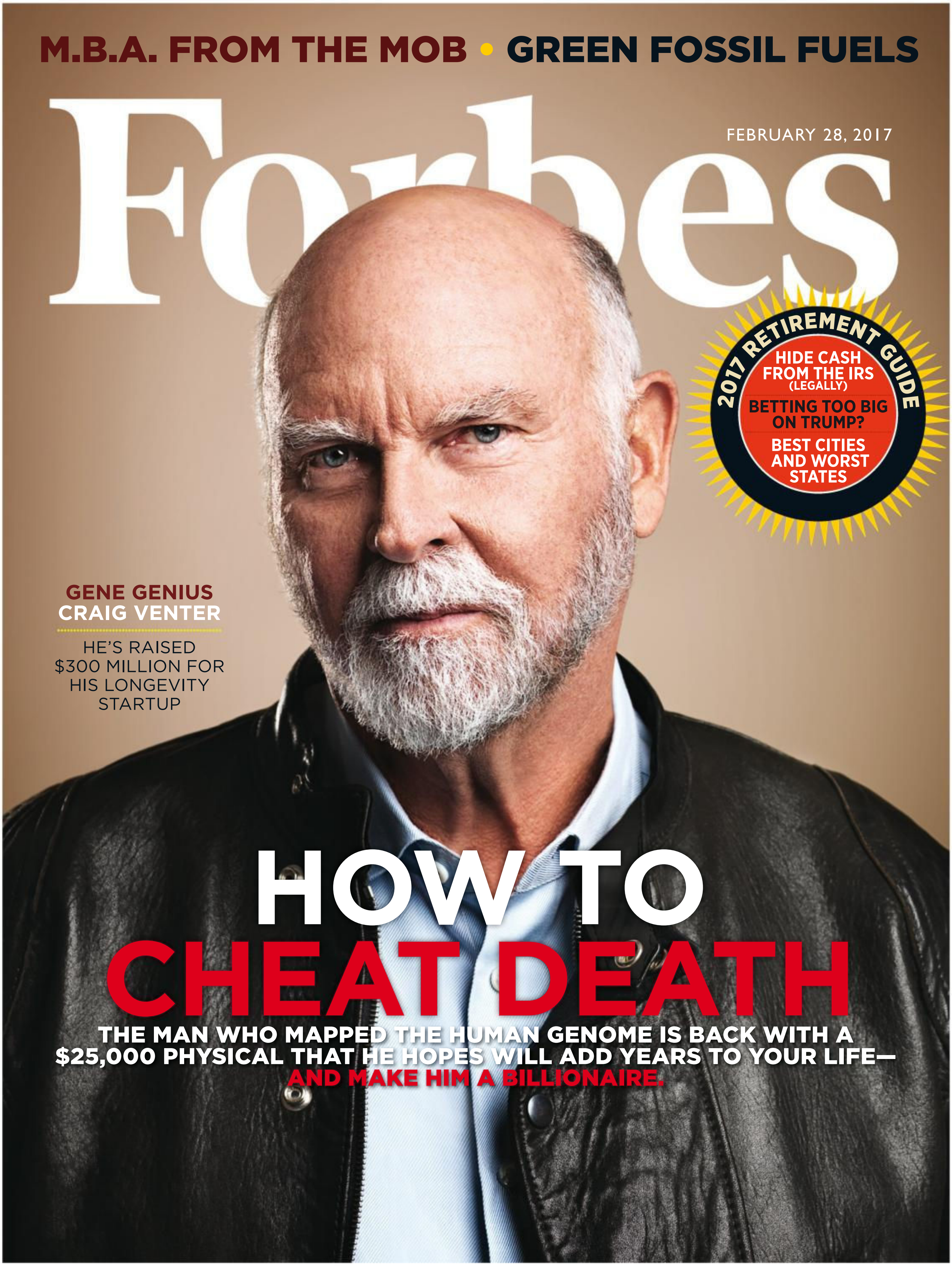
M.B.A. FROM THE MOB • GREEN FOSSIL FUELS

Forbes

FEBRUARY 28, 2017



2017 RETIREMENT GUIDE

HIDE CASH FROM THE IRS (LEGALLY)

BETTING TOO BIG ON TRUMP?

BEST CITIES AND WORST STATES

GENE GENIUS CRAIG VENTER

HE'S RAISED $300 MILLION FOR HIS LONGEVITY STARTUP

HOW TO CHEAT DEATH

THE MAN WHO MAPPED THE HUMAN GENOME IS BACK WITH A $25,000 PHYSICAL THAT HE HOPES WILL ADD YEARS TO YOUR LIFE— AND MAKE HIM A BILLIONAIRE.


I will
find the right ingredients
to open my second restaurant.
Imagine what you can do with the right business credit and personal guidance.
Let’s work together to discover your business credit options and how they can directly fuel your business goals. With our online resources, Credit Finder Tool, and skilled bankers, together we can help sustain and grow your business responsibly.
Explore your options and apply at wellsfargoworks.com/credit.
Wells FargoWorks
for Small Business


learn more at microsoftcloud.com

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Forbes

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COVER PHOTOGRAPH BY ETHAN PINES FOR FORBES

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RingCentral®

I connect enterprises in the cloud. My communications and collaboration solution powers our innovation.

Box knows workflows are moving faster than ever before, with professionals collaborating at a pace of incredible productivity. This realization not only inspires their cloud-based enterprise content management solution, it also inspires Box to work with a trusted communications and collaboration solutions partner, also born in the cloud. RingCentral empowers today's mobile and distributed workforces to be connected anywhere and on any device. With an open platform that integrates with today's leading business apps, RingCentral gives customers the flexibility to customize their own workflows. Knowledge is power, and organizations that connect effortlessly will share the brilliant ideas that build the innovations of tomorrow.

PAUL CHAPMAN,
Chief Information Officer, box

ringcentral.com/heroes

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INSIDE SCOOP

How We Honor The First Amendment

BY LEWIS D'VORKIN

THE JOURNALISTIC PROFESSION is often too narcissistic for me, which is why I don't engage much in media navel-gazing. Recent events leave me little choice but to do so. I was transfixed by the Women's March last month—the wall-to-wall TV coverage, the tweets, the texts. In the midst of all that a new president touted his "running war" with the media and declared journalists "are among the most dishonest human beings on earth."

We've actually been here before, though never with the same intensity or vitriol. In 1970, Vice President Spiro T. Agnew, a hatchet man for Richard Nixon, let loose on journalists. He called them "nattering nabobs of negativism" who have "formed their own 4-H club—the hopeless, hysterical hypochondriacs of history." What was stinging back then seems merely clever today.

I got into journalism during the tumultuous 1970s—war, social unrest and Watergate. I was exhilarated by the purpose, responsibilities and powers of journalism. A Gallup poll in 1976 found that 72% of Americans had a "great deal/fair amount" of faith in mass media. Life is similarly challenging today, but trust in media has tanked. Gallup puts it at 32%, the lowest ever. Perhaps that's why so-called fake news, a conflation of fabricated-for-profit news and partisan beliefs, has taken hold across the populace.

Fake news isn't new either. William Jennings Bryan, himself a populist, used the term during political runs in the 1890s. Today, it's more than a problem for Facebook, under fire for algorithmically distributing fake stories in its news feeds. Fake news delegitimizes facts, which leads to claims of media dishonesty, which produces "alternative facts," which delegitimize the media itself, which brings us to the First Amendment and freedom of the press.

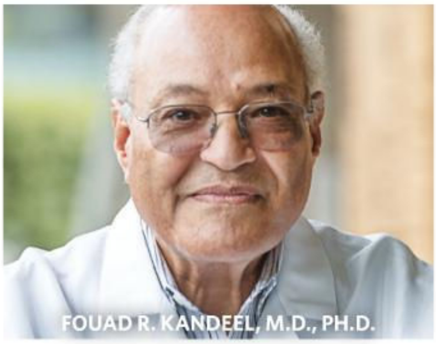
I discussed all this at a Forbes Town Hall meeting in January. I told our 400 employees there is only one answer: "Focus, focus on quality journalism—great reporting, great editing and sound analytic argument." That's what our trained journalists and 2,000 topic experts who write for this magazine and Forbes.com must commit themselves to every day.

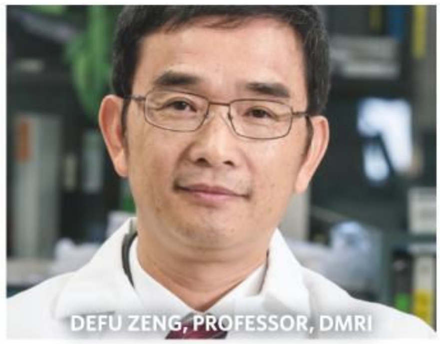
My journalistic bible is a movie—*All the President's Men*, the story of Watergate and the *Washington Post*. Near its dramatic ending, Ben Bradlee, the newspaper's legendary editor, tells his two star reporters: "Nothing's riding on this except the First Amendment of the Constitution, freedom of the press and maybe the future of the country." I think about that line more than ever. I believe *Forbes* journalists will do the same.

THE COUNTDOWN TO A CURE

FOR TYPE 1 DIABETES

HAS BEGUN





A diabetes powerhouse made even stronger — City of Hope's Diabetes & Metabolism Research Institute. Here, major breakthroughs have changed the lives of millions of diabetes patients around the world. One of the biggest, synthetic human insulin, was developed through research conducted at City of Hope, which is a direct result of work pioneered by Art Riggs, Ph.D., our institute director, and his team. And now we are looking to the future. The near future. With a goal of curing type 1 diabetes in six years. We aim to do that thanks to a transformative gift from the Wanek family and the generosity of countless others. The Wanek Family Project for Type 1 Diabetes at City of Hope: committed to finding a cure for type 1 diabetes. To learn more about our groundbreaking work in diabetes, visit **CityofHope.org/t1d**

THE WANEK FAMILY
PROJECT TO CURE
type One diabetes
AT CITY OF HOPE

the MIRACLE of SCIENCE with SOUL™ City of Hope®

"With all thy getting, get understanding"

CIVIL WAR II? CALIFORNIA'S FEVERED FANTASIES

BY STEVE FORBES, EDITOR-IN-CHIEF

THE MOVEMENT AFOOT in California to have the state secede from the Union—advocates call it Calexit—is gaining publicity if not support. One poll shows 32% of Democrats ready to vote yes on a pullout referendum. Petition signatures are being collected to get the question of ditching the good ol' U.S.A. put on the ballot. One secession-advocate group has received financial support from—you guessed it—Vladimir Putin's Russia.

The whole idea is preposterous. The U.S. isn't the EU. This union was meant from the start to be perpetual, and even today's history-challenged citizens may recall what happened in 1861, when 11 states took a contrary view. This whole thing is symptomatic of the tense—if not hysterical—state of American politics today. (Indeed, the whole world seems to be flying apart, especially Europe.)

Meanwhile, secession or no, the Golden State, led by Governor Jerry Brown, is threatening to withhold money from Washington if the Trump Administration follows through on its promise to defund "sanctuary cities" that refuse to cooperate with federal officials in enforcing immigration laws, particularly identifying alleged criminals. Brown has boisterously bellowed that if Washington tries such a thing, California will become a sanctuary state.

Such selective defiance—ignoring national laws we don't like—by Brown et al., has a rather sordid history. It was once known as "nullification," a doctrine propagated in the 1820s by arch-slavery-apologist John C. Calhoun, who posited that a state had the right to nullify federal laws it considered "wrong" and "obnoxious." While Calhoun saw nullification as a weapon to preserve slavery, he originally conjured up the idea in response to a tariff bill Congress had enacted that slammed a variety of imports with new or increased taxes. Southerners, far more dependent on imports than manufacturing Northerners, were outraged and labeled the legislation the "Tariff of Abominations." Calhoun, who was vice president at the time, went further than verbal opposition and got his home state of South Carolina to declare the law null and void in the Palmetto State. Customs agents in the port of Charleston wouldn't collect the new duties; thus, what historians came to call the Nullification Crisis was under way.

Calhoun's nominal boss, President Andrew Jackson, who possessed a sulfuric temper (he once killed a man in a duel), threatened to personally hang Calhoun and send federal troops into South Carolina to enforce the new law, just as President George Washington had done in rural Pennsylvania in 1794, when he dispatched an army to enforce the recently enacted—and highly unpopular—excise taxes on whiskey. A face-saving deal was made whereby Calhoun and his fellow nullifiers backed down after some minor tariff modifications were made. Calhoun was spared the gallows, South Carolina didn't face a hostile federal army (until the concluding months of the Civil War in 1865), and President Jackson preserved the integrity of the Union.

There have been two other big nullifying movements, as well as some minor ones, in our history. The first one, tragically, achieved success for several decades. After the Civil War, male African-Americans had the right to vote in Southern states (women didn't get the franchise until 1920 with the passage of the 19th Amendment). By the late 1890s most of those men had been illegally disenfranchised. Not until the Voting Rights Act of 1965 was enacted was this profound wrong righted.

The second nullification campaign was the so-called Massive Resistance response to the Supreme Court's 1954 decision declaring forced school segregation by race to be unconstitutional. The resisters were ultimately defeated, starting with President Eisenhower's use of federal troops to enforce a school desegregation decision in Little Rock, Arkansas, in 1957.

Will Jerry Brown have any more success with President Trump than Calhoun did with Jackson? Not likely. As a Louisiana governor once quipped to a massive resister, "The feds have got the bomb." But a genuine showdown would have ugly consequences, inflaming tensions even more and making achieving a consensus on various immigration reforms impossible.

Even though outright secession isn't in the cards, the Golden State today is ripe for demagogic mischief. California has always felt it was different from the rest of the country, priding itself on being in the vanguard of social, economic and cultural trends. Millions of Americans saw it as the land of opportunity and moved there because of its beauty, benign climate, rapid growth and lifestyle diversity. It had everything: Hollywood, high tech, manufacturing, mobility, aerospace, oil, bountiful agriculture, and abundant and affordable housing.

But in recent times the state has become a tax and regulatory backwater, imitating the worst practices of stagnant Europe and such global powerhouses as Argentina. Bureaucrats in Sacramento have worked hard to crush small businesses with silly and costly rules, such as mandating mandatory time off for employees after four hours of labor. Minimum-wage laws unrelated to reality proliferate. No environmental rule or law is too inane, no matter how unrelated to science or conditions in the real world. Such decrees are ruining agriculture. With a straight face, regulators are issuing edicts to reduce effluents from cows, in the name of saving the planet from overheating.

The state's water shortages are self-inflicted: Billions of gallons are flushed into the ocean, because that supposedly helps preserve a tiny, endangered smelt; new reservoirs aren't built, and existing ones are attacked as unnatural. While Israel rapidly built state-of-the-art desalination plants, California dawdled for 15 years before a far smaller and more expensive one came online. It's no surprise that places like San Francisco have banned plastic bags and are taxing paper ones, and are contemplating prohibiting free soda refills at restaurants. (The quality of life in San Francisco has deteriorated, with residents being constantly accosted by ever more aggressive panhandlers.)

Regulations have turned California from a housing mecca for working people into a high-cost hell. Its school system, once one of the nation's best, is now a national laughingstock.

With its low thresholds, California's income tax system slams workers hard. An individual making as little as around $41,000 a year finds himself in a higher bracket than the *richest* find themselves in almost all other income-tax states. California boasts the highest state income tax rate in the country: 13.3%. In 2016 three pro-tax referendums were passed.

Other economic sins include banning fracking, even though the state is rich in natural gas, while looking favorably on a proposed north-south bullet train that could cost well over $100 billion (estimates rise on an almost daily basis) to carry far fewer passengers than originally projected.

A few years ago voters approved a weird election system that rivals Louisiana's. In 2016 the two U.S. senatorial candidates in the general election were Democrats; no Republican was on the ballot.

No wonder most business owners say they'd prefer to be elsewhere. Companies such as Nestlé USA, Toyota, Northrop Grumman and the parent company of Carl's Jr. have moved their headquarters to friendlier climes. For the first time ever, the state is suffering out-migration. The middle class is shrinking.

Thanks to Silicon Valley and a few other oases, California is experiencing a mild economic uptick. Unfortunately, this is the equivalent of a bear-market rally. Lousy tax system, lousy regulatory climate, dysfunctional political system.

Thank goodness California can't exit the U.S. It would impoverish its people and become a North American version of Greece.

Some say instead of Calexit the Golden State should be split into two or three new states. That's also a nonstarter. Treating state borders like ever changing jigsaw puzzles is no substitute for a state's voters making needed changes or doing what unhappy Americans have always been wont to do: pull up stakes and start anew somewhere else.

FDA—Stop Blowing Smoke

One area of rampant regulatory abuse the Trump Administration should attack is the war against e-cigarettes. "Vaping" has been a godsend for people who are trying to quit smoking. It gives users the kick from nicotine without inhaling all the tars and other substances that make smoking cigarettes so lethal. Yet a perverse mind-set reigns among health regulators and fanatical antismoking crusaders: Against all honest scientific evidence, they equate vaping with lighting up actual cigarettes. They claim, with no credible justification, that e-cigarettes are a gateway to the real thing.

In August 2016, the FDA issued a rule severely hampering the continued improvement in vaping devices. It decreed that all devices made after February 2007 would now be subject to regulatory approval, adding huge costs and inhibiting innovation. The products of a decade ago were vastly inferior to those on the market today.

While the Trump rule-liberators are at it, they should also push for the elimination of two other regulations. One concerns the making of boutique or premium cigars by small manufacturers. The effect of this ruling enormously increases costs for these micro-cigarmakers by subjecting them to a wholly unnecessary approval process for new blends.

The other capricious diktat encompasses new rules that require tobacconists who mix pipe tobaccos in their shops to undergo an FDA registration process, as though they were tobacco manufacturers.

Avenging Toxic Harry

When he was in the U.S. Senate, Harry Reid (D–Nevada) stopped the Yucca Mountain Nuclear Waste Repository from being opened for use by utilities and the federal government. The facility had passed all the tests for safety, but Reid obstinately mothballed it, instead continuing the practice of storing radioactive material all around the country. Thankfully, no terrorist raids were mounted on these deadly wastes.

The Trump Administration should get the Yucca Mountain facility ready for operation—then declare that it henceforth be known as the Harry M. Reid Nuclear Waste Repository.


@channel
YOLO
WHERE
WORK
HAPPENS
WFH
=SUM ($E10,G10,K15)

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Active Matters in ensuring your retirement is financially fit.

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*24 of our 36 Retirement Funds had a 10-year track record as of 12/31/16 (includes all share classes). 23 of these 24 funds (96%) beat their Lipper averages for the 10-year period. 21 of 36, 35 of 36, and 35 of 36 of the Retirement Funds outperformed their Lipper average for the 1-, 3-, and 5-year periods ended 12/31/16, respectively. Calculations are based on cumulative total return. Not all funds outperformed for all periods. (Source for data: Lipper Inc.)

Past performance cannot guarantee future results. All funds are subject to market risk, including possible loss of principal.

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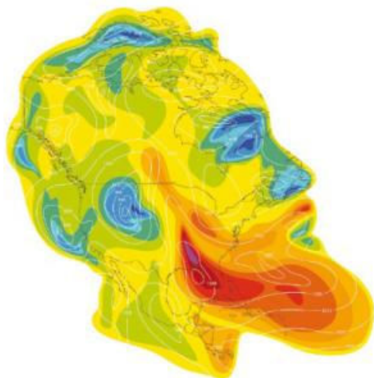
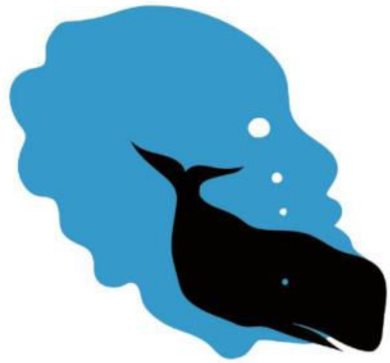
LeaderBoard

FEBRUARY 28, 2017





Houston Rockets guard James Harden checks in at No. 4 on our list of the highest-paid NBA stars, with $20 million in endorsements last year and a renegotiated contract worth $118 million in total. That kind of performance inspires fans' devotion—as seen in this unique portfolio from Croatian artist Filip Peraić. **PAGE 30**

PHOTOGRAPH BY WALTER SMITH FOR FORBES

Forbes LeaderBoard

The Best Countries For Business

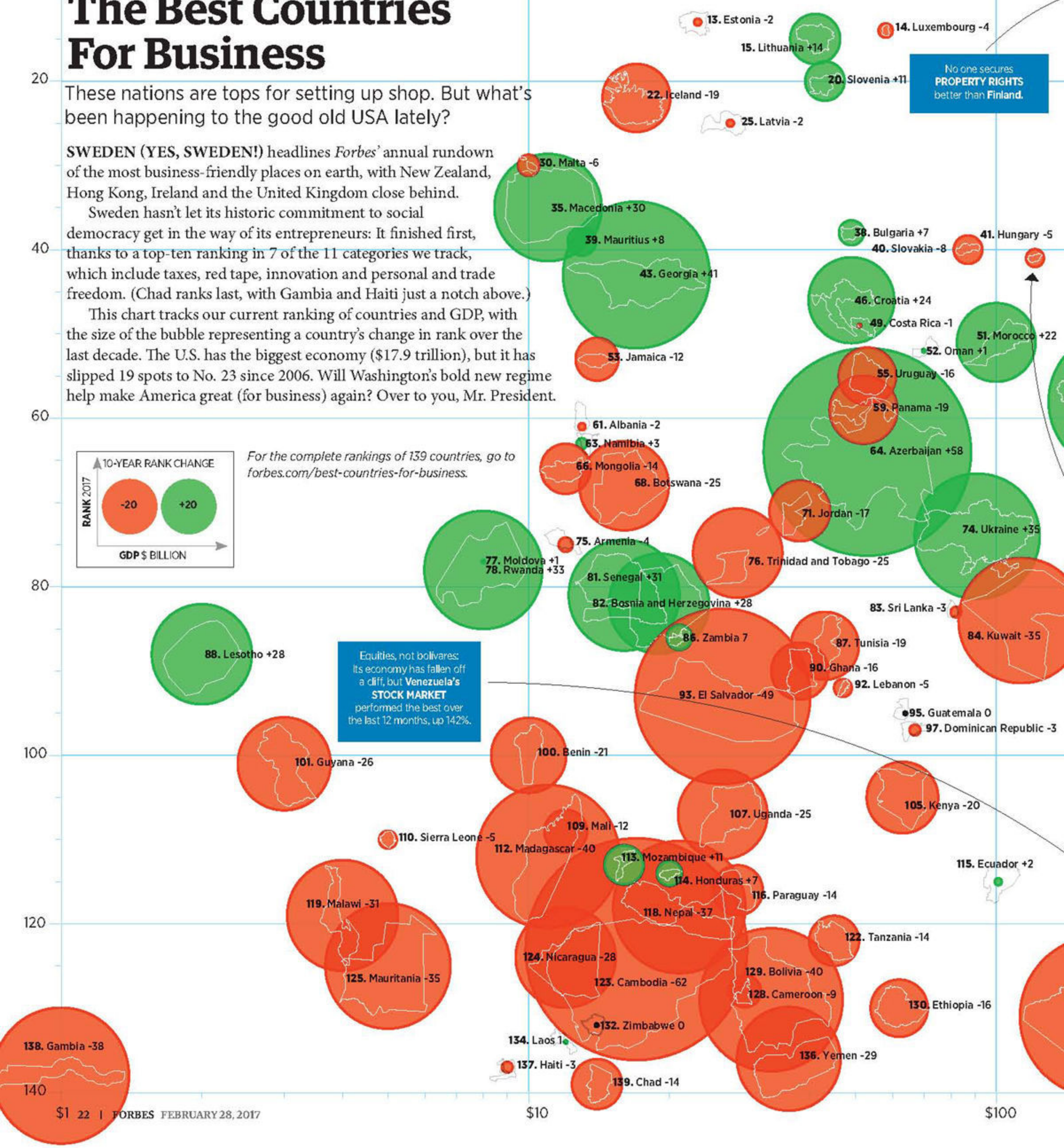
These nations are tops for setting up shop. But what's been happening to the good old USA lately?

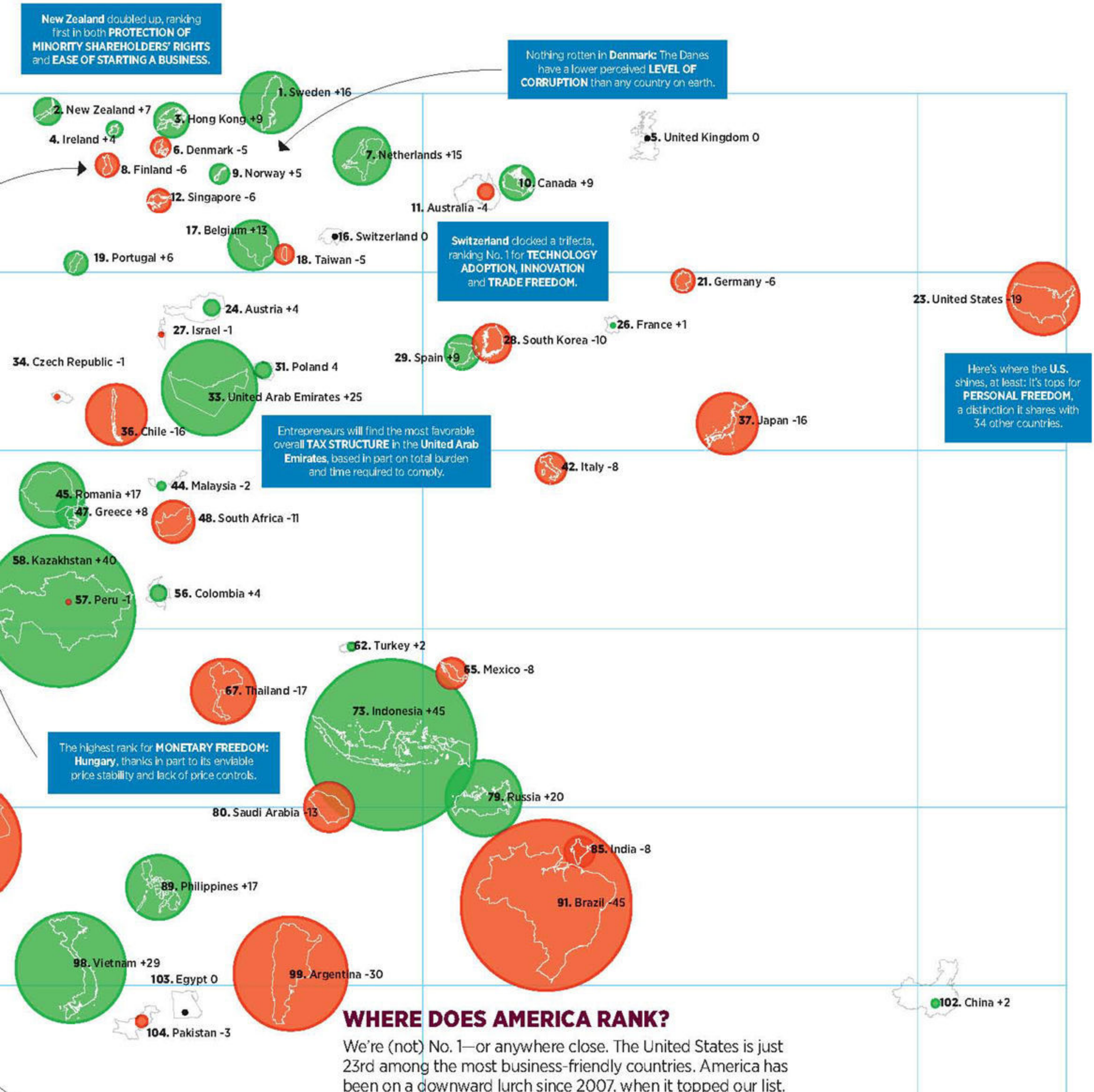
SWEDEN (YES, SWEDEN!) headlines *Forbes'* annual rundown of the most business-friendly places on earth, with New Zealand, Hong Kong, Ireland and the United Kingdom close behind.

Sweden hasn't let its historic commitment to social democracy get in the way of its entrepreneurs: It finished first, thanks to a top-ten ranking in 7 of the 11 categories we track, which include taxes, red tape, innovation and personal and trade freedom. (Chad ranks last, with Gambia and Haiti just a notch above.)

This chart tracks our current ranking of countries and GDP, with the size of the bubble representing a country's change in rank over the last decade. The U.S. has the biggest economy ($17.9 trillion), but it has slipped 19 spots to No. 23 since 2006. Will Washington's bold new regime help make America great (for business) again? Over to you, Mr. President.

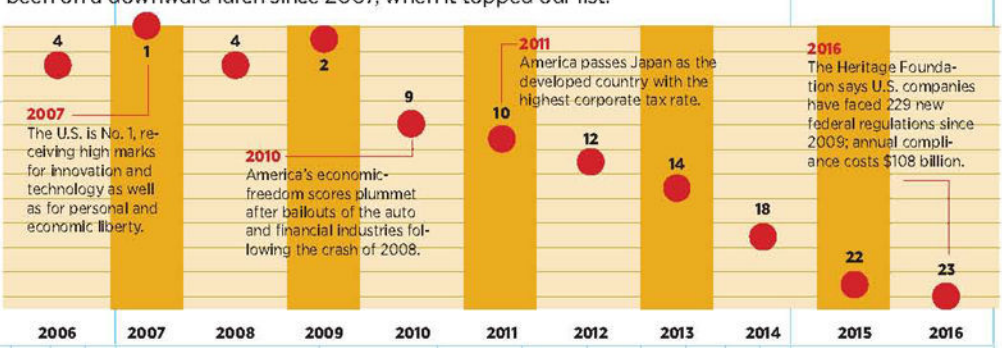
For the complete rankings of 139 countries, go to forbes.com/best-countries-for-business.





