

**National Venture Capital Association
Venture Capital Oral History Project
Funded by
Charles W. Newhall III**

William H. Draper III

**Interview Conducted and Edited by
Mauree Jane Perry
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This collection of interviews, *Venture Capital Greats*, recognizes the contributions of individuals who have followed in the footsteps of early venture capital pioneers such as Andrew Mellon and Laurance Rockefeller, J. H. Whitney and Georges Doriot, and the mid-century associations of Draper, Gaither & Anderson and Davis & Rock — families and firms who financed advanced technologies and built iconic US companies.

Each interviewee was asked to reflect on his formative years, his career path, and the subsequent challenges faced as a venture capitalist. Their stories reveal passion and judgment, risk and rewards, and suggest in a variety of ways what the small venture capital industry has contributed to the American economy.

As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 2% of US GDP and was responsible for 10.4 million American jobs and 2.3 trillion in sales. These figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

I'm pleased to have supported this project, which I believe will advance the understanding of the venture capital industry. This collection, along with Paul Bancroft's Bay Area oral history project at the Bancroft Library at the University of California, Berkeley, and Paul Holland's Silicon Valley project for the Western Association of Venture Capitalists, will add significantly to a growing body of venture capital memoirs available to the public sector.

A special note of gratitude goes to each interviewee who generously gave of his time while candidly sharing his memories. Their recollections bring to life the dynamic story of venture capital in the 20th century, providing a powerful perspective on the history of this industry.

Charles W. Newhall III
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VENTURE CAPITAL GREATS

A Conversation with William H. Draper III

With over forty years of experience, William H. Draper, III, is one of America's first venture capitalists. Today he is managing director of Draper Richards LP, a venture capital fund focusing on early stage technology companies in the U.S., and Draper International, a venture capital fund investing in private companies with operations in the U.S. and India. But when he graduated from Harvard Business School in 1954 the world was different, the business community was different; Bill Draper was there at the beginning. And that is just where I would like to start, at the beginning.

Mauree Jane Perry: *Today is October 24, 2005. My name is Mauree Jane Perry, oral historian. This is an interview with William H. Draper III at his office in San Francisco, California. Good morning. I would like to know about your background. Can you tell me where and when you were born and a little bit about your childhood?*

William H. Draper: Good morning. I was born in White Plains, New York. I was the first baby born in Westchester County in 1928, January 1, and the second one born in New York State. So, my mother got a lot of fur coats and all kinds of things because they made a big deal of it in those days. I grew up in Scarsdale, New York. I went to high school there. I had a good time there. My mother died at an early age, when I was fourteen, but I never felt sorry for myself because I found, at that time, peer relationships were your most important as a teenager. My dad was away, he was in the Army because it was 19__, let's say, if I was 14 it would have been about 1942, and the war was on. So, people worried about that for me, but I didn't because it was an opportunity to essentially be with your friends more, less around control.

MJP: *You must have had a lot of confidence in yourself.*

WHD: I did and I didn't; I mean, I came gradually into confidence. I got elected president of the student body and that gave me some confidence. Then I went on to Yale, and I loved that, but then I broke out of that for a couple of years and went into the Army. After three years at Yale, and with my father having been very active in the military, I thought that it would be a good thing to take a break because in 1945 there was a system that allowed you to go right out of high school. You went three terms around the clock. A lot

of people were coming back from the war, and our class was the largest one to ever go through Yale. I think about 1500 people — back from the war, and quite a mix. And so, I came back after 18 months in the army, I went to OCS Jump School, 82nd Airborne. I went back to school and finished only a year behind where I would have been, but I graduated with most of my age group because I had been in a year earlier. I had skipped third grade. So it worked out just beautifully. I graduated in 1950 and had a great experience there, and then went straight to Harvard Business School. It was a time that you did that instead of taking two years off. Harvard is going back to that a little bit. And I got settled there in about six weeks, and then I got called back into the Army to [go to] Korea. I was a second Lieutenant. I came back as a First Lieutenant, having been a platoon leader and a core commander. I did two jobs there. And then I took a boat over to Europe, and I met my wife-to- be on the way.

MJP: *Let me back up a little bit. You once said that your dad was one of the most important mentors you ever had. You described him as elegant, straight-up morals, diligent, hard working; tell me a little bit about him and how he influenced you.*

WHD: I'll give you one example. I think I was only about eight-years-old, and we went up to on a vacation to Canada. And, we went fishing and I caught a bass, it was five pounds. A catfish I think it was. And very impressive. I was very impressed with the visit, and then we headed out in our old Buick. I don't know what kind of car we actually had, but I know we had a Buick later on. All of a sudden there was this discussion and I was with one, or maybe both of my sisters.

All of a sudden, it really got to be a fight between my mother and my father. My mother had taken an ashtray with the name of our hotel, a famous hotel up in Quebec City, the Foie Gras or something. And the hotel was named on this big green ashtray. My dad said we are going back. Well, we had left the hotel probably two hours before. We had driven for two hours. He said we're going back. And, she said, "Well come on, this is a hotel, it's an advertisement for them, and I took it with that in mind, and they would be delighted that we had this." So, we drive all the way back, two hours back, and he goes up to pay for the ashtray. Well, they want to give it to him, but he insists on paying for it. So he pays oh, I don't know, five dollars, or maybe a dollar and one-half at that time. And then we started out again. And she was so mad at him.(laugh) He knew what was the right thing to do, and so that's why I say he was dead honest and very clear about his values. That was a good lesson for three kids in the car, too.

MJP: *Right.*

WHD: He knew that too, I suppose. He was very clear-headed.

MJP: *How did he interact with you?*

WHD: It was during the Depression when he was working and I was growing up in Scarsdale. And he had paid, I think I told you that he had, in 1929, had decided to invest in [a German company that made] coffee makers, [and it failed.] Rather than pay off the mortgage when he got a bonus — and the year was very good, 1928 or 1929, he was with Dillon Reid, investment banker — he didn't have much money, he bought this house in

Scarsdale, and he had a mortgage on it, but he put the money in the coffee maker. That went bankrupt of course when the crash came. And he sweat bullets through the 30's just to pay that mortgage and stay at the house in Scarsdale, until he finally went into the Army; he was farsighted on seeing the war coming.

So how did he interact with me was by example. I mean he, he worked late hours. With Christmas gifts that he would get from my mother, invariably he would take them back and cash them, or other things that he could. In other words, I knew we were tight for money. And, that was one lesson that I got: that you don't spend money until you get it. Make sure you have something for a rainy day. And, another way [he taught me] was his committing his vacation, two weeks in the summer, to going up to Plattsburg to be in the Army. You see he kept his reserve commission from World War I, he was in World War I, not in it, but he was just kind of tagged in, young guy, he never went overseas, but he kept his reserve commission all that time, and went up, and they drilled up in Plattsburg. Our car was used as a tank, and, you know that kind of, wooden guns and all that. All until 1939, he went to Washington to be the number two for General, did I tell you this?

MJP: *Tell me again. This is on tape. This is a good story.*

WHD: To General Hershey, the man that was in charge of the draft. My dad was his deputy. So then I was in Washington, my mother and I went down for one year, that was in eighth grade. She and I really bonded then because it was about a year or two before she really got sick. And, so then, I guess that was about 1940. [At this particular event we

attended] FDR pulled out the first capsule for selection for the draft. The draft was a new thing to the United States, so that was a big deal. And I went as an eighth grader, sat in the front row, and worried my teacher might think I was playing hooky if she saw my picture. But I was pretty excited by being here in the middle of the action. That's one place where he touched history and I did with him. Several other places he seemed to be ahead of the curve. So, that happened all through our lives together. Then after I had been to Korea and came back, he again made sure that I came with him as an aide to him when I had a break in the summer. I was at Yale and we went to see General Clay in Berlin.

MJP: *That was the summer of 1948?*

WHD: 48, yeah.

MJP: *Can you tell me about that experience, because what it does is it sets you up as a young person who is very comfortable with seeing people in power. You are someone who is very comfortable with seeing how decisions are made. I would love to have your version of what you saw. What it felt like to you. And maybe the difference it made.*

WHD: I was in college. I go down to Washington, get on the plane with him and some very top flight people, General Van Fleet, Paul Hoffman, who had run Macy's and was the civilian, but he was big on aid programs later and became very big. And, tough like people like that, there were about twelve of us, and we went over on a DC3 or DC6, and we ended up in London when we learned that Berlin had been cut off by the Russians.

And, you couldn't go over land to get there. And so, my father got on the phone with the White House and General Clay, and that night when we landed they cooked up the idea of the air lift. So we left and went right to Berlin with some symbolic coal, food, and clothing, and he announced the airlift when he landed in Berlin.

MJP: *Your dad?*

WHD: Yeah, at Tempelhof Airport. It probably was announced from the White House, but it was exactly at that time. We were immediately on the heels of the cut off, so there had to be some response to the Russians cutting off Berlin. And so, if he wasn't the first to say, he was within; he was responding to questions about it that maybe the White House made, I'm not truthfully sure. But, I think he announced that we would be flying — because you see he was under Secretary of War at that time and the Air Force came under the war department. There was no Defense Department. There was no separate Air Force. So, he could announce that we would be flying in every few minutes an airplane. And that's what they did. I don't know, three or four, many months, maybe six, I don't know how many months; they flew in until finally the Russians opened up the borders again. And then one little vignette about him: when we landed there was a car that we were to go in after he made his announcement to the press, and questions and so on. Then he and General Clay, who was a Four Star General in charge of the occupation of Berlin, and my father, who had the rank of Four Star as undersecretary but having worked for Clay for the past four years in Germany — right after the war, they went in together in 1945, and stayed there for three years, until 1948. So, the two of them started walking

faster and faster to the car. It was the strangest sight. They both were walking trying to outpace the other, and they finally jumped in, General Clay won the race, but the idea was each of them wanted the other to sit in the seat of honor — you know, the ranking person sits on the right of the car — and so, they had that little thing. They were very dear friends. They were really close friends because my father had been Clay's economic advisor for the whole transfer to an economy. So, I was in the meetings that General Clay ran while I was there, just sitting as an observer. My job with this thing was to be aide to this visiting group, you know, they have to have an aide, and an officer, and so that's me. And, I sat there and listened as General Clay in a stunning way brought out the various elements of his staff to explain to my father who was there to learn what the situation was currently before reporting back to us. So that was great. And for two weeks we were in Berlin during the whole Berlin crisis. It was very tense, and interesting. It was another touch in history. It was very fascinating.

MJP: *How do you think that influenced you in terms of the way you conduct meetings, the way you saw it could be conducted. The way what you wanted to do things. Or did it?*

WHD: Well I think I probably wanted to emulate the leadership that I saw. I wanted to be like these wonderful men in the room. And I was also still pretty young at that point. I was exactly 20 years old. And so I don't want to put too much emphasis on how deep I was thinking at that point. I was just having a hell of a good time watching the interaction of these big players. And then, following that, I mean that trip was spectacular. We went down to visit with Tito, who had just broken with Russia, and Yugoslavia, and then to see

General Van Fleet who was at that point in Greece fighting the communists who were trying to take over Greece, and then we flew back. And the whole thing was over in less than a month we were away. It was an impressive time. So, then back to my father's relationship with me: He was always a busy man, but he always made time to make sure that the three kids got plenty of attention. And after my mother died, he was particularly conscious of that. Because he was in a big time — it was during the war, he was away, and so when he came back once in awhile it was a big moment for all of us. Because we all respected him, loved him, and looked up to him so dramatically, and so he was a great influence on my life, and then continued to be. And then after the war, after my Harvard Business School, I asked him where should I go to college. And he was not a man of a lot of words, but he always said a lot when he said it. He said, well I think I would go to one of the big three.(laughs) And, so I went to Yale. And he was always there on the important things. He had a deal with all the three kids. We never had any thought that any of us would get into trouble with the wrong group, be anything but ethical and straightforward, honesty, he drilled that by example, as I pointed out. And so that was something that he was very clear about. One thing he did was to say, "I will give each of you \$1,000 if you get to be 21 and you haven't yet smoked and drank." So, none of us did. All three of us went the full 21, and I of course did that with my three kids. And Tim, to this day, the only drink he has ever had was about a half bottle of champagne on his 21st birthday. And he was pretty high, in at the house, and we had a party for him, and he's never had another drink.

MJP: *That's amazing.*

WHD: Yeah. And, Becky drinks just a touch. And Pauley. But you know they, our kids, are doing that. But the price has gone up. (laughs)

MJP: *Let's see since 19—*

WHD: Now, I think it's \$10,000. (laughter.)

MJP: *Did your father have the high expectations of you professionally? Did he let you know what he wanted for you? What he wished for you?*

WHD: One of the greatest things about him was that he never did that because I think he wanted me not to have pressure. I think he wanted me to develop in whatever way. I was always a little surprised that he did not urge me, for example, when I graduated from Harvard Business School, to go into the investment banking business. I would have thought, and have thought since, that he would have pushed me to do that, or suggested it. I did work one summer but not for Dillon Reid. And he didn't pick up the phone and say, you know, I've got this partner at Dillon Reid that you know, I want you to meet him and have lunch with him and see if he would like to work there. It was, you're on your own. But you've been on your own a good bit, and you know what your mind is all about. And so, I never asked him that question about where should I work. But I think he felt, and rightly so, that if you find your own way you are more likely to do it right because everybody's mind is different. I would say he was a huge influence in my life, but he did it so subtly.

