

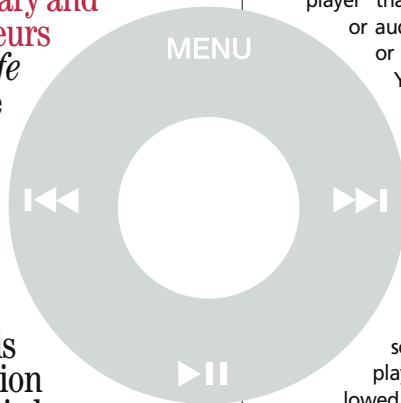
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BY BRIAN SPERO

Nathan Schulhof

THE INVENTOR OF THE MP3 PLAYER

He's the inventor of the MP3, helped develop the first word processor for Apple computers and has taken three companies public. **Nathan Schulhof is a modern visionary and one of the great entrepreneurs of the Internet age.** *ValleyLife* sat down with this Westlake resident to talk to him about his amazing career, find out what it takes to make such a huge impact on the world as a businessman and what the next big idea will be. What we found is that the man whose vision has evolved into your iPod is less about making a fortune, and more about making the world a better place.



ValleyLife: How did you come up with the idea for the MP3 player and make it a reality?

Nathan Schulhof: Back then there was really no such thing as MP3. MP3 is compression, and RCA/Thompson developed it. What I developed and patented was the very first digital player that downloads music or audio from a computer or high-speed network.

You got to realize this was when people had 38k modems over phone lines and you couldn't get on AOL because it was too busy all the time.

So I filed five patents and they described what the MP3 player is today and allowed for any type of distribution, whether it's cable modem or any type of compression. This was in 1994, and I couldn't raise any money for it. I'd say, "Someday all music is going to be digital and you're going to download it." The VC's (venture capitalists) didn't see it. They thought it was going to be a fad. Finally I put the first \$250,000 into it. Then I started with "Angel Investors," just individuals who could

put \$25 to \$50 thousand into it and I raised \$7.5 million dollars. In the end we had over 300 investors. Then we raised another 30 million when we went public. That was easy.

VL: And you knew that this was going to be something special?

Nathan: I've always been a visionary. After every deal I say, 'Next time I'm going to buy a widget for 25 cents and sell it for 40 cents,' but I never do. I have passion about my visions. To be entrepreneur you have to have two things—focus and passion. When you are trying to develop something that doesn't exist it's risky, because you are talking about changing a standard. And the typical money people won't support you until it does become a standard. You have to be driven by passion, and yeah, I did see it. I knew someday music would be completely digital.

VL: Where did it begin for you? When did you start thinking about the technology that led you to your invention?

Nathan: About 1978, but really I got serious about it in 1980. By 1979 my younger brother who is seventeen years younger than me had just gotten a RadioShack TRS-80. He showed me the computer and we played games on it and things like that. Then in 1980 I heard of a little company that was really gaining momentum that nobody ever heard of called Apple Computer. They were actually putting out 10,000 machines a month, which is a big number, and the software business really didn't exist. So I found this very bright software engineer, I funded him, and we built a word processor for the Apple. It became one of the best selling word processors. It did things that other didn't do and it was called Word Handler and we started a company called Silicon Valley Systems. Word Handler could be made for \$3.65, we sold it to the dealer for \$125 and he sold it for \$249. And we

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When I see kids using the iPod it makes me feel really good. I think that I've made a difference. I don't say that as bragging, I really don't. We go through life and we all think that we're so different, but we're all the same, and it's nice to contribute. I think it's important for every human being to make a difference, even if it's a small difference.

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sold ten or fifteen thousand of these a month. So that was my first entrée into the technology industry and I've been in it ever since.

VL: You must have looked at the landscape of the technology industry in the way that early pioneers looked at the California gold rush.

Nathan: That's exactly what I do. What I am interested in is what is the next hot thing.

VL: Where does it come from, to be the type of person that has ideas, in addition to the inner belief that they can make them work and make a profit from them?

Nathan: My mother always gave me a lot of confidence. She told me I could do anything I want and I always felt that.

