



The Economic Club of New York

119th Year
858th Meeting

William D. Cohan
Financial Journalist and Bestselling Author

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In-Person/Hybrid Event

Moderator: Robert K. Steel
Partner and Vice Chair
Perella Weinberg Partners
Chair Emeritus, ECNY

Introduction

President Barbara Van Allen

Welcome everyone to the 858th meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. I hope everybody had a great summer and looking forward to an enjoyable and successful fall. I want to extend a warm welcome to students joining us today virtually from Rutgers University as well as to recognize members of the 2026 Class of Fellows – a select group of diverse, next-generation business leaders who are with us here today.

The Economic Club of New York is proud to stand as the nation's leading nonpartisan platform for discussions on economic, social, and political issues. We've been doing this for more than a century and we've hosted over 1,000 prominent guests contributing to a tradition of excellence that we are very proud of.

We continue that tradition today as part of the Club's Author Series welcoming our distinguished guest, William Cohan. Bill is the *New York Times* bestselling author of *Power Failure*, which was named best book of 2022 by *The New Yorker*, *Financial Times*, and *The Economist*. He's the author of seven non-fiction narratives, actually eight, including *Money and Power*, *House of Cards*, and *The Last Tycoons*.

Bill was a longtime special correspondent at *Vanity Fair* and is a founding partner of and Wall Street correspondent for Puck. A former Wall Street investment banker himself for 17 years, he writes often for the opinion pages of the *New York Times*, the *Financial Times*, and appears regularly on CNN, MSNOW, and BBC. He's a graduate of Duke University, like our interviewer actually, Columbia University School of Journalism, and the Columbia University Graduate School of Business.

Today's program will feature a conversation on his latest book, *Money to Burn*. He'll be moderated by Chair Emeritus and Partner and Vice Chair of Perella Weinberg Partners, Bob Steel. The program will conclude promptly at 1:00. As a reminder, this discussion is on the record. We do have media both online and in the room. Without further ado, please join me in welcoming Bill and Bob to the stage.

Conversation with William D. Cohan

CHAIR EMERITUS ROBERT STEEL: Well, thank you, Barbara. It's a treat to be here, and Barbara did a great job of describing the arc of Bill's accomplishments and the books that he's gifted to all of us which are so great. I have a kind of a full disclosure comment. We're good friends, and I've known Bill for a long time, and followed his career and been really a bit of a fan and really appreciative of all he's done, and I've enjoyed all the books.

So for me to be able to talk to Bill about the latest book is really a treat. As Barbara said, we both went to Duke but I'm a lot older so we didn't overlap. I wish. But we share that too. You know, when I got the book, I just couldn't put it down. And there are things that I'm interested in and I think that you will be too.

The first big topic, I think, that's interesting for us as Economic Club people is really the importance of Apollo. And what Bill and I were talking earlier about, the arc of the tools and skills and people of Drexel and what they had learned in their Drexel life and how it came together to be an important foundational tools and skills for Apollo. And that's my framing. Does that sound right, Bill, and could you talk about that for us?

WILLIAM D. COHAN: Sure. First of all, thank you, Bob, for doing this. Thank you, Barbara, for having me. It's great to be here in this room where I actually think I had my engagement party when I got married many, many years ago. So it's great to be here.

Yes, I mean you can't underestimate the importance of Drexel to, not only Apollo, because they all worked there, all the original partners and associates all came from Drexel And then, you know, there's, as I said to you before, the Drexel coaching tree is almost as impressive as the Coach K coaching tree, which of course we're required to mention that as Duke grads.

And so, I mean Leon was head of M&A at Drexel. The original cohort of people he handpicked to go to Apollo after Drexel blew up in February 1990 and then Apollo was started in June of 1990 all were, you know, senior people from Drexel. And then, of course, he had to have some associates to do the work, and that's where Marc Rowan and Josh Harris and Michael Gross came in.

And, you know, I think there weren't a lot of private equity firms in 1990 anyway. Now, of course, we take them all for granted. It's become a little bit more of a difficult business than it was then. Then it was sort of in its infancy. And even then, though, Apollo and Leon and his colleagues had a different approach. In fact, the interesting thing is, of course, Drexel blows up, a lot of people who were associated with Drexel were not exactly probably the most desirable people to, you know, want to figure out how to work with necessarily, even though they were obviously very talented. I mean there were some Drexel taint at that point.

Leon got a call from a guy who was working at Credit Lyonnais in New York looking for potentially Leon and his merry band to lead their M&A effort at Credit Lyonnais. The guy called Leon six times before Leon returned the call. So there's one fun detail. And when he did return the call the guy said, well, we'd like you guys to be our M&A arm in the U.S. And Leon said, well, that's great, but there's no M&A business. There was a credit freeze basically on at the time that continued for another two or three years at least. But

he said, but there is a huge opportunity in investing in distressed debt. So let's become principals in the investing of distressed debt.

And it turned out that there was a fellow in Paris who was also very interested in that, in Credit Lyonnais, who had sort of his own fiefdom and staked Apollo to like \$400 million to do that, which was matched to some extent by the partner's own money and sort of they went off to the races buying the distressed debt of course of the companies that Milken had financed and raised money for and that Leon had advised to some extent. So they kind of were eating their own cooking a little bit at 50 cents on the dollar or less. And that's how they made their first fortune.

