

## CASHIER DU CINEMA

*After supermarkets, private equity, and politics, Ron Burkle makes a move on Hollywood.*

BY CONNIE BRUCK

Inside the towering iron gates of Green Acres, a Beverly Hills estate built in the nineteen-twenties by the silent-film actor Harold Lloyd, a narrow road climbs through eight acres of lawns and gardens to a mansion modelled on the Villa Palmieri, the Florentine palazzo where Boccaccio set the “Decameron.” One afternoon in mid-June, the courtyard held a dozen gleaming sports cars—Lamborghinis, Teslas, Ferraris, McLarens—arranged in a circular design, like giant steel petals. In the nineties, when the estate’s owner, Ron Burkle, was making a fortune in the supermarket business, he raised money from venders to pay for Indy race cars emblazoned with “Food4Less” or “Ralphs.” The cars were an excellent deal for Burkle: they helped his image, and they cost him almost nothing. Now, standing at the door, Burkle looked at the display in the courtyard and said, “I like cars. And they’re no trouble to have.”

Seated in his living room—a cavernous space, dominated by a large stone fireplace—Burkle said that he first came to Green Acres in 1991, to attend a fundraiser hosted by its owner, Ted Field, the head of Interscope Records. Field wanted to sell the estate, and Burkle decided on the spot to buy it. The price was \$17.5 million. Burkle was living on a five-hundred-acre property in Yucaipa, about an hour’s drive east of Los Angeles, and had his office in nearby Claremont, where he grew up. “The people who worked for me were less and less excited about driving to Claremont from West L.A.,” he said. “But I loved Claremont. It was just—very chill.” Burkle is a stocky fifty-nine-year-old with a diffident, disarming manner—one friend compares him to Peter Falk in “Columbo”—that coincides with a relentless instinct for undervalued assets. Of the estate, he said, “I bought it not for the house. It could have had a two-hundred-square-foot house—it wouldn’t have mattered. It was the lawn and the grounds. It was, like, if you

don’t want to think you’re in L.A., you’re not really in L.A.”

Burkle turned Green Acres into the city’s premier political showcase. Shortly after buying the estate, he hosted a fundraiser for Senator Dianne Feinstein, whose campaign he served as a finance chair. The next year, he met Bill Clinton, who was running for President, and the two found a ready kinship. Although Burkle was a registered Republican until 2004, by the mid-nineties he had become one of the Democratic Party’s major financiers. His fund-raising galas for Clinton brought in millions—at one, in 1996, Barbra Streisand, the Eagles, and Tom Hanks performed—and Clinton stayed at Green Acres often enough so that a bedroom was designated for his use. Ricardo Icaza, the president of Local 770 of the United Food and Commercial Workers Union, remembered a dinner at Green Acres at which Clinton said, “How is it that when I come out to this house, and all this splendor, when I get back on the plane I feel like I’m going back to public housing?”

After Clinton left the Presidency, in 2001, he and Burkle spent hours discussing what he should do, Burkle said. By then, Burkle had sold his supermarkets and was creating private-equity funds. The two men decided that Clinton would become a partner in several of these funds, helping to find investors and projects. “I spent all my time with him,” Burkle said. They travelled the world on Burkle’s 757, clocking hundreds of flight hours. Burkle hired Frank Renzi, a member of Clinton’s Secret Service team at the White House, to be his chief of security.

Burkle insists that he prefers a low profile—he initially told me that he would “rather have a root canal” than be interviewed—but his social life has made him conspicuous. In April, 2002, his wife, Janet, moved out of Green Acres and, the next year, filed for divorce.

Around that time, Burkle was seen at an L.A. night club, with “two drop-dead-gorgeous girls, maybe twenty years old, one on either arm,” a person who was at the club said. “It was such a statement: I can do whatever I want.” The New York *Post* ran items about Burkle carousing with young models on his plane, which had customized sleeping quarters. (Burkle, working with an F.B.I. sting, secretly videotaped the *Post* columnist Jared Paul Stern asking him for money to finance a clothing line, and claimed that Stern had tried to make him pay to have the unflattering items discontinued. Stern was fired.) All this publicity affected his image, personally and professionally. The investor Sam Zell, who dealt with Burkle in the supermarket business, said that he found him “very smart, very focussed. We did a complicated transaction, and it was seamless.” But, he said, “I think his social life affects people’s perception of him—it’s, like, some people say, ‘If you’re out chasing women all night, how could you be a good businessman?’” Zell paused. “I never knew the two were connected!”

After Hillary Clinton started to campaign for President, her husband cut his professional ties to Burkle, and the two men no longer see each other. These days, Burkle rarely visits Green Acres, the setting for much of their friendship. “I don’t really live anywhere much anymore, but to the extent I do it’s probably in Europe,” he said. His legal residence is London, and, though Green Acres is still the site of events for various charities that Burkle supports, he is usually absent. Like someone divorced from a charismatic spouse, Burkle seemed eager to emphasize that life after Clinton was no less exciting. He pointed to his relationship with Novak Djokovic, the Serbian tennis star. “I give business advice to Novak and partner with him,” he said. “I’m his only manager—not like one out of a hundred, but his only manager.” (Djokovic’s agent,



*Burkle knows the pitfalls: "The more fun something is, the sexier something is, the more idiots there are chasing it."*



*"Now, Mrs. Stevens, go to work, relax, and leave the social engineering to us."*

Edoardo Araldi, described Burkle's relationship with his client by saying, "They are friends, and when Novak needs some free advice he calls Ron.") Burkle went on, "He just signed a deal with UNIQLO, and I would say by all measures it will be the most successful and highly compensated and all-encompassing deal anybody has had as a clothing ambassador." He says he has helped negotiate comparable deals for his friend Sean Combs—also known as Diddy, or, recently, Ciroc Obama—who has enterprises in clothes (Sean John), vodka (Ciroc), and fragrance (I Am King).

Diddy and Djokovic seem like exotic companions for a manager of private-equity funds, but, Burkle explained, "I don't like to spend a lot of time with people who do what I do, because it's boring for me." By surrounding yourself with diverse people, he said, "I think you find yourself." When he was younger, he had little time to pursue the self-invention that is a Hollywood tradition; now, nearing sixty, with a net worth that *Forbes* estimates at \$3.1 billion, he seems to feel that it is his right. Speaking of Djokovic, he said, "It's fun to work with somebody who's the best in the world—and I could tell you that about ten different people in

my life." Burkle became so expansive on the subject that our conversation often felt like an extended star tour.

Leonardo DiCaprio: "Leonardo found a place he liked down in Mexico, and we bought it together, and now we've done our second house there. He always picks out all the furnishings, and he'll call up and go, 'It feels so weird, picking out the china without you!'"

