

## Dean's Executive Leadership Series - 2006-2007

### Transcript of Presentation by Dennis Tito, Chairman and CEO of Wilshire Associates

**About DELS:** The Dean's Executive Leadership Series at the [Graziadio School of Business and Management](#) features in-depth audio or video interviews with today's top business practitioners and thought leaders. [Listen](#) or [subscribe](#) to the podcast to hear their views and insight on the current challenges and opportunities facing the business community.

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**Announcer:** The Graziadio School of Business and Management at Pepperdine University proudly presents the Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

**Dean Linda Livingstone:** Dennis Tito is the Chairman and CEO of Wilshire Associates a Santa Monica based global leader in investment technology consulting and management. As one of the founders of Wilshire Associates in 1972, Dennis was among the first to apply new computing technologies to the investment industry. He had previously applied such computing technologies at Jet Propulsion Laboratory where he worked to help plot the trajectories for the Mariner spacecraft missions to Mars. So you can see where his interest in space came from, early on. He is credited with helping to develop the field of quantitative investment analysis that uses mathematical tools to analyze market risk. Under his direction Wilshire developed the Wilshire 5000 index, now known as the Dow Jones Wilshire 5000. They developed the first asset liability models for pension funds, the first US equity style matrix works and the list goes on and on of the many firsts that have come out of Wilshire.

They now have 350 employees serving the investment needs of more than 600 institutional and high net worth clients in 20 countries around the world. He has a bachelor's degree from New York, University College in engineering in astronautics and aeronautics and a masters in engineering science from Rensselaer Polytechnic Institute and he completed his requirements for a PhD in finance from the Anderson School at UCLA and also as you well know in 2001 he became the first paying traveler in space when he joined a Russian crew on the Soyuz spacecraft and spent time on the international space station

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where he spent what he calls some of the most memorable times in his life and so it is with great pleasure that I introduce to you Mr. Dennis Tito.

**Dennis Tito:** Thank you Dr. Livingstone for such a great introduction. I'd like to give you a perspective on how did I actually end up in space. How does one get there other than applying for the astronaut corps? It turned out that a lot of people share the desire that I had to go to space. In fact over the last 45 years, over 600,000 individuals applied to NASA flying space. You're looking for a business to get into, space tourism is probably one with a great future; you just have to lower the price. Anyway just to go back to where I got started, it all began in 1957 when I was 17 years old and all of a sudden there were headlines that the Soviet Union just launched an artificial satellite around the earth called Sputnik and that was a great shock to the world because at that time the Soviet Union was our archrival and all of a sudden they had technology that was now currently advanced over ours. So I look back at that as sort of a technological 9/11 and being young, you naturally rally to the cause and the cause was we need more scientists and engineers.

So it was pretty obvious what to do, sign up for engineering school, which I did the following year and studied aerospace engineering. Went on and ended up getting a masters degree and then of course weather was a little bit too cold back east. So I decided to come to California, for a lot of reasons, and study or start working at the Jet Propulsion Laboratory where I ended up accepting the lowest paid job of five different offers, but that's where I wanted to work, and that was the best decision I ever made, taking the lowest paid job. Later on I decided to up my desires—at least then they were modest. Anyway I worked at JPL for five years and had some very interesting experiences but then I found that I really wanted to do more with my life and I started studying the stock market on the side and I remember reading a lot of different books that I bought at bookstores about how do you make a fortune in the stock market, just like you see these books about how to make money in real estate, you can probably still find books about how you can get rich easily.

Anyway I read these books and I found it really didn't make any sense, there was no real substance behind them, it was all anecdotal and I said I really wanna know more about the science and that's what led me to UCLA to study finance. I had read a number of articles that were published by the University of Chicago Business School, they're actually quite far advanced given that they were published in the mid '60s and it was at that time that the idea of quantitative finance was developing in academia and I just was fascinated by that, I had a mathematical background and here was another challenge; rather than applying it to space which I had done for five years successfully, let's apply it to finance. Anyway after I was well into the PhD program I was offered a consulting job which lured me away and that consulting job really was the forerunner of Wilshire Associates and what it enabled me to do is go from being an

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aerospace engineer to a financial engineer and it's not as big of a career change as you might think and if you're a student, you know, studying, you know, one type of science, it's very easy to move over to another type of science, so it's not the same thing as going from a bodybuilder to an actor or from actor to a bodybuilder. It's a lot easier though.