Now, he always was intrigued with the idea of venture capital. Way back. And so, he mentioned that to me, more than once, and I think he honestly felt that there was something better than investment banking. I think maybe that was why. He's got this, wonderful way of just bringing it up. So then, when he worked with General Fred Anderson in Europe, when they both ran the Marshall Plan, Fred was his deputy there. I told you, he had run the eight-bomber command. The movie, "Twelve O'Clock High" was about him, Anderson. He sent those bombers and those boys; he knew 30 percent of them weren't coming back over Berlin. And you know it was a very tough, he was a tough guy, great guy. And he had lived in California at Travis Air Force Base. Young guy. And he was the guy who ran out of gas on a plane coming back into San Francisco and plunged it into the water rather than running it into San Francisco where he might have killed some other people. Then he got rescued out of the water. He was a wonderful man. He was in London during the war, during the bombing of Berlin. And he was in charge of it. It was Averill Harriman, who really was in charge of the Marshall Plan from Washington, that suggested that my dad — he suggested to Truman, and Truman appointed him to run the Marshall Plan from Paris. But it was Harriman's idea to have Fred come as his deputy. And Fred was a gambler. He was a risk taker. And my father was a more controlled you know strong financial guy. Although, as I pointed out earlier on, he rolled the dice on the little private German coffee invention. And so they both had a little bit of a liking to take some risk, but my father was very sure that he had the dollars, I mean, he would not go into debt to play.

So they were two very complimenting and very interesting people and both very successful. So, they cooked up the idea of Draper, Gaither and Anderson, after they worked together for five years in Europe. But they didn't do it right away. My dad went for five years down to be chairman of the Mexican Light and Power Company. He periodically ran out of money. I mean he did so many public service things that he periodically ran out of money. So, he had to make some money, and he went after the Europe adventure. He went to Mexico. Mexican Light and Power, and ran that for a small Belgian, it was owned by the Belgians really. And then he got General Maxwell Taylor to take his place when he came up to join Anderson, and they raised some money from the Rockefellers. And one other source and then they started Draper and Gaither.

MJP: *Did you know Doriot and the Rockefellers?*

WHD: I knew [Georges] Doriot because I took his course at Harvard. And I loved him. And my dad knew Doriot before because they had worked together in the Army. Doriot was in charge of supply, in G4, he was in the supply, American Army. He would never let you forget he had a good French background. And so they knew each other and respected each other a lot. And so when I said that I thought I wanted to go up to Harvard Business School, I went up and met with General Doriot before I got accepted. And that was great. Charming, I mean he was so charming right away. And seemed to think — he said, “Well, you of course don't have anything to worry about.” But I did have something to worry about. But he was terrific. And then I took his course, of course, and I found that to be a real wonderful experience, as everybody else did.

MJP: *Why, what was so magical about him?*

WHD: He was a total charmer. You didn't feel it was work; it was play when you went into his class because you took notes and you were very attentive to exactly what he was saying. He made his points with such graphic color and such charm, and memorable stories and his vignettes: Always remember if you're ever invited to the boss's house for a cocktail party, and he says, you must have this special martini, you don't refuse the martini, but you only take a little sip and then when you get over near a potted palm you drop it in the potted palm. (laughs) And you always keep your antennae up — if you want to succeed in business you must always have your antennae up, you know it meant a lot. And I tried to do that by the way. He always had new ideas. I was in group four, and they continued to be some of my best friends. And he knew one of the group had lost his wife; she had postpartum syndrome, she killed herself. And he came back the next second year, and Doriot was sensitive to that. Plus, he gave me a distinction.

MJP: *I'm sure you earned it.*

WHD: I don't think I earned much of it. I think it's...well.

MJP: *You are genuinely modest aren't you?*

WHD: He was a splendid guy, he was a really fine. And so, my dad really liked him. I remember I had a growth on my finger once, and my dad came up and took me to the doctor, Dr. Farmer, and he cut it off. He was worried there was cancer there, and there wasn't, but he made sure. And that was the great thing about my father. I think Doriot

was the same type. Where they just [emphasized] the important message and tried to drill it home. I mean Doriot said, “Don’t work in Boston. Go where there’s real business.”

So I followed his advice and I went to the steel industry, which of course was *peaking* at the time I went.

MJP: *Did you know?*

WHD: I didn’t know it was peaking, no. I had worked one summer at Jones and Laughlin Steel, in Pittsburgh, and so then got to know what a shift was — in the middle of the night — 12 to 8 shift. And that was good experience. So then after graduating from Harvard — while I was there I decided to go into steel because it was basic industry, and everybody was thinking basic industry.

MJP: *Did you know then what you wanted to do?*

WHD: No.

MJP: *You knew you liked business.*

WHD: Oh yeah, oh, oh sure.

MJP: *But, which aspect—*

WHD: It was funny: Pitch Johnson and I became close friends and we were both living in the same mill town in East Chicago, Indiana. And our wives became very close friends, and we all had kids. I was going to say that Kathy said to Phyllis: “Well, what does Bill want

to do?” And so she said to Kathy, “Well, I think he is going to be president of Inland Steel.” And Kathy said, “Well I though Pitch was going to—. (hardy laugh). And that’s a true story from Phyllis.

MJP: *That’s a great story.*

WHD: And so neither of us ever were; and luckily we both left—

MJP: *How long did you stay there?*

WHD: Five years. One year I came to join something called the Randle Rangers, Randle’s Rangers. Clarence Randle was the chairman of the board of Inland — it was owned by the Block family. It was a private family owned business, no public stock. No, I mean, they had public stock. But the big ownership was the Block Family. They were a fine family up on the upper side of North Shore. They lived up there most of the year. But Phil Block went to Yale, so I went back to Yale with him once to interview — he had a son back there. Boy, that was an experience too. I went back with him on a flight with him to New York and we got on this plane and read big headlines that the Electra, this brand new plane, had crashed in the East River the night before, a midnight flight Chicago to New York. We were on a 7 or 8 o’clock flight in the morning. Same flight. And they didn’t know at that time what was wrong or why it had crashed in the East River, and here these headlines and we’re sitting here, and a number of people got off the plane. But we didn’t. I’m kind of a fatalist, and I think he was too. Petey Block, not the senior Block, but number two, and a wonderful guy. They were all in the company. He

and I later learned — and by the way, the plane vibrated like hell when it came in — It turns out that if that Electra goes too fast it vibrates and their wings crack. And that's what happened. And so, not too long after that, they decided not to allow the plane to fly over a certain speed, which of course killed the economic value of it, but yeah, that was fun. We went up to interview at Yale; this was when I was in the sales department. Yeah I spent four years in the sales department. I had the South Shore District. I had just bought a house up in the North Shore and then they gave me the assignment in the South Shore, so I had a two-hour commute. I would leave a car there and then go by train for a two-hour trip, because I would get into the car and then go to wherever my accounts were. But I enjoyed that. .

MJP: *Were you thinking that you would stay in sales?*

WHD: Yeah. No, I would definitely have stayed — I would've stayed at Inland, perhaps unless something better came along. One of my friends went to work for the local bank, the Chicago First National Bank, became the president of the First National Bank, who was in that group of five of us. There were only five or six of us who were picked to go be in this little group who spent the first year just traveling around —the mill, the sales department, the purchasing department, we went into coal mines in Kentucky, went up in Michigan, where the iron ore is pulled. It was like a training to be president of Inland steel.(laughs) So that, that's what they —. And Pitch came straight into the open hearth working in the mill. A friend of his father's was a steel man with a big company, Kaiser

Steel, and ran that. That's what got him interested in the steel business. And of course the fact that we met was very important to both of us.

MJP: *Were you ambitious at that point in your life?*

WHD: Yeah, I would say so. I would say, you know, that's a good question. I have always liked team activity, but I ended up often getting some kind of a leadership position, but I didn't lust for it — a leadership position. I more or less liked the camaraderie, and I'm still sort of a consensus type. I'm not a hardball type.

MJP: *You were seen by others as a leader, so it just became a natural—*

WHD: I think that's true. In the Army — that is really good training for leadership. I went first to NGO School and you become a sergeant and you have responsibility for people and you begin to realize that it's an important job, not just to participate or be one of the guys. And so, that happened also. And when I became a platoon leader and then went to Korea and that stuff. I think that's right. I wouldn't say I was ambitious in the lusting sense.

MJP: *But you didn't back off from it either.*

WHD: No, I enjoyed it when I got it.

MJP: *And what about working with a group is it that you like so much?*

WHD: I learned very early on that I am often the dumbest person in the room, and so using the talent around me—. I always liked to associate with people who were smarter than I was,

and tried to get as much from it as I could. So that's one thing. But it's not too hard if you are sort of an outgoing person, to participate in group activity. And football, I played football for Yale and for Scarsdale High school. And I think football is a great helper in understanding that no one person makes things happen, it's a group effort very often. Even Einstein would probably agree with that.

MJP: *So, it's interesting, you were born with a certain keen intelligence, raised in a family where giving, contributing, participating, being engaged is a way of breathing, almost.*

WHD: Yeah, that's true.

MJP: *And then you had these incredible nurturing experiences, with your father and his associates and life itself.*

WHD: Yeah, yeah, yeah.

MJP: *And, you're an extrovert. And you some how have humility to feel that you do not have to have all the answers.*

WHD: I get all this credit for having made this Skype Investment, for instance. All I did was hire the guy that is in the next room.

MJP: *But you knew to hire him.*

WHD: I did. Yeah, that's true, that's true. I think the best leaders often try to pick, they should try to pick people better than they are at least in some areas.

MJP: *You have never been intimidated?*

WHD: No I haven't, but I always try to work with people who are also enjoyable to work with. I mean that would be the worst, if you had to come everyday and your boss made your stomach turn or the guy who worked for you made your stomach turn. I would not like that. I'd probably figure life is too short, certainly would now.

MJP: *In the mid-fifties there are some private individuals of great wealth who are investing, who are creating venture capital and investing. You in the meantime, a business school graduate, you're gaining good work experience in a good industry at its peak. Your father had not yet started his firm. What happened to get you to that next place? Was it your father, the creation of Draper- Anderson?*

WHD: He and I had talked about venture capital. He had always, I think I told you, had always perked up and talked about it because when he was in New York he knew — Well actually he introduced me to the partner at J.H. Whitney, come to think of it, the managing partner at J.H. Whitney, which was a venture capital company at the time. And I talked to them about a job, at Harvard, but what they wanted me to do was to go work in a small company that they had an interest in Tennessee; I think it was Whitney Communication, I mean it was the beginning of — it was cable.(laughs). I didn't do that because I went to the Inland Steel — more because they were a big basic industry. I would have learned a lot on that one. I did learn a lot from Inland Steel, and again it was how a really fine company is managed from the bottom, and from this learning

experience—. That five years was very well spent. And I met Pitch, so it was great. But the other trip would have been a great one too. And I was thinking, well we would have been up in the hills. I was thinking of my new wife, too. Of course, she ended up in a mill town in East Chicago, Indiana where she had to wash the walls because the coke dust was all over the house, and the car had to be washed on Saturday and on Sunday, which I did. But anyway, I'm not sure she might have enjoyed the other more. But that's what they wanted. It's like me: somebody wants to work in venture capital, "Well, this company needs a guy like you," I would say. "Work for them and then come work for us when you got that experience." That was a logical thing for a managing partner to say.

MJP: *Did he advise you to work in operations, work in industry, and learn management?*

WHD: He more or less said, "We don't have a spot for you in the venture capital business, but we have this new investment that we would like you to work in; go work in marketing, some part of the management, in this Whitney Communication. It was brand new cable company just getting started. And I can't remember, but I'm sure later it became part of the Whitney Communication System.

MJP: *What do you think would have happened to your career?*

WHD: I probably would have been in exactly the same place. And I would have gotten more appropriate experience perhaps for what I did here. But for my own breadth of experience it isn't so bad to have had the basic steel industry experience, and so I don't know. I

think I would have ended up— Because my dad and I have talked about venture capital, periodically.

MJP: *What was the conversation?*

WHD: It was mostly how rewarding it is when a new company is built and it grows into a successful engine of growth. And at that time, there was just Minute Maid that the Rockefellers had backed, I think; Eastern Airlines, that they had backed. Those were the kinds of deals. J.H. Whitney was the only one that really made it seem— That was more family money doing and there were family monies going back to the Carnegies, and venture capital is kind of a broad term and it goes back to Queen Isabella, beyond probably. It was always a positive discussion about how good venture capital— So then my dad tells me one day when I'm four years into Inland Steel, that he and Fred Anderson are thinking of starting a new venture capital firm, and would I be interested. I said, "WOW!"

He said, "Well we are going to need some young guys." And so they got together with Brown Gaither, who was a marvelous guy and a bonanza personality. I think I told you he became president of the Ford Foundation, president of the Rand Corporation, and managing partner of his law firm, Crowley Gaither it was called at that time. Now it's Cooley Godward. And he had written the missile for Johnson — there was a missile report that he did — I think it was for Kennedy, but it might not have been. And he died at the age of fifty. And that if he had lived, I think Draper, Gaither and Anderson might

have gone on because he was the youngest. He was only fifty-years-old. My dad was sixty-five when the thing started, and Anderson was probably sixty.

MJP: *What did you think when your father said that, beyond WOW; what was your next thought?*

WHD: I went right in to see Clarence Randle, the chairman of the board of Inland, and said I was going to leave. Randle — he was a charming guy, and he was the one that had argued with Truman and won. The government wanted to set the price of steel and hold it down. And Randle said — you know the government tries to get into managing the steel industry. He was the leader for the whole industry, a wonderful man. He sat me down and said, “Well Bill, you know, I know somebody up in Highland Park here in Illinois — a friend went into the finance business and lost all his money, lost his house. He was telling me, stay with security. Inland Steel was \$59 a share at that time, and I just happened to remember that because it was 1959 that I left, and it never touched that again; it just started to slide, and the steel industry slid, and now Inland Steel is owned by an Indian who lives in London. I would say it was just not a very hard decision to jump ship because I had always, too, been intrigued with the idea of venture capital. It just sounds exciting to a young guy. First of all, the name, “venture capital,” which nobody knew when I got out here— .

