

## [Transcript] My First Million / #18 - The Big Business of Wacky Domains

All right.

Quick break to tell you about another podcast that we're interested in right now, HubSpot just launched a Shark Tank rewatch podcast called Another Bite.

Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell, and they break down why these pitches were winners or losers.

And each company's go-to-market strategy, branding, pricing, valuation, everything.

Basically all the things you want to know about how to survive the tank and scale your company on your own.

If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.

All right.

Back to the show.

I sold internet real estate to the tune of a half a billion dollars worth.app.blog.church.

Some of these you've probably seen, my company was responsible for selling a lot of those.

It's what's called a ascending clock second price auction.

The way it works is, in this case, every 20 minutes, it increments up and it's ascending.

We start the bidding at \$200,000 times the number of bidders, \$600,000 to start.

Every 20 minutes, it goes up by \$600,000, with a minimum increment of 20%.

You know, once we get to 3.6 million, it goes up higher.

Your top auctions went for how much?

What is it?

Like 10 million?

Or is it more like?

It's over 100 million.

Wait.

I don't like that.

Sheal.

You're here.

Yeah.

Did you bring your A game?

Always bring my A game.

All right.

Do you stretch in the mornings?

Do you eat your breakfast?

What do you do to get going in the morning?

I actually eat no breakfast, drink no coffee ever.

So you get a faster now.

Intermittent fasting, that's not what you called it.

You happen to not eat breakfast.

I just happen to not eat breakfast because I don't like it.

And then if I drink any coffee, I won't sleep at like a wink at night.

So no caffeine for me.

I just naturally am lucky that I wake up with a lot of energy.

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It's awesome.

Great.

And so you're here to tell your story.

I met you maybe four or five years ago.

I don't remember how long it was.

Yeah, probably.

You came over to my office and I don't even know how you got there, to be honest.

I don't even know.

Did I reach?

I probably reached out to you.

I don't remember.

Yeah.

But I remember sitting at the bar in our office.

I do.

Yep.

And you told me one of the craziest stories of how you, of how someone made it that I've met here in San Francisco.

So a million dollar question.

You've made a million bucks.

How did you do it?

Yeah.

So I sold internet real estate to the tune of a half a billion dollars worth.

And when I say internet real estate, I mean top level domains, which is like a domain would be like million.com, but a top level domain would be the dot com part.

So there are all these new ones that came out, dot app, dot blog, dot church.

Some of these you've probably seen, my company was responsible for selling a lot of those.

Gotcha.

Okay.

If I wanted to create Sean.com, which I do, and was taken and so I was like, okay, shit, what do I want to be instead?

I can do Sean123.com.

That's less cool.

Could I get Sean.co, could I get Sean.xyz, Sean.xyz, Sean.badass, whatever, right?

So these other domains, these other dot whatever's exist now, and you were responsible for selling them to the highest bidders, that the whole class of dot, like what's one of the famous like not.com, not.co, but like what are some of the other big ones?

So dot app is a big one.

A lot of these have just started to come out in the past couple of years.

So you have not heard of them that much yet.

Dot app is going to be a big one, I think.

Dot blog, potentially all the blogs have gone decreased in value since this whole thing came out.

Dot xyz is a friend of my own city.

His thing is the alphabet ends in dot xyz, why shouldn't you're doing that?

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Okay.

He made a bet on that.

Yeah.

Okay.

So there's a whole bunch of these that are out there and you were selling them.

So let's rewind to the beginning of that.

You're sitting around, where do you get the idea to even go do this?

How do you even realize that this is an opportunity worth chasing?

Yeah.

So I just heard through the news that you could buy your own dot whatever.

In 2012, it was all over the news, like people can get your own dot whatever.

And so I wanted to find out more about this and naturally there are a few things that come to mind.

Like if you were doing it today, you might want to do something like in the crypto space like dot ptc.

Unfortunately, in 2012, nobody did that.

So in 2012, you had to apply you to pay \$185,000 to apply for your own dot whatever.

So what would you apply for?

So like I would, I mean, the first one comes to mind is like porn, basically.

Dot porn.

Like what's the most popular thing on the internet, like dot xxx, porn sex, something like that.

Because if I owned that, then every basically anybody who wants to have a porn site, now they have an alternative to dot com, which is usually taken.

Exactly.

They can come to me and I can sell them their other domains, essentially.

That's exactly right.

Yeah.

I can, which is the governing body of the internet actually made an exception and like a while ago created dot xxx.

How do they decide which of these are going to exist?

Because some of these are actually country codes, right?

So all of the two letter ones dot co dot vc dot tv, they're all country codes.

So dot vc is St. Vincent and the Grenadines.

Oh really?

What's tv?

Tuvalu.

So I don't even know what that is.

Okay.

Great.

Dot io is like the British Indian Ocean Territories, they're all countries.

So under the premise of every country can have their own, it actually immediately got co-opted by business to be like great dot tv, sports.tv.

Remember like 10 years ago, they were always like dot ly domains.

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That's Libya.

You're supporting Libya.

Do they get anything out of it?

Yeah, they do.

The country, like the country manages them and like if you buy a dot co domain, that's Columbia.

So nobody else could have bought it.

The country owned it and they sell off the different things.

So how much does the, do you know how much the countries make off?

Like how much did Libya make off of all the dot l y's it sold?

Do you have any idea?

I don't, I don't know.

Think about it this way.

They probably make, you know, whatever it costs and we could easily do the math, but it's in the hundreds of millions that they've made.

Wow.

Okay.

So this is the country ones and then they started doing just words like dot app or whatever.

So the way this thing worked was in 2012, you had to apply for your own dot, whatever.

So let's say that me and you applied for dot app, you had to pay \$185,000 just to apply.

And by the way, they got 2000 applications, which means they made \$360 million in application fees.

Wow.

And if you were the only one that applied for dot app, you got it.

It was yours.

You paid 185k one time and then, you know, some ongoing fees, but it was yours.

And then by the way, you could sell everything dot app, like Facebook dot app would have to pay you something per year, all these things would have to pay you.

But if you, me, and let's say some third party, who should we use as a third party?

So me, you and Donald Trump get into a paying war.

Okay.

Me, you and Trump.

So me, you and Trump, all.

We're just doing this so I could beat Trump.

So me, you and Trump all want dot app.

So I can, the governing body of the internet says you guys figured out amongst yourselves.

If you can't figure it out at some later date, I can hold an auction and they'll get all the proceeds.

Okay.

So I can't prefer is that we sort it out amongst ourselves.

So what happens next?

So you go to Donald Trump and you say, well, we first Annie up our fee, we put 185k and just to say, that was just the application fee.

So that's, that's basically a sunk cost.

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And, and then they had to reveal one day, they were like, here are all the people that applied.

And then we found out, ah, shit, Sean applied, Trump applied, I don't know if I'm going to get this.

Right.

So then what happens is like the three of us would like be in this, what we call contention set, which means like contenders to contenders to win it.

And so this happened and the players aren't like me, you and Trump, although kind of similar. They are like Google, Amazon.

There's this billionaire guy who lives in the Cayman Islands, really interesting fellow.

