

EPISODE 408

[SPONSOR MESSAGE]

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[INTRODUCTION]

[00:01:31.2]

FT: Welcome to So Money everyone. I'm your host, Farnoosh Torabi. How's it going? It's Wednesday, April 27th. Wednesday, so you know what Wednesday means, right? We have a fresh episode of *Follow the Leader* on CNBC and coincidentally, our guest on *Follow the Leader* is related somehow to our guest today on So Money which I'll get to that connection in a minute but just to brag about tonight's episode, you don't want to miss this.

It is Katia Beauchamp. She is one of the founders and now chief executive officer of Birchbox. Are you familiar with Birchbox? Birchbox is a monthly subscription beauty service. Essentially, you pay \$10 a month and every month, you get a beautiful box full of beauty, hair care, cosmetic goodies, sample sizes of things that you might want to try based on what you've told them about your skin care needs and your preferences.

The hope is that you experiment with these sample sizes and then you go onto their website at Birchbox.com and buy the full size of these products and Birchbox has been through some growing pains recently. They had to lay off about 15% of it's staff so that comes up during our time with Katia. I had to ask the hard questions like how did you come up with that decision, why did you come up with that decision?

How has that impacted moral? What is the vision of the company going forward? Her co-CEO had stepped down recently so it's an interesting time and its history and I think to be able to go behind the scenes to see all of that play out and to watch this woman at the helm is very, very educational, very inspiring. So please stay tuned to CNBC tonight at 10:30 PM, eastern pacific. I'll be live on Twitter during the show answering questions, sharing some of my insights from the episode.

Of course, you can always DVR it too but we'd really love some live viewers. It will really make it for more exciting premier. All right now today's guest is also in the health and beauty biz. Her name is Patti Pao. She is the founder and CEO of Restorsea. Patti has an extensive beauty background. She's launched over 400 products for popular brands including Avon, Elizabeth Arden, and many more.

Her new product that she is at the helm of, Restorsea, was born out of an unmet consumer need for gentler anti-aging products that deliver real results and she discovered this in not the most normal way. She was in Western Norway and she took a tour through the fjords of Western Norway, came across a tour of the country's largest salmon hatchery and it was there that she discovered the secret ingredient. The anti-aging ingredient that is now in Restorsea and sold at a number of dermatologists offices across the country.

Patti has her MBA from the Harvard Business School and she went to Berkeley undergrad. Patti, we don't even get to the real So Money questions because her tale of how she easily went to Harvard and then began her career, transitioned into entrepreneurship is a one of a kind story. I was so mesmerized by it, so consumed by it that I kind of lost track of time but we do talk about financial failure. We talk about how to get into business school and we also discuss how to transition into entrepreneurship. So definitely worth your time, stay tuned.

Here we go without further ado, here's Patti Pao.

[INTERVIEW]

[00:05:01.5]

FT: Patti Pao, welcome to So Money.

[00:05:03.9]

PP: Thanks Farnoosh. It's really great to meet you.

[00:05:08.3]

FT: Oh, well and hopefully we'll meet in person. I know that you're in New York, I'm in Brooklyn and it's kind of funny that we're doing this over Skype but I feel like you're in the room with me.

[00:05:18.0]

PP: I know, I know. This is one of the few times that I am actually in New York and I'm actually in New York because of you, because Emily Parr who is my publicist extraordinaire for Restorsea, she said, "You have to be in front of a Skype. You actually have to be in front of your computer," and the whole issue is, is that I'm on the road pretty much every day because we're selling in pro-line, a professional line which is the medical grade skin care line that we're selling exclusively to dermatologists and plastic surgeons but what that means is that I literally do two cities a week. I do probably about six to eight meetings a day which means that I run in and out

of the car and so in order to do this podcast, which I am so honored to be a part of, I actually needed to be in a place where I can focus.

[00:06:13.4]

FT: Oh well I'm so grateful. I hope I'm not shifting your schedule around too much.

[00:06:19.8]

PP: Not at all, not at all.

[00:06:21.8]

FT: You've travelled, you are currently travelling and have travelled so much in bringing this product to market and specifically to doctor's offices and did you think that this was going to be part of the journey? You've been involved with bringing over 400 products to market for big brands, Avon, Elizabeth Arden to name a few.

Did you realize that this was actually going to be part of your own entrepreneurial journey that all these travelling and all of these meetings, are you okay with it? It seems like a lot. It's a lot to take on.