Michael Jackson: In the late nineties, Jackson hosted a charity event. "I got a couple of helicopters, and we took some terminally ill kids there. The next day, he called up and he said, 'Burkle, I just want you to know I'm going to buy everything from your grocery stores!' So we became friends."

Harvey Weinstein: "The Novak Djokovic of the movie business. I mean, who can take a movie about a king who's probably irrelevant in all our lives, who died a long time ago, and who stuttered, and turn it into something that, if you don't see it, *you're not relevant?*"

Weinstein has been particularly significant in Burkle's life lately. In May, the two went together to the Cannes film festival, where they bought a comedy called "The Sapphires," about an Aboriginal girl group styled after the Supremes. "To go to

the film festival with Harvey. . ." he trailed off. "I used to not go to the film festival, because I didn't think I belonged there. You live in L.A., and you just look like a goof if you're there, hanging around when you're not in that business."

Now, though, Burkle *is* in that business. His portfolio is broad, including interests in Barneys, Soho House, the A. & P. grocery company, Morgans Hotel Group, the Pittsburgh Penguins, the retailer Scoop, the warehouse operator Americold, *Vibe*, the designer Zac Posen, an investment partnership with Ashton Kutcher, and, until a few months ago, Barnes & Noble. But in the past couple of years Burkle has been increasingly focussed on entertainment. He has financed movies with Harvey and Bob Weinstein and flirted with bidding for the EMI music label and the Warner Music Group. On a smaller scale, he acquired the concert-booking company Artist Group International, and a sizable share of the Independent Talent Group. In July, he made a bid for *Variety*.

But what has caused the most agitation in Hollywood is his investment in Relativity Media, the movie company created by the controversial young entrepreneur Ryan Kavanaugh. In the past seven years, Kavanaugh has proved adept at structuring deals where investors have done poorly while he and Relativity prospered. And last winter, when Kavanaugh's luck finally seemed to have run out, Burkle rescued his company. Burkle emphasizes that he understands the risks of investing in the movies, particularly for outsiders. "By and large, it's an ego thing to do," he told me. "The more fun something is, the sexier something is, the more idiots there are chasing it, and the less likely you are to make money." But his relationship with Kavanaugh has prompted febrile speculation: Has Ron Burkle, the shrewd supermarket magnate with a habit of getting the better end of a deal, been beguiled by Hollywood?

"The supermarket business was a hundred per cent in my blood," Burkle said. Every one of his planes—from the ten-seater he lent Feinstein for the 1992 campaign to his current 757—has had the tail license 770BB, for Box Boy Local 770. His father, Joseph Burkle, was a manager of a Stater Bros. grocery store in Pomona, near Clare-

mont, and Burkle started working there as a young teen-ager. "I joined the union when I was thirteen, and all I cared about was making money," Burkle says. On weekends and after school, he would put on the requisite white shirt and clip-on tie and go to work. (These days, he avoids wearing a suit and tie; when we talked, he wore his habitual dark pullover and cargo pants.) He graduated from high school at sixteen, attended a junior college and then California State Polytechnic University for a couple of years, and dropped out. "My dad went to ninth grade, so he thought I did O.K. finishing high school," Burkle said. But, he added, "when I got older and got curious about other things, I used to have anxiety and say, I should have gone to college, I just messed up." He commented, dryly, that his "inferiority complex" may come from "growing up in a business where you're on somebody's I hate to do' list. Nobody loves to go grocery shopping."

In 1982, Burkle was twenty-nine and a vice-president at Stater's parent company, Petrolane, Inc., when he learned that Stater was for sale. He had been investing in the stock market since he was thirteen, he said, and as a store manager he had received an annual bonus of four thousand dollars. "I bought a piece of land every year with four thousand down, and I was just really frugal," he said. From his various investments, he had saved about five million dollars. So he put together financing for a leveraged buyout with Charles Munger, the vice-chairman of Warren Buffett's company Berkshire Hathaway, who had done business with Stater. Burkle made his bid on February 5, 1982. Later that day, the board rejected it, and Stater's C.E.O., Jack Brown, fired him. "I was a hotshot twenty-something, had five thousand employees and tons of money," Burkle said. "I probably got a little carried away with myself. And the next day I didn't get very many phone calls. I always remember that. If anybody's ever been nice to me, when they're having a down day I try to be their first phone call."

Several years later, Burkle formed an investment firm called Yucaipa Cos., and began buying and selling small supermarket chains, mainly in the West: Cala, Boys Market, Viva Mart, Food4Less, Alpha Beta. At the start, he got much of his financing from Michael Milken, at

Drexel Burnham Lambert, the pioneer of employing junk bonds in highly leveraged transactions. Burkle often expanded his chains by building stores in inner-city neighborhoods, like Watts and East Los Angeles, which larger supermarket chains eschewed. His security costs were higher, but he could charge higher prices, since he had little competition. When the Los Angeles riots broke out, in 1992, many of Burkle's stores were damaged, and some of his executives told him to collect the insurance money and leave the inner city. Burkle refused. He told me, "There's always somebody who's got more math, maybe, than sense." On the Promenade of Prominence, Watts's equivalent of the Hollywood Walk of Fame, Burkle is the only honoree who is not African-American. The inscription on his bronze plate reads, "As I climb the ladder in my life, I will always remember to lend a hand to help my fellow man."

As Burkle built stores, he kept up his union connections, especially with the Teamsters and the U.F.C.W. "I always thought, Don't be in a union business unless you're committed to having the best relationship. You'll live longer for less stress, and you'll probably make more money." Indeed, union leaders accepted terms from Burkle that they would not from store owners who fought them relentlessly. The U.F.C.W.'s Ricardo Icaza said, "It was very unusual for a head of a



firm to sit there and negotiate, but Ron did, and he worked out the best contracts we've had for many years"—despite the fact that the marble table around which they negotiated at Green Acres was, Icaza said, "more expensive than my house."

Burkle's approach to labor endeared him to Democratic politicians, and he cultivated every power base—local community activists, city-council members, state politicians, and union leaders—so that he could build more freely, avoiding

costly delays. "Ron played large in Democratic politics," Mark Ridley-Thomas, a Los Angeles county supervisor who was a city councilman in the nineties, said. At one point, Burkle wanted to build a store in Ridley-Thomas's district. "He was trying to build Food4Less stores aggressively, because they were more profitable—customers have to bag their own groceries and buy in bulk," Ridley-Thomas said. He argued for a full-service store. Burkle invited him to lunch, and, soon afterward, Willie Brown, the Speaker of the Assembly—who was also Burkle's lawyer—called Ridley-Thomas on his behalf. Then, Ridley-Thomas said, Senator Bill Bradley spoke with him. (Bradley denies doing so.) In the end, Burkle built a full-service store, which Ridley-Thomas suggested was an unusual defeat. "I think Ron had become accustomed to being told yes by public officials," he said. By 1994, Burkle had nearly three hundred stores.