MJP: *What does the name “venture capital” say to you?*

WHD: Excitement and challenge and something tangible as opposed to moving bonds around.

Investment banking doesn't quite have that exciting ring even though a lot of people now who clip coupons say that they are in the venture capital business because it's got such a cache. And it's had such good returns over the years.

MJP: *What was your role when you joined your fathers firm?*

WHD: Pretty small. There were five of us. John Lucas knew the most. He had been in the investment banking business. Crawford Cooley knew most about the new technology, but he is not a technology guy. Crawford was a friend of Brown Gaither, that's how he got into it. And Crawford had been with — color TV had just come out and he had worked with that company, I can't remember the name of it — Chromagraph or something like that. And then a young guy who worked with Larry Durig — Larry Durig was also a senior partner but not in the category of the top three. The top three all made their names big time. Larry Durig was a wonderful little guy with great wisdom in a homey sort of way. I knew this because he was always smoking a cigarette and the ashes would burn his shirt. Every night he would come home with big holes in his shirt. He was a funny guy.

MJP: *For the tape, what you're doing is lifting up and down you index finger, as though you were holding a cigarette imitating how he draws.*

WHD: And then Larry would always say, “You know, you guys. You’ve gotta be careful that you don’t get mesmerized by the gold watch, which is swinging in front of you, and keep looking around.” In a way like General Doriot said, “Keep your antennae up.” Larry said, “Don’t get so focused on the gold watch or the newest new thing, the little gimmick that you are about to invest in. You’re not investing in that gimmick; you’re investing in the people that are making it.” He had a lot of wisdom, and he was a very good personality. He was also from San Francisco, so deserves some credit in my [estimation] anyway. And then there was a financial guy, an accountant guy, Crawford Cooley and Don Lucas. Don Lucas and I are the only two that are still doing this. He invested big time and made a lot of money in Oracle, and now his son is working with him out in Palo Alto. So that was the early days.

MJP: *How much money did they raise in their first time?*

WHD: Six million.

MJP: *Six million. That was a lot of money then. And they raised it from individuals.*

WHD: The Rockefellers put in two million, Lazard Freres put in two million, and another two million from an individual, who I can’t remember. Ed Heller was here in the Bay Area, he put in some part of that — but two individuals. So it was six million dollars. And it was straight vanilla partnership. It was written by Cooley Crowley Gaither, at that time, and it has been replicated by almost every venture capitalist since — the format which was 20 percent carry, 2 ½ percent fee, 10-year partnership.

MJP: *They invented that since they were the first?*

WHD: They were the first that I knew of anyway. I never heard anybody deny that Jim Gaither, who was Brown Gaither's son, thinks it was really the first. And we used it when we set up Sutter Hill; we used almost the same format. They were on what I would call the bleeding edge of venture capital in the sense that it was a little early — 1959 was a little early out here.

MJP: *Right. What were they investing in?*

WHD: Well Raychem was a big hit. And Raychem was not mine and was not really my father's; it was made just before Draper, Gaither & Anderson started. And it was used as an example by Paul Cook, and so that was not one of those, but it was credited to them because it was their team that did it. But they invested in a variety of companies. One I was in, when it was the first heart defibrillator; it was a paddle that got your heart beating properly again. When it goes into fibrillation, you put this on, and it was called Corbin Farnsworth. It's still in business. It's part of another company now out of Seattle. And another one was rubber protection for schoolyards to fall — it's called Western Rubber. We made money on that. We made money on two or three others that I was involved in that I felt were pretty good. Then there were lots of other small companies, but most of them you haven't heard of. National Semi-conductor was one of them.

MJP: *So, how did you feel when all of a sudden you hear about something, you nurture it along, you make the deal, and you nurture it further? What does that feel like to a thirty-year-old in a new industry — basically, a new concept?*

WHD: I was very excited about what I was doing. And we had a neat group of people and I was very pleased with the whole situation. So I liked the business, and I thought. Well, I ought to do it on my own.

MJP: *Why?*

WHD: I think it was a matter of trying to see if I could. Oh, I know, I'd learned that I could leverage with the SBIC from a guy from Inland Steel, in the Marketing Department with me; he was also a sales guy. And he said, when he learned what I was going to do, or maybe he let me know — I think he sent me something after I was doing it out here, about Eisenhower's program, the SBIC program, the Small Business Investment Company.

MJP: *That was 1958 that it passed.*

WHD: Okay. Well, he, anyway, sent me an article about it, after I had gotten started out here. It simulated me because I didn't think I could ever raise any money. I didn't even think about raising money; I never even thought that I could raise any money. So I thought, I'll get a partner and we will just do it with this Small Business Investment Company act. If Pitch and I could raise \$75,000 each, and I borrowed \$50,000 from my dad, and he borrowed \$50,000 of it from his father-in-law, who was the chairman of Standard Oil of New Jersey, and who, by the way, almost was on his death bed. And he wanted to make darn sure before he died that Pitch got his \$50,000, because he had agreed to lend him, and he didn't want anything to go wrong after he died. That was a touching story.

We had \$25,000 because that's about all I had in my life, and we each put in \$75,000, and that was enough to get a \$300,000 commitment from the SBA. And we were license number twelve.

MJP: *Number twelve*

WHD: Yeah. And so they did everything for us. And they said, You've got a \$300,000 commitment at five percent for ten years. So we were in business, and our first deal was \$60,000, and we bought twenty-five percent of the company called Lunatronic. And Hank Riggs was the treasurer of that company. And Hank later became president of a university and a wonderful guy. The company rocked along, and I don't know, it may still be in business, but we sold our stock. But he and I — he didn't know anything about venture capital, and I didn't know much about it, but I had done a few deals in three years. I was only at Draper, Gaither and Anderson three years. So I went across the street, literally, on the same street, Welsh Road, on the Stanford Campus.

MJP: *As your dad?*

WHD: He was on one side, and I was on the other down the street a bit. Pitch and I had two good friends out here who were in the real estate business, and they built that building and it's still there. I think it is 580 Welsh Road, or some number like that, only a two story building. And we were in one room together; and we both went out and bought the furniture, and we rented two Pontiacs as company cars because we both needed a car (laughs), and we were in business, in Draper Johnson.

MJP: *How did you decide on the name? Draper Johnson, why not Johnson-Draper?*

WHD: That was pretty easy. Well, I was president. I knew venture capital; I had asked him to come join me. In Chicago we talked about being partners and I never brought it up, but he said, “You ought to be the president.” And I said, “Well, okay.”

MJP: *Was it fifty/fifty?*

WHD: Yeah, totally fifty/fifty.

MJP: *There’s a story about how you rented or shared the office?*

WHD: Yeah, we were in an office about this big, which is what about 12X16. Yeah, and it was on the second floor, and our wives would drive by once in awhile and toot the horn, and I would wave to them.(laughs) “Hey Pitch, they’re out there.” It was good fun. And these two guys, they split up, but they both were successful in the real estate development business. Demmon and Hunter.

MJP: *What is interesting to me are the few deals that you cited when you were with Draper, Anderson: one was in flooring and the other one was in the medical area. Were you developing an expertise, or— ?*

WHD: Yeah, right, there was nothing sacred about where we went, it would be just wherever you could make some, you know, whatever looked—. I was not in the business of starting up a company. I didn’t know enough. In the case of Western Rubber, I think that was suggested that I go look at it in LA, by maybe General Anderson or somebody.

The Corbin Farnsworth one was my friend, Reid Dennis, so I went into that deal and he went in. Reid and I and Pitch and Burke McMurtry and Tommy Davis all were good friends, and we had always shared deals as we went along. Further in Sutter Hill we did that much more, because we had more clout.

MJP: *So, what was the spirit? I mean it was never dog eat dog.*

WHD: It was not competitive at all.

MJP: *Why, because you would benefit from sharing deals?*

WHD: Yeah, I think so.

MJP: *And why was that? Because there wasn't enough money to go around?*

WHD: Right, that attitude came after it was really more—When Pitch and I were in business, the other guys weren't in business yet. Reid was at Fireman's Fund, and he did little deals here and there on his own. But this cooperative investing came when I was at Sutter Hill, and all of these guys shared deals because we would learn a little, and they would know a little bit more about this or that. Arthur Rock is a little less that way, but also he shared, but that wasn't part of his DNA.

MJP: *Did your desire to share come out of just who you and Pitch are?*

WHD: Yeah. Actually, with Pitch it was more, it was our deal. I think we definitely looked at things together because there was nobody else like us, I don't think. It was Draper,

Gaither, and Anderson, and then we were in there. Nineteen fifty-nine, I started with Draper, Gaither and Anderson, when it started. Actually, I would say I was there for three years. So in 1962, Pitch and I started. Well, most of these other guys like Mayfield and Kleiner Perkins and four or five others didn't get started until the late sixties. And so, we were alone, and we would go knock on doors. We would get in those Pontiacs, and we would knock on doors down in Mountain View, and if it didn't say, "Prune Distributors," but it said something with electronics in its name, or something that seemed like it was technical, then we would knock on the door and introduce ourselves.

MJP: *Literally, knock on the door.*

WHD: I mean, the very first — literally, knock on the door — we met a guy named Jack — I can't remember his last name — at MMI. He showed us the very first dollar bill changer. We didn't invest, but it was the very first dollar bill [changer], and he had a long struggle with it, but now, of course, we use those a lot. I used one last night to get my car out at the airport. I came in from Virginia.

MJP: *And you looked at anything with electronics because you knew that was new?*

WHD: Sure, we knew that things were happening in technology. We were out here — at Draper, Gaither, Anderson we were kind of exploring it. I went to look into a guy named — a Chinese fellow, who was famous in Hawaii, and he was going to build a new building like an apartment building, but it was the second in the country, the second *condominium* with that term. And it sounded interesting, and he was going to build it on

Waikiki Beach. Chin Ho was his name, famous real estate developer in Hawaii. He took my namesake, Jerry Draper, and practically put him into bankruptcy because he loaned him money, but it was very tough. Chin Ho was a very sharp guy but very talented. And so he made this drawing and had somebody named Graham, the architect up in Seattle, design it, who had designed the Space Needle in Seattle.

I went up and checked the drawings that went to Hawaii; I met with Chin Ho, I met with Dillingham. He and I sat looking at the sunset on Waikiki Beach, and of course, Dillingham wanting to develop Hawaii, you see. The jet airplane had just started to go over to Hawaii. Pan Am. And they hadn't yet started on the outer islands, but that was the next stage. So I thought this was a hell of a good investment to invest in this new condominium, which they explained is ownership of a space in the air. And there was one other in Arizona or something, which was the first one. A lot of fun. And so I thought, Well, God, that would be a really good investment, and I loved Hawaii there on a three-day trip or something. The first time I had ever been there. Well, I guess I landed there on my way to Korea. But anyway, I got called by the Rockefellers, our big limited partner. You know, this had been suggested that we were about to do this deal. I went back to visit with this partner of theirs, who wasn't a Rockefeller but was a well-regarded guy, I don't remember his name.

MJP: *Peter Crisp?*

WHD: No, long before Peter Crisp. They didn't have Venrock or anything. It was just Rockefeller brothers' money. This fellow was on the [unintelligible] Corporation and I can't come up with his name right now, but he is a very big-time guy, lawyer, but did a lot of management for the Rockefellers. He laid me out, he gave me hell. He said, "We invested in Draper, Gaither and Anderson to invest in technology. We can do the development on real estate." I didn't know then, and they didn't have it then, the Mona Kai was theirs, but that came later, 1964 I think. And, apparently they had this in mind, you see, and they didn't want any—

MJP: *Competition?*

WHD: Not so much competition, as just basically, *we want this kind of thing we can do ourselves, we are going to do ourselves*, he could have said, *and we don't need to pay you 20 percent of the profits to handle this and so on and so on*. He didn't say it quite that way. He said it, but in a very angry way, that you can't take — of course we had total control of the money because as general partners we could have done whatever we wanted. And it wasn't spelled out you must go into technology. So that changed the decision quite a bit.(laughs) When I came back to report back to the guys at Draper, Gaither and Anderson that I didn't think this was the greatest idea that we should do, of course, that was enough; they didn't want to upset their limited partners. And it is true that, of course, here we had Silicon Valley emerging. It wasn't called Silicon Valley;

there was no name for it other than Sunnyvale and Mountain View and the prune orchards. And so that was going to be my big deal that never occurred.

MJP: *You learned?*

WHD: Yeah.

MJP: *So, maybe we should close now, and what I would like to ask you next time is to clarify, contrast or even a compare what was the energy like at Draper, Anderson. And then what was the culture like, what was the philosophy, what were the goals in your own small start up?*

WHD: How did it differ?

MJP: *Yes, and what were your values, what were your goals, that kind of comparison. We will pick up with that and go on to Sutter Hill, and maybe even describe a day in the life of your first firm. You sort of described that: knocking on doors, but when we get to Sutter Hill.*

WHD: Sure.

MJP: *Are there some companies in particular you would be willing to, or you would like to talk about as examples of what really worked, as well as what didn't work?*

WHD: What didn't work?

