



Stanford eCorner

Calling All Entrepreneurial Heroes [Entire Talk]

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In this lively presentation, Tim Draper, managing director of Draper Fisher Jurvetson, shares his global experiences funding entrepreneurial heroes who "break down walls." Draper shares attributes that support viable entrepreneurial environments, and encourages aspiring entrepreneurs to attack established monopolies and to never fear making mistakes.



Transcript

Well thank you. Thank you, Tina. Tina is terrific by the way. This is, this whole program, everything about it is great and she has also joined the board of Draper University which is, I will tell you a little bit about it later. But first I think we need a moment of silence for Redge Presley, because he wrote, do you know? Wild Thing. Okay not silence, everybody get up and go "Wild Thing." Okay ready, one two three, everybody up. Wild Thing! You make my heart sing. He died today. It was a very sad moment for me. Anyway it a thrill to be here at the Stanford Thought Leader program and what I thought I'd do is go through four concepts so that you can get the idea.

The best way to do this is we start with Tina. Tina I want you to give hi-fives to as many people as you can. As soon as you get a hi-five stand up, give hi-fives to as many people as you can and pass hi-fives all the way until everybody is standing up. Ready? One two three, go. Okay that was good, that was good. Okay everybody can go and sit back down. Okay that's viral marketing and that was the idea I came up with when we did Hotmail, to put a little message at the bottom of everybody's screen to say, "Get your free email at Hotmail," actually the original idea was 'PS I love you. Get your free email at Hotmail.' But the founders didn't want to do that and to this day I think we would have had a much more loving and peaceful world, if we had stuck with PS I love you. But still, now what are there, billion and a half people now that have some form of web based email and that was all just, we spread it really quickly through these great guys at Hotmail who made that happen. The second thing what happened was, viral marketing took off but then everyone was talking to everyone and a few people were just getting bombed with spam.

That's where Zuckerberg came up with that social media and social marketing so that you could have a smaller group that you wanted to coordinate with. And we won't do a demonstration of that but now I want to talk about something. These last two I am very excited about because these are new concepts and they are really making the world, really make our lives a lot easier. One is, oh can I get a ride to the airport later on this afternoon? Anybody here, anybody? Okay great. Okay that's called crowdsourcing, okay. Everybody was given this opportunity but there was somebody who could get me a ride to the airport. And then crowdfunding, who would give \$1 to cure lung cancer? I'd give ten. He'd give ten. Okay that's crowdfunding, but hey that guy up there didn't have his hand up. It's only a dollar.

Anyway crowdfunding I am going to go into that in some greater depth but those are the four concepts I want you to walk away with and that's basically what they are. This has been my life, I have spent my life dedicating to supporting heroes and you notice that some of these are fantastic heroes; I like the idea of superheroes because they build peoples imaginations. If you look back at heroes, that's a great thing because you look back and you say well Steve Jobs, what he did, Elon Musk, these guys from Skype, they all had a big impact on society. But the guys who might have had an even bigger impact are the guys who got people thinking in terms of becoming superheroes because that's where your imaginations really flies. Now I am

going to do a little pre-roll, buy this book my dad wrote it, it's really great. It's about the entrepreneur and the venture capitalist and their relationship. Watch the show, it's my daughters show, it's a really good show, its about, you know she interviews Ted Turner and gets him to sing Captain Planet with her, very fun show. It's called The Valley Girl. If you need an incubator, this is my son's incubator, BoostFunder. This is my fund, Draper Fisher Jurvetson.