There's a company called Donuts that raised \$180 million like seed round effectively just to do just for this.

Okay.

So me, you and Trump, we go into the bidding war and we've each paid our application.

We've each paid our application fee.

And then what I said was, are you better negotiator than Trump?

Are you at the door to the deal, man?

Are you better negotiator?

And you might say, no.

And the people involved again are these, it's like Google and this billionaire.

And so what we said was we can create a fair, transparent mechanism for you guys to sort this out.

The way it works is in this three-party auction, it's what's called a ascending clock second price auction.

What does that mean?

So what that means, it's really simple.

Ascending clock, it's a clock auction, meaning it's timed.

So in this case, every 20 minutes, it increments up and it's ascending, simple.

So in a three-party auction, we'd start the bidding at \$200,000 times the number of bidders.

So it'd be \$600,000 to start.

Every 20 minutes, it goes up by 600,000 with a minimum increment of 20%.

Once we get to 3.6 million, it goes up higher.

What's your willingness to pay?

Okay.

So I'm willing to pay right out the gate.

And now my strategy, should I be telling my top bid or my like low ball offer?

So for the sake of this, you're going to tell us your top bid, but in the actual auction, you'd only say whether you're in an each round or not.

Okay.

Cool.

So let's say I'm willing to pay up to \$10 million.

\$10 million.

Okay.

Cool.

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Donald Trump, he says he's a billionaire.

I don't actually think he has that much money.

So let's say his willingness to pay is like \$5 million.

And then my willingness to pay, I think .app has a lot of value, it's going to have a lot of value in the future.

Domain names are less important, but you still want your .app.

Your app is what's important and it's a memorable way for people to remember what the thing is.

So I'm willing to pay more, I'm going to say I'd be willing to pay like \$12 million.

So in this auction, what's going to happen is we're going to start the bidding \$600,000.

We used to say yes, we're still in.

We're in.

So either you say you're in or you're out and if you're out, you say what price you were in.

Let's say Donald Trump was actually only in for a half million bucks.

In the first increment, he would say I'm out and I'm in for \$500,000.

So we keep bidding, we keep bidding.

And then Sean, once we get to \$10 million, you're out.

That means I've won.

And so I pay \$10 million.

Okay.

So you were willing to be in at \$10 million.

You might have continued to be in up till \$12 million.

I would have been.

But nobody knows that.

Nobody else is there.

Yeah.

Nobody knows what your real number is going to be.

Exactly.

Okay.

And then, so I pay \$10 million.

But the real beauty of this auction is where the \$10 million goes.

So who gets the money?

Well, nobody owns that app, so is it ICANN that gets it?

I don't know.

Who gets the money?

So a lot of people would think ICANN gets the money, but actually this is a separate auction from ICANN.

So in this auction, the people that get paid are you and Donald Trump.

So the \$10 million that I pay, yeah, we're paying you off effectively to go away.

And really what this is, is anytime you're splitting a partnership, this is a good way to do it.

So if you and me were in business together, 50-50 JV, how would we decide how much would I have to pay you to free my shares?

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Yeah, exactly.

So we would basically do this kind of auction where whoever's willing to pay the most to the other person.

And that's the idea behind this auction.

So they actually get the money.

They get the money.

So I'm paying you guys each \$5 million minus my auctioneer fee, which would be, in this case, \$400,000.

So we took 4% of the auction fee.

Wow.

So the first thing is, were there people who just went into the auctions trying to get paid out, trying to lose?

You couldn't because you had to apply basically a year before any of this.

Before you knew how the auctions would work.

Yeah.

Okay.

Okay, that's cool.

So that already prevented that from happening.

The second thing was, your top auctions went for, you know, how much?

Is it like \$10 million or is it more like \$100 million?

It's over \$100 million.

Wow.

Yeah.

So I can't talk about the exact prices on the names, but the top couple went for over \$100 million and the cheapest one probably still went for like a half million bucks.

Right.

Okay.

So I'm fascinated.

But you were sitting there and you said, oh, cool.

Interesting.

They're releasing these domain names.

Yeah.

And then I'm running these high stakes \$100 million auctions.

Certainly there was something in between where you were like, okay, how does this work?

Totally.

Do they need an auction solution?

Can I make that auction solution?

How did that idea come together from the moment you were just curious about these new domains?

Yeah.

So it was really, my co-founder is like an expert in auction theory.

We knew this was happening and we just like sat down and we were like, how do we devise a way for this to work?

And how do we build any credibility in this industry?

Nobody knows us.

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So we did a couple of things that I think worked really well in our favor.

A, like our co-founders and a PhD from Stanford in auction theory.

And this was just a buddy of yours or?

Buddy.

Yeah.

Actually, there's another totally random story, but I met my co-founder on a train in India in 2006.

Just sat next to him.

He kind of, yeah.

He turned out he was a friend of a friend, but he's like a German dude.

Right.

And I was traveling in India.

Amazing.

We ended up on this like 40 hour train ride together, became really good friends, have like worked together a bunch of times since.

Wow.

Okay.

All right.

That's amazing.

And that's also funny how common that is, how common the randomness is.

Yeah.

Your buddy knows a lot about auction theory.

Yeah.

And so.

How did you even know that the companies were going to have trouble sort of sorting this out amongst themselves?

Because these are billionaires and Google and Facebook.

So you're not even talking to these people.

How did you know that they needed this type of a solution versus...

We actually just talked to them and we were like, hey, do you need a solution?

And most of them said no, actually.

They were like, we don't want to work with you.

And in fact, for a long time, it looked like this business was going to be a total goose egg.

You did what there?

You emailed the lawyers.

You were calling somebody.

Yeah.

E-mailed, called, show up in person.

Yep.

So they had these conferences three or four times a year.

We'd go to all the conferences and...

The domain conferences?

The domain conferences.

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Okay.

Nice.

Really?

Must be...

That sounds like a party.

It was cool because they were like all over the world.

Like I went to Johannesburg, Buenos Aires, Singapore.

Like literally...

You don't even know if this is a business yet.

You're just following your nose.

You're just curious.

Curious.

Yeah.

And so my co-founder, Ulrich, loves to tell the story of like, you got to just get in front of these people.

And so I literally just like looked up everyone who had not responded to me on LinkedIn, on Facebook, whatever, and tried to find their face, like, memorize what their face looked like.

And then at this conference, I would just be searching for them.

And then so at one point, I saw this guy that I needed to get in touch with for one of our auctions.

Okay.

Cause like in this three-party auction, if I only have two of the three parties, I don't have an auction.

I don't make any money.

And these auctions, some of them were like 13 or 14 parties.

So if I got 13 of the 14, I don't have an auction.

I have no money.

But if I get 14, I'm really doing well.

And so this party that I could not get in touch with, no matter how hard I tried, I was in Buenos Aires, saw this guy outside smoking, and then I was like, how do I get in touch with this guy?

I don't smoke cigarettes, but I bought a pack of cigarettes.

And then I just went outside and started smoking a cigarette with him.

And I was like, as if I hadn't been trying to get in touch with him this whole time.

I was like, you're just shooting this shit.

And then ultimately, like, you know, became friendly with this guy.

And I was like, oh, like, you're the guy.