MJP: *Qume would probably be a good success story. Which would be some other good ones, and which would be some that you learned on?*

WHD: Well, we did SI Logic while I was at Sutter, that was Sutter Hill. But at Draper, Gaither and Anderson there were, you know, there weren't when the three — I don't know; when Brown died, they went on and Crawford and Don Lucas and General Anderson kept going. My father retired to go back to — a couple of years after I left — Washington to start the Population in Crisis Committee. At that point he was age 70, and of course the population crisis today is probably the thing that he in Washington is most remembered for. Well it depends, if you're talking to people in the Defense Department, they know him well because he was very active at a crucial time. OSS was starting, but that was a huge hit. I don't know if you know anything about it, but it was to try and encourage the U.S. Government to do something about family planning in lesser-developed countries. And that was his passion, and he really laid it all on the line, did it full time, made it a big deal and that's another story. He was asked by Eisenhower to study the military and economic aid that the plans of the U.S. had. And programs, he found that all of our AID money was being sucked up by an increase in population. But that was at the end of a 200-page report that he did, not alone, but he had a blue-ribbon committee to help him, and it was only sort of a last minute thought that the population really hadn't been discussed in it. And that turned up, when they looked at the numbers, to be a dramatic impact. The report came out in 1959, just before he started with Draper, Gaither and Anderson. This was a big thing, that birth control is recommended by this group. It was *information* on birth control that was being recommended. — birth control

recommended by the committee. So, big headlines, and nobody talked about birth control or that kind of thing at the time. So he decided down deep, even as he is starting Draper, Gaither, and Anderson, that he is going to do something on this. And so after five years—Oh, when Ike said, “Well, birth control is no part of government activity.” So then Kennedy gets elected in 1960, and my father really had more interest in this than any venture capital when it comes right down to it, and he began to work on Kennedy. Kennedy decides this *is* something that the government should be interested in even though he’s the Roman Catholic.

So my dad, in 1964, goes back to Washington and starts up this population program. He announces what he is going to do, and some guy in Southern California sends him \$150,000 check and says, “I want you to use this for—.” So my father didn’t cash the check; he went to meet the guy — this is the kind of detail guy he is — went to meet him down in Southern California, goes to his house, sees that it’s a very little house and the guy has just inherited \$150,000, and that’s all the money he has in the world. And he said, “I’m not going to cash this check until I go around to the Rockefellers, the Lazard Freres, and get matching \$150,000 checks until I get three million dollars, and yours will be the last one I cash.” And he told that story. Of course, he got the money in about twenty days, and then he had three million dollars to a start it up with, and it runs at about three million a year budget, and it’s a very successful operation — still today. There was no money spent by the AID on this subject. Today, it’s about four or five hundred million dollars that the U.S. Government, USAID mostly, spends on family planning.

MJP: *What a legacy.*

WHD: Yes, he had five great careers, basically. Something like four or five. He was a great guy.

MJP: *You respect him and you love him.*

WHD: Oh yeah, absolutely.

MJP: *Thank you so much. This is perfect. You are a great storyteller.*

WHD: You have to listen to a bunch of old guys talking about the olden days, and it must be pretty boring for you.

MJP: *You know what? For me, this is history. Thank you very much.*

Today is November 2, 2005. This is the second interview with William H. Draper, III.

My name is Mauree Jane Perry, oral historian.

MJP: *Good morning again.*

WHD: Good morning.

MJP: *At the end of our first interview, conducted October 24, 2005, you told me how you entered the world of venture capital, first with your dad, and then with Pitch Johnson. I would like to pick up today with where we left off. The question I want to start with is*

about your expectations. Did you have clear vision of where you wanted to go, or were you just putting one foot in front of the other? And if you had a vision what was it?

WHD: I would say my only vision was to recognize the excitement of the new technology built around the chip and around other exciting parts of the electronics industry, which seemed to be generating from Silicon Valley, which as I point out was not called Silicon Valley. Technology was moving pretty rapidly and that was exciting. When Pitch and I first started, we went around trying to encourage people to let us participate in their companies as they developed them. We got into some interesting new technologies: optics and electronics and mechanics all working together. Stanford was the core magnet for people to come back from other places, perhaps after they had been here at the school or just staying. And so being around Stanford was exciting. The vision was more something: I liked the concept of venture capital and building businesses and helping to grow together with the entrepreneur. And we got better and better at it of course. Initially we were pretty, well—I had three years at Draper, Gaither and Anderson, but we were not any great experts in the field. We were kind of learning on the job. But there was a good bit of putting one foot in front of the other too. We were two guys, didn't have much money; we were pretty frugal and pretty focused on making sure the companies we participated in were frugal with our money. There were a couple of companies that went electronic. Electroglass was a spin out from Fairchild Semi-Conductor that built fusion furnaces. There was a company that we started with a total of \$2,000 because neither of us had a lot of faith in, but we thought it was worth a spin. And then there was a patent on something that was a bit of a fork where you put dental floss through it. Neither of us

used dental floss in those days, and we had to ask the bookkeeper if she used dental floss. Yes she did. She said, “It’s a very good thing.” And so we said, Well, try this little brush —It’s kind of a brush with two prongs and the dental floss goes between it, between the dental floss and the tube. She used it; she loved it. So we backed that because we thought we could make a deal with Procter and Gamble, which we tried to do. I knew somebody that was a young guy coming up in Procter and Gamble. And they gave it a good look and said it wasn’t for them, and then the company went down the drain and there went our \$2,000. We remember that it was \$2,000; we remember that we lost it because we were concentrating on protecting our money as well as seeing the vision that we hoped would take some other investments way up to the sky.

MJP: *It is interesting to me because it brings up an important point. You didn’t specialize in technology. You weren’t a scientist. You started out in the steel industry. How did you even imagine that you could get into technology?*

WHD: Right. That was something that came to us, most of us, by just living here. I still looked, as I told you earlier, at the management as the key to success. For example, in the case of Electroglass, I didn’t know what he was doing in the fusion furnace, although I tried to. But Pitch had a mechanical engineering degree, he at least knew a little bit more about the technology. Then we realized that Arthur Lash, who founded that company, was not a manager by any means, but he was good, he knew the field and building these furnaces. The expectation was that we would sell them, not only back to Fairchild but to other

companies that were making semi-conductors. And it was the first of many companies like that.

MJP: *So you never tried to know more than what you knew?*

WHD: What I thought about was technology was good, it was a breakthrough, and I kind of brought that in as a given. If the people were bright, if I checked on it with other people who had technical background and they said that this was a good thing, then I would look at it more from a management standpoint. But it basically was us in most instances. You're right, I didn't have a very good understanding of the basic technology thing, and I still don't. (laughs)

MJP: *You're so modest. So, how did it happen that you and Paul Wythes started Sutter Hill?*

WHD: We were very early in venture capital. And although there were these interesting breakthrough technologies — one I might have mentioned, the first dollar bill changer we looked at. Well, that in my mind was the first, but it was too early. They didn't do well. We didn't invest. I use that as an example. Things were happening that today we just take for granted; for example, that you will have a dollar bill changer. And we take for granted so many other things. So, when we came into making these various decisions, we did pretty well in a small way. Small investments, and a pretty big share of each company just based on the fact that the dollar was worth a lot more than it is today. But also, salaries were low and expectations were not so great. And so we were doing fairly well, but it wasn't one of these, you know, exciting businesses to be in as it is today. It

was kind of a grunt, step by step, plodding and working. In that way, it was okay by Pitch, but he had been in the steel mill, in the operating end of the steel mill, and he kind of missed the operations side of the thing. In venture capital, and this is true of operating people today, sometimes they find it frustrating because they have to work through other management. And so, I think we had a delightful experience. But in about three years he thought, Well, I think I will go back to— I think it was Air Products where he went as a consultant — some place across the Bay. So I said, “Well, you know, I’ve only got one partner. What we better do is merge the company with this real estate operation called Sutter Hill.” They were no bigger than we were, and they were good guys who were building up a real estate development company. So we thought well, I’ll continue to run this. Because they had just hired Paul Wythes and had done maybe one deal, or two deals. And we had done a lot. I had been in the business for quite a while. It was a great fit. And Pitch and I both sold our stock — merged with their company. We took their stock and they took ours. We kept the SBIC — we closed one of the two, I guess we closed theirs down. But we made it only one SBIC, and I was president of it, and Paul [Wythes] was vice president, and we had a terrific run. We worked together for twenty years. It wasn’t too much longer, maybe three more years, we paid off the government their loans and closed up the SBIC, raised ten million from Genstar, which was a Canadian company. They put in this money, which was big money to Sutter Hill. We had some very good investments. So things worked out just very well. It was one of those things where, you know, you don’t plan it all, but it all kind of works out. And then

Pitch came back in the business, as you know, and had his thing. We've done deals together and are still very close as friends.

MJP: *When you started Sutter Hill, how hard did you have to work in venture capital?*

WHD: We worked hard.

MJP: *How hard.*

WHD: We'd get there at 8:30 in the morning and leave at 6:00 at night, and I had three young kids. We worried about keeping it going and getting everything— But once we got Genstar to come in — but that was 10 years later, that was 1970, let's say that was 1969 — We started in 1962 and that was 1979, so that was a long time later. But all through that period, we worked pretty darn hard. And I'll tell you one interesting thing: In 1970 everything seemed to flatten out and there was a recession. A big one from 1970 to 1974, it got to be very deep. But it was beginning in 1970 for us. That was when Genstar had just come in. They invested that money, ten million dollars; and we looked at that ten million dollar investment, and we invested the money and so on. But at the end of 1974, honestly, we couldn't look back and say we made one dime for them. The first four years of their investment it was dead flat. And others, Kleiner Perkins and Mayfield were down about a third. We felt good to be zero anything; we were flat. In our estimation, and I think everybody will agree that, that was a really tough time, but we worked hard to hold these companies together. Selling a company, in a recession, which isn't going well or you wouldn't be trying to sell it— And there we sold the whole company. So we'd go

around the country—. I can remember Datanomics was a company with a \$100 device which was to go into every gas station, and it was going to directly punch the IBM cards, and so it was going to save the gas station the transfer to the computer — the translation of a sale into the computer was going to save a lot of money. Well, God, we couldn't make a single sale; we had a hell of a time. The oil companies, you know, they're very slow moving. I went racing around the country, and I went knocking on the door of the president of Addressograph-Multigraph, and they bought the company. And sweat was pouring out of my pores, and I thought, God I'll never, you know, I don't want to lose this. Let's call it a \$300,000 investment or something like that, and those things were important. So we didn't lose too many deals.

One thing going for us in the sixties and seventies was that a lot of big companies wanted technology for its own sake. They knew that things were happening, and so even if the product line wasn't working, they liked the idea of a good solid high tech team. And bringing them on in a merger was not a risk to them; it was an added asset that they got. So we worked hard to keep those deals together, because if you lost the money that it was in—It was not Fund Two or Fund Three or Fund Four. At Sutter Hill we got that ten million dollars in and, you know, except for fairly recently, they worked with that ten million —we/they — for many, many years because, as I told you, it was an Evergreen fund. It wasn't, we spend out the fund and then distribute all the assets.

MJP: *Why did you do that? That was unique.*

WHD: Because it aligns the limited partner and the general partner much more closely. Every four years it's valued, and so anybody can get out at that point, but they tend not to. And you make better decisions. Because, let's say a stock is riding very high, and you have a feeling for it, and you need more cash; you sell it, and you reinvest it, and even though it was high and looked good for another double you don't do that. You put it back into something that might make ten times. So the returns for Sutter Hill over forty years have been something like 37 percent average per year. Incredible return, continues to be that way. In fact it was a little higher when I was there. It's an incredible return.

MJP: *It requires great discipline.*

WHD: And it demands discipline because the young guys aren't saying, Well, God, let's invest this fund and get that one out because I'll have a bigger piece of the next fund. As they get more maturity, more seniority, they continue to get a bigger piece of the pie. But everybody's together, and it's all one big pie that we all share as opposed to this is my pie and that's your pie.

MJP: *Whose idea was it?*

WHD: That was our idea. Originally Draper, Gaither and Anderson, I think, had that format of an Evergreen concept. Sutter Hill adopted it — same lawyers, Jim Gaither drafting the papers for us. Eventually the big pension funds and so on, I think they put the pressure on to be able to get out of these things as a unit at the end of ten years, feeling somewhat

uncomfortable that they might want to get out, but we, the general partners, will be valuing stock. And I think that was it. But as a result, in Sutter Hill's case, Genstar was taken over by a raider some years ago. It was a cement company, the largest cement company in Canada. It had the big construction company. And so they were taken over for assets, and the ones that took them over didn't understand venture capital. So they wanted to sell their position, which they did, to MIT, where Dave Anderson went; Yale where I went and Lynn Baker went; Princeton where Paul went; and Stanford, where several had gone to business school. And they've never sold; they just bought more, all of them. The only other buyer at that time was the richest man in Canada, and I can't remember his name right now; he shared the forty-first floor at One Via Plaza Marie in Montreal with the president of Genstar. He knew, just in the bathroom talking — our rate of growth was so great for this choppy conglomerate that they looked like a growth company because our earnings kept coming in to fill up their troughs and their earning curve, and we had a great time laughing about that. But he is still an investor along with those universities.

MJP: *I'm interested in stories about the big successes at Sutter Hill as well as the failures.*

WHD: Measurex, I had a list of them. Quantum was a big hit. Dianomics.

MJP: *Tell me about the passion and the excitement.*

WHD: I would say each one has a story, and that's what's fun about them. Take Quantum, it was four engineers who came in and said they wanted to make digital memory (unintelligible), in other words, disk drives. And I said to all of them, "Well this sounds

like a great deal, we really ought to be a part of this, but who is going to be the president of it?” And they said, “Well gee, I don’t know. Well Jim, why don’t you be the president, you have the least to do.” And they hadn’t even thought of it. Sure enough, that guy took it to being a two billion dollar company. I came back from Washington, and I was surprised — at that time, a two billion dollar company was a pretty big; I would say the year was 1994. That was one of the fun things about that deal.