We've been in business now 27, 28 years and we've funded entrepreneurs all over the world and it turns out - today is a great day because this is the first day I realized that we have funded a thousand companies. And they are all over the world. I started to think about the globe, what it could do for us and how it would expand when I was actually failing in my venture business. We had a little SBIC and it didn't really, wasn't really working out very well. There was no public market like today and I was just struggling along trying to figure out what to do and some guy from Alaska said oil is now \$5 a barrel. You know what a barrel of oil costs now? It's like \$100 or something. It was \$5 a barrel and they were starting to panic because all of their economy came from oil and they said we need something else. We need venture capital, entrepreneurship and it got me thinking that you could actually do this in other places. Anyway lot of global opportunities, there is global warming, global finance, global communications, global health. So we started to think, wow we ought to really think globally and part of it was getting a little window.

When we funded Hotmail, the founder Sabeer Bhatia sent an email to his friend in India and within three weeks we had 100,000 registered Hotmail users in India, and there weren't even 100,000 computers in India at that time. It was, all of a sudden we realized we could do commerce all over the world, we could spread information all over the world. Lot of great things were going to happen around the world and so at DFJ we made this decision to start setting up offices around the world. And we knew that it used to be the Silicon Valley required, when I was an electrical engineer, you had to start your electronics business in the Silicon Valley because the disc drive manufactures were here, the processors were here, the memory devices were here. Everything was here. So you had to, if you were starting a business you had to build here. All the printers were here, everything was here. But then all of a sudden there were these companies that didn't require any hardware. So we thought, oh my gosh those could be done anywhere. You can start a business no matter where you are.

You've got the same information now, and Google and Baidoo and whatever as everybody else in the world. So if you are creative enough you can start a business that spreads all over the world and it doesn't have to be here in the Silicon Valley. Anyway now I am going to tell you about my travels around the world. First of all I told you a little bit about the Hotmail story but it was two guys, about 25, 26 years old, they came into my office, they had one idea. Then we said you know that idea we don't really think is going to fly and as they were walking out, they said well we have this other idea. And we said well tell us the other idea. Well the other idea was this free web based email and as venture capitalists all we were thinking about right is money, money, money. They said free and it was like what? It fell on tin ears. We thought they have a lot of hootspa these two. If they're going to something for free, well we might as well give it a shot.

So we gave them a little bit of money and the thing was magically appeared and the reason this is on the India slide is that Sabeer Bhatia was Indian and after the viral marketing idea it spread like crazy, 11 million users in 18 months, and as you know its everywhere. My other story about India was we eventually set up an office in India and my partner there after my third trip to India said, "Okay are you ready to cross an Indian street?" I am looking and okay there is a cow coming across, there is a guy with rickshaw, there is a car zipping through and a motorcycle coming this way and it's like seven roads are all converging on the place I am supposed to cross. And you know the baby is crawling across the road, so I said okay, and I get about halfway across. I see an opening and I run, and my partner goes, no. I said what, I got to cross. And he goes, "No sudden movements." What is happening in India is everyone is doing partial differential calculus every time they cross the street. There is some amazing engineers and software talent coming out of that country for that reason. I got to tell you this story, this is fun. My good friend Tony Perkins said, hey will you be at this conference, will you speak at this conference and I said, absolutely be happy to do it and it was here at Stanford. And I said, and then all of a sudden we had our first Skype board meeting in Talon, Estonia and it was the same day.

What's a mother to do? So I said Tony, I'm so sorry I've got to go to this thing, I got to go to this board meeting in Talon. And I said maybe we can do it by video conferencing and a-t th-at ti-me vi-deo co-fer-encing was like this. I said well Tony, you know we'll give it a shot then let's have a phone for a backup and he goes, "Yeah okay." At that time Skype was just phone calls, just audio calls and so I said Nicholas, oh and Tony said, "Well can you get that guy Nicholas and maybe you can do a little Q&A with Nicholas Zennstrom?" I said great, yeah I'd be happy to and when I called Nicholas he says, "Yeah, oh sure we'll do it." And he said, "Video conference, yeah yeah we've been thinking about something like that in the lab." I said yeah but we need a video conferencing system for this, and he goes, "Yeah yeah, we got it wired." I get there and I am setting up and we are in Talon and Tony is on the other end of the phone and I said, Tony I think we got this thing going and Tony says okay great. Nicholas turns to the door, and he goes, throw the switch. And I said what? He goes, "oh you know we were working on this in the back, I think we got a good alpha program going and we are going to do a video conference system, we are going to run it through our own system," and I thought, oh great. Then at the end I said, Tony how did that come through and he goes, "it was perfect. Oh my gosh, we heard you perfectly, we saw you perfectly, it was amazing." I turned to Nicholas and I said how

