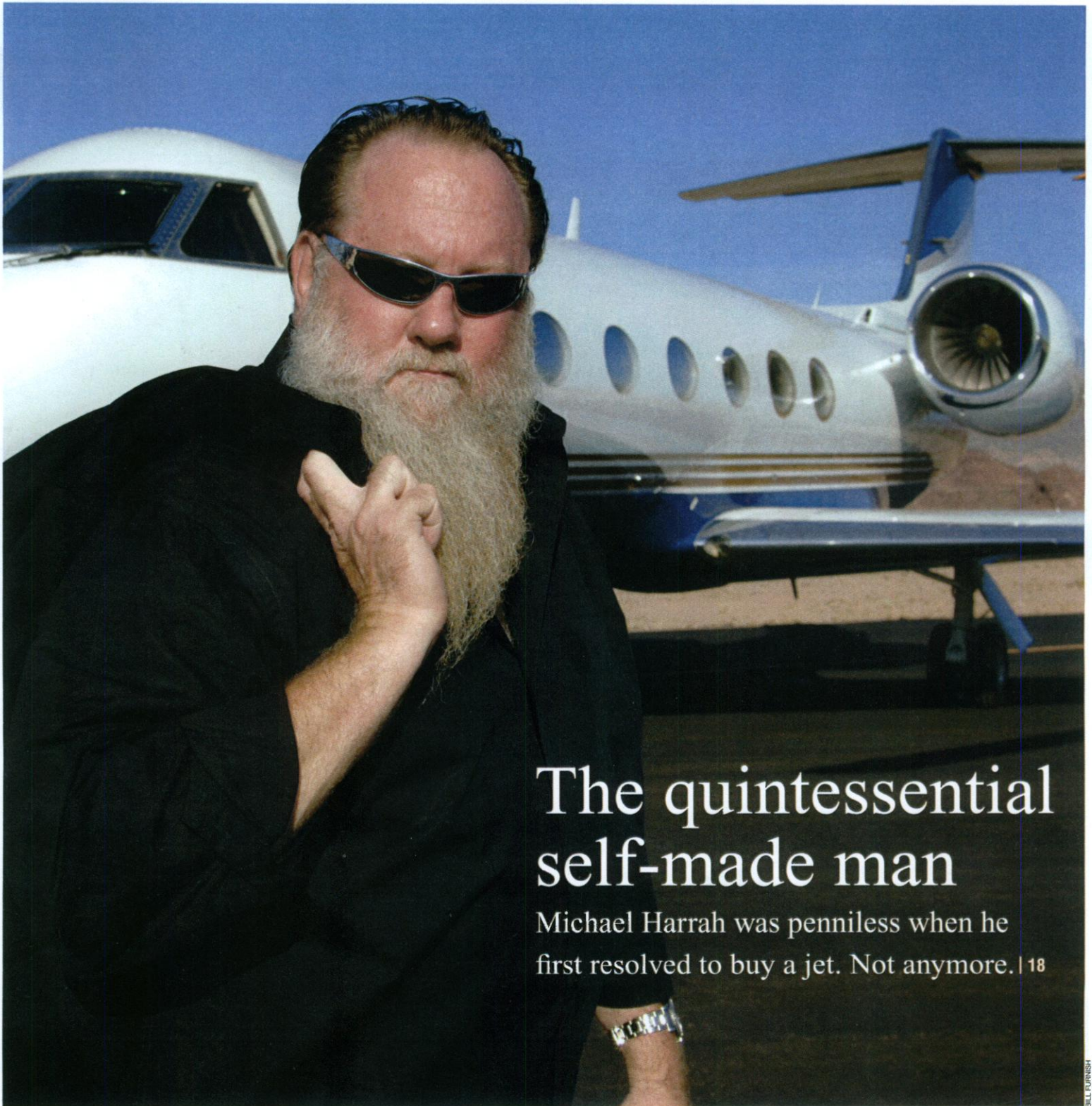


# BUSINESS JET TRAVELER<sup>®</sup>

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## The quintessential self-made man

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## Michael Harrah

He was penniless when he first resolved to buy a jet. Not anymore.