WHERE DOES AMERICA RANK?

We're (not) No. 1—or anywhere close. The United States is just 23rd among the most business-friendly countries. America has been on a downward lurch since 2007, when it topped our list.



BY KURT BADENHAUSEN

NEW BILLIONAIRE

Ceiling Crasher

Forty-four years ago, Yoshiko Shinohara challenged Japan's patriarchy by starting a staffing firm for women. Now she's the country's first self-made female billionaire.

IN 1973, YOSHIKO SHINOHARA resolved to fix a problem in her native Japan: Too many women were being pushed down the traditional path of marriage and child rearing. "I was born in a family where my mother was a midwife and my father was a school principal. . . . Women working always were in the back of my mind," Shinohara told *Forbes Asia* in 2015. "The importance of women being able to work as well as raise children left an indelible impression." From a cramped Tokyo apartment, Shinohara, who was married only briefly, founded a staffing business, Tempstaff, which focused on finding part-time jobs for women.

Tempstaff later expanded to men and found particular success in the 1990s when Japan's stagnation forced downsizing firms to hire part-timers. Shinohara took the company public in 2006, and it was rolled into Temp Holdings two years later. With Temp's stock up 50% in the past year, she now commands a $1 billion fortune. She still owns a quarter of the $4 billion (sales) firm and stepped down as chairman only last April; she remains chairman emeritus.

At 82 she may no longer lead the business, but Temp Holdings is well-positioned for growth in the coming decade. Economists say Japan's aging population could create a shortfall of roughly 6 million workers—with companies like Shinohara's filling the gap.

BY CHLOE SORVINO

IRWIN WONG FOR FORBES


ENERGY-EFFICIENT,
PROTECTIVE FRAMING
TECHNOLOGY
ACTIVE, SELF-CLEANING
COATING TECHNOLOGY
ORGANIC FACADES

LeaderBoard

007 in hot pursuit (top); The *Regina* plies its way o'er the bounding main.

ON THE BLOCK

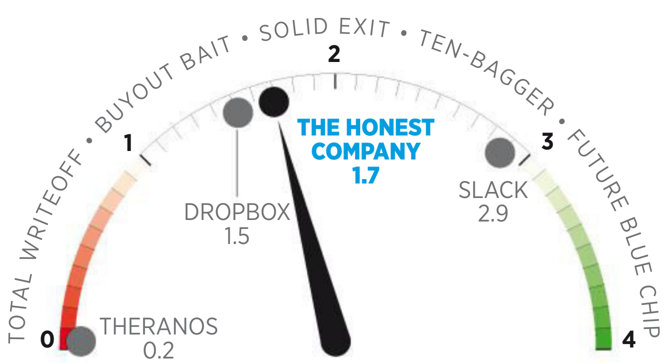
Bond Voyage

YOU ONLY LIVE TWICE, so why not sail away on the 184-foot watercraft that played a prominent role in the 2012 James Bond film *Skyfall*? Engel & Völkers, a yacht brokerage in Hamburg, Germany, is asking $9.5 million for the *Regina*, which is adorned in mahogany, marble and onyx, accommodates a dozen of your most seaworthy mates and has room for a Jet Ski as well—in case anyone needs to make a quick escape.

UNICORN METER

The Honest Truth

WHICH UNICORNS will become tomorrow's blue chips? Our ongoing poll of the world's top venture capitalists provides an exclusive take on the long-term prospects of these billion-dollar startups. Up now is the Honest Company, the consumer-goods business founded by Jessica Alba. Investors seem to accept last year's reports that it may sell near its current valuation.



RICHEST BY STATE

Virginia

POPULATION: **8.4 MILLION**

2015 GROSS STATE PRODUCT: **$480 BILLION** (1.4% GROWTH)

GSP PER CAPITA: **$57,236** (RANKS NO. 17 NATIONWIDE)

RICHEST: **JACQUELINE MARS $27 BILLION**

FOR MORE THAN a century, some of America's guiltiest pleasures—M&Ms, Milky Way, Twix—have fattened the fortunes of Jacqueline and her family's Mars Inc. The company is now upping its bet on another soft spot for many people: their pets. It agreed last month to pay $7.7 billion for VCA, an operator of some 800 animal hospitals and 137 pet day-care centers. Mars already owns five billion-dollar pet brands, including Pedigree and Whiskas.

Now 77, Jacqueline joined the intensely private Mars in 1982, seven decades after her grandfather had begun cooking up candy in his home kitchen. Having overseen new food products for the company, she retired in 2001. She left the board last year but remains a director of seven organizations, including the Washington National Opera and the Smithsonian Institution. U.S. equestrian Olympians have trained at her farm, riding her horses to medals in 1996 and 2000. In 2013 the publicity-shy heiress drove her SUV into a minivan, accidentally killing an 86-year-old woman and an unborn child. She pleaded guilty to misdemeanor reckless driving, lost her license for six months and paid a $2,500 fine.

ON THE BLOCK BY ABRAM BROWN; RICHEST BY STATE BY CHASE PETERSON-WITHORN
ILLUSTRATION BY CHRIS LYONS; EVERETT COLLECTION (TOP LEFT)

CDW and HP Team Up to Orchestrate Network Printer Security

By Michael Roney

Legendary college basketball coach Bobby Knight once said, "The will to succeed is important, but what's more important is the will to prepare." Indeed, surviving March Madness to become an NCAA champion is all about preparing – orchestrating the diverse skills of your players with the proper training and strategies that will yield winning results. It's much the same with managing data security in today's hyper-connected world. You need to prepare for any eventuality, and that means orchestrating expertise, tools, partners and strategies to ensure that critical information is protected – especially in printers at the vulnerable edges of the network.

DATA SECURITY: A GROWING CHALLENGE

Many business, government, education, healthcare, energy, sports and retail organizations are meeting the data security challenge with leading technology solutions provider CDW, whose client list spans the United States, Canada, the United Kingdom, the EU, the UAE, South Africa, Hong Kong, Singapore and Australia. The result is a championship strategy – one that orchestrates data security solutions with the world's most secure printers from HP.

Protecting confidential information across multiple devices and environments is not a trivial matter, with hundreds of cyber-attacks exposing millions of personal records each year. In May 2016, a breach of 117 million email and password combinations from LinkedIn were made public online, and in September, Yahoo! announced that a hacker had stolen information from a minimum of 500 million of its accounts in late 2014.

Global cyber-thieves are expected to get even more sophisticated in the year ahead, with 73% of CISOs expecting a major security breach within a year, according to a survey published by Help Net Security, while 53% of IT managers recognize that printing and imaging devices are especially threatened by cyber-crime, according to a recent Ponemon Institute study.

ORCHESTRATING SECURE PRINTING

Fortunately, CDW's multitiered solutions bring forward expertise with HP secure printers to provide end-to-end imaging and printing security strategy – coordinated protection of devices, data and documents, plus comprehensive security monitoring and management solutions. Key features on HP Enterprise and HP Pro lines include:

- **HP Sure Start:** This validates the integrity of the device's BIOS code on each startup. (HP Enterprise)
- **Whitelisting:** Checks firmware during startup to ensure that it is authentic, digitally signed by HP. (HP Enterprise)
- **Run-Time Intrusion Detection:** Constantly monitors and detects anomalies during complex firmware and memory operations. (HP Enterprise)
- **Secure Boot:** Validates the integrity of the boot code at every boot cycle. (HP Pro)
- **Firmware Integrity Validation:** Validates firmware updates prior to being loaded. (HP Pro)
- **Run-Time Code Integrity:** Prevents intruders from introducing malicious code while the printer is running. (HP Pro)

Combined with HP's cloud-based JetAdvantage print management platform and CDW's guidance, these provide the strategic foundation to assess, manage and fortify enterprise security.

PREPARATION EQUALS SUCCESS … AND SECURITY

Preparation and orchestration are the keys to success with any team, whether it's in basketball or IT security. CDW has spent decades orchestrating technology solutions for its clients, including the NCAA. Combining its decades of expertise with industry-leading partners such as HP has proven to be a championship strategy for CDW and the organizations it serves.

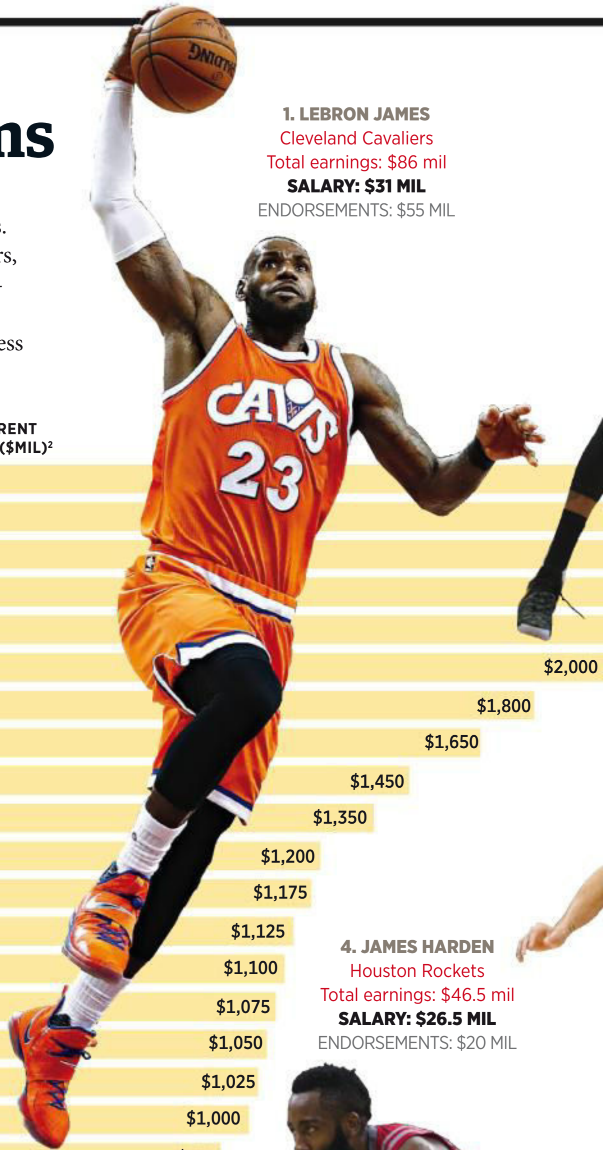
To learn more, visit CDW.com/orchestration.

LeaderBoard

SPORTSMONEY

The Most Valuable NBA Teams

THE HARDWOOD might as well be paved with gold: The average National Basketball Association franchise is now worth $1.36 billion, a 3.5-fold increase over the last five years. Operating profits are already at a record high—an average of $31 million per team. Owners, meanwhile, are salivating at what's on the immediate horizon: a new seven-year collective-bargaining agreement that secures labor peace through the 2023–24 season, a nine-year, $24 billion national TV deal and increasing interest from overseas. For more on the business of professional basketball, please see forbes.com/nba.



1. LEBRON JAMES
Cleveland Cavaliers
Total earnings: $86 mil
SALARY: $31 MIL
ENDORSEMENTS: $55 MIL

The Knicks set a league record with income of $141 million last season. Credit a new TV deal with the MSG Network that paid $100 million its first year.

Record revenue and groundbreaking on a new arena pushed the Warriors' value up a league-high 37%.

The Cavaliers' title run didn't come cheap: Cleveland posted the NBA's fifth-biggest single-season loss ever—$40 million—which included a $54 million tax on its $185 million payroll.

	1-YEAR VALUE CHANGE%	REVENUE ($MIL)	OPERATING INCOME[1] ($MIL)	CURRENT VALUE ($MIL)[2]
1. New York Knicks	10%	$376	$141.2	
2. Los Angeles Lakers	11	333	119.2	
3. Golden State Warriors	37	305	74.2	
4. Chicago Bulls	9	232	45.5	
5. Boston Celtics	5	200	60.1	
6. Los Angeles Clippers	0	185	–11.8	$2,000
7. Brooklyn Nets	6	223	15.7	$1,800
8. Houston Rockets	10	244	62.7	$1,650
9. Dallas Mavericks	4	194	40.3	$1,450
10. Miami Heat	4	210	21.1	$1,350
11. Cleveland Cavaliers	9	233	–40.2	$1,200
12. San Antonio Spurs	2	187	18.4	$1,175
13. Toronto Raptors	15	193	46.1	$1,125
14. Phoenix Suns	10	173	26.3	$1,100
15. Sacramento Kings	16	164	18.4	$1,075
16. Portland Trail Blazers	8	178	41.2	$1,050
17. Oklahoma City Thunder	8	187	–8.4	$1,025
18. Washington Wizards	4	155	6.6	$1,000
19. Orlando Magic	2	166	44.7	$920
20. Utah Jazz	4	164	36.0	$910
23. Detroit Pistons	6	172	21.8	$900
21. Denver Nuggets	4	157	21.2	$890
24. Atlanta Hawks	7	169	19.8	$885
22. Indiana Pacers	5	157	23.9	$880
26. Philadelphia 76ers	14	140	18.2	$800
25. Memphis Grizzlies	1	155	0.2	$790
27. Milwaukee Bucks	16	146	24.0	$785
28. Charlotte Hornets	4	158	9.4	$780
29. Minnesota Timberwolves	7	154	25.9	$770
30. New Orleans Pelicans	15	156	16.7	$750
LEAGUE AVERAGE	8	196	31.3	$1,355

4. JAMES HARDEN
Houston Rockets
Total earnings: $46.5 mil
SALARY: $26.5 MIL
ENDORSEMENTS: $20 MIL

REVENUES AND OPERATING INCOME ARE FOR THE 2015–16 SEASON AND NET OF REVENUE SHARING AND ARENA DEBT SERVICE. [1]EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. [2]ENTERPRISE VALUE (EQUITY PLUS NET DEBT) OF TEAM BASED ON CURRENT ARENA DEAL (UNLESS NEW ARENA PENDING).

KNICKS: MITCHELL LEFF/GETTY IMAGES; CAVALIERS: JESSE D. GARRABRANT/NBAE/GETTY IMAGES; JAMES: GREGORY SHAMUS/GETTY IMAGES; CURRY: RON ELKMAN/SPORTS IMAGERY/GETTY IMAGES; HARDEN: MITCHELL LEFF/GETTY IMAGES; WESTBROOK: ROCKY WIDNER/NBAE VIA GETTY IMAGES; DURANT: RON ELKMAN/SPORTS IMAGERY/GETTY IMAGES.

THE HIGHEST-EARNING NBA PLAYERS

2. KEVIN DURANT
Golden State Warriors
Total earnings: $62.5 mil
SALARY: $26.5 MIL
ENDORSEMENTS: $36 MIL

3. STEPHEN CURRY
Golden State Warriors
Total earnings: $47.1 mil
SALARY: $12.1 MIL
ENDORSEMENTS: $35 MIL

5. RUSSELL WESTBROOK
Oklahoma City Thunder
Total earnings: $41.5 mil
SALARY: $26.5 MIL
ENDORSEMENTS: $15 MIL

MARKET WATCH

Growing, Growing…Gone

The most expensive food items ever sold at auction.

IN JANUARY, Japan's "Tuna King," Kiyoshi Kimura, paid more than $630,000 for a 467-pound tuna at Tokyo's legendary Tsukiji fish-market auction. But that's not the most for which Kimura, owner of the Sushi Zanmai restaurant chain, has been on the hook. In 2013 he spent $1.8 million on a bluefin that weighed 22 pounds more. Here are some other record-setting sales for incredible edibles—from a rare Italian truffle to Missy, the *crème de la crème* of dairy cows.

CAVIAR (175 tons)
$18 mil
December 1976

BLUEFIN TUNA (489 lbs.)
$1.8 mil
January 2013

MISSY THE COW
$1.2 mil
November 2009

WHITE TRUFFLES
(2.9 lbs.)
$330,000
November 2010

50-YEAR-OLD NARCISSUS OOLONG TEA
(44 lbs.)
$154,000
November 2013

THREE-YEAR-OLD SLICE OF KATE MIDDLETON AND PRINCE WILLIAM'S WEDDING CAKE
$7,500
December 2014

REAL ESTATE

Bono Slept Here

TWELVE YEARS AGO, the Guinness brewing family opened Luggala, its verdant, 5,000-acre estate outside Dublin, offering weeklong stays for €20,000 (about $21,500). Now they're selling the property, including the castle-shaped, seven-bedroom main house, for $30 million. Over the decades, painter Lucian Freud, actress Anjelica Huston and U2's Bono all visited Luggala as guests of the Guinness family. "One of the extraordinary things about Luggala is that it almost looks like a different place every single day," says Guinness heir and current owner Garech Browne. Especially after a few pints.

NBA BY KURT BADENHAUSEN, MICHAEL K. OZANIAN AND CHRISTINA SETTIMI; FOOD AUCTIONS BY KRISTIN TABLANG; GUINNESS PROPERTY BY SAMANTHA SHARF
ILLUSTRATIONS BY DAVE URBAN; TOMOHIRO OHSUMI/BLOOMBERG (BOTTOM)

LeaderBoard

AMERICA'S RICHEST FAMILIES

The Kushner Kingdom

AMONG THE NEW FACES in the Oval Office: Jared Kushner, Ivanka Trump's husband and a senior advisor to President Trump. The position makes Kushner, 36, one of the most powerful people in the country; he has long belonged to one of its richest clans.

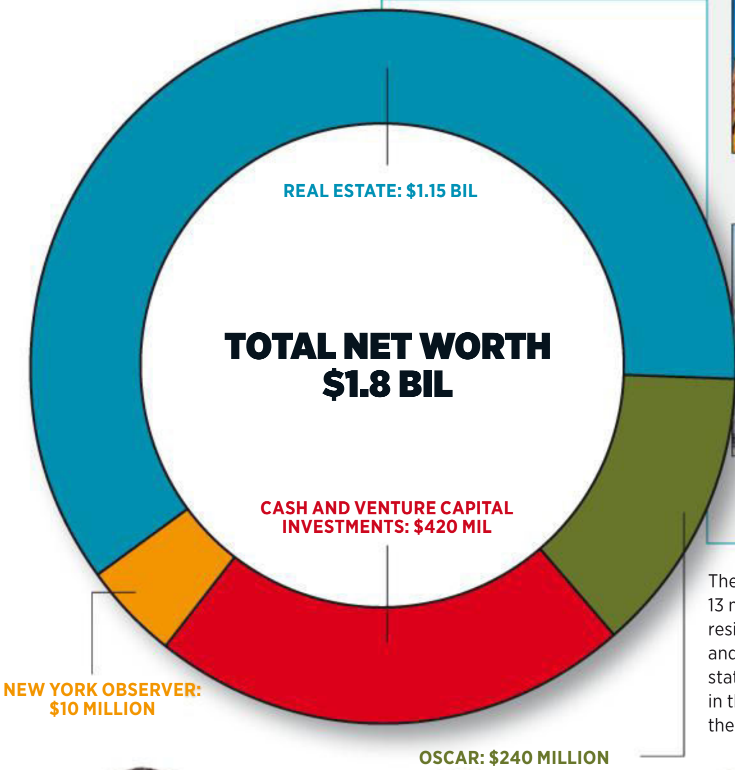
Before his sojourn in Washington, D.C., he ran his family's real estate empire, which includes stakes in trophy properties like 666 Fifth Avenue and Manhattan's Puck Building, since 2007. In 2005, his father, Charles, now 62, went to prison for tax evasion, election fraud and witness tampering. The next year, Jared paid about $10 million for the now online-only *New York Observer* newspaper. His brother, Josh, 31, is no slouch himself. In 2012, he cofounded a health insurance unicorn, Oscar, which, ironically, was built on the back of legislation President Trump has vowed to kill: ObamaCare. Here's a breakdown of the Kushners' wealth.

666 Fifth Avenue
Manhattan
$360 MIL

80–90 Maiden Lane
Manhattan
$75 MIL

Puck Building
Manhattan
$200 MIL

AT&T Building
Chicago
$49 MIL



The Kushners own 13 million square feet of residential, commercial and retail space in six states, including stakes in the above buildings, their crown jewels.

JARED KUSHNER

JOSH KUSHNER

CHARLES KUSHNER

30 UNDER 30

Luminaries

Enlightening ideas from the Forbes 30 Under 30, in 30 words or less.

LADISLAS DE TOLDI AND MARINE COUTEAU

LEKA | 28, 26

The duo has created an interactive robotic ball that uses light, sound and vibration to help children with special needs develop their motor skills and improve social interaction.

VIVEK KOPPARTHI

NEOLIGHT | 27

Helped invent a portable phototherapy treatment that uses light to treat newborns with jaundice, keeping a baby closer to the mother and cutting the length of a traditional hospital stay.

ANN MAKOSINSKI

MAKOTRONICS ENTERPRISES | 19

Makotronics' body-heat-powered LED flashlight captures thermal energy from a user's hand and converts it into electricity.

KUSHNERS BY CHLOE SORVINO; 30 UNDER 30 BY NATALIE SPORTELLI
ILLUSTRATIONS BY JOE MCKENDRY; CHIP SOMODEVILLA/GETTY IMAGES; ALO CEBALLOS/GETTY IMAGES; KEITH BEDFORD/REUTERS; SPENCER PLATT/GETTY IMAGES; PATTI MCCONVILLE/ALAMY; JAY GALVIN

DEAL TOY

Nature's Bounty

Cabela's was a closely held family concern for decades, but its 2004 IPO forged the path to its $5.5 billion sale to billionaire John Morris a dozen years later.

PERCH, PIKE … AND PISTOLS
Angling is in Cabela's DNA, but firearms were its true lifeblood during the Obama years. The company and its founders are avid supporters of the National Rifle Association, and sales jumped whenever the White House or Congress talked about stricter gun regulation.

A FAMILY AFFAIR
Cabela's was founded in 1961 at the Chappell, Nebraska, kitchen table of husband and wife Richard and Mary Cabela. When Richard died at age 77 in 2014, his stake was worth some $500 million. Jim Cabela, his brother and co-founder, remains the company's chairman.

TRAWLING FOR DOLLARS
Cabela's had no problem landing investors for its June 2004 public offering, pricing above expectations at $20 per share, jumping to $27 at the open and raising $156 million to pay down debt and open more stores. Pre-IPO shareholders cashed in again four months later when they sold $270 million worth of stock at $22.50.

BIG-GAME HUNTER
In October 2016, Cabela's found itself in the crosshairs of billionaire John Morris, founder of Bass Pro Shops. Morris' bigger, tightly held private chain agreed to pay $5.5 billion in cash to purchase Cabela's—a deal that created the dominant player in outdoor retail.

SNAKE IN THE GRASS?
Paul Singer's Elliott Management set up camp at Cabela's in 2015, acquiring a stake that grew quickly to 11% and urging the firm to sell assets—such as its lucrative credit card business—or the entire company in a leveraged buyout.

BY STEVE SCHAEFER
DAVID ARKY FOR FORBES

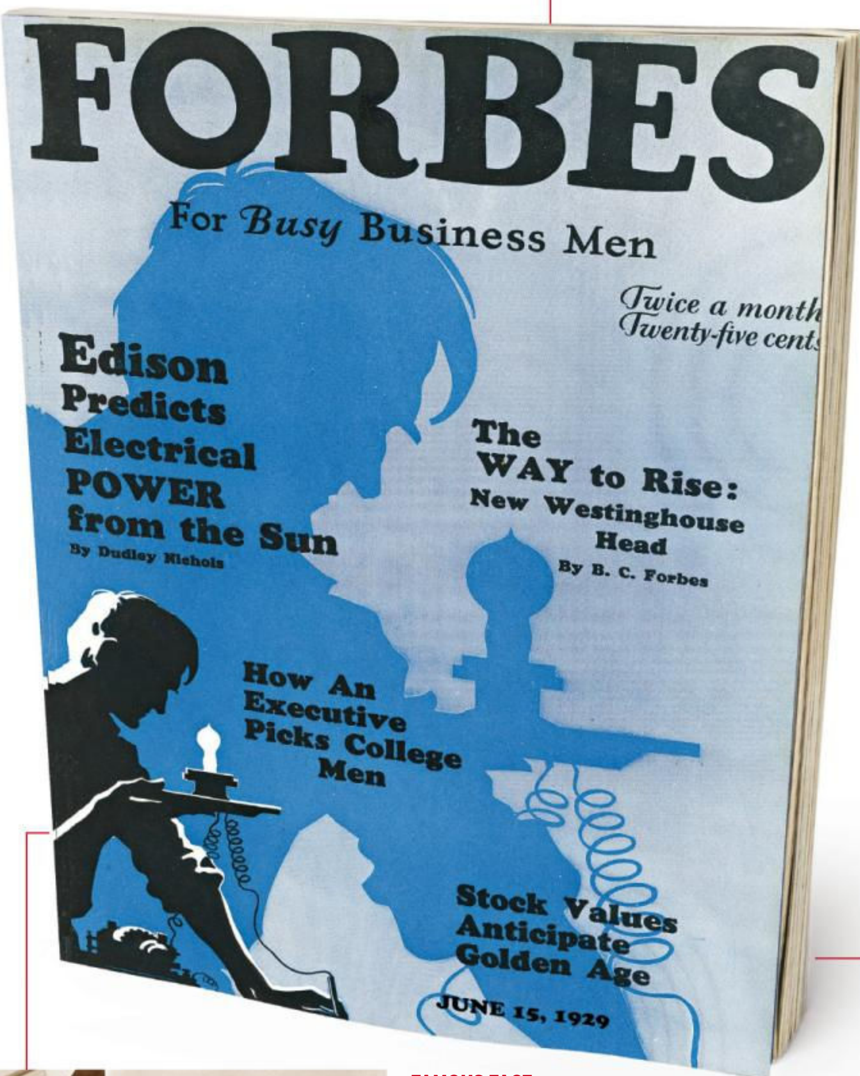
Morgan Freeman
SU2C Ambassador
Executive Producer
of the documentary,
The C Word
Tonya Peat
Cancer Survivor
Be the breakthrough.
Breakthroughs are the patients participating in clinical trials, the scientists and doctors working together to advance the fight against cancer, and the brave survivors like Tonya who never give up. Let's be the breakthrough. To learn about appropriate screenings and clinical trials or to help someone with cancer, go to su2c.org/breakthrough.
#cancerbreakthrough
THE C WORD
TheCWordMovie.com
STAND UP TO CANCER®
Genentech
A Member of the Roche Group
Stand Up To Cancer is a program of the Entertainment Industry Foundation, a 501(c)(3) charitable organization. Please talk to your healthcare provider about appropriate screenings for your age, sex, family history and risk factors; and about clinical trials that may be right for you. Photo by Nigel Perry

LeaderBoard

FORBES @ 100

As Forbes' *September 2017 centennial approaches, we're unearthing our favorite covers.*

June 15, 1929: Edison's Error



DEAD ENDS

Up in the Sky! It's a Bird, It's a Plane . . .

No, it's an all-metal, steam-powered dirigible! Pan-Am planned to use the relatively light ships for flights across South America. The dirigible's creator, Slate Aircraft, would close a few years later amid the Great Depression.

SIGN OF THE TIMES

Gentlemen Only

Twelve years into *Forbes*' run, there wasn't much of a glass ceiling for women to shatter. The magazine was aimed at "Busy Business Men," and a cover line matter-of-factly noted how executives pick "college men" for jobs. Then again, the issue also touted a golden age for stocks—four months before the stock market crashed.

ASKED IN 1929 to describe the current life stage of the electric age, its father, Thomas Edison, summed it up succinctly: "Yelling baby." In other words, it had a great future ahead of it—but a lot of growing up to do.

Edison went further and boldly forecast what he expected would happen when the industry matured a little. He believed that "mankind will draw electrical energy on a large scale directly from the sun," *Forbes'* Dudley Nichols wrote. As Edison put it, "Man will always be able to create from nature as much power as he will need."

Scientists had been studying the core idea of solar power, the photoelectric effect, for the previous century; seven years earlier, Albert Einstein had won a Nobel Prize for his work on it. But Edison's prediction hasn't come true. It has been nearly 70 years since three Bell Labs scientists developed silicon photovoltaic cells—the first technology capable of converting sunlight into enough energy to power common electrical equipment—and still less than 1% of U.S. energy comes from the sun.

FAMOUS FACE

Flying Solo

Charles Lindbergh had very publicly refused a movie deal after his pioneering 1927 transatlantic flight. Now *Forbes* had a scoop: He had also privately passed on becoming president of a new airline syndicate. Among his reasons for saying no: "It would tie me down."

AMAZING AD

Proto-Spam

The addressograph, an automatic addressing machine, came in five sizes—from the $20 version ($282 today) that could handle up to 1,800 letters per hour to the $13,000 variety ($182,500), capable of addressing 7,500 letters per hour.