I actually, it's funny, like we're running this auction.

I've been trying to get in touch with you.

And then he was like way more amenable.

He like started to turn it down.

That's amazing.

Yeah.

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That's okay.

It's not quite like, you know, the CIA operatives that go undercover and start doing heroin to get into the cartel.

But it's close.

It's the closest.

You know, I've heard.

Okay.

So you start smoking the cigarette.

So you're trying to get in touch with all these people.

And then convince them that our way is the way to do it.

And we had a couple of problems.

It was the billionaire that came in Alan's I was telling you about.

He did not want our auction to happen.

If our auction happened, he was reasoning that the prices would go up because people are incentivized for the price to go up because they want to sell.

They want to make money.

They want to get the money.

Yeah.

And so he wrote like a letter to the department of justice and was like, if these guys do this, would this be a bad thing?

And the department of justice sent him basically a non-response, but he publicized it as if the department of justice was against what we were doing.

I see.

And so that made Google a lot more suspect of us.

Right.

They don't want to do anything that could potentially be a foul at the department of justice.

So we ended up having to work our asses off to get Google.

I spent a year going to Mountain View, convincing people, met with a lot of people at Google trying to convince them like, John, a whiteboard, our solution.

The reality is this is better than another outcome for the department of justice.

The other option is they could get into a room and negotiate.

I don't see how that's better than this auction.

And why did they ultimately come around?

So what was your pitch?

You finally get in front of Google and you're like, look, you're the guy who needs to agree to do this.

Their initial reaction you're saying was, no, we're not interested in working with you guys exactly.

And if one party doesn't want to work with you guys, it doesn't work.

It doesn't work.

It seems like a terrible business, but I love that it worked out.

So ultimately, what was your pitch to convince them that this will be better for you than everybody free for all trying to negotiate?

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Okay.

So a few things.

Some people will worry that the price would go up based off of this, but the reality is if everybody has a price that they're willing to pay, you're not going to bid higher than the price you're willing to pay because then you might end up getting it.

If you end up winning the auction for a higher price just because you're trying to drive up the price, that doesn't make any sense.

So this whole notion was unfounded.

And we were able to convince them that we got Google's chief economist Hal Varian involved.

And it was cool.

It was a really amazing experience.

And then Google tested us out first.

They had us run another auction for them, just see how they liked working with us.

And it went well.

And is this a piece of software or how did you actually, what was the product in this case?

Yeah, the product is, yeah, it sounds like relatively trivial.

It's actually not that trivial to build.

There's a lot of security involved.

And yeah, it is like an online portal where you can go in, make bids, see what happens.

There's also, of course, like a banking component.

So even to enter a bid, you have to have put down a deposit.

And because the bidders are so international, they're in accounts all over the world.

And then even after you've bid, we have to hold a bunch of money in escrow.

And one of our bidders, a large software company, had a requirement that you couldn't use the money that they gave you to bid against them in a future auction.

So we basically had to hold this money in escrow.

So we're holding like hundreds of millions of dollars in escrow, in accounts like in Hong Kong.

It's kind of nice.

That's actually pretty smart of them, though, to put that in.

Can I tell you my bidding story like this?

Yeah.

I think I know the story and it's a beautiful story.

So I didn't know how any of this shit works.

But four or five years ago, maybe more, I don't remember at this point.

My investor, Michael Birch, comes to me.

He's on the podcast.

His episode is called The Hippy with a Billion Dollars.

So he comes to me and he says, hey, you know, this company I sold to AOL called Bebo.

It's actually AOL wrote it off.

This guy kind of bought it off them.

He is not really doing very good with it.

In fact, we're going to sue him because he took our money.

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We invested in him.  
It's not really working out.  
But long story short, this company is going to go through bankruptcy.  
Would we want the asset?  
Like we could get the domain name.  
We could get the servers.  
We can get the email list of maybe 80 to 100 million people.  
Maybe there's some value in this.  
And hey, wouldn't it be cool if we could turn this around?  
It was more really that it was like, it would be cool.  
Yeah.  
That was my baby.  
I sold it to them.  
They kind of besmirched it and like, maybe I'll buy it back and do it again.  
Like, wouldn't that be cool?  
And I was like, I don't know, you know, I was like interested because I don't know any better.  
And he was like, you know, most internet companies never make a comeback, but let's try it.  
Same sort of thing.  
It goes to this bankruptcy process.  
I don't know anything about bankruptcy, but there's like a few weeks and then it's like, there's a court date in LA.  
We got to go to LA and what we're going to try to do is we're going to try to buy it out of bankruptcy, essentially.  
And we just have to pay up a few debts, you know, whatever the money we put in, that'll go to the debtors and the asset could be ours.  
So we go down to LA.  
That's me, our lawyer and our COO.  
And beforehand, we're trying to come up with our strategy and we're like, you know, chickens with our heads cut off.  
We're like, well, what's it worth?  
And we're like, well, who the hell knows?  
There's like, we had very little data, plus you're just like estimating what you think you can make it into, which is a dream, really.  
And we don't know who else is interested.  
We've seen in the data some other companies that are sniffing around because they requested some data.  
And then you can see who opened the folders.  
Okay.  
Looks like these other companies are involved.  
We don't know.  
So we show up in LA, we go to the court.  
I still don't even know actually how this process is going to work.  
I assume the judge is going to say something.

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The judge immediately just says, all right, you three companies are here to buy this, go in that room over there, sort it out amongst yourselves.

This is kind of what you were talking about, right?

Sort it out amongst yourselves and then come back to me and tell me who's the winner and what's the price.

And we were like, what?

And there's like, yeah, there'll be a mediator that will sit there and like just watch the proceedings happen just to make sure there's no foul play.

So we're like, we go in this tiny room, smaller than this room, we're doing this podcast. And it's us and it's match.com.

And then there's tagged, which is another social network, but then lost to my space, lost to Facebook and was sort of still around.

And so we sit down at this table.

I have no idea what's going to happen.

And I hoped it was a process like what you're talking about with some structure and like, you know, whatever.

And instead it's like, okay, so what's the starting bid?

We'll start the bid at 150,000.

And we're like, so somebody says 150, we're like, we'll do, and they just have some minimum. Like you have to go up by whatever as like, all right, we'll do 180.

We'll do 230.

Whatever.

It just kept going up.

Wait, so at this point, did you have a number in your head?

Yeah.

So we had, in our mind, we had valued the thing.

We were like, okay, I think this thing's probably worth, you know, just on the parts. If you just resold the parts right away, the domain name, the domain servers, the lists, you know, something like that, this might be half a million bucks, half a million bucks.

Okay.

Optimistically, half a million, maybe it's 350,000, whatever we were talking about that.

And then Michael, you know, in his wisdom was like, look, I don't think we're going to go in and we're going to be able to get this for like 300, 400,000.

So like, I don't think we should try to figure that out.

I think we should be like, what are we willing to pay?

And I think this thing's going to go for a million bucks and I'm willing to pay a million bucks.

Yeah.

For him, there's a motion tied into it too.

Like it was exactly.

So he was like, I'm willing to pay a million bucks.

And we're like, okay.

