
Jaime Masters: Welcome to Eventual Millionaire. I'm Jaime Masters and today on the show we have Howard Marks. I am so excited. He was founder of Activision and the amount of games that I used to play when I was younger; I need to bow down to this man. He now has startengine.com plus so many awards that I can't even go through all of them right now. Thank you so much for coming on the show today.

Howard Marks: Yeah. I'm happy to be here.

Jaime Masters: It's insane what you've done in your past so can you just very very briefly go over some of the games and some of the huge successes they've had in the game industry? Because, you're not even in the game industry anymore. So, tell me about that snippet really quick.

Howard Marks: Well, if you think about it, I didn't start my career in the game industry. I was an engineer at the University of Michigan. I started my first company. I was playing games all the time for the personal computers Apple II and different machines like that. And, felt that my business partner and I, we wanted to be involved in games because we thought there was a future. Everybody at that time saw the Atari debacle and said, "You know, it's over. Games are over." And, we didn't buy that for a single moment without it's just beginning.

You know how it is. Business cycles. Things go up, things go down. So, we got into the game industry when things were really bad, and Nintendo was a whole new machine and every thought it was a joke, but it turned out it was just the beginning of something even more larger.

So, Activision, really, at this point, for those who may or may not know the company, it is the largest videogame company in the world. It's a Fortune 500 company. It's close to a \$50 billion market. And, the cofounder was my roommate in college, Bobby Hudak. The two of us. And, we did not – we just jumped in and decided to start in the videogame publishing business. And we found Activision which was a bankrupt company. We bought it for \$400,000.00 control and then restructured the company and then brought it back into life.

And, they had a big library of games and some of your listeners may know or not Pitfall, and River Raid, and Zork, and all these amazing old games. But then, as you probably know today, it has some of the greatest multiplayer games like World of Warcraft and

StarCraft and War Craft and Overwatch and Call of Duty and just a conglomerate of things. And, it's now probably going to become probably one of the largest E sports companies.

So, my involvement was pretty early at the inception from beginning where we needed money, where we needed \$1 million just to get started, to the point where we were raising hundreds of millions.

Jaime Masters: It's insane. And, I don't play World of Warcraft because I am afraid I'll get addicted to it. Like, that's why I don't go down that path anymore. But way back when, how did you know that the industry was going to come back? Because, that's a lot to get into an industry that people are thinking it's crappy.

Howard Marks: Well, it was very simple, and I can give that as advice to all of your listeners. The videogame industry, when we got involved, was what we call a cartridge business. And, a cartridge is – it's really basically read-only memory chips in a cartridge that you plug it into the console and the most you could probably put in there was 32 MB of games. So, you can imagine it used to be a team of one or two or three people who would make the game. And, there's not much you can put in there. So, there's a lot of creativity to make a game really last hours and hours with 32 MB. Today, that could be just a graphic on your webpage.

However, we saw the announcement of the CD-ROM, which is basically a disk and you can record on it hundreds of megabytes if not gigabytes. Right? And, that to us was the strategy. We said, "Let's jump forward and believe that all the new game consoles are going to get rid of cartridges. Why? Because they are extremely expensive to build and if you have an inventory that is not sold, your bankrupt, basically." And, that's what happened to a lot of the game companies including Atari. They built millions of cartridges. They had to bury them underground in Nevada because they had no place to use them for.

And, you talk about a lot of hardware, right? Millions and millions of unsold cartridges. The inventory levels for killer. Well, guess what? The CD-ROM costs \$.50 to make. \$.50. \$1.00. Who cares. At this point you take something that costs \$20.00 or \$30.00 to \$1.00 – and that told us from a strategy point of view, we pursued it this way, we would build a very large game company.

And then, we decided to spend real money on the content as

opposed to on the media. So, the content we would spend \$1 million to make a game. Which, at that time in the early '90s was an insane number. Today, it's in the hundreds of millions in place. But, at that time we were ahead of the time. So, we were making games and when people were looking they were saying, "Wow, this looks amazing."

But, you needed the machine. So, when Sony launched their real first PlayStation was a CD-ROM, it was a huge hit and we rode the wave.