That same year, Burkle's Food4Less acquired Ralphs Grocery Co., in a \$1.5-billion merger, the largest supermarket merger in state history. "It was the deal that put Ron on the map—a classic minnow swallowing a whale," the investment banker Ken Moelis, who served as an adviser to Burkle, recalled. Burkle had persuaded Ralphs' executives to help finance the buyout, structuring the debt in two classes. One former executive said, "When the deal closed, Ron got all his debt redeemed, and we only got three-quarters of ours. Now, it didn't amount to a hill of beans in the context of the total deal—but he did it because he could. He saved himself about four million dollars. We said, 'That guy just took our money!'" Other former executives also declined to speak on the record, because Burkle still sometimes invests in the supermarket industry, and, as even his admirers note, he has a vindictive streak. Pat Brisson, a sports agent who got to know him through the Pittsburgh Penguins, said, "When you're on the dark side of Ron, you'd better run away."

At Ralphs, which had been family-owned for nearly a hundred years, executives were promoted from within the ranks and lived by a scrupulous grocer's motto: "Sixteen ounces to the pound." Even though Burkle had grown up in the business, he seemed anomalous, with his race cars and his estates. (One of his

houses, in La Jolla, had a forty-two-car underground garage.) He had an evident fascination with Hollywood; he took executives to a Beverly Hills cigar club to show them his personal humidifier locker, which bore both his name and Arnold Schwarzenegger's. One former executive said, "Burkle's style of management was different from the values we had grown up with." The managers on Burkle's team were so insistent on retaining cash that they would delay paying vendors for months, and would answer the vendors' complaints by saying, "You have a bank."

About a year after Burkle acquired Ralphs, Gray Davis, then the lieutenant-governor of California, began raising money to campaign for governor. Burkle was intent on helping him. He hired Davis's wife to work for Ralphs' philanthropic foundation, and he began holding events. "We had to do these thousand-dollar-a-plate breakfasts and five-thousand-dollar-a-plate dinners at Green Acres," a former Ralphs executive recalled. "The vendors would say, 'Do I have to do this?' And I'd say, 'You'd better, because you know Ron.'" Burkle contributed more than six hundred thousand dollars to Davis's campaigns, and he encouraged his employees to attend events for other politicians. Another former executive said, "I remember being invited to Ron's big castle, and I had to write a three-thousand-dollar check to attend something for Willie Brown."

Over the next several years, Burkle continued to make strategic deals. He bought the Dominicks chain, and merged Ralphs with Fred Meyer and other chains he owned. Then, in 1998, he cashed out: Dominicks went to Safeway, for \$1.2 billion, and the augmented Fred Meyer went to Kroger, for \$13.5 billion. He and his investors reaped enormous returns. "Ron is as good a chess player as I know," Moelis said. "He had to do a half-dozen complex deals to get to Kroger, and it turned into one big sale."

Burkle said that he would have continued as a major player in the supermarket business if not for the advent of Walmart, and he seems regretful that he couldn't fend off its advance. He said that he told union allies, "How can you not see Walmart coming down? The whistle's blowing, the lights are on full." Burkle and his union allies tried to enlist

government to keep Walmart out. Davis was elected governor in 1998, and, near the end of his first legislative session, he said, a motion was unexpectedly introduced to curb big-box stores: "The bill was on agriculture, and all of a sudden it was gutted and amended, and it prevented Costco and Walmart from building stores that were a hundred thousand square feet or more in California. Without a public hearing, no testimony, with a week to go, this got voted on, just because the labor unions got to the legislature. So Ron called me up and somewhat apologetically said, 'Look, I know the process isn't the greatest thing in the world, but it would be a nice thing if you'd sign it.'" (Burkle denies that he made the call.) Davis said that he responded, "I'm happy to study the matter and come to a reasoned decision, if you go through the right process. But I can't possibly sign this bill."

As Burkle got out of the grocery business, he started assembling private-equity funds, attracting investors by pointing out that Yucaipa had produced returns of forty-six per cent a year. "He had a sterling track record, so he had the ability to access more dedicated, long-term funds," Ari Swiller, his political adviser, told me. One of his first targets was the nation's largest pension fund, the California Public Employees' Retirement System, known as CalPERS, which today manages about two hundred and forty-four billion dollars in assets. Burkle was in a good position. On the board were several politicians to whom Burkle had contributed for years: Phil Angelides, the state treasurer; Kathleen Connell, the state controller; and Willie Brown. And his old friend Gray Davis was authorized to appoint two members.

Sean Harrigan, who headed the U.F.C.W. on the West Coast, and had become Burkle's closest friend in labor, had his sights on the board as well. Davis says that Burkle recommended that he name Harrigan to the California State Personnel Board, an easier appointment than CalPERS. (Burkle denies that he did so.) In 1999, Harrigan got the appointment; six months later, he moved to the CalPERS board, and, four years after that, he became president. By 2002, CalPERS had committed four hundred and fifty million dollars to several Yucaipa funds;

further commitments have brought the total to nearly a billion.

Burkle has raised billions more from other pension funds, including the Western Conference of Teamsters, the New York State Common Retirement Fund, the California State Teachers Retirement System, and the New York City Employees Retirement System. Harrigan left the CalPERS board in 2004, but his relationship with Burkle continued. From 2002 to 2006, Yucaipa contributed sixty thousand dollars to the PAC of Harrigan's union. In 2005, Harrigan was appointed to L.A.'s fire-and-police pension board; according to the *L.A. Times*, Yucaipa was a major money manager for the fund, even as Harrigan developed what he described as a "potential equity interest" in Yucaipa. He stepped down from the fire-and-police board four years later, after an inquiry by the S.E.C.

Burkle said that he created the Yucaipa funds largely to provide an enterprise that would sustain his forty or so employees if he stopped working; he insisted that he could make more investing for himself than he does sharing the returns. Yucaipa is private, and releases little information about its record, but its publicly visible transactions do not demonstrate any success remotely comparable to what Burkle achieved in supermarkets. Yet even a lacklustre investment fund can be lucrative for its managers. Like other private-equity funds, Yucaipa has charged a variety of fees, including management fees of two per cent and an "override" of twenty per cent of profits. If Burkle had five billion dollars in his funds, managing fees alone would bring in more than a hundred million a year.

CalPERS has not done nearly so well. At the end of 2011, it had five long-term funds with Yucaipa. Two of them, started in 2008, have had divergent results. One has made about a hundred and fifty million; the other has lost twenty-nine million, more than half its value. These funds are still immature, and it is difficult to predict their eventual value. The three funds that were started more than a decade ago have provided a total return of about two per cent—much less than the cost of inflation.