Well, I guess that's our strategy now.

So in my head, I'm like a million bucks.

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I have no idea what these other guys are thinking.  
And we sit down and so it starts going up, starts creeping up at about 350,000 tagged is like, you could tell this guy was like, I flew to LA, I thought like nobody would be here.  
Yeah.  
What the hell am I getting myself into?  
Yeah.  
He was just like, like, I'm out.  
I don't know what's going on here.  
Let you guys do whatever you're going to do with this.  
So now it's just heads up us and the IAC group.  
And so we, we continue and it just, and everybody's going up in very even increments of like, whatever the first person throw it was like 30,000 more or something like that.  
The next, that's just how it went up every time.  
Every time.  
And everyone tries to have like a poker face about themselves at about 700,000.  
They like stepped out of the room to be like, we need to make a phone call.  
Is that okay?  
We're like, the mediator was like, yes, no problem.  
You can take a break.  
So they go out, take a phone call and I'm huddle up with the lawyer.  
I'm like, okay, this looks like this is probably what they were pre-approved for because they got to go call their boss to figure out what they can do.  
They're either going to come back and say, no, take it, fantastic.  
Or they're going to come back with a new kind of like top price in their mind.  
And so this probably going to be an even number.  
So just test like every time he gets to 800, 900 or a million, don't let them get that number.  
Like jump above it a little bit and I talked to the mediator.  
I was like, Hey, look, they can't do this again.  
And she's like, yeah, okay, we're not going to do anymore.  
We're not going to do any more breaks that interrupts the process.  
So then you knew that they had an upper limit and if you go a little bit above that upper limit, it's yours.  
Exactly.  
And I went outside to try to make small talk with them to be like, yeah, what are you guys going to do with this anyways?  
And they actually like, like fools were telling me what they were going to do with it.  
So I was like, oh, they don't have like a robust plan.  
Yeah.  
They just wanted the SEO and they wanted some other benefits.  
So I was like, okay, these guys aren't super serious.  
So that's exactly what happened.  
They come back in and it starts going up again and at a million, our top was supposed to be

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a million.

It was like a hundred something and she just, our lawyer just jumped and went one million and 15,000 and just threw 15,000 on top and they were just like, take it.

And we were like, great.

And I was like, what was your max?

He's like a million was our max.

And he's like, we just didn't know how far you guys would go.

And I told him, I was like, dude, our guys like emotionally attached to this, like he's going to keep going.

You should just drop out now before like, yeah, this gets out of hand.

And so they just let us take it at our also max.

And so I just remember sitting there and be like, this was a crazy experience, like a crazy hand of poker I got to play, but I shouldn't have even thought in that moment, like, there's got to be a better way.

And it sounds like you guys actually built a better way.

But actually like the way you guys did it is not bad.

I mean, so typically in that thing, what I would have suggested is like, you each put a number in an envelope and, and that's what it is.

But actually like what you guys did allows the bidding to go higher because there's like excitement.

And like you said, like they had to go out and come back in.

But like generally in auction theory, like we optimize for the fairest price and we're not necessarily optimizing for the highest price.

And that's why yours ends with the second highest price, basically.

Yeah.

And the reason for that is, let's say if all three of you put your numbers into an envelope, you'd be thinking like, what is somebody else willing to bid?

Instead, if it's like, I'm going to pay the second price anyway, you're going to put my max.

Put my max.

Yeah.

That's brilliant.

Okay.

And you didn't invent that.

You just took.

If you should can bid as high as you want and you'll pay increment one increment over the next highest bid.

Right.

So that's like a standard auction theory thing.

We didn't invent it.

Gotcha.

So you basically built this high stakes eBay.

Yeah.

Selling internet real estate.

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Yeah.

Which is incredible.

And you did this.

This whole process took about how long.

So from, you know, you guys have the idea to like your first auction.

How long was that?

Cause I like to give people a sense of like how long business takes to actually mature.

Cause when we say it, it sounds bang, bang, bang.

Yeah.

Things do take time.

I think it took like eight months.

And that was a very difficult eight months.

Like we really didn't think it was going to work.

And then we had no idea how much these things were worth.

Like the first auction.

So to give you an idea, I think we did eight names in that first auction.

And we were like taking bets amongst ourselves, like how much is each of these things.

The first ones we did, it was like dot vote, dot photography, dot now, dot read.

Like there, these were the ones in the first auction that we did.

And so like dot photography uses some example, how much do you think dot photography went for?

The frame of reference.

Like I don't even know what you can make off the, so I mean, I'll throw a number out there just to be long.

I don't know.

So I would say dot photography, somebody's going to pay 15 million bucks for it.

Okay.

It actually went for a lot less.

It was like a single digit million number, but a lot of people say that's a lot for dot photography.

Like who's going to use dot photography?

Yeah.

Like it's such a long name.

Like when you're used to like a three letter TLD or two letter, even for the country codes, like dot photography is really long.

But actually it turns out that photographers want to be like, they like their name dot photography.

They don't want their name dot photo cause that seems unprofessional.

So they like their name dot photography or like wedding dot photography or like San Francisco wedding dot photography, all these names.

I'm not going to tell you exactly how much it costs, but let's say it costs three million bucks.

So when people learned of this, they were like, somebody paid three million dollars for dot photography.

That makes no sense.

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But in that first year, they were selling these names for like 50 bucks, a dot photography name.

They were like \$50,000 on that first year.

In the first year, they made five million bucks out of it.

And then if you think about it, it's a recurring, it's like kind of like an annuity.

Like obviously there's degradation over time, there's churn, but like it's pretty consistent.

And so that's at the tone then for you guys.

And then there were peaks and valleys of like after that first auction and then the first name started selling and we realized, oh shit, people want these names.

Then the prices started going up and then we had some crazy ones that were in the hundreds, as I mentioned.

And after a while when like the first several had a lot of success because they were the first names, the first new names sold.

And there were all these like domain squatters that were like buying them.

And then when we realized like, oh shit, now there are a lot of these new names, then people started selling them.

For less.

Yeah.

It started going down.

Gotcha.

Okay.

And so you said those eight months were tough.

What was tough?

And how were you feeling during that time?

Like tell me some stories about.

Yeah.

So we didn't actually get any of the, like we didn't get the biggest name folks involved in the first auction.

Like Google, Amazon, that billionaire, none of them participated in that first auction.

I see.

And we were like, well, our business kind of blows if we don't get those guys in because like those guys are in the bulk of the auctions.

So we got these like piddly ones, but not the big ones.

And then we were, we decided to take 4%.

We had no idea how much it was going to go for.

And oh, by the way, we had a half a million dollar legal bill.

And how are you paying for this?

Because this is such a weird company.

It's such a weird company.

So we didn't.

We didn't raise any money.

We self-financed, but we basically just, we self-financed by not paying our legal bill.

Right.

You're like, this is easy.

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Don't pay your bill.

You don't need funding.

Because other than that, our only expenses were like our time and flying around to these conferences meeting people.

And give people a sense of were you wealthy before this?

Were you doing okay?

Were you broke?

Cause I was fine.

Like I didn't need.

The previous job was like consulting or something.

Yeah.