Jaime Masters: Okay, so how did you know? How did you look into the future so far ahead and sort of see what was coming and skate with the puck went? Because, that's what you're doing, what I see, with the new business that you've got with Start Engine anyway. So, how do you have an innate sense of when this happened then I think this will happen that I think this will happen and then charge through?

Howard Marks: It's obvious. It's really obvious, and I'll tell you why it's obvious. Many times, in business a new business emergence with a 10 X model. What is 10 X? And there are people like **Peter Diamantes** who is brilliant to always talks about the abundance, the 10 X factor. So, what is 10 X? So, look. A cartridge with 32 MB. A CD rom was a 600 MB. The cost of the cartridge was \$20.00. The cost of a CD-ROM, let's say, was \$1.00. You've got the 10 X. So now, whenever you see in an industry a 10 X shift because of technology, you know that it's something that's going to be a Norma's. That was it. That's all you need to think about that the change of the media is going to generate and usher in a whole new generation of people who need to be adapted for that CD-ROM and not the cartridge.

So, all the companies were still doing cartridges. They were dead, they just didn't know it.

Jaime Masters: See, but how did you elect yourself as the one? Not, "They're going to switch, and they'll change or somebody else that's bigger will come in and do it better," how did you go, "I'm going to be the one that's going to do it?"

Howard Marks: Right. So, that's how your listeners are going to learn. It's called innovator's dilemma. It's very simple. If you have a business model that you already are very successful with like the cartridge business, you want to protect it. So, your head of marketing will say, "Hey, let's release this to cartridge, this new game, in three

months." And, everybody is thinking only cartridge. They don't have time to decide, "Hey, let's stop right now. We're going to be dead. We're going to run into a wall," because that's not fun conversation. "And, let's do everything in CD-ROM."

And then they'll say, "Well, there are no CD-ROMs out there." So, they have too much to lose. We have nothing to lose. Nothing. We came in with a blank piece of paper and said, "Okay, we're going to do something. Are we going to do the old stuff which everybody is doing? Or are we going to do something new?" And, we know every that is going to move toward that because it's obvious. And, you can see that is what's happening with live streaming and video online versus the networks. You can see that right now. It's obvious, but it was not obvious when the Internet was so slow. It was not obvious. But, we knew it was going to get faster and we can see the same thing with the crypto and lock chain happening now. The exact same thing.

Jaime Masters: Okay, let's talk about that. So, first give me a little heads up on what startengine.com is so people can get that understanding, and then we'll talk about lock chain and ICO's and all of that fun stuff too.

Howard Marks: Well, it's very simple. So, I have to pick a mission and I recommended your listeners to pick a mission that is inspirational. A mission is not, "I'm going to make a widget and sell it in stores or online." The mission we have is to help entrepreneurs achieve their dreams. It's a big mission, right? And, how do they achieve their dreams? The strategy is to help them raise capital online from the crowd, the general public, their main street investor who in the last 80 years has not been able to make those investments because they didn't have access to – they were not permitted.

The idea of investing in a startup has always been for wealthy people and now, with the new Jobs Act that came out in 2012, which is an act that was bipartisan and through Congress at the time that most things were not bipartisan, signed by Obama April 2012. Ushered in a whole new opportunity. And, the 10 X model is coming back, and you'll see why. Because, think about it. 80 years where an ordinary investor cannot invest, and now they can. And, most brokers will want to say your mutual funds; they are going to want to sell you immunities, and all sorts of strange names products for your investment.

But here, you're able to take maybe 5 percent of your money and

say, "You know what? I'm going to make my own bets and I'm going to come in early," which is where value creation happens. However, coming in early presents a tremendous amount of risk, so I'm only going to take a few of my – a few percent of my net worth. People on Start Engine are able to invest \$1,000.00 into a company. This is a revolution because the idea of investment in the past has always been \$5,000.00, \$10,000.00. A broker is not going to talk to you for a \$100.00 investment you put on your credit card. They don't even know what you're talking about.

But here, that's what's happening on Start Engine. People are taking a credit card out, putting \$100.00 in owning shares in the company. That's where the 10 X model is. It could actually be 100 X because typically wealthy investors are 5 percent of our country. About 5 percent. And, 95 percent are not. So, guess what. The 10 X model is now we are multiplied by 10 the number of potential investors who can invest in companies. Like yours. Companies that are entrepreneur focused.