CHAIR EMERITUS ROBERT STEEL: And talk a bit about the insurance where they bought in, because I think, my impression, and I'm going to ask you to bounce off that to talk about insurance and oughts today. But you understand where I'm leading you.

WILLIAM D. COHAN: Sure. I'm a very good student of yours. So the second fortune they made was when Executive Life, the insurance company, went belly up and was taken over by the first insurance commissioner of California, John Garamendi, who is now a congressman and has been for a while and who would not talk to me for the book, which I thought was an interesting choice he made. And so he was sort of overseeing the liquidation of Executive Life.

And Leon got Credit Lyonnais interested in providing the capital for them. They were the leading bidder. Some people felt like they had the, the fix was in from the start. Hellman and Friedman was also a bidder. There were other bidders, Sam Zell. But the long story short is that Leon and Apollo bought the \$6 billion junk bond portfolio for \$3 billion so they got it for 50 cents on the dollar, and this is how they made their second fortune.

Some of the bonds in that portfolio went from 50 cents to par and so they made money that way. Some just stayed at 50 cents and they clipped the coupons and a bunch others traded down. And they converted that debt, the distressed debt into equity. That's how they ended up owning Gillette Holdings which owned Vail among other things. And, of course, Leon had advised George Gillette on the putting together of Gillette Holdings. And then the next thing you know, you know, they end up with Vail, and they make a fortune on Vail. They made a fortune from buying that portfolio.

There was one major caveat to that situation, which is that Credit Lyonnais, which was the French state-owned bank, by the way why they decided to back a bunch of Drexel guys at that point was sort of an interesting dynamic, but they did and made a lot of money. But they also wanted to buy the insurance business out of Executive Life, which of course they weren't really allowed to do because foreign companies aren't allowed, foreign banks weren't allowed to own U.S. insurance companies at that time. Maybe not even at this time.

But they sort of created a subterfuge to do it and many years later got caught, got indicted, paid a very stiff penalty. And basically Credit Lyonnais ended up being forced into a merger with Credit Agricole, which is what it's part of today. Even though Leon and Apollo had a front-row seat at all of that, they somehow avoided any legal problems. Just like he avoided any legal problems related to Drexel.

CHAIR EMERITUS ROBERT STEEL: Do you think that this early time with Executive Life was prescient with regard to them learning and understanding the insurance business? And if we fast forward, having the interest in Athene to begin with. Talk a bit about that because you know they were the first of the alternative asset managers to kind of connect the dots with insurance I believe. But as I read the book, I thought, wow, the Executive Life engagement really kind of gave them a perspective to see where that was going. And now lots of other people are thinking about that combination of asset management and insurance.

WILLIAM D. COHAN: That's exactly right. I mean I think it was seminal to Marc Rowan's intellectual development in this area. He worked on the Executive Life deal and then he also hired Jessica Bibliowicz, who was Sandy Weill's daughter and they together created National Financial Partners, which was a collection of insurance brokers, and they made a lot of money on that deal.

So the combination of really understanding the insurance business and the crazy statutory accounting that is part of the insurance world. And insurance companies are not regulated at the federal level, they're regulated at the state level. And understanding that which gets most people's eyes to glaze over very quickly, that and creating National Financial Partners with Jessica Bibliowicz, those two things were extremely important to Marc's education. I don't think Leon and Josh really, I mean obviously Leon was involved in the Executive Life deal, but I don't think he really was an insurance maven. Josh, I don't think he could have cared less. He was into chemicals and sports teams and things like that.

But after the 2008 financial crisis, this guy Jim Belardi, who had been an executive at Sun Life, and a very senior guy, came to Wall Street sort of looking to raise money for an annuity insurance company, a company that insured people's retirement savings in effect. Not property and casualty, not life, not mortgages, just people's retirement savings. And Marc just got it immediately, took to it. Other firms on Wall Street were interested but it was Marc who stepped up and really championed it, invested \$16 million in Jim's company that became Athene. Leon and Josh really, you know, it was \$16 million, who cares? If you want to do that, Marc, that's fine. We don't really know what you're up to, but good luck with that.

And ended up creating the largest annuity insurance company, certainly in the U.S.,

maybe the world. And it became a source of what became their private credit business, why they went from being called private equity to alternative asset management and really pioneered, in sort of the way that Mike Milken pioneered the high-yield business back in the day, Marc has really pioneered what we now call the alternative asset managers and the use of the steady stream of capital that comes from an insurance company to build what is this massive private credit business.

And just as an example, some facts. Apollo now manages basically a trillion dollars, \$150 billion of which is private equity, and it's been that way for a while. But the rest of it, \$850 billion, i.e. eight times as much, is private credit. So that is a bonanza. And if you are a CEO of a public company, seeing that kind of growth is obviously very useful and very valuable to shareholders.

And he's really pioneered, you know, in the private equity business, you know, you make a lot of bets. And, you know, if you make ten bets and six or seven don't work out, the other three or four can more than cover any mistakes that were made. And it's expected that you're going to make mistakes. But in the private credit business, which is a spread business, you have to make more on what you lend the money out for than you owe to your annuitants. You don't have a lot of room for mistakes because if you make a bunch of mistakes there's no way to get upside. You know, with fixed income you can't get upside. All you can do is get downside.