So in the background, like I was in consulting before and I'd started a bunch of other random businesses that you, you know, like some of them.

Yeah.

So what was the first foray into business for you?

I would say like, first of all, like I always wanted to be like a businessman.

So like I joked like on my LinkedIn, it used to just say businessman because I always just wanted to be a businessman.

I didn't even know exactly what it meant or, you know, whatever.

Like I would always be like doing stupid shit, like fixing computers, a kid.

I think a lot of people have these stories.

Yep.

I'm a developer, I've noticed this with my guests.

A lot of them sold stuff online on eBay or I never, I didn't do much of that.

I did a little bit, but not, I wouldn't call that my profession over also like a timing thing.

So I, but I did sell like, you know, I got a CD ROM and made CDs and I sold to high school kids like these sorts of small things.

And then in 2002 or something like that or 2003, maybe the iPod mini had just come out in four different colors.

It was blue, green, yellow and pink and the Apple headphones at that time were really iconic.

If you remember, like in the ads.

All the ads were.

It was a silhouette with white.

Exactly.

So they had those iconic headphones.

I got this iPod mini from my work at the time and my headphones broke.

Like they, I was biking and they fell on my bicycle spokes or something and like they broke.

And so I went to the Apple store and Apple wasn't selling replacement headphones at that time.

So I was like, okay, I'm just going to make headphones that look exactly the same as those headphones and then match them in the different colors that the iPod mini is in.

So we did that, made headphones in those different colors.

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I like found a cheap flight to China flew to China.  
Like I didn't know anything about China, but I flew, I was like, and you Southern China is where like 22, 23, no, actually, I wasn't even 22.  
I was 21.  
I think, yeah.  
And so you, you're just like, okay, I need to go figure out where these things are made.  
Yeah.  
I need to get someone to make these.  
The ones I want.  
Actually, I flew to Hong Kong.  
There was some like electronic show that I like read about online.  
I was like, I'll go to this electronic show, I'll meet somebody and that'll get me in.  
And so I went to this electronic show in Hong Kong and then I did actually like, I met a butt, like these electronic shows are amazing, by the way, like it's just like an insane number of people selling the same shit and like, they don't speak English at that time.  
So you're just like on a calculator negotiating like in dollars and you're just like pointing and then like, you know, they're like eight dollars and then you're like, no, 15 cents.  
Right.  
Yeah.  
Yeah.  
The difference is like a hundred X.  
And so ultimately I got these headphones.  
Apple headphones for 80 cents a piece, including packaging, everything.  
And I did like I at this Hong Kong fair, I went, I like negotiated and I went to visit the factory.  
That was awesome, by the way.  
And then I went to this other fair called the Canton Fair.  
I've heard about this.  
Yeah.  
Okay.  
So it's the world's largest trade fair.  
I think it's like, it's twice a year, April and October.  
I think 300,000 people go to this fair.  
It's in the world's largest trade convention center.  
It's like massive kilometer long thing.  
My friend told me this is like hundreds of football fields or something like that.  
Hundreds of football fields.  
That's exactly right.  
Like just the fair is so big.  
And so it's like, oh, I'm interested in headphones or his thing with socks.  
And he's like, dude, there's like thousands of sock providers in a row.  
Like you, you'll start your morning on one side and by the end you're like, it's dinner time and I'm still, there's more, more providers here to go talk to.  
You can buy literally anything from like a pencil or not even a pencil, like to the

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like the cap that holds the eraser onto your pencil.  
You could buy like that in a container quantities to you could buy like construction equipment.  
Like you can buy everything there in container quantities.  
So anyway, I went to that.  
It was just an amazing experience.  
Like for a young kid, it was my first time to like China and I learned a lot fearless.  
I think one thing that is common in a couple of these stories, I mean, we've only touched on a couple of things you've done, but you have a willingness just to get up and go, like just go to the convention, go to the conference, just go meet, like go meet them.  
Yeah.  
Just try it out.  
Cause like what's the harm?  
Like the harm is you fail, but then you've learned something.  
And I think that like I've always been willing to try stuff and it doesn't always work.  
And actually I have a poor memory of like bad stuff.  
So like I only remember the good stuff, but like, but actually in the auction business, there definitely were hard times where like me and my co-founder were like at odds with each other.  
We were like, this is really hard and annoying.  
And also like, you know, living in San Francisco, our bidders are all over the world.  
We're like getting on calls at 3am, like all this shit.  
It was just like a tense time, especially if we knew the business wasn't going to work.  
And then when we had that first auction, we were like, Oh, all right, this is happening.  
It's on.  
We're going to convince Google.  
We're going to convince everyone.  
And it was awesome.  
But anyway, going back to the, the headphone business, I started buying some real estate.  
I grew up in Pittsburgh.  
Okay.  
I bought my first house as 22 years old.  
We live in San Francisco now.  
So it is unbelievable what I paid for it.  
Okay.  
So let me tell you about the house and you guess what I paid for it.  
Okay.  
So pretty hip, like up and coming neighborhood.  
Now, you know, 15 years later, it's like one, like probably the coolest neighborhood.  
At that time it was like in transition and it was a two bedroom, one bath with a garage, small porch yard.  
Yeah.  
Guess what I paid for it.  
Okay.  
So I don't know what year this was.

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It sounds like it was a while back.

This was 2004 maybe?

2004.

Okay.

So educated guess.

I think this is going to be very cheap.

I think it's going to be like under \$150,000, maybe under \$100,000.

So I'm going to say like 80 grand.

Okay.

Close.

It's like \$1,000.

Close for it.

So your down payment is what?

Eight grand?

Yeah.

Yeah.

It's hilarious, right?

It's like, that's like one month of rent for somebody in San Francisco.

Right.

The whole house.

Yeah.

The whole house.

Yeah.

It's funny because, you know, a few years ago here, I actually like, I was living with a buddy, some buddies of mine were paying 8,000 bucks a month in rent one month and that's sort of six months of rent was the equivalent of the house that I bought in Pittsburgh.

So I bought that house.

You bought it to live in or you bought it to rent?

To rent out.

Yeah.

And, you know, kind of like did some minor fixing ups and then ultimately rented it out, like got the rent over five years up to like 1,100 bucks a month.

So actually it was a very fast payback on the investment.

And then I actually bought another house in Pittsburgh and then ended up buying, realized that there's a good opportunity if you buy a multi-unit.

So like, if you buy under a four-unit, it's still considered residential.

Yep.

So you don't have to get a commercial loan.

You get a residential loan, which is favorable rates.

So I started, I really liked the idea of buying multi-units.

So I bought a three-unit in Chicago and I had moved to Chicago, so I bought it, lived there here in San Francisco.

I bought a four-unit.

Yeah.

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You were telling me you still have that one, right?

Still have that one.

Yeah.

That is a cash cow, right?

Yeah.

It's awesome.

That's awesome.

And it's hard to find a cash cow in the Bay.

Yeah.

Because here it's an appreciation game, not a cash flow game, but I think you got both here.

Yeah.

You know, like, again, it's like, I would say being willing to just go in like sometimes like the best opportunities are like, there's no pictures of this thing online.

You know?

Right.

Right.

