

## VENTURA COUNTY STAR

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### Inherited wealth didn't hold back Hughes

From time to time, we enjoy pausing from our investment commentary to pay tribute to those who have made a significant impact on business and the economy.

History offers many examples of heirs to large fortunes who, through laziness, incompetence or low character, managed to squander their inheritance and die penniless. Others take the gifts bestowed upon them and build something greater. Despite many obstacles and inner demons, Howard Hughes fought his way into the latter category.

Miramax Films' "The Aviator" reminds us that Howard Hughes was a national hero before his image devolved into a caricature of mental illness and eccentricity. And although Hughes was sometimes a poor businessman, his life illustrates three principles of value to



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anyone seeking his own fortune:

- Income from intellectual property can fuel other dreams.
- Passion ignites a dream, but hard work and commitment make it real.
- Money isn't everything.

John D. Rockefeller, the richest American ever, said, "Mere money-making has never been my goal: I had an ambition to build."

Hughes also had ambition to build, create and achieve. We feel his life story provides valuable lessons for the youths of today, who seem addicted to instant gratification, according to noted pediatrician and author Mel Levine.

Levine's recent book, "Ready or Not, Here Life Comes," is a study of 20-somethings, whose cultural ethos seems to revolve around a "no worries" lifestyle. No worries, no plans, no responsibility, no direction. Thus, we see an epidemic of people nearing 30 but living with their parents, wondering what to do when they grow up. Hughes' story presents a stark contrast. Thrust into adulthood at the age of 18, he forged ahead, achieved great things and never looked back.

Hughes might have taken the easy road. He was a terrible student, bouncing from private school to private

school without a care in the world. But when he was 17, his mother died from complications of minor surgery. He lost his father to a heart attack less than two years later. Still a teenager, Hughes assumed responsibility of a great fortune and the business that created it.

Hughes' wealth sprang from his father's invention, a 166-edged rotary drill bit that made it possible to drill for oil through thick rock formations. The Hughes Tool Co. leased the drill bit to oil companies, and controlled all revenues derived from the design. Just as America was becoming dependent on automobiles, America's oil industry became dependent on the Hughes drill bit. This invention financed nearly all of Hughes' many adventures in film and aviation.

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### Hughes' life a lesson in following dreams

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By 1924, at the age of 19, Hughes acquired complete control of Hughes Tool Co., but rather than devote himself full-time to the company, he chose to explore other options. In 1925, Hughes moved to California.

#### Hughes and Hollywood

Hughes' experience in Hollywood mirrors a frequent pattern of his: he took an interest in filmmaking; he became obsessed; and then desired control. First, he financed a couple of silent comedies, one of which won an Academy Award for its director, Lewis Milestone.

Encouraged, Hughes sought greater success. He began work on a film about the Royal Air Force in World War I. But the neophyte filmmaker was not content to merely finance "Hell's Angels," he wrote and directed the film, while assembling the largest private air force in the world. Moreover, he indulged another new interest by flying one of the planes himself.

Hughes experienced the first of three major plane crashes. After a few weeks of recuperation, he was back at work. However, talking pictures had by that time asserted their dominance in Hollywood, so Hughes reshot nearly all of "Hell's Angels" with a new actress, Jean Harlow.

Hughes' perfectionism delayed release of the film for years. When it finally debuted in 1930, it was a huge success. Unfortunately, the film had cost so much to make (\$4 million) that it lost money. He continued to produce films, and eventually bought RKO Pictures, but by the early 1930s his interest in aviation had eclipsed his desire to make movies.

Hughes bought and redesigned a small Army Air Corps racer. The hangar and small crew he hired to work on the plane eventually became the Hughes Aircraft Co., one of the country's largest defense contractors.

Although the company's XF-11 photoreconnaissance plane and Hughes' troop carrier plane (popularly known as the Spruce Goose) were not completed in time for World War II, the Hughes companies did contribute many armament innovations to the war effort. More than just a filmmaker,

pilot and airplane designer, Hughes acquired controlling interests in several airlines, including Trans World Airlines (TWA), and Air West Airlines.

Although known as a flamboyant millionaire and Hollywood playboy, Hughes was a very shy youngster, a description probably closest to his true nature. The cutthroat and duplicitous realms of politics and defense contracting were a poor fit for a dreamer like Hughes, who always questioned authority.

To compete at the highest level, Hughes associated with many people of dubious character, including former spies and FBI agents, muckraking journalists and reputed mobsters. He became embroiled in controversy when a Senate committee investigated him for not delivering two planes contracted by the government.

#### His downfall

Perhaps no one will ever know all the details, but Hughes certainly sank to the level of the lowest common denominator in Washington, using cash "loans" and other incentives to influence tax policy and other legislation that might affect his business interests.

At the end, Hughes' apparent mental illness and drug addiction overshadowed his lifetime of daring achievements in the public consciousness. But he was a genuine American hero before he came to be portrayed as a lunatic.

To his credit, Hughes was always himself, carving his own path in life and doing things his own way. Rather than enjoy the leisure available to him as a teenager, Hughes leveraged his fortune to pursue great dreams, many of which he saw to fruition through personal sacrifice and long hours of hard work.

The story of Howard Hughes shows us the power of passion, about making a choice, giving it your all, and finding success.

— Lance Helfert and Kinbo's Inc. founder Paul Orfalea are the co-founders of West Coast Asset Management Inc., a private independent money manager in Ventura. Orfalea sold his interest in Kinbo's two years ago. Vice President Atticus Love contributed to this column. Please e-mail questions to info@wcam.com. The principals of the firm or their clients may own shares in the companies they write about.

