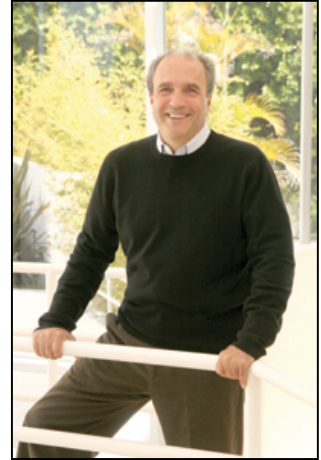


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Visionary entrepreneur believes that 'doing good for the environment is good for business'

By Arthur Lightbourn

While we were talking in his ultramodern Del Mar office with a sweeping ocean view, a glider flew by, which reminded Rancho Santa Fe's Lee Stein of the time he took glider-flying lessons in Lake Tahoe and caught an extraordinary thermal that sent him soaring to an exhilarating oxygen-sparse altitude of 21,000 feet. And that was only his second day of taking lessons. Needless to say, Stein thrives on flying high. Over the past 28 years, the Philadelphia-born serial entrepreneur, with a strong philanthropic streak, has carved a remarkable, eclectic career for himself in the worlds of entertainment finance, Internet commerce, real estate development and environmental technologies. And, at 52, he is still very much at it.



Stein is managing partner of Del Mar-based Virtual Group, L.L.C., an early stage investment partnership that focuses on progressive environmental technologies. He is also the founder, chairman and CEO of Prize Capital, an exclusive partner with the X Prize Foundation, working to create a new financial instrument to support the emerging industry of prize management. [The nonprofit X Prize Foundation sponsored a \$10 million prize for the first private rocket ship into outer space. Its mission is to sponsor prizes or directly fund research for all the great challenges of our time in space, energy, biosciences, automotive, education, and the environment.] And he's a co-founder of the Southern California branch of E2, (www.e2.org), a growing national network of some 750 entrepreneurs, working with the Natural Resources Defense Council, who believe that what's good for the environment is good for business.

We interviewed Stein last week as he was preparing for a speaking engagement on entrepreneurship at Cornell University. Dressed casually in a black cashmere sweater, slacks and loafers, Stein is a soft-spoken man with thinning gray hair who appears to be remarkably centered for a man whose demanding schedule might spike the stress level of most mortals. Part of his secret, he revealed, is his daily practice of yoga, something his wife introduced him to years ago. They have a yoga studio at the office. He also has a gym in his garage that he also uses for "core training." And he's a vegetarian, 5-foot-10, 170 pounds.

While growing up with a younger sister in his hometown of Philadelphia, Stein thought initially he would follow in his father's footsteps and become a summer camp director. But, when he went to Syracuse University, business sparked his interest "and I decided to study accounting because it was learning a trade... and I thought it would be useful." Also, at Syracuse, he met his future wife, June.

"When I was finishing the accounting program, my parents suggested that I apply to law school. So I basically applied to law school so they wouldn't keep bothering me about it. "Sort of a series of appropriate decisions led me down a path that I did not anticipate when I was growing up," he said. He graduated from Villanova University School of Law in 1978. "All of a sudden I had this diversified background (accounting and law) and... I went to work for Coopers & Lybrand as a tax specialist." But he also had this untraditional idea about representing rock stars and movie stars financially. The genesis of the idea came in his third year of law school, he recalls, "I was in the lounge and in the background was one of the afternoon talk shows... interviewing a very famous producer who started talking about his business manager."



A producer with a business manager? "I never knew that industry existed. Basically, most medium-size corporations have finance departments and chief financial officers, but most rock stars and movie stars, who have the same, if not greater, gross income, don't have finance departments. "I thought with an accounting degree and a law degree, what better place to practice than Beverly Hills." After less than two years with Coopers & Lybrand, Stein decided to pursue his idea of launching a business management company catering to the stars. He and his wife, June, a certified public accountant, moved to San Francisco where his wife hired on as tax director of a large interstate trucking company and Stein began commuting to Beverly Hills.