So you have to be sort of very good at that and I think that's why late last year and earlier this year, we began to see cracks in that market. And Marc had to, like come out with the fire hose and dust everybody off and say, hey, everybody, just calm down here. It's not as bad as you think. It's going to be fine, calm down.

CHAIR EMERITUS ROBERT STEEL: But there are, if you look at the arc of Apollo, I think what you highlighted is there are two things that were early and focused of Apollo. And one is insurance, and two is credit. You know, if you kind of imagine when the race started, you know, with Carlyle and TPG and KKR, and etc., of all those firms that started, that Apollo was the first, it seems to me, that was credit-focused and insurance-focused. I don't know if that's...

WILLIAM D. COHAN: Well, Apollo is opportunistic-focused. Okay, like they wanted, you know, private equity, you know, okay, we just buy companies with equity and then we use other people's debt to do that or we buy divisions of companies and we'll buy RJR Nabisco or whatever it is. But, you know, right from the get-go, I mean Leon said, look, you know, there's an opportunity in buying distressed debt so that's what we're going to do. So give us the money and we'll put in some of our own and together we'll ride, you know, buying things at 50 cents on the dollar up to 100 cents. Or if it doesn't work out, we'll convert the debt to equity. I mean very few others were thinking that way.

CHAIR EMERITUS ROBERT STEEL: Yes, I think the first time I heard the phrase loan-to-own it was in connection to Apollo's strategies, and the idea was in some cases they actually hope it defaults because they'd like to own it.

WILLIAM D. COHAN: Exactly right. That's part of the strategy. Very few people were thinking that way back then but it became extremely lucrative. I mean they also bought companies too. And some worked out like LyondellBasell. They made \$10 billion. Or Hostess, which was kind of a brilliant deal I thought. They made billions. But in Caesar's Palace, they lost billions too. So I think they had the view that we're going to do a lot of deals. Some are going to work out great. Some aren't going to work out. And you're not going to be penalized career-wise for doing a bad deal. I mean obviously it didn't hurt Marc to do the Caesar's deal. And it didn't necessarily help Josh to do the LyondellBasell deal.

An important thing to keep in mind here is that Leon was the founder of this firm. Now lots of success has many fathers, so lots of people want to claim to be the founders or co-founders of Apollo. But when they decided to go public in and around 2008, it took them a while because the markets were choppy, shall we say, Leon realized that he needed to show the market that he had succession in mind. And by then some of the original peer-like partners had left, like his brother-in-law, who went and started Ares and now has done quite well with that, and they sort of split up.

But that left sort of Marc and Josh and they were about ten years or so younger than Leon. And so he sort of designated them as, also if you want to call yourselves co-founders, you can, and we'll show the Street and investors that we have this succession thing kind of figured out. And, oh, by the way, I'm going to give you 58 or 59 million shares of my stash. And as soon as we go public, you're going to be billionaires, so how great is that? I mean that is an incredible gift that he gave them. I think each of their stakes now are worth \$10 billion and Leon's is worth \$18 billion. He still is the largest shareholder with 85 million shares.

CHAIR EMERITUS ROBERT STEEL: But it's interesting and I didn't know this until I read the book that it clearly was Leon recognizing that to go public he needed to have a narrative on succession and strength and depth of management. And by elevating Marc and Josh and giving them this title, which isn't accurate, but recognized the value of communicating that. And he paid a price for it, but he got something for it was how I unpacked it.

WILLIAM D. COHAN: And I think he was happy. He said to me, he's happy to own a smaller piece of a bigger pie. And you know yourself that a lot of these firms don't get succession right and they struggle with it. A lot of firms on Wall Street, not just alternative asset managers, struggle with it. Some of your clients in fact struggle with it. Some of the firms I used to work with struggle with it.

CHAIR EMERITUS ROBERT STEEL: I think we've mentioned names. Let's pivot. Let's go to talk about the characters. And one of the great things about your writing is that you seem to enjoy and be very successful at developing the characters. And let's talk about the people of Apollo. You know I think, let's leave Leon to be third, but let's start and maybe frame the arc of Josh and Marc and kind of what you learned as you dug into each of them.

WILLIAM D. COHAN: First of all, if you're not, I mean the personalities on Wall Street are so darn interesting that if, you know, if you're writing about them, you obviously have to develop them as characters. And when you're given the gift, I mean I've been given the gift in all my books of having great characters, whether at Goldman or Bear Stearns or Lazard or wherever. And this is another, Jack Welch and GE, this is another example of unbelievable characters.

And really not, you know, when I was at Lazard I had the task, I would say, misfortune, of having, trying to get M&A business from these private equity firms. So I was dispatched early on when Apollo was formed to go over and talk to Marc and try to show him actual ideas. A totally thankless task because they're M&A guys, why are they going to hire an M&A guy from Lazard? They're not going to do it. But I would go over and show him all sorts of ideas and think I was making progress and going to get hired, but I never did. And that's okay. But I got to know Marc.

So I knew Marc but I didn't really know any of his sort of personal background. I didn't know Josh. And Leon I had sort of met walking down the street once on Fifth Avenue but I didn't really know his background either, which is extraordinary. But Marc is from Long Island, Merrick, Long Island. His father actually had a very small business.