In 2009, CalPERS became embroiled in the national "pay-to-play" scandal, in which placement agents were paid mil-

lions of dollars by investment firms for helping to secure large commitments from pension funds. CalPERS commissioned a sweeping review, and has instituted reforms—paying less in fees and renegotiating deals with managers who have not performed well. Burkle has not been implicated in the scandal, but, in recent negotiations, “concessions were made by Yucaipa,” a CalPERS spokesperson said.

The former Los Angeles mayor Richard Riordan has charged that Burkle’s reputation as a “legendary investor” is a myth. In the nineties, the two met often for dinner and took vacations together; Burkle referred to Riordan, himself a successful businessman, as his mentor. In 1999, Riordan invested five million dollars with Burkle. Eight years later, he sued, charging that he had sustained heavy losses, as Burkle would not allow him to back out of bad investments. Meanwhile, he alleged, Burkle charged him and his fellow-investors fees of millions of dollars, using the investment assets as his “personal piggy bank.” Within days, Burkle offered to repay a portion of Riordan’s investment; the suit was dropped, but the friendship never resumed.

When Janet Burkle filed for divorce in 2003, she was doing so for the second time. She and Ron had married in 1974, when he was twenty-one and she was nineteen, a general-merchandise clerk at Stater. Janet was a great-grandniece of the Wright brothers, and her parents were concerned about protecting her modest inheritance, so he signed a prenuptial agreement. She and Ron lived mainly around Yucaipa, and had three children. In 1991, he moved into Green Acres, and for the next six years he lived there alone, visiting his family in Yucaipa on weekends. Later, in their divorce proceedings, Burkle maintained that they were separated during this time, and that they slept in separate bedrooms. Janet said that he always slept with her and that they had sex regularly; that they went to the Clinton inaugural together, and slept in the Lincoln bedroom; and that she always understood that Ron stayed in L.A. during the week for business. By 1997, stories of his social life were circulating, and, Janet said, he was not coming as often on weekends; on their twenty-third wedding anniversary, in March, they

went out to dinner and exchanged gifts, and then he left, saying that he had to be somewhere in the morning. “Things had gotten so off track that I didn’t want to be married anymore,” Janet later testified. In June, she filed for divorce.

Janet gave Ron no warning. “I knew he would be angry, and when he’s angry he retaliates and he’s scary,” she testified. Caught off guard, with Janet’s lawyers and accountants arrayed against him, Ron resolved never to be in that position again. He and Janet had many phone conversations, discussing what had gone wrong. One day, he invited her to lunch, and afterward they went for a walk around the Claremont Colleges, where they first met. He was carrying with him

a ring, set with a four-carat diamond, which had been owned by Howard Hughes. Janet testified, “We were sitting on a bench and talking about our relationship, and he got tears in his eyes and pulled out the ring and actually got down on one knee and said, ‘I want you back.’”

In late August, Ron took her on a Mediterranean cruise, and by the time they returned they had decided to reconcile. First, though, Ron wanted her to sign a postnuptial agreement that his attorney had drafted. Should they divorce, she would be entitled to receive half of their community property, valued at sixty million dollars, and about ten million in other payments. (Burkle had made the estimate,



*“Mow lawn, take out garbage, water plants, weed garden.”*

and had submitted a statement of his assets; neither his lawyer nor Janet's examined any backup documents.) Under the agreement, their marital property—which he estimated at two hundred and twenty-three million dollars—and any acquired in the future would be his; Janet would receive between thirty and forty million.

"I didn't need or want an agreement in order to reconcile with Ron," Janet testified. "My belief at that time was that I was never ever going to get a divorce." But, she said, she was under great pressure to sign; Ron would come home and, in "hour-long tirades," say things like "I'm going to check into your attorney's taxes and see if he paid his taxes or not. I'd like to have him disbarred, and he's an evil man and dragging this whole agreement thing out just so he can collect more fees." Although Burkle testified that he never criticized Janet's lawyer, and never urged her to sign, Janet said, "I was told pretty much that if you don't trust me let's go ahead and do this divorce. If you do trust me, sign this thing and . . . we won't worry about it anymore."

Janet signed on November 5, 1997. The next day, Burkle signed the merger between Ralphs and Fred Meyer, which he had been quietly working on for several months. As Burkle's spokesman later explained, the deal was the crucial stepping stone to a far larger one: the sale to Kroger. Burkle had long thought of Kroger as the perfect buyer; the spokesman told *Supermarket News*, "Ron has had a Kroger truck on a shelf in his office for about a year." Once he'd completed the merger with Fred Meyer, he called Kroger's chairman to make a deal. That year, he cashed out all his supermarket holdings—nearly fifteen billion dollars' worth.

After Janet signed the agreement, she started trying to establish a social life, like "normal people do as a couple." For Ron's birthday, she gave him ballroom-dancing lessons, and invited two other couples to join them. But soon, she testified, he began to leave after dinner, saying that he'd be back in an hour, and would stay out until early the next morning. In April, 2002, she decided to move out. When Janet filed for divorce, she contended that the postnuptial agreement was void, because of breach of fiduciary duty, fraud, and failure of consideration. It was a singularly bitter fight. Janet charged that Burkle, with

## A SHORT HISTORY OF COMMUNISM AND THE ENIGMA OF SURPLUS VALUE

My grandfather on his Allis Chalmers WC tractor, a natural Communist who hated Communism, is an example of Marx's proletariat, though nothing near in his own mind what Marx meant by the masses—musing in his messianic beard, Marx intuited the enigma of surplus value that my grandfather understood from a cutter bar and threshing drum driving into the future as the combine harvester, thus increasing the bushels he could harvest each hour, thus increasing his hourly productivity for each minute expended of muscle foot pound power—but Marx didn't foresee, exactly, that the tractor would develop into a techno Taj Majal, complete with safety-glass cab, filtered A.C., a surround-sound system that could rival Carnegie Hall or blast Led Zeppelin at decibels that left your ears dazed, easily drowning out the invincible tractor's roar—and the hydraulics, so swift you could lift the discs with the touch of a finger—and all this, in the old man's mind, contrasting with the tractor he put me on to learn, a four-stroke with a crank you had to turn, cursing and turning until it shook itself and shook itself like a drunk with the D.T.s, until, clearing the mystification of its hallucinated roles, the tractor refused to sing the song of its own reification and hiccupped and lurched into the real. I'd climb onto the iron seat with a threadbare pad that made my ass sweat, a jug of iced tea wrapped in burlap, a bandanna knotted to keep dust out of my mouth, goggles

the help of his security chief, Frank Renzi, was spying on her and a man she had been dating after their separation, and that she received "harassing phone calls from Burkle that he knew what I was doing at any given moment." The Burkles' daughter, Carrie, filed an affidavit saying Burkle told her that he had planted microphones to record Janet's conversations, and that "his security people have pictures of my mother and her friend drinking and having sex. He said that it seems the sex 'was really rough.'" Carrie also said that her father had asked her to come view the video, though not "the sex part." (Renzi said that Carrie had misconstrued what her father said, and that there were no videotapes.) In the divorce filing, Janet wrote, "I know that he views my leaving him as a loss, not necessarily in the personal sense, but in the sense of 'win or lose.'" She added, "My husband cannot tolerate losing—anything!"

