Built on Grit: h.wood and John Terzian

“Young people look at what John has built and they want to achieve that kind of success overnight. But that’s not how you become a John Terzian. You have to work your ass off day after day, year after year, even when things get really tough. That’s how John got to where he is today.”

--Scooter Braun, CEO, SB Projects

The Nice Guy restaurant’s plain facade fades among the ostentatious architecture of Los Angeles, California. The quiet exterior intentionally hides the glamour and celebrities within. The experience of dining at The Nice Guy (see Exhibit 1 for images) has been meticulously crafted to invite the famous to feel comfortable and the fans to feel included. When award winning hip-hop musician Drake and his long-time DJ and manager, Adel Nur, also known as Future the Prince, moved to California, they explored possible venues where they could feel at home. Nur recalled, “Drake and I were looking for a place where celebrity doesn’t matter.” When he found John Terzian and his soon-to-open restaurant, The Nice Guy, he knew he had come to the right place. Terzian and his company, The h.wood Group, had built a reputation for creating upscale restaurants and night clubs and filling them night after night with the A-list celebrities that reside in Los Angeles. Nur commented, “What really sets John apart is that he never compromises his relationships or the quality of his work for money. He takes the time to build trust and become friends with his clients. He plays the long game.”

On this particular evening, Terzian walked among the restaurant patrons stopping to chat at each table. Speaking with personal familiarity, he would catch up on their lives and share his own anecdotes. Intermittently, he would send personal text messages to dozens of his friends. Many of the texts were invitations to an exclusive event at Bootsy Bellows, a marionette puppet themed nightclub. Stopping at the last table, he greeted one of The Nice Guy’s investors. Their conversation was interrupted by the buzz of Terzian’s phone with a text from David Arquette, a notable Hollywood actor and partner at Bootsy Bellows. A group of celebrities had arrived at Bootsy Bellows and asked if John was there. Terzian excused himself and stepped out to signal the valet to bring his car around.

Terzian had begun his workday at 6:00 a.m. It was now 10:45 p.m. and the night was still young. He wondered how long he could sustain this intense schedule, especially as the h.wood venues continued to multiply. Driving across town, Terzian reflected on his incredible—and often painful—entrepreneurial journey, as well as the new challenges he was now introducing. Each venue had been cultivated through personal relationships with the patrons and with exhausting attention to detail.
His growing business was driven by this highly involved, time-intensive approach and he wondered whether this strategy would jive with the continued success of The h.wood Group. Would his venues continue to feel personalized, unique, and exclusive if h.wood became a larger corporation? As he drove, he weighed the natural desire for growth against his concerns about maintaining the personal touch and creative control that had gotten him this far.

**John Terzian: A People Person**

Los Angeles had always been Terzian’s home and it was central to his network, which had been growing in size and diversity since elementary school. Terzian shared, “My father was a lawyer and my mother was a teacher who just loves people.” Consequently, he had learned to connect meaningfully with people representing vastly different interests and backgrounds. Moreover, he stayed connected. He noted, “Some people lose touch when they graduate from elementary school to middle school. I stay friends with everyone and I make friends with their friends.” This approach had enabled Terzian to cross between the traditional groupings that young adults foster in high school. He elaborated:

> Most people stay in their own world, athletes with athletes, academics with academics, it’s crazy. I try to break that. One night I was having dinner with a group of hard core rappers and then went directly to a dinner at Elon Musk’s with all these technology game-changers. I thrive off that type of stuff.

Terzian first recognized the power of his relationships during his junior year of high school. His friend’s parents were going out of town and it seemed like an opportune time to throw a party. He began making calls to friends throughout his vast network from across the area schools. “The party went viral long before ‘going-viral’ was a concept,” Terzian joked. Well over a thousand high school students showed up and it shut down the entire upper-class neighborhood. “This was my first experience with organizing a massive party. I loved how the different groups mixed, so I did it two more times,” he laughed. Not surprisingly, his friend’s parents were less appreciative.

Maintaining these diverse relationships in the late 1990s required a significant investment in time. Before SMS texting was widespread, Terzian relied on landline telephone calls to keep up with his growing network. Later, despite the prevalence of email and social media, he did not alter his method of staying in touch. Terzian reflected, “I marketed the same way then as I do now: I personally text or call everyone. I don’t believe in email and I get crazy results compared to email blasts. My system is all about personal touch.”