And, that's where it seems so obvious that most people miss it. Let's people don't ever invest online to buy stock. Okay, that's why we'll do it. Because, the belief system was that the ordinary investor is not going online to buy shares. They're going to be online to consume media; they're going to buy on Amazon, why would they buy stock? Well, to me it was so obvious.

Jaime Masters:

I love how you could see this. Okay. So, for the person that is the entrepreneur that once an investment – actually, I just had an interview with someone we were talking about investing – getting investors or not, and one of the things that most people say is, "I don't want somebody breathing over my neck going, 'you have to sell the company at this. You have to grow faster.'" When we have real investors that have a huge stake in the company.

So, how does it work with Start Engine? When you get people that are investing, they have a piece – explain the model, too. Because, going to the site – and, everybody should check it out anyway because it's supercool just to look at all the different potential things you can invest in for like \$100.00 a year. It's insane. But, when that happens and when they do get funded, what does the structure look like? Do they just get a piece, and do you ever know who they are? Do you not know who they are? Do you talk to them? What is the entrepreneurs' viewpoint of their investors?

Howard Marks:

So, typically the entrepreneur who is lucky enough to get venture

capital money, the terms are very harsh. They really give up control. They think they're getting an incredible evaluation. They think they still own a lot of shares in the company. But guess what? The way the structure works is the VC, from the minute you sign, controls the company. And, that's life. I understand that.

But it's also a Damocles sword that is above your head and at any point they either kill you or they find you. I don't know which one it is. We'll decide at the time it's important. Every company goes through a pump. And, when you go through a bump, that's when the VC may come in and restructure the company, which means your equity is gone and probably you are going to. Too harsh to me.

Guess what? If you go and get money from the crowd, you set the terms to the extent that the crowd accepts your terms, great. So, for example, you could say, "I will sell you common shares in my company the same as I own, and we will make sure that together we grow the company." So, this crowd comes in and, let's say, funds \$1 million and let's say it's 1,000 people. \$1 million. Now you have 1,000 people, army strong, who want your success. And, they're not the ones were going to fire you because you have to bring everybody together. And even then, there may not be enough to vote you out.

So, in a way, the number one thing that the entrepreneur gets through the idea of raising money from the crowd in shares is control and terms. And, what you're giving up is, well, you have 1,000 people who want to know what's going on. So, you use the Internet to, like I'm doing now, communicate with your crowd. And, I do live streams every two weeks on Start Engine for our own ways. So, we are raising money for Start Engine as well on Start Engine. Why? Because, look, it would be easy for me to go to a VC and get money. I don't want to do that because disingenuous. I want to show people, "Look, we are able to do it as well, successfully, which we have, and were going to continue doing that."

Jaime Masters:

I love it. I looked at that too. I was like, "Oh, that's really," I thought it was a test at first. I thought it was showing how it works. I was like, "That's real money. That's interesting." But I love the integrity of you actually doing that, too. You actually believe in the promise of your whole entire company, as it should be.

So, if somebody does want to go down this, who are the right people, algebra otherwise, and how much should they be making if

they're looking for funding? How much should they look, like, can you give us a little bit more of if they want to check it out to potentially get funded, who should they be like and what should they do?

Howard Marks: Well, here's the good news. The good news is in the past, you had to be a white male who graduated from Stanford if you wanted money from the VC. And, I'm using that as a metaphor. But, women get only 4 percent of the money if that and women of color, well, there's maybe one dozen that get funded year. So, that so harsh, so cruel, so biased that to me, why even bother? I mean, come on. Have any people actually graduate from Stanford a year?

So, given that the model for VC investing is not generally going to be accepted by most of your entrepreneurs are not going to get it. Let's be realistic. What else are they supposed to do? They go to see their families; they go to see their friends. That's great, but that's not enough. So, Start Engine comes in. You can be a piece of white paper that says, "Look, I'm going to build the next Activision and raise money on Start Engine." You could be someone who has a brewery that has 1,000 members in their brewery club that wants to raise money to open a store or maybe a storefront or maybe buy some more equipment to expand their brewery.