Anyway, even though I love space, I also wanted to make some more money, it just wasn't enough, I think I was making 15,000 a year after five years in the space program. So I started with my own business the last 35 years that's what I've been doing with a little time out for a sabbatical. Anyway, during this time, I did not let go of space and I kept following it religiously and I always wanted to somehow have the opportunity to orbit the earth and I thought well back in the late '60s, you know, there was *2001 Space Odyssey* that was going to make it easy, there were going to be orbital flights Pan Am was going to provide it, it was going to happen before I got too old. Anyway the decades went by and all of a sudden I began to realize that I was running out of time. I did have the opportunity to visit the Soviet Union in 1991 and happened to have the opportunity to meet with officials from their space program and I did get into discussions with them about the possibility of flying and at least got an idea of what they might charge which was a lot of money and even more money than in my mind. But anyway before I could get very far, the Soviet Union collapsed and that opportunity went away, although I kept, you know, looking over my shoulder and seeing what was available.

Finally in around late '99, early 2000 it became apparent to me that the Soviet—well now the Russians—just had gone through a financial crisis, really were in need of money and I approached them again and with the help of some people that I knew was able to contract for a flight. So in April of 2000, I signed an initial contract, I started training in June of 2000 and with some breaks in between I trained for a total of eight months in Russia and that was not easy. The conditions were quite primitive, it was very much Soviet Union style, military base, Star City and they were very strict in terms of wanting me to show up every day, you couldn't miss class like maybe you can at some universities but it was a lot different there and all of a sudden I found myself back in college and having to take tests and knowing that I had to prove myself.

Anyway after eight months, to make a long story short, I found myself ready to be launched on a spacecraft to outer space. Was I trained enough? We'll see. Anyway, I'll start out two days before the launch with the roll out of the rocket. This rocket was the same design as the original rocket that launched Sputnik in 1957. It's a huge rocket. Not the same rocket—the same design and it was a pretty powerful rocket because it was actually designed to launch nuclear warheads at the United States and at that time the Soviets did not know how to miniaturize in nuclear weapons, so they had very large weapons. So they built a very large rocket and that's why our rockets were much smaller. But anyway they eventually

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decided not to launch nuclear weapons at us and likewise us at them and they started using this rocket for human space flight. Now what I'd like to do is show you what happened two days later when I was sitting on top of this rocket and I think this will speak for itself. <video clip>

Now nothing can explain the thrill of sitting on top of a rocket like that and after eight minutes and fifty seconds finding yourself in orbit around the earth and this slide will give you kind of a feeling for what I was seeing. I was videotaping my position in the capsule, that's my knee in the lower right. You can see the high technology capsule by the buttons and you'll notice the most advanced technology in the spacecraft is the post-it notes. But these were actually there rather than what you might find on the shuttle. Anyway this is my seat and this is what I saw when we first entered orbit, that's what the earth looks like, it's just unbelievable to be sitting on top of a rocket on a launch pad and then less than nine minutes later, looking out your window and seeing the earth like this. This is another shot that I took, looking out the window and here we're flying over Egypt, toward Israel and if you look in the upper right hand corner of the screen as we get closer, you'll actually see difference in shade which represents the border between Israel and the Sinai, of course Israel is much more cultivated, but you can actually see that line in the upper right hand corner. We also see the Red Sea which I'm zeroing in on now and the Red Sea of course goes into the Gulf of Suez and Suez Canal and what this will illustrate, if nothing else, that you can see manmade objects from space and you can see the center of the screen the two forks of the Suez Canal and of course Mediterranean.

It took two days of circling the earth, about 32 times since we take about 90 minutes to go around and we finally caught up with the International Space Station but you couldn't see it outside the porthole, it was actually viewable on this old fashioned video screen, analogue screen and I took that with my video camera. We are now approaching at 18,000 miles an hour, the space station, closing in on it by a few inches per second and you can see that we're just heading automatically, this is all done automatically, although the crew has an override opportunity to actually dock with the station and you'll see in a minute a little movement that will indicate when we actually came into contact with the station just at that moment. So we had docked at 18,000 miles an hour, it was a fantastic experience to be able to do that and to see where the technology has come. After docking I decided to take a little view outside the window and look at the International Space Station. You can see what it looks like from the outside: it's not very streamlined, it doesn't have to be even though it's going that fast because there's a vacuum outside and you can see the antennas and the various components. That's what it would look like if you were doing a space walk. I didn't do a space walk. It would have been fun but it was not part of the program.