did you do that? And he goes, "Oh well we cut off about 300,000 simultaneous phone calls so that we could use the bandwidth." If you are in a startup you'll do anything to make sure the thing works and so he did and I apologize if any of you were on a Skype call at that time. Okay and then I will tell you about my trip to China, the first time I went was about 30 years ago. I was with my dad and he was the chairman of the UN development program, we were on a UN mission. But at that time we arrived in the airport in Beijing, we drove in the only car, on the only paved road, to the only international hotel as defined as bathrooms where the toilet I can recognize.

Everybody was there and they were selling fruit and vegetables and whatever else to each other and everybody was on bicycles. Everything moved by bicycle. It was fun and fascinating. Flash-forward about 15 years, it's 1998, '99 when I thought I had heard somebody had built a 90 million dollar chocolate company in China. I said well gee maybe I should go check that out. I went this time to Shanghai and from Shanghai to Hangzhou was about a 3 hour drive. I was driving to Hangzhou looking out the window, it's very boring, it's all the same thing. Two storey, concrete tilt ups. Everybody lived in two storey concrete tilt ups. Then all of a sudden there was one with a spire, and a drive way and beautiful blue windows.

And I thought, oh that's interesting. We went a little further and there was another one, a spire, driveway, blue windows. Spire, driveway, blue windows. Then I saw a three together with the driveway is all connected and blue windows all the way across and I thought wow that blue window salesman is going to make a fortune. Then the second thing I thought was, oh my gosh it's just like the '50s here where it's keeping up with the Jones: if Jones had a refrigerator you had to have a refrigerator. If he had an oven you had to have an oven, if he had a cellphone, you had, well the cellphone came later. I thought wow this is a really interesting opportunity. I met with some big finance minister in China and he said, "Hi, we want you to invest all your money in China." I said, "Oh I never invest in China," and I was a little bit trying to provoke him. And he said, "Well why not?" I said "because this guy who built the 90 million dollar chocolate company here got nationalized. You guys just took it from him.

If you want people to invest here they have to make a lot of money and they have to be able to repatriate that money, bring it back to their country. If they see one or two people making a lot of money by repatriating it'll be "Katie bar the door". People will be lining up to invest in China." I couldn't tell whether the translator had said it right or anything and he kind of nodded but I wasn't quite sure but I think he was really listening. Because somehow that's exactly what ended up happening and a lot of money went into China. We started to make investments in China and our first ones we thought, oh we are going to China. Well it's a new country and we started giving money to people and really literally this was giving money to people, investing. To people who said, "I have great government connections." Okay, you guys would have known, we lost all our money in all those companies. But we started to think well what about, what we normally do. Well we invest in these driven dynamic interesting entrepreneurs who make great things happen? So we started to do that and just with small small amounts of money. From there we got Baidoo which is the search engine for China, Focus Media which is like the Clear Channel for China and YeePay which is like the PayPal for China.

We had an open field and we had quite a run of it. The reason I put Singapore up here is this is the model government. You look at that skyline and you know that that government has let builders go. They have let people do pretty much what they wanted and they have built a spectacular skyline. My daughter came to Singapore and she said, "Wow it's just like the Jetsons,". Jetsons was a little cartoon. These guys were actually also, Singapore government was actually kind of a corporate government. They were the first guys to put money into our funds that were international and for that I thank them. Russia is kind of the opposite, we've had four false starts in Russia, or three false starts and now we are trying for another one. Okay the false starts, they committed 100 million dollars to a Russian funds that we were going to run and they were all set to go.