In fact, we are finding is that the arch vendors were the biggest hustlers, the will to love going out there and pitching what they're doing, they succeed beautifully. The ones you don't succeed, which is about 30 percent of the companies on Start Engine, are probably more of you, "Hey, let me go out there and see if they come." And you know what? The crowd doesn't work that way. To get the wisdom of the crowd, you need to energize the crowd. You need to bring them together. You need to get them excited. You need to communicate. You need to go out there and make yourself vulnerable and explain where you're at. And, the crowd reacts. And that's what we are seeing.

Jaime Masters: Give me some tips on that, too. So, if somebody does want to go and do this – because there's tons of crowdfunding tips for Kickstarter and stuff like that. But, yours seems a little different. So, give us some – how would someone go about actually getting funded in the full percentage?

Howard Marks: Right. So, the way it works is not that much different than Kickstarter, but it's different in the sense that you're not giving away money as a person. You're actually investing. It is what we

show them on the screen. There's all the financials of the company fully disclosed. This is so bizarre. So bizarre. Right? The idea that a privately held company is exposing their financials to the public. Anybody can see it. So, you don't have to invest to see it. Anybody.

This is a new set of transparency that has not existed before. Because, if you think about it, a lot of times when you invest in something, you may not know who the CEO is, what their background is, who checked it, is there any legal problems, structure problems; we bring it all out there. On the page. Everything is out there. So, the investor can make an informed decision. And then, they can talk to their friends and they can actually go on our page and type their comments, whether it is positive or negative. It's fine. As long as they don't use anything that is offensive, it's great.

So, the debate starts and continues on the page even past the race. And so, what I tell her companies is look, this is a journey. Once you learn how to raise money online, you can do that forever and you can be VC free forever.

Jaime Masters:

Wise words, and everybody loves this. I mean, there's been so many interviews that I've done where we go, "VC or not? VC or not? They're called angels. They're supposed to be nicer." But, it's been a problem for a long period of time that this gets me extremely excited that it's a new way of the future. So, tell me a little bit more. Because, I know you have a whole piece on ICO's. And, I know a lot of people don't understand what that is, especially with block chain and people assuming that it's all bitcoin crazy. Right? Can you tell a little bit more, just the basics so people that don't understand that piece have a good solid foundation?

Howard Marks:

Yeah. I'll do it in a very quick way. If you think about bitcoin it's great because it's a brand now. People understand what it is. It's basically crypto currency. You buy it for a lot of money and you hold it or you may see it go up and then sell it or trade it. There are all sorts of things. But, it's secure. It's very secure if you hold your wallet and you have your key. But, if you go on an exchange and you get hacked, you may lose your money. Which, it is not what happens in the stock market, by the way. If you lose your stock certificate, you just make an affidavit and you get back. Which is great. More secure. Right?

So, if you think about the block chain and the revolution about block chain is it creates a publicly visible way to transact. And, it's trustless meaning you don't need to trust people because it's all true what's in a block chain. You have tens of thousands of computers that compute the same thing constantly to prove that a transaction is real.

That is really the fundamental benefit. Now, how does it relate to entrepreneurs? Is for entrepreneurs who have a business and they believe they need a currency inside of the business to transact; they can use the lock chain now very inexpensively. Within hours you can build a currency, which is crazy, and then use it with their customers. Now, the ICO, initial coin offering space, is going through a transition. It started out with amazing people who are building block chain technologies. They needed capital. The VCs wouldn't give the money, surprise. So, what they did is they went to the crowd and they raise the money.

But, they didn't use the rules of the Jobs Act to do it. They just came up with their own rules. And, that didn't please the security exchange commission which has a responsibility to protect investors. But, here's what's happening now. This whole initial coin offering ICO phase raised over \$8 million in the last 12 months. But, it's going through transition and we believe it's a healthy one which Start Engine is part of to use the Jobs Act which is perfectly suited for it. And now, those new ICO's are going to be raising money by giving informed information to the investor which is financials, disclosure, disclaimers, transparency, are there any bad actors involved? That's all going to be now available on Start Engine and on other platforms as well.

Jaime Masters: How do we know when people are being honest? Like you said, there's the ones that aren't so much. And now, when I say ICO, a lot of people are like, "Oh." You know what I mean? It's got a bad rap in this crazy flux that has just gone on. So, how do we know who to trust and who not to trust now in this whole crazy system?