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This is a video that I took inside the functional cargo block; on the lower right is the sleeping bag that I used and you zip yourself in that sleeping bag and you have the most comfortable sleep you can ever think of or dream of. Notice the sleeping bag on the left, one of the crew members decided to put it vertical and then on the upper right another crew member decided to camp out in a different location. So this is a little bit different than having to put your sleeping bags in line in a tent but that was a little camp out spot in this cargo module. I understand that today it's much more cluttered with junk and boxes than it was back six years ago when I flew and now with my video cam moving into another compartment in the space station and we moved through these hatches that can be closed off in the case of an emergency.

As we approach the service module where most of the activity took place you can see the other crew members are busy, they didn't even let me bother them. One of the complaints NASA had was that I would be disturbing everybody as a tourist on the station. You can see that they didn't even pay attention to me; but it didn't matter because I didn't care, I had plenty of fun while they were busy. In fact that was one of the advantages that I had of being a tourist that I didn't have any work to do and I was probably the first person to ever fly in space that didn't have this choreographed activity. So I joked that probably one of the biggest claims I have to fame is that I had more fun in space than anyone if there was a record for that. And speaking of fun, what I want to do is show you what it is like to be sixty years old and being a kid in a sand box or equivalent of it and you can just see one guy having a lot of fun and none of this was disorienting, none of this made me sick, it didn't matter which way was up, which way was down. A little sickness the first day when I was on the soy juice but after the seven days that I spent, six/seven days on the station, not bothered at all, it's amazing the way you can adapt to space. I could have stayed out there easily for three months. In fact if I ever go again, which I doubt I will, I wanted to have at least three months in space, it just wasn't enough time, eight days at space. But you can see how you float and how much fun that is. I always like to look at that picture.

Now with the rest of my time besides floating, was looking out the window. And this is typically what you would see, but every time you looked out the window, you'd see something different. Oh, in the upper right is the solar panel, not a UFO; although some of the cosmonauts really thought they saw UFO's, not the ones on my flight. Anyway you see different textures as you look at the earth. I spent about thirty hours listening to opera as I looked out at space, so I really did enjoy the whole experience and I play these videos all the time at home. I have about three hours of videos actually looking out in space and it just fascinates me as much today as it did six years ago. And I'll show you some pictures that I took, still pictures that I took from space.

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I'm not even sure where a lot of these locations are, but the one thing you can see is from 240 miles the earth looks a lot different than it does from an airliner. This is actually a lake in Montana and you can see how far below the clouds are, how much closer to the ground they are than we are from the station. This is a desert area you can see the different texture of the desert as it looks from that distance that's another shot of another desert. This is the west coast of Africa and you can see these clouds line up with the direction of the wind and they're actually thermals that cause these little plots, it almost looks like a corn field. This is the breakup of an ice flow in northeastern Canada, it was May so it was spring time, early May and another shot at that ice flow, it's probably all melted by now, even though it's orange, given global warming but we'll see. Anyway this is actually right near Las Vegas, Lake Powell and another shot of that area. I believe Las Vegas is in the left hand corner. This is the Red Sea during a sand storm and you can see that interesting texture on each side of the Red Sea but you can see how dense the sand is and how it really almost blocks out the sea. This is the west coast of Baja and what is on the left is a storm front approaching, that's all ocean on the left and you can see how sharply defined that weather front is.

This is another shot of Baja a couple of orbits later, I believe after that front had broken up. This is a shot of Western China, I'm not sure where and also in Western China is the remnants of a dried up lake bed and it turns out, looks like an ear but this is the area where the Chinese first did their nuclear tests, I believe first nuclear tests in 1967 and I've offered this to the CIA but they weren't interested.