Interview by Jeff Burger



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*The quintessential self-made man, Michael Harrah launched his career with nothing but competitive zeal and a carpenter's toolkit. About 35 years later, he is the sole owner of Caribou Industries, which has built and managed restaurants, high-rise offices, hotels, golf courses, shopping malls, convention centers and other properties throughout the western U.S. His biggest current projects include a 35-story condominium tower in Honolulu and a 37-story skyscraper in Santa Ana, Calif., where he already owns 3.8 million square feet of office space.*

*The 55-year-old Harrah gives some credit for his accomplishments to his fleet of aircraft. But as much as we value private aviation, we suspect he would have prospered even if his sole transportation mode had been a bicycle. Obviously skilled at what he does, Harrah also exudes the drive and self-confidence that invariably accompany business success.*

*On the other hand, he probably isn't anyone's idea of a typical CEO. Standing six-foot-six and weighing 300 pounds, he favors blue jeans and cigars and sports a beard long enough to make him look like a member of the rock group ZZ Top. In his spare time, he cruises around on one of his 20 Harley-Davidson motorcycles or in a pickup truck; races his fleet of dragsters; sets world records water skiing; and performs stunts in one of his five helicopters for TV shows like E.R. and Hollywood films such as The Hulk and The Siege.*

*The stunt work presumably pays well, but that doesn't matter if the Orange County [Calif.] Business Journal's annual ranking of the county's wealthiest people is at all accurate. "I came in number 20 this year," Harrah said, sounding as if he were reciting his position on a pop-music chart. "Four hundred million dollars."*

### What did you do after high school?

I went to Maui with a one-way ticket. My plan was to surf around the world and never come home. Of course, that didn't work—you run out of money. So I got a job picking pineapples. One of the hardest jobs in the world. It's 80 percent humidity and 90 degrees. Rats bite your feet and there are spiders all over. But there was a dorm and it was a job. It paid 45 cents an hour. Then they needed a driver to run pineapples to the cannery. That paid 65 cents an hour. I did that for four months.

### Then what?

I went home. But I had to sleep in the airport for three days because I had to fly standby. That's when I said, "I'm gonna get me a private jet. If I had my own airplane, I'd be out of here." Mean-time, I barely had money for the ticket.

When I got back to California, I went to Long Beach State and graduated with an architectural major. Meanwhile, I did carpentry, started my company and built a lot of stuff. One custom home made me about 800 grand. Then I built 500 apartments.

By the time I was 21, I had 30 guys working for me. And by age 25, I was worth probably three million bucks. I was the ultra nouveau riche kid—you know, you needed a Ferrari, a ring on each finger. Because you never had that stuff and that's what rich people have.

### How did you know how to build homes?

My dad was a machinist and anything we had, he built. So by the time I was 18, I could build houses and work on car engines. My mom would say, "He's out, 10 o'clock at night, working on his car. He should come in and do his homework." I chose not to do that. If I couldn't spell, I thought, someday I'd make enough money that I could just hire a secretary.

### Tell me about your big Arizona project.

Around 1978, I was ski-racing at Lake Havasu and thinking how cool it'd be to have a hotel there. And in 1981, the prime rate went to like 26 percent, so the people who owned the property couldn't get rid of it. I told them I'd give them \$50,000 down and \$5,000 a month for a year. They said, "You're nuts." But there was nobody else to buy it. Finally, they figured, "Let's sell it to this goofy guy Harrah." I'm sure their intent was to just foreclose me when I missed a payment. But I got my first re-

ally big loan, for \$13 million, and built shopping malls, a hotel, condominiums, a golf course and a marina.

### Then you lost everything.

Around 1990, I sold the project to an investor who assumed my loan. The bank was a little worried about the buyer, so they said, "Mike, would you mind staying on the note? If he doesn't make it, we can just shift it back to you and we won't have to requalify you."

It sounded good at the time, but the investor filed bankruptcy eight months later. The bank said, "Mike, we know you had nothing to do with this, but you have 10 days to pay us 30 million bucks." So I started liquidating stuff. I'd bought a Learjet 36. That went away, the house went away, everything went away.

### You wound up declaring bankruptcy yourself, which must have been tough.

In fact, it was good for me. The bankruptcy taught me a lot about business. But it was a lot for my wife to deal with. When they took the sailboat and came with a moving van for the furniture, I had to tell her that things were not as good as they should have been.

### What did you do next?

We rented a room in her mom's house for a couple of years. And I went to an investor I'd done business with. I said, "I have a couple of projects that are going to be sold out of bankruptcy court. You should bid on them." And he did. Then I said, "I happen to be looking for a job." He said, "Mike, you were forced into a bankruptcy—you didn't get a frontal lobotomy. You build it out, and I'll give you 25 percent." So we built condos and right out of bankruptcy, I made \$900,000 in a year.