Howard Marks: So, that's the good news is we live in a country of laws. And, if you follow the law, in some way, you have some protection. So, why those laws exist – look, there's cameras around. We understand that. It's not that difficult. If you use the Jobs Act and let's say on Start Engine you raise an ICO for \$1 million initially, that's your presale for example, then what you do is you go on Start Engine and we check the backgrounds of every investor in the company over 20 percent, every officer in the company

structure is all checked as a company. Does the company really exist? Any fraud in the past? Issues? We go online to see if there's any information we need to know.

Once everything is checked out and we get the financials of the company, and sometimes once they raise over \$100,000.00, they need to be reviewed by a certified public accountant, which is very important. All of that builds trust. But look, there could still be scandal. If we go through the process of using the Jobs Act, a lot of it is gone. Because, people who are trying to scam are not going to go through the effort of building all of this legal structure and exposing their financials and who they are in detail check verified, that's where we make a difference.

Jaime Masters:

So, not all ICO's are bad. Don't have a bad rap for everybody, we just need to make sure we trust and verify. Right? And, make sure that if you are going to do this you do your research and due diligence on whoever you use. Start engine makes sense because you're here so it's easy to talk about, that you do check that.

And, that's the thing that I think unfortunately when people don't know very much about it they just hear what he talks about and then they just back away from the idea of it. And, I love the new way. I know you call it ICO 2.0. The next wave of really changing things. So, where do you think this is going to go? I love looking into the future, especially with singularity craziness and technology. So, where do you think small businesses are going to be when we start moving 10, 15 years into the future? Are a lot of them going to get crushed if they're not paying attention to this stuff?

Jaime Masters:

I think it's the opposite. I'm a very big optimist in terms of why all of this technology – whether it's crowdfunding, crowd sale, launching crypto currency, is going to be a major major impact for small business. And here's why. If you think about the fundamental – where we live in our country, the fundamental most important thing is the entrepreneur who creates these high-paying jobs, these jobs that our country needs. That's what the entrepreneur is doing. They're creating wealth for themselves, and for society. And, in order to promote entrepreneurship, they need capital. Capital is the single – it's the oxygen. You run out of capital, you may read out of the business. If you have capital, you can grow your business, you can make mistakes, and you can whether a bump. Which happens 100 percent of the time.

In business, there's always a bump, but it's okay if you have the capital to survive it. And, you're being smart. You have mentors, people in place you really have your best interests in mind. The block chain is going to allow us to have a secondary marketplace and that's what we're doing on our ICO 2.0, this whole pitch, we're doing our Summit on April 20 which will be live streamed, by the way. So, if they go on Start Engine, they can see a live stream live of the conference on April 20. The path to liquidity is the key.

So, imagine this. NASDAQ, New York Stock Exchange, there's maybe 20,000 companies who are public out of the 5 million small businesses in America? 20,000 are the lucky few. You want to go public today? Go see Goldman Sachs and raise \$300 million, \$400 million, no problem. Everybody else, forget about it.

So, the public marketplace has gone for the elite of the companies. But, what does every else want to do? We are going to create that for the small business. We are already doing that. We can raise money for the small business and then we can allow those investors to trade on a platform and in order to make that cost-efficient – because look, being on the NASDAQ can cost \$2 million a year for a company to be public. Right? The laws, the rules are crazy.

We have found a way, so they can do it for tens of thousands of not a few thousand dollars a year they can be public facing. They're still privately considered. They're not a reporting company for the rules, but their private but they are basically public facing. All of their financials, and they can trade. Think about that.

So, we are re-creating what you see in the NASDAQ for small business. We are creating the NASDAQ for small business at Start Engine. We're going to have thousands of companies were listed on Start Engine and then hundreds of thousands if not millions of people who will be transacting, trading the shares. That creates liquidity and liquidity feeds back into buying shares initially which creates growth which creates entrepreneurship which creates an economy which creates jobs. It's amazing.

What, all of that has to happen because block chain and crypto currency reduces the cost. I'll give you another example. The audience is going to understand. The ATM. No big deal today, the ATM. In the past you go to a teller to get \$100.00 out of the account. That costs the bank \$15.00. \$15.00. Guess what? The ATM is two cents. Think about it. That's 100 X better. Right?