**Football and the Pursuit of Passion**

Beyond people, Terzian had two primary interests in high school: visual arts and American football. As an artist, Terzian worked in isolation, experimenting and exploring with charcoal sketches. He noted, “to this day, I create all my venue designs in secret and only share them when they are finished.” As a football player, he excelled at team management, rising to be the starting quarterback at Harvard Westlake High School, an elite private preparatory school. His best friend on
the football team was Alex Holmes. Holmes, who eventually went on to play professionally in the National Football League, was a coveted recruit by university coaches looking to fill a tight-end position. Holmes and Terzian had both planned to attend the University of Michigan where Holmes would play football and Terzian would pursue art on a full-ride scholarship. However, toward the end of his senior year, Terzian received a phone call from Paul Hackett, the head football coach at the University of Southern California (USC). “At first, I thought it was a joke, so I hung up,” Terzian chuckled. “He called me back, but I had left for class. So he actually sent someone to pull me out of class! He thought it was hilarious that I had hung up on him.” Hackett explained that USC was eager to persuade Holmes to attend USC over Michigan, but Holmes had stated that he would only attend USC if Terzian was also offered a place on the team.

After discussing their options together, the two decided on USC. For Terzian, this was an unexpected opportunity. “I had not planned on playing football at the university level. I loved the game and wanted to keep playing as long as I could,” he beamed. However, after the first three weeks of practice it became clear that the coaches were not intending to keep Terzian around. Outperformed by the other, much larger, players, Terzian was cut from the roster. This did not sit well with Terzian. He recounted:

They thought they could use me to get Alex and then cut me, and I was like nah, you ain’t doin’ that. So the next day, I showed up for practice. The coach thought I was confused and kicked me off again. The following morning there I was again. By the third day, he sat me down and asked: “is this something you really want to do? Because I don’t have a spot for you.” And I replied, “Well you’re going to have to find one!” He sighed, “You’re coming back tomorrow, aren’t you?” I said, “I’m coming back tomorrow.”

Terzian’s determination and grit did not come without costs. He was allowed back on the team but was given the earliest training times and most aggressive field plays. The countless punishing hits from larger players led to a number of concussions. Through it all, he was motivated by an intense internal drive. “I am psychotically competitive. So no one was going to kick me off,” Terzian stated.

Over time, the coaching staff came to realize that Terzian’s refusal to quit was actually an opportunity for the team. Off the field, he excelled at organizing parties to help recruit new players. Some of his friends from high school were becoming celebrities and Terzian often invited them to the recruiting events to help everyone have a good time. “What is recruiting? You’re showing someone that USC is where they want to spend the next four years, all because of one event. The ability to create a great experience for someone – that’s what I wanted to do with the world,” Terzian explained. He extended this passion for connecting and entertaining, by forming 28th Street Entertainment LLC and serving the USC fraternities and sororities.

Despite finding his passion, the idea of channeling it into a career was an unclear endeavor. Terzian’s roommate at USC was enrolled in the Lloyd Greif Center Entrepreneurship Program and suggested Terzian apply. “I was surprised to learn that as a communications major, I was unable to enroll in these classes,” Terzian related. He was informed that the entrepreneurship program was restricted to business majors. Undaunted, he applied to the program anyway. “I wrote a Pulitzer prize winning letter requesting entry into the program...and was still denied,” Terzian said. “So, I just started showing up to class!” he laughed. Eventually he was invited to meet with the head of the entrepreneurship program. In the meeting, Terzian argued, “An entrepreneur doesn’t have to go to school, it’s just in you. Rejecting me from the program stands against the very principles on which the Greif program was created. I want to learn from you and I will give back.” The appeal worked and he was granted a special waiver.
In his third year at USC, Terzian began applying for internships. “At the time I thought being a sports agent and representing pro athletes was the best way to combine my love of football, entrepreneurship, and relationship building,” he explained. In Terzian’s opinion, Arn Tellem was the most successful agent at the time and, therefore, decided he would be the ideal mentor. Terzian pursued the opportunity with his typical persistence. He recounted:

I called the office general line and requested to speak with Arn. The receptionist politely declined. I then asked, “what’s it going to take for me to speak with him?” She replied that she had no idea. So for the next four months, I called every day at 7:00 am. It became a joke among the secretaries. I would call, they would note that I called, and I would hang up. Finally, I got an email from Arn saying: “Well, that’s one way to get in here.”