Then I got a money partner and bought like eight buildings out of bankruptcy court in Long Beach. Built tenant improvements and sold them and made six or seven million bucks.

### How did your involvement with aviation start?

In 1976, I saw a banner: "Learn to fly—\$25." I was thinking, "Gosh, I'm gonna try that." The \$25 was for an introductory flight. After about one week, I soloed and just loved the whole thing.

There was an aircraft salesman who said, "I'll see if I can get you financed. I'll get you started in a Cessna 310." A couple weeks later, I had a multi-engine rating and bought the 310.



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COURTESY OF MICHAEL HARRAH

**A self-described workaholic, Harrah directs 400 employees and oversees construction sites at numerous locations.**

This guy was the classic salesman. He'd sell me plane after plane. I owned like five in a year and a half, and every one he said was the ultimate. A few weeks after I had the 310, he said, "You know, we just got in a Cessna 411. You need to move up to a cabin-class plane. I'll take the other one in trade." So I bought the 411 and it was really a piece of junk and he said, "Yeah, you're right—what you need is a 414." So I bought that. Then he had a 421B. I got a couple thousand hours in that and loved it.

Then I bought an 1121 Jet Commander and took it in for maintenance. The bill was \$70,000. I didn't have the



I said, "I'm gonna get me a private jet. If I had my own airplane, I'd be out of here." Meantime, I barely had money for a ticket home.

money and I hadn't authorized all that work, but they said, "The airplane's not leaving till you pay."

#### What happened?

I started my own payment plan—sent them 10,000 bucks—and, meanwhile, I went out there one night with a friend. They figured I might do something, so they had a tire with a chain around the landing gear. So I got my little torch and burned the chain off. I wasn't trying to beat them out of the money—I just wanted to get my airplane back and make payments. So we got in the airplane but couldn't get it started. Then I hear this tapping on the window. It's the guy from the repair station and he's holding the igniter plugs. He says, "Maybe you boys will need these.

They're gonna cost you \$70,000."

So we went home. I eventually sold the plane, but of course, I didn't learn my lesson there—I bought another 421 and then a Lockheed JetStar 6. When I bought that, friends said, "It's built like a rock, you can't go wrong." But a while later, I took it for an inspection. I knew I had a problem when the guy said, "Man, I can't believe you even made it here. Everything is the most corroded we've ever seen."

The bill came out at \$350,000. I refinanced the airplane, flew it for six months, sold it, bought a Cessna CitationJet and flew that for three months. I sold that, bought a Lear 23, flew that for four years and then bought a Citation that was converted for single-pilot operation. Now I have a GIV.

COURTESY OF MICHAEL HARRAH



#### You've owned so many aircraft that I'm surprised you can keep track of them.

At one time, I had a Gulfstream II-SP, a GIII and a GIV all at once. Now that is financial suicide. I ended up selling the II and the III.

#### Then there are your five helicopters.

With helicopters, you can land anywhere. I really like them more than airplanes, except it would take you four days to get to Vegas in a helicopter.

#### Where do you fly to most?

Sometimes we just fly to Vegas, stay overnight and fly home. I also fly to Speed World, near Mesa [Ariz.]. Then I race a car until we either break the engine or we're done. I also fly out in the Mojave Desert in my [Bell 212] helicopter, look for old mines, have lunch and then fly back.

#### Has aviation helped your business?

I think owning a plane makes a statement. I remember years ago, I flew to San Francisco, picked up my loan officer, flew to Lake Havasu. I had the JetRanger [helicopter] sitting there. I flew him over the river, landed at the restaurant and we had a great dinner. I had a loan commitment for \$13 million that same night. I think he was fairly impressed.

#### Fast Facts

Name: Michael F. Harrah  
Age: 55  
Home: Newport Beach, Calif.  
Occupation: Real estate developer.  
Hobbies: Waterskiing, drag racing, helicopter stunt work  
Family: Wife Melanie. Married for 31 years.  
Transportation: Gulfstream IV, Learjet 24D and five Bell helicopters.

#### Do you ever fly commercially— to Europe, for example?

No, the farthest I've ever flown is Hawaii.

#### You've never been abroad at all?

No.

#### That really surprises me.

I'm a homegrown boy and I like it here. And with all the unrest in the world, it's scary. Also, I'm a workaholic and, with 400 employees, it's very hard for me to spend time away.

#### When's a good time to reach you if I have more questions?

Call me anytime. We start work at 4 in the morning and go home at 9 at night. □