'd have no freedoms whatsoever.

An article I read on the way here was really interesting. It said the Taliban uses the Internet, but they could never have invented it. And it's funny that Bin Laden used video in a speech that he made right after we hit Afghanistan, because they don't allow video in Afghanistan or any country that they're in. The poorest people in the world are in the fundamental Islamic countries, but they don't mind using the systems that we have.

America is the worst enemy that they could have because people like me should never be allowed to achieve what we have achieved. It's not right in their religion. Their religion is not right. This country has allowed me to get where I am.

We have created, in this company, somewhere around 4,000 millionaires. Can I give you a cross-section of 4,000 millionaires? Two-thirds of the associates who work for us have only a college education. These are kids who came to work for us, broke their backs, worked hard, and didn't have the background that you have. These are kids who wanted to make it, and today, they have made it. Today they're giving back to the community. They watched what we did, and they've become major parts of their own community, giving back to their community. Only in America could that have happened—it couldn't have happened anywhere else.

This is a special land, a special place, and you should appreciate it. You have the opportunity for learning, you have the opportunity to dissent, and you have an opportunity to disagree. If you don't like what I'm saying, you can tell me about it, and you will live. You can do this here, but you can't do this in other places in the world—certainly not with these people that have done this terrible thing to us.

But we'll eventually get them, and we're eventually going to win. I know that. I feel a lot of confidence that the President is going to be able to do it.

Those are the basics of the The Home Depot, of how we got where we are. The next thing I'd like to do is open it up, because I'd like to hear what you'd like to hear—comments you may have or questions about some of the things that we've done or why we do what we do.

On Unionization

Student Question: Is unionization an issue for Home Depot?

Mr. Marcus:

No. Never. Never. We've had a couple of union votes, but they don't want to join. We give them the highest benefits, we pay them more than anybody in our industry, and we treat them well.

Every single executive of our company must be in the stores at least two days a week, three days a week -- walking in the stores, talking to our associates—that's the only way we find out what's wrong. We don't have a clue sitting in some corporate office somewhere in the 22nd floor. You really don't have a feel for what's happening. It's hands-on. Being in the stores, we understand what they go through, how we create bureaucratic business for them to climb over. When they're right, we do something about it. And that's why there's no need for a union.

Do you know why people need unions? Because people treat people badly. They deserve to have unions—they should have unions. And in this country, many, many, years ago my mother worked in a sweatshop. She worked in the sweatshop that was one of the major stories in our history, that caused all the laws to be changed. She didn't go to work one day, because she was sick. That sweatshop burned down, and many people were killed. But because of that, we changed the laws of the United States. Those people needed to have unions. Unions are healthy, where in fact they need to be.

On Global Expansion

Student Question: I am from Mexico. Do you have plans to expand to other countries?

Mr. Marcus:

We have stores in Chile, Argentina, and Mexico. Mexico is going to be our focus for a great deal of growth—we have a lot of confidence in Mexico. We now have NAFTA, so there's a lot of trading going on back and forth, a lot of products being built. The middle-class in Mexico is going to start growing, and those are our customers. That's really where

our customer is—people who have a house and want to fix it. So we’re going to have a lot of stores in Mexico. I think we have six now—it’s going to be 50 in the future—maybe more.

We think there’s going to be a great period of growth in Canada—wonderful growth that will continue to get stronger and stronger. We have stores in Alaska. We have stores in Hawaii. We have stores in Puerto Rico.

We’re moving, but we’re not going overseas the way Wal-Mart has. We have to go into a country where there is a middleclass, or there’s a potential for a middle class to get up; and where we feel we can develop the kind of sales people that we have in the United States, where the culture is a good culture. In many parts of the world, being a salesperson is the lowest form of animal—below public servants, below politicians. They look at them that way. In those places it’s very difficult to recruit the kind of people that we want to recruit.

We could open up *buildings* anywhere. I mean, we have a balance sheet that’s almost the cleanest balance sheet in the United States of any company—any company. We don’t choose to do it because we’re not interested in opening numbers—we’re interested in opening quality stores. That’s really what we’re interested in.

On Keys to Success

Student Question: I come from a family of entrepreneurs. I talked to my grandfather, who’s started many businesses, and I’m curious what your key to success is. I know his and I’d like to hear yours.

Mr. Marcus:

I’ll tell you what some of the keys are. I’m going to share with you what I tell to my children. Number one, you’ve got to be a good communicator. You can’t be successful in this world today unless you know how to communicate. And it doesn’t mean being able to get up here and speak—this is lecturing.

Communicating is a two-way street. It means speaking and listening. And it means listening with an open mind. The day you think

you know everything, it's very sad, because you know very little—you're pretty stupid.

Once I was a pre-med student. I really wanted to be a doctor—I did not want to sell hammers. My theory, because I understand the human body, is that the jawbone is right in front of your ear and when your mouth is open, your ears close. And some folks never shut their mouths, which means they never hear anything, okay? Listening is the critical factor. In our success, listening is everything. Every change we make in our company is done without hiring outside consultants. That is the stupidest thing you can do, because all they do is go into your stores and do exactly what you should have been doing in the first place—*listening* to what people tell you. Okay? Number one, listen very carefully.