Remember intermediaries used to make loans when you wanted to buy a car. Now it's all done by big finance organizations or the car companies themselves. But Marc's father was sort of in that business. And as Marc said, it was not a very good business. And he would sort of shuttle between Merrick, Long Island and Hollywood, Florida. And he went to high school in Florida and then would come back to Merrick. And his father, we didn't really talk a lot about this, but his father committed suicide and his brother committed suicide. So Marc, again not unlike Leon, felt that he had to be sort of the breadwinner in this family that had sort of fallen apart.

And one of my favorite stories is that he got into Cornell. He thought he was going to, his father was like this labor economist. One of his grandfathers was a labor economist. And he thought he was going to maybe be a labor type person and Cornell had a program like that. So he got into Cornell. He got into Wharton at Penn, but he was going to go to Cornell and then he got the syllabus for this class. And he read it and he thought, my God, this is treacherous, this is really boring. I'm not going to go to Cornell.

He calls up Wharton, which I guess he had told them he wasn't going to go to, and he said, can I still come? And they said, sure. So next thing you know, he goes to Penn, goes to Wharton, and is an exceptional student. He's like, I think, the largest donor to Wharton and Penn at the moment, or one of them.

And so, you know, he was just exceptional. I mean they called him a Managing Associate at Drexel because he just knew more than most of the senior bankers there. And he would say, he would say like, you know, this is what I'm going to do. Unless you call me back in 15 minutes, I'm going to do it. And they, of course, wouldn't call him back because he was just an Associate and they were Managing Directors. And so he would do it and whatever it was, it was brilliant. So he was exceptional.

Josh was from Maryland. His father was an orthodontist, did Amy Carter's teeth, an important detail. He was also a wrestler. I think that sort of is an interesting aspect of his personality as it was for, say Steve Friedman at Goldman, who was a big wrestler too. He wasn't a particularly good student in high school. But like Marc he went to, somehow got into Penn and Wharton and really started excelling. Sort of gave up wrestling because he realized that he was not up to the task of collegiate wrestling, which I can completely understand. Ended up going to Harvard Business School.

One detail that I love about Josh is that from Harvard Business School he went to

Blackstone, and he was an Associate at Blackstone. He worked at Drexel and then went to Harvard Business School. Then after that goes to Blackstone. I mean that's like, what an arc that is, right? How do you beat that? And then three months after Apollo was started, Marc called him because Josh used to work with Marc at Drexel and they were trying to get a stable of associates to do the business. You know, you needed the Indians to go with the Chiefs.

So now Josh is faced with joining Apollo, which I think he wants to do, but also leaving Blackstone after three months. Who does that? And, by the way, Blackstone had paid off his student loan at Harvard Business School. So he has to go see Steve Schwarzman saying, you know, I got this opportunity to go to Apollo. It's interesting to me because I'm getting in on the ground floor of it. And Blackstone's been more established. I kind of missed investing in the first couple of funds or whatever it was. Oh, but I have this little problem in that you've paid my student loan off. Do you want me to pay it back? I can do that, but it's going to take a couple of bonuses at Apollo to do that. And Steve said, ah, forget it. So Steve took care of that. It didn't hurt him because he's worth \$50 billion. And Josh went off to Apollo.

CHAIR EMERITUS ROBERT STEEL: Well, it's interesting. I mean I think if you just pause, the elements of serendipity in these stories.

WILLIAM D. COHAN: It's always there in all these stories.

CHAIR EMERITUS ROBERT STEEL: It's fascinating.

WILLIAM D. COHAN: Thank God for it. I mean as a writer...

CHAIR EMERITUS ROBERT STEEL: It makes life interesting. Even Marc's decision to back out of Cornell and to go to Penn, Josh's decision to go to, and the courage to go see Steve and say, you know...

WILLIAM D. COHAN: Can you imagine what that conversation was like?

CHAIR EMERITUS ROBERT STEEL: Yes, and so it's fascinating. I think too, though, that these, they had a good wind in their sails, but Josh and Marc are both very, very bright and very hardworking. That really came through the pages to me. That these are not showing up guys was kind of my take.

WILLIAM D. COHAN: These are work horses, not show horses. Now they preen a little bit of course.

CHAIR EMERITUS ROBERT STEEL: But you read, you know, when Marc is really

living in California, digging into the insurance business, I found there were professional lessons from that, that you would want to point out to young people or maybe even older guys like me can learn too that this idea of focus, really understanding the details, it provides a high return down the road.

WILLIAM D. COHAN: I mean there's no substitute for hard work, especially on Wall Street. I mean, look, Wall Streeters don't get any sympathy for how hard they have to work. But, you know, either you're at the beck and call of a client, as you know, who might put the squeeze on you at all hours of the day or you're investing money and you're a fiduciary and, of course, you feel a responsibility to invest that money well. And I think they took that responsibility seriously.

CHAIR EMERITUS ROBERT STEEL: Yes, my take was that, you made the point that in this industry people work hard and are focused. I think these two athletes were exceptional. That the level of focus and the level of detail...

WILLIAM D. COHAN: Josh maybe to a fault.

CHAIR EMERITUS ROBERT STEEL: But you can't throw the pitch passed them. You know, they got it.