[00:06:55.5]

PP: Well, so I am totally okay with that because Restorsea is like my family, my life, my spouse, my child. So it was really interesting Farnoosh, I was one of those girls who never wanted to get married and I never understood why. I was in 35 weddings in the span of seven years and I've probably been to 200 weddings.

I actually like weddings, just not for me and I thought I wanted to have children until I realized that you worry about them your entire life and so I was like, "I don't want to do that either," and I realized that the reason why this all happened is because your whole life's culmination is because of Restorsea.

So Restorsea is like my spouse, my child, my life and I will do whatever it takes to make this company successful but in a gajillion years, if you had sat down to me and said, "Did you ever think that your line would actually be successful in the medical channel?" I basically would have just been in utter disbelief.

Because I have spent 30 years of my life in the consumer sector, I had no knowledge of the medical sector at all. I started Restorsea because I found the greatest ingredient that I have seen in the 30 years I've been in the business and the reason why it's so great is that this enzyme only digests dead skin cells and it leaves the living cells intact.

Which means you get continues exfoliation but without any of the redness, the itching, the swelling or any of the thinning skin but what happened was, it was kind of interesting. I had a consulting firm. I ended up having four clients all based in Oslo, Norway. From 2008 to 2010 I went to Oslo 48 times and never saw the outside of Oslo.

One of my clients was so horrified that they offered to take me on a three day hiking trip in Western Norway because that's the most beautiful area of Norway where they have fjords and water and mountains and I didn't have the heart to tell them that I'm Chinese, I'm genetically programmed to not like nature. I'm not athletic and I really am not in a very good shape and they're the reverse.

So on day one, we're hiking 13 and a half hours up and down 3,000 feet. At the end of day one, I did not want to hike. I couldn't walk, so on day two I was looking for a way to get out of hiking, we passed a fjord and on the fjord was this outcrop of very cute buildings. The outcrop of very cute buildings ended up being a very unique salmon hatchery that practiced synchronized hatching and what that meant was, was that they hatch 200,000 salmon eggs at the same time.

They do that because the hatchery wants uniformity of size of the salmon fry because if everyone was born the same size and they fed time at the same rate, everyone would grow to be the same size. So you wouldn't have big fish-little fish. The whole concept was very interesting to me plus I was desperate to get out of hiking that I convinced my client to let me take a tour of the hatchery. So we took a tour of the hatchery, they were going through the

hatching, the worker's hands were in the water herding the little salmon fry into another tank where they could grow and thrive.

They were also picking out the unhatched eggs and the eggshells and putting them into buckets where they get recycled into fish food. I looked down at their hands which were in this water all day every day. Their hands looked as if they were 20 years old and their faces looked a lot older. So I started asking the hatchery owner a lot of questions. She referred me to a professor at the University of Bergen, who created the synchronized hatching process for the hatchery.

I went to Bergen, I saw him, he had spent 30 years, he saw the phenomenon but he's 72. He spent 30 years of his life trying to figure out why the worker's hands looked so good. At the end, he isolated it to an enzyme that the salmon fry release in order to get out of their eggshell because unlike a chicken who can physically peck its way out of an eggshell, a baby salmon cannot. So when it's ready to be born, it releases the enzyme. The enzyme dissolves a portion of the eggshell membrane and it creates a hole that the baby salmon can swim out of unharmed.

The reason why the worker's hands looked so good is, is because when this enzyme is actually exposed to human skin, the enzyme sits at the top two layers of skin and digest only the dead skin cells and it leaves the living skin cells untouched because this enzyme was only designed to digest the eggshell membrane which is comprised of dead cells.

So what happened was, I was like, "Oh my God, this is the greatest ingredient that I've ever seen since I've found glycolic acid and was part to the team that helped commercialized it in the late 80's." And this was so great and that it was a great alternative to retinoid and glycolic acid and alhidroxy acids in that it provided the continues exfoliation but it had none of their side effects. So it provided parody to superior results but without any redness or irritation.

So what happened was, was that I have a science background. I am always tinkering around with different kinds of things. I got the professor to give me a kilo of the enzyme. My friend who's a formulator and I spent a year in formulation and at the end of the year in August of 2011, I had two products. A day cream and a night cream and for fun, I sent them to Pat Sachs at Bergdorf Goodman.