Just before they wrote the check and this was a group inside Russia that was well respected. Just before I wrote the check, Khodorkovsky got put in to jail. It turned out that that was all his money and so it got frozen. That was our first false start. The second one we created a new fund and the fund, and that was a smaller fund. The local team there was a group that the LP, the investor chose, we had to go with them. They were all investing a dollar and getting \$0.10 back right away from whoever they invested the dollar with. I don't think it was a particularly good model but there were a few good companies that came out of that and we are kind of thinking, "I want to help this Russian group." The last time I went to Russia, by the way don't go in January, I walked outside and every piece of heat left my body within 3 seconds, out the top of my head and it was just gone. I felt like I was in a totally frozen body. We started this great fund and I went to visit Russia and I went to the Hermitage museum, I went to St.

Petersburg. Moscow is one thing, it's sort of like a big facade and everything else is poor as dirt but St. Petersburg is a spectacular city. It is so gorgeous and you can imagine that in 1800 that it was so cool and so amazing. I went into the Hermitage museum and they have got the greatest collection of Van Gogh's and Renoir's in the world. This makes the Louvre look like Podunk. But the floors dirty, the wall are graffiti, the whole place is a total mess. I asked what happened here? They said "well 75 years ago the Bolshevik's came in and they were mad at the wealthy Russians. This is happening in our country now. They came in and they made business illegal and let this be a lesson to all of us.

They made business illegal for 75 years. Imagine this, you're an entrepreneur, your father believes business is bad, your

grandfather believes business is bad and his father also believes business is bad and illegal. You have no role model. That is a horrible place to be and if you have that entrepreneurial vibe, you don't even know how a free market works. It is a scary place to be. Anyway I am hoping that if we keep at it long enough, a generation will go by where at least the father and mother will have understood the free market before these kids start businesses. But boy there is some great technology coming out of Russia. I met with the president of Ukraine and he again said, "Oh we want you to invest in our country," and I said, "I'd never invest in your country," and he said, "What do you mean?" We made it, he was very proud of himself because he made it so I was the first person to set foot in Ukraine without a visa. They made it so that we could go to Ukraine freely without a visa, which was a great idea, get rid of all those borders. Anyway I said I'd never invest in Ukraine doing the same sort of thing and he goes, "Why not, why not?" I said "well it takes 23 bureaucrats and 6 months before you can even incorporate a company here." And he said that will be one bureaucrat, one week.

Now it never really happened. He got thrown out of office, but he was quite a revolutionary. He led the Orange revolution. The Orange revolution was won by text messaging and he was able to keep the pressure on the capital 24/7 by having people keep the supply chain going through instant messaging. The supply chain was things like get more flowers to the pretty girls in the frontline so that they can put the flowers inside the guns that the guards are holding. Get pizza to section A3 they are running low on food and get beer over here, he needs more beer because he shouts much louder when he's got beer. They did it all with text messaging and so I started to think, oh interesting, governments are going to change. Then Egypt and Tunisia fell because of Facebook and Twitter. We have this power, the social networking power. Geographic borders are going to fall.

It's going to be easier to move from country to country to country. And these guys who are sort of at the top power hungry or whatever are going to be overthrown and the best governments are going to rise. We have got a new system now, it's competitive governance. The guy who was the king who said, who basically was on the buy side, now has to turn around and he has to be on the sell side and say come to my country, I want you in my country. For entrepreneurs and venture capitalist and money and corporations they are in great demand in countries all over the world and hopefully the US will follow suit and compete. Currently they have been dropping you know, US used to be number one, bar none. Number one country to do business in and now they are number 4 and it seems to be dropping. This is one of the reasons. You guys get to see this, it's definitely worth looking at. We have, Dr.