Burkle's testimony in the divorce case showed an almost phobic aversion to exposure. He shreds every credit-card bill,

for fear of identity theft, and pays restaurant checks in cash; he forbids family members to be photographed at events. His lawyer filed a motion to seal the court records, arguing that the information could put Burkle's son Andrew at risk of being kidnapped. That motion was mainly denied. But two months later the state legislature—unanimously, and without a single hearing—passed a bill requiring judges to honor requests to seal many records in divorce cases. Governor Arnold Schwarzenegger signed the legislation—just a couple of months after Burkle and his companies had donated \$147,800 to Schwarzenegger's political committees, and to the state Democratic Party. As press reports linked Burkle with the law, his attorney complained that it had become unfairly known as "the Burkle statute," insisting that he had nothing to do with it. The law was later ruled unconstitutional.

The postnuptial had stipulated that any divorce would be heard by a privately paid judge. California allows attorneys and ex-judges, selected by liti-

snapped onto my face like an ideologue's dream so that I saw the fields foursquare as I contour-plowed acre after acre unfolding before me with such dialectical rigor that the ground of being would hold still forever, never blowing into reactions of horizon-shrouding dust whipped by the hot winds of contingency.

Such a theory Marx made to argue the enigma into sense—and not just for himself but for the eponymous masses! But my grandfather's big nose and wary drinker's eyes keep breaking through the mask and posing an alternative enigma: what if his surplus value led him not to solidarity with the worker but instead made him into a kulak who must be killed? So the locomotive pulls out of the Finland Station, so the colors red and white make uniforms for themselves: Lenin. Trotsky. Moth-eaten Tsar Nicholas. Technicolor Rasputin. The ones who stood in front of Kresty Prison for three hundred hours. But the colors saw them coming—and wore the ones who wore them to rags. But fast-forward a hundred years, my grandfather dead for fifty, and there, in a window on Fifth Avenue, the enigma hides itself in the headless, sexless torso of a mannequin as a fly lands on its finger, the window shattering to a thousand windows in the lenses of its eyes. And all the while the enigma, like the embalmed body of Lenin, keeps on breathing through his waxworks face.

—Thomas Sleigh

gants, to conduct trials; as a result, the state increasingly has a two-tiered court system, in which many wealthy people hire their own judges. Burkle wanted Steven Lachs, who had presided in 1999 over a custody dispute between Michael Jackson and his ex-wife Debbie Rowe, and who was California's first openly gay judge; Burkle has contributed generously to the cause of gay rights. Janet's lawyers consented, and Burkle paid Lachs about seventy-three thousand dollars in just over a year.

At the trial, Janet's lawyers argued that Burkle had deliberately understated his assets and not disclosed the pending deal between Ralphs and Fred Meyer. In Burkle's deposition, he never mentioned the merger, and when asked if he had made any transactions in the fall of 1997 he said he did not recall. But in cross-examination Burkle began to remember the merger, and by the end of the trial he claimed to recall with great specificity conversations he had had with Janet about it. In the end, Judge Lachs ruled in Burkle's favor, and that

decision was upheld on appeal. Janet, who stood to receive at least a billion dollars if the postnuptial was voided, got about forty million.

When Burkle moved to Green Acres, he vowed not to get involved in the entertainment business. "A lot of people do it because they want to meet girls, they want a producer card, whatever," he said. "I thought if I ever did anything I'd just never talk about it." But the parties at Green Acres began to bring celebrities into his ambit. In the late nineties, he became close to Sean Combs. "We met organically," Combs told me. "We were going to Vegas at the same time, he offered me a ride, we just clicked. We both happen to be Scorpios. We weren't blessed with huge trust funds. We also related to not being caught up in money."

Combs established Bad Boy Entertainment in 1993, and began to build a fortune that *Forbes* has estimated at five hundred million dollars. He also developed a reputation for violence. In April, 1999, Combs was charged with assault-

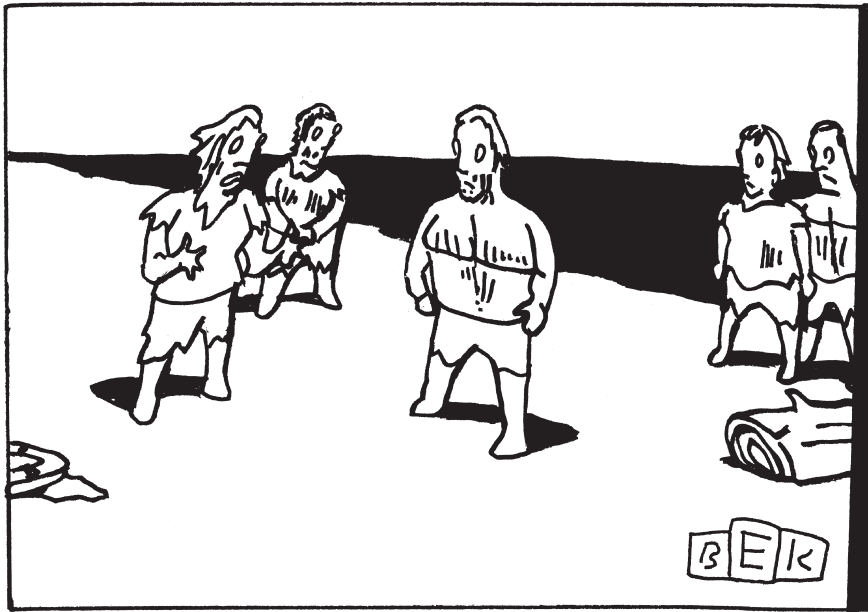
ing an executive at another record company, and, later that year, he got into an altercation at a Manhattan club in which shots were fired, injuring three people. When the case went to trial, in January, 2001, witnesses testified to seeing him with a gun, and a member of his entourage was sentenced to ten years in prison. Combs, who was represented by Johnnie Cochran (who had also worked for Burkle), was acquitted. Throughout the legal process, he said, "Ron never left my side. He takes loyalty very seriously."