VL: So when you have the vision to know that music is going digital and people will in large demand want to download all kinds of media off their computers and take it with them in portable devices and people are doubting you left and right, how hard of a thing is it to get past?

Nathan: Where it makes you feel bad is like, when I used to be in meetings with venture capitalists and I'd think I really have a deal, they seemed to get it, they liked it, and then three days later they're not returning your calls. That's frustrating. But there were enough people that could see the dream and would give me \$25 or \$50 thousand dollar. I had a lot of support. It was just a big undertaking. Looking back on it now everybody says, oh, the MP3, what a great idea, but boy, it was like climbing Mount Everest.

VL: How do you feel now knowing how big this idea has become?

Nathan: I feel delighted. I feel fulfilled. It's the biggest thing that has ever happened to me. When I see kids using the iPod it makes me feel really good. I think that I've made a difference. I think it's important for every human being to make a difference, even if it's a small difference.

VL: What are you working on now?

Nathan: My book, Download, is important to me. The book isn't just about the MP3 player—it started out that way—it's about how the download culture has changed our lives. I love my speaking engagements. I like people, I love to speak and inter-



act with them and it feels good. I do consulting for three or four companies at a time...only ones that I like, and companies that solve a problem. There's a project that I am working on that is going to change the world. I am a very small part of this project, I'm a consultant for them now, and I believe it's going to solve the energy problem over the next five years. That's a big statement. It's going to do to energy what the computer did to the typewriter, driving energy costs way down and allow us to use green energy in a way that we never have before. It's that big.

VL: What keeps you motivated to keep working? Some would say, hey, I've made my mark, I've made my money and I'm off to the Islands.

Nathan: You'd get bored. I don't do anything that I really don't want to do and my work is so much fun. I'm not a religious person, but I believe that if there is a God, than on judgment day you will be judged by what kind of person you were, and not on if you believed. All the technologies I'm involved with I hope to be profitable. I'm a businessman, but my work has to make a difference. It has to improve the quality of life for people.

VL: Who are some of the people that have influenced your philosophy?

Nathan: Albert Einstein, Bill Gates, a guy named Fred Smith who started Federal Express. Gates since Microsoft and especially now when I see

his change of life and what he's doing. It's easy to give money away. It's hard to give it away properly.

VL: Your success seems to be built on a perfect balance between creativity and business sense. Can you speak to that?

Nathan: One thing I admire about Bill Gates, as the president of Microsoft is that a lot of times engineers try and be presidents and they're not business people. They usual can't measure a market and sometimes build a product that ten other engineers want. Gates is someone who had great technical vision and he's a great businessman. He's a much better businessman than I. I don't consider myself a great businessman. I consider myself a great visionary and a good businessman.

VL: You could live anywhere. You split your time between here and the Bay Area. What is it you love about living in the valley?

Nathan: I love California. Westlake is a wonderful community. I like the smallness of it. I like it that I don't have to get on the freeway. The people are very nice. It's a community of only about 8,500 people. It has fine restaurants. I love restaurants. My hobbies are restaurants, wine and flying airplanes. And I don't do wine and airplanes at the same time.

VL: What other causes are you involved in?

Nathan: Animal rescue has been a

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big one of mine. I said I'm not religious, but I've been involved in the Jewish Federation. I'm involved with kids and universities. I speak at a lot of universities.

VL: What have been some of the real highlights of your career? I know you have always been proud of the broadcast on the Web of the 1999 Wango Tango Concert that you orchestrated.

Nathan: That was huge for us. It hadn't been done. Over a million people were watching...and the technical obstacles were huge. We weren't sure how it was going to come off, and it came off perfectly. The MP3 player is the biggest. I'm so proud of that. I didn't make it popular. Apple really did a wonderful job. Apple was the first one that really got it right. With iTunes they give the whole complete package and really make it easy. I was the first one to put CDs in magazines and had a great time doing.

ValleyLife will be checking back with Nathan for more information on a project that he is working on that he says will help solve the energy problem in a green way. For more information about Nathan Schulhof and his work visit him on the Internet at www.nathanschulhof.com where you can download a chapter of his forthcoming book, Download: The Story of the Invention that Terrified the Music Industry and Transformed Global Culture.