STEVE CASE CALLS FOR A NEW WAVE OF ENTREPRENEURSHIP TO REVITALIZE THE AMERICAN ECONOMY

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February 23, 2012

Excerpts from Mr. Case's Remarks

Areas of Concern: the key areas that are important are, number one, winning the global battle for talent, which relates to immigration. Number two is improving access to capital – things like crowdfunding help. Number three is regulatory changes, particularly around things like IPOs.
Action Needed: if we pass legislation – and it's probably some combination of the Startup Act and the AGREE Act and the White House proposal – because there is more commonality there than you might think – we can win the global battle for talent; we can improve access to capital; and we can change the regulatory climate around things like IPO.

I do think we have the opportunity to usher in a next great wave of entrepreneurship and position this nation to grow the economy stronger, to grow jobs faster and to ensure more – but it's really important, now's the time for everybody to step up and have their voices heard. These things are being vigorously debated. I think there is an opportunity in the next month or two to pass this proposal and get it signed by the President. If it moves closer to November, I think the odds go down.
Use of New Technologies: I use a lot of technology – iPhone and iPad, Twitter, and so forth. It shouldn't be surprising, because the core of AOL – even 27 years ago, when we launched – was community. We always said that the killer app on the Internet was people talking to each other. We called it community; now it's called social media. We launched in 1985 things like chat rooms, instant messaging, which have now become texting. All of that was integral, the center of what AOL was all about. So it's not surprising that as these generations of technologies have developed – whether it be Twitter or Facebook or what have you – that I use them and I continue to be fascinated by them, because I've always believed that was the core and really the soul of the medium.
Young Companies: High-growth, young companies is where the leverage is in terms of job creation, innovation, economic growth.
Global Competition in Entrepreneurship: The reality is that all those countries and many others have watched with great envy at the American innovation engine, and particularly this entrepreneurial culture that we've created. The reality is, America was built by entrepreneurs; we still remain the world's most entrepreneurial nation. That's the good news.

The bad news, or maybe the not-so-good news, is people have figured that out. And people have recognized that is part of the secret sauce that drives the American economy, and people are moving very aggressively to try to put policies in place so they win the battle for talent, they have the best market in terms of access to capital, they have the best regulatory climate.

It's changed quite dramatically just in the past10 years. And you see this now as major venture firms are focusing more and more on some of these other markets. Excel – backed Facebook and one of the great Silicon Valley venture capitalists – now says they have more people making venture investments in China than they do in Silicon Valley. That should be a cause of concern, maybe even a cause of alarm. That was not true 10 years ago.

DAVID RUBENSTEIN: Good morning, everyone. I'm David Rubenstein, President of The Economic Club of Washington. Thank you all for coming this morning to breakfast with Steve Case, founder of America Online, here at the JW Marriott Hotel in Washington.

Since I've been the President of the Club, Steve is the first member of the Club who's actually been one of our guest speakers. Steve is well-known to people here, because he's lived in this area for quite a while and is a business leader, a civic leader, and a great philanthropist in the area.

As a businessman, he started his career after Williams College at Procter & Gamble and then went to Pizza Hut – in marketing, but he always had an interest in technology and gravitated to Washington to work on a small technology company. Then he, with some other individuals, started something then called Quantum Computer, which evolved into a small company called AOL — America Online. He built that up into the largest Internet company in the world at the time, and it became the extraordinary success story in the Washington area and really helped make Washington a technology center.

AOL was subsequently bought Time Warner and merged. Steve ultimately left and started another business called Revolution. That is a company that makes investments in entrepreneurs, small technology companies. And some of them are already well-known. LivingSocial is one of the investments they've made, and investments in Zipcar and in resort properties and others that are doing quite well.

So as a businessman he's been quite successful. But as a public citizen, he's also been very successful. He is a member of the president's Council on Jobs and Competitiveness and heads up its subgroup on entrepreneurship. He's also the chair and leader of the Startup America entrepreneurial effort that has been endorsed by the White House as a way to encourage more entrepreneurial activity in the United States. And most recently he's joined me as a regent of the Smithsonian, and we're very glad to have him there.

As a philanthropist, Steve has done a great number of things in the Washington area. He heads up the Case Foundation, which he chairs and his wife Jean, who is here, is the CEO. They have been involved in a wide variety of different types of projects, in part to incent entrepreneurs and do things that they're interested in. They've also signed the Giving Pledge, and are among the few people in the Washington area who have done so. They are very actively involved in global philanthropy through that Giving Pledge and through the foundation.

Steve is a native of Hawaii. Grew up there; his ancestors came there I think about a hundred years earlier. Steve went to high school a little ahead of Barack Obama but at the same high school, and then migrated east to Williams.

So we're very pleased to have you here today, Steve. And let me just start by asking you: Now much of your activities involve entrepreneurs. You're investing in entrepreneurs; you're doing things at the White House and with other agencies and entities to incent people to be entrepreneurs. What is it about being an entrepreneur that you think is so attractive, and why are you so interested in increasing entrepreneurship in the United States?

MR. CASE: Well, first of all, thank you all for coming this morning. Thank you, David, for doing this and also for that nice introduction.

In terms of entrepreneurship, it's something that's always driven me and led to the creation and scaling of AOL and more recently, Revolution. But I look at it in a broader historical context, which is that this country really was built by entrepreneurship. The story of America really is a story of people taking risk, including original folks who came over here on boats just believing there was a better life, a better world ahead.

The reason we've developed over the past two centuries to be the leading economy in the world is the work of entrepreneurs, creating not just companies but entire industries. That really has propelled us into a leadership position, globally. So I think we need to recognize that as a key part of the American story and celebrate the work of entrepreneurs. We also need to, at this particular juncture, double down as a nation in our commitment to our entrepreneurs – because that's really the key to drive our economy.