BY ABRAM BROWN

AFP/GETTY IMAGES; AP; GEORGE RINHART/CORBIS/GETTY IMAGES

CONVERSATION

WHETHER THEY WERE in bed or not, readers of our January 24 issue sat bolt upright at Brian Solomon's cover story on *Forbes* 30 Under 30 alumnus James Proud and his sleep-monitor startup, Hello. Mohammed Nomani would like Proud to get out of his boudoir, thank you very much: "Venture capitalists have run out of things to monetize while we're awake," Nomani wrote at Forbes.com. "Now they're coming for our sleep, too." Others, though, found themselves captivated by the brash Proud, 25, who had early support from Peter Thiel yet disdains starry-eyed technology utopians (and many others) in colorful terms. Asked Jason Aguiar via Twitter: "The next big thing, or the new villain of Silicon Valley?" Proud, ever the wag, replied to Aguiar shortly after: "Shhh," he tweeted. "Don't reveal my evil plan to try to help everyone sleep better!"

TALENTED TYROS

Readers raved about our 30 Under 30—and put in a good word for their oft maligned generational cohort, too.

MEGAN GUSTASHAW, *GQ:* "*Forbes'* 30 Under 30 is a cheat sheet of brands, apps and marketplaces that'll help make your life easier and most stylish."

ASHLEY C. FORD: "I made @Forbes #30Under30 in Media four days before I turn 30. I'll probably die leaving everything to the last minute."

GINA MEI, *COSMOPOLITAN:* "[Under 30 selection Kylie Jenner] became the second-highest-earning person in her family, behind Kim Kardashian—which says a lot given how much that family hustles."

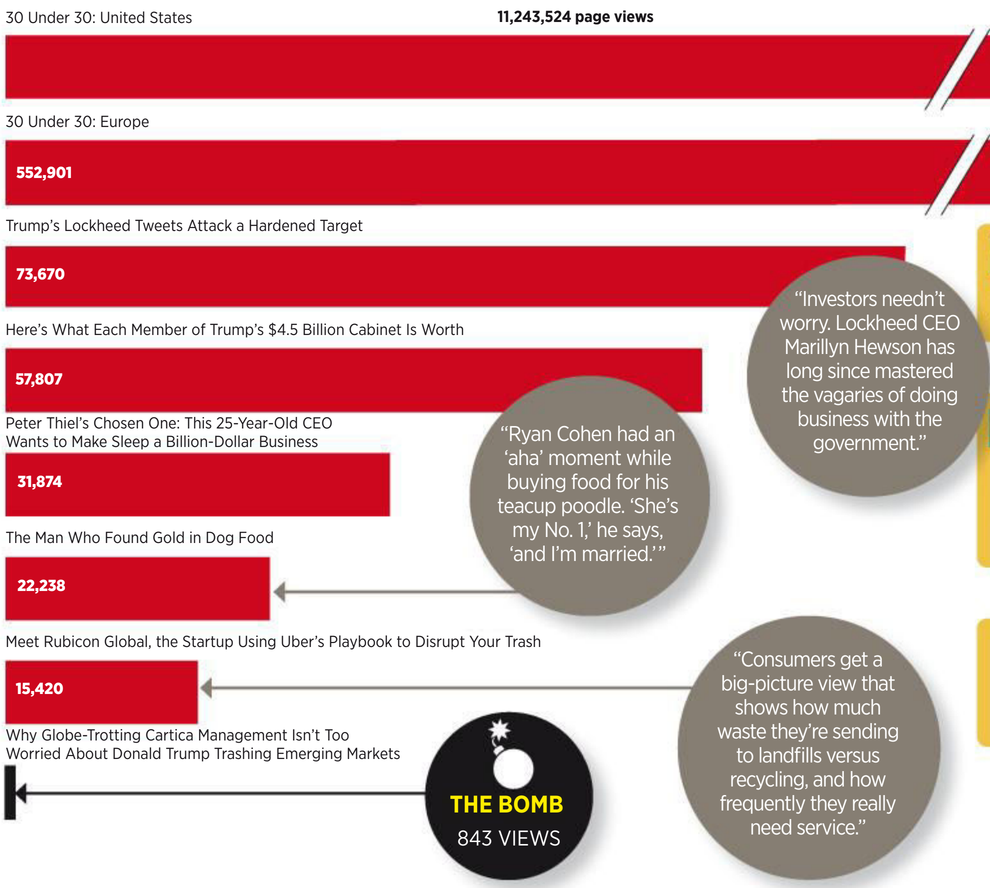
BECCA DEBLIECK: "Lots of young talent out there. Don't underestimate the Millennials!"

MARTELLUS BENNETT, NEW ENGLAND PATRIOTS: "I didn't make the Pro Bowl, but I did make the @Forbes list for my startup company, @ImaginationAgcy."

ERICA GONZALES, *HARPER'S BAZAAR:* "If this year's list taught us anything, it's that the future is looking very bright."

THE INTEREST GRAPH

Youth might be wasted on the young, but not on our readers: The 30 Under 30 was by far the biggest online draw from our January 24 issue.



BY ALEXANDRA WILSON

The Latitude 13 7000 Series laptop with an Intel® Core™ Processors delivers the powerful performance and incredible battery life that allow Ben Hindman to stay ahead of his busy schedule. **That's why Laptop Mag named it CES 2016 Top Pick.**

Latitude 13 7000 Series

Learn more at **Dell.com/SmallBusiness** or consult with a small business expert at **877-414-3355.**

Intel Inside®. Powerful Productivity Outside.

MILLENNIALS NEED THIS (GOP) BREAK

"A GOLDEN RECOMMENDATION" for their second job is what most college grads dream of as they enter the workforce. Their first job, they are certain, will be an 18-month compromise, a pass-through position they take on to build résumés. The second job, the one that matches their plans, is the job they actually seek. But to get to that second post, they need a strong recommendation from an authority in the real world, not a professor. In other words, that golden recommendation from the boss at the initial compromise position.

That elusive golden recommendation became more reachable when, this winter, the U.S. Court of Appeals for the Fifth Circuit pushed a review of a new Labor Department overtime rule forward on the calendar. The regulation is known as the "Devil Wears Prada" rule, after the 2006 film in which a witchy editor-in-chief at a top fashion magazine terrorizes her new hire, a Northwestern alumna, day and night, wrecking dinners with dad, the celebration of the boyfriend's birthday and, in general, postcollege sanity.

Rising to the defense of the figurative Miss Northwestern, the Labor Department of the Obama Administration sought to raise the ceiling below which time-and-a-half overtime pay is required by Washington. The new level was set at $47,476, from the old $23,660, an expansion affecting millions. Many of those millions are not recent college grads, but many are. The scheduling shift gives the final say to the Trump Labor Department, which has the authority—and likely the inclination—to let this Devil die.

Nearly every one of the older workers who falls in this bedeviled class wants or needs more pay. The question is whether additional training serves them better than a state- or federally-ordained raise. But it is the younger workers who will truly struggle. Back in the old days, first employers got to know their employees, and, yes, it is fair to say, love them. Older adults are hardwired to make outsize gifts to youth. Employers used to move heaven and earth for "their" 23-year-old staffers, even staffers whose politics grossed them out.

These days management still derives major benefit from young hires: fresh brains and faces, a low price and stunning (to oldsters) understanding of iPhones, high tech, computer science and tech markets.

The trouble is that stock picking or coding often are not part of the description of that first job. And nowadays significant burdens offset youth's advantages. College grads, especially—and perversely—humanities grads, haven't logged the hours reading that even Miss Northwestern did. The antibusiness culture of college developed their appreciation of social-justice regulation to a counterproductive extent. The same culture failed to convey the seriousness of what happens at the office, whatever the product. Tech-vain and diploma-proud, these youths don't always "get" workplace discipline or hierarchy.

Such tension actually pops up in *The Devil Wears Prada*. Her first day on the job, Miss Northwestern fails to conceal her contempt when Boss Devil leads a room in meticulously choosing between two seemingly identical aquamarine belts.

Boss Devil snaps, pointing out that decisions made by execs, even execs in high fashion, affect all. Each garment selected for showcasing "represents millions of dollars and countless jobs." Comments the art director to Miss Northwestern, "This place where so many people would die to work, you only deign to work."

Miss Northwestern learns quickly. But the tough part of the story is that Millennials don't always. Even half a year into a job, e-communities are more real to many of these workers than a brick-and-mortar workplace. Nine months in, Millennials are still disappointing bosses with their subpar output. The problem is not that recent college grads march to the beat of a different drummer. The problem is that they do not even hear the employer's drum. That sustained obliviousness engenders no affection in the boss, nor does it put the boss in the mood to type up that coveted first-job recommendation.

DEVIL'S LESSON

The way up for anyone earning less than $47,476 is education. The only difference is that older workers benefit from going back to school, while younger workers need to unlearn school. Yet young workers regard overtime pay as their due.

The result is the same negative dynamic that occurs with the minimum wage. To avoid the extra cost, employers commit a worse social injustice by taking workers off salary—and perhaps health benefits—spreading the work among anonymous, unmentored part-timers. Another management response to marginal cost increases is to skip hiring young people altogether. Only trained workers may actually warrant the higher costs. This trend generates greater anxiety than anything seen in *The Devil Wears Prada*. After all, the worst cause of post-college anxiety is not being able to get a job at all.

It's therefore good news that the free-marketers joining the Administration give every sign of their willingness to abandon initiatives like the Devil rule. Young hires and bosses of all political backgrounds will benefit if they get to know one another with less resentment. The irony is that if left-leaning students do get that golden recommendation after the Devil rule is jettisoned, a few will have the Republican Party to thank. F

THOMAS KUHLENBECK FOR FORBES

AMITY SHLAES, PRESIDENTIAL SCHOLAR AT THE KING'S COLLEGE AND CHAIR OF THE COOLIDGE FOUNDATION BOARD; **PAUL JOHNSON**, EMINENT BRITISH HISTORIAN AND AUTHOR; AND **DAVID MALPASS**, GLOBAL ECONOMIST, PRESIDENT OF ENCIMA GLOBAL LLC, ROTATE IN WRITING THIS COLUMN. TO SEE PAST CURRENT EVENTS COLUMNS, VISIT OUR WEBSITE AT WWW.FORBES.COM/CURRENTEVENTS.

TRUMP'S ECONOMIC ROAD MAP

THE BIG SHOCK of Trump's young presidency: He's mostly doing what he said he'd do.

But of course Trump has said a lot of things. Detecting a clear signal amid the din of his tweets and media howls might seem daunting. But step back. You can find Trump's economic plan described clearly in a September 2016 white paper written by Wilbur Ross, Trump's choice for commerce secretary, and trade advisor Peter Navarro. The paper is titled "Scoring the Trump Economic Plan: Trade, Regulatory and Energy Policy Impacts." Google it and dive in.

For a quickie version, I've edited and paraphrased it below.

• **The "New Normal" is a political excuse for poor growth.** From 1947 to 2001 the nominal U.S. GDP grew at an annual rate of 3.5%. But from 2002 to today that average has fallen to 1.9%. This loss of 1.6 percentage points in real GDP growth represents a 45% reduction in the U.S. growth rate from its historic, pre-2002 norm.

Just why did the U.S. growth rate fall so dramatically? Many economists have described this era of slower growth as the "new normal." They blame the plunge at least in part on demographic shifts, such as a declining labor-force participation rate and the movement of Baby Boomers into retirement.

That's a defeatist view. There is nothing inevitable about poorly negotiated trade deals, overregulation, a high tax burden and bad energy policy. This is a politician-made malaise; therefore, nothing about the new normal is permanent.

• **Fix trade, regulation, taxes and energy—in that order.** Bad policies push capital investment offshore or discourage onshore investment. This "offshoring drag" subtracts directly from GDP growth. Each additional point in real GDP growth translates into roughly 1.2 million jobs. When the U.S. economy grows at a rate of only 1.9% annually instead of its historic norm of 3.5%, we create almost 2 million fewer jobs a year.

• **Excessive regulation is killing business.** More than 80% of CEOs of large U.S. companies agree. They say U.S. business regulations are among the worst in the developed world. The situation is even worse for America's 28 million small businesses. They have provided two-thirds of our postrecession job growth, yet have been hurt even more. Small-business compliance costs are excessively high.

The Heritage Foundation and the National Association of Manufacturers (NAM) have estimated regulatory costs to be in the range of $2 trillion annually—about 10% of our GDP. NAM finds that "small manufacturers face more than three times the burden of the average U.S. business."

In just eight years the Obama Administration added regulations—environmental, labor, banking and consumer protection—that added $120 billion in annual compliance costs. Those costs, like all business costs, are passed along to consumers, who must pay more for products and services. According to the Competitive Enterprise Institute, this "hidden tax" of regulation amounts to "nearly $15,000 per U.S. household" annually.

• **Manufacturing has the best wealth- and job-multiplier effect.** Note that the Trump regulatory reform plan will disproportionately—and quite intentionally—help the manufacturing sector. This is the economy's most powerful sector for driving both economic growth and income gains. These income gains will, in turn, inordinately benefit the nation's blue-collar workforce.

This high-multiplier effect is precisely why the Trump trade doctrine and overall economic plan seek to strengthen the U.S. manufacturing base—and regulatory reform is a key structural reform. Right now, as Mark and Nicole Crain calculate: "The costs of federal regulations fall disproportionately on manufacturers.... Manufacturers pay $19,564 per employee on average to comply with federal regulations, or nearly double the $9,991 per employee costs borne by all firms as a whole."

Since the era of globalization, manufacturing as a percentage of the labor force has steadily fallen from a peak of 22% in 1977 to about 8% today. To those who would blame automation for the decline in manufacturing, one need only look at two of the most technologically advanced economies in the world: Germany and Japan. Both are world leaders in robotics. Despite declines in recent years, almost 20% of Germany's workforce is still employed in manufacturing, and almost 17% of Japan's.

To be clear, when we're talking about manufacturing, we're not just talking about cheap T-shirts and plastic toys. We're talking about aerospace, biomedical equipment, chemicals, computer chips, electronics, engines, motor vehicles, pharmaceuticals, railroad rolling stock, robotics, 3-D printing, resins, shipbuilding and more.

So there you have it. Trump's tax, energy and currency plans are also described. But in Trump's eyes, trade and regulation are the main events. Like Trump's vision or not, his road map is clear. And thus far in his presidency, Donald Trump has proven he means to follow it. F

THOMAS KUHLENBECK FOR FORBES

RICH KARLGAARD IS EDITOR-AT-LARGE / GLOBAL FUTURIST AT FORBES. HIS LATEST BOOK, *TEAM GENIUS: THE NEW SCIENCE OF HIGH-PERFORMING ORGANIZATIONS*, CAME OUT IN 2015. FOR HIS PAST COLUMNS AND BLOGS VISIT OUR WEBSITE AT WWW.FORBES.COM/KARLGAARD.

"WHEN WE RECEIVED THE PROPOSAL FROM IFEZ TO ESTABLISH OUR OWN BUILDING HERE, WE RECOGNIZED IT AS A GOOD FINANCIAL PROPOSAL... WE HAVE MET OUR OBJECTIVES AND WE HAVEN'T REGRETTED OUR INVESTMENT HERE."

– Martin Rotermund,
Managing Director, Rittal Korea

KOREA'S FREE ECONOMIC ZONES MAKING BUSINESS EASIER

Once referred to as the "Hermit Kingdom," Korea is a hermit kingdom no longer. Today, Korea has embraced its central location – and why not? Its proximity to the major Asian markets makes it the most efficient economic hub not only for China, Japan and Korea, but for the rest of Asia as well. Indeed, Korea's Free Economic Zones (KFEZ) were developed to take full advantage of this great location. The eight Free Economic Zones (Incheon FEZ, Busan-Jinhae FEZ, Gwangyang Bay Area FEZ, Yellow Sea FEZ, Daegu-Gyeongbuk FEZ, East Coast FEZ, Chungbuk FEZ and Saemangeum-Gunsan FEZ) are scattered throughout Korea to suit the needs of enterprising businesses. The Korean government has gone to great lengths to create the most optimum business environment for companies located here.

Korea's Free Trade Agreements (FTAs) with a whopping 52 countries top the list of reasons why companies want to do business in Korea. For many outsiders, it would seem counterintuitive for a Chinese company to set up shop in Korea. Not so, says Lu Xianyu, CEO of the Chinese enterprise HAM Global. While it's true that wages and production costs are lower in China, he cites Korea's impressive number of FTAs as the basis for his decision to move his operations to the GFEZ (Gwangyang Bay Area Free Economic Zone). "China doesn't have as many FTAs," he explains, "so exporting my products to other countries is more easily done here." Korea's accessibility to over 50 countries with populations exceeding 1 million makes the country's extensive FTA network even more appealing. For Mr. Lu, in Korea, China is close, but so are the Philippines and Indonesia – his target markets.

Korea's eight Free Economic Zones (FEZ)

FTA NETWORK

■ in effect (15)

Korea's FTA Territory
(Portion of Global GDP)
73.5%

Development is still ongoing for many of the economic zones, but the Korean government has already spent billions of dollars on laying the infrastructure to facilitate the emerging high-tech, international business, leisure and tourism hubs there. The country's state-of-the-art infrastructure and public transportation systems, admired by the rest of the world, are often cited as key advantages that allow businesses to reduce operating costs, shorten delivery times and provide better customer service.

In many ways, Korea's Free Economic Zones exemplify the synergy between the diverse industries located there. The cities have attracted numerous businesses from all over the world, and while almost everyone acknowledges that the Korean labor force is highly educated, some might think that setting up a business far away from Seoul would make it difficult to find talented workers. This isn't the case, insists Mr. Rotermund, managing director of Rittal Korea. "When we moved here from Seoul, no one left the company," he says, and points out that when it comes to recruiting new personnel, good workers are not difficult to find, as "IFEZ (Incheon Free Economic Zone) also has a very highly qualified labor force. There are quite a few universities in this area. Our relocation to IFEZ is not something that has affected our ability to hire good labor."

> **"CHINA DOESN'T HAVE AS MANY FTAS, SO EXPORTING MY PRODUCTS TO OTHER COUNTRIES IS MORE EASILY DONE HERE."**
>
> – Lu Xianyu, CEO, HAM Global

One of those universities in IFEZ is the State University of New York - SUNY Korea. Because courses are taught by Stonybrook faculty, and students undergo the same selective process as those who apply to any other SUNY school, a SUNY Korea degree is identical to those given at Stonybrook University in New York – a fact that has generated a great deal of public interest in the school. James F. Larson, vice president of Academic Affairs at SUNY Korea, declares SUNY Korea to be the "best kept secret in study abroad right here. What we're building here is a program that will be internationally competitive." Many of the students at SUNY Korea are bilingual or even trilingual, which makes them highly globalized and attractive to prospective employers.

Similar scenarios are playing out in the other Korean economic zones, as higher education campuses in them have been a visible presence.

KFEZ has taken concerted action to keep the business and living environments in the economic zones friendly toward foreign-invested enterprises and conducive to international businesses by offering tax breaks, financial support and other incentives. "The government has created a good environment for doing business," Mr. Lu in GFEZ stresses. Mr. Rotermund echoes this sentiment. "When we received the proposal from IFEZ to establish our own building here, we recognized it as a good financial proposal. We could not wish for much more. We have met our objectives and we haven't regretted our investment here."

For more information on doing business in the Korean Free Economic Zones (KFEZ), please visit www.fez.go.kr or www.investkorea.org. You can also contact one of KOTRA's (Korea Trade-Investment Promotion Agency) North American offices (english.kotra.or.kr).

Korean Free Economic Zones

www.fez.go.kr

Verticals

FEBRUARY 28, 2017

Famed New York restaurateur Danny Meyer partnered with private equity firm Alliance Consumer Growth by investing in Tender Greens, an expanding Los Angeles chain—the first time Meyer has backed someone else's restaurant concept. "Maybe together," he says, "we can wash, rinse and repeat the success of Shake Shack."

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PHOTOGRAPH BY MICHAEL PRINCE FOR FORBES

Honda Opens Its Doors

The famously independent Japanese carmaker is finally admitting it can't invent the future single-handedly. Will Silicon Valley lend a hand?

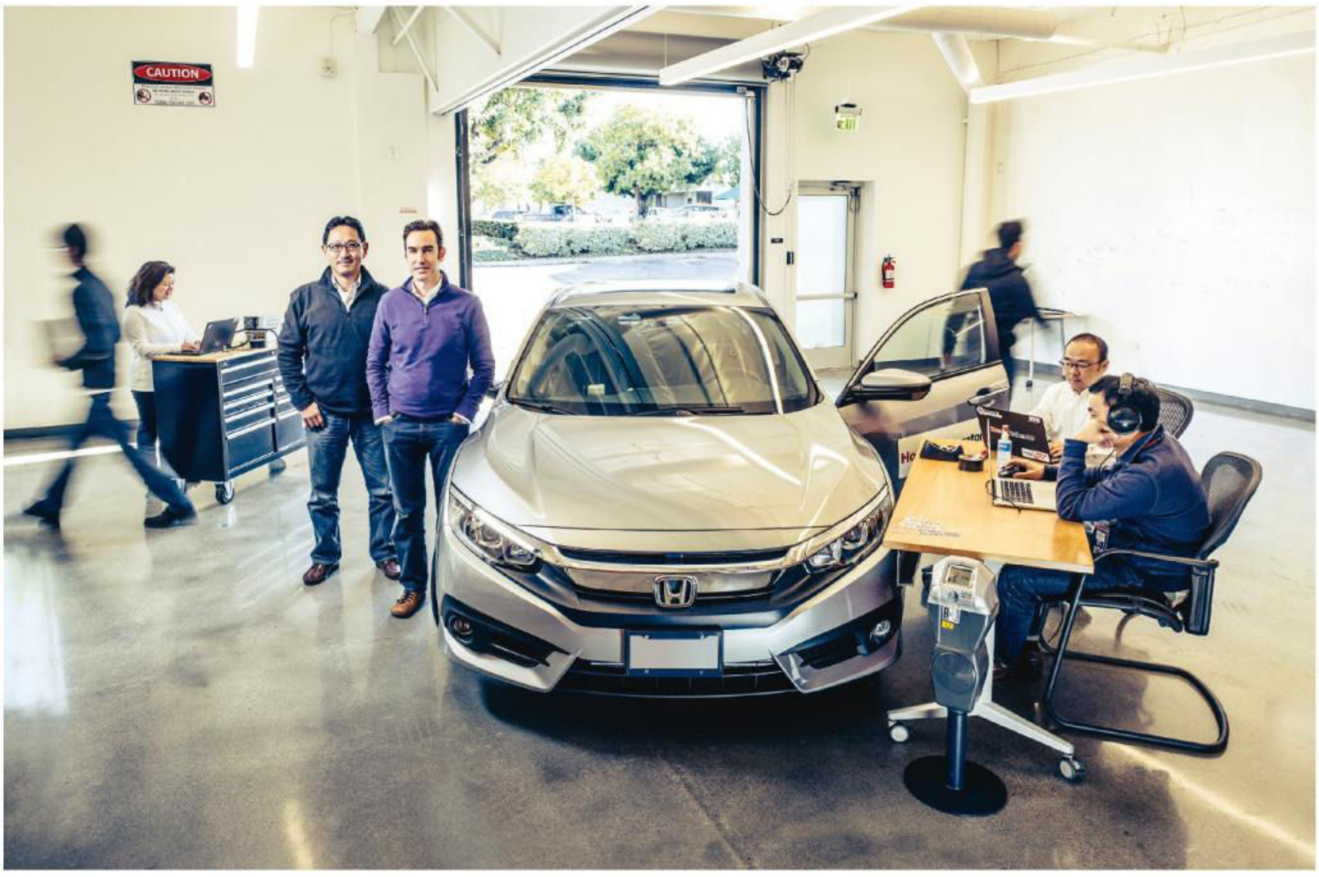
BY ALAN OHNSMAN

Honda Motor Co.'s future is quietly being forged in a secretive lab in Mountain View, California. From this 35,000-square-foot taupe-colored office park, Naoki "Nick" Sugimoto, a 55-year-old Honda veteran, scouts for the world's best tech partners. Two recent projects from Sugimoto's lab—a car display enhanced with holograms and an "optical" microphone that dramatically improves speech recognition by reading a speaker's facial vibrations—wowed crowds of auto and tech enthusiasts at the Consumer Electronics Show in Las Vegas in January.

"When it comes to creating innovations, doing everything in-house is not the right way," says Sugimoto, echoing a new company line. "Open collaboration is really the key."

As if to underscore the point, the world's eighth-largest carmaker recently announced partnership talks with Waymo, the Alphabet subsidiary formerly known as Google's self-driving-car unit. With the exception of Fiat Chrysler, which has put Waymo's technology into 100 minivans, automakers have treaded carefully around Google, fearful that the tech giant could someday come to dominate their business.

Times are a-changing for the maker of Baby Boomer favorites like the Civic, Accord and CR-V; the company has long been known for its obsession with solving engineering problems on its own. Since its founding in 1948, Honda has made motorcycles, cars, lawn mowers, jets, fuel cells, humanoid robots and just about everything else in-house. But in a world where cars are rapidly becoming tech gadgets on wheels, Honda's hallmark masterful mechanical engineering is no longer sufficient. To stay competitive, Honda needs to get over its chronic case of Not Invented Here syndrome, and as Sugimoto's lab and the Waymo talks make clear, it's starting to make progress. "Honda is



Silicon Valley Lab head Nick Sugimoto (left) and Xcelerator program lead Dennis Clark scour the region for technology and startups that can help jazz up Hondas and Acuras.

TIMOTHY ARCHIBALD FOR FORBES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willing to pursue win-win technology cooperation so that we can openly innovate with other companies and at the same time show our individuality," says Honda CEO Takahiro Hachigo via email.

The stakes couldn't be higher. The auto industry has entered a new era dominated by technologies like AI, sensors, apps and ride-sharing. As with every other automaker, Honda's execs are touting a "cooperative mobility ecosystem"—a distributed fleet of vehicles that communicate with their occupants, other vehicles and sensors on roads, bridges and buildings to make travel safer, less congested and more fun. Nifty, for sure, but it's clear the company can't get there alone. "Honda's core competencies aren't in these emerging areas," says Ed Kim, an analyst at AutoPacific, an industry consultancy.

Honda sold 4.4 million vehicles in 2015, less than half as many as giants like Toyota, VW and GM. Sales for fiscal 2016, which ended on March 31, grew at a healthy 9.6%, bringing revenue to about $130 billion. But the company is forecasting a 6% drop in revenue for the current fiscal year at a time when other automakers are expected to be flat overall. S&P Global Ratings recently cut its outlook for the company.

Intangible signs are worrisome, too. When it comes to in-car tech, "Honda is seen at this point to be fairly average," says Alexander Edwards, president of Strategic Vision, a San Diego research firm. Long known for making some of the most reliable vehicles, Honda ranked sixth in owner satisfaction in *Consumer Reports*' most recent survey, published in December.

That's where innovators like Sugimoto come in. Bespectacled and relaxed in jeans and a black North Face jacket, he's welcoming, though the old Honda habits die hard: He won't offer a tour of the lab where dozens of stealth projects are in development. The lab's overarching goal is not blue-sky research but rather to put "technologies into production as quickly as possible," says Sugimoto, who has an engineering degree from the University of Tokyo and an M.B.A. from UC Berkeley's Haas School of Business.

Take the holographic car display. In just six months, engineers from Menlo Park-based Leia 3D, working side by side with Honda auto whizzes, adapted the startup's nanotechnology for use in vehicles. The result is a futuristic dashboard that renders images with depth even when drivers move their heads to view the screen from different angles.

Sugimoto says it's one of a "low-double-digit" number of projects from a two-year-old program at the lab called Xcelerator. It's a hands-on incubator, offering startups work space, equipment, funding and mentoring. The optical microphone, a collaboration with Israeli startup VocalZoom, also emerged from the Xcelerator program.

In 2014, the lab opened a software studio to work with app makers to integrate new in-car conveniences into Hondas and Acuras. It's working with Visa to let cars auto-pay for parking and gas, and with fast-food chains to allow hungry drivers to place and prepay for orders.

While the Silicon Valley Lab represents a relatively small piece of Honda's $6 billion global R&D budget, Sugimoto expects its impact to be far-reaching, and not just for Honda. "We don't claim any exclusivity. We just share the fruits of what we create together," he says. "Startups and partners can take that to Toyota or whoever and pitch the same proposal. Fine."

But the broader goal is to revitalize a ho-hum carmaker with a history of engineering greatness. Says Sugimoto, "The purpose is to reenergize the original DNA, stimulate the right brain of all Honda people and figure out the right path to deliver 'wow' innovations to our customers." ✱

HOW TO PLAY IT BY JON D. MARKMAN

AI plays a critical role in the future of automobiles. The best way to invest in the AI revolution today is through big companies with scale and a proven capacity to bring lab work to life. **Nvidia** invested $2 billion in a deep-learning AI chip when most of its chip rivals were distracted. Now that investment is powering the self-driving-car future. Nvidia gear can read street signs and traffic lights, change lanes and navigate in blizzards. It's already in new Teslas, and coming soon to Audis and other luxury brands. Another smart AI play is **Facebook**, which reaches more than 1 billion people daily. It knows our friends, hobbies, photo and messaging habits, and how we take our coffee. It's also building a formidable AI assistant that learns exponentially faster and helps customers manage their lives.

Jon D. Markman is president of Markman Capital Insight.