Law School: Leaving Passion Behind

Upon graduating from USC in 2003, Terzian was accepted to the School of Law at Pepperdine University. “I went to Law school partly because of family, partly not knowing what I wanted to do. My father is a lawyer, my older brother is a lawyer, my sister-in-law is a lawyer,” he explained. Despite his familial connections to the legal industry, practicing law did not ultimately hold appeal to Terzian. Throughout law school—and against the school’s policy—Terzian worked three part-time jobs, in addition to promoting events on the side. He continued to work with Arn Tellem the sports agent, as well as with Matt Tolmach at Sony Pictures and producer Michael De Luca. After graduating from law school in May 2005, he began applying to jobs while studying for the bar examination (the professional entrance exam required to practice law in the United States). Terzian clarified, “I didn’t want to practice law, so I didn’t need to pass the bar exam but when you graduate from law school, it’s just what you do.” For the next six months, Terzian studied and applied to as many jobs as he could. He divulged, “I applied to everything: marketing firms, talent agencies, production companies and did not get any offers. I was even rejected from the mailroom! ... And then I received notice that I didn’t pass the bar.” These six months left a strong impression on Terzian. He noted, “It literally infuriates me, to this day, that I didn’t pass the bar. I felt like everyone was judging me. My friends were getting great jobs and I was living at home. For the first time in my life, I wasn’t able to get what I wanted.”

Around this time, Terzian was presented with a critical choice. He had begun to work on the side with two friends: a fellow lawyer and the rising performer Adam Goldstein, also known as DJ AM. Terzian recalled, “The DJ world was starting to change a bit in the US and we thought maybe we could create a club around dance music.” As Terzian began to see a possible career in the club scene, he received a call from a film director offering him an assistant director position. Terzian waffled:

On the phone, she could tell I wasn’t ready to commit, so she brought me in to her office and had an A-list actress on hand to help persuade me. It forced me to look critically at the DJ thing. I loved it. I loved the music, the marketing, the management. I could see DJs becoming the new wave of artists.

Terzian turned down the job and for the next year, he traveled full time working for DJ AM as his manager. “I saw every club in the world. I saw AM make a room of people stay and move. Because of this, I still view all my clubs from the perspective of the patron,” Terzian said enthusiastically.

Navigating Disappointments and Setbacks

At the beginning of 2006, Terzian believed that dance music had gained enough momentum in the United States to support a new club in Los Angeles. He joined DJ AM and others to launch LAX, a dance club in Hollywood, California built around DJ AM’s fame. LAX attracted crowds immediately and the team was soon presented with the possibility of opening a second location in Las Vegas, in
partnership with the Luxor Hotel, Terzian threw himself into this new opportunity with enthusiasm and an informal understanding that he would receive an ownership stake in the new venue. However, after three months of working without a salary, it became apparent that a mutually agreeable financial arrangement could not be reached. Disappointed, Terzian parted ways with the group and found himself back at square one. He contemplated, “I am very trusting of people. I don’t want to change that but it can be scary because things don’t always work out.”

Although discouraged, Terzian was grateful for all he had learned and remained committed to his goal of creating a unique night club experience. Terzian resolved, “I’ll raise my own money and do it alone.” In late 2006, he began work on The Stork, a venue inspired by the club of the same name from the 1940s. The Stork was located in a vacated two story Burger King restaurant, in Hollywood, California. He raised $1 million from 18 friends and family and hired a designer to plan the interior of the club while maintaining close control of the final product. He went so far as to re-build the interior twice before he was satisfied with the result. “The way I do my venues is to combine art and business. I get to ‘paint a picture’ in my mind each time,” Terzian explained.

Investors in The Stork urged Terzian to recruit a financially-oriented business partner. Terzian agreed and asked Brian Toll to join him. Toll and Terzian had met while undergraduates at USC. Toll had built a successful promotional marketing company that focused on filling area clubs with patrons for a commission. While Terzian was working at LAX, he was impressed with Toll’s ability as a promoter and business person. Toll initially declined Terzian’s offer. Toll recalled, “I was making good money and only had to work on Fridays and Saturdays. Plus, every owner I knew said you have it better than me—you don’t have to worry about filling a club seven days a week.” In his trademark fashion, Terzian would not take no for an answer. He continued to pursue Toll and argued that being a promoter was a job, rather than a long-term career. Toll eventually capitulated. He rationalized, “It was worth the risk because if it worked, we could have a place of our own, or multiple. And if it failed I could go back to promoting. So, I put in a little money.”