Everybody's concerned about a 2 to 3 percent growth rate. If you want to get the growth rate up, you've got to innovate. And that's usually going to come from entrepreneurs. Everybody's concerned about an 8.3 percent unemployment rate. If you want to create jobs, the best way to create jobs is to fuel the growth of these young, high-growth companies. The Kaplan Foundation, which does great research on this, says: Over the past three decades, 40 million jobs have been created by these young, high-growth companies. That really accounts for all the net job creation in the country. So if you want to focus on jobs, this is important.

If you also want to focus on our competitiveness in what is obviously a much more competitive global world, you've got to focus on this, because we're seeing the globalization of things like manufacturing, which gets a lot of attention, we're also now in the past decade seeing the globalization of entrepreneurship. Other nations around the world are realizing that this is part of the secret sauce that's made America unique and are trying to replicate that and put the right policies in place to create their own entrepreneurial ecosystems. And we've got to take that threat very seriously.

So my main focus continues to be on Revolution and helping the next generation of entrepreneurs build their companies, by spending more and more time on the public policy side, because I think it really is important. We have a moment here where we can kind of double down, and it – but it's going to require everybody doing their part, and it's going to require building bipartisan support for a pro-entrepreneurship agenda.

MR. RUBENSTEIN: Do you think it's easier today or harder today in the United States to start a company like AOL? Could you have started AOL as easily today as you could when you did it in the '80s?

MR. CASE: Well, it's a mix. I think to start a company like AOL today would be easier, because when we started, nobody knew what the Internet was. It actually was, for 7 years, illegal for us to connect our services to the Internet, because the Internet in the mid-'80s was actually only for noncommercial use – universities, research institutions, things like that.

So actually when we started – from '85 to, I think it was, '91 – we had to basically build everything – our email and so forth – ourselves, because it was not possible to connect it to the

Internet. The Internet was not commercialized until, I think it was, 1991. So, A, it didn't really exist. B, now you've got a global audience of billions of users. Before, our whole focus was trying to get people online.

So it's easier to start an Internet company today than it would have been 25 years ago. But it is harder to start a lot of companies, and that's part of the reason we're focusing on public policy and making sure there're the right incentives in place. But also, in particular industries that we have the right regulatory policy in place, so that health care and devices – things like that, for example – have become much more challenging than they were before.

But there are key things that really, from a policy standpoint, need to get attention – and actually I'm pleased that, in the past 6 months in particular, there is more focus on this. There's focus in the House and the Senate and the White House, and there's Republicans and Democrats who've joined together to try to get some things done. A number of bills were introduced over the past 6 months in the House related to entrepreneurship, things like crowdfunding.

Several months ago, an AGREE Act was introduced with bipartisan support from Senator Rubio of Florida and Senator Coons of Delaware. About 2 months ago, something called the Startup Act was introduced, again with bipartisan support – Senator Warner of Virginia, Senator Moran of Kansas. Three weeks ago the White House issued what they call the Startup America legislative agenda, outlining their approach. Eric Cantor has indicated that next week he'll be introducing something called the Jobs Act that also takes some of these same ideas.

So there's a lot of momentum building. And the key areas that are important are, number one, winning the global battle for talent, which relates to immigration. Number two is improving access to capital – things like crowdfunding help. Number three is regulatory changes, particularly around things like IPOs. I'll touch briefly on each of them, just so people understand the importance.

In terms of the talent issue, obviously this nation was not built just by entrepreneurs; it was also built by immigrants. The track record of entrepreneurial companies that are founded by either first- or second-generation immigrants is significant. Ernst & Young has their Entrepreneur of the Year Award program, and about half of the winners of those companies are first- or second-generation immigrants.

So that is part of the story of American entrepreneurship. But we've kind of lost a little sight of that. We still do a really good job of getting some of the best and brightest to come to our great universities and get Ph.D.s at MIT or where have you. But then unfortunately we kick them out of the country and essentially force them to go home and start companies there that then compete with us – instead of encouraging people to stay here – things like stapling a green card to their diploma.

So we've got to continue to attract and keep those people. They are the people that create the companies that create the innovation, that drive the job creation. And the different legislation packages I mentioned all include something related to immigration. They're all a little bit different, but it's a very important component of this.

Second, on access to capital, one of the great opportunities that now exists is to figure out what ways to leverage some of these new technologies, new platforms – including the Internet – to help people raise capital. One area that's become quite interesting in the past couple years is called crowdfunding, where there are a variety of different programs in place that allow people to raise money for projects, like if you want to fund a documentary. But you can't yet use those to fund companies. And there are some proposals that have fairly broad support to allow people to make investments – as long as they're small, usually under $10,000 investments there.

And the third piece, related to IPOs – when we went public in 1992 – we were the first Internet company to go public – we raised, I think it was $10 million, $15 million – in our initial offering. That was common then. About 80 percent of the offerings in the ’80s were under $50 million. Now it’s less than 20 percent.

The cost and hassle of going public has resulted in companies going public later – or, more often, being sold and never going public – which is a big problem because most of the job creation – 90 percent, according to some studies – comes after companies go public. So if companies are sold, they often slow down in terms of job creation, because of consolidation. If they go public, they have the ability to accelerate job creation.

So an on-ramp for IPOs has taken the Sarbanes-Oxley approach, which makes sense for gigantic companies like Carlyle, but maybe doesn’t make sense for smaller companies. [Laughter.] And when they put Sarbanes-Oxley in place, there was recognition there should be a carve-out for these young companies. They just set it too low. The threshold was a $75 million market cap or lower – very few companies go public at that level. So the Jobs Council recommended raising that to a billion-dollar market cap. The White House proposal I think was at $700 million. So it’s something significantly higher.