In 2003, Burkle invited him to Green Acres, to host an after-party for the MTV Movie Awards. The estate that had seemed to Burkle as if it weren't in Los Angeles had become the city's most glittering scene. As Combs later recalled, "I invited everybody. Everyone was there: the Beckhams was there, I remember Beyoncé was there, Jamie Foxx, Ashton, Cameron Diaz, Will Smith, Chris Rock. Everyone that was moving and shaking in Hollywood." The same year, Burkle invested in Combs's clothing line, Sean John, using a hundred million dollars from a CalPERS fund dedicated to financing "underserved" areas and minority-controlled businesses. Combs said, "I don't think he invests in companies—he invests in people. So he invested in me." In 2008, Burkle invested another twenty million of CalPERS money in Combs, acquiring the street-wear brand Enyce. Combs said that he considers Burkle a "mentor," but also likes that he is "never too big to listen and learn. He'll roll with me to a Jay-Z concert, he'll roll with me to an ASAP Rocky concert—he's into culture."

In keeping with his newfound interests, Burkle began to finance movies and Broadway plays anonymously, sometimes using the sobriquet Mr. Brown, in honor of the man who fired him from Stater, in 1982. Among them were films in which Combs's ex-girlfriend, Jennifer Lopez, appeared. Burkle seemed to feel that as long as he was approaching movies as a hobby he could enjoy the dividend of glamour without violating his proscription against the business. In any case, his main interest, aside from his investments, was politics.

But in 2010, not long after Clinton departed from Yucaipa, Burkle finally went public with a bid to enter the movie business, working with Harvey and Bob





*"We need some sort of useless leader."*

Weinstein. The two men had sold their film company, Miramax, to Disney, but left in 2005, under rancorous conditions, to found the Weinstein Company. Many private-equity investors were eager to finance the brothers—viewed as among the greatest producers of their time, on the strength of such movies as “The English Patient,” “Pulp Fiction,” and “Shakespeare in Love”—and they raised nearly five hundred million dollars in equity. But Harvey had lost interest in making movies. Instead, he set about trying to create a multimedia empire, investing in Web sites, a cable network, and fashion. He delegated responsibility for the company’s films, and those which got released were largely failures.

In 2010, the Weinstains decided to restructure four hundred and fifty million dollars in debt and return to independent filmmaking—and try to recover Miramax, which Disney had put up for sale. Several prospective partners came forward, Burkle among them. He had known Harvey Weinstein casually for years. “Ninety per cent from political events, and ten per cent from bumping into each other—you could probably make a joke of both of us being overweight,” he said. “Harvey had always treated me like a star, even though he never had any reason to believe that I would ever be able to do anything with him.” Burkle said that he particularly likes

investing in people who have encountered adversity, because he believes they often come back stronger. “It sounds harsh, but if I wasn’t talking with a reporter I would say, like buying stocks when they’re cheap.”

The auction for Miramax began in the spring of 2010. A value shopper, Burkle tries to avoid bidding wars, and, despite Weinstein’s pleas, he set his final offer at five hundred and sixty million. “Somebody else wanted it for more money than I thought it was worth—like a hundred million more,” Burkle said. During the bidding, he was in Cannes with Weinstein, and “every cute girl I met said, ‘Oh, I just met the guy who is buying Miramax.’ And at that point I knew he was bidding more than I was.” In the end, the Los Angeles construction magnate Ron Tutor got Miramax, for six hundred and sixty-three million dollars.

The next year, Weinstein brought Burkle along to the Sundance festival, and announced that they were partners in the purchase of several movies. They have since worked together on a half-dozen films, including “The Iron Lady” and “Our Idiot Brother.” Burkle said that he and Weinstein have an informal agreement, in which “basically I can do half of what he does on a movie.” The Weinstains have not always had easy relations with the investment community,

and JPMorgan Chase, the premier bank in entertainment finance, has long declined to back them. But Burkle said, “We do everything on a handshake. The first movie we did together, ‘Idiot Brother,’ Harvey thought he spent more on P. & A.”—prints and advertising—“than he should have, and he called me and said, ‘I’m not gonna take a distribution fee because I don’t think I did you right.’ So, for whatever anybody’s ever told me about how tough Harvey is, he’s been ridiculously fair with me.” He added, “Everything I’ve done with Harvey has been profitable—everything.”

Weinstein has made a triumphant comeback: last year’s “The Artist” won five Oscars, and at Cannes he bought so aggressively that he seemed the biggest star there. But Burkle presents his involvement with Weinstein as a pleasurable avocation. “It’s not expensive to have ‘The Iron Lady,’” he said. “I’m going to sound like Romney if I’m not careful. But it’s not a big check, and it’s something that’s really fun and you can be proud of.”

A few days later, I talked by phone with Weinstein, who was on a boat in the Mediterranean. When I told him what Burkle had said about their dealings on “Our Idiot Brother,” he recalled declining a distribution fee, but disputed that he had spent excessively on P. & A. “There was a hurricane on the East Coast the weekend it opened, and in light of the fact that theatres were closed, I didn’t think it was the right thing for Ron to be involved in a freak of nature,” he told me. When I mentioned Burkle’s having the option to go fifty-fifty on any of his movies, Weinstein said, “It’s not quite like that,” but wouldn’t elaborate, saying only, “Ron is a very important port of call for this company, and we treasure the relationship.” Weinstein said goodbye, but a moment later he was back. He wanted to tell me that Burkle was “a great dad,” and “good for his word.” And, he went on, “I don’t think Ron has ever, ever—to my knowledge—not reached out to a friend in need. I know he’d probably hate me for saying that, because I know he loves his reputation as a tough business guy, but he really is a sweetie.”

Burkle described his growing involvement in the entertainment industry as divided between “passion projects” and “business.” (“Passion” seems to signify that he is using his own money,

“business” that he is using other people’s, too.) He backs Weinstein’s films out of passion, he says. But he decided to invest in Relativity Media “because it makes sense as a business deal. And if I’m wrong it’s because I misjudged the business side of it, not because I misjudged the quality of the movies.” (As a financial middleman, Relativity has received producer credit on scores of movies, some of them excellent; those it has produced itself have tended toward the likes of “Grown Ups” and “Machine Gun Preacher.”) Burkle’s investment in Relativity is at least a couple of hundred million dollars—his first major play in the movie business. Characteristically, he chose an asset that he could get cheaply, at a time when Hollywood’s latest cycle of outside investors, from Wall Street, had fled. “You know, there’s times in Hollywood when there’s no dumb money,” he said, laughing. “Not many!”

In 2003, when Ryan Kavanaugh started Relativity Media, he was twenty-nine and had already abandoned his first enterprise: a venture-capital firm that sustained huge losses, incurring lawsuits by investors. Kavanaugh—who has red hair and a jaunty grin, and wore a uniform of jeans, a white dress shirt, and navy Converse sneakers—was a college dropout with no resources and almost no experience in Hollywood. But he is an intuitive courtier and an inspired salesman. “Ryan is enchanting in a room,” an industry insider said. “He has charts, graphs, data, a kind of Tony Robbins mastery of his own thesis.” Kavanaugh persuaded a well-regarded entertainment executive named Lynwood Spinks to team up with him, and to invest about a million dollars in Relativity—an outlay that Spinks later referred to as “betting the farm.” In 2005, after Spinks provided entrée to Warner Bros., Kavanaugh brokered a deal between the studio and Stark Investments, a hedge fund based in Wisconsin. By the terms of the deal, called Virtual Studios, Stark invested two hundred and thirty million dollars in six movies. Relativity was paid five hundred thousand per movie.