Terzian and Toll opened The Stork in 2007, but it was short lived. “It was a major flop. We had no idea what we were doing with The Stork. For example, I had chefs robbing us blind through overstaffing. Within three months, we had to shut down,” Terzian said shaking his head. Toll elaborated, “The Stork just started out on the wrong foot. There was a focus on food and it’s hard when people are eating and you also offer bottle service. The Stork was just trying to be everything.”

In spite of the setback, Terzian and Toll raised an additional $500,000 and re-imagined a new night club that could hold 600-700 guests. By the end of 2007, The Stork was redesigned and given a new name, h.wood. Terzian reminisced, “Everything was branding. To get in, you needed to recite your favorite poem. All the waiters were dressed in designer clothing that was on loan. In the evenings, there were chess and checker boards on the tables.” To enhance the draw of clientele, Markus Molinari was invited to join as a co-founder. Molinari was a marketing professional with a knack for building relationships with rising celebrities. To solidify the relationship among the founders, they formed a corporate entity called The h.wood Group.

As quickly as The Stork flopped, h.wood took off (see Exhibit 2 for images of the venue). The club was regularly filled and Terzian found himself with an unexpected challenge. He explained, “h.wood was too big to keep my higher end clients happy.” To create a private space, Terzian converted an unused storage room into a small lounge and filled it with his grandmother’s old furniture. He recalled:

A lot of cool people, like Cher, were sober or could not be associated with alcohol, so I called the space The Tea Room. The Tea Room became the most successful thing I have ever done. The whole purpose of the room was to make my more
famous friends feel safe. This little room showed me the light of how to market through scarcity and create ‘The Myth’ to drive demand.

In Terzian’s opinion, scarcity is the critical element of driving the appeal. He explained through another example: “One of the world’s most expensive bottles of champagne is a $250,000 bottle of gold-plated Dom Pérignon. Only 25 bottles are sold a year and I sell all 25. How? To buy one you have to know me and, even then, I might not sell you one.”

In 2008, Terzian and The h.wood Group expanded to a second location. Leveraging the success of h.wood, Terzian revisited his first venture, LAX. He persuaded the owner of the LAX property to grant h.wood the right to open a new club, Las Palmas, supplanting the original co-founders. Like h.wood, the new venue quickly took off. Toll extolled, “We were too good at what we did. There were lines down the street every night and we were making good money.”

Indeed, their success began to draw unwanted attention. The residential neighbors of the h.wood club began to file noise complaints. Toll recalled, “Despite having all the permits and being located on the noisiest street in Los Angeles, the neighbors would complain about the sound of the bass and the drunk people pissing on their yard.” The police began to show up during operating hours but Terzian, with permits in hand, felt no need to acquiesce. He later acknowledged that the same stubbornness that had benefited him so many times in the past made things progressively worse during tense interactions with the police. Frustration still in his voice, he said, “It began by the cops carding our patrons, then they would confiscate the DJ equipment, finally the cops would arrest me, handcuff me, drive me around and drop me off in a random part of town. I think most people paid them off to avoid that, but I refused. We had always run an ethical business and I was not going to change that.”

After three years in operation, h.wood was shut down by the City of Los Angeles. Terzian acknowledged, “I was young and brash. I was in the right but that doesn’t matter. I should not have flown in their face.” To make matters worse, Toll uncovered that a long-time investor had been embezzling funds from Las Palmas and the club folded shortly after. The entire h.wood partnership was on the verge of dissolving. Molinari moved to France to work for a marketing firm, Toll returned to promoting other clubs, and Terzian moved back in with his parents. With pain still in his voice, Terzian recounted standing in line at a coffee shop and having his credit card rejected due to a lack of funds, forcing him to leave without the coffee. “I had lost everything, I really didn’t care about a single dollar,” he remembered. “I only cared about my friends’ money. It was the lowest point I ever faced in my life.”