FINAL THOUGHT

✱ *"If you want to make peace with your enemy, you have to work with your enemy. Then he becomes your partner."* **—NELSON MANDELA**

FOLLOW-THROUGH

JAMIE KRIPKEW

A PIECE OF CAKE

Americans can't get enough Twinkies—and neither can billionaire financiers. A year after our May 2015 cover story detailing the $410 million purchase of bankrupt Hostess by investor C. Dean Metropoulos and Leon Black's Apollo Global Management, the pair sold a majority stake to Gores Holdings, a unit of Alec Gores' private equity firm, for $725 million cash. Metropoulos remains at the company's helm; his latest sweet idea is ice cream flavors based on Hostess Twinkies, Sno Balls and CupCakes, which hit shelves—and waistlines—in February.

MICHAEL THAD CARTER FOR FORBES

NetPower's Rodney Allam stands astride his invention: a power plant that captures its own carbon, at no extra cost.

Green Gas

A revolutionary $150 million power plant promises to capture all its polluting carbon—and produce electricity at the same low cost as a dirty facility.

BY CHRISTOPHER HELMAN

GROWING UP IN ENGLAND after World War II, "all the youngsters like me were obsessed with aircraft," says Rodney Allam. "I had a picture on my wall of Chuck Yeager when he broke the sound barrier in the Bell X-1, the earliest turbine-driven aircraft." Those high-powered machines were inspirational. Allam became a chemical engineer and went to work at the U.K. division of Air Products & Chemicals, based in Allentown, Pennsylvania. There in the 1970s, he became obsessed with an idea: how to capture the carbon-dioxide emissions from the U.K.'s giant coal-burning power plants? He already knew where to put the CO_2. BP and Royal Dutch Shell would jump at the chance to inject it into their vast oilfields in the North Sea. Injecting the gas (which acts as a solvent to free up stubborn crude oil) has long been a common practice in West Texas fields, where oil companies tap naturally occurring reservoirs of CO_2. But there were none of those in England.

Allam explored various bolt-on methods to grab the CO_2 from a giant 2,400-megawatt coal plant in Scotland. But none came close to viability. For a simple reason: They were too expensive. He became obsessed with making carbon capture affordable: first for the technical challenge and then out of an impetus to slow CO_2-induced global warming. "I tried like hell," he says, "but I gave it up in the early 1990s—couldn't make it work."

But now he has. In December, Allam, 76, flew from his home in the U.K. to meet *Forbes* at a construction site in Texas near the Houston Ship Channel, the heart of the nation's largest petrochemical complex. When completed early this year, at a cost of about $150 million, these 5 acres of steel and concrete, pipes, tanks and high-voltage lines will become the proving ground for a technology called the Allam Cycle. It's a novel electric-generation system that burns natural gas and captures all the produced carbon dioxide. The best part is that it makes electricity at the same low cost as other modern gas-fired turbines—about 6 cents per kilowatt-hour.

Environmentalists are hopeful. "It's not just a bridge, it's a destination," says John Thompson, who directs the carbon-capture program at the Clean Air Task Force. Renewable energy sources haven't scaled fast enough to replace fossil fuels, and zero-carbon nuclear is too expensive. "We're going to have to use fossil fuels in the future whether we like it or not," Allam says. "The challenge will be in using fossil fuels to produce electricity without emitting CO_2 into the atmosphere."

Allam left Air Products in 2005 after 44 years. In 2009, he got a call from 8 Rivers, a venture capital incubator in Durham, North Carolina. Bill Brown, 8 Rivers' cofounder, saw piles of federal Recovery Act money available for research on carbon capture and sequestration. It wasn't hard to rev Allam up again. Soon he was sending handwritten brain dumps to the cadre of young engineers at 8 Rivers. Within six months, Allam completed the design.

8 Rivers worked with engineering powerhouses Fluor and Babcock & Wilcox to refine and verify the tech. Brown, formerly of Goldman Sachs and Morgan Stanley, presented it to whoever would listen. "Nobody believed us," Brown says. "They thought I was selling snake oil." They had reason to doubt. Bolt-on systems for carbon capture exist, but they reduce efficiency. And they're expensive; Southern Co. is $4 billion overbudget so far on its "clean coal" plant in Mississippi. "Companies don't want to just slap a box on the back of a power plant," says Julio Friedmann, carbon-capture expert at Livermore National Laboratory. "They want an integrated solution."

Which is what the Allam Cycle gives them. To understand what this cycle is, start with what it isn't. Most power plants that burn coal or natural gas use the heat to create steam that goes through a turbine, spins rotors and creates electricity. In many generators, half the useful heat shoots into the atmosphere along with steam and, of course, carbon dioxide. Allam's cycle doesn't use steam. Instead, the so-called working fluid that turns the turbine is carbon dioxide itself. The CO_2, under pressure and heated to a manageable 1,000 degrees, is kept in a supercritical state, in which it can expand to fill its container like a gas, yet has the density of a liquid. Instead of pouring into the sky, that CO_2 gets cycled in a loop, spinning the turbines that power the generators. Combustion continually adds additional CO_2, while excess CO_2 is directed off into a pipeline.

Power generator Exelon ($35 billion revenues) saw the potential and became an equity partner after months of due diligence. "We usually don't make investments this far upstream," says Ron DeGregorio, president of Exelon Power. He'll be spending many billions in the coming years to upgrade Exelon's vast fleet of aging power plants.

The third equal partner in the company, which is now called NetPower, is publicly traded engineering giant CB&I (a.k.a. Chicago Bridge & Iron). Since 2012, NetPower, which will own the new Houston facility, has been working with Toshiba to engineer and build the combustor system for the first Allam Cycle plant—an R&D effort that has cost the Japanese company at least $200 million, which it plans to recoup as orders roll in.

A full-size NetPower plant will generate 300MW and 800,000 tons of CO_2 per year and cost around $300 million to build. "The plan is to build these in oil regions, then transport the power," says Daniel McCarthy, head of tech investments at CB&I. "If you can generate power without carbon dioxide and with no economic penalty versus existing technology, why wouldn't you do that?" It'll take a few months of operation before NetPower can prove the stability of the cycle. Allam predicts his invention will soon sell itself: "In a year we will know for sure." *

HOW TO PLAY IT BY WILLIAM BALDWIN

You want to be a do-gooder and get rich too? If you must buy alternative-energy stocks, own them through an exchange-traded fund that will earn short-sale securities lending revenue you can't get. **Guggenheim Solar (TAN)**, for example, pulled in $6.6 million of lending revenue in its last fiscal year, or 2.7% of average assets. A still better plan is not to let social causes cloud your investment decisions. Don't buy solar or electric-car stocks. Instead, buy **Schwab U.S. Broad Market (SCHB)** and donate half your dividend to wildlife preservation.

William Baldwin is Forbes' *Investment Strategies columnist*

FINAL THOUGHT

* *"Nothing is more imminent than the impossible. What we must always foresee is the unforeseen."* **—VICTOR HUGO**

PROTOTYPE

SAFETY IN NUMBERS

Personal protection out there on the mean streets? Yeah, there's (soon to be) an app for that. Aluma Connect (alumalife.com) is an unobtrusive device that clips to the back of your phone. If you encounter trouble, activate the alert button (silent) or the wristband (which triggers a flashing light and a 135-decibel siren). The app will then text those in your preselected "safety network." They'll get your mapped location and be plugged into a conference line so they can determine how best to help. It's not a beefy bodyguard, to be sure, but Aluma can still help make all outdoors your sought-after safe space.

The Last Video Chain

Five years after Blockbuster failed, Keith Hoogland still has 750 Family Video outlets. His scrappy model has made him a $400 million fortune.

BY NOAH KIRSCH

Survivor: Keith Hoogland, owner of Family Video, says the conventional wisdom about why other video chains failed is wrong.

JAMIE KRIPKE FOR FORBES

IN GRANITE CITY, ILLINOIS, a sleepy town of 29,000 where the laws of time seem not to apply, a just-opened Family Video storefront beckons customers with signs promoting the latest Hollywood blockbusters. Inside, long rows of DVDs line aisles festooned with placards offering two movie rentals for a dollar, and at the register a smiling cashier greets regulars by name.

Yes, the year is 2017—and the Granite City store is defying odds, humming along in an industry most people assume has ceased to exist. In fact, the business is "doing gangbusters," says its owner,


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Keith Hoogland, who has grown Family Video into a sprawling chain of 759 locations spread across 19 states and Canada, with a concentration in the Midwest and rural America and with more grand openings on the way. "I'm 57 years old," says Hoogland, "and this is the most exciting time I've ever had in my life."

Operating from an unassuming two-story office building in Glenview, Illinois, 20 minutes northwest of Chicago, Family Video rents DVDs to loyal customers enamored with its traditional, small-town feel. Last year the company pulled in an estimated $400 million in revenue, more than 10% of which fell to the bottom line. Started by his father in 1978, the chain has grown dramatically under Hoogland's watch, and he holds roughly a 70% stake, with the rest split among family members. Revenue has flattened and even fallen slightly in recent years, but the decades of growth have afforded Hoogland a remarkable lifestyle: two corporate planes, multiple luxury properties and an estimated net worth north of $400 million. Sitting at his office desk, he proudly displays photos of a vast, ten-bedroom compound he recently commissioned in Turks and Caicos, alongside what he calls the "No. 1 beach in the world."

Brimming with energy, Hoogland tries to explain how all of this is possible. After all, it's been more than five years since the big video chains, Blockbuster and Movie Gallery, filed for bankruptcy, unable to compete in the digital age. At its peak Blockbuster operated more than 9,000 outlets, bringing in $6 billion in annual revenue. Today, just a few dozen of its stores remain.

Hoogland insists that Family Video had no trouble competing with bigger players, and he sees few parallels between those companies and his own. "Everybody thought the reason they went away was because of digital," he says. "But in reality that wasn't the case. They weren't very well-run businesses. They had a lot of debt, leases that were poorly negotiated, and they also were sharing revenue with studios quite a bit. They made a lot of poor decisions."

Family Video has taken a different approach. Instead of accepting discounted movies in exchange for agreements to split revenue, as Blockbuster did, it has opted to buy films outright and keep 100% of rental proceeds, which has paid off in the long run. Hoogland has also kept his stores entirely company-owned, and he keeps costs down by making many of the items needed for new locations in-house—everything from shelving to point-of-sale software. Most important, though, the company owns just about all the real estate underpinning its stores. As a result, Hoogland has been able to adapt now that sales are beginning to fall. He has shrunk the square footage of many of the video stores, put up drywall and leased out space to other companies, like Subway and H&R Block.

He has also experimented with ventures of his own, using his properties to launch 11 fitness centers, an electronics-repair chain called Digital Doc and 149 Marco's Pizza franchises (making him the brand's single largest franchisee). The businesses are managed under the umbrella of Highland Ventures—"Hoogland" means "Highland" in Dutch. Family Video still accounts for nearly 90% of the parent company's $450 million in annual revenue, and *Forbes* estimates the chain's real estate is worth as much as $750 million.

The origins of Family Video can be traced to 1946, when Keith's grandfather Clarence, a salesman, started a distribution business, Midstates Appliance & Supply Co., in Springfield, Illinois. Seven years later, Keith's father, Charlie, took over. In the 1970s the company started getting squeezed: Its core customers, mom-and-pop appliance shops, were going out of business, and its main suppliers were forgoing distributors in favor of direct sales. In 1978, left with just a few pieces of real estate and an oversupply of videocassette tapes, Charlie launched the Video Movie Club of Springfield, a precursor to Family Video and one of the first movie-rental stores in the U.S.

Even then Charlie was not convinced the business would last. While the cassettes he rented out were high tech for the time, he feared newer innovations would soon undermine his sales. To

HOW TO PLAY IT BY DAVID DREMAN

Buying stocks in industries written off as doomed is a time-tested contrarian tactic employed by superstar investors like Warren Buffett. Who wanted to own oil stocks when OPEC suggested it would never cut production? Then OPEC caved and energy stocks climbed 24% in 2016. They're still cheap. Larger banks were also put on the chopping block in 2016. Investors believed low interest rates would last forever and regulation was so intense it was like financial water torture. But since Trump's election, bank stocks are back with a vengeance and still have room to run. Two promising stocks—selling at reasonable valuations—are **Occidental Petroleum** and **Wells Fargo.**

David Dreman is chairman and founder of Dreman Value Management.

MARGIN PROPHET

LEARNING TO FIRE

IN 1998, TOM GIMBEL, THEN 26, FOUNDED LASALLE NETWORK TO HELP STAFF CHICAGO BUSINESSES. HE FOCUSED ON BUILDING A COMPANY WHERE PEOPLE WANTED TO WORK—BUT ALSO HAD TO GET COMFORTABLE WITH LETTING THEM GO.

DO YOU FIRE PEOPLE WHO DON'T FIT YOUR CULTURE?

I fired one of our top salespeople last year. It had been a couple years coming. He had sold the most revenue for years, but he began to think that fun came first and other stuff second.

WHAT WAS YOUR TOUGHEST EARLY CHALLENGE?

I hired a guy 15 years my senior to head recruiting and assumed he was training people the way I wanted them trained. He was less than desirable as a manager, but I was a weak manager, too. We'd become friends; it took me eight or nine years to fire him.

WHAT MADE YOU FINALLY LET HIM GO?

I got divorced, which helped me realize that when something's not right, you've got to make a decision. After I let him go, our sales skyrocketed.

—*Susan Adams*


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hedge against such uncertainties, Charlie, figuring the real estate under the stores would always be valuable, decided to repay the mortgages on his first locations within five years—a policy the company has maintained ever since.

As it turned out, Charlie's initial worries proved unfounded—VHS tapes dominated the

Back to the future: Family Video isn't just about nostalgia—it often gets new releases before online services like Netflix and Amazon do.

rental space for decades—but the company's early caution set the course for its expansion strategy: By the time Keith entered the business in 1983 at age 23, his father was pushing to conquer rural markets, believing that well-capitalized competitors would hold the advantage in major cities.

Today, Family Video is the dominant player in rural America, where 90% of its stores reside. There, many customers either have limited access to high-speed internet or are reluctant to adopt alternatives like Redbox, Netflix and Hulu. Inside the stores, employees greet every customer who walks through the door, often by name; kids' movies are always free to rent; and late fees are negotiable. When new locations open, the ribbon-cutting ceremony is a community affair, complete with face-painting stations, promotional giveaways and snow cone machines. Almost all of Hoogland's top executives started in one of his stores, and many employees have enjoyed benefits like full-tuition scholarships for their children.

One result is that Family Video outlets have become gathering places in many smaller towns. "If you walked in on a Friday or Saturday night, you'd be amazed at how busy our stores are," Hoogland says. "People like the experience. It's kind of like a local coffee shop."

But Family Video has more going for it than nostalgia. Most significantly, copyright agreements on motion pictures are often less stringent for physical videos than for streamed content, meaning that rental stores frequently have access to new releases weeks, or even months, before Netflix or Hulu get them. "Movies are still unique in that renting them in a store and on a disc is really the only way to circumvent rights issues that exclusively lock up content," says Tony Wible, technology and media analyst at Drexel Hamilton.

That advantage has helped Family Video attract business outside of broadband deserts and beyond aging loyal customers. Its typical patron is 35 to 45 years old, but Hoogland believes younger customers are coming in greater numbers. The chain's average store still pulls in roughly half a million dollars in annual revenue.

Eager to maintain momentum, Hoogland continues to work seven days a week, though he's been cutting back lately to make room for his children to enter the business. So far just one of his six kids, his eldest son, McLain, a former marine, works at Highland Ventures. McLain runs a few of the company's smaller projects, including Highland Pure Water & Ice, which sells purified water out of kiosks next to Family Video branches located in communities with poor infrastructure.

Keith acknowledges that his movie rental empire won't last forever, but he sees Family Video as an easy way to expand his real estate portfolio, which has no obvious expiration date. The formula is simple: Open a store, use rental sales to pay off the mortgage and hold on to the property. "In five years we'll still be here," he says, grinning. "We're going to hang on for quite a while." ✱

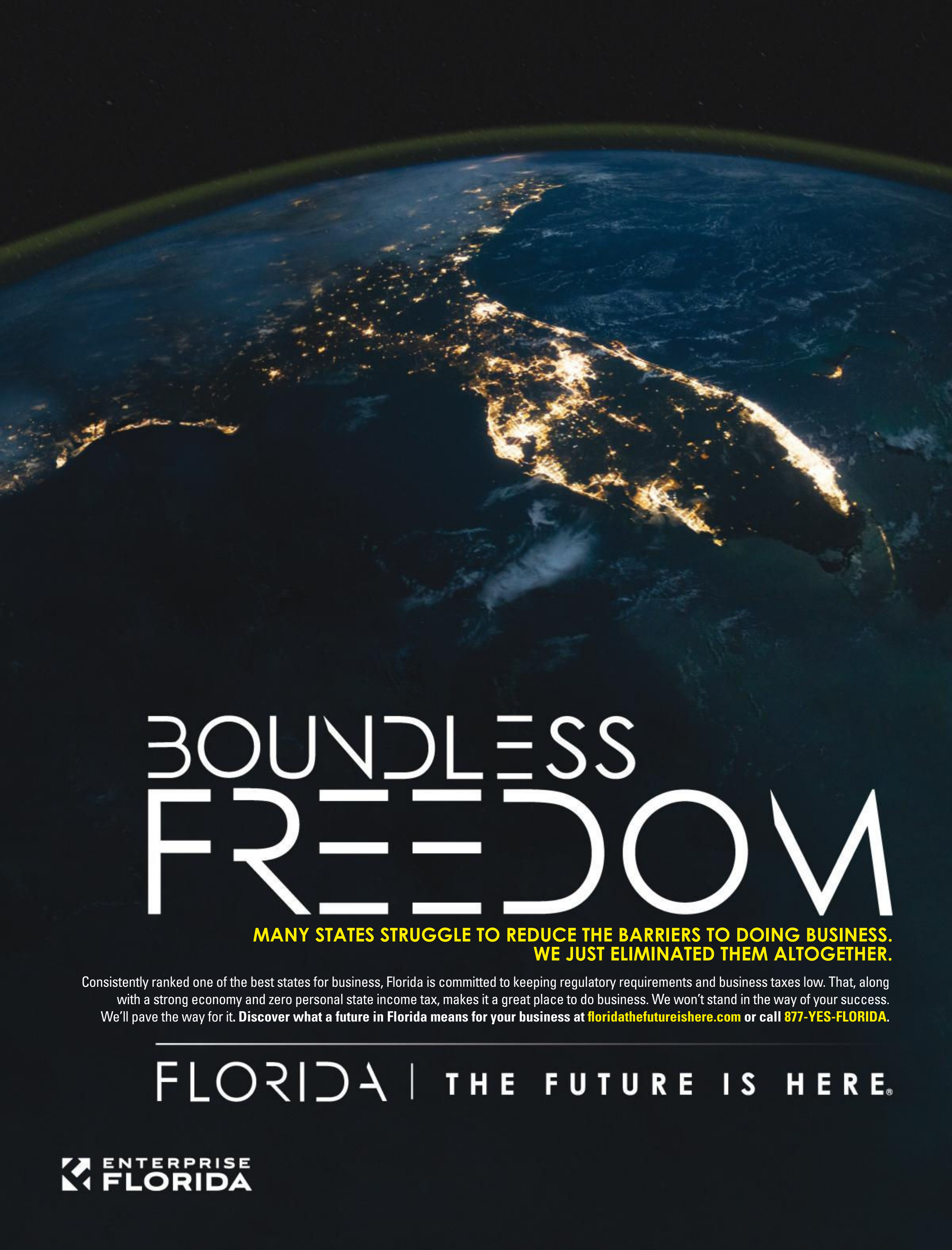
FINAL THOUGHT

✱ *"Good old-fashioned ways keep hearts sweet, heads sane, hands busy."* —**LOUISA MAY ALCOTT**

ELEVATOR PITCH

KEVIN LI, FOUNDER, PLAYDATE

"PlayDate is making the lives of pets better with technology. Despite advances in consumer technology, none of it is being applied to pet owners and their problems. I've got 36 patents in the devices space and am an adjunct professor at Columbia in computer science, so I know our best students aren't going into pet tech. There are 160 million cats and dogs in the U.S., and every one of their owners feels guilty leaving them home alone all day. Our first product is a camera-enabled ball that lets owners interact with their pets from anywhere in the world using our mobile app. There's a mechanically stabilized camera inside the ball so you can see a live video feed of your dog or cat. We recently raised over $750,000 in presales on Indiegogo, making us the highest-grossing pet-tech campaign on any crowdfunding site ever." *—S.A.*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Brand Boys

In a market obsessed with tech startups, one emerging private equity firm makes 40% per year with trendy products like gourmet jerky, frozen Sriracha chicken and vegan makeup.

BY AMY FELDMAN

ACG's Trevor Nelson, Julian Steinberg (with Vasco) and Josh Goldin: weekend shopaholics, in search of fresh breakout brands.

MATTHEW FURMAN FOR FORBES

Strolling the aisles of a Whole Foods Market in West L.A. on a bright fall day, Josh Goldin, Julian Steinberg and Trevor Nelson come to an abrupt stop to marvel at a towering stack of Barkthins displayed in the salad bar area. Last April, their private equity firm, Alliance Consumer Growth, or ACG, scored big when the chocolate-snacks company sold out to candy giant Hershey for $290 million, or about four times revenue. They point out that in the science of brick-and-mortar retailing, seemingly small efforts, like promoting a product at the end of a grocery aisle, can make a new brand look established—or an unheard-of one appear like the next big thing. "With young brands, it's all about getting people to try it," says Steinberg.

For the past five years, ACG, which is dually headquartered in New York and Los Angeles, has logged an enviable record investing in startup consumer brands that are reinventing categories in an industry long dominated by stalwarts like General Mills, PepsiCo and Procter & Gamble. The market for consumer products has been in a state of upheaval in recent years. Upscale Millennials expect their packaged food and beauty products to be healthier and organic, without the toxins and chemicals that previous generations accepted for lack of choice. They're willing to pay more for those healthier products, and they aren't loyal to the big brands. That, in turn, has opened a gap for entrepreneurs—and led to a surge in acquisitions of startups by the large companies.

Goldin, Steinberg and Nelson were early in seeing this shift and figuring out how to play it. Since ACG's inception in 2011, it has funded 15 entrepreneurs, investing $5 million to $25 million for minority stakes in companies that it believes are on the cusp of explosive growth. In total it has raised $344 million in three funds. The first two have purchased stakes in budding companies like Evol, maker of Millennial-friendly frozen meals like Sriracha chicken; Krave, in Sonoma, California, a seller of gourmet jerkies like cranberry thyme turkey and chili lime beef; and the Honest Kitchen, a marketer of high-priced health food for pets. Last November, ACG's latest fund ($210 million) made its first investment in Oregon's Pacifica Beauty, a vegan and cruelty-free makeup and skin-care company.

"There is something magical about these brands," gushes Goldin. Maybe. ACG's most impressive trick has actually been its knack for selling out before these hot consumer brands cool down. To date, 6 of ACG's 15 portfolio companies have been sold to larger corporations or gone public. In 2015, for example, Hershey bought Krave for $240 million, netting ACG a sixfold


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for details!
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gain on its initial stake of less than $10 million. Shake Shack's red-hot 2015 IPO produced a $90 million payoff for ACG. ACG's returns since inception are averaging about 40% a year, according to investors. "You don't have to come up with the next Uber to be an entrepreneur," Goldin says. Nor, as it turns out, do you have to invest in Uber or Facebook to make a fortune.

Much of ACG's success comes from old-fashioned shoe-leather research. On weekends, and whenever they're traveling (a week per month each), the trio walk the aisles at retailers like Whole Foods and Target, taking dozens of photos with their phones of new products and intriguing product displays. "Our wives won't shop with us," Steinberg says. They then overlay what they're seeing with data on the category and tap into their network for viable investment prospects.

Goldin, 39, hails from a retail family that owned an eponymous department store in Buffalo, New York. He met Nelson, 38, on their first day in the mergers-and-acquisitions group at Lehman Brothers in 2000. Their focus: consumer companies. The third member of ACG's team, Steinberg, 38, is well connected on Wall Street. His father was the late corporate raider Saul Steinberg, and his half-brother, Jonathan, is chief executive of ETF asset manager WisdomTree. Steinberg, who has an M.B.A. from Columbia Business School, learned to analyze companies at Bear Stearns and then in 2009 personally invested in organic baby food company Plum Organics, which was sold to Campbell.

The three first teamed up on an investment in Babyganics (on Long Island, New York), a maker of baby lotions and sunscreens that contain no toxins or parabens. Then, in 2011, Goldin, Steinberg and Nelson left their jobs and founded ACG, raising $44 million from high-net-worth investors. "We all sort of got together and said, 'It's not just Babyganics,'" Goldin says. "We saw this disruptive movement of entrepreneurs coming along."

And they were right. They took an early 7% stake in Shake Shack, the burger chain founded by New York restaurateur Danny Meyer that made its debut on the NYSE with a $1.6 billion valuation. Even though Shake Shack wasn't looking for financing, Goldin talked his way in by persuading existing investors to sell. "Josh was just persistent," Meyer recalls. The Meyer relationship later blossomed into co-investment in Tender Greens, an L.A.-based fast-healthy restaurant with a cult following. Today, Tender Greens, which serves fresh chef-created meals for $12 a pop, has 24 locations.

With Krave, ACG saw the potential in moving jerky from a truck-stop snack to a healthy, high-protein one on the shelves of Whole Foods. Ditto for the healthy TV-dinner brand Evol ("love" spelled backward), since bought by Boulder Brands. Evol founder Phil Anson, 38, a Colorado mountain climber who started out selling burritos from his car, says he immediately connected with the ACG guys. "They've been able to create this amazing, rich, authentic ecosystem of entrepreneurs under the ACG umbrella," Anson says.

Home-run investments like Shake Shack have attracted a flood of new capital into consumer products, so finding bargains will be tougher in the future. In an effort to maintain its edge ACG has created a Silicon Valley-style incubator model for its portfolio companies. At a retreat in Sonoma in 2015, for example, Evol's Anson met Way Better Snacks' founder and CEO, Jim Breen, and later joined its board. Meanwhile, Nick Reader, 42, who cofounded PDQ, a chicken-restaurant chain, with Outback Steakhouse's Bob Basham, met the former marketing chief of yogurt brand Chobani and hired her as a consultant. Reader says that the prospect of making connections, in fact, was the main reason PDQ welcomed an investment from ACG. "The first thing they did was open their portfolio of brands," says Reader. "I would sit with these people, and I was like a groupie." ✱

HOW TO PLAY IT BY JOHN BUCKINGHAM

While many fixate on finding the next big thing, there is often a steep price to be paid when buying into a promise that may never be fulfilled. For every household name like iPhone maker **Apple**, there were once hot smartphone makers like Palm, Motorola and BlackBerry that have crashed and burned. Same thing in athletic footwear. For every **Nike** there was a Converse, LA Gear or Reebok that once dominated the sales charts. Rather than hoping for the next Apple or Nike, buy the proven innovators themselves. Both Apple and Nike have trounced the S&P 500 for the last decade and still sell for reasonable valuations with solid dividends.

John Buckingham is chief investment officer of AFAM Capital.

THE CONTRARIAN PICK

BACK ON THE GOOD FOOT

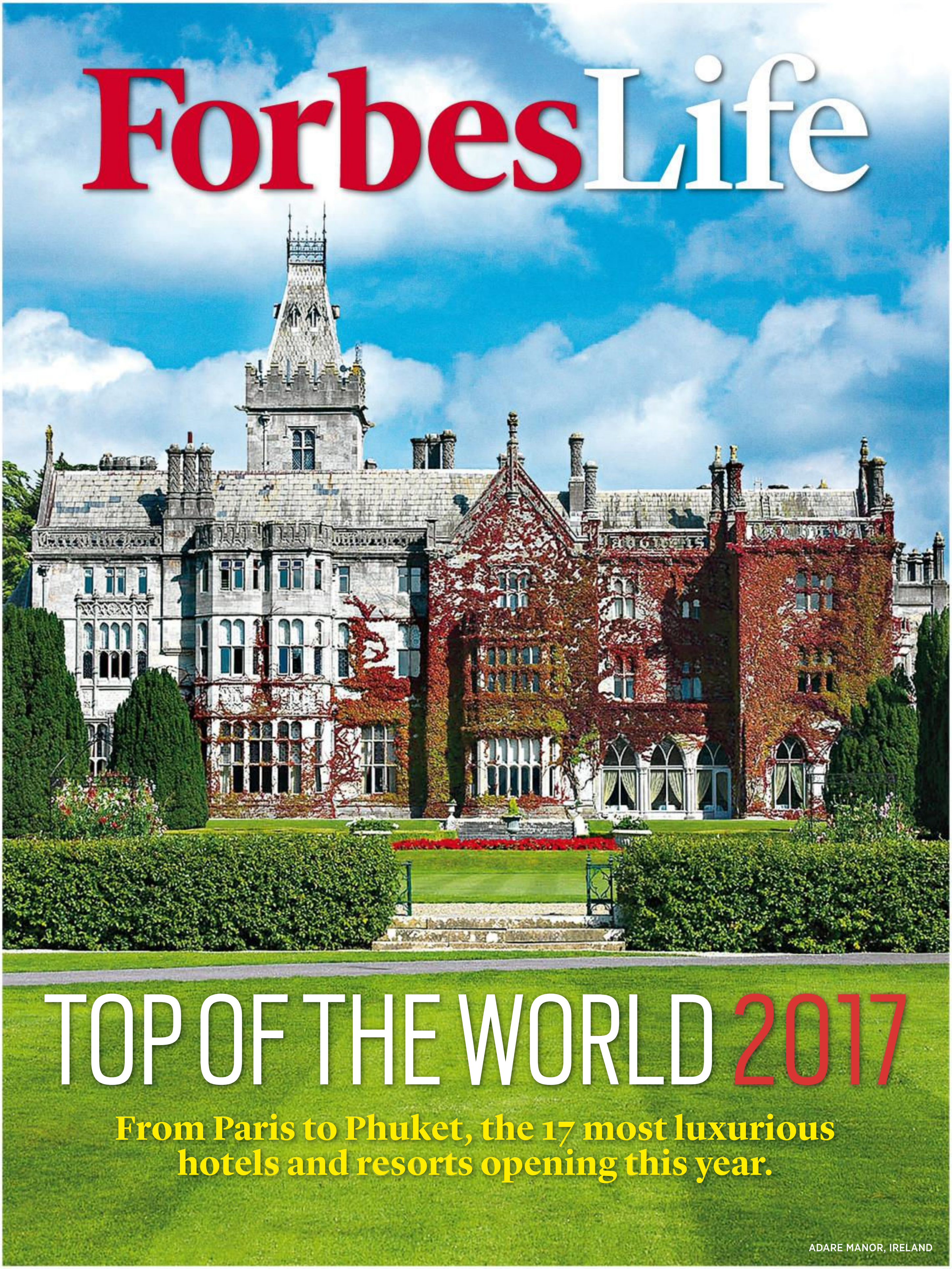
A decade ago, the colorful foam clogs of Colorado's **Crocs** were a global phenomenon that caused millions to suspend fashion sense in the name of comfort. But the craze crashed alongside the market in 2008, and Crocs' stock has yet to recover. George Putnam, longtime editor of *The Turnaround Letter,* thinks a Crocs revival is in the works. In 2014, private-equity titan Blackstone invested $200 million in the company and overhauled management. Crocs has expanded its offerings to sensible-looking loafers, sandals and rain boots. Margins are improving, and its balance sheet is Croc—er, *rock*—solid. "Investors have lost patience," says Putnam. "At just 6.4 times next year's estimated Ebitda, Crocs has tremendous potential."