If we do that, if we pass legislation – and it’s probably some combination of the Startup Act and the AGREE Act and the White House proposal – because there is more commonality there than you might think – we can win the global battle for talent; we can improve access to capital; and we can change the regulatory climate around things like IPO.

I do think we have the opportunity to usher in a next great wave of entrepreneurship and position this nation to grow the economy stronger, to grow jobs faster and to ensure more – but it’s really important, now’s the time for everybody to step up and have their voices heard. These things are being vigorously debated. I think there is an opportunity in the next month or two to pass this proposal and get it signed by the President. If it moves closer to November, I think the odds go down.

So it really is time to recognize this is important. Thankfully, Ernst & Young and others have invited a lot of entrepreneurs to come to Washington next week. We have a hundred or so people marching on Washington to make sure that people who are making these decisions recognize: It is important to the nation; it is important to do something right now; and that hopefully we can get something passed by both the Senate and the House and signed by the President over the next couple months.

MR. RUBENSTEIN: And if the President gets the legislation or he doesn’t get the legislation, and he says to you: Steve, we both grew up in Hawaii, went to the same school; we’re kind of bonded. I’d like you to come in to be the next Secretary of the Treasury, Secretary of Commerce, another senior job at the White House. Would you go in the government?

MR. CASE: No. I would encourage him to talk to you instead. [Laughter.] No, to be honest, I’ve been asked about that. I think everybody has an obligation to serve in some way. I think for me the best way to contribute is to work with entrepreneurs to build great companies that are innovators and job creators. That is, I think, for me the main event. And that’s obviously what we’re doing at Revolution.

Same time, supplementing that with things you can do philanthropically through the Case Foundation I think is important – and playing a role, particularly now that I’ve lived in Washington more than half my life, trying to influence public policy – which I’m happy to do, like with this Jobs Council and the effort particularly around entrepreneurship. But for me I think it's better to do what I'm doing and try to play a role maybe around the edges, as opposed to kind of jumping into it.

MR. RUBENSTEIN: So what do you look for? When you were at AOL, AOL made an investment in or got stock in Google. You've made an investment in LivingSocial, which seems to be doing quite well. What is it that you look for when you back an entrepreneur? If Mark Zuckerberg had come to you, would you have given him money, for example?

MR. CASE: Well, of course, I mean, I'll say yes.

MR. RUBENSTEIN: Yes. Right.

MR. CASE: I mean – [laughter]. Basically, we look for great entrepreneurs that have big ideas, and particularly ideas that we think can change the world. At Revolution, we're more focused on swinging for the fences, building long-term value – how do you build a company over a decade, what we call "built-to-last" companies.

There are a lot of folks who are more in the "built-to-flip" mentality: build something up and sell it to some other company, 2 or 3 years later. That sometimes happens, and sometimes that's the right result. But we're much more interested in companies that really can be built over a longer period of time and have a more sustainable impact.

But ultimately it comes down to people and talent. And, you know, Tim O'Shaughnessey who's sitting here in the front row, for example, is the CEO of LivingSocial. He's taken an idea – he and three other folks who worked together actually at another company, Revolution Health – they were working on, among other things, apps for Facebook related to health. When Facebook opened up their apps platform 4 or so years ago, it was kind of an interesting opportunity. We want to go start a company focused on that. It was a great group of folks, so we provided some of the seed capital. And they did some things that had tremendous traction.

But it had basically then pivoted – with the help of Tige Savage at Revolution and others – to focus on this broader social commerce opportunity. In a sense they've gone from four people 4 years ago to 5,000 – I don't know what the current number is, probably over 5,000 people – today; and a huge business that really is one of the leaders in social commerce and local commerce.

So that's the idea that local commerce hasn't really changed in decades; that this is a new tool that can empower merchants in new ways to essentially attract customers, create experiences for people – get them out of their house – with friends; meet some people; create more of a sense of community, more experiences around that; and build a significant business at the same time. So those are the kind of businesses that we really like.

MR. RUBENSTEIN: You're a pretty well-known businessperson. You've had a lot of success so far. But you went out to raise a fund recently for Revolution. I think you raised $450 million. What was it like to go out on the road and meet with people and say, give me money to invest? You have to explain your first fund and, you know, was it a – kind of a difficult thing to actually ask people, for money for somebody who'd already been very successful in the technology world?

MR. CASE: No, I wouldn't say it was difficult. It took about 6 months or so, which I'm told in that world, your world, is relatively fast to do something like that. I think people were intrigued because of the initial success of AOL, and then more recently some of the investments that we've talked about.

I think the real question was, how committed are you to this? And are you really trying to build significant value and build Revolution into more of an institution as opposed to something that was a little more tied to you personally – which was, you know, a fair question. I think people recognize that we do have a great team; we do see a lot of opportunities. And particularly, we still do early-stage investments, what we call Revolution ventures, led by Tige Savage.

This new fund was Revolution Growth with Ted Leonsis and Donn Davis – really focused not so much on start-ups but what we called speed-ups: making larger investments – typically $30 million dollar, $40 million dollar, $50 million investments – in companies that already had some traction but had really explosive growth potential. So having a fund dedicated to doing that, this $450 million fund will make 10 or 12 investments over the next 3, 4, 5 years. So there are larger, more concentrated investments where we make a bigger commitment, and also then roll up our sleeves and really try to help build some significant billion-dollar companies.

MR. RUBENSTEIN: And today you are a user of which technology devices? Do you use iPad, Twitter – what? Are you a big Twitter person, or not? What do you do – how many times a day do you do that? [Laughter.]

AUDIENCE MEMBER: A lot.

MR. RUBENSTEIN: A lot. A lot.