Number two; you cannot be stopped by failure. Many people throw up their hands the first time failure is thrown in their face. And it's easy to throw in the towel. I watched the Georgia-Tennessee game last week. There were two touchdowns in the last two minutes of that game, and the last touchdown was in the last 10 seconds of that game. Somebody scored a touchdown with one minute and 20 seconds to go. Everybody threw in the towel—people turned off their TV sets, friends of mine who were at the game walked out of the game. I stayed there thinking, something's going to happen here. And sure enough, Georgia scored a touchdown that won the game.

If you have the right idea, if you're focused, if you're goal-oriented, if you know what you want to achieve, and if you believe in it and stay at it, you'll eventually win. People back off, they compromise, or they get talked out of it. When I sit with or play golf with people like Jack Welch from General Electric or Chuck Knight from Emerson, I say, "Come on, tell me about your failures. Tell me about the worst days in your business career. Tell me about where you almost threw in the towel." And every single one of them has a time, or two times, or five times, like that, where the towel was almost thrown in, where they got the courage enough to continue on, and they were successful.

Handling defeat is as important as handling success. Most people cannot handle defeat. I'll give you one lesson. The biggest problem of any single company in the world today is the inability to admit that you made a mistake. I have seen companies go down the drain, great companies, because they did something that was stupid. To get up in

front of the world and say, “It was stupid. I did something dumb,” is beyond their capacity—there’s no way they can do it.

We have taught our people that it’s okay to make a mistake. You can make a mistake, as long as your heart was in the right place, as long as it was a judgment call, as long as there was honesty, that you did it because of good reasons. . . . It’s okay to make a mistake.

Think about bureaucracies in the world today. Sometimes, to look good, you have to lie. So now you go on to other things, and you have this lie behind you. Well, if you keep doing this, you have so many lies behind you, you can’t ever think about positive thoughts anymore. You got to keep covering; you got to think about covering your ass all the time. People go through life doing this. Their whole life is built on a lie.

Those are the three things that I think are the most important—good communication, being able to deal with disappointments, and being able to admit that you’ve made a mistake—we do it as a company.

Many years ago, we bought a chain of stores in Texas, and we had promised the financial community that we were going to open these stores, and we were going to do certain things. It was a total disaster. We bought these stores in Texas without the kind of balance sheet we have today and without the background we have today. It was a disaster; we were coming out with earnings that were going to be a horror. With 55 or 60 multiple, which is what we had in those days, you’re talking about losing almost everything that you have in one fell swoop.

I got to the meetings in New York before everybody and in the meeting I said, “I am the CEO of this company and I am a jackass. I made the biggest mistake. It was my decision. It was dumb. It was stupid. I recognize it. And this is what I’m going to do about it.” Know what happened? Our stock went up, because it was the first time they’ve ever had anybody come before them and not make excuses, excuses, excuses, until their backs are up against the wall, and then they have to admit that they made a mistake.

These are all lessons in life, principles that can help you be successful in your own lives. And every one of you is going to go through this kind of situation.

On Good People

Student Question: You were talking about customer service, and you seem to have the people and resources that make that happen. But how do you find the right people?

Mr. Marcus:

In many cases, you don't hire people like that—you make them, you create them. You put a lot of time and energy into them, a lot of training. We use every resource that we have—we use the Internet, we use television, we use radio; we use every kind of communication to tell the stories. The story that I told you about with the guy with the plumbing thing? That's going to be disseminated to all the stores. They're going to know that they're rewarded for doing things like that. They feel good about themselves. The associate who did that is a hero in our company.

Everybody wants to be a hero. They want to emulate the most successful people. So what we try to do is build up the people who are most successful.

We hold people accountable. That's a frightening word, because when you think about holding people accountable, what do you think of? That someone will have to answer for something, be punished, right?

We use the word accountability in a little different way. We *reward* people for being accountable. In other words, accountability has two sides to it. There's one side that says that we're going to hold you accountable for what you said you were going to do; and then if you do it, we're going to reward you for doing it. By rewarding good service, by rewarding people for doing more than they should have been doing, by rewarding people for being what you want them to be—that's how you hold them accountable. And that's how you develop those kinds of people. If people live in fear in the store, if they're afraid to make a move, they'll be afraid to be entrepreneurs. We want people to be entrepreneurs.

25,000 customers a week come in through an average store. There are 25,000 different stories, there are 25,000 different problems; there are 25,000 times one of our people is face to face, nose to nose, with a customer. And we can't tell them everything to do. We can't

give them a list of things to do. We say, "Use your common sense, but always remember that the customer has to be satisfied." The customer walks into that store smiling, they have to leave the same way. And if you do that, we're going to reward you. They all own stock in the company.

On Throwing in the Towel

Student Question: Can you talk about some of the times when you almost threw in the towel, and what prompted you not to at that time?

Mr. Marcus:

I'll tell you when I've almost thrown in the towel.

People.