—Matt Schifrin

IFK/ALAMY

FINAL THOUGHT

✱ *"One can have only as much preparation as he has foresight."* **—JIM BUTCHER**



ForbesLife

TOP OF THE WORLD 2017

From Paris to Phuket, the 17 most luxurious hotels and resorts opening this year.

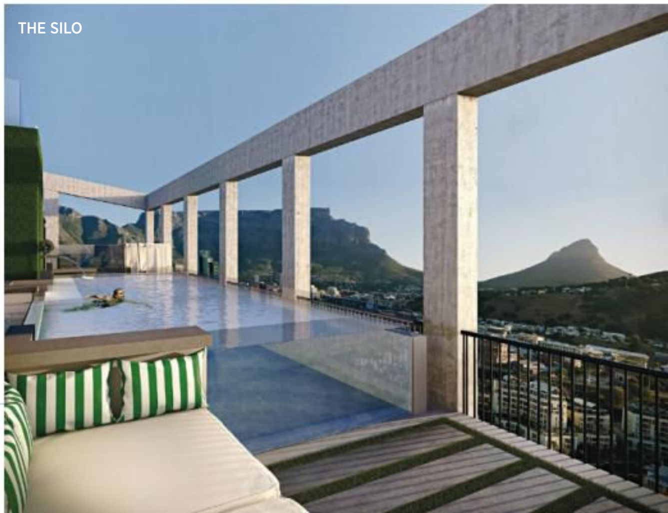
ADARE MANOR, IRELAND

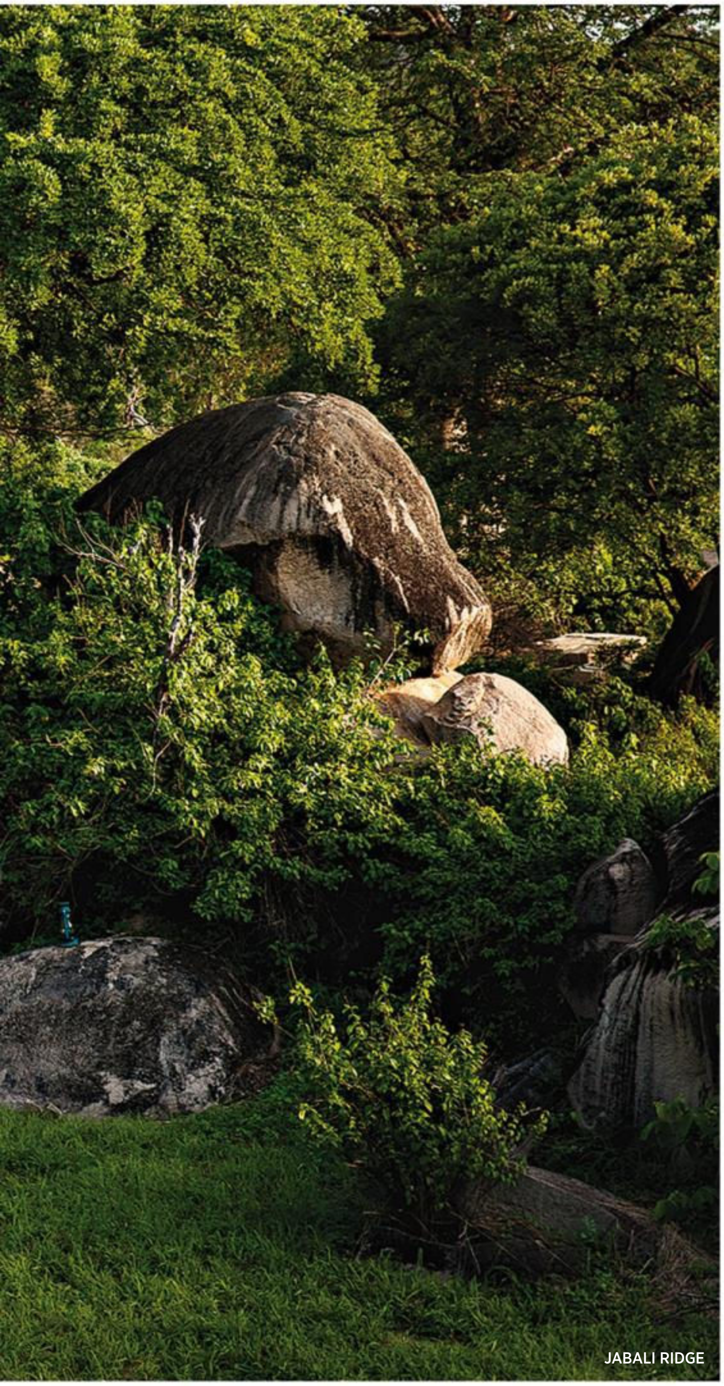
THE SPIRIT OF '17

LIVE LIKE PICASSO IN PARIS, ESCAPE TO CAPE TOWN AND DISCOVER THE LATEST BALI HIGH AMONG THE WORLD'S BEST NEW LUXURY HOTELS.

BY ANN ABEL

THE SILO





JABALI RIDGE

MIAVANA

THE SILO: COURTESY OF THE ROYAL PORTFOLIO

Now is a great time to leave home. On top of all the usual reasons to travel, there's a world of exciting hotels opening this year. Some bring new luxury to destinations (like Madagascar and Myanmar) that had been seriously lacking in comforts. Others bring new ideas about luxury—simplicity, unexpectedness (like a neo-ryokan in the South Pacific)—to destinations that had already reached the pinnacle. In addition, a number of classic hotels are finishing up major, multiyear renovations that will reinvent them and easily exceed the amenities at all those sassy upstarts. Here's what's all over the map in 2017.

AFRICA

Miavana, Madagascar

Until recently, accommodations on the wildly biologically diverse island—home to nearly 12,000 plant species and untold numbers of animals (more than 600 discovered since 1999 alone)—were limited to fairly rustic eco-lodges and no-frills hotels. This year, they're leapfrogging standard-issue five-star style with the opening of the unabashedly over-the-top Miavana, the latest project from the people behind the ultraluxurious North Island in the Seychelles. Located on the sea-life-rich Nosy Ankao off the main island's northeast coast, the 14-room resort, which opens in April, will be reachable only by helicopter. *($2,500 per person, per night; timeandtideafrica.com)*

The Silo, Cape Town

One of the most anticipated urban hotel openings of 2017, the Silo occupies an actual grain silo on the V&A waterfront. Reinvented by architect Thomas Heatherwood, the structure will house the much-buzzed-about Zeitz Museum of Contemporary Art Africa, which opens later this year on the lower floors, and a 28-room hotel on the upper levels. Designed by Liz Biden of South Africa's Royal Portfolio (Royal Malewane, La Residence), the hotel (which opens in March) has a modern feel and arresting views from its bulging geometric windows. A rooftop pool, a lounge and a bar round out the pleasures. *(From $900; theroyalportfolio.com)*

Jabali Ridge, Tanzania

The soulful safari company Asilia is continuing its move in a luxury direction with the opening of Jabali Ridge in September, the first proper safari lodge in Ruaha National Park—Tanzania's biggest, most wildlife-rich park that you've probably never heard of. (Expect to encounter very few other Land Cruisers, as hardly anyone visits.) Along with sublime creature comforts—ten large, stylish rooms with beautiful weathered-timber furnishings, an infinity pool and a spa—the lodge promises to maintain Asilia's tradition of authenticity with top-flight guides and meaningful interactions with local communities. *(From $750 per person, per night; asiliaafrica.com)*

HOSHINOYA BALI

ASIA

Hoshinoya Bali, Indonesia

Japan's Hoshinoya hotels are some of the country's most upscale escapes. Now that company is taking its refined aesthetic and Far Eastern sensibility to the Pakerisan River Valley in Bali, near the spiritual center of Ubud. It hired local master builders to construct the 30 *ryokan*-style villas with *tatamis* and *shojis* and intricately carved walls. Each room opens out to a semiprivate pool whose temperature changes throughout the day, but perhaps the resort's most inviting space is the Café Gazebo perched on stilts above the green jungles below. And its tastiest is the restaurant, which marries Balinese flavors and Japanese techniques. *(From $700; hoshinoyabali.com)*

Rosewood Phuket, Thailand

Among Rosewood's many openings and updates (including a grand renovation of Little Dix Bay in the British Virgin Islands), this property (which opens in the spring) is its first resort in Asia. On the edge of Emerald Bay in the south of Phuket, one of the few relatively undeveloped beachfront spots left on the island, the resort was built around 150 banyan trees, which were left standing where they were or transplanted to preserve them. The 71 villas are enormous—starting at 1,300 square feet—and have retractable walls to maximize the sea and jungle views. The four restaurants range from rustic Thai seafood on the beach to a refined bistro, and the spa has six villas, one of which has a Watsu pool, and its own garden for flowers and herbs to be used in treatments. *(rosewoodhotels.com)*

The Strand, Yangon

Built in 1901, this grande dame property near the bank of the Yangon River—developed by the hoteliers behind Raffles in Singapore—was looking her age. No longer. A major renovation paid respectful homage to her colonial history while bringing this Myanmar hotel firmly into the 21st century. The craftsmen preserved the original chandeliers, lacquerware, and marble and teak flooring in the public spaces and 31 suites while adding contemporary updates like softer textures and a more inviting color palette. The air-conditioning, sound systems and communications channels have all been upgraded. The staff was retained during the closure, keeping the high level of service intact. *(From $335; hotelthestrand.com)*

THE STRAND

SOUTH AMERICA

Palácio Tangará, Brazil

European panache is landing in Brazil with the opening of this Oetker Collection hotel in São Paulo. Along with a terrific location in Burle Marx Park (one of the loveliest patches of green space in the megalopolis), the hotel has 141 handsome guest rooms with terraces overlooking nature, a lovely spa with an indoor pool and a garden, and the first South American outpost from chef Jean-Georges Vongerichten. *(From $450; palaciotangara.com)*

PALÁCIO TANGARÁ

Awasi Iguazú, Argentina

The intimate Awasi lodges in Chilean Patagonia and the Atacama Desert are best in class, and this 12-room hideaway on the Argentine side of the Iguazu Falls promises a threepeat. Built on stilts over the jungle, each villa has a plunge pool and comes with its own private guide and four-wheel-drive vehicle. Renowned biologists are also helping to develop excursions. *(awasiguazu.com)*

AWASI IGUAZÚ

FOUR SEASONS LONDON

EUROPE

Hôtel Lutetia, Paris

A three-year renovation has preserved the historic frescoes, gilding and moldings while modernizing this classic Left Bank hotel, opened in 1910 for important clients of the nearby Le Bon Marché department store. It was later a gathering place for artists and thinkers, a space for James Joyce to write *Ulysses*, and home to Picasso and Matisse. The celebrated architecture firm of Jean-Michel Wilmotte oversaw the updates to the 190 rooms. The Jazz Bar and an expanded (and doubly high-ceilinged) Lutetia Brasserie both remain and will be joined by a dramatic new internal courtyard for alfresco dining and one of Paris' largest hotel spas. *(From $740; hotellutetia.com)*

Four Seasons London at Ten Trinity Square

Four Seasons remains on a new-opening tear. Among its most lavish is Ten Trinity Square, which is emerging from a six-year transformation. The 1922 Grade II-listed Beaux Arts building designed by Sir Edwin Cooper was the former headquarters of the Port of London Authority. Original features like detailed plasterwork and wood carvings grace the 100 guest rooms. But there's more than classic architecture going on here. The spa pays homage to London's ancient Roman history with two pools and a hammam, and three-Michelin-star chef Anne-Sophie Pic oversees one of the two restaurants. *(From $540; fourseasons.com)*

Adare Manor, Ireland

Following the largest restoration project of its kind in Ireland, Adare Manor (opening in September) is re-emerging as a fully regal residence. The designers have added a spa, a swimming pool, a wing of guest rooms and a Tom Fazio-designed golf course on the 842-acre estate. As the new owners also manage Sandy Lane in Barbados, it's a good bet they'll get the service right, too. *(From $340; adaremanor.com)*

ADARE MANOR

Anantara Vilamoura Algarve Resort, Portugal

A leading purveyor of Southeast Asian luxury, Anantara is expanding westward. The company is rebranding a flagship property of its Portuguese sister hotel brand, Tivoli, and upgrading it to reflect a more international sensibility and sophistication—just in time for a new set of travelers to explore its sandy Atlantic beaches. Additions include luxurious family suites, an updated spa and Anantara's signature Dining by Design program, in which staff orchestrate private, romantic dinners at spots all over the property. *(From $240; anantara.com)*

ANANTARA VILAMOURA

HOTEL FIGUEROA

UNITED STATES

Hotel Figueroa, Los Angeles

Built in 1926, this downtown hotel (opening in April) was once a hub for Los Angeles' intelligentsia. Now DTLA is booming and the owners have completed a major renovation of the Figueroa, which is poised to become the new center of east-side cool—one that's artsy and design-forward without being intimidating. Along with 268 guest rooms and suites marked by stylish details like blackened steel, brushed brass and bespoke wallpaper, it will have two restaurants from four-time James Beard nominee Casey Lane and four bars, including a reservations-only bartender's table with drinks by Dushan Zaric of the New York cocktail cathedrals Employees Only and Macao Trading Co. Works by L.A. artists adorn the walls; an artist-in-residence program is in place. *(From $309; hotelfigueroa.com)*

The Whitby Hotel, New York City

Firmdale Hotels is bringing Kit Kemp's colorful, mixed-pattern whimsy to Midtown Manhattan in March. Just off Central Park, the Whitby, the group's second hotel in New York, has 86 individually designed bedrooms, each with its own color scheme. All have floor-to-ceiling windows, and many have terraces. As with Firmdale's first New York property, the popular Crosby Street Hotel, a 130-seat cinema will screen films for guests and the public. *(From $795; firmdalehotels.com)*

W Las Vegas

This sleek new hotel-within-a-hotel occupies a piece of the SLS resort and is distinguished by W details like a high-energy WET rooftop pool, a 24-hour gym and a Living Room meant to bring hotel guests and visitors together. The rooms are designed by Philippe Starck (in collaboration with Gensler), with faux frescoes, peekaboo showers and large bedside mirrors. The signature suite (designed by Lenny Kravitz) is nearly 2,400 square feet with an oversize bathtub and mountain views. *(From $189; wlasvegas.com)*

CARIBBEAN

Villa Marie Saint-Barth

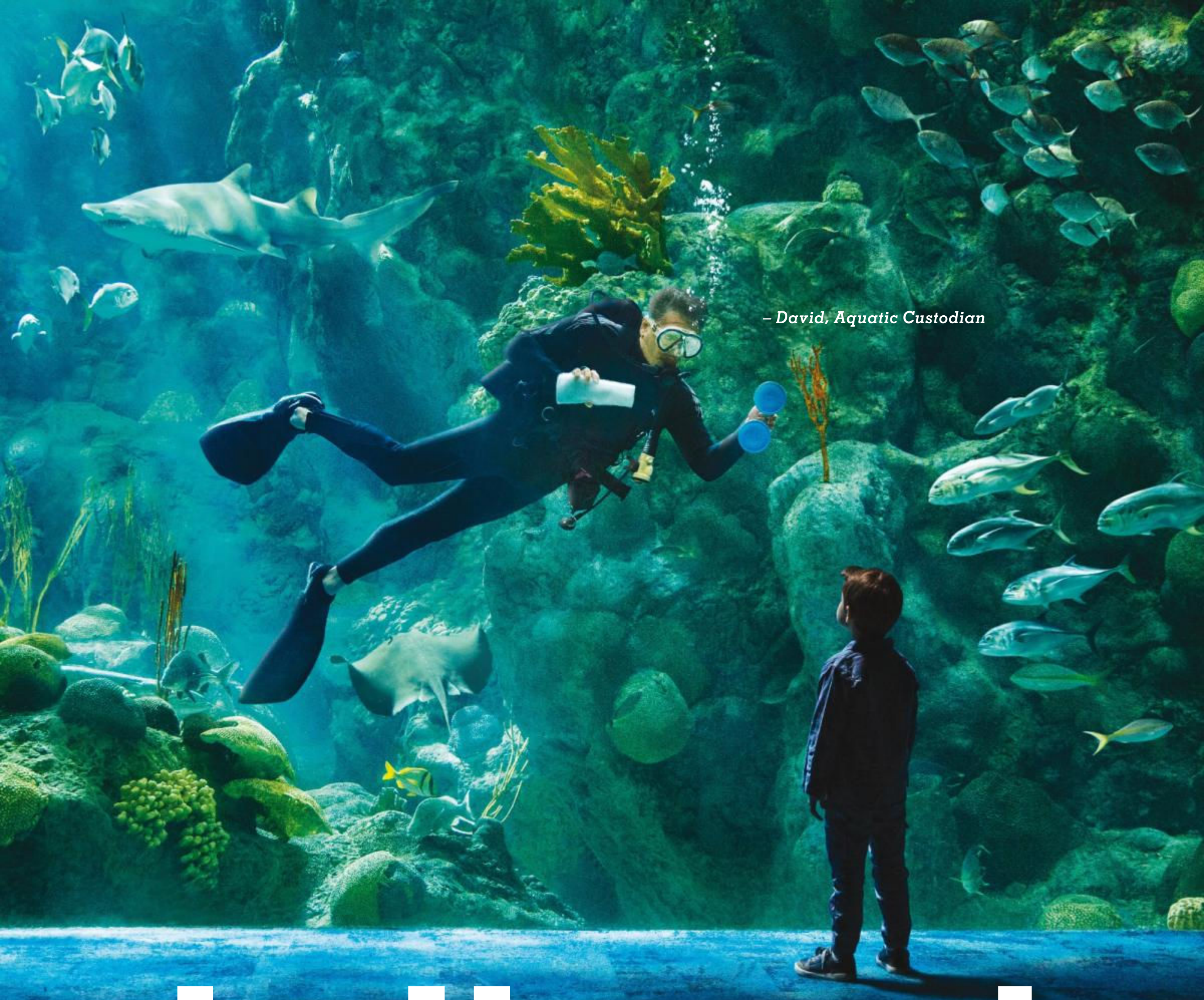
The mostly alpine hotels of Jocelyne Sibuet have a cult following in her native France, where she's known as the Gallic Martha Stewart. Now Sibuet is bringing her breed of casual elegance to her 13th hotel (her second on a beach and first outside continental France). The St. Barth hotel, on a hillside above Colombier Beach and Flamands Bay, is stylish, more relaxed than many of the island's resorts and undeniably cheerful, with lots of goldenrod yellow, pineapple patterns and a playful parrot motif (and two live ones, by the pool). The 21 colonial-style villas and bungalows are individually decorated in a way that doesn't shy away from bright color, exuberant patterns or contrasting textures. There is a two-room spa that uses Sibuet's signature products, an extensive rum bar and an excellent restaurant continuing the legacy of Francois Plantation, an island institution in this location for 25 years. *(From $530; villamarie.fr)*

SAILROCK RESORT

Sailrock Resort, Turks and Caicos

While Grace Bay has been taken over by high-rise hotels, South Caicos is still relatively unspoiled—and it's near the third-largest coral reef in the world. The channel separating it from other islands is full of rays, turtles, dolphins and migrating humpback whales. Along with a residential development, the resort includes lavish ridgetop suites and beachfront villas (up to four bedrooms) that are just steps from the Atlantic. Both offer kitchens or kitchenettes and are styled with island details like wicker chairs and an abundance of glass. The villas have private pools, patios and garden showers. More restaurants and a spa are in the works. *(From $400; sailrockresort.com)*

VILLE MARIE SAINT-BARTH


– David, Aquatic Custodian

Features

FEBRUARY 28, 2017

If you don't own any South African stocks you're missing out, says Randy Kurtz, a money manager at Chicago-based Supernova who believes in extreme diversification. For a $1 million portfolio, Kurtz suggests allocating $14,100 to South Africa, in companies like Naspers, a media conglomerate, and Sasol, an energy giant.

PAGE 90

STAR USA TRIM FIT SOLID WOOL SUIT ($695) AND SLIM FIT STRETCH COTTON DRESS SHIRT ($98) BOTH BY JOHN VARVATOS.
CREATIVE STYLE DIRECTOR: JOSEPH DEACETIS

JEFF SCIORTINO FOR FORBES

HOW TO CHEAT DEATH

Craig Venter, the man who mapped the human genome, is back with a $25,000 physical he hopes can extend your life—and make him a billionaire.

BY MATTHEW HERPER

ETHAN PINES FOR FORBES

CRAIG VENTER, SEQUENCED

1946: Born in **Utah**.

1967-68: Serves in **Vietnam** as a hospital corpsman, triaging patients during the Tet Offensive. Tries to commit suicide by swimming out to sea; has change of heart after being nosed by a shark.

1972: Receives B.S. in **biochemistry** from UCSD.

1975: Receives Ph.D. in **physiology and pharmacology** from UCSD.

1976: Joins faculty at the Medical School of **SUNY Buffalo**.

1984: Joins **National Institutes of Health**.

1992: Founds the **Insti-**

THE WORLD'S MOST EXTREME physical exam starts in the world's plushest exam room, complete with a couch, a private bathroom and a teeming fruit plate. It will be my home for an entire day. First come the blood tests, vial after vial. Then two 35-minute sessions in an MRI tube, where REM and U2 try to drown out the clanks as the machine takes pictures of my entire body. There's an ultrasound of my heart. Salade Niçoise for lunch. A stool sample. A cognitive test in which letters flash on a computer screen at a dizzying pace. And a CT scan of my heart as well, which originally seemed so over-the-top for someone my age that I tried to get out of it.

"In Vietnam, I used to do autopsies on 18-to-22-year-olds, and a lot of them had cardiovascular disease," J. Craig Venter, the architect of the process, says with a shrug, before adding, ominously, "We find things. The question is what you do with it."

Yes, it's that Craig Venter, the man in the late 1990s who, frustrated by the slow progress of the government-funded Human Genome Project, launched an effort that sequenced human DNA two years earlier than planned (he was subsequently the first human to have his complete DNA sequenced). He hasn't slowed down since. He sailed around the world in a voyage inspired by Darwin's journey on the *Beagle*, discovering thousands of new species along the way. He has created synthetic life and started three companies, and was almost a billionaire before being fired from one of the most promising, Celera Genomics.

Now he's back with his most ambitious project since his historic breakthrough 17 years ago. He's raised $300 million from investors including Celgene and GE Ventures for a new firm, Human Longevity, that's trying to take the DNA information he helped unlock and figure out how to leverage it to cheat death for years, or even decades.

Core to the effort is the $25,000 executive physical, branded the Health Nucleus, that I'm taking (disclosure: I got tested for free). It's certainly very thorough—and, to many doctors, precisely the wrong approach, owing to all the false positives. "Study after study of various kinds of screening measures has shown they do more harm than good," says Steven Nissen, the chairman of cardiology at the Cleveland Clinic. "You do a total body MRI and you're lucky if you don't find something. I don't think it's good medicine."

Venter scoffs. "We're screening healthy people, and a lot of physicians don't like that," he acknowledges. "My response is: How do you know they're healthy? We use a definition of health out of the Middle Ages: If you look okay and you feel okay, you're deemed healthy. We have a different way of looking at people."

Now 70, Venter cites himself. Last year, he underwent his own physical and says he found prostate cancer, which was removed last November. The man he has called his "scientific muse," Nobel laureate Hamilton Smith, 85, found he had a deadly lymphoma in his lung. It has also been treated, and Smith says his prognosis is good.

The famously gruff Venter is entirely comfortable ticking off the establishment, no matter what that establishment is, and the feeling is mutual. His DNA breakthrough was one of the great scientific accomplishments of the 20th century, yet he never won a Nobel Prize. Academics view him as someone interested in profits over science. "He's a very insecure person who compensates by coming across as very arrogant and aggressive," says one former collaborator. Similarly, Venter's discoveries have upended industries, yet his business track record, including a brief flirtation with billionairehood, is checkered, as connections to past backers and bosses have gone up in flames. "He has irritated a lot of people," says Harvard genetics professor George Church, a Venter fan. "It's a pity."

Thus, Human Longevity offers Venter a last chance to square his legacy, awe the scientists and make billions in the process, all the while shaking the foundation of a topic that precisely 100% of homo sapiens have a keen interest in: how and when each of us will die.

VENTER HAS DISPLAYED POTENTIAL, BOTH achieved and unrealized, almost since birth. Growing up in Millbrae, California, near what was emerging as Silicon Valley, he had such bad grades that by high school his worried mother sometimes checked his arms for track marks. The first glimmer of his future success was in swimming. He was initially mediocre,

tute for Genomic Research.

1995: Decodes the first genetic sequence, or genome, of a cell: a bacterium, *Haemophilus influenzae.*

1998: Cofounds **Celera Genomics**, a for-profit company intent on sequencing

the human genetic code in three years. Enters a race with the government-funded **Human Genome Project**, which is trying to do the same thing.

2000: Celera and the Human Genome Project announce the completion of a **draft human genome sequence** at a ceremony at the White House presided over by Bill Clinton.

2002: Fired from Celera Genomics.

2004–06: Circumnavigates the globe on his 100-foot sailboat, *Sorcerer II,* sequencing DNA from seawater to discover new life. Cofounds **Synthetic Genomics**, a company aimed at creating synthetic life. Founds **J. Craig Venter Institute**.

2007: Becomes the first individual to have **his entire**

genome sequenced. The results are published in *PLOS Biology.*

2010: Develops the first **synthetic bacterium,** creating a new species with entirely man-made DNA.

2013: Cofounds **Human Longevity**.

2015: Launches **Health Nucleus**.

2016: Diagnosed with prostate cancer.

but when a coach sent him home for the summer with tips, his competitive streak kicked in. He spent three months training furiously and never again lost a race. "Had things been different I would have been competing for the Olympics," Venter says. "But Lyndon Johnson changed that for me with the draft."

Swimming unlocked his potential, but Vietnam made him who he is. At age 20 he served as a Navy hospital corpsman, triaging troops who came back from battle, including the Tet Offensive. Deciding who would live and who would die was so traumatic that he says he considered suicide and swam far out to sea intending to drown. He says he had a change of heart a mile out after a shark prodded him. But he'd go through Vietnam again. "Knowing the outcome and what it did for my personal growth, I would force myself to do it again if I had the choice," Venter says.

After he returned to the States, he went to community college, then the University of California, San Diego, where he initially wanted to be a doctor but discovered science. He eventually completed his Ph.D. in physiology and pharmacology, became a professor at the State University of New York at Buffalo in 1976 and, in 1984, joined the National Institutes of Health.

SAILING: EVAN HURD/ALAMY

At the NIH the themes that would define his career locked into place: productivity, perceived greed, the conflicts between pure science and industry money. Using a new technology, he discovered thousands of human genes. The NIH made the unprecedented decision to patent them in his name, and colleagues blamed Venter, calling him greedy. Nobel laureate James Watson said he was "horrified." Venter insists he was always against the patents but that the NIH did it anyway.

Frustrated, he started a nonprofit institute in 1992, with a unique model. He raised money from venture capitalists, on the condition that he share his data with a for-profit company, Human Genome Sciences, before he published it. The relationship ended unhappily in 1997 because of arguments over data disclosure, with Venter walking away from $40 million in research funding. "I paid a lot of money to get rid of [Human Genome Sciences]," Venter says.