MJP: *The fun thing was what?*

WHD: The fun thing was to meet with these four young guys who just wanted to make these disk drives, and they just were so excited about going in. They were all young, and they were all so thrilled at the technology and what they were going to do with it to make it a big company. And they hadn’t thought about who was going to be president of the company.

MJP: *It’s sweet.*

WHD: It is sweet.

MJP: *What was your role?*

WHD: Well we coached them a bit, building that management team, and that was our role in that case. In the case of Dianomics, there was a company across the— still a very fine growing company that makes chemical instruments and chemical analysis instruments. It all looks very clean and clear now, but at one time there was a fellow named Jim Batty

who had started a company that was in some aspect of the semi-conductor field.

Ultrasonic — good, clean — some form of that and analysis but not really in this broader field. And then there was this guy who came along, who was a wonderful fellow, and we talked him into being the president. Oh, I know what happened. Smith, Kline and French came along and wanted to buy the worst part of this business. The sort of equipment side of the business that was not very good, and we really wanted to part with even though we had merged two companies together to help them survive. We brought in a great guy who ran the company for us, and he is there today. And that's one situation where we brought in management at the time. That happens more than once.

There is another company called Xidex that made film that you could develop in the light; you wouldn't have to develop it in the darkroom. A brilliant man. But when he got his plant, we went down to see his new plant and his office was about half the size of the whole plant, and we thought, Oh this fellow is not to going to make it as president of this organization. We kind of knew that when we went in. We brought in a fellow that was a friend of Paul Wythes, whose father had been president of Chrysler. He was a great guy who ran it and built it up; and eventually we sold it to Eastman Kodak. But the management is really important. We often have a role in reshuffling the management.

In the case of Qume, David Lee, the founder, a very brilliant technology guy who had been with another company called Diablo. He was the vice president and engineer for Diablo. And I think I told you earlier that whenever you go to a Harvard Business School

Entrepreneur of the Year Award— The first one out of about twenty over the years — I was president of Harvard Business School Club here and originated the idea of the entrepreneur award of the year — and picked, of course, one of our guys. There were only about fifty people in the room, and David Lee came up —I told you that story.

MJP: *No.*

WHD: Oh God, that's a fun story. David Lee, anyway, he was vice president of engineering of this other company — I will come back to that. We knew him there because we had invested in Diablo. When he wanted to start another company, which was a daisy wheel printer which is, instead of the IBM golf ball that bounces around, which was heavy and bulky and slow, this very light weight disk made of plastic had the letters of the alphabet all around it on the edges like a daisy wheel, and the hammer would knock it, and the wheel would go left or right depending on what the computer said, the “e” that you wanted was on the left or the right on the top, so it went very fast, and this was all his creation, David Lee, Chinese-American. David would have been an adequate CEO, but to make a really great company we needed stronger more businesslike management. And so, we got a guy who came out of Harvard Business School and met with him here [in San Francisco] at the Pacific Union Club. I was a brand new member of the Pacific Union Club, and I could remember thinking, You know, we have to sell this guy on how important we are, (laughs) how safe we are — because he was taking the risk moving out here. So I took him up to the Pacific Union Club; we sat with all these old men in this tomb like place, and sure enough he signed on. Well he built it very nicely until he died,

too early, but he built a really fine company that we eventually sold to ITT. It was a huge win for us.

And so back to David Lee: When we had set up this Entrepreneur of the Year idea, and we hired a room in a hotel, and we had about, I guess it was about ten tables of six each, it was about sixty people. I introduced David as Entrepreneur of the Year, and we were both feeling no pain; we were just feeling great. Our wives were there. And this was a bonding and an experience. We had sold the company to ITT. He was a multi-millionaire at a time when that was really important. I mean really a big deal. The four of us, our wives and us, we were walking back to our garage because I had told him where to park. He had a brand new BMW that he had just bought. So it was wonderful, and he was so proud of the car, almost more proud of the car than anything. It was at the Bohemian Garage. When we came back and he gave them the ticket they said, Well, we are very sorry sir, we can return your \$25 to you, but your car has been stolen.(laughter) And so, here he and his wife have just been on the top of the world, and he's got this big trophy in his hand, and he's thinking nothing but good thoughts, and all of a sudden his brand new car is stolen. So Phyllis and I took one of the longest trips I have ever had, not just physically but mentally, to somewhere way out in the East Bay where they lived, and dropped them off. That was just a funny end to that story. We still laugh about it. He is still very active in investing and entrepreneurialism.

Measurex was a different kind of a story. When I was on vacation in Chicago, I met a friend of mine who said, “You ought to look up David Lawson.” David’s an MIT graduate and he has gone out to California because he used to be the chief operating officer for this company that checks the quality control of paper and processing in the production process. So I did when I got back here. He was going to start a new company out here, in Silicon Valley. He and I got together, David and I, and in that case, he gives us a lot of credit for getting him in touch with the right people at Stanford — because we had a good relationship with Stanford, and some of our team had gone to Stanford Business School, but we also palled around; we were all in venture capital. Draper, Gaither and Anderson was physically on the grounds of the campus, and we were very close to it and stayed close.

MJP: *Excuse me, you were close to the business community at Stanford, or—*

WHD: Well, in this case it was both because there weren’t that many venture capitalists in that area and we were all interested in keeping close. Anyway, David went over there and he selected a couple of sharp guys, and he started this Measurex, which measures the moisture content of paper as the paper is flowing through the plant. And the thickness is standardized, so when you look at a piece of paper you will always see some blotches. Well, the fewer blotches there are, the better, the more standardized it is because paper is made up of water and pulp, and the less pulp and the more water you sell, the cheaper it is. Right? So they want to standardize it—You can improve the quality, at least you make it flat and standard all across. So this was done very well, and there was a plant in

Sunnyvale that we put together and David was a manger par excellence. He was always ahead on these problems. He was a big time leader; you really felt this guy was in control of his destiny. So all I did was support him on the board. Once, when he ran out of money—he, to this day, thanks me because what we did was put in more money at a very rational valuation that protected the money. And he to this day thinks — I have heard him say, That without you there wouldn't have been a Measurex. I am not sure that's true, but at least I know I had a good part in it. I'm very proud of it, not because I want to brag about it but because here is a man who had tremendous talent, and he was being held back by this company who is owned by somebody that was just going to keep him down, and he needed to bust out and be his own boss and build his own company. Measurex eventually went on to the New York Stock Exchange and ultimately became a part of Honeywell. They were big, a very powerful company selling to all the best paper mills in the country, in the world. We have our board meeting — there is one in St. Petersburg, and one is in Tokyo. Wherever there were forests, there would be paper mills, and those would be our customers. He took the board, and that was a kind of a joke, as a matter of fact, because he always did it so that we had a great time. That was one of the most fun ones. You watch the whole process. That's why I like that first round. Now about the losses, you want to know about a few losers, right?

MJP: *Let me clarify. You like to get in on the ground floor because then you can see the whole arc of—*

WHD: The whole arc of a company's life and the fun of seeing these people develop, and sometimes they change. I love seeing the excitement. Sometimes it's terribly frustrating because you just can't do anything about one that's going down the drain, and I feel like I've got one of those right now.

MJP: *What do you do? Do you just die; do you wake up at three in the morning?*

WHD: No. I don't like it. There is one that I've got right now. I'm not going to go into detail because it's a live situation. But, kind of off the record, it's a strange one: it's mother's milk to then gets pasteurized, cleaned up. AIDS put out a lot of businesses; there are a lot of milk banks around the country that were created, and they shrank down from fifty or sixty of them to four or five because of AIDS. Other mothers didn't want some other mother getting her baby to drink the milk. The idea of this is to purify it and to clean it up and still keep the nutrients and the fat content and all, and sell it to the NICU, the Neonatal Intensive Care Units. I liked both the mission, and the money looked good too because the margin was terrific. The mothers contributed to these milk banks, and the milk bank would then process it through a plant, which is in a place in Monrovia, California. They would then feel very safe. I went to Stanford to check this out; they thought it was a great idea. They needed it; they are now using formula, and that is definitely not as good and everybody knows it. The problem with this deal is that the mothers are not contributing the milk, and we are not getting enough to run through the

plant. That wouldn't make me feel so bad if it was just another deal that didn't work, because we have had plenty of those. But I brought in a couple of individuals who had already made some money. They were limited partners of mine at Draper International; they all made fifteen times the money in India in the program. And so I felt fine, bring them back; ask them to invest in this. But somehow that has gotten to me. So when you say, wake up at three in the morning. Honestly, I don't like the idea that I got these guys into this deal at the end even though it's all profits out of the other deal, out of Draper International. You never should do that because somebody should never invest in a one-off thing. I told you about my father investing in a new coffee machine patent; you should never do that. You should always invest in a panoply of say at least twenty-five that are fairly balanced in the amount of money that's in each one so that one or two that go to the moon carry all the rest. But the odds of your finding that in a one-off basis are not really good. So you want to know about some of the failures.

MJP: *Yes. You're great to share these stories.*

WHD: Oh no it's easy. At Sutter Hill we invested in a company that was going to put Xerox out of business. It was one guy who left Xerox and said he was going to build a better copying machine. He was a British fellow down in Southern California. So the fun part of this story was that when Genstar was looking us over and thinking about putting in this ten million dollars, they came around to see a few of our companies. I went up first to see them in Montreal, and we hit it off, and I invited them to come and look at our deals. So then Paul and I took them around and we went down to Southern California. We put

them up at the Beverly Hills Hotel, and we thought this was kind of a big deal; we were all pretty young, and pretty excited — the excitement of palling around together with these big money guys from Montreal. But the big money guy was actually about two years younger than I am. So, he was having fun too.

We went over to see this company, and the company had the machine all dolled up. It looked beautiful, painted just right, and looked like we were going to put Xerox out of business. So this fellow that ran that company said to Angus McNaughton, the president of Genstar, “Give me a bill — give me a dollar.” Well, to this day, Angus says that it was a hundred dollar bill; I think it was a ten dollar bill. But, whatever it was, they plugged in the machine, turned it on, and all of a sudden the whole damn machine is on fire. We had to get the fire extinguishers to put it out, and of course, the hundred dollar bill, ten dollar bill, whatever it was, is gone, and the machine is gone, and we thought our ten million dollars was gone because this guy was thinking, Oh no, these guys are not infallible. But sure enough, he [Genstar] came in with his ten million, even though he still teases me about burning up his hundred-dollar bill. That was a failure. We invested in a company that went totally bust. No, not the fact that it caught on fire. The truth is that it really never got much—traction.

MJP: *So, how do you react to that? What did you do with those deals that you really thought were going to be successful?*

WHD: Well, you react in different ways. When they are your first deal or your second deal and you haven't had any victories, then it's pretty painful. When Pitch and I first started, we were pretty lucky because most of our companies succeeded, more than half. So we had some victories to feel good about. That's why they were interested in hiring us, the real estate company. By the way, they eventually went out of business. And then Paul and I had a lot of victories before Genstar came in, even during those four years after they came in and it was flat because of the general recession conditions in the early 70s. It was 1974 then, with Nixon, and everyone was depressed. Our valuations were barely breakeven. That was kind of a depressing time. But if you have had some victories ahead of time and feel really good that you have built some fine companies, you can't feel too bad about any one, particularly when you are a start up because that's the business, particularly on the start up. I think Draper and Johnson, Draper and Sutter Hill, Draper International and Draper Richards have all been start-up oriented, so almost all our deals are very early stage. No, sorry, not in the case of Draper Johnson because there we would have been too nervous to start up a company straight out, except the dental floss company. (laugh)

MJP: *Would it be correct then to summarize that with experience and maturity you can stand back and look at the whole picture?*

WHD: I would have said that clearly except for this company called ProLactive that is the mother's milk. But that really gets me because I brought in some good friends to put in some extra money, and I shouldn't have done that.

MJP: *So it's a personal responsibility.*

WHD: Yes, there's a personal responsibility, and that's not good.

MJP: *Let's see, I know your associates are here and need your attention, but if you have just fifteen more minutes let me just adjust the tape and just finish some thoughts. When I think of your story about Measurex and the way you put more money in and revalued the company, that's a story that tells me about you as an investor, about your values. Not everybody would have done that, would have been generous and certainly fair.*

WHD: Yeah, but that comes around, you know, that really works for you.

MJP: *Well, tell me about that philosophy and where you learned it?*

WHD: Well, you know, that really goes back to my father. He was honest and also always saw things from the point of view of the person who wasn't as lucky or was suffering. He always was very empathetic to people who were not as fortunate as he was. And, just the opposite, he didn't put up with arrogance very well. But I would say, in my case it's kind of easy because I have the same feeling that we are here only for a short while, the money is not the most important thing.

I do have to say when Phyllis and I first got started, and I had been to Harvard Business School, and I had a yellow piece of paper, and we budgeted out our plans, it was tough. I mean, we could go to one movie a month; and we could go out to dinner only once a month; we could buy only so many groceries each month; and once you get toward the

end of the month then, there may not be any money. A friend once came over, I think it was Pitch's wife Kathy Johnson, and she said, "Oh Phyllis, I see it's the end of the month," because Phyllis would go get lasagna or something. We watched our pennies. I don't mean that I was willing to throw the money or the profits away; I am careful with money. But on the other hand, at a certain point you get over that, you know, you're right on the edge. We were sometimes right on the edge; even when we came out here my salary never changed. At Draper, Gaither, Anderson they gave all the five young partners \$10,000 a year, and that's what we lived on because we didn't have actual income.