WILLIAM D. COHAN: Or Leon even.

CHAIR EMERITUS ROBERT STEEL: Yeah, I'm going to get to that. But with those two, as I read the book and you looked at the foundation of what they built and their careers, the life lesson there was really get after it and know the details.

WILLIAM D. COHAN: And they were highly motivated. In their personal lives, in their family lives, they were highly motivated to succeed and they were also ambitious. And what could be better if you have those characteristics than private equity or alternative investment management?

CHAIR EMERITUS ROBERT STEEL: Yes, thank you for that. Let's shift to Leon. You know, those of you that have the good fortune of being able to start the book and read it, you know, Bill begins the story by giving us an on ramp into Leon's life. And why don't you start with that and then we can go from there because I think back to this as serendipity and how people are formed and what's important.

WILLIAM D. COHAN: Yes, so Leon's father was the CEO of an important conglomerate back in the day called United Brands. They lived on Park Avenue. They were very wealthy. I think the father was on the *Forbes 400* list at one point, worth \$100 million or so. In the 1970s, I think that was considered real money, maybe even still considered

real money, but back then that was definitely real money.

But the family came from, Leon comes from ten generations of Orthodox rabbis. His father was, in fact, an Orthodox rabbi, a practicing Orthodox rabbi, in beautiful Woodmere, Long Island. And then I guess after three years of that he decided, you know, enough of this, I'm going to go get my MBA at Columbia which is, of course, where I got my MBA so I can relate to that. And went to Lehman Brothers from Columbia and then eventually went to work for a client who had a portfolio of companies and he said, you know, you can take your pick of one of these companies and you can be the CEO.

And he chose this company called American Seal-Kap, which made the paper – now, you and I are old enough to remember this, when people had glass bottles of milk delivered to their doorstep, I mean how quaint is that. That does not happen anymore. But there was a cap, a paper bottle cap on top of that milk bottle that this company made. They made a gazillion paper milk caps on these glass bottles. Anyway, he parlayed that company into a big conglomerate that eventually, you know, back when the conglomerates were a thing, like GE and ITT and others, he owned at one point A&W root beer, Baskin-Robbins, Foster-Grant sunglasses, a big meat packing company.

And then he also owned this United Fruit, which became part of United Brands, which was the largest importer, owned Chiquita bananas. In this country we don't grow any bananas. We import bananas from everywhere. And so this was definitely a high-flying company. He was a very high-flying CEO, highly regarded, offices in the Pan-Am building on Park Avenue. They lived on Park Avenue. He'd take his limo to Park Avenue every day.

At one point in the early 70s, this is sort of interesting and relevant, the countries that exported bananas decided to put tariffs on the bananas. I think we're familiar with the concept of tariffs now. And they put tariffs on these bananas. Well, this was going to be a problem for United Brands because it was going to be an expense, an extra expense on their P&L. It was basically going to trash their P&L, which was going to trash their stock and be a problem for the company. And Eli Black's net worth was largely tied up in the stock of United Brands.

Long story short, they made the fateful decision to try to bribe the various finance ministers of some of these countries that were putting the tariffs on, including Honduras. They ended up bribing the finance minister of Honduras to remove some of the tariffs. And it's like, you know, small potatoes but it was obviously illegal. I think they agreed to pay him like \$5 million. They paid him like \$2.5 million. Anyway, it was discovered. Their auditors discovered it through the board members. It sort of filtered up through the

organization.

And then one day in February 1975, Leon's father left the Park Avenue apartment in the limo, went to the office, went to the 44th floor of the Pan-Am building, now the MetLife building, still there, and threw his briefcase through the glass windows and jumped out onto Park Avenue. And Leon, at that point, was in his second year at Harvard Business School, which he didn't want to go to. He only went because his father basically encouraged him to go.

Leon had been a philosophy major at Dartmouth, which was another strange place for him to go because you grew up on Park Avenue, you know, went to Fieldston, why is he going to Dartmouth, whatever, up in the middle of nowhere. But he did and he enjoyed it, he had a great time. Wrote his thesis on the use of the mask in literature and in art history at the turn of the 20th century. It's a very intellectual thesis. I read it. It's rather extraordinary.

And he didn't want to go to Harvard Business School, and I can relate to that because I was a journalist and my father said to me, you should go to business school. I didn't really want to go but I did. And it was a good thing for me just like it was a good thing for Leon. He got out of Harvard Business School where, you know, he had to recover from this major league interruption in his life. He admired his father greatly. His mother

was an artist. His sister was a teacher. His aunt was an art dealer on 57th Street. So he became, you know, he realized he had to become the breadwinner for this family.

And that's when he went to Wall Street, somewhat reluctantly. And I guess he had worked at Goldman between the first and second year, and he got offered a job to go to Goldman because Gus Levy was friends with his father but he turned it down. And Marc told me he turned down going to Goldman. I'm like who turns down going to Goldman? Bob Steel didn't. Most people don't, but these two guys did, and they both ended up at Drexel.