Although devastated, Terzian was unable to let go of his dream. “Through it all, I could not stop thinking about The Tea Room...”

Recovery: SHOREbar and Beyond

While Terzian was still reeling from the loss of h.wood, he attended a friend’s wedding in Martha’s Vineyard, an island off the coast of Massachusetts that is historically the summer vacation destination for U.S. presidents and other wealthy individuals. “After this trip, I became obsessed with creating a preppy, New-England styled bar,” Terzian recalled. One of Terzian’s friends introduced him to Mark Verge. Verge, a serial entrepreneur, owned a neglected bar on the beach in Santa Monica, California called The Hideout. “It was a dump, there was an ancient hotdog roller on the bar and holes in the wall for vodka bottles,” Terzian recalled. It required four months of Terzian constantly pitching to persuade Verge to let him manage the location. Verge was reluctant but finally agreed to take the risk of lending Terzian $100,000 to remodel the premises on the condition that Verge be paid back in full before Terzian accepted a salary. Terzian reflected, “It took a lot of convincing, especially after all of my setbacks, but Mark took a big shot on me and I am eternally grateful. In the end he decided to do it
because he saw the hunger I had.” Terzian went on, “You can have everything—better looks, better contacts, more money—but I will still work harder than you.”

In order to pay his rent, Terzian employed a different financial model than in h.wood. This new venue, SHOREbar, was run as an exclusive membership club, priced at $1,500/year (see Exhibit 3 for images and description). Patrons had access to a member’s room, did not need to bring cash, and were provided a personal locker. Terzian reformed his partnership with Toll and Molinari, and included a rising associate Adam Koral. Koral, a few years younger than Terzian had slowly expanded his role from former investor to assistant to partner in SHOREbar. Terzian shared, “I was building SHOREbar on a shoestring budget and am grateful for all the help I received. Adam was working for free. I convinced my contractor, John Sofio, to help me build and create SHOREbar basically for free with the promise that I would build this huge company one day and he would stay with me. To this day he builds and designs every place with me.” At the grand opening party of SHOREbar in 2012, a performance by Katy Perry, a rising musician at the time, helped set the tone for the venue.

Terzian, Toll, Molinari, and Koral grew SHOREbar and six months later opened a second venue, Bootsy Bellows (see Exhibit 4 for images). Over the next year, they leveraged their success to open a third venue, Hooray Henry’s, and expanded into marketing services with clients such as McDonalds, Jaguar, BlackBerry, and American Express. They also produced large events for celebrities and high profile individuals, including Drake’s Super Bowl party and Kendall Jenner’s birthday celebration. Molinari reflected on the roots of their success:

*Our currency is our celebrities and John’s loyalty. I remember flying back to LA from a business trip meeting, John at The Nice Guy and John sending me home even though we needed to work late cultivating relationships. At the same time, if I get a text late at night from John, saying the Kardashian sisters have just arrived and are asking if I want to dance, I’ll be there!*

These celebrity relationships were not always glamorous and often presented challenging dilemmas that pitted personal loyalty against short-term gains. Scooter Braun was a rising music talent manager who had just moved to Los Angeles, when he and Terzian became friends. Braun’s client roster includes many notable musicians, including pop music star Justin Bieber. He recalled one specific incident:

*One of my clients, an under-age super star, was going through a very rough time. I had called clubs all over the country and asked them not to let him in and each and every single one of them promised me they would refuse him entry. But the next morning it would be all over the news that he had been in this club or that club. What it comes down to is that nobody turns down the opportunity for a major celebrity to party at their venue because of the buzz and attention it creates. Except for one person: John. One night, I get a call from John that this star was outside and upset because he had been refused entry. John asked me what he should do and I requested that John not let the star in. John went back out and respectfully but firmly turned him away. I know it hurt John in the short-term, but in the long-term he earned my and my client’s deep respect.*

**Rapid Growth and the Challenges Ahead**

“We were on a hot streak,” Toll exclaimed, “we had so many developers and landlords throwing options at us.” However, h.wood had operated by raising individual investors for each new venue, with no two venues relying on the same lead investor. Some of these investors felt neglected as The h.wood Group managers split their time between venues. Toll explained, “Our investors would say, I
gave you all this money to create a venue and it’s not fair that you’re working on a new project. It got to the point where we can’t keep growing and keep our investors happy.”