Another pretty picture that I selected and now these pictures show the edge of the earth and you can get a different idea of the textures that you can see and how the earth looks and the different. You know, every time you look out it's different. These are shadows that are 200 miles long, do you feel why it sometimes get dark early in the evening or it appears to get dark when there's certain kind of clouds and this of course is familiar, a tropical storm or tropical depression, not a hurricane because it's not tight enough but I managed to pick that up and finally it all comes to an end with the land of the capsule and you can see one happy guy being born again. They didn't use forceps. But I was glad to be alive, I had the best trip of my life and you can see that after a pretty harrowing ride through the atmosphere that I still had plenty of energy left, amazing given what we all had to go through to land back on earth. Well that's it.

**Dean Linda Livingstone:** Well that was fascinating wasn't it? Wonderful. Thank you so much for sharing it that was amazing. You know, as I looked at that it reminded me as a child I think-- how many of you as a child or even as an adult maybe have dreamed of flying in space or being an astronaut, I mean it's just really wonderful to have you here and to hear that story. One of the things that made me think about listening to you share that was just that was a dream you'd had from when you were young and

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one that you didn't fulfill until much later in life that do you have any advice that comes from that experience in terms of what we should think about in terms of the dreams that we have or the things that we really aspire to do that are appropriate to this group, but even to those of us that have children that we could go home and share with our families.

**Dennis Tito:** Well I have advice, not only for young people but older people as well and that is that in my life, I spent a tremendous amount of time thinking ahead of time what I really wanted to do with my life and I would sit around, you know, out in my back yard for hours and hours and hours. In fact, my young son was asked about being on a team and his mom had asked him, "What team do you want to be on?" and he said, "Well, I want to be on the resting team like my dad" because I would sit out there and just look out at the ocean and think about what I wanted to do. And I can look at my life and I can identify about six major ideas that I focused on in my life that I kept a very long-term focus on, but those are the things I wanted to do with my life and I ended up accomplishing most of them but it requires a lot of focus. And now I'm 66 years old and I have a ten-year goal that I've been very detailed with as far as what I want to accomplish with my company so I'll probably—if I achieve that goal—I'll probably keep on making ten-year goals. I do have an aunt that is 105 years old so who knows.

**Dean Linda Livingstone:** You've got plenty of time to work on it then, don't you? Well, kind of related to that last comment, your ten-year plan for Wilshire, how did that evolve out of the experience that you had on- in space flight? How did that experience in space flight really influence what you chose to think about doing when you got back?

**Dennis Tito:** Well, up until my goal of going to space, I did not have any other goals. That was such a dramatic goal, started thinking about it really seriously in the early nineties and focused more and more on it and less on my business, but once I achieved that goal, people would ask me when I got back from space and I was interviewed a lot, "Well, what is your goal now?" And the only thing I could answer was, "To find another goal," and it actually took me several years of thinking, sitting on the resting team and deciding what did I really want to do over the next decade. And I couldn't- didn't really want to make a 40-year plan. That's not appropriate at my age, but I ended up coming up with a very specific set of goals for my company.

**Dean Linda Livingstone:** Well, it's inspirational for all of us to see that as you have had several transitions in your career and in your life, and I do want to talk a little bit more about what you're doing at Wilshire Associates and sort of get your insights into what's going on in the economy. As much fun as we're having with your space flight, I wouldn't be doing my job as a business school dean if we didn't take

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advantage of your wisdom and expertise in the investment world as well. Talk a little bit about what you see going on with the U.S. economy and how you're responding to that at Wilshire.

**Dennis Tito:** Well, as far as ups and downs in the economy, I look back 40 years- 45 years since I've been an adult and that's all I remember is ups and downs, and after a while you become immune to that. So what? The stock market went down today 250 points or 280 points. So what? What else is new? The stock market will always fluctuate. Don't let it distract you from your long-term goals, but I do see something that everyone sees and I'll just repeat it even though it's obvious. One is really a globalization, and the world is becoming global and there's certain specialization that we in the United States tend to focus on and then other developing countries, more labor oriented activities, we're becoming more management and idea oriented. So that's one idea.