I've always considered myself to be a good judge of people, and I think that if you're not a good judge of people, you make a lot of bad mistakes. You have to trust people to do what you think they're going to do.

My biggest disappointments in life have been in people in whom I've had a lot of confidence who destroyed that confidence. And when enough people do that, you really want to throw in the towel.

No one who has ever left our business has gone into competition with us before—ever, ever, ever. There's someone we made remarkably wealthy—an ordinary guy who happened to be in the right place at the right time. And he went into competition with us. He took his wealth and he went after us, in a way that was not even competitive—it was nasty. When I experience that, I say, "You know what? I'm wealthy myself—I don't need this anymore. I don't need these disappointments. I don't need the disappointment of having people do that to me."

Every time an associate steals money from this company, I get very depressed. It hurts me. It hurts me because we do everything in our power to care for each other.

We do something that no company's ever done, that I'm aware of. The three founders of the company put \$5 million each into a thing called the Homeward Fund. Any one of our people might have

something happen to them that's extraordinary and not their fault. For instance, a car is stolen, or an apartment burns down, and they don't have clothes or the money to buy them. We make it available. This is for something they never counted on, that they're not responsible for. We take care of those people. We gave away over \$3 million last year. And on those things that we don't cover, and the store feels like they want to do it, they can. Somebody gets sick, somebody has cancer. A family has a problem, the store raises \$2,000, and we match it—we take care of our people. They feel good about themselves and how we treat them.

Then to have some people disappoint you—and it happens all the time—that's when you want to throw in the towel. Circumstances—we can deal with those things. We've had all kinds of things happen with competitors, things you know are going to happen.

I'll tell you where I almost throw in the towel—over lawsuits. This is why lawyers are at the bottom of my list. I want to talk about tort lawyers and class action suits. We talk about entrepreneurship and building America. As law students, you better understand this, because the game is going to end very shortly. It's going to end soon because somewhere along the line the whole free enterprise system's going to come crashing down.

I'm on a lot of foundation boards. I'm on a foundation board today that works with one of our biggest problems—juvenile diabetes—terrible, terrible problem. Why? Because kids are sedentary—they're getting fat. We have more juvenile diabetes than we've ever had in this country. And we're going to pay for this in years to come.

When I went to school, we had a thing called gym period, where we used to climb ropes, we used to get on horses. Kids don't have it today. Do you know why we don't have these classes for our kids today? The lawsuit.

Recently, in Dallas, they had a case of a sexual predator, one of their priests in their Catholic Church. They went for \$25 million, and the Catholic Church almost went out of business in the city of Dallas, Texas. Horrible kinds of situations.

There was a lawsuit recently in Mississippi that was incredible—a train burned on the track and everybody was sued. The case went to a

jury in Mississippi and the award was \$3.5 million. Nobody was hurt! There was smoke—people had to leave their houses for two days. But nobody in the community was hurt. There wasn't one person with an injury, and the jury awarded them \$3.5 million.

We're seeing this over and over again. We have seven companies in asbestos that went out of business—great companies in America that went into bankruptcy. W. R. Grace went into bankruptcy. U. S. Gibson went into bankruptcy. It happens over and over and over again.

Five years ago, we had an opportunity to go to China and we had stores built there. Then we looked at the laws. I asked, "What happens if they want to confiscate your property?" And the lawyers said, "They take it." When I said, "What's my recourse?" they said, "You have no recourse."

The laws have kept this country together, but the tort system has prostituted itself to an extent to which it's going to have a terrible effect on the economy.

Today we spend more for drugs in the United States than in any other country. Go across the border, to Canada and Mexico where you can buy drugs 30 percent to 40 percent cheaper. Guess why. Liability. I can give you examples over and over again.

I have a foundation that took care of children. This is almost too pathetic to talk about. We were taking care of 2,000 families. They had kids who were autistic, developmentally disabled—kids with real behavioral problems. The families were tied up 24 hours a day with these kids. They couldn't get away from these kids for one day, even for one hour—they couldn't go shopping. We were taking care of 2,000 families, so that they could go away for three hours or one day or for a weekend.

We had volunteers who did this for us until we were sued. They nailed us for \$2 million. There are now 2,000 families not getting that service. That lawyer must be pretty proud of himself for what he did. Two thousand families are suffering today. That's a personal experience I had and it was nothing that anybody could prevent. As lawyers, I'd like to tell you that you have a social responsibility—something that you have to give back to society—and I think it's very important that you remember that. The law is critical in our world. But there are people

on the fringe of the law, doing things today that are beyond belief. And somewhere along the line, they're going to have to be stopped.

Let me leave this on a high note. Think about the positive aspects of what you can do. I don't care what school you're in—the business school, the law school—you never know where you're going to end up. Remember, I started out pre-med—I'm a pharmacist. I was in the drug business, and here I am selling hammers. You never know where you're going to be.

Remember: communication—major, major issue—no matter what you do; being able to handle failure; and being able to admit a mistake.

These are all very critical. If you follow those things—you know what? You can be successful, no matter what.

Thank you very much for listening.