The one interesting part of all this story is that Leon wanted to go to Lehman where his father had worked and had a lot of interviews like one does. And he thought he was going to get the job and at the last minute they canned him, they dinged him, and he was like crushed. And he's like how did this happen? You know, the guy, Steve Finster, who was the partner who was delivering this news to him said, eh, you know, it just didn't work out, Leon. Leon said, no, no, that's not good enough, Steve. I want to know exactly why I did not get this job. And he said, well, we didn't think you had what it takes, and we didn't think you'd be good at it. Okay, one man's opinion. That's what makes horse racing. He goes to Drexel, becomes a partner in four years, the fastest rise to partner, became head of M&A.

CHAIR EMERITUS ROBERT STEEL: What was Leon's special skill when he went to Drexel? You know, we had the foundational aspect of Drexel on the other side, which was the Milken capital markets, and then Leon comes in to really drive investment banking M&A. Talk a bit about that and what his special sauces were.

WILLIAM D. COHAN: Well, I think he was smart enough to see what Milken was up to in terms of financing all of these emerging companies in these emerging industries – cellular telephones, cable television, you know, the whole hospitality industry, Hollywood. And he thought, well, okay, if Milken is enabling these companies and the growth of these companies, I can just piggyback on that. I can obviously have an entrée to these clients. Because you know, sometimes you have to fight to get into see clients, but Milken, they were clamoring to come to him. And so Leon had great entre to these clients.

He also, I think he's basically relatively shy. He's not a flamboyant guy. You're not overwhelmed with his personality. You're sort of overwhelmed with his physicality – he's a very big guy – but not with his personality. Whereas some people, you know, like our friend Hank Paulson, he's got a very big personality. Lloyd Blankfein has a very big personality. David Solomon has a very big personality. So he was, I think, relatively shy, as far as these things go, but he really had a good way with clients and they responded to him.

CHAIR EMERITUS ROBERT STEEL: How did the shift to having a mindset of being a principal, because that's really unusual? I think, you know, he went from being an agent, a banker, to becoming a principal. And not everybody can make that change. Every agent thinks they can be a principal, but you and I both know that that's not how it works. Talk a bit about that.

WILLIAM D. COHAN: You know that the dawn of the private equity industry, I mean who were the people? Like the traders went to become hedge fund managers. And it's the M&A guys who left to become private equity guys whether they had the skill or not, but of course, they thought they did because what M&A guy lacks, how shall we say, ego and belief in their own capabilities?

I never went into private equity because the thought of, I didn't have that mindset about my own capabilities as many people have pointed out, at least when it came to being an M&A banker. But Leon, I mean Henry Kravitz was an M&A guy and obviously Steve Schwarzman was an M&A guy. Marc and Josh and Leon were M&A guys.

So I think, you know, they had a lot of, I mean they were desperate too. I mean their firm had blown up and I think they wanted to, Leon wanted to start his own firm. The idea was presented to be the M&A arm of Credit Lyonnais. He said, okay, well, and Marc told me a funny story of actually they started doing that and I think Air France

wanted to buy this Piper aircraft company. And it was Marc's job to go down there and do some due diligence on Piper.

And he got into one of these planes and he said, and flew with the pilot and said, that's it. Air France, you cannot buy this company. These planes are like operated with a rubber band and they're like putting parts together from who knows where so you can't do it, which was, like, that was the wrong answer. They wanted to buy the company. And so they decided, okay, maybe M&A advisory is not going to be the answer for this fledgling Apollo.

And then Leon said, no, but there's this huge opportunity in buying, I mean it was kind of like shooting fish in a barrel, Bob. Because I mean they knew all these companies that Milken had financed. And they had sold all this debt at par and often with warrants that were supposed to go to the investors but Milken actually grabbed hold of which turned out to be a problem for him.

So they knew these companies. Leon had probably advised a bunch of them. He certainly advised George Gillette to build his business. So, you know, to be able to buy that distressed debt at 30, 40, 50 cents on the dollar and see what happens, as you said, I mean it was a mindset of like I'm willing to loan to own. I'm willing to convert this debt to equity. But nobody was thinking like that in 1990.

I mean I was doing restructuring at Lazard then and, you know, Sam Zell was beginning to think of that. And Whitehall at Goldman was beginning to think like that which, of course, quickly had to be ended because of conflicts with the rest of the firm. And Apollo, Leon was thinking like this, which was pretty unusual. It was very insightful and very savvy and huge returns for Credit Lyonnais. And that led to Executive Life, more huge returns for Credit Lyonnais. And then that was the end of Credit Lyonnais, both as a firm and as an investor in Apollo. And then Apollo had to go out to the institutional investor market and raise a fund like everybody else.

CHAIR EMERITUS ROBERT STEEL: I think I have a few more things that I want to go to, but I think we have to invite you to give us your perspective on Leon and Jeffrey Epstein. You know, that's not the topic for today but that's a big topic for some people, and I think it's right...

WILLIAM D. COHAN: This is The Economic Club of New York after all.

CHAIR EMERITUS ROBERT STEEL: Exactly. But if you could give us a frame around that because you spent, I mean I think clearly because of the respect people have for you and faith that you will be a fair reporter, then Leon gave you a lot of time. And he viewed you as someone he could explain his perspective, describe his perspective. And tell us how you collect that and your perspective.

WILLIAM D. COHAN: Right. So obviously this remains one of the big mysteries still despite three million documents of the six million being released in files, which I'm sure none of the people who were involved with Jeffrey Epstein ever expected would happen much to their detriment. I think we, you know, stipulate that Jeffrey Epstein was a very bad guy and what he did was reprehensible.