A month later, so in September of 2011, she called me and said, “I’m going to take your line”. I’m like, “What?” And she goes, “I’m going to take your line” and I go, “Why?” She goes, “You’re great, your story is great, your product is great. We think you’re going to be the next Crème de la Mer. We want to be a part of your brand.” And I go, “Oh.” She goes, “What do you mean oh? Where are you with this?” I go, “These lab samples in the zip lock bag.” I mean I literally sent her the lab samples in a zip lock bag.

[00:13:59.2]

FT: Oh my.

[00:14:00.2]

PP: I know, and she’s like, “Okay, when you’re ready come and see me and I’ll launch you,” and I said, “I have to write a business plan. Do you think it would be okay if I said I had conformed distributions?” She said, “Absolutely.” So from September of 2011 to November, I wrote my business plan and in November of 2011, I went to go raise my first round.

I raised my first round in six weeks but the way I raised it was very unusual. So I raised my first round from my classmates at Harvard Business School but through my classmates, I met my co-founder and business partner and he is the reason why we are here today. So he’s one of those people who literally — so if God gave me the ability to create products and God gave you the ability Farnoosh to communicate. God gave my business partner the ability to make money.

And by that, I always say that when the money waterfall is falling, I’m the poor slob running around with a hat trying to collect the little drops where my business partner has the dumpster perfectly positioned under the money waterfall. He just kind of knows how to do it. So it was interesting, So I met him on December 15th of 2011. We’re supposed to have lunch. He was 45 minutes late. He felt very badly about it. We spent two hours, we had lunch, he never asked me a thing about Restorsea. He just asked me a lot of questions about myself, where are my family, how I grew up, my work experience.

At the end of two hours he said, “You know this has been really interesting. I have a lot of questions. I think we’re going to have to meet again.” I’m like, “Okay”, he goes, “What are you doing for the rest of the day?” And I go, “Nothing,” and he goes, “I have something very unorthodox to ask you. Will you fly with me to Chicago, meet my wife, meet my daughters,” he has five daughters, “and have dinner with us.”

[00:16:11.3]

FT: Oh my gosh.

[00:16:11.6]

PP: I go, “sure.” It was crazy.

[00:16:13.3]

FT: So you found him through your classmates at Harvard.

[00:16:16.9]

PP: He was my classmate at HBS but we didn’t know each other because he was the JD MBA which meant he only spent one year with us and your first year at Harvard Business School, you spend with your section mates. So literally, I had a doctor’s appointment, he had his driver take me to my doctor’s appointment.

[00:16:38.4]

FT: What does he do as a profession? He’s just an investor in companies, angel investor?

[00:16:42.2]

PP: He has an investment management company but he was a partner at Goldman Sachs so he is very smart. So he participated in the greatest creation of wealth that you and I will ever see in our lifetime and that was the IPO of Goldman Sachs in 1999.

[00:17:03.0]

FT: Oh wow.

[00:17:04.3]

PP: Right? So basically, he made a partner at Goldman in eight years, which was unheard of. A year later, Goldman Sachs went public. Everybody walked away. He's never told me this but I'd piece it all together. Everybody walked away with between \$30 to \$50 million. Everyone who is a partner, right? That's why I say it's the biggest creation of wealth that we'll ever see in our lifetime. But these are money guys, right? Or they're like you, you're a money girl. So they know how to make money and so they basically...

[00:17:35.4]

FT: God gave me the talent to make \$30 to \$50 million, I would like that.

[00:17:40.0]

PP: I think you'd be surprised. I think you will. I think that everything that I had read about you and just in the short conversation we had, I would not be surprised, let me put it that way.

[00:17:53.8]

FT: You heard it here first folks. You heard it here first, Patti predicted I'm going to make \$30 to \$50 million.

[00:18:01.9]

PP: But anyway, what those guys did Farnoosh is they basically either tripled or quintupled it, right? So they all have a very nice net worth. So they started off with a good net worth and they now have a good net worth. So he actually retired from Goldman Sachs at a very young age and now he invests in companies but mine was a little unusual.

So let me just preface this, nobody wants to invest in a beauty company because it is really, really, really, really hard because it is an oligopoly with big companies with deep pockets and huge distribution channels. It is really, really difficult and his investment is primarily in biotech, which is difficult but a little more manageable but that's really what he does.