The other thing that I've been thinking a lot of and reading a lot of is really how creativity works and how one creates wealth through creativity. There are some people that are very, very smart and very well educated and they are—it's unlimited as to what they can contribute into today's society versus say when I started my business 35 years ago. When I started my business and I had to develop a business plan, I had to spend hours and hours and hours drawing diagrams, laying tape for bar charts, using an ink pen, my drafting skills, taping up and pasting captions, things you do on Power Point with a few clicks. And this would take hours and hours. I remember working late at night just doing grunt work. Well, now with all these tools if you're an architect you can work out drawings a thousand times faster than you could 30 years ago when you had people draw it for you, you had to manage those people. So we have today with software and computers our helpers, and these helpers are very inexpensive to use so we can lever our talent by several orders of magnitude over what we could have, the same person, 35 years ago. And that's why you will see a greater disparity in wealth because the value added by the people that get educated, that have particular skills, creative skills, is so much greater.

And for people that don't have those skills or don't have education, you don't need education to work at a McDonald's because all you have to do is press on the button with the picture of a Big Mac. You don't even have to remember how much it costs. It just automatically goes in there. So you're going to have a greater disparity of wealth between the creative people and the less creative people, which means there's going to have to be some social support system and we're seeing that develop and we shouldn't think of it negatively that for those of us that are fortunate to have creative skills and make a lot of money. So what if we get taxed higher than we would have at some other period when we had to do all that hard work? Now we just use our creativity so that's the general trend that I see.

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**Dean Linda Livingstone:** Good. Well, you mentioned emerging economies, and one of the things we've seen is a lot of growth in some of the emerging economies. How do you see that playing out in the long run and what impact is that going to have on markets worldwide as we see growth in those emerging and developing nations?

**Dennis Tito:** Well, I think we are just going to see expansion globalization. There are going to be fewer poor countries over time and the same thing will apply. You will have, as you have now, people becoming educated in the United States coming to America and going back to their countries of origin and increasing the standard of living. So I think this globalization will spread and there will be fewer poor people in the world and that'll be a better world.

**Dean Linda Livingstone:** Well, clearly one of the things businesses have spent a lot of time dealing with in the United States recently is Sarbanes-Oxley, and I would like to hear your perspective on that particularly as it relates to any influences you think it is having on markets and market value for firms and their ability to compete successfully in this new international market.

**Dennis Tito:** Well, my firm is a privately held firm so Sarbanes-Oxley doesn't apply, but as far as the way it has impacted publicly traded corporations it's been a real hardship and I think it's discouraged some corporations from going IPO in the U.S. and instead going offshore. And we hear about the negative aspects and like any regulation it can be burdensome, but the other side of the coin is that Sarbanes-Oxley does give investors more confidence that the financial results that they're seeing is accurate and that the management of the corporation has to stand by those numbers and they can't fake those numbers without risking going to jail. So I would say on balance it's positive and I think that over time all of us need to have better numbers and give more accurate projections not only to our public shareholders but even myself to our employees, to our employee shareholders. So I think that we all should be heading in the direction of Sarbanes-Oxley whether or not there was a rule. We should have really a good handle on the numbers; the numbers should be accurate; our accounting should be accurate.

**Dean Linda Livingstone:** And then through that, from what you're saying, that builds confidence in the public that they can trust the companies and- which will spur investment in those companies.

**Dennis Tito:** Absolutely, because the U.S. has a real strong legal system and this is very important as far as commercial businesses are concerned protecting intellectual property rights. What about investing money in Russia? Who's going to end up with it? You're dealing with almost a lawless society and not an ability to conduct some kind of a legal action. In fact, if you do you might end up— <laughs>

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**Dean Linda Livingstone:** What do you think the impact of having nations that have a very different rule of law or no rule of law compared to the United States has on the global market that we're dealing in? How is that going to play out do you see in the long run in terms of the stability and success of those global markets?

**Dennis Tito:** Well, I think to the extent that a particular nation does not have that legal system they're going to be hurt by it, and I think eventually countries will come around to understand that if they want to improve the economic conditions that they have to do a number of things and eventually they will catch on. I'm an optimist.

**Dean Linda Livingstone:** And I could tell. He and I visited earlier and we did a podcast that will be on our web site and he is very optimistic about what's happening in the world and in the markets, and so that's good for all of us to hear given the role that you're in. I have lots of other questions that I could ask but I know there are many people in the audience that would love to ask you some questions as well so I think we'll open this up to audience questions, and there are microphones if you would grab a microphone as you respond. And I saw the very first hand over there so we'll let him go first.