Leon, of course, paid more money to Jeffrey Epstein than anyone else as far as we can tell. Paid \$158 million. Ron Wyden, the senator, likes to talk about it as \$170 million so we can debate that. But clearly, it was more than anyone else. Leon, well, Leon is still the only person to ever ask for an investigation to be done of his relationship with Jeffrey Epstein. He asked the Apollo, the Special Committee of the Apollo Board to do that. They hired Dechert to do that. That report was a very comprehensive report over many months. It was distilled down to about 25 pages and released publicly. You can see it in the Securities and Exchange Commission exhibit, the Apollo quarterly statements, readily available.

And in there it revealed for the first time that he had paid Epstein \$158 million for financial advice related to tax and estate matters and also cleared him of any nefarious activity related to Jeffrey Epstein. Now, a lot of people find that hard to believe. And when that report came out in January of 2021, I wrote a piece in *Vanity Fair* where I said, I literally said, sorry, Leon, who I did not know at that time and never thought I

would be writing a book about Leon. I said, sorry, Leon, you know, people just don't believe that that's what you paid this money for. They think there was something more nefarious to it. I don't think we need to go into the chapter and verse on what that might be.

But I was extremely skeptical and Leon knew that when he agreed to speak to me extensively for this book. He was on the record throughout. I can't remember a single time where he said, you know, this is off the record. And I was asking him a lot of tough questions about all of this and his personal life and his personal foibles. And look, it remains a mystery, Bob, because a lot of people are skeptical and remain skeptical of Leon's explanation. There's been very little evidence, there's been none in fact that, there's been a lot of assertions, including in lawsuits, that Leon was up to no good. But he's won those lawsuits.

Ron Wyden is still trying to get to the bottom of it. Leon literally yesterday was found in contempt or will soon be found in contempt of Congress likely. The Committee on Government Oversight voted 41 to nothing to find Leon in contempt. Now it goes to the full House because James Comer has a bee in his bonnet about Leon and NDAs that he thinks that Leon entered into with women and somehow he wants those NDAs because Jeffrey Epstein was involved with them even though Leon says Jeffrey Epstein, he's not denying that he has NDAs with women, but he's saying Jeffrey Epstein

had nothing to do with them. But Comer doesn't believe that so now we have this standoff.

Leon has now sued Comer and the Committee. I don't think – that's fairly unprecedented as far as I know in Washington, D.C. He's also referred Comer to the Congressional Oversight Office or whatever it is to do an investigation of him. So there's a real standoff now and it's totally unprecedented for a single individual to try to sue Congress. But we'll see, it becomes a test of Congress's authority and whether it is an overreach in this situation. But Leon has become low-hanging fruit for all sorts of people who want to, he's rich, he clearly misbehaved in some parts of his personal life, and he's become a poster child for this situation.

CHAIR EMERITUS ROBERT STEEL: For those of you, as you get into the book, I think you'll find this quite, just captivating, as Bill develops the narrative around several of the people, but in particular about Leon. And I think Bill provides a fascinating perspective of Leon's personal path, professional path, and then the challenges around this. But there's also another part we haven't discussed, which we won't, but that here's a person that is incredibly curious and interesting and creative. And whether you look at the threads of Jews or the threads of art or the threads of history and the threads of culture that go through this, they're really fascinating and make for a great book in that way. And so thank you for giving us all of that.

I think maybe what we can do as we move to finish is maybe just ask a bit of the phrase they use, lightning round, on things. For those of you that don't follow this, you should, that Bill writes a regular newsletter and comments on lots of different activities in financial markets, the economy, and policy. And so it's really a treat to collect that. But Bill, maybe a few things. You know, in about an hour and nine minutes, Chairman Warsh is going to come out and they'll release and then he'll deal with questions. Tell us what you're thinking about there.

WILLIAM D. COHAN: Well, I think he's telegraphed at Jackson Hole and the market is certainly, you know, sometimes the market has expectations and sometimes you don't want to disappoint the market. And I think I can recall times when the Fed Chairman has been speaking at this Club when they were about to announce interest rate policy too. I suspect that he will be raising interest rates to deal with inflation. I mean they can only control short-term interest rates. Long-term interest rates have clearly been backing up, you know, 100 basis points up plus since February. That's a big move up.

So I think ironically if you, or counter-intuitively, if you raise short-term interest rates and signal your willingness to raise short-term interest rates to deal with inflation, long-term interest rates can come down and bonds can rally because it shows the bond vigilantes that you're serious about dealing with inflation. And I think there's a question whether or not inflation is not good for bond holders.

So I think there's a question about whether Warsh is serious about dealing with inflation or whether he's, as Elizabeth Warren has said, just a sock puppet for the President and will just do what he wants. And I think your view obviously, which I totally respect, is that he's not and he will do the right thing here. And I think the right thing at this particular moment is to show that the Fed is serious about fighting inflation.

CHAIR EMERITUS ROBERT STEEL: Yes, I think the comment would be, this is editorial, it would be that if the Chairman does decide with the rest of the governors to raise rates, then the query about him being a sock puppet is pretty much dismissed. And so he will deserve, to my mind it requires a recognition that he's done that.