So anyway, we flew to Chicago. So we basically drove to Westchester Airport, we board his private plane which is a 22 seater Dassault Falcon, we fly to Chicago, I meet his daughters who at that time we're all under the age of 11 and the good news is that I like women of all ages, right? I want to help them. So his daughters are like, "You're the greatest thing ever."

I'm like, "Well", I meet his wife, we sit down to dinner and Mike the chef is basically reciting to us our menu for the evening and I'm like, "Oh boy, I'm not in Kansas anymore." So we have dinner, we talk in between the cheese course and the dessert which was according to Mike, the molten chocolate cake, I asked Kristen if she wanted to see my product.

Kristen is his wife, I asked her if she wanted to see my product. She said, "Of course." I run and go get the product, which by the way are two lab samples in a Ziploc bag with the Word document. I give her two sets. I sit down. I start eating my molten chocolate cake, I look up, they're both smiling at me and my business partner said, "We just want to let you know that we're in," and I go, "Great!"

I'm thinking to myself Farnoosh, I'm like, "Patti you are so great! You just got a \$100 grand from this guy. It was only eight hours, you're like a genius!" And so as all of these is going through my head, my business partner said to me, "Don't you want to know how much you're in for?" And I go, "Sure, how much are you in for?" He goes, "The whole thing."

Right, I'd already raised half of what I needed from my other classmates but he was in for the whole thing and that's what really started our journey and our ride and so when you talk about a

financial win that was my big financial win because it started the whole thing. He has been very, very instrumental in really the growth and success of this company.

[00:21:13.7]

FT: And what's interesting is that he spent most of the time wanting to learn more about you. As an investor, we watch Shark Tank, right? And all the questions are about, "How much money are you making, what's your margin, what's the idea about? Show me how it works." We don't ever ask questions about family or goals or personal life and this man, with all of his experience and all of his knowledge and all of his expertise in investing and finding the next big idea for you, I wanted to learn more about who is Patti Pao? For the most part. So what does that say about how we should measure success in life?

[00:21:55.0]

PP: So I believe that when you die, you have to die clean and by that is, so people ask me, "So how do you sleep?" I go, "I sleep very well," and by that, I mean that you actually have to be with people who share the same — it's not just ethic, it's just the same philosophy and I think that if you work with people, and I mean before he really put the big money in my company, he wanted to really see if we have the same philosophy, do we had the same work ethic? How do we deal with conflict, how do I deal with crisis, am I going to fold like a house of cards, am I truthful?

And I'll tell you probably the story that really changed that I think really answered his questions about me. So we had negotiated to get the exclusive rights to this enzyme because basically, he called me up in February. So he invested in December, he called me up in February of 2012 and he said, "Look, if you get the exclusive rights to the enzyme, I will completely back you," and Farnoosh, when someone gives you your shot, you take it and you run as fast and as hard as you can.

[00:23:11.0]

FT: Yes.

[00:23:11.4]

PP: So I called him four months later and said, "I got the exclusive rights," he goes, "You're kidding me right?" I'm like, "No," and I go, "Oh, you didn't think I was going to do this." He goes, "I didn't think you're going to do it." So as part of the down payment for this ingredient which is very costly, we had to give the ingredient company \$10 million.

So basically, he's like, "Great." He goes, "I'm going to give you the \$10 million and for the \$10 million, I'm going to take 20% of your company, your initial and angel investors will take 10 and you'll take 70," and I said, "Absolutely not." He goes, "What do you mean?" And I go, "You're putting in so much money, you cannot take 20%."

He said, "No, no but you're the founder. You should have at least 70," and I said, "No, you should have more," and he's like, "I don't want to talk about this," and every time I tried to talk to him about it, he would hang up on me. And so finally, the day came when he had to wire the money. I called him and he's like, "Are we going to talk about the same thing?"

He's very angry and I go, "Yes but please just listen to me for 10 seconds. So I've never done a deal before, this is your first deal. You've spent your whole life doing deals. You've done them a 112 times, I'm calling to ask you if you can just think for an hour on how we can make this a more equitable arrangement, and if at the end of one hour, you come up with the same arrangement, I will thank you graciously and move on," and he goes, "Okay," and he hung up.

So he called me back an hour later and he said, "Well what if your initial angel investors have 20 and I take 40 and you take 40?" And I said, "That's completely fair," and that is how we both bent over backwards to be fair and that is what holds us together.