MR. CASE: My wife said "a lot," which I think is her way of saying "too much." I use a lot of technology – iPhone and iPad, Twitter, and so forth. It shouldn't be surprising, because the core of AOL – even 27 years ago, when we launched – was community. We always said that the killer app on the Internet was people talking to each other. We called it community; now it's called social media. We launched in 1985 things like chat rooms, instant messaging, which have now become texting. All of that was integral, the center of what AOL was all about. So it's not surprising that as these generations of technologies have developed – and whether it be Twitter or Facebook or what have you – that I use them and I continue to be fascinated by them, because I've always believed that was the core and really the soul of the medium.

MR. RUBENSTEIN: Now, if you were going to start a company today and you were an entrepreneur, would you think it would be easier to do that if you were based in the Washington area or go to Silicon Valley?

MR. CASE: Well, it's a great question. One of the things that we've focused on with the Startup America partnership is how do you develop regional ecosystems around the country, so we have a more broadly dispersed kind of entrepreneurial engine for our nation? Silicon Valley is great and it's a great place to start companies. A lot of great companies are started there. A lot of venture capital is focused there. It will continue to be our leading kind of ecosystem in terms of entrepreneurship for our country.

But while it's great, and a lot of great companies do get created there, many great companies are started all around the country. And our own experience, with LivingSocial being here in DC – Zipcar, you mentioned, is in Boston. Revolution Money, a company that we backed and eventually got sold to American Express, was in Tampa, Florida. Ted Leonsis is personally an investor and still on the board of Groupon. They're in Chicago.

There are a lot of companies spread around the country, and we think there's too much focus on Silicon Valley, too much focus of capital on Silicon Valley, and there are some missed opportunities. So our bias with Revolution – we're not averse to investing in companies in California, but most of the companies we invest in have been east of the Mississippi. And frankly, most of them have been in the D.C. area, because over the past quarter century while we've been here, it's been fascinating to watch it develop.

Now there are a lot of great entrepreneurial companies that are based here, so we really want to be the leading firm trying to back these companies, whether it be the early-stage venture side or the later-stage kind of growth side. So it's a key strategy for Revolution.

Building the Startup America partnership, we've now launched 20 different regions, like Startup Illinois or Startup Tennessee, where we're trying to take some of these ideas and really customize them for each region and bring entrepreneurial, local entrepreneurial leaders in, work with folks in government, universities, and what have you, and try to build a critical mass and some momentum around entrepreneurship in each of these areas, which I think collectively gives us the potential as a nation to have much broader impact.

MR. RUBENSTEIN: When you talk to members of Congress about entrepreneurial activity, do they really understand what you're talking about, or do they not really feel knowledgeable, to you, about this subject matter? [Laughter.] That's not a leading question, but – [laughter].

MR. CASE: Obviously, it's a mixed bag. Some are very informed, others less so. But I've been generally impressed over the past year, as I've engaged with this, how many people really are taking this seriously, and how many people now have parsed this. I think the perception a lot of people had a few years ago was kind of business is one big, like, monolithic thing. It's sort of like the private sector, the free market. Kind of, business kind of is over there – it's kind of like its own sector.

I think there's a greater appreciation now of the segmentation of business. There is an important role of large companies, the Fortune 500. There is an important role of small business, the mom and pop restaurants and dry cleaners on, you know, Main Streets throughout the nation. They both are very important, and actually are critical in terms of our jobs and our economy. But there's this sector in the middle. These high-growth, young companies is where the leverage is in terms of job creation, innovation, economic growth.

So having a more focused set of policies around entrepreneurship, these high-growth companies, is critical. It's not just treating business as one size fits all. And it's not even small business; it's really more high-growth entrepreneurial companies where, as I said, the Kauffman data shows that's really where the job creation is coming.

I think there is a greater appreciation for that now than there might have been before, which is why some of new legislation that has been introduced with bipartisan support in the past few months – the AGREE Act and the – and the Startup Act – really focus on that and say, what are we going to do around these high-growth companies so we continue to win the battle on talent, we improve access to capital, we improve the regulatory climate, particularly around these young companies. and things like access to the public markets?

There is much more of a focus on that. There are a bunch of people here who've been working on these issues in Congress and totally understand the need to focus on it, some of the solutions. From my standpoint, the part that's frustrating, I guess – although I'm optimistic we'll get something done – is there's sort of like three parts to this.

The first part is, do people think this an important thing to focus on in terms of entrepreneurship, the economy, jobs, and so forth? And the answer there is almost universally yes. People do say this is a strategic priority for the nation. That's good. It may not have been the case a couple years ago, but it's certainly the case now. That's good.

The second is, OK, well, if it's important, what do we do about it? And is there a reasonable agreement in terms of what the policy framework should be to encourage what we said is strategically important? There, too, there is considerable overlap and bipartisan agreement around the key components.

So people who are focused on this do believe it's important. The people focused on it do believe the solutions we're talking about that we're recommending – that the Jobs Council put forth, but might have come also from a lot of these bipartisan bills – there's 80 to 90 percent overlap in those. So there's some debate around the edges, but the core principles are pretty clear and there's broad support for them.

So then you come to the third piece, which is really the politics of it. It's strategically important; we understand what the policy should be; but can we get it done in a highly charged political environment, in an election year, where people are focused on the election? And that's where, if it doesn't get done, that's why. It's not because it's not important. It's not because we don't understand what the solution is. It's just that we couldn't figure out a way to come together to do it, despite its importance.

That would be a big mistake for our country and something that I'm certainly doing what I can to make sure that's not the case. I think there is reason to be cautiously optimistic that we can knit together the right coalition and get something passed and get something signed in the next couple of months, but it's going to require a sustained effort.

I would encourage folks in this room who care about this issue to use whatever influence you have to put pressure on the process, to make sure people really do come together and something does get passed and something does get signed.

MR. RUBENSTEIN: How do you compare the United States, in terms of its ability to encourage entrepreneurs, with China or Israel or Europe or other parts of the world where entrepreneurial activity is now beginning to be quite active as well?