But in 1995, Venter's institute made a real breakthrough: the first genome, or map of the genetic code of an organism, in this case a type of bacterium. It was a suggestion from Ham Smith. They had met at a scientific conference in Spain in 1993 and gone out drinking, starting a two-decade-plus collaboration.

Foreshadowing his later race with the Human Genome Project, Venter and Smith's bacterial genome map beat similar projects in academia by many months.

That led a California unit of lab equipment maker Perkin-Elmer, which made DNA sequencers, to approach Venter. If he could sequence a bacterial genome, why not use the company's newest machines to sequence a human genome?

Venter couldn't say no, which led to Celera Genomics' founding

STARTUP DNA

THROUGHOUT HIS CAREER, CRAIG VENTER HAS TRIED TO CASH IN ON HIS SCIENTIFIC BREAKTHROUGHS, BUT WITH A DECIDEDLY MIXED TRACK RECORD.

HUMAN GENOME SCIENCES

OPENING MOVE: Founded in 1992, the company aimed to discover drugs based on Venter's pioneering human genetics research at the Institute for Genomic Research.

ENDGAME: Relationship fell apart in 1997 over constant arguments about rights; Venter says HGS blocked him from publishing his work. Human Genome Sciences was sold to GlaxoSmithKline for $3 billion in 2012.

CELERA GENOMICS

OPENING MOVE: Venter cofounded Celera Genomics in 1998, the company that would sequence the human genome and the DNA code of the mouse and the fruit fly. A tracking stock, it was valued at $14 billion at its peak.

ENDGAME: Venter was fired in 2002; firm lost most of its value before being sold to Quest Diagnostics for $344 million in 2011.

SYNTHETIC GENOMICS

OPENING MOVE: Cofounded in 2005 with longtime Venter associate Hamilton Smith to work on creating synthetic life. Hitting major milestones, including creating a synthetic cell with a man-made genome in 2010.

ENDGAME: Exxon Mobil said it would fund as much as $300 million worth of biofuels. Has a deal with Johnson & Johnson to develop new drugs.

HUMAN LONGEVITY

OPENING MOVE: Cofounded in 2013 to understand how genetic differences lengthen or shorten people's lives.

ENDGAME: Launched a high-end physical, Health Nucleus, that is also a medical study. Has sequenced the genomes of 40,000 people.

in 1998. It not only succeeded in overtaking the $3 billion Human Genome Project, an international consortium funded largely by the U.S. government, but it also mapped the genomes of the fruit fly and the mouse, both important laboratory animals. In the process, Venter angered scientists globally, aghast that such research would be driven by profit rather than knowledge. At the time, James Watson reportedly became so enraged he compared Venter to Hitler, asking colleagues who they were going to be—Chamberlain or Churchill?

But the pressure of private enterprise ultimately spurred results, both at Celera and the public group, which improved their methods and accelerated their research. As a result, the two groups jointly announced they had mapped the entire human genome—an achievement that our grandkids will be reading about in their textbooks—at the White House on June 26, 2000.

In the age of the dot-com boom, Celera became a highflier, raising $855 million in a stock offering in February 2000 and peaking at a market capitalization of $14 billion just before the entire market started to collapse in March. Venter's stake briefly surpassed $700 million. He says he gave half his shares to his nonprofit foundation, which then sold half of them, netting more than $150 million, which has funded his science ever since.

It was a necessary scientific nest egg. Celera struggled to invent drugs and diagnostic tests based on its pioneering research, and Venter bickered constantly with the board. They wanted Celera to become a pharma giant and invent medicines in-house. Venter simply wanted to be a scientist and sell other companies his data. He was fired in January 2002, days before a quarter of his stock options would vest. "Being fired in the way it was done was about as slimy as anybody could do it," Venter says. Celera limped along until 2011, when it was sold to Quest Diagnostics for $344 million. (*Forbes* estimates that Venter's current net worth, based on his stakes in his two startups, is $300 million.) Venter's baby had essentially been sold for parts.

WITH HUMAN LONGEVITY, VENTER HOPES TO solve the problem that ultimately limited the efficacy of Celera and the Human Genome Project. Those two groups produced an "average" DNA sequence. That's incredibly important for a science textbook, but for individuals, it's the differences—how one person's genes are different from another's, leading to different noses, eye colors and, yes, diseases—that matter.

TALE OF TWO VOYAGES

In 1831, a young naturalist named Charles Darwin boarded the H.M.S. *Beagle* for a five-year voyage, during which he would circumnavigate the earth, explore the Galápagos Islands and bring back specimens of 1,500 species—including 14 finches—making observations that would form the basis of his theory of evolution. In 2004, J. Craig Venter set off on a two-year circumnavigation of the globe aboard his 100-foot sailboat, *Sorcerer II,* exploring the Galápagos Islands and identifying thousands of new species of microbes and millions of previously undiscovered genes.

MAP BY JACK MOLLOY FOR FORBES

Venter says that, thanks to new technology, he can generate the data that can determine those differences. At Celera, Venter loved to show off his 25,000-square-foot rooms of DNA sequencing machines. But just one modern desktop DNA sequencer is as powerful as a thousand of those rooms and can map a person's genome in days for about $1,000. The original Human Genome Project took more than a decade and at least $500 million to do the same thing. (Illumina, the San Diego firm that makes the desktop sequencers, is a big investor in Human Longevity.)

Human Longevity initially sequenced DNA from 40,000 people who had participated in clinical trials for the pharmaceutical companies Roche and AstraZeneca. Venter says this work has led to the discovery of genetic variations that can be found in young people but not older ones—meaning the young folks had genes incompatible with surviving into old age. Figuring out what these genes do could be the kind of breakthrough that would turn the promise of genome sequencing into a lifesaver.

Venter decided that he also needed a study of people that could collect even more data than you can get from a clinical trial. Hence, the $25,000 physical. And because people pay, it's not only a source of data but also a revenue generator. At the moment, close to 500 people have gone through the physical. Venter hopes to be able to serve 2,000 annually as early as this year, which would generate $50 million in revenue. This isn't exactly covered by Medicare. The market, for the moment, will be the wealthy and the occasional company looking out for key executives—the promise of health as the ultimate luxury item.

Doctors hate it. "I'm massively skeptical," says Benjamin Davies, a urologist at the University of Pittsburgh. "We've been down this road of investigating healthy patients, and it's been a sordid road." He points to a recent study that used CT scans to screen for lung cancer: 60% of patients needed follow-up tests, but only 1.5% had cancer. Otis Brawley, the chief medical officer of the American Cancer Society, said Venter's work sounded like "fascinating science," so long as the people taking the physical understand that this is research, not medicine.

Venter believes the problem with earlier screening tests is that they give too little data, not too much. He is his own evidence. He was the first person to get his DNA sequenced, and the results made him think his risk for most types of cancer was low. When he got prostate cancer, he asked his researchers why. They found what he calls "the likely perpetrator."

It's a change in the way his body responds to the hormone testosterone. Testosterone works by tripping a cellular receptor (think of it as a switch). The gene for that receptor is more effective if it has fewer "repeats" (bits of repeated, garbled genetic code). Testosterone makes prostate cancer grow, so a man with 22 repeats and an inefficient receptor has a lowered risk of the disease. Venter's androgen receptor had just six repeats.

"Basically, I have a supersensitive testosterone receptor," Venter says. "Everybody thought I had balls of steel. In fact, I have only six repeats in my androgen receptor."

But Venter's constant search for more data about his own biology also made the problem worse, illustrating one of the true dangers of the $25,000 physical. Years before, Venter learned that his testosterone levels were low and decided to take testosterone supplements. (Most doctors don't recommend doing this.) It almost certainly made his tumor grow faster.

About 40% of Health Nucleus' patients have found out they have something serious. Some, like Ham Smith's lung cancer, absolutely needed to be treated. Venter insists Smith's tumor might have killed him had it been discovered a few weeks later. But for most of Human Longevity's patients, the results are not so clear-cut. I'm lucky: My MRI results showed nothing save that my hippocampus, a part of the brain that forms memories, is of only average size. (My DNA sequence isn't in yet.)

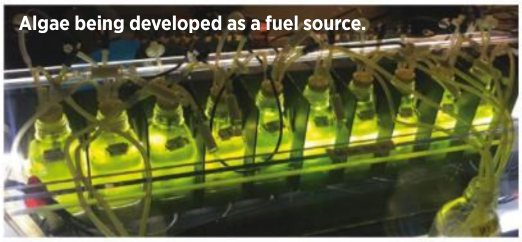
I've been thinking a lot about what I would do if I'd learned about a tumor or an aneurysm, and whether this whole endeavor is a bad idea. But I also haven't been able to get myself to regret going through it. Knowledge about yourself is a very seductive offer. It's one that Venter hopes will give him the data to finally deliver on the genome's promise.

ARTIFICIAL LIFE

The dream of understanding life well enough to create it from scratch sounds like something out of *Frankenstein*. But Craig Venter is getting there, partly using investor money to fund the work. "There's no government funding to make a synthetic species," he says.

In 2010, a team led by Venter that included his closest lieutenant, Hamilton Smith, and synthetic-biology wunderkind Daniel Gibson synthesized a genome for the bacterium *Mycoplasma mycoides* but with slight changes: their names and a James Joyce quote, all translated into a DNA code. Then they inserted the synthetic DNA into a bacterium and its original genome was destroyed. The cell functioned with the new, man-made DNA.

They've since made another bacterium whose genome has been edited to lack any extraneous genes. Researchers thought bacteria needed only 250 genes to stay alive, but Venter's team found its germ needed 473—and nobody knows what 149 of them do. The resulting minimal genome could be useful for understanding which genes are really important.


Algae being developed as a fuel source.

But there have already been commercial applications for this work. Synthetic Genomics Inc. (SGI) was founded around them in 2005. In 2009 Exxon Mobil pledged up to $300 million to create algae that can produce a biofuel that is cheaper than gasoline.

Other projects involve drug manufacturing (including a project to rapidly prototype experimental vaccines), a partnership with Johnson & Johnson in drug research and an effort, with the biotechnology firm United Therapeutics, to create pigs whose organs can be safely transplanted into humans. SGI has also made a relatively inexpensive DNA printer that allows bench scientists to easily modify genetic material. It costs between $50,000 and $75,000. Fifty have been sold so far, but SGI chief executive Oliver Fetzer says the near-term addressable market could be worth $500 million. *—M.H.*

MATTHEW HERPER

SHELDON YELLEN'S BIG SECRET

The CEO of one of the world's largest disaster-cleanup companies built a $320 million fortune with a helping hand from reputed Mafia figures years ago and management tactics straight out of *The Godfather* today.

BY DAN ALEXANDER

BRANDON SCHULMAN FOR FORBES

BELFOR HOLDINGS

Less than a week after Hurricane Matthew sideswiped the southeastern United States in October, Sheldon Yellen stands in a wind tunnel next to a resort outside Jacksonville, Florida, imagining the scene of the storm. "Winds blowing upwards of nearly 200 miles an hour, water was crashing all the way to this hotel," he says, wearing a bright-blue storm jacket, black slacks and a gold-chain necklace. "It didn't appear to be that strong of a storm because it was 30 miles offshore, but you'll see the damage. There's millions of dollars of damage."

Bad news for pretty much everyone here. Good news for Yellen, who runs the disaster-cleanup company Belfor Holdings. Operating on only a few hours of sleep, three days into a tour of coastal devastation, he guides me through the back door of the resort, which hired his company to clean up after Matthew. Inside, roughly 75 of Yellen's workers from across the country have been drying out walls, replacing windows and repairing ceilings for days. Belfor employees started driving toward the hurricane when it was just a swirl on the radar out at sea, then rushed into the hardest-hit areas as soon as the storm passed, in some cases arriving before anyone but the police and the National Guard.

When disaster strikes, Belfor gets called in to do the dirty work. Over the course of its history, Belfor has cleaned up more than a million sites around the world, whether scrubbing dust-filled buildings after the September 11 attacks, fixing up 20 of New Orleans' high-rises following Hurricane Katrina or collecting body parts in the French Alps after a deranged Germanwings pilot plowed his plane into the side of a mountain two years ago. When it isn't dealing with high-profile disasters, Belfor handles everyday messes like garage fires and basement floods. Its competition is fragmented: mostly local cleanup crews in any given market, who lack Belfor's experience and scale. Hence, when insurance companies or multinationals like Wal-Mart or General Electric have a big mess on their hands, Belfor tends to get the first call. Last year the privately held company, based in Birmingham, Michigan, brought in $1.5 billion in revenue.

It's low-margin work. The company says it netted less than 3% last year, as insurance companies constantly push down prices. But profits jump during hurricanes—climate change is good for Belfor—when there is plenty of work to do and not enough people who know how to do it. *Forbes* estimates that the company is worth $900 million and that Yellen has a net worth of $320 million.

It's quite an accomplishment for this 59-year-old high school dropout, and one that has come as he's harbored a professional secret for three decades. "I've been shot at, I've had a gun pointed down my throat, I've held guys at gunpoint," says Yellen, who stands just 5-feet-6-inches tall, has a bit of a paunch and wears his hair transplant slicked back. "People don't know that. I've never talked about that. I've done 30-some years of keeping that private."

Eventually, he does talk, though, and in greater detail. His background. His mentors. His tactics. Many have chronicled organized crime businesses that have tried to go "legit." Yellen has built a legit business—but the lessons that he all but admits came from Mafia figures helped turn Belfor into a billion-dollar juggernaut.

GROWING UP, YELLEN didn't see much of his old man, who suffered from digestive problems, spent two years in and out of the hospital and developed an addiction to painkillers. Michigan records reveal a list of drug convictions and prison sentences. "We thought he was a traveling salesman because he would show up every six months or year for a day or two," Yellen says. "We would jump on his lap and want to throw a baseball with him, just like you would with your dad. And he would do that for a day. Then he would disappear again."

In his absence, Yellen's mom, Lenore, scraped by on welfare and put her sons to work. It still wasn't enough: Yellen came home one day and found a local official warning his mother that they were facing eviction. He got his first job at 11, washing dishes at a hamburger joint for $1.10 an hour. Three years later, a family friend got Yellen a gig cleaning toilets at the elite Southfield Athletic Club in the Detroit suburbs, which counted some of the city's most notorious Mob figures among its patrons.

Not that Yellen likes talking about that. "I've worked for some Italian people that controlled a lot of turf," he says cryptically at one point. When later asked about successful people from organized crime, he smirks and says: "You're almost asking me to confirm that I was in that world. I'm not confirming that. I know I've lived two different lives, but I'm not confirming that was the life." Yellen later flatly denies that he ever worked in organized crime, but after I interview former federal investigators, read stacks of court documents and mine thousands of pages of FBI files, it becomes clear that Yellen's connections with reputed Mob figures helped him climb out of poverty.

According to two retired FBI agents, the man in charge of the Southfield Athletic Club, where Yellen worked from age 14 to 22, was Mafia associate Leonard Schultz. His sons also worked at the club. The place served as headquarters for reputed mobster Anthony "Tony Jack" Giacalone, the Mafia's alleged street boss in Detroit who was long suspected of helping orchestrate the disappearance of Jimmy Hoffa *(see box, p. 85)*. According to former FBI agents, Giacalone and his brother Vito ("Billy Jack") had hidden interests in a series of businesses throughout town, including a juice manufacturer named the Home Juice Co.

Yellen got into business with Home Juice after the Schultzes gave him clearance to run a juice concession inside the Southfield Athletic Club. This wasn't any ordinary lemonade stand. "You would say big deal, you sold papaya juice. I was 17 or 18 years old, and I was selling thousands of dollars a week," Yellen initially says. When subsequently pressed about

Hurricane Matthew slammed into the Jacksonville area on October 7. Belfor employees arrived to start the cleanup as soon as the storm passed.

CHARLIE RIEDEL/AP

whether those sales were all legitimate, he insists they were. Two weeks later, he calls unannounced and says that he misremembered the revenue figure—the juice stand was taking in only hundreds of dollars a week. Regardless, he is still thankful to Schultz, whom he calls a mentor. "Mr. Schultz was good to me," Yellen says. "I didn't have a dad around. I'm not saying he was my surrogate father…but he took an interest in me."

Not everyone remembers Schultz so fondly. Ultimately convicted of conspiracy to distribute cocaine in 1987, Schultz started regularly appearing in local newspapers around the same time Yellen opened his juice stand. Most of the stories centered on what happened on a cold March day in 1974 when Schultz invited a young furniture entrepreneur named Harvey Leach to his house for a meeting. It is unclear whether Leach ever arrived. The next day, authorities found him in the trunk of a Lincoln Continental with his throat slashed, according to local police records. Schultz was questioned by police but never charged. A lawyer connected to Giacalone eventually took over Leach's furniture business, according to FBI files. The murder was never solved. Years later it became public that Schultz had served as an FBI informant.

Around the same time, Schultz helped Yellen secure a line of credit to get started in the vending-machine industry, which former FBI agents say was heavily infiltrated by the Mafia at the time. Yellen eventually built up a business of 100 vending machines and arcade games. At the time, the machines were worth between $600 and $2,500 each.

When asked what he had done to earn such a lucrative opportunity, Yellen starts shifting in his chair. "I um, I um—man," he mutters as tears fill his eyes (he cried several times during my interviews with him). He sits in silence for 25 seconds, staring at the carpet inside the Florida hotel, shaking his head intermittently, then dodges the question. "I had a life on the streets," he says. "I was exposed to things and to people, and I experienced being on both sides of the tracks for various reasons."

The streets proved to be dangerous. One time, Yellen was collecting coins when someone opened fire on him. He started wearing a bulletproof vest and carrying a gun. The new tools came in handy when three people tried to rob him. "I had to pull out my gun," Yellen says. "Having a gun pointed at three guys laying on the ground—'Get on the ground. If one of you move, all three of you are dead'—that's scary."

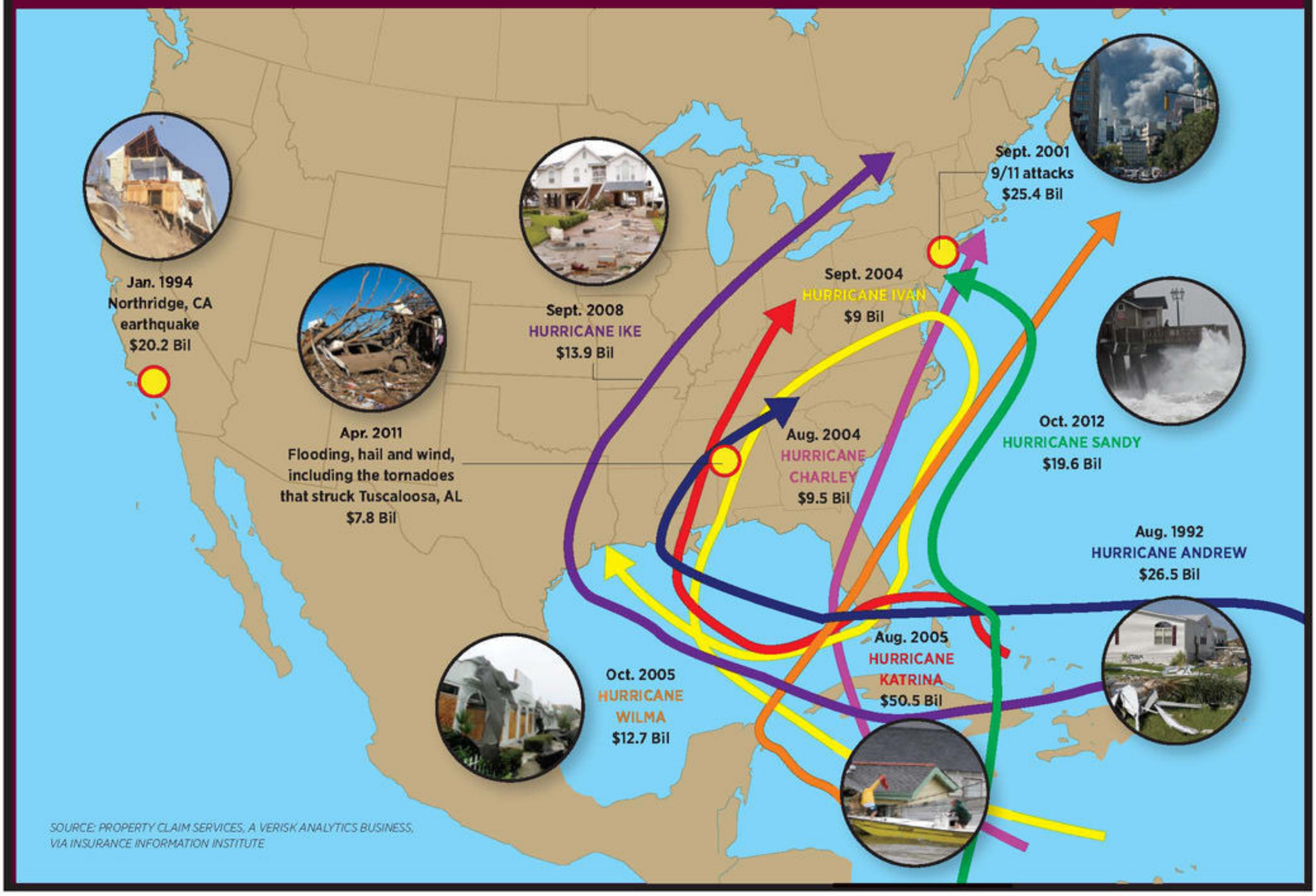
MARRIAGE PROVIDED him a way out of that life. When Yellen was 26, his wife's brothers, Randy (a member of the Southfield club) and Mark Fenton, offered him a job at their family company, Inrecon, which did $5 million in annual revenue selling awnings and fixing up properties. Eager for a more stable lifestyle, Yellen accepted the offer and became Inrecon's 19th employee in 1984.

He jumped into the property-repair side of the business, which relied on calls from insurance companies that needed to fix damaged buildings. As a young guy with no connections in the industry, Yellen found it difficult to get meetings with insurance agents. So he mapped out 120 insurance offices nearby and marched into every one. He had a standard opening line to the receptionists: "How are you? I don't have an appointment. I'm not going to stay and talk to you. Here's my card. I'll see you in two weeks, same time. Goodbye." He tracked the meetings in his notepads and showed up again two weeks later—same place, same time—and eventually became a familiar face to the insurance businesses, which started calling him when they had big jobs. By his second year at Inrecon, Yellen claims, he was bringing in nearly $5 million of business by himself, about as much as the rest of the company.

In 1989, Hurricane Hugo slammed into Charleston, South Carolina, causing $7 billion of damage. Sensing opportunity, Yellen's brothers-in-law told him to grab 25 workers and start driving south. Along the way, he pulled into rest stops and offered a job to anyone with a pickup and a toolbox. Before long, he was trailed by a caravan of 30 trucks. "Every truck was more rusted than the one before it," Yellen says. The night they arrived, there weren't enough places to sleep, so Yellen crashed on the beach. He eventually moved his then-pregnant wife to South Carolina. He got some jobs, but the insurance companies delayed their payments,

STORM CHASERS

The ten most devastating disasters in U.S. history caused a combined $195 billion in insurance damages. Belfor was on the ground picking up the pieces after every single one of them.



and Yellen couldn't pay his workers. After one carpenter heard the news, he punched Yellen, who punched right back. It all paid off when the checks started rolling in, eventually totaling $17 million, doubling the annual sales of the company.

After 18 months, Yellen moved back to Michigan. The break didn't last long. Hurricane Andrew struck Florida in 1992, and Yellen again uprooted his family to move to the scene of the storm. He got into another cash crunch—this time an angry drywall installer pulled a gun on him—before the windfall repeated. Yellen landed $35 million of work during Andrew.

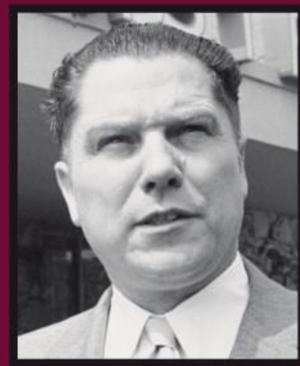
At this stage he wanted a piece of the action. He returned to Michigan, ready to tell his brothers-in-law that he was leaving to start his own business. But before he revealed his plan, they made him an offer: 10% of Inrecon for $500,000. When Yellen asked how he could possibly come up with that much money, they handed him a bonus check big enough to cover the cost. He bought in and became a shareholder in the business.

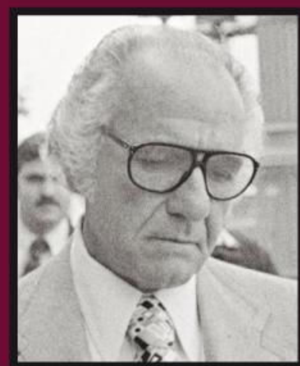
That kicked off a chain of deals that, over 13 years, created today's Belfor. First, industrial giant Masco Corp. bought Inrecon for about $90 million in a two-part transaction in 1997 and 1999. Yellen made an estimated $8 million in the deals; he and his brothers-in-law stayed on as employees. Masco then resold Inrecon to the German disaster-restoration company Belfor for an estimated $190 million in 2001. That's when Yellen's in-laws left, but he stayed put.

Trouble started brewing inside the business. In 2001, Belfor workers had rushed into Manhattan's financial district after the World Trade Center attacks to clean dust out of buildings. Like so many first responders, they fell victim to toxic pollutants swirling around the site. Over the next five years, more than 100 plaintiffs filed lawsuits against Belfor, and it looked like the company might have to pay hundreds of millions in settlements. Belfor's German owners, the Haniel family, wanted out—and Yellen wanted in.

Through a series of deals, he raised $322 million, the bulk of which came from JPMorgan and the Haniel family, which put up $150 million each. He persuaded dozens of colleagues to hand him a total of $22 million; many of them took out loans to finance their purchases. Yellen himself put in $8 million and lent employees another $4 million. Today he controls 95% of the voting power at the company, despite owning an estimated 30% of the business. It's unclear who owns the rest—Yellen initially said there are 52 shareholders. Later his CFO said there are 55 before they finally settled on 60. One former shareholder says he has no idea. It's hard to be sure, since shareholders don't have yearly meetings, don't get full financials and haven't received a list of their fellow owners in more than ten years. "My initial reaction to the whole offering when it came out was: Do you trust these guys or don't you?" says Rusty Amarante, a shareholder and top executive. "Because who would invest in something

BYSTANDER TO ONE OF THE 20TH CENTURY'S GREAT MYSTERIES


Jimmy Hoffa


Anthony Giacalone

In his younger years, Sheldon Yellen helped run the Southfield Athletic Club, which played a pivotal part in one of the greatest mysteries of the 20th century. On July 30, 1975, one of the regulars at the club—Anthony Giacalone, known as "Mr. G" to Yellen—was scheduled to meet with ex-Teamsters boss Jimmy Hoffa at the Machus Red Fox restaurant at 2 p.m., according to federal officials. At 2:15 p.m., Hoffa called his wife, apparently concerned that Giacalone hadn't showed.

It was the last time she ever heard from him. Authorities declared Hoffa dead in 1982, even though they never found his body. Giacalone, who was indicted on RICO charges in 1996 but died before the case went to trial, was a prime suspect in Hoffa's disappearance but was never charged. He had an airtight alibi, having spent July 30 at his favorite hangout, the Southfield Athletic Club. When asked about Hoffa, Giacalone allegedly said, "Maybe he took a little trip."

Investigators spent years chasing down people who might know something, including Yellen's mentor, Leonard Schultz, who authorities say was a Mafia associate, friend of Giacalone, head of the Southfield Athletic Club and FBI informant. Schultz, who was eventually convicted of conspiracy to distribute cocaine in 1987, took any secrets he may have had to the grave in 2013. "I always thought Lenny knew more about the Hoffa disappearance than he ever told us about," says retired FBI agent John Insogna.

Unlike most people, Yellen doesn't remember Giacalone for the Hoffa disappearance. "When he went to his locker, I was there to open his locker for him," Yellen recalls, adding that he spoke to him only when addressed. "I remember sitting with him in the lounge one time, and he said to me, 'I understand you're a good boy.' And he put his arm around me, and said, 'Well, I'm glad you are.'" Asked about Hoffa's disappearance, Yellen says: "I heard about it like everybody else. I knew nothing." *—D.A.*

HANK WALKER/THE LIFE PICTURE COLLECTION/GETTY IMAGES; BETTMANN/GETTY IMAGES where they have no vote, no say—there isn't anything I can do from a stockholder's standpoint to influence the company." There is technically a two-person board of directors, but when asked, Yellen says he doesn't know who the other board member is; his chief financial officer tells him it is Bernd Elsner, the retired head of Belfor's European operation.

What is clear: Yellen's timing and luck couldn't have been better. Shortly after the Germans told Yellen they wanted to sell, Hurricane Katrina slammed into New Orleans, causing more damage than any other storm in U.S. history. The deal still went through. He lucked out with the lawsuits as well. In 2011 and 2015, President Obama signed bills to compensate 9/11 victims, which ultimately meant Belfor paid out just $1.5 million in legal fees.

"I'VE BEEN SHOT AT, I'VE HAD A GUN POINTED DOWN MY THROAT, I'VE HELD GUYS AT GUNPOINT."

YELLEN LIKES TO describe Belfor as "cultlike" and "a family." If Belfor is a family, there is no question who sits at the head of table. "From my youth, I've studied people," Yellen says. "I learned that to run a business—and I believe this—there has to be leadership. Leadership is compromised if it's always a democracy."