In 2014, The h.wood co-founders decided to explore the possibility of consolidating their investors down to a single entity or individual. They approached high net worth individuals, banks, and private equity firms but could not find compatible fit with h.wood’s investment amount and growth potential. Eventually, however the Hakkasan Group, a global hospitality company headquartered in London, offered to acquire a majority stake (51%) in the h.wood group, buying out all original investors and providing the capital, access and infrastructure to help them expand. Terzian had a good rapport with the Hakkasan representatives and this helped him decide to accept the deal. They created additional venues shortly thereafter, including The Nice Guy, Blind Dragon LA, The Peppermint Club, and Delilah, and licensed others (Bootsy Bellows Aspen, Blind Dragon Dubai and Blind Dragon Arizona).

It seemed to some that Terzian might be making a mistake in giving Hakkasan a majority stake. However, Terzian’s trust in his new partners did not surprise friend and fellow entrepreneur Ramin Bastani, CEO of Healthvana, who noted:

*John is going to stop trusting people. Critics always say you’re naïve when you trust and things go south and they call you a genius when you trust and it works out. But that’s just who John is, for better or worse, and you’re not going to change that about him.*

As for Terzian, he wondered how to maintain a culture of trust within the expanding h.wood team. He noted, “One of most important things I look for is trust. I value trust over experience all day long. At this stage, my inner circle of core partners are people I would trust my life with and I believe the h.wood group is only as good as our team.” How to grow the h.wood team rapidly while maintaining a strong culture of trust was an open concern. Terzian questioned whether further expansion was the best idea for other reasons, as well. He elaborated:

*We have worked so hard to build The h.wood brand around a custom experience and I’m not sure we can grow without losing that personal touch. We now have 300 employees and I try to teach everyone to provide a highly personalized experience at our venues. The smaller, exclusive feel is special to guests—they want to feel like they are friends with the owner, not just customers interacting with a big corporation.*

It was unclear how Terzian’s personal attributes of stubborn grit, trusting nature, and reliance on personal touch would play out as h.wood continued to expand. As he drove to Bootsy Bellows, these and other questions bounced around in his mind. Three, in particular, stood out: Had it been a mistake to grow so fast, especially given that doing so meant giving up a majority stake in h.wood? Going forward, was accelerated corporate expansion the right strategy, or should he instead take a slower, more gradual approach? Finally, how could he continue to use his personal attributes as strengths that would ensure h.wood’s (and his own) lasting success while preventing them from turning into pitfalls?

**Back at Bootsy Bellows...and Looking Ahead**

On the famed Sunset Strip, Terzian pulled up in front of a generic office building and a simple black and gold door. Only a small sign reading Bootsy Bellows indicated that behind the door was a fusion of rich colors, lights, music, and celebrities. He paused at the door for a moment and, then, stepping into the crowd he placed all thoughts about business strategy aside. Greeting Katy Perry with a hug, he inquired how she was doing and if she was feeling comfortable: the key questions that had kept h.wood growing.
Exhibit 1: Images of The Nice Guy

Source: The h.wood Group
Exhibit 2: Image of the h.wood venue

Image of the Tea Room at the h.wood venue

Source: The h.wood Group
Exhibit 3: Images and description of SHOREbar

**Member’s Lounge**

- Our private room upstairs offers an even more upscale escape from the bustling bar below
- Preferred service from our private bar
- Lush vintage furniture awaits you for a more high-end experience
- 50” flat screen TV to watch your favorite team, event, show or movie
- A limited delivery menu from Giorgio Baldi
- Private bathroom for members only
- Keep your favorite bottle in your own vintage personal locker

**Members Perks**

- Half off all bottle service prices while in the Members Lounge
- Special Members Only nights, dinners, and events such as wine tasting and game nights
- Enjoy a private night with family and friends free of charge at any venue honoring your month of birth
- Free rental of Members Lounge on slow traffic nights
- Personalized Membership Black Card for entry at any venue, at any time, no matter what
- Keep your credit card on file to make ordering easier, and so you never have to worry about having enough cash on you
- Access and discounts to SHOREbar affiliated venues, such as Bootie Ballroom, The Nice Guy, Tequilash, The Peppermint Club, etc.

Source: The h.wood Group
Exhibit 4: Images of Bootsy Bellows

Source: The h.wood Group