Seuss created this great book it's called, I think it's inside one of the other books. It's The Bee And The Bee Watcher. See the bee goes around and he works really hard and then there is the bee watcher who wants to find out how that bee has been so productive. So he sits and he watches the bee and then he reports back. They don't quite believe the bee watcher, so they bring in the bee watcher watcher and so the bee watcher watcher is watching the bee watcher watch the bee and then it gets, you know of course doctor Seuss, it gets completely out of control. There is the bee watcher watcher watch the bee watching watcher watcher watch. But the whole idea there is we have the bees. We are the bees, and we don't need as many bee watchers. You have too many bee watchers you start getting signals like that. Right now the US government has gone from 8%, where it was 8% overhead, which is reasonable, 1 out of 12 people is the bee watcher.

To now, it's 45% overhead and so it is like one bee watcher for every bee. It's a bad trend. I think it's systemic and we got a big problem so see what you can do about that guys. Here is my slide on competitive governance, you've got, first on the lower right hand corner, you've got all those great countries that are now going to be a part of Arab spring which was the overthrow of Egypt and Tunisia, those countries are coming next. Then these are new countries, the one on the lower left is called Sea Land and the one upper right is called Blueseed. Sea Land is actually functioning as a country, not yet recognized by the UN. Blueseed is going to be a country that's a big boat, 11 miles off the shore of San Francisco and they are going to bring all the programmers from all over the world to that location so that then in effect they get sort of a visa or a green card. It's a different kind of green card. And then Bitcoin. Bitcoin is so cool who's heard of Bitcoin? Yeah about a third.

It's so cool, it's a new currency and there's no government attached to it. It's the most valuable currency now on the planet because it is under no one's control; it is out of people's control. It is no longer regulated by any government. They can't print more Bitcoin, so this is actually very interesting and there are a lot of interesting companies, CoinLab and Coinbase I guess who have started businesses around Bitcoin. Now we're going to change the perspective of what I'm going to talk about. We're going to be focusing here on change. This is Moore's Law, it says \$1,000 worth of computer power doubles every 18 months. Now what that means to me is - and now it's accelerating so it's like every 14 months. What that means to me is every 14 months there's a new platform that's twice as powerful as the one before. And for you as entrepreneurs, you should be looking at that and going 'yeah! So we can make everything more productive, we can make everything easier, we can improve everything through just Moore's Law.' In fact if you had - and I did - if you had an iPhone 3 and an iPhone 4 and a 4S and a 5 you would feel and realize that each one was twice as powerful as the one before.

The iPhone 5 is unbelievably powerful, and the 6 will be even more powerful. This doubling is creating huge opportunity. So the things I could do on the iPhone 3 are nothing compared to what I can do on the iPhone 5. This is another chart that, you know, start thinking about the future. This is - a politician would never quote anything from this. Energy is falling in price at an

extraordinary rate. So from 1978 to today energy has gone from \$5 a kilowatt hour to \$0.20 a kilowatt hour, and it continues to fall. And this is really interesting, because as that happens, you should be starting to think about businesses that actually use a lot of energy. Change is happening faster and faster, we all know that. But as an entrepreneur I want you to look at it this way: last 150 years, what have we had in the last 150 years? What's happened over the last 150 years that have changed our lives? The light bulb, indoor plumbing, radio, automotive, television, airplanes, the pill, the bomb, microwave, semiconductors, satellites, photocopiers, space travel, computers, email, fiber optics, bio techs, cellphones, x-rays, internet, digital cameras, web browsers, search engines, smartphones.