**M1:** Mr. Tito, good evening. My question deals with if you can think back towards the 1970 to 1972 era when you were starting your company. You were hoping probably to exploit some kind of a market inefficiency or some kind of a condition by which to profit. Did you kind of fumble about that? Did you have an exact idea of how you were going to do that? How did you come about to the formation of Wilshire and how did you get that off of the ground? Thank you.

**Dennis Tito:** Well, I had the opportunity to work for a Wall Street firm for about a year before I started my own firm, and I understood- myself and my colleagues understood pretty well what the marketplace needed. We had a good feeling for risk and we knew that portfolio managers did not understand risk, and the market had just gone through a couple of downturns and the high beta mutual funds—Of course, they didn't use the word "beta" then. The high-growth mutual funds suffered the most, and we just said, "Look. They have to understand that the- they need to measure the- their market exposure and they also need to understand something about diversification because they- their results are really poor. So we had that particular focus that we went in to the marketplace with and it was very focused. We had-- It's just like you have an idea and it's that specific idea that you promote, and we started promoting that idea and we gradually started having success but it took a long time. There was a lot of work required to make that happen. Did I have the vision that I would have a company the size of Wilshire? No way. It was one day at a time and just hoping that you could get through the knothole, which is the period where your cash

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account is at its minimum before your cash flow starts to turn things around so it was a bootstrap operation.

**M2:** Over the last 15, 20 years the U.S. markets, particularly institutional investors, have become fixated with quarterly results and corporations have responded to that by managing their quarterly results short term over long term in the U.S., and I think proof of that is GM's fall versus Toyota's rise where they're really much more long term. Do you see that changing or evolving with the analysts and what's going on in the market now?

**Dennis Tito:** Well, I- there are some moves by the SEC to get away from the quarterly earnings focus or whatever they call it, and I- as a manager you constantly have to think out long term and as long as you don't have to be totally accurate on the short term you can focus on the long term and I think that's how you create value.

<crew talk>

**M3:** Thank you. We met a few years ago when our- or maybe more than a few when our children were both at Brentwood School so good to see you again. I'm interested in your comment in response to a question from the dean about creativity. A lot of folks think that creativity can be taught--I'm one of those-- and yet it does not appear to be high on the list. I'm not talking necessarily about teaching art although I think there is definitely a place for art and music and the schools are challenged at this point, but just simply teaching creativity as a value and encouraging it and bringing it out of more people than we do today. What are your thoughts on how we can go about that?

**Dennis Tito:** I agree with you, and I think that you just at the end there bring it out. We all have certain degrees of creativity, intelligence. I joke about my training in Russia that they tried to teach me Russian and my creativity there was near zero so I'm glad I didn't go into that, being a linguist, but we have to help people find out where their passion is, where their creativity is, because it- the passion and creativity go together. If you love something so much you think about it all the time and you reach deep into your brain that's what creativity is all about, and I think to get people to focus on that because that's how you're going to succeed by having that focus and spending a lot of time working on it, not doing grunt work but thinking.

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**M4:** Thank you. Why did you choose the number 5000 index? What's so special about that number and any comments about your- that index have you created?

**Dennis Tito:** In 1974, I became aware that dividends and capitalization became available on all publicly traded stocks in machine-readable form so that's when I got the idea well, now it's time to develop a total market index 'cause now we have the information. With the S&P 500 it was hard enough for S&P to put those numbers together, but when you looked at all the publicly traded stocks it was something like 5000 securities and you couldn't put together that index until it was available in machine-readable form. It turned out it was about 5000, but of course it varied depending on whether companies went bankrupt or new went I- new companies went IPO so it never was exactly 5000. I think one time it actually ended up going up to about 7000, but we liked the name 5000 but it does not have anything to do with the number of stocks other than the rough-order magnitude.

**M5:** Obviously, we've learned a lot about your successes, but are there any pivotal failures along your career that you can point to that had a dramatic effect on the way you focus going through in the future?