But just back to how to handle difficult times. When you've been there, you understand from the other person's point of view where they are coming from, and you try to be as fair as possible. But then there's a more strategic reason too. That's the emotional reason. But the intellectual reason is that your reputation is about the biggest part of the whole package; it is much more important than any one deal. And so you know that it will come around to you again as you talk to the people you have met, which you should do. Before making a deal with you, they will find out what a quality person you are. You see that clearly in the venture capital business.

MJP: *There was something you said last time and I wanted to ask you about it. In trying to understand your successes, I remember you once said, "Well, I just know the right people to hire." And, "What goes around comes around." But your success has to be more than*

hiring the right people. What is unique to your skill set? What is it that you see that allows you to make decisions that are right?

WHD: Well you know, let's talk about making the right decision. I would guess I make the right decision sixty percent of the time. In other words, as long as you make the right decision more than half the time, whatever your profession, you're probably going to do all right as long as you're willing to make decisions. That's very important. The worst kinds of executives are in fact the ones that cannot make decisions. They grope around and sometimes they make them too fast, and that's not good either, but at least it's better than not being able to make a decision. Once you make the decision, if you are right most of the time, you're probably going to do okay.

That's part of it. Part of it is that I am not a specialist in anything, and so I don't get carried away. Now you don't need to print this, but — this guy, Steve Jurvetson is an expert, he is a brilliant man, smart, was number one in his class and came to Draper, Fisher, Jurvetson. We made him a partner early when nobody else would. He is a specialist in nanotechnology. Now if nanotechnology works — because they have made more investments there than any other venture firm — the jury is still out. He may be right and he may be wrong. And, I don't think even he knows whether he might bet on himself, but not his whole fortune. So, if you're a specialist in one thing, you do get biased to being willing to — You get excited by the technology, and you somehow can't step back and see the whole picture.

I told you about Larry Durig, the guy who kept his little cigarette, he burned—Larry Durig, and I think I told you about the advice: “Don’t get mesmerized by the gold watch.” And there’s a little of that. I don’t think I get mesmerized by the gold watch. I might have in this mother’s milk thing (hardy laugh), I have to say, I got out of it, just me, because it was so obvious to me that babies could use mother’s milk—They got out of the hospital two weeks early on average in NICU, in neonatal intensive care unit. And that’s big time, you know. First of all, it’s big money to the insurance companies; most important, the baby is more likely to succeed. And so, it got me in the heart. So I probably got a little bit mesmerized by mother’s milk, but mostly I don’t get caught by the gold watch. Maybe that’s because I don’t have a technical degree, and I’m just trying to catch up, and I feel very humble about my understanding of some of this technology. So I’m willing to ask the awkward stupid question.

MJP: *It actually is the best question.*

WHD: It may well be, but at least I am not going to be just taken away, because I understand it better than the guy who’s doing it, and I’m all excited because I know this is right — and, why don’t you do this and then twist the product this way. I have had a couple of experiences where I was on the board and I made a suggestion— And one of them happened with this Prolactin and another happened in Colorado. Pitch and I and Tom Perkins, we were all on the board of this company, they were in Denver, and they had a problem with these floppy disk kind of things going across in production because they would bubble up, or there’d be a little swelling in the material so it didn’t lay flat as it

was going across and being treated. It wouldn't stay flat. So I suggested, Well why don't you bore holes in the bottom of the base plate that was holding these, that was supporting it like the floor, just bore holes in there so that they'd stay flat so that the pressure would lean in on itself. Well they said, That was a great idea. At the next board meeting they had adopted that idea. Whenever I make a contribution of that type, it is going to be a failed deal, I know, because they haven't thought through so many other things that I couldn't think of. So if I make a contribution, it's frightening. When they say, Oh, that's a great idea, I get really nervous.(laugh) And that's happened more than once. And it's not a bad rule of thumb. And, I've had this experience. So there are cases where I think that's helpful that I'm not too specialized and, therefore, I can be a little more detached. Put it that way.

MJP: *So that leads into one more question that I have. I remember something else you said:*

“Good leadership is more important than a particular sector in determining the success of a company.” Do you still agree with that?

WHD: I still do, I do because I am sure that there are a lot of people—Who was the brilliant man who won the Nobel Prize who worked with the semi-conductor, the transistor? Bill Shockley. Bill Shockley was in the right area, but he was a lousy manager. So all his team left and started Intel. And so would I rather invest with Shockley, the first one, the most brilliant one to come up with an idea, or would I rather invest in Intel? And I think the answer is obvious.

MJP: *That's a very good example. The next question today is which of your companies has changed the way the world is? And how did it change it?*

WHD: We backed a company called Hypertech. We and (unintelligible) together, and they changed health care. Hypertech came up with the PSA test, and every guy over forty takes a PSA test today. And it has saved a hell of a lot of lives. It has also probably cut down on the sexual appetite of a large number of people too, which is the down side of it. But the PSA test identifies a major problem, and as I say, "What goes around comes around." Actually, I took a PSA test, they found cancer, they cut it out and I'm alive. And that probably is the one that we invested in that changed the world.

MJP: *That is pretty exciting.*

WHD: I don't know why I haven't invested in other Biotech companies because they are, I'm sure, the most rewarding ones, where you really solve a major problem and you make money doing it. Hypertech is the one I'm proudest of, not only because it was so personal, but it was also so pervasive in helping.

MJP: *I'm glad I asked that question.*

WHD: (Jenny Shilling Stein, [JSS] comes into Bill's office.) She is so good at this job. Do you know each other: Mauree Jane Perry. This gal, runs our foundation, and that's a whole other story. Yeah the two of them, including Anne Marie Burgoyne, run it. It's really going bananas. They have a really good system, which is the same as the venture capital

system. You ask them what they are looking for to make a winner; to make something significant that's going to change humanity, as you were just asking.

MJP: *Well, it started with your vision.*

JSS: That is true.

WHD: *That is true, I guess.*

JSS: We fund social entrepreneurs, early stage, and replicable models. Very similar to the kinds of things going on in venture capital.

WHD: If you came in and said you wanted to start a new non-profit, and we liked you and your idea, we would give \$100,000 a year for three years, and that's it. Then you were on your own, but it had to be the very earliest money you got. It wouldn't necessarily; you might have friends and family money, but it's the seed round, just like venture capital, and we look for the same things: the fire in the eye, the excitement, the opportunity.

JSS: And we have found some really stunning people. International and/or domestic, half and half.

WHD: Some bonanzas. Yeah. Well no, just no rules there, although it has worked out that way.

JSS: It's about half and half. But it could be whatever the really super people are. And what they come in with, and if they feel it's a good fit.

WHD: Not just international. There's one effort that is called Girls for Change that helps girls that are in high school to think about things beyond themselves—Get together with nine other girls, and our volunteers coach them. We're in twenty-four schools here, or something like that in the Bay Area.

JSS: And we just launched a new program

WHD: Yes, we're just launching in Phoenix. And our money was the first money to get her started, this gal who came out of Girl Scouts. And a guy who came out of Microsoft who started something called Learning to Read, and that is investing in building schools in Nepal, Cambodia, India, Vietnam. When he started, our money was big money to him at that time, \$100,000 a year for three years. Three and a half years ago, we backed him. Today he is on a five million dollar budget, last year it was three and one-half. He spoke and inspired—We get them all together once a year. (Unintelligible). And he said to all of us: “You know what I do? I wake up in the morning and I say, Today, I have got — the bar goes up every day for me because I have got to raise \$150,000.”

MJP: *It is a very wise way to think about his work.*

WHD: So instead of doing something, he always is thinking, “my time,” because he divides the five million dollars, and he has got to make it ten, and he is just driven. The way it started: He went trekking in Nepal, and he got up on one of these high points and found these little villagers had no grammar school, had no school. The kids had to walk down the mountain and up the next mountain and would not get home before dark. There were

no schools in the village. So he decided this is a need. I'm going to quit Microsoft.

Before he left Nepal, he sent in his resignation. And that's the kind of thing we support.

He is going to commit his life to this. He is in Asia; he's going to start up in Ethiopia soon. He is exciting.

MJP: *How inspiring. Well, Bill, if you can't sleep over that other deal, you can sleep over this one.*

WHD: That's good.

MJP: *I mean what more can you ask of yourself. What a legacy.*

JSS: It's been a blessing.

MJP: *This is December 6, 2005. This is our third interview. In the first two interviews we talked about your childhood, your education, some of your extraordinary experiences with your dad, the Army, and your initial professional efforts in the steel industry — and then in venture capital through the creation of Sutter Hill and your work with it. I thought we would start today with a look at the seventies. You were with Sutter Hill, you have almost 20 years of experience by the time the 70's end, and you've seen a lot of change. In the beginning of the 70's, for example, you have your great fund from Genstar, right? But the economy is starting to have great difficulties. By the end of that century, when*

some of the tax laws change, and pension funds are able to be invested, the whole world of venture capital has changed. So, can you, this is a general question, talk about the highlights from the lows to the highs, and what it was like for you to ride this roller coaster.

WHD: Okay. Right. Well in 1969, we met up with Genstar, and I think I told you that we signed them on to a ten million dollar investment in Sutter Hill ventures — brand new partnership, really very similar to the Draper, Gaither, and Anderson partnership. And that partnership structure, 20 percent to the general partners, 80 percent to the limited partners, and 2 percent fee to carry the operation is standard today, almost. The numbers have changed a little bit in favor of the general partners but generally that is the case. Now, we started up with them and got off to a very neat beginning where we liked each other and they liked what we were doing, and we showed them some of our investments, and they signed up to participate in the future with us. At the same time, we sold the SBIC that we had started, to them, so we were all on the same side of the table. In other words, we took cash for our investments up to that point, and then we had only the carried interest in Sutter Hill ventures. So, the 70's to me, looking back, was the first time I was a millionaire and the first time, really, I had any money. Personally, in 1972 I bought a house for \$350,000, which was the most expensive house in Atherton, which today, Atherton, I think, is the hottest real estate in the country for residential. So, I was feeling kind of — four-and-one-half acres up on top of a hill, and a big house built by Bernard Maybeck, and feeling very much, *I've got money*, and so, that was exciting. So that's a personal thing.

From the standpoint of Sutter Hill the ten million that was actually invested—It actually closed in 1970, so it was just the beginning of the 70's. We invested, only on that ten million, we probably only invested three or four of it in a four-year period. Small numbers, but we had big pieces of small startup companies. By 1974, when there was quite a recession, I would go to Montreal and report on how the fund was doing, and we were absolutely flat. We hadn't made a nickel for Genstar. We were totally flat there. But we were flat; we weren't under water in our honest valuation. Kleiner Perkins had started, Mayfield had started, and they were very often a third of what their cost basis was in valuation. I would say that was kind of quite typical.

We all got hit hard by this recession, and luckily we had our money; we hadn't spent our money, we were still investing, so that it didn't really bother us, except that it was a little hard to look at our one limited partner and say, So far, we are about even, but things are going to get better because this is a recession. Then things began to move up. And so the latter half of the 70's — every year was better than the last, and it really began to escalate toward the end, by the time you got to '79 or '80. And the returns for Genstar became so dramatic that it filled in this very big conglomerate, the biggest conglomerate in Canada. They owned the biggest cement company in Canada, I think I may have told you, the biggest home builder; they owned the tug boat operations on both coasts. And so their earnings were very choppy. They were selling pretty close to a book value thing, until little old Sutter Hill. By then it was beginning to be called Silicon Valley. I think Silicon Valley may have started in the middle 70's. And they began to fill in their earnings. For

their ten million, only about sixty percent of it was invested at that point. And it began to work where they looked like a growth company, and their investment — I was told by the former president of Genstar, who I played golf with a couple of weeks ago, told me then that they added it up and that ten million dollar investment brought then half a billion dollars back in earnings. They had all these distributions that we made, and they just sold them off as they needed to bring their earnings up to look stronger and stronger. There was nothing illegal about it, nothing that was under the table about it, it was just that this was the timing at which they will sell Xidex, they will sell Measurex, or they will sell one of the other semi-conductor companies that we had. So, it was a very interesting time. Dionics was a huge winner for them, if they had held it. I think that was a very exciting decade for me personally, and for Sutter Hill. Sutter Hill, by the time I left for Washington, which was in 1981, Sutter Hill had established forty percent IRR over twelve years or something. And so that was a really exciting thing.

MJP: *What do you attribute it to? It wasn't just that you were riding the economy.*

WHD: Well, we attribute it to— Paul Wythes and I — he had been hired by this real estate company to put them in to run the SBIC, and I had venture capital experience — and we hired two extremely good guys: Dave Anderson and Len Baker. The four of us worked together like a Swiss watch. We just liked each other. We all were so different one from another that it was quite easy to come to a decision, and we did a lot of—The heart of venture capital is making the calls, and making sure that you know who you're investing in, and what the reputation is, how hard the person works, how cleverly they work, how

their judgment is, how they work with people, and all of that you get by asking the right questions and digging, because nobody comes out from under a flower, they arrive with some reputation before you meet them. So I attribute it to a good team that did the work, worked hard, we were all young, and then the timing. I mean, the timing being in the heart of a part of the country that was just beginning to take center stage for the world in technology.

MJP: *What accounted for the performance of Sutter Hill in the early 70's in contrast to some of the others?*

WHD: Well it was better, as I say, it was, we—

MJP: *Did you discipline yourself?*

WHD: I bet we were a little more conservative than some of the others, and therefore, at times we didn't lose as much, and we didn't make perhaps as much. But Sutter Hill had a good solid reputation for dealing fair and square with the entrepreneur. So it was largely a word of mouth thing that brought people to us. And when you really add it up it isn't the venture capitalist that makes money, it's the entrepreneur. We liked the start up phase, and that really made the highest return as opposed to going in at a later stage.