Like any good autocrat, Yellen demands trust from everyone in his organization while harboring his own secrets. Not even Yellen's brother Michael, the company's chief operating officer and second-largest shareholder, regularly receives full financials (the CFO, Joe Ciolino, claims Michael can ask to see them at any time, though he can't recall the last time he did). Michael and most other shareholders get a summary report once a year. Small stakeholders who were granted equity as part of their compensation receive nothing at all.

Ciolino says the original shareholder agreement warned investors that they would not get full financial information in the future. When some balked, he made it clear they could get on board or walk away. "You're not going to get it," he said. "You can ask for it. You're going to get limited financial information. If you don't want to do it, that's great. But this is not a committee. This is an opportunity."

How much people get paid is also a secret. Every January, Yellen, his brother Michael and Ciolino sit down and decide on bonus packages for the company's top 350 managers. On average, 50% of their annual pay comes in the form of a bonus. But it's all discretionary: If Yellen and his inner circle want, they can choose to pay no bonus at all. For the top ten employees, Yellen himself decides the size of the checks. The vast majority of their compensation comes in a single payment, which is not disclosed to shareholders. (Yellen insists he takes only a small salary, though he won't say how much it is.)

Yellen's incentive plan sounds familiar to Greg Stejskal, a retired FBI agent who spent years chasing the Mafia around Detroit. "It sounds like the structure is very much analogous to the way [the Mob] set it up," Stejskal says, from the secrecy to the complete authority of the leader, manifested in the lump-bonus payment determined at Yellen's discretion.

There's also a familiar amount of paternalistic benevolence. Yellen carries around a thick wad of cash, something Anthony Giacalone was known for back in the day, and doles out $100 bills on a whim. He handwrites birthday cards to all of his 7,400 employees every year (employees are quick to let him know when he misses one). On his wrist he wears about half a dozen bracelets, one for each of his employees' children who has cancer. They are his pen pals, and when they get healthy, Yellen flies to wherever they are to cut off the matching bracelets on their wrists.

Of the 82 business owners Inrecon and Belfor have bought out over the last 27 years, as they've rolled up potential competitors, 68 are still at Belfor today. "There's a tremendous loyalty to Sheldon," says Pete Boylan, who sold his one-office operation to Inrecon in 1999 and now serves as a regional manager in the southeastern United States. "Sheldon is the type of guy, if you've got his back, he's got your back."

Until he doesn't. During the cleanup after Katrina, a group of subcontracted workers sued Belfor, saying they labored 12 hours a day, 7 days a week, without overtime. The parties eventually settled the case; Belfor agreed to pay all overtime wages but did not admit to any wrongdoing. In a separate case, an original investor who was later fired by Belfor, James Coleman, sued his former employer, alleging that the company offered him a paltry amount of money when he tried to sell his stake. They eventually reached a confidential settlement.

"I know he was not happy with us, but he was going to a competitor," says Ciolino, the CFO. "So we were a little bit tough with him in terms of how we settled."

THE CODE IN the Detroit Mafia was that there was no getting out. Once you were in, you stayed in. Yellen says he was days away from cashing out his own stake in the business a couple of years ago, after agreeing to sell Belfor to a private equity firm in what he claims was a billion-dollar deal. At the last minute he backed out, claiming he couldn't bear to abandon his employees.

So Yellen's in, he says, and on the verge of making his biggest acquisition yet, which will expand Belfor into a new but related industry. He won't get into specifics but claims it will more than double the revenues of his company. Yellen sees the deal as a first step in turning Belfor into a diversified empire, with several giant businesses alongside its disaster restoration arm.

That will take a lot of work, and Yellen in turn predicts that he will eventually die at his desk, which he says is a far better fate than on the streets. "When you've been shot at, and you've had a gun held down your throat," he says, "you don't forget."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Blueprint *for* Retirement

EDITED BY JANET NOVACK

In this age of second and third career acts, 401(k)s instead of pensions and increasing longevity, decisions about when, where and how to retire are highly personal. With that in mind, our annual Retirement Guide offers blueprints to help you build your own successful plan.

We start with a model portfolio that will get you thinking about whether your nest egg is sufficiently diversified. Next, we've got ten techniques for structuring assets so that you report less income to the IRS and escape tax and Medicare penalties that hit the well-off.

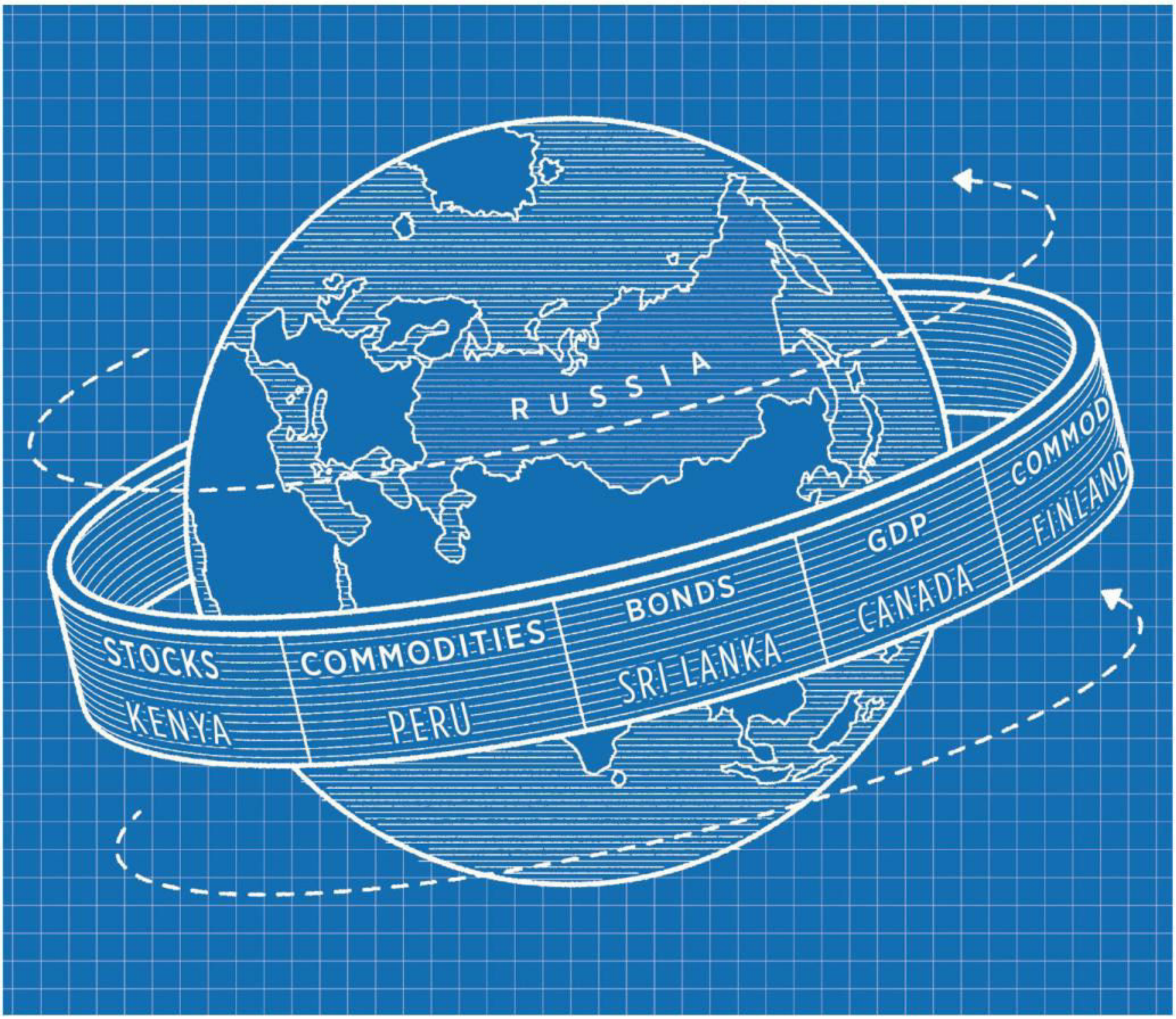
Could a move be part of your plan? We've identified the best cities and most walkable neighborhoods for living an active retirement without owning a car. Plus, if taxes drive your decisions, we've got details on the ten best—and ten worst—states for high-income folks.

HEADLINE TREATMENT BY PETER AND MARIA HOEY FOR FORBES

Are You Betting Too Big on Trump?

MOST AMERICAN INVESTORS OWN TOO MUCH DOMESTIC STOCK. HOW TO DIVERSIFY INTO EVERYTHING FROM GOLD TO REAL ESTATE TO RUSSIA.

BY WILLIAM BALDWIN



PETER AND MARIA HOEY FOR FORBES

Russia, that land of kleptocracy and thuggery, probably has none of your assets. You're making a mistake, says money manager Randy D. Kurtz. An optimal, well-diversified portfolio should have 0.86% there. If you have $1 million of investable assets, $8,600 would be in stocks like Gazprom.

Kurtz has a master portfolio worked out, divided among stocks, bonds and commodities and spread across 54 countries. Buy this array, he says, and you'll get a slightly lower return than you would on U.S. stocks, but you'll wind up with a lot less risk. That makes it less likely that you'll panic at the bottom of a bear market and go to cash.

The search for a global blend boils down to seeking out asset categories that are not highly correlated—that vibrate in slightly different rhythms. "Do you think Russian stocks will behave differently from U.S. stocks?" Kurtz asks. "If yes, the question is not if you should own them. It's how much you should own."

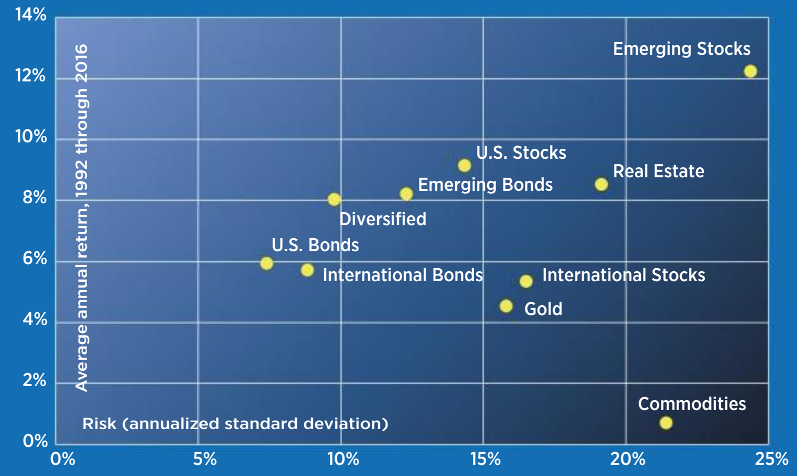
Kurtz, 42, is chief investment officer of Supernova Cos., a Chicago firm that creates model portfolios for wealth planners and also helps stockbrokers arrange portfolio-backed bank loans for their clients. He is what you might call, at least if you are a believer in index funds, a reformed sinner.

Leaving Columbia Business School with an M.B.A. in 2002, Kurtz went off to seek his fortune as a stock picker, first at a Bear Stearns fund, later on his own as a money manager for individuals. In the latter effort he set up an uncommon compensation schedule that increased his fee for beating the market and potentially eliminated it for lagging.

He made a decent living at that game for a while—he says he beat the S&P six years out of eight—but wondered just what he was accomplishing for his clients. One problem is that it's next to impossible to combine market beating and low risk in the same portfolio. "You have only one good idea a year," he says, quoting a pronouncement Warren Buffett made at a Columbia seminar. The other problem is that, after fees and capital gain taxes, even a good money manager doesn't leave the investor with much.

RISK AND REWARD

WHAT'S THE BEST INVESTMENT? NOT THE ONE WITH THE HIGHEST RETURN BUT THE ONE CLOSEST TO THE UPPER-LEFT-HAND CORNER. THAT'S WHERE THE PAYOFF IS HIGH AND THE VOLATILITY LOW.



SOURCE: SUPERNOVA.

Three years ago Kurtz threw up his hands at trying to be the next Warren Buffett. He joined Supernova, a company started by college roommate and fellow disillusioned portfolio manager Tom Anderson, and set about picking countries rather than stocks.

Investors make two very big mistakes when they put together a portfolio, says Kurtz. One is their home bias. Japanese investors buy mostly Japanese stocks and U.S. investors U.S. stocks, missing the greater stability that comes from a cosmopolitan collection of assets.

"It doesn't matter where you live. You should have the best portfolio," Kurtz says.

The other mistake is to favor what has worked in the recent past. In 1989, people piled into Japanese equities, then sizzling. Now they love the U.S. stock market, the hot category over the past five years. They should be going the other direction. Kurtz tells U.S. investors (and Japanese investors, if they are listening) to have only a tenth of their assets in U.S. stocks.

For the equity portion of his model portfolios, Kurtz starts with country allocations determined by a blend of gross domestic product and market capitalizations. Then he tilts these stock market percentages away from expensive places like the U.S. and toward cheap ones like Russia. The tilting follows not hunches but mechanical formulas that compare market caps to earnings and GDP. "We're not in the crystal-ball business," he says.

A 20,000 Dow is no cause for celebration at Supernova. It's a reason to pull back. U.S. stocks are going for 28 times earnings (as measured, per economist Robert Shiller, by a ten-year inflation-adjusted average). That price/earnings ratio is one full standard deviation above the historical norm. The ratio of U.S. market cap to GDP is also one standard deviation above its norm.

Contrast our market to Germany's, whose P/E of 18 and whose ratio of capitalization to GDP are close to historical averages. When Kurtz is done, BMW has a little of the money you would otherwise have put in Ford.

Now Kurtz adds, for conservative investors, a large dose of fixed income and a fair amount of commodities, even though commodities have delivered dreadful returns in the past dec-

EXTREME DIVERSITY

THIS COLLECTION OF ETFS, HEAVY ON DEPRESSED COMMODITIES AND INTERNATIONAL INVESTMENTS, HAS TENS OF THOUSANDS OF SECURITIES INSIDE. OBJECTIVE: LOW RISK, HIGH RETURN.

EXCHANGE-TRADED FUND	TICKER	ASSETS[1] ($BIL)	5-YEAR ANNUALIZED RETURN[1]	EXPENSE RATIO	INVESTMENT
BONDS					
SPDR BLOOMBERG BARCLAYS INTL TREASURY BOND	BWX	$1.5	–1.4%	0.50%	$130,000
VANECK VECTORS JP MORGAN EMER MKTS LOC CURR BOND	EMLC	2.4	-1.5	0.47	100,000
VANGUARD TOTAL BOND MARKET	BND	31.4	2.1	0.06	90,000
COMMODITIES					
ISHARES GOLD TRUST	IAU	7.3	-5.7	0.25	110,000
POWERSHARES DB COMMODITY TRACKING	DBC	2.6	-10.0	0.85	50,000
STOCKS					
VANGUARD FTSE ALL-WORLD EX-U.S.	VEU	14.6	5.4	0.13	170,000
VANGUARD FTSE EMERGING MARKETS INDEX	VWO	43.9	1.5	0.15	140,000
VANGUARD GLOBAL EX-U.S. REAL ESTATE	VNQI	3.2	8.6	0.18	40,000
VANGUARD REIT	VNQ	32.7	11.8	0.12	60,000
VANGUARD TOTAL STOCK MARKET	VTI	69.9	14.6	0.05	110,000
COMPOSITE PORTFOLIO			**2.5**	**0.25**	**$1,000,000**

[1]TO DEC. 31. SOURCES: SUPERNOVA; MORNINGSTAR.

ade. Why? Because those returns are not closely correlated with the returns on stocks. By itself, gold is an extremely unsafe place to park money. Inside a portfolio that is mostly stocks and bonds, it adds stability.

The surprises come far away from developed markets. Kurtz would have a $1 million saver putting $3,000 into Peruvian government bonds denominated in the sketchy local currency and $900 in Colombian stocks. Yech! But if you are turned off by Latin America's history of coups, expropriations and hyperinflations, then so are other investors. So you are buying cheap.

Can't Treasury bonds be a counterweight to U.S. stocks? They can, up to a point. But don't be fooled by the 35-year bull market in U.S. stocks and bonds. If we get stagflation again, both Treasurys and blue chips will suffer. You'll wish you had stashed more money abroad.

It's not hard to implement a global mix using exchange-traded funds. The financial planners who subscribe to Supernova's portfolio service, at a fee of approximately a quarter point a year, wind up with 21 of those things. At *Forbes*' request, Kurtz consolidated the recommendations into ten positions, displayed in the table above. There is one each in eight asset classes and a pair for the last class (real estate).

The abbreviated Kurtz list has no TIPS; you get your inflation hedge from REITs, commodities and foreign currencies. The portfolio has three times as much allocated to foreign stocks as U.S. ones and twice as much in foreign bonds as domestic ones. It leans toward recent laggards. Indeed, had you bought it five years ago you would have earned only 2.5% a year. But remember: You're not buying the past. You're buying the future.

Naïve investors assemble portfolios the opposite way. They take money away from laggards and give it to winners. Doing that, says Kurtz, is a prescription for buying high and selling low. He cannot know, of course, that the pendulum is just now about to swing back toward better performance from commodities and foreign assets. But it will swing back at some point, and the turn becomes more likely with each upward tick in the Dow.

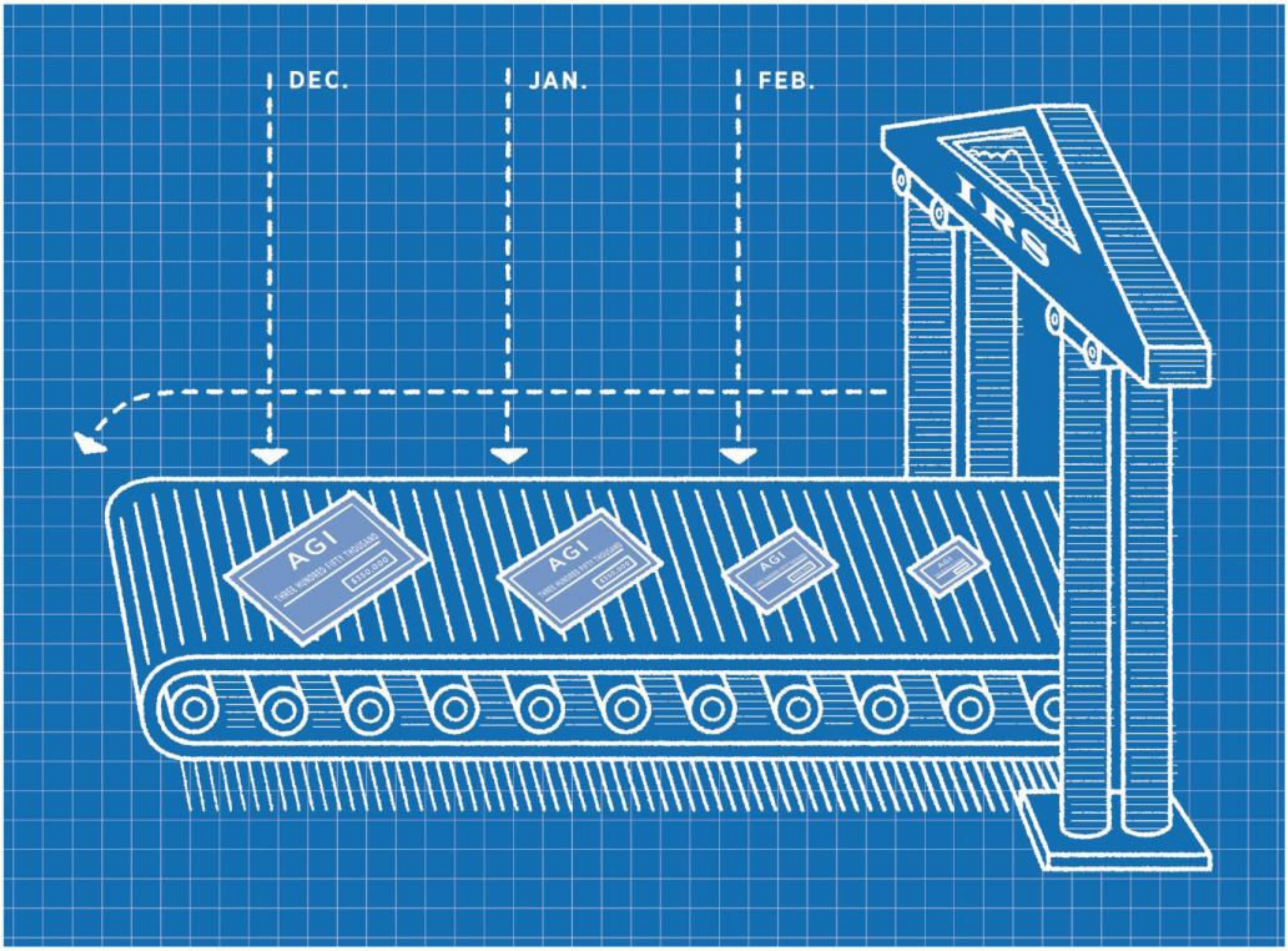
Obsessed with statistics—he spent a year constructing historical returns for obscure asset categories—Kurtz can quantify what diversification does. He calculated hypothetical 25-year results for an equally weighted mix of the nine asset classes represented in the ten-fund model portfolio. He rebalanced annually so that each class had 11.1% of the portfolio.

The tutti-frutti blend would have earned 8% a year and suffered volatility, as measured by annualized standard deviation of monthly returns, of 9.8%. Had you put 100% of your money into U.S. stocks you would have landed a percentage point more of annual return but suffered considerably higher volatility, at 14.3% *(see graph, p. 91)*.

A 100% allocation to domestic equities might be fine for someone with Buffett's temperament and a very long investment horizon. It's not such a good idea for the average investor, who would have struggled to stay put during the two Dow crashes of the past quarter-century.

There are still plenty of investment managers who make their living the old way, charging a percentage point a year to pick stocks. But the world is moving in Kurtz's direction, with trillions of dollars marching out of active management and into the passive portfolios run by Vanguard, BlackRock and others.

"Asset allocation is being commoditized," says Kurtz, referring to the price war among the new crop of roboadvisors like Supernova. "What's not commoditized is financial advice." You might still pay a handsome fee to be told when to pay off your mortgage and how much to put in your grandchildren's 529 college savings accounts, he says. But if you are paying much more than a quarter of a point for portfolio construction, ask what you're getting for it. F



PETER AND MARIA HOEY FOR FORBES

Hide Cash From the IRS—Legally

THERE ARE LOOPHOLES IN WHAT GETS COUNTED AS INCOME. ARRANGE YOUR AFFAIRS TO EXPLOIT THEM.

BY WILLIAM BALDWIN

Adjusted gross income—line 37 of the 1040—drives all manner of penalties, surtaxes and phaseouts of benefits. Noteworthy is an AGI-powered boost in Medicare premiums that will cost a couple up to $8,899 in 2017. Some states, like New York, kick up property taxes for people with high AGIs.

The tax code is littered with assaults on your AGI. Some education or adoption credit or tax-deferred IRA will be dangled, then snatched away if line 37 is too high. This is how politicians can brag about promoting college or adoption or retirement yet trim the cost.

The problem is likely to get worse, not better. Republicans are gunning for cuts in the visible tax rates. But the country is already $14 trillion in the hole. Solution: Declare tax cuts or entitlements in

the headline, then take them back in the footnotes.

What do you do? Doctor your income so that line 37 goes down. Here are ten ways to do this.

MAXIMIZE RETIREMENT. Your contribution of up to $18,000 ($24,000 for those 50 and up) to a 401(k) reduces AGI. If neither you nor your spouse has a retirement plan in a current job, you can deduct $5,500 ($6,500 for oldsters) going into an IRA.

BUILD YOUR HSA. Health savings accounts are triple-tax-free: a deduction, tax-free compounding and tax-free withdrawals. If your family is covered by a high-deductible health insurance plan, you can deduct contributions of up to $6,750 ($1,000 more if you are 55-64). Withdrawals are tax-free if used to cover medical costs.

You have to stop contributing when you're in Medicare, but you can let the account compound indefinitely and use it late in life to reimburse yourself for medical expenses incurred years earlier. It acts like a supercharged IRA.

DUCK REFUNDS. If you overdo your estimated state income taxes for 2017, you get a deduction for the outlay, but some or all of the resulting refund will boost your AGI in 2018. (Just how much depends on the estimated tax you pay on January 15, 2018 and other factors.) To put it in other words: Having an oversize deduction one year followed by extra income the next does not leave you whole. If your bracket stays the same, the boomerang leaves you worse off because it inflates AGI.

DONATE FROM AN IRA. Once you turn 70½, use distributions sent directly from your IRA to a charity to cover contributions you would otherwise have made in cash. The outlay (max: $100,000) counts toward mandatory IRA withdrawals but never shows up in AGI. If you otherwise would have used appreciated stock to be philanthropic, bypassing capital gains en route, the choice is more complex. Use tax software to see if you are better off bypassing AGI or bypassing capital gains.

TAKE LOSSES. It's almost always a good idea to sell stinkers from your portfolio. Capital losses can absorb any amount of capital gains (say, from unwanted mutual fund distributions) plus up to $3,000 of other income. Both absorptions lower AGI.

OWN INDEX FUNDS. In your taxable accounts, go for something like the Vanguard Total Stock Market ETF (VTI). This giant fund, which has a lot of overlap with the S&P 500, has done a hair better than that index over the past decade. And it has done so with minimal tax pain to the customers. It doesn't pay out capital gains.

Contrast that with Growth Fund of America, which has tied VTI over the decade. But its active management churns up capital gains. If you owned $100,000 of it in December, you had $5,570 of needless taxable income thrown into your AGI.

TAPER YOUR CAREER. Objective: maximize the above-line-37 deduction for health insurance. You can write off premiums, including Medicare premiums, against self-employment income; you can't write them off against other income.

Say you're a self-employed lawyer in your early 60s making $120,000 and planning to work one more year. And let's say health insurance for you and your spouse is running $16,000 a year.

Work one year full-time and you'll deduct $16,000. Work three years at one-third time and you'll deduct $48,000.

OWN MUNIS. Tax-exempt bonds aren't entirely tax-exempt: The interest gets added to AGI in some of the AGI penalty formulas, such as the one boosting Medicare premiums. But even here, the municipal bonds help you. They create less gross income.

Suppose part of your retirement income is going to be interest on $1 million of bonds in a taxable account, and you're in a combined 33% federal/state tax bracket. Choice 1: Vanguard Intermediate Corporate Bond ETF (VCIT), yielding 3.4%. That's $34,000 of income before tax and $23,000 after. Choice 2: Vanguard Tax-Exempt Bond ETF (VTEB), yielding 2.3%. That delivers $23,000 net of federal tax and a bit less after state tax.

Putting aside the somewhat higher credit quality of the munis, this is pretty close to a tie so far. But the muni fund lessens the havoc on line 37.

Under present law, VTEB keeps $34,000 out of the AGI figure used to determine how much income gets whacked by the 3.8% ObamaCare tax. The next tax cut may repeal the 3.8% tax. But it will almost certainly leave in place the Medicare premium penalty. VTEB is $11,000 better than VCIT on that score.

LEVERAGE RENTAL PROPERTY. Up to a point. Let's say your balance sheet is destined to have $400,000 of mortgage debt. It could be on a home you live in or it could be on an apartment building you hold for investment. Either way, the interest is deductible. So it seems not to matter where the mortgage goes. But it does matter. Investment property interest comes out of line 17, so it shrinks the AGI on line 37. The home-mortgage interest is claimed below line 37. It doesn't protect you from the AGI bandits.

Caveat: This is a tricky business. You may not be able to deduct the interest if you mortgage the apartment building after buying it, and you will probably run into trouble if the mortgage interest puts your rental into the red.

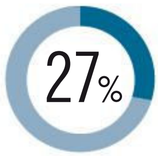
PLAN YOUR DIVORCE. Alimony (but not a lump-sum settlement) moves AGI from one ex to the other. The potential tax benefit should be part of the negotiation.

FORBES **BrandVoice** WITH FIDELITY INVESTMENTS

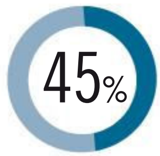
WHERE WE STAND: AMERICA'S RETIREMENT SCORE

For many Americans, retirement can seem like an abstract concept. But the steps you take today can have a lasting impact. Here, we pause to take stock of our collective situation and provide suggestions for increasing your own retirement score.

State Of The Union



of Americans are **on track** to cover over **95%** of total expenses in retirement.[1]



of working American households will **likely** be able to afford their essential expenses in retirement.[1]

The #1 concern in retirement is the ability to cover healthcare expenses.

&

3 out of 10 Americans are concerned about cuts to Social Security benefits.[1]

Room For Improvement

Unsurprisingly, baby boomers—who are closer to retirement age—have a higher total savings rate than Gen Xers and millennials. But we all have room for improvement.

TOTAL SAVINGS RATE BY GENERATION[1]

9.7%	8.2%	7.5%
BABY BOOMERS	**GEN XERS**	**MILLENNIALS**

The good news is that small changes to your retirement strategies can make a big difference in the long run.

Suggestions To Help Improve Your Retirement Score[2]

1 SAVE MORE.

The suggested minimum savings rate is **15%** of your annual income, which includes both your contributions and your employer contributions. A good rule of thumb is to try to save at least **10X** your preretirement income by the time you retire.[3] Start by maximizing contributions to pretax savings accounts, such as traditional 401(k)s and Roth IRAs, and take advantage of any match your employer offers.