What kind of stupid real estate agent doesn't put pictures of a place and then you look inside and it's gorgeous.

And then you're like, okay, that person just lost out on like, like that person lost the seller many hundreds of thousands of dollars because like people didn't go see this place because they didn't have, you know, stuff like that.

It's weird.

Yeah.

Those are the opportunities.

So when you bought this first house, you're only 20 years old, you're buying this place, you want to rent it out.

So you're thinking already, how do I get an asset?

Yeah.

How do I make cash flow off of it?

And a lot of people who are listening to this right now, they're either A are already doing that or want to do something like that.

Some of it is, yeah, I need the confidence to, you know, take the leap.

But the other part is like what I call the light bulb turning on.

So were you reading a book and were like, oh, this is, this is how this strategy works.

Did you have a mentor?

Were your parents telling you what to do?

Okay.

So it's really weird.

I was just like searching the internet like crazy for this.

And there was this forum.

Do you remember Fat Wallet?

Yes.

Okay.

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So there was a place where you could trade like coupons or like the best deals. They had a forum section and actually this forum section had this one thread about buying a house and like making money by buying houses and it had like thousands of responses. And I read this thing religiously before I bought this house and I was like, this is it.

This is the first house.

I'm going to do it.

And it's definitely nervous.

Did you post it on there?

Like, hey guys, this is the one I'm looking at.

Here's the numbers.

Yeah.

Yeah.

Here's the numbers.

Here's two plus two forums is this long time forum on the internet.

And that's where I look, you know, I would just read this thing all night and because I didn't know any friends who did this.

Yeah.

Same.

I didn't really know people in the, in the space.

Yeah.

Actually, you know, my dad like knew I was interested and like he had another family, like we had another family friend that was interested.

So he like had me go sit down with that uncle and like just learn from him for a couple of hours what he did.

And then, but then this forum is really what I, where I learned a lot.

And so that was it.

That gave me the confidence to do it.

Unbelievable.

Okay.

So you did the, you did some real estate.

What were some of the other, were there any other notable businesses?

You did the headphones thing.

How much were you making out of the headphones thing?

You sort of, you get, you get these.

So we have rough numbers because I don't remember the specifics.

You know, we were buying these things for under a buck and we sold them online for depending.

We sold them for like 15 or 20 bucks.

So obviously great profit margin, but we didn't really know how to market.

But this is a great crash course for me on marketing.

So originally we only bought a thousand headphones.

So it only actually cost a thousand dollars to set up this business because you bought that.

I mean, obviously there's my trip to China, whatever, whatever.

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But like, you know, it was under, it was like a few thousand dollars, maybe to set up the business and then, you know, made the website and then we're trying to figure out how to market online.

And I'd never done it before.

And I think this was at a time where there weren't like your standard ways to do it.

And like Facebook wasn't really a thing.

But when Facebook launched, I was actually one of the first marketers on Facebook.

And so here's how it worked.

Actually, I think you'll really like this.

So Facebook at that time, when they launched ads for the first time, they were ads on your campus.

Because remember Facebook at that time was like only within your campus.

So like I went to Carnegie Mellon University.

So I had access.

I could put an ad and the idea was like, you'd put a flyer for a party.

And it would, this is, this is how like unsophisticated they were at that time.

It's insane to imagine Facebook being so unsophisticated now.

But it was like everybody sees it basically.

It was everybody sees it on the campus and it was five or \$10 per day to market to everyone on your campus.

And it didn't matter what campus you were at.

So what I did at that time was I got friends who went to the University of Michigan and like Ohio State.

And I was just like, what are the biggest universities that I have friends at because that's going to be the cheapest ad space.

So I got their Facebook passwords and I posted as if I was them, these ads.

And that ended up being like a clever hack.

I love that.

Yeah.

And so it was like just like, like you asked about how much money we made.

I actually don't remember, but we ended up selling 11,000.

I remember our first order was 1000 headphones.

Our second order was 10,000 headphones.

So we bought them for nothing, like 11,000 bucks.

And then, you know, we sold them for whatever 150 plus thousand, but we spent a lot on marketing.

So it was a great side business that I would say the money was really great to me at that time in my life.

Yeah.

In college, it's like, wow.

If you make a thousand bucks a month in college, like, yeah.

It was an insane, it was a great amount of money.

But more importantly, I learned like how to market online and like I was, we were doing all sorts of other stuff like at that time blogs were really popular.

And that was how a lot of people got content.

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And so we would do like giveaways with blogs.

It was just like, it was a time to experiment.

I think at that time there wasn't a lot, people weren't writing a lot about how to market online.

Right.

And so I had to like figure it out on my own, which was awesome.

Yes.

That's great.

And so you've done a bunch of different things.

And so you've made a little accessories company.

I think you did stock, you just trading at some point?

Yeah.

Options trading.

Yeah.

So this was actually like through a friend of mine, a friend of mine really got me into this.

And we basically realized that you could look at mostly internet companies, you could look at like Google Trends data.

And at this time, which was like, like 10 years ago, the market totally was not correcting for this already.

Right.

So we would look at Google Trends data, like make an estimate on whether there were a lot of visits to that site or not.

So we were doing these for like priceline.com, TripAdvisor, TravelZoo, like these sites.

And we basically make guesses based on this like trends, mainly this one data source, which was like Google Trends data.

This one blue squiggly line.

Yeah.

And we sort of like see what the analysts had recommended.

And then we basically, based on Google Trends data, we were like, okay, do we think this company is going to outperform this quarter?

And so we would do an options trade.

Literally we would do it the day of earnings and that earnings we either had made a killing or not.

Right.

But we did pretty well.

And I would say like with the trends data, we were probably right three out of five times, which if you're trading options is pretty good.

Right.

We've done all these different things from trading, to real estate, to starting a, you know, a tech business.

You're an angel investor right now.

Yeah.

You've made a podcast and sold a podcast, which nobody frigging does.

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So if you haven't heard the pitch, check out the pitch now.

You sold it to Gimlet.

Gimlet, which got acquired by Spotify.

So you've done all this awesome stuff.

I think it's great because it's kind of inspiring because I myself also don't want to be one track for my whole life.

There's some things I know I'll do forever.

I'll always be interested in businesses.

I'll always be interested in teaching, which is kind of how I think about this podcast.

But I, you know, who knows, I might dabble in 10 different things.

What's been your favorite?

So most fun ones to work on.

I'm curious about that.

And then the second is in terms of money making, which one do you think was actually the best way to make money?

Was it more investing, starting your own company, the online sales of different stuff, options trading, real estate?

Yeah.

Which one was most fun?

Which one was the best for money?

Yeah.

I'd say the most fun, like I had some pretty high highs with the auction business.

And it was mainly because for the first time in my life, I felt like, boy, this is something that I am really good at.

And like it was really like this business development, making these deals happen.

So I'd say like you had to have like some strategic thinking, like understanding of economics to build this auction model and like be a people person to connect with these people.

And I felt like this was a perfect, this was really good for me.

And I had such high highs when it started to work.

Like I told you, I had such low lows also, like with my co-founder and like, but when it was working, I was like, boy, for the first time in my life, you know, I was like 30 years old, 30 something.