MR. CASE: Well, it goes back to what we were saying before. I think the reality is that all those countries and many others have watched with great envy at the American innovation engine, and particularly this entrepreneurial culture that we've created. The reality is, as I said, America was built by entrepreneurs; we still remain the world's most entrepreneurial nation. That's the good news.

The bad news, or maybe the not-so-good news, is people have figured that out. And people have recognized that is part of the secret sauce that drives the American economy, and people are moving very aggressively to try to put policies in place so they win the battle for talent, they have the best market in terms of access to capital, they have the best regulatory climate.

It's changed quite dramatically just in the past10 years. And you see this now as major venture firms are focusing more and more on some of these other markets. Excel – backed Facebook and one of the great Silicon Valley venture capitalists – now says they have more people making venture investments in China than they do in Silicon Valley. That should be a cause of concern, maybe even a cause of alarm. That was not true 10 years ago.

So people are saying if other people in other nations are passionate entrepreneurs with great ideas and we can make investments in those markets, our capital is going to flow to those markets, and great companies are going to be created in those markets. But many of those people want to be here. And the reason they aren't here is because they weren't allowed to be here, so they are forced to start companies somewhere else.

Well, let's let them stay here and let's attract them here and let's make sure they have access to capital here, because then we can build not just these companies, but often these new industries around it. So I think the other nations are stepping up their game. There's no question about it – and people looking at this should be very nervous about it.

I think there's some concern that 20 years ago we didn't have our eye on the ball as a nation, and we somehow lost manufacturing, we lost the whole sector. And some of it's coming back with – there's the outsourcing, and there's a little bit of insourcing now. But we lost a sector. Maybe we were asleep at the wheel. We need to make sure we're not asleep at the wheel now and don't lose entrepreneurship and these high-growth innovative companies to other nations as they step up their game.

So if we get complacent and we don't really move with vigor to get stuff done to make sure we have the right policies in place and we remain the world's most entrepreneurial nation, we're not going to be happy about it 10 years from now, 20 years from now. We'll look back and say it was a huge missed opportunity. But we still have time to make the changes, and if as a nation we really make this a priority, we can continue to be successful and even build on the momentum we have. So it's a moment.

MR. RUBENSTEIN: Now, you grew up in Hawaii. People who grew up on the East Coast, as I did, and spent most of their life on the East Coast, always fantasize that growing up in Hawaii means you're surfing every day and going to the beach every day and not really doing a lot of hard work in school. What is it really like growing up in Hawaii, and what is it that propelled you and President Barack Obama to move east?

MR. CASE: Well, my family's gone back. Both of my parents were born there, one on the island of Kauai, the other on the Big Island. And my grandparents – one ran a general store in the town of Hilo and the other was the treasurer of a sugar plantation. So my family has pretty deep roots in Hawaii. And I loved growing up there.

At the same time, I think that everybody has their own context. When you grow up in Hawaii, you watch on television things like football games. First of all, they, like, are really early in the morning – [laughter] – you know, you have to wake up really early in the morning. But you see, like, this thing called snow and you're not quite sure what that is, but it seems bad. So you're sitting there saying, well, maybe I'm in a good place.

So it's a great place, and I still have family there and go back frequently. At the same time, I knew I was going to end up going to college on the mainland, end up going to the East

Coast. And then I had the privilege of working for some great companies, starting some great companies. So it's, I think – and I must say, I came to Washington, DC, a little bit by accident. It wasn't like if I had said, when I was in my mid-20s, my destiny is Washington, DC – that was not the case. If I'd have made a list of 10 cities I wanted to live in, I don't think it would have been in the top 10. I really came here to join a company that was one of the early pioneers in doing things in this interactive world, and it just happened to be in Tyson's Corner, so I happened to come to Tyson's Corner. So I'm here a little bit by accident.

What's turned out, though, now that I built AOL here and family here and other things here, is we love Washington, DC. And we think it's a great city and there are a lot of things going for it, which is part of the reason we've kind of doubled down in our commitment to it, whether it be on the foundation's side or the investment side. So it's, I think, a natural migration, but for me, growing up in Hawaii was a wonderful thing. I love going back there from time to time. But to some extent it will always be my home, but the DC area sort of also feels like home now.

MR. RUBENSTEIN: It's often said – and it's often trite when it's said now – that it's easier to make money than to give it away. Have you found that in your foundation, it's not that hard to give away money to the causes you're interested in, or it's harder to give it away than to make it?

MR. CASE: It's probably not harder to give it away, but it is harder to give it away in a smart way that really has a positive and sustainable impact. Jean and I have talked about this, that in some ways I have the easier job, because I focus most of my time on building the businesses through Revolution. She's focused most of her time on running the foundation.

So I do think it's challenging, and part of it is because it's harder sometimes to measure the progress you're making and harder to create a sustainable impact, particularly with organizations that are overly reliant on grants and annual donations. But we do think that something will develop over the next 10, 20 years. It's already showing some signs of life. Some people call it social enterprise or impact investing or other kinds of things that bridge these worlds a little bit.

Right now, they do seem pretty distinct, pretty separate. And a great example – again, something that's been successful now for over a century and it's a few blocks from here – is National Geographic, which is basically a nonprofit. But within that nonprofit, they have a group of businesses – a cable channel and other things – that have become very significant, very profitable businesses that essentially help feed and fuel the core mission around educating people around the world.

They have, therefore, much more sustainability because they're not reliant on donations. That's sort of like the whipped cream on top on it, not, for them, the main event. So trying to figure out ways to help nonprofits that are trying to solve a particular problem to have a more sustainable business model, I think, is important. Also trying to get companies to have more of a social purpose, I think, is important. So blurring these lines, I think, over the next 10 or 20 years there's an opportunity there.