If we just go a few blocks away to 1500 Pennsylvania Avenue, you know, the Secretary of the Treasury has certainly been in the paper on doing lots of different things. And I mean if you try to keep up with where he is, I mean the number of fires he's fighting and the things he's doing. You know, he's coming to New York, I think, over the weekend to meet with his opposite from China to talk about things. How do you feel like things are going with the Secretary?

WILLIAM D. COHAN: Not well. I think he's starting some of the fires as opposed to putting them out. You know, you worked at Treasury. You worked with one of the best Treasury Secretaries in our lifetime, Hank Paulson, who was also a great human being

and who put out a major fire in 2008 that Wall Street is still benefitting from today. I mean JPMorgan Chase is about to be a trillion-dollar bank. They're making \$66 billion in net income a year. And this is at the same time that firms like Apollo have created the alternative asset management private credit business which is supposedly taking business away from Wall Street firms but they're still finding ways to make a lot of money. So we've definitely resurrected, Hank Paulson and Company, have resurrected Wall Street.

You know, the current Treasury Secretary, you know, there's a trillion dollars of Treasury securities traded a day, and he's talking about buying \$6 billion worth. I mean using a tablespoon to drain the ocean. I don't get it. And then he's claiming yesterday that it was a big success. Interest rates have backed up ever since he announced this. I literally don't understand the gambit. It makes him look foolish in my opinion. You don't have to say that or agree, but I just don't think, and then the whole thing with endorsing the \$5,000 for every American, which is going to be another \$1.2 trillion on top of a \$40 trillion national debt and 6% budget deficits.

Where's the fiscal responsibility? Why not taking a lead on being fiscally responsible? You know, given how willing Congressional Republicans are to do pretty much anything the administration wants, why not take a lead on being fiscally responsible and cutting the deficit and trying to attack the national debt for the first time in, you know, 30 years?

CHAIR EMERITUS ROBERT STEEL: Yes, we come from different perspectives on some policy issues, but the facts are pretty clear that we have 28 years or something like that since we had a balanced budget, which was Secretary Rubin. And there's blame to share on both parties...

WILLIAM D. COHAN: Totally.

CHAIR EMERITUS ROBERT STEEL: ...on this failure. I think it's right to end with a last question. I mean, you know, the topic du jour for everybody is machine learning, regulation for this new, these new tools, and maybe just a click on that, and then we'll thank you for your time.

WILLIAM D. COHAN: And thank you again for your excellent interlocutor skills, which of course, I know because you were well-educated. Look, I think that we're in a valuation, an equity valuation bubble of massive proportions with regard to AI companies. There seems to be no letup, and I totally get it. I get why the investors want higher and higher valuations for these things. I get why the Wall Street underwriters are telling a fantastical story about how great all these companies can be and how they're going to change the world, blah, blah, blah.

I mean it doesn't hurt that the SpaceX IPO, the underwriters hauled out \$550 million in

underwriting fees. That's quite a nice payday even though the investors in SpaceX have suffered, the retail investors have suffered quite a contraction in valuation. I suspect that will happen again with the Anthropic IPO or the OpenAI IPO if those actually happen. I think the warnings that have come out over the last weekend are startling and really should give everybody pause. I don't know quite what to make of that or what's motivating them, but it's kind of scary, to be honest.

CHAIR EMERITUS ROBERT STEEL: Well, it feels, I think that it's a new technology and I think we're searching for what's the right way to engage and who should organize it, how should it be developed. And there's lots of writing and policy on this idea of self-regulation versus more organized regulation from government. And this is a really fair and important discussion. And we can think of examples where we have really successful government regulation on our food and our medicine and things like that.

WILLIAM D. COHAN: And on Wall Street.

CHAIR EMERITUS ROBERT STEEL: And on Wall Street. And then, you know, you read books and trying to think about what's the analogy? And so I think we're searching for that. But, you know, I'll just conclude by saying I was excited to be able to talk to you today, and I want to thank you again for giving us the gift of the book and others. And you were great to come speak with us today. Thank you very, very much.

WILLIAM D. COHAN: It was a privilege to be here. Thank you.

PRESIDENT BARBARA VAN ALLEN: Well, I hope everybody enjoyed that, what a fantastic conversation. I'm pleased to announce that we have a robust lineup for the rest of the fall and actually into the winter. If you turn over your programs, you can see what's in the immediate future. I'd draw your attention to two in particular. Next Thursday, September 24th, we have the President of Argentina with us, Javier Milei. And we're delighted, we've wanted him for a number of years, and we were finally able to nail this down only a few days ago. So please reserve seats. And then that Monday after, the 28th, we have Kevin Hassett, the Director, of course, of the White House National Economic Council. And then much, much more in the future.

Be sure to check your website. I'm pleased to say, and you should have gotten an email yesterday, our members in the room, that we have a new look for our website. So please take a peek and I hope you'll like it. Continue to watch your emails for updates on additional events as we add them.

And before we close, we always like to take a moment to thank members of the Centennial Society joining us today because their contributions continue to provide the financial backbone for all the work that we do. For those of you joining us online, we're going to say goodbye and hope to see you soon, next week. For those in the room,

please enjoy your lunch. Thank you.