And I was like, for the first time in my life, this is what I'm meant to be doing.

Something that like brings all my like skills together and like my weaknesses are, I can let go of a little bit and let other people handle it.

So that was a super high high.

Another high high actually was not, this is sort of counter to this podcast, but I spent a year volunteering in India and I was doing microfinance and I lived on a dollar a day.

And actually, you know, like in India, it's not as hard as obviously this year, but like I learned a lot by that process too.

And I think it's also just an adventure you wanted to go on.

It was an adventure.

Yeah.

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There was no like calculated purpose for going to doing that.

No, no, no, no.

It was an adventure.

So I'd say like recommendations wise, like fucking choose adventure.

Like, so give me an example where you could have chose non-adventure.

You could have chose maybe a practical choice or a, yeah.

Well, I mean, like when I did that, I was a manager consultant making a six figure salary at 25 years old and I chose to move to India for zero money and it was amazing.

And like...

How did you make that decision?

Like what was the, what was like your thought process?

You're like, okay, today I'm doing this, tomorrow I'm going to be in India living on a dollar a day.

Yeah.

I was getting like annoyed at the management consulting life and...

As you do.

As you do.

As everybody who, you know, has worked in banking, consulting, like lawyer, big law, everybody knows this feeling.

And then I had seen this movie, it's called Rang Debasanti, an Indian movie, and it was like very inspiring to me.

So I saw this movie and I was like, I want to do something for India.

And so just for background, like I grew up in America, but my parents are of Indian heritage and I always felt a strong tie to India, even though I'd never really lived there.

So I was like, I got to do something for India.

I heard about this fellowship, applied for the fellowship and I ended up working with Kiva.

Kiva.org for those of you guys don't know, it's a really cool site that lets you make a loan to an individual in the developing world.

So for example, you can go on the site and with \$25 on your credit card, help a farmer in Ghana buy an irrigation pump.

And you get your money back, almost always, it's like 99 plus percent repayment rate, but you don't get any interest.

So what you're giving up is your interest.

And so...

You could just roll it over to the next person.

Roll it over to the next person.

So you put 25 bucks in once and you might end up helping 10 people over the course of a few years or whatever.

That's exactly right.

Yeah.

As you get paid back.

I was doing that in India and I was helping set up India for them and there were regulatory constraints anyway.

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But the coolest thing was, I got to experience so many different things, through the course of this year, I ended up, we followed people around who were in our demographic.

So I spent a day as a rag picker.

So rag pickers are the recyclers of India.

They go around.

It's like, in San Francisco, you see these Asian men and women picking up the cans.

In India, it's really poor people who do the stuff for recycling.

And so I spent a day with this kid who was probably like 11 or 12 years old, just following him around, picking up rags, learning what's recyclable, what's not.

It's funny, I learned at that time that still applies to me today.

Plastics are just not really that recyclable.

And especially the shit we throw here, it's just actually not that recyclable.

You should use more aluminum stuff that you can recycle.

It was such a hard job.

And I was like, oh, for the first time in my life, this is something I really cannot do ever again.

Like there was a time where we jumped into a dumpster and a dumpster in India is really fucking gross.

The street is dirty.

Imagine the dumpster.

That's exactly right.

The street is so dirty, the dumpster is just shit.

But we went in there and I realized, man, people have really hard lives.

And I think before that, I didn't truly have an appreciation for how difficult other people have it.

Because I grew up not in a rich family or anything, but middle class, my parents, my dad's an engineer.

I never had to worry about anything in life.

And this was the first time I realized, boy, life is tough.

And it made me really appreciate that and also want to spend some part of my life in helping those people or something.

So now what I do is I invest in fintech companies and everybody, the bullshit thing is we're making the world a better place, whatever, whatever.

I definitely can't argue that all of our investments do that, but I think we strive to try to make the world a little bit better.

And it's like helping underserved could be one angle to it.

It could be helping people like us, just like, oh shit, dealing with my bank sucks.

I want a better alternative.

And do you think you'll ever jump back in?

The operating side?

Yeah, just start another business.

It's a great question.

I'm surprised you've been investing for as long as you have been.

Yeah, it's true.

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I think part of the reason it's been good for me is I invest really early and then have companies working out of my office.  
So the company's working out of my office, like every day I'm talking to them.  
So I get the feeling that I'm working on them and I share in some of their highs.  
It's not the same because the highs are not nearly as high, but also the lows are not nearly as low.  
So it's kind of, yeah.  
So for me, I like getting my hands dirty with the company.  
So I do do that and that's where I get some fulfillment.  
But I think maybe ultimately, I'm really enjoying investing, I'm probably going to be doing this for a while.  
And then in retirement or something, I probably will start some other businesses.  
You have this investing framework, six T's, coining this for you.  
You said this, it's not like super, super revolutionary or sort of obvious things, but I like the six T's.  
I think that most people, it hasn't been put that way.  
I don't think.  
Yeah.  
And it's pretty catchy.  
So I like it.  
I don't even know if you remember all the six T's.  
Now I'm like, man, what are they?  
I can help you.  
I hear, I'll tell you what I remember.  
I tell it through a story because you invested in, you've invested in some good companies.  
Take investment you're really proud of and then walk us through the six T's and then we'll wrap up after that.  
Sure.  
So we'll talk about Flexport because it's like a few billion dollar company.  
Flexport's amazing.  
Yeah.  
So, so Flexport.  
For those who don't know.  
For those who don't know, it's like a, it started out as a customs broker and now it's like a really all things shipping company, mostly focused on trans specific trades.  
So like US to China and that US to China, I think is like 30% of the global trade.  
Yeah, it's a, it's a big thing.  
So they're connecting here.  
They're connecting the cargo, the shippers basically with people, with the customers who are trying to send, receive, and then the brokers in between essentially, right?  
Yeah.  
Exactly right.  
Yeah.  
So I met Ryan, the CEO like five years ago.

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How'd you meet him?

Did you just reach out to him cold or he reached out to you?

No, no, no.

He, friend of a friend and we met at a party and I was like, this guy's awesome.

Like we shared this like love for like hacking stuff.

So to give you another example at that time, we were buying AdWords with our Uber promo codes and what does that mean?

So you know how like there's an Uber referral, you get like 10 bucks if somebody else uses your referral code.

Yep.

So you were just advertising.

We were just advertising our referral code on Google and so we were buying Uber for 20 cents in the dollar.

So we like, we totally bonded over these like hacky things that we love to do and, and then I was like, okay, like when you're, he was telling me he was at the time not, you were doing that with him or are you doing that with your other friend?

With him.

Yeah.

And then he was telling me like, you know, he wanted to start this business, Flexport. Before he went through YCE, like all this stuff as like, dude, whenever you're ready, like I'm giving you money.

Yeah.

But no, I said that early on and it was really strength of team.

So like the first team is team.

Okay.

Like this guy, you know, I could tell he's somebody who's going to break through walls to, to, to make success happen.

And not only that, like he'd already been successful.

He had this other company called import genius.

So he knew import genius, basically a list of all of like the stuff that's being imported in the U S and makes it easily accessible.