It's one of the things that we're looking at in the Case Foundation. Is there some role we can play there in bridging this? Frankly, if you talk to people coming out of school now, that's really their interest. They don't necessarily want to be pushed into these silos. They're looking for the kind of opportunity where they can be part of a business that has a positive purpose.

Frankly, the mission for Revolution and the mission for the Case Foundation is exactly the same thing. We say we invest in people and ideas that can change the world. Sometimes that's through the context of a business; sometimes that's through the context of a nonprofit. Over time, we think that the third leg will be through the context of some of the things that blend these two notions.

MR. RUBENSTEIN: Right. Now, you had an older brother, Dan, who was, you know, a graduate of Princeton, Rhodes Scholar, investment banker. And I think he helped get you a bit into the technology area. He died 10 years ago of brain cancer. Did that impel you to get more involved in health care? Because you're well-known to be interested in health care and the kinds of things that might have helped save him – could you describe your background?

MR. CASE: That was part of it. I mean, he was diagnosed with glioblastoma, a deadly form of brain cancer – and he was told he had 6 to 12 months to live. It ended up being 15 months. He had a young family and a successful business. He was CEO of an investment banking firm called Hambrecht & Quist that took Apple public and Amazon public and Genentech public – a lot of the great, you know, great, innovative technology companies. To suddenly get hit by this – and nobody really could explain how you get brain cancer. Nobody could really offer any hope in terms of solutions and therapies and so forth. It was troubling.

So he started, with our help, and we've continued it to this day, something called Accelerate Brain Cancer Cure, ABC^2, and we've done a lot of work to try to do more things that are innovative in that sector, including building bridges with the private sector. Genentech, for example, worked with us on one of their drugs; Avastin, which is now one of the emerging success stories in terms of therapies for brain cancer. So that was part of it.

The other part of it, though, is a belief that technology can be a very positive, disruptive change agent, really, across our economy and across every aspect of our lives. Health care, education, energy, some of the great sectors that are really core to how we think about everyday life – I think are going to change dramatically over the next 25 years. I have even characterized it as the beginning of the second Internet revolution.

The first Internet revolution, the past 25 years, was really getting people to pay attention, getting people to be connected. Now, of course, they're connected across multiple devices and multiple networks in a more habitual kind of way, versus 25 years ago when we got started – like, 2 percent were online, and on average, people using AOL used it an hour a week. Now almost everybody is online and they're online all the time, maybe too much time. Maybe we've gone to the other extreme.

But so, mission accomplished in terms of making the Internet part of everyday life and building that medium. Now the focus of this next wave, the second Internet revolution, is how does that transform other aspects of our lives? Health care and education, in particular, are two that are ripe for change. I think there is going to be enormous innovation in both of those fields.

Health care is 20 percent of our economy. It is a huge part of our cost structure as a nation, a huge contributor – the principal contributor to deficits and this budget debacle. It's creating and using technology to better inform consumers, patients, people about their options – whether it be how to stay healthy or how to better manage a chronic disease, diabetes or heart disease. Or if you do get a life-threatening disease – cancer, for example – how do you have more targeted, personalized approaches to therapies there? I think there's enormous innovation that's going to happen there.

There's enormous innovation that's going to happen in education. It hasn't really changed in a century; it will change. Part of it is a personal passion, based on, I think, seeing the world through the eyes of Dan and what he was going through, but this is a huge part of our economy, a huge part of our everyday life. Everybody focuses on, or should be focusing on, their health, but hasn't really yet had the tools to do that. And that's going to change, and I think that'll be a very positive change.

MR. RUBENSTEIN: Now, over the past 25 years, you've met most of the great technology leaders in the United States and probably the world – Bill Gates or Steve Jobs and so forth. Who most impressed you as the most talented of those individuals, or who – one or two of them – would you say are people who were so impressive that you would really like to emulate them in some ways?

MR. CASE: Well, Bill and Steve you mentioned, and many others. I think I've had the great privilege of meeting a lot of different people and working with a lot of people. One of our earliest partnerships, in the late '80s, was with Apple. We were actually the first company to ever license the Apple brand name. We created a product called the AppleLink. Microsoft was our big rival, and we had huge battles with them in the 1990s, but we also partnered with them on a number of different –

MR. RUBENSTEIN: Well, who was the harder to deal with? Steve Jobs or Bill Gates? [Laughter.]

MR. CASE: Well, they're both challenging – [laughter]. They have strong, strong points of view. But they're great entrepreneurs – like Steve obviously – like when he passed away, I think it was a reminder to us about how important entrepreneurs are to the nation, that there's something about the Steve Jobs story, partly because it wasn't a straight line, and the passion he had around products and the perseverance to really take the time, sometimes a decade. Take the case of the iPad or even the iPhone – it really took them 20 years to hone the core technologies to make that something that had broad appeal – that also created enormous value for consumers – and people really fell in love with these products – and enormous value for investors; it became the most valuable technology company.

I remember when he went back into Apple. I think it was '98, something like that. He called me because he wanted to do some things with AOL. And most people at the time had given up Apple up for dead. They had like 3 percent market share in operating systems. I think their market cap was a billion dollars or something like that. And Microsoft was – I can't remember exactly what the numbers are, but $50 billion, maybe even more, probably $100 billion at the time. So on a relative basis, Microsoft owned the industry, and Apple was a nice little story about an early stage company that, you know, lost its way and was kind of irrelevant in terms of how most people looked at it.

But because of Steve and his passion around products – initially fixing the core product line and then launching things like the iPod and digital music and then the iPhone and iPad and so forth – really created a wave of innovation that's created a wave of jobs and also created a huge economic value, while also improving peoples' lives. That's what entrepreneurs do.