When June was diagnosed with ankylosing spondylitis, a debilitating, progressive disease affecting the joints of the spine, she began practicing yoga - which, after years of practice, eventually resulted in her complete recovery. "We decided," he revealed on his family Web site (www.stein.to) "we couldn't be a two-city couple, so we relocated to Beverly Hills and June came in to practice with me. "The first client that I can discuss, ('We only discuss those who have published somewhere the fact that we were involved with them.')

on the music side was a rock band by the name of 'Journey,' a small rock band in San Francisco, and the first album that we did after we were involved with them went six times platinum. "And the second client was a little band from Australia that had never released an album in the United States and their name was 'Men at Work,' and we went multi- times platinum and that year we attended the Grammys with them when they won best new artists." Other clients included singer Rod Stewart and actors Gene Hackman and Matthew Broderick. "It was fun," he said of that "vertical" in his serial career.

"I would say the skill set that emerged from that was really being a general contractor of professional services. If the client was getting divorced, you would find the right lawyer. If he had a tax problem in Botswana because we played a date there, we had a tax treaty. With a law background and an accounting background, we basically spoke to lawyers in their language, the financial people in their language and the talent in their language as well."

In the early '80s, he expanded his entrepreneurial skills into the area of real estate development. He became part-owner and president of San Diego's Seaport Village and co-founder of a firm that developed the 467-room Ramada Main gate hotel at Disneyland. In 1985, the Steins sold their Beverly Hills practice and moved to San Diego, full time, stopping briefly on the way in Katmandu to study meditation with a Tibetan Lama.

Again, on their Web page: "Lee argues that some of the lessons he learned on the mountain tops of Tibet - and in the sick room of his wife - form the basis of the couple's personal philosophy." That philosophy focuses on three elements: health, family and business, with an emphasis on commitment, balance and quality of energy.



In 1989, with perceptive market timing, Stein sold his real estate interests and, at age 37, he "retired" - until he received a telephone call from the William Morris talent agency asking him if he would like to get back into entertainment but this time by creating a CD-ROM company with a pop star. "As a result of that process, we stumbled across this thing called the Internet and in 1993 formed our first Internet company called First Virtual Holdings," he said. It was a time when less than 1 percent of the U.S. was on email or the Web.

Stein used his people skills to bring together Internet experts from different universities and progressive-thinking companies to develop and introduce the world's first Internet payment system in September 1994. Rumor has it that Stein's original idea for the Net was to send subscribers a joke a day via email for a penny a day, but he couldn't find an existing way to collect that penny. "We actually empowered some people to do that," he said.

In recognition of his pioneering and innovative work, in 1995 Stein was named by Newsweek as one of 50 people to watch in the evolution of the Internet. After going public in 1996, First Virtual was acquired and through subsequent acquisitions, its email messaging patents, with Stein as co-inventor, were bought by eBay and Pay Pal. These days, through his investment partnership, Virtual Group, L.L.C., Stein is concentrating on early stage environmental technologies.

To keep ahead of developments before they show up in the mainstream media, Stein scans 90 blog journals daily-including Al Jazeera, ("...a perspective that somebody should know, especially an investor or a technology person.") and Cool Tools for information on gadgets, and Boing Boing ("which is five of the best up-to-speed cultural people on the Internet"). "We are at maybe one of the most exciting times in human history," he said. "It's fair to say that there is more invention in the last 20 years than in the prior 100 years. Now we are using the tools of the last five and 10 years to invent into the future.

"There will be more invention in the next 14 years than in the past 20 years. So the level of invention...will be staggering. And it's really a fabulous gift that we've been given to have the ability to see many of these things as they are coming. The future is so exciting and the opportunities are limitless. "And at the same time, our future is complicated by the environmental challenges that we have set up for ourselves."

Philanthropically, and because of his personal overcoming of an inoperable cerebral aneurysm, Stein is committed to the concept of integrative medicine, which combines traditional Western medicine with holistic interventions, including acupuncture and hypnotherapy. Stein served as Founding Advisory Board and also serves on the Scripps Health Philanthropy Board.