Now with that acceleration, with that Moore's Law that same amount of change, human change, is going to happen over the next 15 years. So imagine what could possibly happen over the next 15 years? We could have a near infinite energy supply, desalinated water that's easy flowing, self-navigating electric cars - maybe they'll fly - interactive education, you won't have to sit in these chairs, you can be much more comfortable, you can just watch me on some little screen, it's - of course then you can't give me quite as hard a time. Design genomics or cures for cancer, AIDS, malaria, non-invasive surgery. You know - this makes me think of non-invasive security, when you go through those metal detectors at the airport, well we invested in a company that has changed all that and when you go through those things that look like metal detectors they're seeing you behind the little screen, they're seeing you completely naked. And when we invested in that company we thought 'wow there are a lot of applications for this.' Near thought communications. Okay I don't think it's really working. But it will. And food drop, I thought - when I was a kid I ran around and I never really wanted to stop because there was so much to explore and there was so much to do and I always felt like getting food was always such a hassle. So I always felt like you should get something that said "Food, drop!" and the food would drop into your hands. We're getting there, you know if you combine like uber cab, with pizza delivery with - oh I have; okay we'll get to the next slide and then I have another really fun thing.

It's - two years after that we're going to have even more change. So as an entrepreneur you better be imagining things that are way out there otherwise it's probably not going to happen. So need anticipation, here's what I am guessing, you know these bodybuggs, have you guys seen the bodybuggs and the Fit Bits and the whole works? Yeah, okay, so those are determining things like you know what's your blood glucose level. So you could have those and they could immediately alert some food delivery guy that your blood sugar level is low and you need more potassium and you need more calcium and so milk, a banana and a pizza show up, and you can just keep going. And then of course Star Trek with a transporter, we're almost transporting now, have you noticed that? I can feel like I am in an entirely another place by using Skype or video conference or whatever. We're going to have, I think in medicine we're going to have human rebalancing. I think people are going to - this is my friend Cree Edwards has a theory on, that we're all energy sources and uses and I think you could be rebalanced. So when things aren't quite right with you, you just rebalance. I guess that's what meditation's about, but you can kind of go beyond that. And then Martian colonies, Elon Musk is trying to get us to Mars, right.

And then this is my favorite of all time, human animal communications. You know why this is really cool? I started, I've been listening to birds for some reasons and they go "tweet, tweet, tweet, tweet, tweet," what if you took each tweet and thought of that as a bird sentence? And you take them apart and you guys, there's some electrical engineering here right? There's - take that apart and look at it as a signal to noise ratio and figure out what signals those birds are sending when somebody comes in or when they're all flying in harmony or whatever else. So I think that's a fun thing to think about. This is how fast viral marketing has exploded, but I wanted - I brought up this chart because this was how fast Hotmail grew and that was the biggest, the fastest growing consumer product in the history of the world. And then Skype was much faster, hmm, interesting. Things are spreading faster around the world. Okay we have a new company, okay, it's called Bang with Friends and it is exploding. It is at a half a million users in a week. Viral marketing is amazing. It's amazing what you can do.

So I want you to put on good marketing hats here. This is crowdsourcing and I want to talk just really about, everybody knows about Kickstarter and uber and Pinterest and Box and TaskRabbit but down here this is the coolest thing. One of these entrepreneurs I funded, he came up with a watch and the watch had email on it. And I thought wow that's really cool, you can have email on your watch, and the guy is great. And I thought 'well you know I really, you know it's hardware but I think I'll take a chance on this guy' So I gave him a little money and then it looked like - in many cases we do lose everything - and it looked like we'd lost everything. And he was sort of coming back for money and didn't quite know exactly what - and then he put the thing and he said, "Well let's do a video for Kickstarter, why not," sort of it was like a Hail Mary pass. And he did this video for Kickstarter and they got \$10 million from Kickstarter and \$5 million of that was preorders for his watch and the other \$5 million was just money. They just liked the video. That is so incredibly powerful. So watch for crowdsourcing and funding.