With the blocked chain and crypto currency, we are doing the same thing. We're going to be able to put 10 X, 100 X – it costs \$2 million to have a public company today on the average. It's going to be under \$20,000.00 a year.

Jaime Masters: I love this stuff. Yes. It's amazing.

Howard Marks: Yeah. That's the future. That's happening.

Jaime Masters: Okay. So, how do entrepreneurs that maybe even don't need capital at this second. Everybody needs capital, but you know what I mean. Aren't willing to go down this path. How can they start learning more about block chain or crypto or just start getting their feet wet? Because, it does seem a little like jumping all in when you do go for funding in this route. How can they warm-up to it?

Howard Marks: Well, there's a lot of information out there if you type in bitcoin on Google.

Jaime Masters: I know, but I feel like there's so much crappy stuff to. There's so much. Everybody and their brother is talking about it.

Howard Marks: Well, entrepreneurs can go to resources like my blog, howardmarks.com. I write a lot about all of this. And, I have about 50,000 readers a month to come in reading it. Now, it's really for entrepreneurs. This is not for the general investor consumer. They can read it if they want to, but for the entrepreneur, my blog is good. And then, you have other people's blogs who are very good. For example, Ty Lopez, he's a big influencer. He does talk about this and block chain and crypto currency. Nathan Lapcap. He's another well-known –

Jaime Masters: Nathan is my really good friend. He lives in Austin. Yes.

Howard Marks: Right. Exactly. Nathan's going to be also at our summit. He's going to be moderating and interviewing people. This is great because he can make it very easy for people to understand the business side of things. And, all of these influencers who a lot of your audience is going to listen to are going to talk about the crypto currency and the block chain because it really integrates in the business.

Now come in terms of other resources there's a block called coindesk.com that has information about ICO's, information about crypto investors. Nowadays if you go on YouTube, everybody is

an expert. Everybody's an expert on trading bitcoin. I would suggest this is a little bit over reach. Unfortunately, there are no experts. There aren't. What is most important is to make sure that the people – your audience is safe when they invest in crypto currencies. They are aware whether they have control of their wallet or not.

But, they can start in for very little money, a few hundred bucks, and get comfortable with it and start learning more. It is an extraordinary opportunity for anybody today to start seeing what the future is going to look like.

Jaime Masters: Thank you. And, that was the point; the trust factor is getting a little gray area online. So, thank you for giving distrusted resources. So, I highly recommend anyone that's listening right now, even if you don't feel like you know or care about it right now, please do a little due diligence. Take a little bit of time and learn about it because it's going to be here when they read about it or not. So, just a warning, it's the way of the future.

I know we have to start wrapping up so I'm going to ask the final question, but I love all of this. What's one action listeners can take this week to help move them forward towards their goal of \$1 million?

Howard Marks: Well, I would say this. Most importantly is you need capital and if you can find capital, great and congratulations. You're very lucky. And, if you can't find capital, go and find a platform like ours and go out there and reach your crowd, reach your audience. It's so much better because now you have proof of concept. If you have \$1 million raised for your company through your audience and people who care most about what you do, they are going to be marketing you. It's a new form of marketing.

So, I think the real big idea for getting to that \$1 million net worth is to raise capital at the right terms from the right people quickly so that you can pursue your business and grow.

Jaime Masters: So, we are not looking this way and our business dies because were looking too much for capital and we don't have enough time to focus on the business. We only have so much time to focus on something. So, I really agree with you that if we just need influx, it's 30 days usually for your type of funding to, right? Or, how many days can it be?

Howard Marks: The minimum is 21 days and it can be up to two or three months. But, keep in mind, you just said it. You spend all your time raising money, but here you are doing both at the same time. You are building your audience of customers and raising money. So, what's wrong with that?

Jaime Masters: I love it. Thank you so much for coming on the show today. Everyone check that out. I really really appreciate it. Make sure you go to howardmarks.com. That was the blog that we are mentioning. So, that way you can learn a little bit more about it before you go ahead and jump in. Thank you so much for taking the time today. I really appreciate it.

Howard Marks: Thank you.

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