MJP: *And why would someone come to Sutter Hill as opposed to Kleiner Perkins?*

WHD: Well, we were a little bit older, older in, we started before they did, and they were not as well known, really, as well as Sutter Hill at that point. Put it this way, I think Kleiner

Perkins and ourselves had about the same record in the 70's, when you add it up. They went down further in the first four years, and they probably went up a little further —No, they probably didn't do quite as well in the 70's. But by the time they were in the 80's, they just roared.

MJP: *You had left.*

WHD: Yes, but that didn't, maybe it was part of it. But I wouldn't ever say that. But I think that the best thing about our whole industry, at that point, was that we worked together. So, it wasn't us versus them. We had a deal and it took five million dollars, and we wanted to put in a million and a half, and I'd call Tom Perkins, and I'd call Tommy Davis, and I'd call — I'm trying to think of who else. It was really just four of us at that time. Arthur Rock.

MJP: *Mayfield.*

WHD: Mayfield was Tommy Davis and Gib Myers. So we said, we got a third of this, and we want somebody else and we think you would be great. And they would do the same thing. So, we exchanged deals a lot, and that helped leverage all of us to a good record.

MJP: *You can't say this on the tape so it's an awkward question. I'm fishing. Was there ever a moment when you thought, Wait, there isn't enough room for all of us?*

WHD: Never.

MJP: *Never.*

WHD: Never. I always thought that the question was: Are we backing right horses? But there are plenty of horses out there to ride. And I never had the feeling that one company, one venture firm, had stolen the deal from us, actually never. I always thought we were kind of getting the cream of the cream. And I think honestly we did; we had a very good feeling about ourselves. So you met Jenny; she runs our foundation. I'm having more fun with that foundation. I love that foundation.

MJP: *I know.*

WHD: I'm going to put a lot of that Skype money, you know the Skype deal. I'm giving it all away, and I'm giving most of it to them.

MJP: *That gives me goose bumps because of the opportunity to do something meaningful like that. But that's about the foundation and meaning in life, the last question I am asking you. And so what was driving you? How would you answer that question? What was driving you in the 60's and what was driving you in the 70's?*

WHD: Okay, in the 60's I was trying to prove that I could do this on my own independent of Draper, Gaither, and Anderson, and I was starting this little company, and I didn't have much money, as you know, to start with, and so had borrowed money in the corporation for the first time. I had never borrowed — I had a mortgage on my \$20,000 house; I had a \$10,000 mortgage on it in Illinois. But this was the first time I had borrowed some money, and it was significant. We borrowed from the government \$150,000 — the SBIC

program, which really got me in. I wouldn't have gotten in here unless it was for that [SBIC]. Pitch Johnson and I were each feeling our way. He didn't know anything about venture capital when he came out, and I think he felt that he got there a little early because we were seeing lower quality things, (dental floss), and we were knocking on doors to get it stimulated, and I was trying to tell him this is going to work out fine. So there was a little of that nervousness, but you're so young that you don't think you can lose. I mean, you just know something's going to work. But there are times when you think it might not work. When I got with Sutter Hill's real estate operation there was a little more to it. There was a team of people. They were working on real estate, and Paul and I were working only on venture capital. We were alone. And then pretty soon it got so busy. We were getting more deals thrown at us. I was just exhausted. So I said, "We've got to get two more people." But we had already lined up the money with Genstar. I already told them that we were going to share the general partnership; it wasn't just going to be the two of us, that we would be hiring a couple more people. But pretty soon we had to get two more people.

MJP: *But what was driving you in the 70's?*

WHD: What was driving me there was revving up what I knew was working. I mean, it was all working together. I was feeling good and the deals were flowing in. I had been in it long enough so that it didn't frighten me that our valuations were still the same at the end of four years. Because I know these were pretty good—.

MJP: *And what do you think your strengths were at that point? If one of your strengths in the 60's was—*

WHD: Well, picking people was my—

MJP: *In every decade.*

WHD: Yes, every decade, that is the thing. I picked Pitch Johnson; I didn't pick Paul Wythes, that was Greg Peterson who picked him. But I picked Greg Peterson and Frank Lodato, who were very good on the other side. And then Paul and I together picked Dave Anderson and Len Baker. And they were great. But the most important thing on picking people is picking those entrepreneurs. I have a good nose for that. Every deal is: you can look back at and it's basically — it might be you went in the wrong territory, but if you went in the wrong territory it's because you followed a guy who had the wrong picture on things and that meant you made a mistake on the people. So I would say that is my biggest strength, and I used that through every decade. The only difference I think between the 60's and 70's was, I was totally confident in the 70's that I was in an industry that worked, and in an industry that was fun, and I was good at what I was doing, and I could work well with people. I had an easy time working with a team of people, and they had an easy time working with me, in general. Paul and I, I don't think, ever had a fight, and Pitch and I didn't either.

MJP: *[Mauree Jane happens to notice a 3x4 foot movie poster with Bill Draper's image superimposed on the actor portraying James Bond. Later learns it was a birthday gift*

from his staff.] If you were to pick one company in the 70's that would put you up on the wall as 007, what would it be?

WHD: In the 70's. Well, I think Xidex. No, I would say David Lee starting Qume, which I think I told you was the first super big one—That was done in the 70's. And that was good because we brought in Bob Shroder, who since died, unfortunately, died early. Bob Shroder was an HBS guy, who was a very good fellow, and I think I told you I took him to the PU Club and we nursed him. And the other one we nursed was the president of Qume. So if you've got a good technical team and you've got a good CEO—

MJP: *Is part of your strength in picking the right people, knowing the right job for them?*

Because sometimes the entrepreneur starts the company and then they need to move on.

WHD: Xidex was another company that was a big success. We sold it to Eastman-Kodak, or it never would have been. Paul found his Princeton associate, Les Colbert, whose father had run Chrysler, to come out and take over where this guy, who has started Xidex, was totally a scientist and very incompetent when it came to managing the company. Les Colbert made Xidex work, and so I give Paul a lot of credit for that.

MJP: *Do you ever sit around with your peers and talk about the deals? I mean, do you ever, I don't want to say it's gossip because it's bigger than that, it's not chatty, it's not about people, it's about the concept of understanding who worked, in what deal, and when, it just put it all together. You see history in the making, almost—*

WHD: We don't do that, we probably should do that. It would probably be a good book.

MJP: *It would be a great book.*

WHD: A very good book. And we don't do that. We reminisce. I'm going to a Sutter Hill, that's why I've got my Christmas tie on. Sutter Hill always gives the first Christmas party of the year, and they're having one tonight. And we will talk about some deal. But mostly we are talking about the current thing. They'll say, God Draper, high five on Skype, and forget Measurex or deals that go way back. It's been a great trip. It's just been a great trip.

MJP: *Well, let me get into the record, because I want to respect your time. The 1980's brought you a whole other world, and I just want to read what you did, and then you can enhance it. And then we will move on to focus on venture capital. But it's so exciting what you did. From 1981 to 1986 you became the president and chairman of the—.*

WHD: By the way, LSI Semi-conductor is one that is still a very big company that we did in the 70's that I didn't mention. But that was so easy, because the guy came up to me — I was giving a talk down in L.A. — and he came up afterward, and said, "I'm leaving Fairchild to start a semi-conductor company." He had run a big part of Fairchild. And so that was a piece of cake. And there again, we brought in Kleiner Perkins. I told him we would like to bring a team together of good venture capitalists, and we all participated in that. There were four of us or something. And there was a guy who, when you called Fairchild, really had a mixed reputation because he was a tough son of a gun. And another example of that—

MJP: *Who was he? Who was the tough son of a gun?*

WHD: Wilf Corrigan. He was thought to be a really hard-nosed manager. Of course, that's what it took to get something off the ground, a hard-nosed manager. And so he's ridden it all the way. I think he just stepped down as CEO. But there are not too many of those. Dave Bossen at Measurex took it all the way until it was sold finally to Honeywell, after going public on the New York Stock Exchange. So you asked, sometimes the entrepreneur has to get off. There are some who can just have both the technical— Draper, Gaither and Anderson did the plastics — Raychem, and Paul Cooke — the checks on Paul Cooke were from his boss, “terrible,” but his boss was the one who was terrible. Paul was leaving to do this shrinkable plastic, and Paul Cooke went all the way and took that thing right until he—There are those, but the majority you need some other management, and that's always hard because you know you've got to talk the entrepreneur into stepping down, and that's not easy. And different ones react different ways, and sometimes they leave, and sometimes you don't do it soon enough, or you don't do it ever, because how can you ever do that to old John, I mean, he started this thing and here we are employing 300 people, but it really is time for him to move.

MJP: *Someone asked me if I, because I'm close to some venture capitalists, if I thought that the role of the venture capitalists was that of a baseball coach, the umpire, the pitcher, the catcher? What's the image? What's the role?*

WHD: Not the umpire. Not the pitcher or the catcher. The owner.(laughs) It's like, the guy who owns the Yankees. What's his name? You know, we all know that.

MJP: *You mean the one with the ultimate responsibility? You're not on the sidelines.*

WHD: You hire the manager or you fire the manager. Or you hire the coach. You don't have anything to do with the umpire; the umpire is the stockholder who decides whether to buy or sell the stock. Not stockholder but the public stockholder. Or the umpire could be considered the Goldman-Sachs, I suppose.

MJP: *The banker. No, no, I see.*

WHD: No, the slugger, the pitcher, the catcher, those are all part of the team. They are the marketing VP, the CEO, and the R&D guy. The coach. Yes, I don't know about the coach. Maybe you call the coach the CEO and the other guys were all working for him. Maybe he's the CEO. But anyway, the owner hires the coach. Once you've got a good coach; once you've got a good CEO your job is fun, you just go to board meetings and just kind of tease him and get good donuts and stuff like that.

MJP: *(laughter) This is good. Thank you for taking that segue and taking me back to the 70's for that. That's a good one. So from '81 to '86 you were the president and chairman of the Export-Import Bank of the United States. That is huge. You basically led the leadership for the U.S. to sustain world trade in the face of major liquidity problems among the developing countries.*

WHD: That's one way of putting it. Another way of putting it is that General Electric and Boeing and a lot of other countries led the effort. Again, it's one of those things where you try and make it easier for them to do their job.

MJP: *Did you love it?*

WHD: Yes, I did. I loved it. The job was not that hard. I had a really good team already in place of civil servants. The world doesn't really give credit to our civil servants: consider them bureaucrats that are all on the dole and they're considered a lesser part of humanity — there's not an entrepreneur among them and so therefore—. It's unfair. There are some dedicated souls in Washington who work long hours, not a nine to five day, who are dedicated to their mission, and they are in each agency, and in the State Department, and the Defense Department and independent. The Export-Import Bank, an independent agency, meaning that if the president calls and says, "I want that loan approved," you were independent. You had to say, "Look, my board is looking at it and I'll mention that you want it. But you have to stand up to him. And that happened once or twice. Not with Bush; it didn't happen, he was very gracious and very sensitive to that. But there was one interesting time when I have to say I did.

MJP: *This must have been with Reagan?*

WHD: Yes, Reagan appointed me. But it was because of George Bush. I had raised money for—I'd started, I think you know, for Northern California, Bush's head of his finance committee, and then head of California, and then co-chairman for the country. And that's not necessarily just because I was so great, it was because George Bush wasn't getting as much traction as Ronald Reagan was getting and therefore, I was able to fill in the void, but we were losing. But anyway, it was because of George that I went to Washington. I

don't think that I admire anybody, other than my father, more than I admire George Bush. He is a super guy.

MJP: *Really?*

WHD: So, I got there and there were times when I had to—

MJP: *You had to stand up.*

WHD: Yes, and there was one time when I listened to the White House because there was an Egyptian nuclear power plant that we were going to finance; I didn't want to, and two of the other board members didn't want to either. It was only a five person board. It's an unusual board because they actually worked for the chairman, but they were an independent vote, so you had kind of a funny relationship there. I was both chairman and president on one job. So, it was a time when it looked like pretty tricky to get it repaid because every loan we made we had to have some kind of thought that we were going to get repaid, or we wouldn't make the loan. So we didn't do hardly anything in Africa, for example. But we wanted to promote American exports, so therefore we would make loans to Singapore to buy Boeing Aircraft, or we'd build a nuclear power plant in one place or another. It took big money. So, those are the loans. There were several different divisions of the export; there are some for small business, and loan guarantee programs, and all kinds of variety of things. I didn't understand. If I had just walked in there as a venture capitalist, without the supporting staff, I would have been lots, but I had some wonderful people. The general counsel there was a marvelous guy.

One time I got called over by a couple of guys at the White House, Ed Meese and the head of National Security at the time, Bud McFarland. And he and two other guys were in the White House when I went over. They wanted to talk about Egypt and the big loan that we were going to make for the nuclear power plant, and they said, “You know, Bill, this comes down to war or peace. This is really a very important thing. War or peace.” Mubarak was in charge. I knew him. I had met him. The problem was, they weren’t charging enough for electricity, and so they’d never be able to pay for this power plant. So, I went back and I thought about that: war and peace. I didn’t know whether they were overstating it, which they were, I’m sure. I got Mubarak to agree to increase his energy prices, to agree to doing this — that he would increase it 15 percent a year for the next dozen years or something, so that he could eventually pay for the power plant. Well, so we finally did, I switched over and I voted for it. So we made that agreement with him after I got his agreement to do it. The net of it was that we came to our agreement, everybody was happy, and because of politics and the fear of a nuclear power plant — the public—Well, Mubarak decided not to build the thing anyway. So, we never did make a wrong — we were off the hook. But that was one time that I really listened to them because—

MJP: *War and peace is pretty big.*

WHD: Bud McFarland. And McFarland said, “Hey Draper, this is a case of war or peace. You better go for this.”