Kavanaugh’s timing was excellent. Hedge funds and private-equity firms were awash in cash and looking for investments that were “uncorrelated” to the stock market. “You had sixty private jets landing in Santa Monica airport and

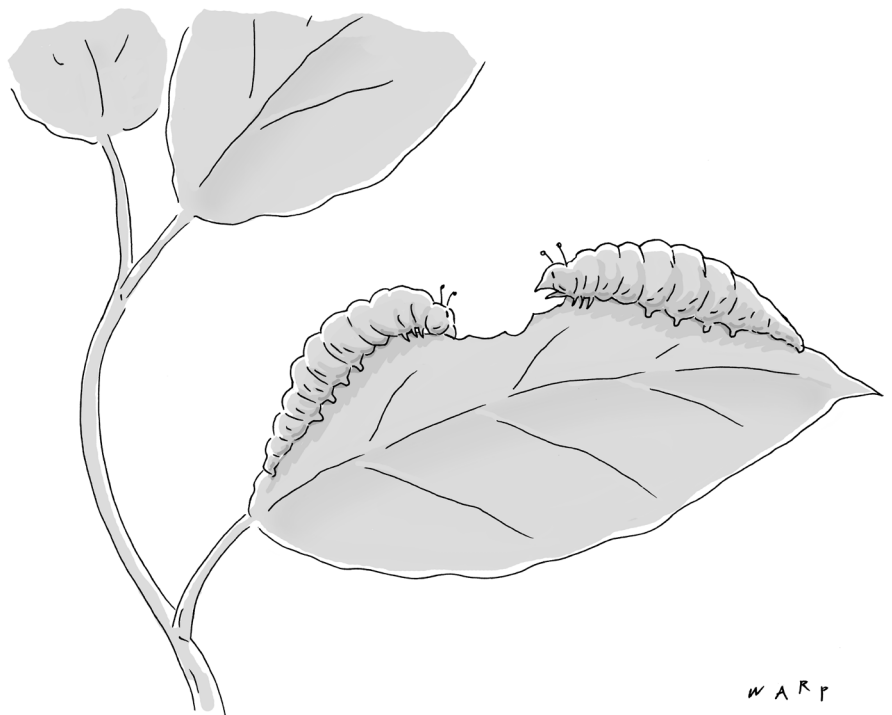
going to chase six studio deals,” Clark Hallren, a longtime L.A. investment banker, recalled. Kavanaugh developed a specialty in slate financing, in which groups of films are bundled together in order to spread the risk. He bragged that he had a special computer-simulation tool for selecting the right movies, based on a trove of data from past films, which he referred to as the Holy Grail of Hollywood. Kavanaugh—who said that his hero was Albert Einstein—impressed hedge-fund bankers with his complex financial model; in meetings, he scribbled long-running equations on a whiteboard. In 2005 and 2006, he brokered two slate deals, called Gun Hill Road I and II, to finance thirty-six movies with Universal and Sony, and typically received a million dollars per movie, plus producer credit, despite having no role in the movies’ production.

Kavanaugh was lionized in the trade press, where he advertised heavily, for bringing Wall Street money to the studios. But in Virtual Studios and the Gun Hill Road deals, according to several executives who were involved, many investors lost money, or got exceedingly poor returns. An article in *Variety* claimed that investors in Gun Hill Road had achieved returns of seventeen per cent, and quoted Kavanaugh as saying, “We came close” to the desired

return. One executive said, “We saw this press statement from Ryan about the returns—we were flabbergasted!”

In 2007, Kavanaugh became friendly with Jesse Cohn, a partner at the hedge fund Elliott Management. “Ryan’s excitement about Jesse suggested the classic shearing of the sheep,” a former Relativity executive recalled. Cohn, still in his twenties, had made successful investments in technology, but the movie business and its social mores were new to him. In one meeting, a female lawyer asked Cohn, “Do you have a card?” and he joked that he had misunderstood her greeting as “Do you fuck hard?” Kavanaugh invited him frequently to his house on Malibu’s La Costa beach, which a neighbor described as populated by “very beautiful, very young, very scantily clad girls.” (Kavanaugh and Cohn insist that their relationship was strictly professional, and that Cohn came to the house only for meetings.) An entertainment lawyer who has worked with Kavanaugh says, “Ryan knows how to suck people into the glamour of Hollywood. You’re a banker, leading a dull life, and all of a sudden you’re hanging out with movie stars. You think, I’m walking down the beach with Gerard Butler! Before you know it, you’re rationalizing why you should be making this investment.”

In early 2008, Kavanaugh closed two enormous deals with Elliott. First, Elliott



W A R P

*“I eat a totally plant-based diet and I still can’t lose weight.”*

bought forty-nine per cent of the company for a price estimated at about a hundred million dollars—a “mind-boggling” amount, considering its finances, according to a former Relativity executive. The investment enabled Kavanaugh to inch toward his goal of becoming a mogul: he expanded movie production, started divisions in music, TV, online video, and sports management, and acquired a distribution operation. Next, Kavanaugh brokered a slate deal with Universal, called Beverly 2, in which Elliott agreed to make an initial investment of about five hundred million dollars, and to provide partial funding for Universal movies for the next seven years; Relativity would eventually get two million per movie.

These were unorthodox gambles for Elliott. Its founder, Paul Singer, is a major Republican donor and power broker; his flagship fund manages at least a million dollars of Mitt Romney’s money, and his associate Dan Senor is Paul Ryan’s top adviser. Elliott has made a fortune as a “vulture” fund, buying the debt of bankrupt companies and countries; over thirty-five years, it has returned an annual average of fourteen per cent—a kind of consistency that no one associates with investing in movies.

After signing the deal with Elliott, Universal began three years of mainly disappointing films. For the studio, Beverly 2 offered a lifeline. Universal not only got financing from Elliott; it was also allowed to subtract distribution and other costs before it shared revenues. In 2010, two analyses projected enormous losses for Elliott, and Universal ultimately agreed to concessions of as much as two hundred million dollars, according to an executive with knowledge of the transaction. In early 2011, Elliott started trying to regain control of its investment in Relativity.

Kavanaugh began courting a new banker: Gregory O’Hara, the head of the special-investments group at JPMorgan Chase. He took O’Hara to Cannes, where they hung out with Leonardo DiCaprio, and the two talked about buying a house together in Montana. The bank discussed a deal, but ultimately decided not to proceed. Kavanaugh seemed to have exhausted his options. Relativity had suffered a series of box-office failures, and high-level executives were leaving. The company, which had grown to about two hun-

dred employees, was desperately short of cash. Relativity’s first big-budget epic, “Immortals,” was set to open in early November, and, less than two weeks beforehand, Elliott reportedly threatened to reduce its investment unless Kavanaugh agreed to dramatic concessions.