[00:25:05.8]

FT: You don't hear often about fairness in business. It's always someone wins and someone losses.

[00:25:14.2]

PP: I don't think life has to be like that and I think that, because I believe in karma, I believe that people get what they deserve, good and bad. The difference is it may not happen within your desired timeframe but I think that you just have to be fair. I believe that you have to be fair, I don't think that you can be 100% of a giver and I certainly don't think you should be 100% of a taker. I was raised, "it's better to be giver than a taker".

[SPONSOR MESSAGE]

[00:26:02.3]

FT: My So Money team's recently become a fan of a company called Realty Shares that's disrupting the real estate finance industry with their crowd funding platform. Here are some investment advice brought to you by our April sponsor, Realtyshares.com. Haley from New York writes:

H: "How do I invest in real estate in California?"

FT: Well, Haley, one easy way to invest in any one of the 50 states is through a real estate crowd funding website. There are a few but realtyshares.com has the lowest investment minimums. Realty shares allows accredited investors to invest as little as \$5,000 per transaction in residential and commercial real estate projects across the US.

What's great about Realty Shares is that all of the real estate deals are source and vetted by experienced investment professionals. Thousands of investors are using the platform to browse through deals and invest in minutes. Of course, keep in mind that all investments are risky and may lose value. Past performance is not indicative of future results.

For this month only, when you sign up at realtyshares.com/somoney and link a bank account, the company will transfer \$50 into your linked bank account. Visit realtyshares.com/somoney to begin today.

[INTERVIEW CONTINUED]

[00:27:11.8]

FT: We talk about that on the show a lot, “be a go giver not a go getter”. Sometimes we are so tunnel focused, we are so razor sharp focused on our goals that we want to achieve a certain level of success that we kind of forget to take a step back and look at the big picture and see how we can help along the way.

[00:27:35.5]

PP: You have to. You have to help people. My whole mantra is that you always have to help people and don't expect anything in return. I have always lived my life like that. It was kind of interesting, when I had my consulting firm, I gave people a lot of money to a lot of vendors to help my various clients and people criticized me and they said, “You're an idiot and a fool because you should charge these people because you are giving them a lot of business.”

I said, “I don't believe in that”. What I say to the people that I give business to is, “You have to put my clients first and even if Leonard Lauder is on the phone screaming for your attention, you have to put him on hold and help my client. That's the deal.” And so what's interesting was that I have The Power Principle, my consulting firm for seven years, never took anything from anybody, but when it came time to start with Restorsea, when I had the confirmed distribution from Bergdorf Goodman and had no packaging and no graphics, everyone stepped up.

Like the woman who is now my creative director did all my packaging and design development with me for free. I ended up paying her when I raised my fund, but for free and I was having a conversation with someone and they're like, “It's so interesting. How did you decide to put the day cream and the night cream in jars?” I go, “Actually, it's a funny story. I did a lot of favors for this German company and I was having sushi with the president and I was telling him my tale of woe, well happiness and woe, and he offered to give me the jars for free.”

[00:29:20.1]

FT: How was that? How did you finagle that? What was in that sushi?

[00:29:24.2]

PP: Because I had given him so much business in the seven years and I never asked him for anything.

[00:29:28.8]

FT: There you go.

[00:29:29.5]

PP: He goes, "I want to help you."

[00:29:34.2]

FT: It's so true Patti. It's so true. I just finished interviewing some people for this CNBC show. They're all like these mega entrepreneurs and most recently, we aired the episode with Gary Vaynerchuck who's a big social media star czar and has a digital marketing agency and his whole thing is when it comes to the deal, you need to be patient and just give, give, give and hold your breath for as long as you can before you go in and ask for anything.

But when you do go in and ask for something or maybe you're just so kind and generous, people want to go, "How can we help you?" That once you make that ask, people would just want to buy so much from you because it's sort of been this pent up desire to help you out all these years as you've been helping them.

[00:30:25.4]

PP: I would agree with that. I mean I think you just...

[00:30:33.5]

FT: It's a long term game. You know, it's not this sort of immediate gratification of getting the sale. You have to be very patient.

[00:30:42.8]

PP: Very patient, yeah. I'm not a very patient person but you know.

[00:30:47.5]

FT: Right, it's testing. It definitely, it tests all entrepreneurs' innate desire to achieve success fast and are impatient. But Patti did you always think that you would be an entrepreneur? Clearly, going to Harvard Business School at a young age that indicates that you are somebody who loves business, but running your own show is different than working for a company and how was that transition for you initially?