And thank goodness he was born in the United States and went to school in the United States until he dropped out and decided to build his company in the United States. And people focus on the jobs that are created outside the United States, particularly in China with their manufacturing, and that's true. It's too bad that that's the case, and hopefully we can figure out a way to get some of those jobs back. But even so, he took a kind of dead company, built it into something that now has a $300, $400 billion market cap. I think there's 50,000 employees now at Apple in the United States. So that's still a success story and something that we need to celebrate. And they're many stories like that that you hear from entrepreneurs. We just need to make sure those stories also get told here in Washington, so when people are making decisions they recognize that.

MR. RUBENSTEIN: When you are not promoting entrepreneurship and tweeting and other things, what do you like to do to relax, if those things are not relaxing? Are you a golfer, a skier, a hiker, a book reader, none of those?

MR. CASE: I must say I'm a little boring. [Laughter.] I find tweeting relaxing. You know, you don't find – [laughter]. And I actually think it's highly synergistic with promoting entrepreneurship – I try to blend these worlds. But Jean and I, because we have a family that we like to spend time on, do what they want to do. And we do like to travel, because traveling around the world is –

MR. RUBENSTEIN: Any particular properties you like to visit? Resort properties? [Laughter.]

MR. CASE: Well, any you'd like to buy?

MR. RUBENSTEIN: I'll talk a look at it.

MR. CASE: Now, most of the businesses we focus on are basically technology businesses. So there's Revolution Ventures, Revolution Growth. The third leg is what we call Revolution Places. And there is some real estate holdings in Hawaii and Costa Rica. We own a resort called Miraval, which I know you've been to, in Arizona. We're looking to ways to expand this company, Exclusive Resorts, that has property now in 40 different destinations. We just 2 weeks ago launched a new club called Portico that is a, lower-end version of that.

So I do think that the real estate, resort, hospitality business is an interesting business. And it is, I must admit, fun to travel around and check out some of the places.

QUESTIONS FROM THE AUDIENCE

MR. RUBENSTEIN: All right. Questions from members or guests?

QUESTIONER: The question is: You're very good about national strategy. You even talked about a regional strategy. I'd like to hear your view on the recent events in Virginia legislature and how that affects the desirability of Virginia as a place for business and entrepreneurs in technology. I'm sure you're aware, being a Virginia resident, and I believe with Virginia companies, that the legislature is moving in the direction on a whole range of social issues that's rather extreme.

And I know we're uncomfortable in the business and technology world talking about social issues. Now I'm not asking for your opinions on social issues; I'm asking how that affects the environment for Virginia's number-one ranking as a place to do business, specifically things like that passed last week about women being required to have a vaginal exam before an abortion, even if they're raped – things like that, which are, I know, uncomfortable. And again, I'm not asking –

MR. CASE: Right.

QUESTIONER: — your personal view. I'm asking as a place to invest in, attract employees. I'm a Virginia employer. I have 115 employees, and it's a big issue for my employees right now.

MR. CASE: Well, I would say, first of all, I think Virginia is a great state for business and a great state for entrepreneurship. And I'm proud that AOL started there. It was a significant company. And we've invested in a dozen companies in the region, and some are in DC, some are in Maryland, but most are in northern Virginia. So we're very bullish on Virginia.

But we really think of it more on a broader base in terms of a regional economy, a regional ecosystem. So we don't focus so much on whether it's in Georgetown or in Rosslyn or in Bethesda, we think of that as one region. That's really the focus of Revolution and also the focus of what we're trying to bring to bear with the Startup America Partnership.

I haven't followed all the details. I'm aware of some of them. I'll basically punt the issue, and the reason for that is I think it's critically important to focus on getting this entrepreneurship legislation passed. And so as a matter of policy, the past 6 months or so, I've declined to move into any other lanes. The only thing I want to talk about, the only thing I want to focus on is entrepreneurship. Once that gets passed and signed, I'll be happy to talk – to the extent that anybody cares – about other things. But right now, we're all trying to get this passed. It feels like we're in the red zone and have the potential to score. And so I'm going to keep focusing on trying to build bridges around that, try to get people – Republicans and Democrats – working together. And I applaud the work, including some folks in this room, the steps they've already taken. How do you get stuff passed by the Senate and House and signed by the President? That's all I'm going to focus on for now.

MR. RUBENSTEIN: Other questions?

QUESTIONER: Since I do represent the government, I have a question regarding the role of government in general in job creation and economic growth. You, as somebody who was on the receiving end of government policy as well as an adviser now, I think you probably have some insight.

Most free market economies struggle with the question about what the role is of government. Critics say the government shouldn't pick winners. Proponents say that there are market distortions that the government can correct, and pure capitalism creates unsustainable inequities. Is there any magic formula for getting the balance right? And maybe secondly, is there anything governments can do to boost the kind of entrepreneurialist spirit that you were talking about at the beginning?

MR. CASE: Well, a good example of getting it right is actually what the United States did around the Internet. The reason the Internet became such a huge industry globally, but was really centered in and continues to be centered in the United States, was the steps the United States took, starting with funding basic research initially by DARPA, the defense agency, that really created the core technology that made the Internet possible, so investment in basic research.

Then once it developed, they made the move, as I mentioned, in 1991 to commercialize it. Basically, instead of just having it be a government thing, they said let's open it up and let the market work and figure out ways to essentially allow lots of companies to essentially take this to the next step. Then they said, because this is a new industry, we should have essentially a light touch in terms of regulation. We should not put some of the historical regulations around telecommunications services, for example, we should not put those on the back of this new industry. We should let it grow and breathe. And so there was a relatively light touch from a regulatory standpoint.

As a result, you saw not just companies like AOL, but obviously many, many other companies start here and scale here. And for the past 25 years, the center of gravity for the Internet has been here. Now that is changing. It goes back to the second part of your question and what I referred to before, the globalization of entrepreneurship. There are many great Internet companies now being created in many other countries. So we really do need to step up our game. But I think that was a pretty good model in terms of the combination of basic research, the right time commercializing it, having a relatively light kind of regulatory environment.