At this moment, Burkle appeared, and in a familiar guise: a fierce opportunist, cloaked in benevolence. Colbeck Capital, a New York firm that he helped establish, negotiated the deal with Kavanaugh, Burkle said: a fifty-million-dollar loan, followed by others. “Ryan was fair with us on one deal, and we liked the math and the structure and the security,” Burkle said. “He had ‘Mirror Mirror’ and ‘Act of Valor’ coming out, and somebody had to step in to do what his partner had promised to do and didn’t do.” He emphasized that Kavanaugh had not charmed him into this investment, even though he found him “personable.” In January, Burkle expanded his interest, in a transaction that gave him free equity. According to someone familiar with the transaction, the collateral was, essentially, the whole company.

This June, Relativity announced that it had raised three hundred and fifty million dollars in debt financing, structured by Colbeck. A new board of directors had been created, which included Burkle, two Colbeck bankers, and Kavanaugh; Elliott has departed, and Burkle is al-



ready exerting the kind of control over Kavanaugh that Singer never could. A new round of equity financing, which will seek investors from around the world, is planned in the next several months. For Burkle, the deal appears advantageous and cheap; had he set out to create such a broad-based entertainment company from scratch, it would have taken years. But the enterprise will succeed only if its movies do. One popular Hollywood theory is that Burkle will

eventually fire Kavanaugh and most of the Relativity employees, put Harvey Weinstein in charge, and call the merged entities the Weinstein Company. Burkle rejects this scenario. When I asked Weinstein about it, he stammered for a moment and then said, “Ron has never said that to me, and I doubt that it would be true.”

One of Burkle’s friends says that he has wanted for years to shed the image of a “supermarket magnate.” Whether or not the Relativity deal turns out to be profitable, it has already helped to change how he is seen; the press has begun referring to Burkle as “the Relativity Media mogul.” For Burkle, buying a movie company seems like a better route to reinventing himself than befriending celebrities has been. He and Michael Ovitz, the former Hollywood agent, became close friends and business partners in the nineties, but in 2005 Burkle sued, claiming that Ovitz breached an investment agreement. His relationship with Richard Riordan, the former mayor, also ended in a lawsuit. An investor who knows Burkle well says, “Ron is not much fun to be with—but he surrounds himself with people like Magic Johnson, Bill Clinton, and Puff Daddy, so he’s entertaining to watch. He’s overly generous at the start, because he’s trying to buy their friendship. Then he gets tired of it.”

In politics, too, his investing in people has produced diminishing returns. When Hillary Clinton ran for President, Burkle gave lavishly to her campaign, and hosted a fund-raiser that took in \$2.6 million. He told an associate that if she won he might well be offered the post of Secretary of the Treasury. Recently, he told me that if Hillary ran in 2016 his support was not certain. “I don’t know. Four years from now, we’ll see.

“I’m so frustrated with all the politicians,” he went on. “I’m terribly disappointed in Obama.” The country has ten million houses in foreclosure, he said, and “all Obama talks about is, Rich people should pay their share of taxes, which is like a five-billion-dollar argument.” He said that he has not decided whether to give money to the campaign. “There’s an arrogance in Obama that really is troubling for me.” When Obama was running for the Senate, “he came and spent three hours in my office, and I thought

he was a very interesting, very intelligent man.” After he became President, Burkle offered some ideas about reviving the economy. “Nancy Pelosi was really responsive, but when I tried to talk to Obama about stuff he wanted to talk about vacation, or sports.”

Burkle never had that problem with Bill Clinton. “There’s nobody more fun to spend time with,” he said, sounding a bit wistful. When Clinton left office—burdened by debt, eager to make money but unsure how—Burkle provided an answer. From the start, their relationship substantially increased Burkle’s political power and, in turn, his fortune. But their friendship ended early in Clinton’s spectacular comeback, and Burkle surely missed some upside. He insists that he has “no regrets,” though, and even suggests that the split brought benefits. Burkle claimed that Clinton was helping to facilitate others’ “investments in places where I just wasn’t going to do business”—like Colombia, or Kazakhstan. Burkle added, “I think the longer he was out of office it became more of a business. It became ‘Clinton, Inc.’”

Also, his relationship with Clinton attracted the press. Reporters wrote often about his keeping company with young women; several stories linked him to the supermodel Gisele Bündchen. “It was starting to affect everything,” he said. “I had a girl who I was, like, *in love with*, who used to say, ‘I’m uncomfortable that you’re friends with this girl, and this girl.’ And I got her all calmed down, and then the *New York Post* writes about Gisele. ‘I knew you were doing this!’ I go, ‘It’s the *New York Post*, leave me alone.’” A *Vanity Fair* article, reporting on the wedding of Clinton’s chief of staff, Douglas Band, said that Burkle’s date was “an attractive blonde described by a fellow guest as ‘not much older than 19, if she was that.’” Burkle is still outraged. “I’m with a bimbo, and I’m dancing drunk on the tables!” (His spokesman, sitting in on the interview, clarified that Burkle was not dancing drunk on the tables.)

After Clinton ended his contract with Yucaipa, he calculated that, in addition to the \$15.4 million he earned, he was entitled to tens of millions of dollars more, in anticipation of future payouts. Burkle said, “Had he continued doing stuff with me, he would have made more



*“Terribly sorry, I thought this was my Brooks Brothers.”*

money than if he left, but I can’t help that.” His policy, he says, is “if you’re here on a day when we make money, you’re here.” According to people close to Clinton and Burkle, the two men negotiated for more than a year, and Clinton thought about suing. When I mentioned the prospect, Burkle said, “Absolutely not true!” (A spokesman for Clinton denied that he was seeking additional payments but declined to elaborate.) Burkle added that, because of Hillary’s political life, Clinton had cost him investment opportunities. “But I didn’t care. I wanted him to have money, because I don’t need to have more money.” He paused, and added, “I’ve never had a

fight with any of my friends about money.”

Today, Burkle speaks about Harvey Weinstein with an ardor that he once reserved for Clinton. “Harvey is like working on the Ennis House,” he said, referring to a Frank Lloyd Wright mansion, on a hilltop outside L.A., which Burkle bought last year, after the price dropped by seventy per cent. “If I never made a penny restoring the Ennis House, I’d be thrilled that I got to restore it.” Likewise, he said, he would be delighted to help bring Weinstein’s movies to the screen, even if he doesn’t make money. He paused, and said, “So long as Harvey doesn’t make any money, either. I don’t want to be stupid!” ♦