[00:31:16.3]

PP: Well, okay. So I want to disavow the notion that — it's interesting. I never wanted to be an entrepreneur. I went to graduate school because when I was 21 years old, my father who never really gave me the time of day called me up when I was a junior in college and said, "So where do you think are you going to go to graduate school?" And I'm like, "I'm not."

He goes, "Patti, college degrees are a dime a dozen, you need to think about going to graduate school," and so at the time, I was like, "Well, you know I don't want to be a lawyer." I had enough classes to apply to medical school, which I did and I got in, "but I guess I'll go to business school," and my dad is like, "That's a really good idea. Which ones are you thinking of?"

I said, "Well, today's article in the Wall Street Journal said that MBA's are just a credential and they're going to be like a dime a dozen and so unless you go to one of the top four schools, it's not worth your money." My father was like, "That's very good thinking, where are you going to

apply?" I said, "Well, the top four schools according to the Wall Street Journal are Harvard, Stanford, Wharton, and Chicago".

My dad is like, "That sounds good," and in the meantime, I didn't have the heart to tell the man that I got a 540 on the GMAT, right? I was 21 years old, I never worked but I had really good grades that Cal. I went to Cal Berkeley.

[00:32:36.6]

FT: 540 out of 800 ya'll, that's, you know?

[00:32:39.1]

PP: It was not good, so — I did better on the MCAT. So anyway, I applied to Harvard Med School, I applied to Harvard Business School, I applied to Harvard, Stanford, Warton and Chicago and I ended up getting into all of them.

[00:32:54.3]

FT: Wow, with a 540 GMAT?

[00:32:57.4]

PP: Yeah because in business school, they make you write 10 essays and they care about who you are as a person.

[00:33:06.1]

FT: Well then why even bother asking you about your GMAT's? My goodness, I hate standardized tests by the way, let that be known.

[00:33:12.0]

PP: Yeah, me too and Harvard tried to get rid of the GMAT but they met with a lot of resistance. But I think when you apply to business school, what I encourage people to do is pay a lot of attention to your essay. Pay a lot of attention to your recommendations and how you do in college really, really matters in terms of your activities, your grades, the whole thing. So anyway, I went to Harvard Business School because...

[00:33:44.3]

FT: How many women were in your class?

[00:33:46.0]

PP: The ratio of men to women was five to one. So 20% not a lot. Yeah, Harvard is not...

[00:33:53.0]

FT: And is that still the case you think?

[00:33:55.2]

PP: I think they say it's more like 30% but Harvard is not a great environment if you're a woman. That's another podcast kind of thing. Let me put it this way though, I am deeply grateful that I went to Harvard Business School. It really was one of the most miserable experiences for me and I call it the two consecutive years of my life where I was spectacularly unsuccessful, which I hope I will never repeat again. But I can tell you that 25 years out of business school, I am deeply, deeply grateful that they accepted me and I went because I could not have done this company without it.

[00:34:39.8]

FT: No, right. Well, we haven't even gotten to my standard So Money questions but so much has already been incredibly invaluable advice just listening to your journey Patti. I mean, gosh. Where is Restorsea headed to next? What's the plan for 2016?

[00:34:58.5]

PP: Yeah, our plan for 2016 is to close the year with 300 dermatologists and plastic surgeon offices. We want to be the Hermès of the medical skin care business where we're at the best offices and because we have already seen from our pilot test of 10 offices that even with seven products, they are selling a lot of product. They're selling a lot of product because the product is very good, it works but also it's very exclusive and you can only buy it from these doctors.

[00:35:32.5]

FT: Why did you want to make it exclusive? Why not make it something that could be more affordable for the masses?

[00:35:38.8]

PP: Well, A, my ingredient is very, very expensive. It's very expensive. The average ingredient costs \$60, mine is \$1,200 per kilo. So it's very expensive by nature, so putting it together is an expensive endeavor. We also have invested millions of dollars in R&D. What we're doing and the investment that we've put into this company is very similar to what a drug company would do.

It's peer reviewed clinical studies, lots of clinical results, every kind of safety test, the whole nine yards and so that's why the product is where it is and we're a medical line too. So we're not going to be for everybody, but we're for people who — we actually, our customer profile, so we did research and this is where I realized this was going to work.