Now I like to think well what happens next and what's happening with viral marketing, with things spreading with crowdsourcing is that distribution is becoming a commodity. And the reason I know is I was watching TV and I was trying to do a pay-per-view and they said, which service would you like to use? Amazon, Netflix, da-da-da-da-da. There were six or seven of these things, and I thought, whoa, distribution is commoditizing. Those guys are all competing to send me my pay-per-view. So if the distribution's commoditizing then technological breakthroughs are going to spread around the world faster than they ever did before. So what that means to you as potential entrepreneurs is, you better be thinking not just a couple of years

ahead. or the next step, you better be thinking the next step and then what's the next step beyond that and then what's the crazy step beyond that? If you're in the crazy step area you've got a good shot at success. If you're in the next step area it will be very difficult for you to succeed. So when you go through this process you better step back and you better think, before I dive in here it has to be more than good idea. It has to be good idea that will take advantage of the trend that may be happening not even now but three or four years from now.

Because otherwise you're competing with big, huge companies that have many more resources than you do. Venture capital's changing. So, because of this I have to change my own business, I have to figure out what to do. I don't know what to do. It's not going to be the same as it was before, we got crowdsourcing and we got crowdfunding, and we've got angels and we've got incubators and it's a whole different game than it used to be. So I have to start thinking not what's next but what's next after next after next? Here's what I look for for an entrepreneur. I'm looking for somebody who breaks down walls. These companies like the Post Office was broken. All these things I thought would be here forever. I thought the Post Office, Ma Bell, trade, the neighborhood, would all be exactly the way they were when I was growing up.

I didn't think things changed. And then all of a sudden Hotmail mail blew out the Post Office, you don't have to write letters and lick the stamps and then - you guys probably haven't even done that in your lives and don't, because it's like poison. Telecom business got turned on its ear because of Skype. Trade, all trade has changed because of eBay, the neighborhood has changed because of Facebook. I asked my son when he was about 12 years old, I said, "Why don't you go out there and play with your friends?" and he goes, "I am, Dad," and he was sitting there looking at his Facebook page. And then research, advertising, libraries whatever, Google has just kind of blown all those things out. So when you go after something, make sure you go after something very big as in iconoclast, go after something big. So I'll give you a few examples of things you might want to go after. Venture capital. Investment banking: wherever there's sort of a monopoly, go after that, go blow it up.

Medicine: there are like, I don't know, ten big drug companies and they control all the drugs all throughout the world except for the ones that you've been trading. He had his head down so he doesn't know that I pointed at him. So look at areas where there's a big monopoly and see if you can blow it up. Government. Government is one big frothy, sloppy, oozing monopoly and it needs to be cut and better, more efficient and people need to go out there and become part of the free market not just sit there and go, "I'm sorry, I don't like this, the color of your curtains," which is what they do to me when I'm building a new school. Clever business models. Look for zeroes in your business model. Amazon figured out how to get a zero accounts receivables and zero inventory. They had the biggest book store in the world and never held a book. That was huge; that changed the whole nature of a balance sheet and an income statement.

I look for these things; I look for these crazy woah, where did that come from? The black swans. So those are the three things I look for. And disruptions, we funded some very interesting things but the one I'll point out is SpaceX because SpaceX did take on the government. They - NASA to launch a certain payload into space, it costs \$300 million in real dollars and \$3 billion including all the overhead. SpaceX was able to do that for \$30 million, so one one-hundredth of what it was costing NASA. So NASA then subbed out and said "oh this makes a lot of sense, let's just go with SpaceX." Yeah cool, huh? Now I'm going to tell you about Draper University of Heroes because it's really fun and we actually have a few people who went, in the audience. I thought, there is something wrong in education and I didn't quite know what. And I looked and I said, you know, it's the A. The A means don't make any mistakes. I think the world needs more mistakes.