Now that it is more mature, people are taking another look at what exactly to do with e-commerce and sales taxes and what exactly do you do with privacy, for example. There are a lot of different issues that now will get some attention. And there'll be more regulation than there has been, but hopefully not so much that it ends up creating some onerous obligations that slow the ability of American Internet companies to compete in a global market. But I think the case study there has certainly been a very successful one. And I think it's a model going forward for other sectors as well.

MR. RUBENSTEIN: Time for one more question.

QUESTIONER: You've spoken a lot about entrepreneurship in this region. But if you look at, say, Silicon Valley or Route 128 in Boston, Stanford and MIT play a significant role. But I don't see the entrepreneurs in this region engaging as much with, say for example, the University of Maryland and other universities in this region. Can you speak a little bit about the contribution or the connectivity between entrepreneurship and universities and academic institutions in general?

MR. CASE: I think it's a fair point. I think that's a missed opportunity, both for entrepreneurism and also for universities. I think the role that investors can play, particularly with the early stage investors in trying to build some bridges, is important.

But there's a broader problem, which is that university research right now happens in a somewhat bizarre way. There are relatively large amounts of money or funding for research, but it often does not really get out from those labs into the marketplace. And there are all kinds of different theories why that's the case, and different universities have done different things with technology transfer offices and other ways to try to accelerate taking these ideas and commercializing them into companies.

I think as a nation we can do a lot better job in terms of solving that. And this would be a good place to start. A lot of it is trying to create more visibility and transparency in what's happening within those labs – creating more of a platform so people can see what's bubbling around the edges and be aware of that. And some things will end up being really interesting, and some entrepreneur will want to take a run with it and a venture capitalist will want to fund it.

The other thing I think is being much more flexible around licensing practices. A lot of the focus on intellectual property slows the abilities of these companies to get started and scale. I would argue for a more of an open-source approach to it. I think just figuring out ways to get these ideas out there, get the technologies out there, be less focused on the protection of it, try to focus more on unleashing it, would be a good thing. In the long run, universities would be better off doing that, because the entrepreneurs who might have paid them a small amount of money for some kind of license, if they're successful, are potential large donors to the universities.

That actually is the model in Silicon Valley. Stanford, for example, has a relatively flexible approach around intellectual property and a lot of companies get started. And some of those companies like Yahoo and Google and others get started, without really having a license from Stanford, then they're successful and suddenly they're doing $100 million donations back to the school that are dramatically greater than anything the technology transfer office would have had.

So I think everybody could do a better job in terms of making sure we're focusing on investing in the smart kind of basic research and that can really drive some of these new industries – energy and education, health care – things like that. That we do a much better job of building bridges across these different silos, so people have a sense of what's possible, and being much more flexible, much more nimble, much more entrepreneurial in terms of how we take these ideas and scale them. So I think it is an opportunity, really, across the nation. But you make a fair point that there's a big opportunity to lead on that here in this region. I hope you and others will do that.

MR. RUBENSTEIN: Steve, I want to thank you very much for a very interesting and entertaining discussion. I hope the legislation moves forward, and thank you for what you're doing.

MR. CASE: Thank you all for coming. [Applause.]

MR. RUBENSTEIN: Let me give you a gift. Steve, this is a copy of the first map of the District of the Columbia.

MR. CASE: Thank you.

MR. RUBENSTEIN: Thank you very much. Thanks a lot, Steve. You did a great job. You're great.

Steve Case

Steve Case

Chairman and CEO, Revolution
Co-Founder, America Online
Chairman, The Case Foundation

Steve Case is one of America's best-known and most accomplished entrepreneurs and philanthropists, and a pioneer in making the Internet part of everyday life.

Mr. Case co-founded America Online (AOL) in 1985, when the Internet was in its infancy. Under his leadership as Chairman and CEO, AOL became the world's largest and most valuable Internet company. At the peak of the Internet boom, he negotiated what remains the largest merger in business history, bringing together AOL and Time Warner. Mr. Case served as Chairman of the Board of the combined company (then known as AOL Time Warner) until 2003.

In recent years, Mr. Case has returned to his entrepreneurial roots, partnering with more than a dozen entrepreneurs as an investor and mentor. He created Revolution in 2005 to oversee his rapidly expanding investments in the fields of high-growth consumer companies, early-stage technology companies, health and wellness businesses, and real estate and hospitality businesses. The success of AOL, coupled with Mr. Case's post-AOL track record on building businesses through Revolution, led CNBC to call him "one of the nation's greatest entrepreneurs."

Mr. Case is also Chairman of the Case Foundation, a private family foundation he established in 1997 with his wife Jean. Built on the principles of leadership, collaboration, and entrepreneurship, the Case Foundation seeks to tap the power of the Internet, new technologies, and entrepreneurial approaches to help strengthen the social sector. The Cases also have joined The Giving Pledge, started by Bill Gates and Warren Buffett in 2010, and publicly reaffirmed their commitment to give away the majority of their wealth to fund worthy charitable causes.

Mr. Case has been a leading voice in shaping government policy regarding the Internet, including bridging the digital divide, making the Internet a safe place for children, and nurturing civic engagement. He served as a member of the State Department's Advisory Committee on Transformational Diplomacy and currently is a member of President Obama's Council on Jobs and Competitiveness. Additionally, he is Chairman of the Startup America Partnership and co-chair of the National Advisory Council on Innovation and Entrepreneurship. He is also co-chair of The Democracy Project, an initiative of the Bipartisan Policy Center to bring bipartisan and diverse voices together to help enhance the ability of government to grapple with the nation's challenges.