We did research on what a dermatologist-patient profile looks like and ours and they happen to match exactly. The first count was that they were women who cared deeply about their appearance since puberty. They were women who had seen and see dermatologist regularly even if they can't afford it, they'll budget for it and they'll often pay for cash and hide the expense from their husbands.

And they were all women who are extremely interested in skin care products and that was really our market, right? You have to, as you know because you've interviewed many, many, many business people, you have to put your product in the right market.

[00:37:23.2]

FT: Right and there's a market. You just have to find it.

[00:37:26.5]

PP: It's very hard to find it exactly and once you find it, that's where it is.

[00:37:30.8]

FT: Oh man, yes. Okay well one financial question for you Patti because we've talked so much about the brilliance of your journey but listeners also want to know your vulnerabilities. So what was a financial failure that you experienced? It doesn't have to be something so cataclysmic, but maybe something that was a regret or a misstep along the journey to entrepreneurship.

[00:37:56.4]

PP: Well, my biggest financial failure story honestly has to do with my father who died three years ago. My father was a very successful entrepreneur. He took three public companies on the NASDAQ. Mike Milken of Drexel Burnham Lambert took his first company public but Farnoosh, this is a sad ending. So my father died with \$3.5 million of debt. He died losing his mind, his youth, all of that, right?

It took us 18 months to help my mom figure this out and she's now out of debt and what I learned from it is, and what I want to stress to your listeners is, is that everyone needs to plan for their demise. It's very hard to talk about death and all of that but everyone needs to plan for their demise. My father left no will, he had no life insurance, there was no plan and what I learned from this whole story is, is that you've got to plan for your demise.

[00:38:58.6]

FT: Why did he have \$3.5 million in debt?

[00:39:01.7]

PP: So he made a lot of money, he's one of those people who — so when he left his companies in 1991, he left with \$25 million in cash, which is a lot of money but back then, it was all off.

[00:39:20.4]

FT: Yeah, you could live forever and a couple of generations on that.

[00:39:24.5]

PP: But what happened was that he decided he didn't want to have investors so he put all of his money into his ventures. They were not successful. He went down to nothing but then what happened was, was that \$100,000 angel investment was sold to Cisco and he got \$10 million. Yeah, no he is very good at this. He got \$10 million from a \$100,000 investment and he went through that as well.

I think what happened to my dad at the end was that, unfortunately I think my dad was bipolar. He was not in the best of health and I think that his mental illness became very debilitating to him. He had triple bypass. He never really recovered his physical health and his mental health suffered for it because I believe that the triple bypass was the trigger that caused his mental health to break because a bypass is very traumatic but also the anesthesia is proven to have very adverse effects on your mental health.

I think he lived in a parallel universe, just like that movie, *A Beautiful Mind*, I think he was living in that kind of universe that wasn't reality. When you think about reality, because I have thought about this a lot, reality is very tenuous because when you talk to people who have this mental illness, like how do I know Farnoosh that you're not a pigment of my imagination? The only way that I would know that is, is by surrounding myself with total strangers and they're like, "No, no

you really are talking to Farnoosh Torabi on So Money,” but his universe was just a little different.

[00:41:25.5]

FT: Which made him brilliant but at the same time was an impetus for self-destruction perhaps.

[00:41:31.8]

PP: It is but I think there’s a fine line between brilliance and madness. I think it’s just a very fine line.

[00:41:43.4]

FT: Well Patti, you’re my hero. I thank you so much for sharing some of your time with us. You have a very busy schedule, where are you headed to next?

[00:41:52.1]

PP: Well I am heading actually uptown to go see some New York dermatologists and then on Tuesday, I head to San Francisco and Phoenix.

[00:42:03.4]

FT: Where is home for you now? Where are you home based?

[00:42:06.2]

PP: I live on the Upper East Side in New York City.

[00:42:08.3]

FT: Oh so close to all the dermatologists.

[00:42:11.5]

PP: Yes ma'am.

[00:42:11.8]

FT: The top dermos of the world. Well thank you so much Patti. Congratulations and this is a remarkable story. I think that listeners are truly going to be inspired by this and we'll be sure to include all of the links to where we can find you and learn more about the company and wish you continued success.

[00:42:29.1]

PP: Oh well thank you. It was a pleasure. Yeah, thanks for everything and I look forward to seeing you soon in person.

[END]