And so he, he was doing like several millions of dollars a year in that bootstrap business right in revenue.

And it's a, obviously a related business to the business that he wanted to start.

So like he knew what he was doing, team checkmark, team checkmark technology.

So like the second team, is there a technology need here?

Fuck yeah.

Like this is all a paper and pen and fax process, old school, old school, customs brokers or like phone banks, like you're on the phone calling people.

And so like, is there a need for technology?

Absolutely.

Okay.

Another T, this is kind of a cheat.

Total addressable market.

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Okay.

Sure.

How big is the market?

How big is the market?

Shipping.

Are you kidding me?

It's a trillion dollar market.

Okay.

So easy.

Easy check.

Or three T's on the way to six.

Three T's on the way to six.

Is it six?

Or is it five?

Maybe five.

Or three?

Maybe it's just three.

Traction.

Traction.

Yeah.

So traction was one, in this case, when I invested, he didn't have any.

But with his previous business, which was in a related space.

Yeah, exactly.

So you kind of like, at some point you make a leap of faith and say, this guy's going to bust through walls and get the traction.

And also like early traction, if you're able to start selling into other startups, you can get that.

Like I didn't have a doubt that he would be able to get that.

So he did.

I have the two other T's for you.

Excellent.

Tell me.

Terms.

Terms.

Okay.

So what are the terms of the deal?

Yeah.

So the terms were fair.

Yeah.

And you know.

If you're more off that than you did off any of your businesses, you might.

No, probably not.

Probably not.

But it is a very...

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Walk people through a normal angel investment.

So let's say, I'm listening to this podcast, I'm inspired by all these tech companies.

I want to write \$25,000 checks.

Yeah.

And that's what I was doing, by the way, \$25,000.

And you know, sometimes at the earliest stages, like, you know, I didn't have that much money.

Yeah.

I was like, you know, would you let me in for...

Like they would be like...

Yeah, can I do 10?

I'd be like, what's your minimum?

And they'd be like 50.

I'll do half that.

Yeah, I'll do half that.

Okay, I'll do 25.

And then you'd be like, I'm going to be so helpful to your business, whatever it is.

Because I'm doing it, it's an angel investing now, but I don't know if I'm doing it right.

Okay, so here's how I'm thinking about it.

Tell me if I'm wrong.

Yeah.

So I think that I'm going to be writing checks that are about \$25,000 on average.

And I'm setting aside \$3,000 to \$400,000 to do it.

So I'm like, okay, that's like 10 bets or \$12,000, \$15,000, if some of these are lower checks, then I get to \$12,000, \$15,000 bets.

And I'm risking, you know, let's say that's going to be less than...

It's going to be like 10% of net worth, basically.

I think that's right.

So I'm like, okay, if I lose it, I lose it, but that's how many bets I have.

So is that, you know, where were you kind of...

How was your calculus when you were like, all right, I'm going to start writing these risky checks?

I would say my calculus was similar.

And then I ended up doing a lot more of them, but I had some early signs that things were going really well.

Now, part of it is at that time was a great time to invest as compared to today, unfortunately.

Like the valuations were just so much lower.

Some of these companies, you know, I invested in that are now billion-dollar companies.

I invested it at \$5 million valuations, and now those companies raising a seed round might be like 12.

And if you think about it, like, that's a big difference.

That's your return half.

Yeah, in half.

And people like, people really don't think about entry point valuation as much as they

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really should.

Right.

And so, okay, so in a win state, you write a \$25,000 check at, let's say, whatever, five million valuation, it becomes a multi...

It comes a billion-dollar company, a one to three billion-dollar company, something like that.

Yeah.

What do you make as an angel investor on a home run like that?

What is the base...

Yeah, yeah, yeah, sure.

So, here, let me just, I think the way...

They get to factor in a little bit of dilution.

Yep.

Okay, so let's say you invested \$25,000 in a Flexport seed round.

So, Flexport seed round, it was at a, there were many different, it was many different seeds, but where I invested the first seed, it was a \$10 million cap, which was very expensive at the time, but I had faith in Ryan.

And...

The seventh tee.

Faith.

Faith.

Faith.

The hard tee.

The hard tee, yeah.

And so, he's taken a lot of money in subsequently, and now it's a \$3 billion company, but obviously, it's not 300 times your money, because there's been so much dilution along the way.

So, actually, where this one sits today, I think, is 87 times, so that \$25,000 ended up becoming over \$2 million.

25 grand turns into over \$2 million.

Yeah.

And so, a lot of people are selling now.

I'm not.

I'm still a believer in the company.

So, like...

So, it could end up being more...

It could end up being a lot more, if you believe, and like the company continues to grow, like, would this be 10x, and then you're talking like, wow, that's a lot of money for an individual.

Yeah.

Amazing.

Yeah.

Okay.

Great.

And I think the last tee, if I remember, that you had said was totally random.

Totally random.

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So, I want to make sure we touch on it.

Yeah.

So, totally random.

Yeah.

So, it's like, when I make an investment in a company, I'm investing in a person, typically, or people.

And I want to spend time with these people.

And if I can't spend time with these people, I'm not interested in investing.

And it's been, like, you know, the folks that I've invested in, I've, like, spoken at their weddings, like, it's been awesome.

And like, so, Ryan, for example, like, you know, his bachelor party was a month ago, we had a really good time, he's investing in my new fund, like, these are relationships that I, like, I want to really cultivate.

And for me, I have a lot of fun talking about business, so I want to have other friends to talk about business with, and help them, or even if I'm not helping them, I'm learning about what they do.

So, the totally random pieces, like, are these cool people?

Like, can I have random discussions with them, and have a good time?

Awesome.

Dude, you have a hell of a story.

I'm really glad we did this.

Caught you when you were back in town, because you travel all around the world.

Following you on Facebook is like following the National Geographic.

It's like, oh, he's in a tunnel in Egypt, and he's posting a photo, then he's like, you know, at the top of this tower in Moscow, or wherever, you are a traveler.

All right, so this was awesome.

If somebody listens to this, and they want to either help you, get in touch with you, something like that, how should people follow you, find you?

Twitter is good, or you can email me?

What's your Twitter handle?

So, I grew up in Pittsburgh, so pit, and then this is like short for Indian, and this is like totally lame, but I've had it since eighth grade.

So, it was my AOL screen.

Yeah, you kept your AOL handle.

I kept my AOL handle.

Well, most of us knew to shed that, and like college, we were like, oh, wait, that was stupid.

I'm no longer, my mind was, Mr. Gubaple.

So, I'm no longer Mr. Gubaple, I don't know what that was, but I got rid of it.

Twitter is easy, email, I'm starting a new fund, and just starting to find a race for it.

It's called Better Tomorrow, and I'm Sheil at BTV.vc.

Okay, I'm going to invest in your fund.

Awesome.

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Great, let's do it.

Let's find that.

I need a dollar, dollar, dollar, that's what I need.

Well, I need a dollar, dollar, dollar, that's what I need.

Said, I need a dollar, dollar, dollar, that's what I need.

Well I need a dollar, dollar, dollar, that's what I need

Said I need a dollar, dollar, dollar, that's what I need

And if I share with you my story, would you share your dollar with me?