2 BE SMART ABOUT YOUR MIX OF INVESTMENTS.

The closer you are to retirement, the more it makes sense to play it safe. But investors in their **20s, 30s** and **40s** should consider going for growth with a mix of U.S. and international stocks and stock mutual funds.

3 RETIRE LATER.

Working longer not only gives you more time to grow your savings, but it can also help you get the most from your Social Security benefits, **which may increase as much as 30%** if you wait to file for the monthly benefits until your full retirement age, usually between **65** and **67**, depending on your date of birth.

Remember:

However far away the future may seem, *it's never too early to start saving more*—and it's never too late to ramp up your retirement readiness.

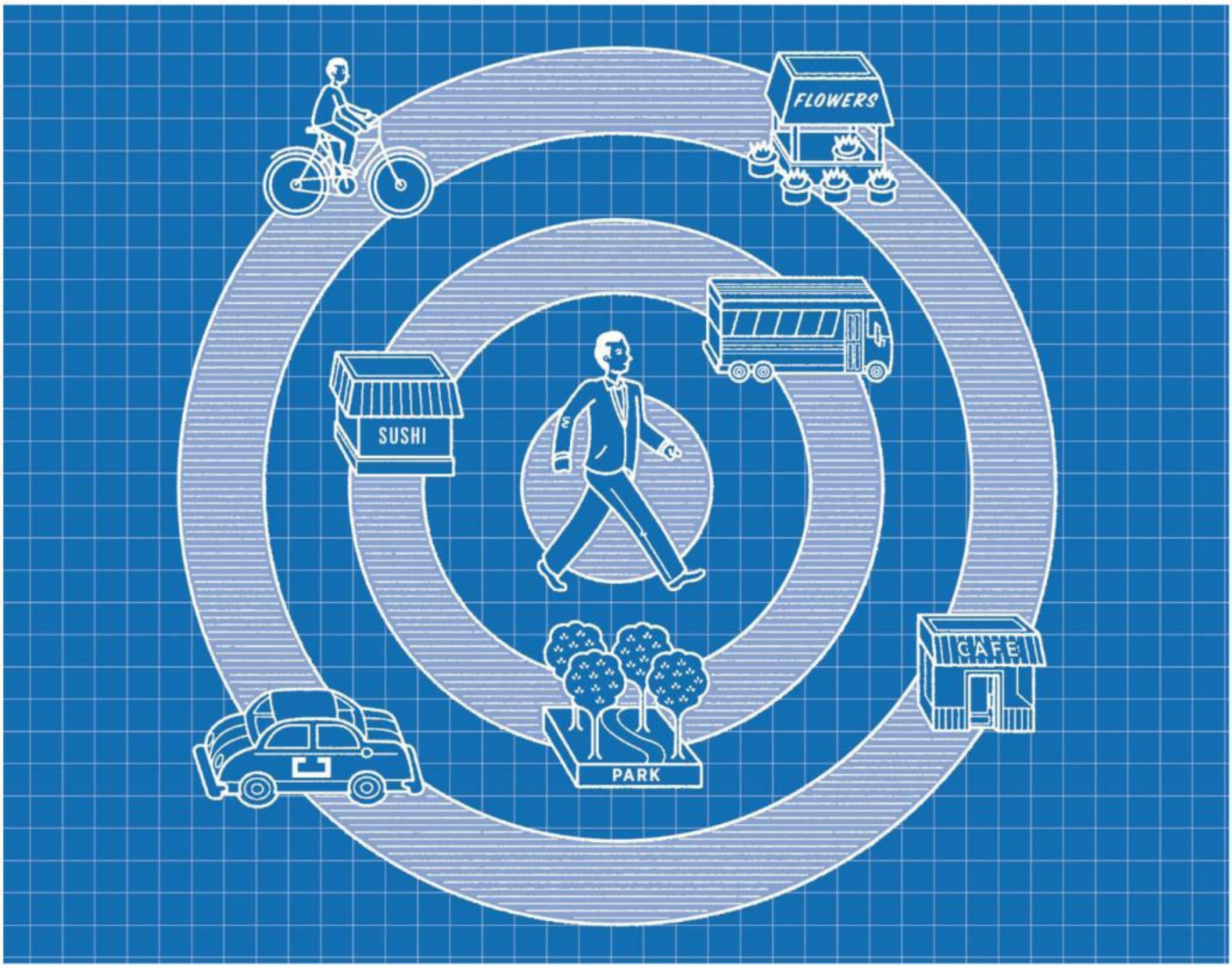
To find out your retirement score, visit **www.forbes.com/retirementcheckup**.

[1] 2016 Retirement Savings Assessment Executive Summary, Fidelity Investments. **[2]** Suggestions based on Fidelity Viewpoints® article, "Reality check—find out your retirement score," 12/21/2016; **[3]** The 10x savings rules of thumb are developed assuming age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, a retirement age of 67 and a planning age through 93. The replacement annual income target is defined as 45% of preretirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey 2011 (BLS), Statistics of Income 2011 Tax Stat, IRS 2014 tax brackets and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success. These simulations take into account the volatility that a typical target date asset allocation might experience under different market conditions. Volatility of the stocks, bonds and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign) are represented by Ibbotson Associates SBBI S&P 500 Total Return Index, bonds are represented by Ibbotson Associates SBBI U.S. Intermediate Term Government Bonds Total Return Index, and short term are represented by Ibbotson Associates SBBI 30-day U.S. Treasury Bills Total Return Index, respectively. It is not possible to invest directly in an index. All indices include reinvestment of dividends and interest income. All calculations are purely hypothetical and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant's particular account. The salary multiplier is intended only to be one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes.

No Car, No Problem

THE TOP SPOTS FOR THE AGE OF RIDE SHARING AND WALKABLE CITIES.

BY WILLIAM P. BARRETT AND LAUREN GENSLER



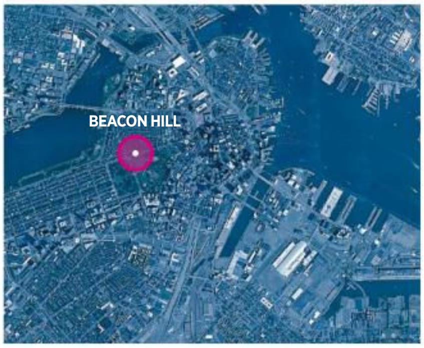
PETER AND MARIA HOEY

Baby Boomers have had a lifelong love affair with autos. In retirement, however, they might consider taking a cue from their Millennial kids, who have demonstrated that you can live happily without a car, in the right locale. *Forbes* screened hundreds of cities to find the top 25 towns for carless living—places with walkable neighborhoods (meaning you can hoof it to stores, services and activities); public transit; Uber and Lyft; and car rentals by the hour. We ruled out cities where high crime means you might not want to walk, but we didn't cut places just because they're expensive. Neighborhoods in nine of our picks are described below. For the full list, go to **forbes.com/retire-without-a-car**.

Arlington, VA

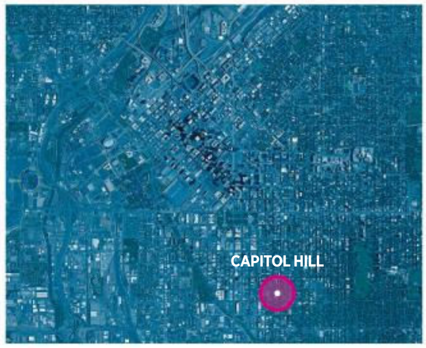
TOP HOOD: Clarendon/Courthouse. A compact commercial district offers Vietnamese-style and other casual-dining restaurants. Or head to Top of the Town, with its panoramic views of the Potomac River and Washington, D.C., which is just two metro stops away.
ALSO CONSIDER: Ballston, Lyon Village

Boston, MA



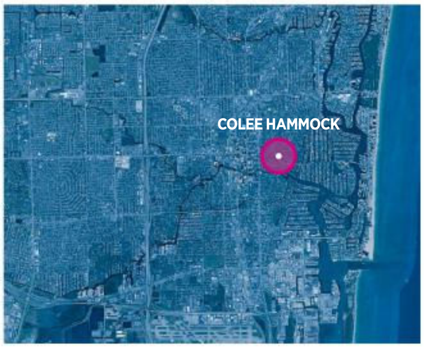
TOP HOOD: Beacon Hill. Famed historic neighborhood (onetime home to John Hancock, Louisa May Alcott and Edward Kennedy) sits by the nation's oldest public park, Boston Common, and the Public Garden, with its swan boats. Walk to the Boston Opera House.
ALSO CONSIDER: Back Bay, North End

Denver, CO



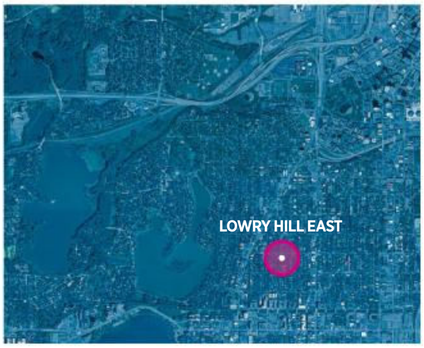
TOP HOOD: Capitol Hill. Get a workout scaling the steps on the western entrance of the State Capitol Building and you'll be precisely 5,280 feet above sea level—the origin of the city's Mile High nickname. Inside the building: rare Colorado rose marble.
ALSO CONSIDER: Downtown, Cherry Creek

Fort Lauderdale, FL



TOP HOOD: Colee Hammock. Bounded by a river and a canal, it features grand old homes and waterside parks. Just a 30-minute waterfront walk to the site where the 1960 spring-break classic, *Where the Boys Are,* was filmed.
ALSO CONSIDER: Flagler Village, Downtown

Minneapolis, MN

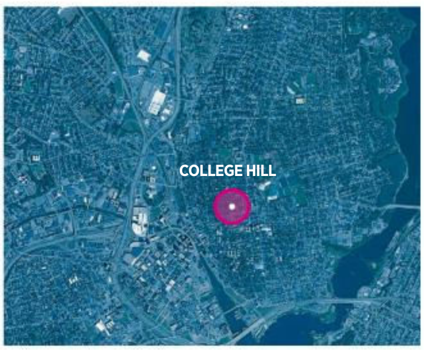


TOP HOOD: Lowry Hill East. Leafy neighborhood by a chain of lakes, an area with spacious paths for walking and biking. A nearby art museum founded in 1927 by lumber baron Thomas Barlow Walker now offers movies, live performances and a sculpture garden.
ALSO CONSIDER: Lyn-Lake, Whittier

Portland, ME

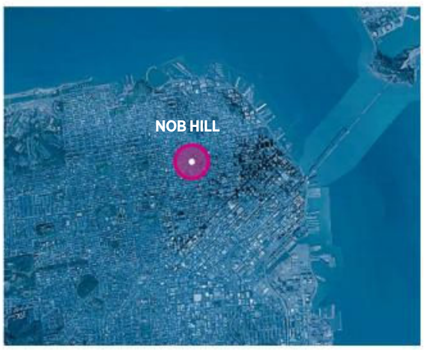
TOP HOOD: Parkside. Home of Deering Oaks Park, a 55-acre gem created in 1879. Today, it provides tennis courts, a winter skating pond, a 38-variety rose garden and a weekly farmers' market to this up-and-coming but still affordable neighborhood.
ALSO CONSIDER: West Bayside, Downtown

Providence, RI



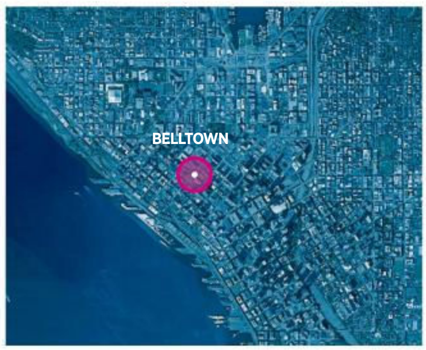
TOP HOOD: College Hill. Home to Brown University, the Rhode Island School of Design and a historic district. Stroll by colonial and Victorian homes, view textiles at the RISD Museum or take in frequent theater and dance performances at Brown.
ALSO CONSIDER: Federal Hill, Fox Point

San Francisco, CA



TOP HOOD: Nob Hill. Originally home to the city's rich and powerful. Its mansions were destroyed in the 1906 quake. What was rebuilt was plenty high-end but with more hotels and restaurants. Walk uphill to Huntington Park, with its Fountain of the Tortoises.
ALSO CONSIDER: North Beach, Hayes Valley

Seattle, WA



TOP HOOD: Belltown. Visit a waterfront park and walk to the Museum of Pop Culture, a ballet-and-opera hall, or the Space Needle, where an annual charity event provides the fittest a chance to climb 98 flights of open-air stairs.
ALSO CONSIDER: Queen Anne, Downtown

MAPS BY BING


Needs Attention
Fair
Good
On Track
>95% of Goal
NINETY SIX

Blue State Blues

HAVE A HIGH INCOME? FOOTLOOSE AND FANCY-FREE? STUDY OUR MAP TO SEE THE BEST—AND WORST—PLACES TO MOVE BOTH BEFORE AND AFTER RETIREMENT.

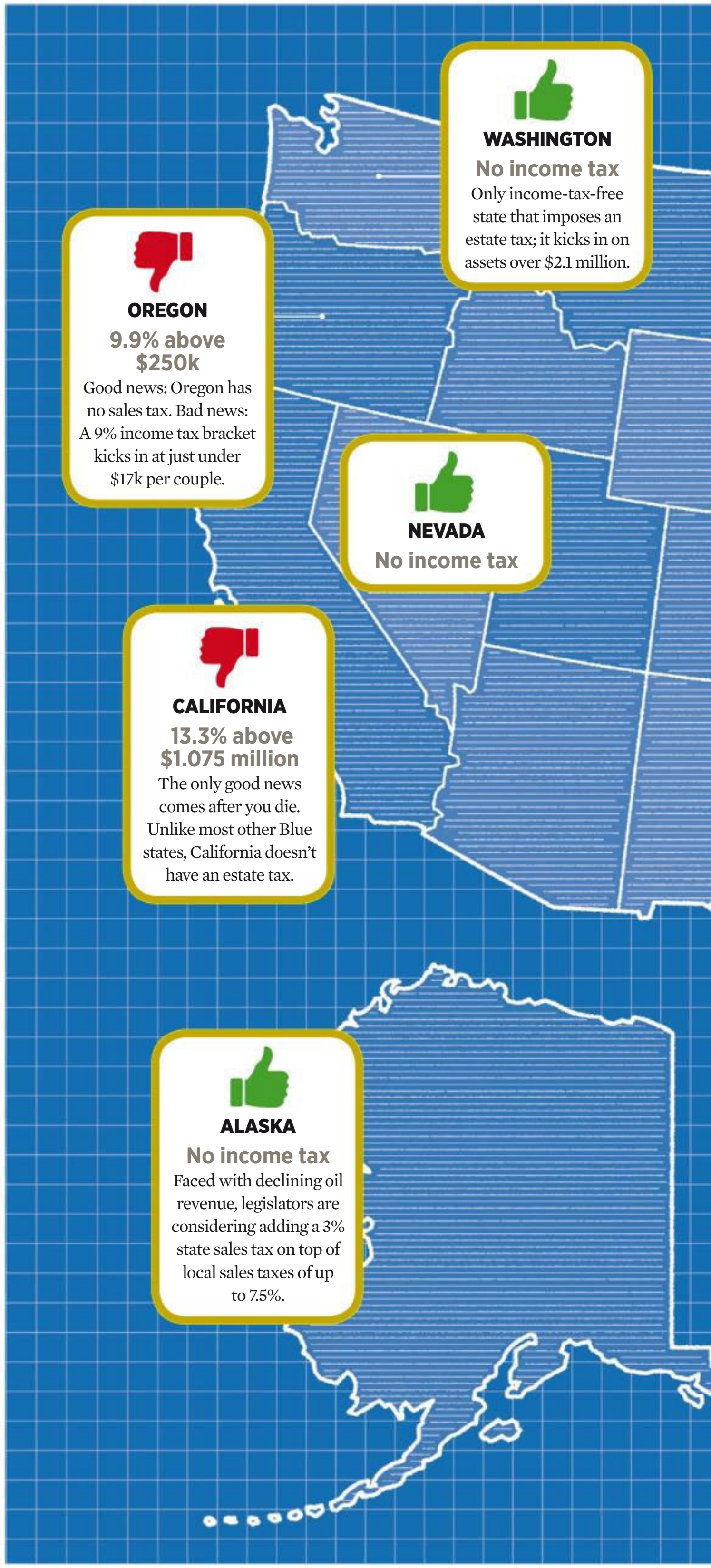
BY ASHLEA EBELING

The great tax divide has been widening as Republicans have hacked away at progressive income taxes while Democrats have raised rates on high-income folks. The GOP now has sole control (the governor's mansion and both legislative houses) of half the states, and not coincidentally, only one of those states (Iowa, which just came under full GOP control) ranked among our ten worst tax states for the rich.

The November elections reinforced the trend. California voted overwhelmingly to extend its 13.3% rate (the highest in the nation) until 2030, while voters in Democratic-leaning (if quirky) Maine voted to raise the top rate from 7.15% to 10.15% for 2017. Meanwhile, in Iowa, Republicans are promising to use their expanded power to push through rate cuts.

This map shows the ten best and worst states for the wealthy based on high-income tax rates, as well as the income level at which the most punishing rate kicks in (calculated for a married couple in 2016). Seven of the ten best states have no income taxes at all, and the other three exempt large swaths of income. Keep in mind, however, that some states without income taxes wallop retirees with high real estate or sales taxes, while some high-income tax locales (Hawaii, for example) have generous exemptions for retirement income.

SOURCES: WOLTERS KLUWER TAX & ACCOUNTING; TAX FOUNDATION.



PETER AND MARIA HOEY FOR FORBES

A Cut Above

After more than 30 years as the king of California cuisine, Wolfgang Puck finally plants his steak in New York.

BY MAGGIE MCGRATH

Puck stops here: "Everybody goes to New York," he says in his first Manhattan restaurant. "I said I have to stay in L.A. and defend L.A."

JAMES FARRELL FOR FORBES

WHEN WOLFGANG PUCK was a 14-year-old boy living in the small Austrian town of St. Veit, he saw a picture of the Empire State Building. The 102-story skyscraper inspired two thoughts. The first: "I want to build something like that." The second: "What lies beyond our mountains?"

The answer was New York City.

Unlike those who try to make it there first, Puck would take more than 50 years to bring his culinary talents to Manhattan. Over the course of those decades he became the rare celebrity chef who built an empire without the help of the New York restaurant world.

In fact, Puck has been everywhere but New York: After dropping out of school and working in kitchens in France, he started his American career as the chef at La Tour in Indianapolis ("I love auto racing—I used to live in Monte Carlo. Indianapolis sounded amazing," he says of that decision) and earned a spot in the culinary firmament with the 1982 opening of Spago in Hollywood. That his locally sourced, Italianesque concept—which showed that good food doesn't have to be stuffy by putting smoked salmon and caviar on pizza—now sounds ordinary is proof of how dramatically Puck changed the dining landscape.

He cemented his status as the king of California cuisine with the opening of Chinois in Santa Monica and Postrio in San Francisco and by catering the Oscars (he's on his 23rd year)—and it's an honor he's proud to keep.

"Everybody goes to New York. Thomas Keller was in L.A., and he goes to New York," Puck says. "I said I have to stay in L.A. and defend L.A."

But with restaurants now in Las Vegas, London and even Bahrain Bay, the call of Manhattan became too strong to resist. Last fall Puck opened

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Cut, his steak-house concept, in New York's Financial District. It's his 27th fine-dining restaurant and his sixth Cut.

"I think New York is the holy grail," says Tom Kaplan, Puck's longtime business partner. "We're really proud to be there, and we know we have to earn our stripes."

Indeed they do. The city's most prominent culinary voices have given Cut a bit of a New York welcome (in December *New York Times* critic Pete Wells wrote that "nothing on the menu breaks new ground"), though Puck insists the place has been busy and has already established a rotating cast of regulars.

Cut is a distinctly Puckian creation—the chef himself had a hand in curating everything from the rich interior design to the music playing overhead to, of course, the menu, which has been dusted with influences from his signature Spago.

Puck doesn't seem worried about the new restaurant's success: "Now that we're in New York, we might as well have two."

Big-eye tuna tartare with wasabi, togarashi crisps and tosa soy starts the menu and gives way to dishes like handmade tortelloni, bone marrow flan and Wagyu beef sashimi with Japanese cucumbers. Main courses are a carnivore's dream: There's locally sourced angus filet, 28-day aged prime beef from Creekstone Farms in Kansas and 35-day dry-aged cuts.

And Puck is banking on New York's storied history as a mecca for meat lovers. During a recent lunchtime rush, he was working the dining room in his chef's whites, shaking hands with diners and asking them if there's anything he can do. He likes to visit a dining room twice a night, but sometimes these rotations take longer than they should because he gets caught up in conversations.

Puck's famously ebullient demeanor belies his tenacity and shrewdness as a businessman. The 67-year-old chef has grown his brand into an enterprise doing north of $400 million in annual sales (in addition to the fine-dining segment, whose restaurants can reap upwards of $13 million in sales per location, the Wolfgang Puck companies boast 72 casual dining spots, a line of kitchenware and even eponymous canned soups) by partnering with airports and hotel and casino chains like MGM Grand, Sands and the Four Seasons. If a hotel or casino provides the capital to build and operate a restaurant, Puck's team works for a management fee that comes off the top line and an incentive fee that comes off the bottom line.

These types of deals mean that in finally moving to New York, Puck is largely inoculated against many of the challenges that face Manhattan-based restaurateurs (challenges that shuttered Bobby Flay's Mesa Grill and forced Danny Meyer to relocate his Union Square Café after 30 years). Cut is operated by the Four Seasons, and Puck leases the space in the newly opened downtown hotel.

So if not for the real estate risk, what took him so long to get to the big city? Puck and his partners describe the protracted wait for a Manhattan outpost as a matter of strategy: holding out for the right time and the right location.

"It took a long time to get this project off the ground, to get the building built," he says. "We actually started five years ago. So it was five years in the making."

It was the recession in 2009 and its effects on Las Vegas—a city that houses six of his restaurants, fine and casual—that prompted Puck and his partners to focus on expanding internationally. The Singapore Cut opened in 2010, and London's version in 2011; Spago and Cut spinoffs in exotic locales soon followed, but Puck says it was the London trips that made him realize that he "might as well" stop in New York on his way from Beverly Hills to the Old Smoke.

"In my mind, he's taken a pretty big risk there," says Paul Pruitt, a restaurant consultant who has done work for the beef-driven BLT Restaurant brand. "And that's probably what's played in his mind a little bit as well. He could've never opened in New York and retired respected and beloved. It takes some gravitas to put yourself out there at this stage in your career when you really have nothing to prove."

But Puck doesn't seem all that worried about the success of his new restaurant. "Now that we're in New York," he says, "we might as well have two."

He also has a plan that has nothing to do with a kitchen. A high school dropout, Puck has an unfulfilled wish—one covered in ivy.

"I have done almost everything I wanted," he says. "My new thing is I want to go to Harvard. They have this executive's program. I'm going to go next year." ✱

FINAL THOUGHT

✱ *"'Chef' doesn't mean that you're the best cook—it simply means 'boss.'"* —**TOM COLICCHIO**

BUY THIS ISLAND

TRUMP ISLAND

No, this 29-acre property, set among Washington State's San Juan Islands, is not owned by or named after you-know-who. But the president might have had an effect on the list price, which during the week of his inauguration increased 13% to $8.75 million. For that you get the land and a 7,000-square-foot home (built in 2000) with six bedrooms, four and a half baths, a greenhouse, wine cellar, private dock and separate caretaker's cottage. As for the name, the new owner can change it, but good luck: You'll have to apply to the U.S. Board of Geographic Names, part of the Department of the Interior.

WEALTH MANAGEMENT 2017 AND BEYOND

2017: WHEN RETIREMENT INVESTORS TAKE AIM AT THEIR OWN FEET

LOW INTEREST RATES AND A BOOMING STOCK MARKET HAVE LEFT SOME CLIENTS CONSIDERING RISKY BEHAVIOR.

This year risks being the year of living dangerously for retirement investors. Low interest rates mean conservative portfolios struggle to generate returns. A legacy of undersaving has left many retirees facing a funding shortfall. Meanwhile, stocks' steady march upward has led some investors to throw caution to the wind.

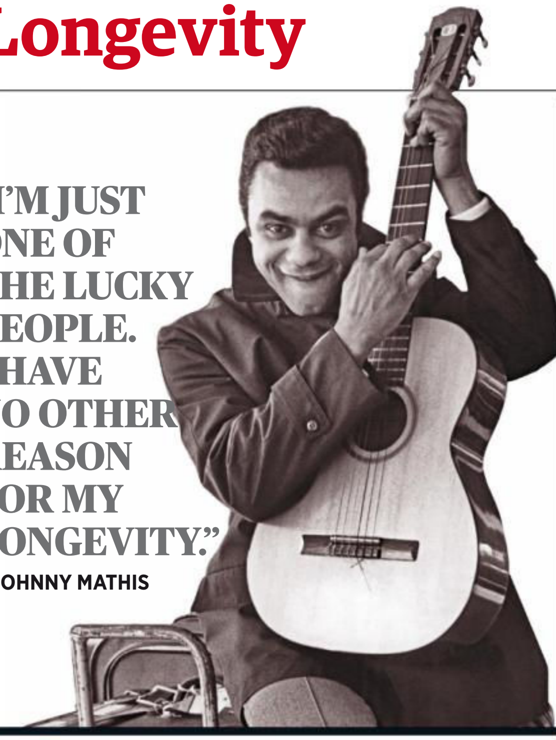
"With interest rates being so low and the stock markets doing well, we see clients wanting to take on more and more risk, asking, 'Can we try to juice our return?'" says Paul Gassel, managing partner at Chicago-based WWM Investments, LLC.

Advisors now face the challenge of managing expectations. Gassel's approach is to walk clients through different scenarios and the impacts they might have on future income streams. "If the market turns and they lose just 5% of their account value, it completely changes the income assumptions in their plan for decades to come," he says, adding that while most clients come around, those who insist on taking on too much risk can be setting themselves up for failure, forcing WWM to reevaluate the relationship.

The rising stock market is behind much of the shift in expectations, says Jennifer Kim, a Los Angeles-based senior partner at SEIA. "Whenever you have a nice run people start expecting nothing but big returns," she says. "A negative return isn't even imaginable at this point." Rather than grow frustrated by clients asking to chase returns, Kim doubles down on communication. "Whenever the market is really high or really low, it makes our job a little more difficult," she acknowledges. "But these times represent opportunities to solidify our relationships."

The financial industry and media bear some responsibility for investor performance-chasing. Investors are bombarded by marketing pitches and news reports that focus on new ways to goose returns and who is beating whom. "Yes, it's not unusual for someone with a low risk tolerance to question why the S&P might outperform their portfolio in a given year," says New York-based Jolie Ann Calella, CFP®, vice president and senior portfolio manager with Morgan Stanley. "The reason is simply because they don't have the tolerance for the volatility that comes with a 100% equity portfolio." As an industry, she adds, "the focus should be on advisors helping clients understand the risks associated with different investments and asset classes, and helping them invest appropriately based on their goals."

Longevity



"I'M JUST ONE OF THE LUCKY PEOPLE. I HAVE NO OTHER REASON FOR MY LONGEVITY."

—JOHNNY MATHIS

"Days and months are itinerants on an eternal journey; the years that pass by are also travelers."

—MATSUO BASHO

"Nowadays, I don't want a perfect face and body–I want to wear the life I've lived."

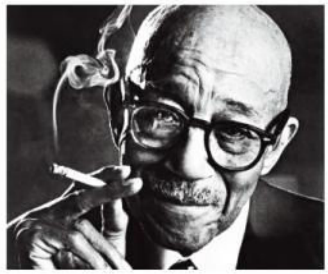
—PAT BENATAR

"What's the secret to staying around? There is no secret. Just stay around."

—DON RICKLES

"I think my life will run out before my work does. I've planned it that way."

—TOWNES VAN ZANDT



"If I'd known I was gonna live this long, I'd have taken better care of myself."

—EUBIE BLAKE

"The afternoon knows what the morning never suspected."

—ROBERT FROST

"I may not have gone where I intended to go, but I think I have ended up where I needed to be."

—DOUGLAS ADAMS

"GROW OLD WITH ME! THE BEST IS YET TO BE."

—ROBERT BROWNING

"I have turned away from the con game which the gods run in their heavenly sideshow. ... I have my moment, which is quite enough."

—ROBERT SHECKLEY

"NOW IS THE TIME TO BECOME A MYTH."

—DIANE VON FURSTENBERG

"THE SECRET IS NOT TO LOOK BACK."

—NORMAN ROCKWELL

"BETTER IS THE END OF A THING THAN THE BEGINNING THEREOF; AND THE PATIENT IN SPIRIT IS BETTER THAN THE PROUD IN SPIRIT."

—ECCLESIASTES 7:8

FINAL THOUGHT

"Each of us is a survivor of the fittest of many generations."

—B.C. FORBES

SOURCES: NARROW ROADS OF OKU, BY MATSUO BASHO; GOODREADS.COM; THE LONG DARK TEA-TIME OF THE SOUL, BY DOUGLAS ADAMS; THE TIMES BOOK OF QUOTATIONS; BETWEEN A HEART AND A ROCK PLACE, BY PAT BENATAR.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