**Dennis Tito:** I've only had one job in the last 35 years and that's Wilshire, and the company has profited every year since 1973 and has a fairly secular rise in earnings. And so I would say well, there were no failures that are obvious, no bankruptcies, nothing really major that went wrong, but if I want to be honest with myself I could say well, I failed to make Wilshire a billion-dollar company. It's not a billion-dollar company so I could look at that as a failure, and some of my colleagues look at me and say, "Yeah. Why didn't you do it like So and So?" or "Why weren't you as successful as Bill Gates?" Well, depending on how you want to look at it, you can define failure any way compared to your objectives. I did not have an objective of being the richest person in the country so it's hard to say I failed at that, but sometimes I ask myself why didn't I do better up to this point? And that was one of the motivating factors behind the new ten-year plan so in a way you could say that a certain feeling of failure about what I could have done is now driving me to a new goal. So failures are good and you can define them any way you want, and I think it's hard to- it's good to be hard on yourself and if you can't find a failure look for one and then set a new goal.

**W1:** Thank you. Mr. Tito, it's very refreshing to hear your optimism on the future of the U.S. economy particularly after spending this past weekend with my grandfather who insists that the U.S. dollar is going down and telling all his grandchildren to invest in gold. Can you comment on what your outlook is on the U.S. dollar?

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**Dennis Tito:** Well, it just always seems to be going down and I really want to buy a French catamaran as my next boat because they have great catamaran builders in France, and I guess my outlook is that the longer I wait the more it's going to cost me because the dollar is going to keep going down but that's about it.

**W2:** What I wanted to ask you is that the United States in its very short history has gone from an agricultural-based economy to an industrial-based economy to a tech revolution. What do you see if there's any one dominating next coming up for us?

**Dennis Tito:** Well, we have a long way to go as far as fully capitalizing on the tech revolution, and we're talking about three revolutions that occurred over the last 3000 years, the agricultural phase, the industrial phase which lasted several hundred years, and now we're just at the beginning of the technological phase. So the only thing I could think beyond that, which is going to be way beyond my lifetime, is once we expand beyond earth and start to colonize the planets and that's going to open up all sorts of opportunities and doors but that's not going to happen for probably-- It could be a thousand years before we start actually colonizing the planets.

**W3:** For those of us who know the manned flight space numbers and the unmanned flight space numbers of what it costs, how did you manage to negotiate such a low price to go into space? I think that's a real accomplishment there 'cause it's very expensive.

**Dennis Tito:** Well, it's a very interesting question about how do you deal with the Russians and how to time things. I knew that they had a financial crisis. I knew that they paid their aerospace workers about \$100 a month and the reason they paid them \$100 a month was because under the communist system they provided the housing, they subsidized the food, and all that \$100 a month was like an allowance that you give your child. So here you have 100—Well, maybe some kids do get \$100 a month. I used to get 25 cents a week, but the costs at least as they- the accounting costs of the way that system was set up was quite low so they were willing to come up with a very decent price given what they were providing, but I understood how- at that time how the- that Soviet system worked from an economic standpoint and I just went in and I said, "This is what I'm willing to pay and I'm not going to pay anymore so take it or leave it."

**W4:** What is your point of view relative to the lack of SEC oversight for hedge fund managers relative to independent investment managers who have the burden of SEC regulation?

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**Dennis Tito:** See, I don't have much of an opinion. I do-- I am concerned that the whole hedge fund idea could blow up and hurt a lot of people, and the only problem is there are so many hedge funds. What is it going to take to try to regulate- for the SEC to try to regulate those hedge funds? And the reason they haven't regulated them in the past is because supposedly the investors are accredited investors so I think it's- the regulation by the SEC should be designed to prevent people from getting hurt and people who are worth a million dollars or more then you could say, "Well, they deserve as much protection as the next person but it also costs a lot of money." So I could go either way with it. I really can't express a preference. I think regulation is a good thing and I think the fact that we have SEC regulation in our business for the same reason that we talked about Sarbanes-Oxley it does give investors more comfort and it might be a good thing, but it is burdensome on small firms.

**Dean Linda Livingstone:** Dennis, it was fascinating. Thank you so much for sharing your story about space, for sharing your wisdom about what's happening with the economy. It's just been a wonderful evening and we appreciate so much your time and your willingness to come join us this evening so let's give Dennis--

**Dennis Tito:** Well, thank you.

#### End ####