I think Penicillin was a mistake, Velcro was a mistake, Facebook was a mistake, these were all mistakes, these were the extraordinary thing happening because people were willing to fail. They were willing to try and fail. So I don't recommend necessarily going out there and just failing all your classes, but I do want you to, when you read the stuff, when you do it, think and then try stuff. So at Draper University we decided we were going to be all feel. Very little thinking goes on at Draper University, it's all feel. So you do things, we do lots and lots of things. It's a little bit business school, a little bit engineering, not much, and a lot of fun. And we graduate everybody with a degree of Change Agent and the way we get them thinking change it's - you live there. And the way we get them thinking change is from day one when we play volleyball I say "okay we're going to all play volleyball" and then I give a ball to each team and I say "okay, serve." And so both balls are in the air at the same time and so then I say "if some team wins 3 points in a row, you can start a new rule that everybody has to follow" so they're hoping on one foot, speaking in Spanish, you know, doing it left handed whatever. And it gets people's imaginations going.

So we change the rules of monopoly and the rules of risk - nuclear risk - we change the rules for baseball. Can you imagine an American being willing to change the rules of baseball? Anyway we gave that the shot. And then we have, they learn cooking and riflery and yoga and painting and Audrey, what else do you learn? Go-karting. Go-karting, karaoke - oh she has a voice; it is unbelievable, gorgeous voice, maybe we'll get you up here to sing with me, you want to do that? No. And, anyway, it's great fun, it's 8 weeks, you can take a quarter off from Stanford, Tina will give you 8 units of A and you can come and - we have survival training, both urban and rural. And I don't like to tell you too much about the survival training because there's some interesting surprises you'll run into. And then we teach things like viral marketing rather than marketing 101, and we teach finance as a simulation. And the people who come and teach are people who have done great things in the past. So

Tony Hsieh Zappos came in and spoke on corporate culture and Cree Edwards spoke on energy and Elon Musk spoke on - one of the students asked "Elon, so what one piece of advice would you give to an entrepreneur?" And he said, "Don't do it." Because you know, the guy's got two companies and he's in the center of all that activity, and anyway I thought that was a great answer because it sends you a message that if you are going to be an entrepreneur, it has to come from here, it has to come from your heart, your lungs, your feet. It can't come from your brain.

So we've - it's great fun and - how are we on time? Nine minutes. Nine minutes, is that including my Q&A Yes it does. Oh it does, so I won't go into what that looks like, but remember, wherever you go, whatever you do, entrepreneurs are heroes. They take long odds at extraordinary outcomes, they change the world in ways that make our lives so much easier, so much better and they'll help us rebuild the economy and make our lives better. And so if you are an entrepreneur, you are my hero. And if you want to support an entrepreneur I would recommend it very highly. And since entrepreneurs are really my hero, what do you do for your hero? You sing to them, hit it! There we go. We're going to - sing along, because I'm really not a good singer. Invested all his mattress money. Divorced his Prom Queen hometown.

Honey Scraping up his alimony. Friends think he's a little "funny". Needs a "world class CEO." Just another million or so. Get him to some real cash flow. So tears and sweat can IPO. For 15 years he's been out gunned. Bankers demanding blood refund. Company's looking Moribund. Even Draper will not fund! He is the Riskmaster. Lives fast drives faster.

Skates on the edge of disaster. He is the Riskmaster. He's got a mission. Company vision. An artist's ambition. Gut intuition. Fearless and free employee. No guarantee for the corporate escapee. Team fights on against the trend. Had to lay off his best friend.

Called a "recession" seems like "depression." Chapter seven. Is this the end? But then a salesman shouts, "We got it!" The company's gonna show a profit. To think the papers rang, "quixotic". The sky has opened astronautic. He is the Riskmaster. Lives fast drives faster. Skates on the edge of disaster. He is the Riskmaster. He is the Riskmaster. Lives fast drives faster.

Skates on the edge of disaster. He is the Riskmaster. He is on top, on top of the world. At last they see it. Vision unfurled! Cashflow landslide! Now everybody wants a piece of his hide. Court wants him tried. Press wants him fried. Anyone this rich must have lied. He is the Riskmaster. Lives fast drives faster.

Skates on the edge of disaster. He is the Riskmaster.