MJP: *You've got to write your book one day.*

WHD: I would like to. I might do it.

MJP: *Then in '86 you were the CEO Director of the world's largest source of multi-lateral development assistance at the United Nations, the UN Development Program.*

WHD: Yes, its multilateral grant aid. The important distinction is the World Bank's bigger, but they make loans only. And so the loans come back, and they are not grants, they are loans, and so they do more every year than we do. But the U.N. Development Program, the UNDP, is the largest grant aid program.

MJP: *You know what? I see it as just personal, I see your life, now. It really has a sense of tapestry about it. The two directions are starting to interweave. You were in charge of loans, you were in charge of negotiations, you were in charge of grants, and look what you're doing with your foundation. You personally need to understand the big picture. You need to trust people, you need to really hear what they are saying, what they are meaning. Whatever you've done, you've always used these skills, and you have listened to your own value system.*

WHD: No, you're right. It's a wonderful experience.

MJP: *And you learned the value system at your parent's knee.*

WHD: Yes, that's true.

MJP: —*which is one of the spiritual sources, I suppose it is the engine that really drives it.*

WHD: Yes, I think you've got it.

MJP: I just see it all, how fortunate to have an integrated life. Not everybody can do that.

WHD: I know, I know, that really. Yes.

MJP: *Yes, and so, so I just wanted to get those in.*

WHD: What I started to say was that the Export Import Bank, in itself, was made easier by a wonderful team that really guided me and helped me. But the most fascinating thing about those five years was not the Export-Import Bank and what I was doing in that job; it was participating in the action of, in a sense, taking charge of the United States government. And so watching Reagan — and I went to several cabinet meetings, when some topic that I was involved in would be involved. I remember well another time when he called all of us in: cabinet officers and heads of agencies like the SEC, that's an agency (unintelligible), and said, "We haven't come to an agreement, and a budget's over, so we are closing down the government." And my eyes popped. You're closing down the—"Yep, nobody comes to work tomorrow, and we're closing it all down, and you've got to get that straight with your agencies and government—" So, that was the first time I had ever heard of it. It happened once under Clinton, do you remember that?

MJP: *I think we all remember that week.*

WHD: To be there: I was in the White House and my wife came over with my daughter, Polly, and we ate at the White House mess. I was very new, I had been there only a short while, and so I wanted to show them, and I had the opportunity to because I had an open lunch, and Polly was in town, so it was great. And so we ate at the White House mess, and then when they left, they saw the president's motorcade come down, I guess 17th or 14th Avenue, or whatever it is, and then turn right. That was a crucial decision that they made. And what they watched changed history because they thought in the car about turning left. It was because he had been shot, that very day, twenty minutes before, he was just coming back from that hotel, and there we were. So then, the word is out, the president's been shot; I'm in the White House, we are all stewing around getting instructions. Where is the Vice President? He's in Texas, or something. And then what's his name came in who was secretary of Secretary of State saying, "I am in charge here." And he was too. He was a little arrogant. And that came out. And they brought in George Schultz, who was just wonderful.

MJP: *Haig.*

WHD: General Haig, Alexander Haig. Yes he was in there with us. We were all milling around in the White House because what do you do. I mean, the President's been shot and you're in the White House, and you don't know whether this is some kind of attack, or, a lot of excitement. So those kinds of things will stay with me all my life. So that's why I say, that was actually more interesting, just to see what it was like because I spent a year of

my life, when I was in eighth grade, in Washington, with my father. That was the only time, but I have always been interested in government. But switching up to the UN, that was a far more interesting job. That was really fascinating, to manage this large aid program and report directly to the secretary general and being the second ranking person in the U.N. I was undersecretary general but there were twenty others, say, but I got \$50 more, did I tell you that.

MJP: You told me that.(laughter)

WHD: So that was so much fun because I was in charge of coordination of all the aid programs.

I didn't have anything to do though with the political side of it.

MJP: *What an opportunity.*

WHD: So that was a great thing. I got around the world and really learned a lot about it.

MJP: *Was there anything about the venture capital business you were missing at that point?*

WHD: The honest answer is, no. I really didn't. I got busy, various people would visit me and I would be interested in what they were doing. But no, I was so immersed in this thing, in both those jobs. My learning curve was so steep that I really didn't look back at all.

Well, the only thing I missed was: I had a lot of these stocks that I had taken out of Sutter Hill and wasn't sure how to sell them, when to sell them, and I didn't have particularly great advice on that. And I didn't pay any attention to that, so an awful lot of people are a lot wealthier than I am because they were really in a growth period.

MJP: *Well I was going to say the early 80's especially, were the boom years.*

WHD: Great time. Sequoia made a couple of really good big deals: CISCO, they did the CISCO deal. *That* should have been the Sutter Hill deal. And it might have been if I had been there — I can't say that. I think that was a great time to make investments because it was just revving up. As I say, the 70's were more like this, but the 80's — it seemed like it leveled off, but that was a great opportunity—Machines were talking to machines, and the acceleration of technology was so rapid then that I missed a big hunk there. As a result, as I say, a lot of people are much better off financially, but I don't regret a minute of the time I spent away, which was twelve years.

MJP: *That is a long time. Of course, seeing what you are doing now with your success, you simply have more to give away.*

WHD: Yes, it's fine, It's great. It's worked out well. No I never would have done, for instance, Draper International, the India Fund if I had just stayed here all the time; it would have been plenty of deals and I wouldn't have known about the world so much. And I would have been as frightened of India as all the other people were, when I said, "I think we'll start up in India."

MJP: *What did you do after your government service, your U.N. Service, to get back into the thick of things?*

WHD: You know, about twenty minutes of watching the grass grow. No, I came back with the idea of going back into venture capital because it's the only business I knew, loved

California, loved Silicon Valley, and we had never sold our house, and so I knew I wanted to come back here. But I knew I also didn't want to just hang around. You know, you can't go home again. Sutter Hill had moved on and they were glad I didn't show any interest in coming back there, I'm sure, because they had their piece of the action, and Paul was the senior partner. And that really was just right. Before I came back, because of my International experience, I didn't want to give up that. In some way or other, I can tie together what I know in business with what I know in the world, so I'll do some venture operation in Asia. I thought Asia was growing faster than any other part. And so I came back and I met Robin [Robin Richards Donohoe] at the Stanford Business School. I told you how I met her, didn't I?

She was presenting to this other guy with her team of helpers, other students, how to invest in private deals in Peru — should he or shouldn't he, and these are the pluses and minuses. She later contacted me and said, would I like to talk about venture capital. Then I told her at breakfast that I did want to start a venture capital company focused on Asia. I didn't know exactly where, by the way, at that time. And then she said she had lived abroad, and so she and I hit it off like magic. '93 or '94.

MJP: *How did you raise your money?*

WHD: Well, after three hours with her we were partners. Remember I told you, you have to make calls as a venture capitalist. I never made one on her because I knew she was right. Honestly, I did not know anybody—I hadn't been referred to her by anybody —This guy

said he had met her in the Czech Republic and said let me do this, and it was her idea to study it for him and get credit. But I didn't know anything about her, except what I found out in those three hours. And she had checked on me, I mean, she knew me by reputation because I already had one here. And so, we were partners, and we didn't know where we were going, but we were going to Asia. And then, as far as why we picked India—China was a good candidate, and we looked at Indonesia and Vietnam and Hong Kong and one other.

MJP: *Singapore? Thailand?*

WHD: We went to Singapore; we didn't think of Thailand. But we picked India because it was a big complicated country, so is China, but democracy and the rule of law, China doesn't have that. Very entrepreneurial people and very good technology. In India, they speak English and that was a big plus, because if you're doing a private deal, you know, if you've got to work through an interpreter, that is really tough, so that was a big plus. But that in turn helped India to become the biggest exporter of software other than the U.S. at a time when software was very small, you know, just beginning. But it had to jump over China because of that, and we wanted to go into software primarily, or IT stuff, intellectual properties, the Internet technology, and so on. We ended up with a really good decision. But I had a lot of people who said, God, they didn't trust the Indians, they are a lot of thieves, lost money every time they worked with them, and stuff like that. But it's just like every other new part of the world, if you go in as a novice, you have to be careful and select somebody that you trust that then helps you select other people. And

we did get two very good partners in India. Garnaut Karne (Sp?) and Abbey Havaladar. And, you know, it became easier and easier as we learned more about what they were about, what their biases were and what their weaknesses were — one of them did and the other didn't know anything about venture capital. But we'd go over there four times a year and stay for two weeks, five days of work and two days of visiting some remote part of India. All those photographs in the office show where we were. We got all over the country, more than most Indians have gotten to. So we had fun, and that was a big part of our program. We wanted to have fun; we wanted to experiment. This really was an experiment.

You said: "How did you raise the money"? Through my government work and through the SBIC thing, I knew the government had leverage in an organization called Overseas Private Investment Corporation for Americans who would invest in developing countries. They wanted to encourage equity into developing countries. And so it worked just like the SBIC program, where your money is equity and their money is loans to your entity and you use the money first and then they do. So we became their India fund, and so my government, again, did all tie in. We had a blast. Everything was fun. It was hard work; you know it's a 24-hour trip, going to Bombay from here.

MJP: *Is that the only hard part though?*

WHD: No, but you start there with a 24-hour trip and you've got two partners over there you're trying to communicate with, and so you get up at four in the morning in order to talk to them at a logical time, or six in the morning. The Internet was not around, really in the big way, at that point. Netscape had just started. It was a fun time to be thinking about a cross-continent operation.

MJP: *I should have done this research and I am embarrassed, but were you the first venture fund partner with—*

WHD: In India? Yes we were.

MJP: *I don't think there were any in China at that point.*

WHD: No, no. We were absolutely the first. There was an English company called Commonwealth something that also was investing in India, in some private investments, and I'm sure you could find other people who made investments in India, of course, over the history—

MJP: *But as a fund?*

WHD: As a fund, India as a fund. So as far as raising the money, what I did was: of the equity, I put in a third of it myself, me and my children; and then got about a third of it from Sutter Hill Partners, friends that were in the Bay Area that I'd worked with before, some way or another; and a third of it from Indians who had done well in Silicon Valley, even though there were not very many of them, some of them had done pretty well, or they had taken

money out of India or some way or another. That included Vinod Khosla from Kleiner Perkins, and included two — one entrepreneur and Naren Gupta, and another Gupta, who is an entrepreneur, and a wonderful guy named Conwal Recki,[sp] another entrepreneur who was then doing a little investing and private deals. So I got quite a network of about a dozen of them, maybe ten of them. But I didn't get any money out of India. I knew about [unintelligible] Entada, [sp] and I asked him to be on my advisory board. And I asked about six or eight others to be on my advisory board in which I got a little bit of advice. In fact, if I had followed the advice of one of them—I lost money on one deal: we backed a guy who I think was crooked, and that was the only one out of about twenty-five. He advised me not to go in with this guy, and somebody else was investing, and we decided we wanted to do something together with them, and that was a mistake. But on balance, out of those twenty-five companies, maybe two-thirds of them made money for us, and some of them made a lot of money. Several of them were companies that were based here, but they did all their stuff in India: Selectica and Ramp Networks. We had several like that. I learned from TAI, India's entrepreneurs' organization, a lot about the Indians, and they were very supportive of me, and I was their twelfth, charter member. And so that was exciting to be a part of their community here in Silicon Valley—and that extended.

Today Draper International is still well-known in India because we did do well. Our limited partners, I think I told you they made sixteen times their money so far, and there is still one big hit that's in there, the Yahoo of India, called Rediff. We haven't figured

out a way to get that loose because it is not incorporated here. Now everybody's doing it; we were experimental. Several of ours were founded in India but based in India, an Indian corporation, in Rupee stock. But the best way to do it [invest in India] is to have a corporation here and then have a subsidiary that maybe all the money and all the effort is done there, but at least you've got American dollars' stock. India is a fascinating place, it's full of excitement. It's seven different countries and about seventy different languages, but English is the one that everybody does business in, so that is really a big help. We didn't have any problem with the language. I think some people went into China after that, in that period, and if they had a minority position, most of them lost their money. It's a lot tougher. If you go in as General Electric, you can negotiate with the government and you know what you want and you hire the labor force, and you get cheaper labor for Nike, or Johnson and Johnson. But if you go in as a venture capitalist and invest in a minority position, you are going to have a really tough time. There is a great book, *Mr. China*, [by Tim Clissold], written about a guy named Jack Berkowski; he married a Chinese gal. I invested a half a million dollars in a beer company that he bought control of, second largest beer company in China; I lost all the money. And Miller High Life did too. We went in together, me and Miller High Life, (laughs) and a lot of other TCW, that was a small part of the whole thing. But when I first came back from New York, and he was doing this, and I was still interested in the world and China—That book is really funny.

Mark will like it. *Mr. China*. Most of the book is about the other deal that he had, which was buying up auto part's manufacturers in different parts of China with the idea that he would supply all this growing market for vehicles. It might be a spark plug company or any kind of parts. He would invest in some place up north of Beijing, 150 to 200 miles away. He'd go up there a month after he made that investment, "Where is everybody?" And there's this big factory; there had been 1,000 people in the factory, and: "Where is everybody?" Oh, they went over the hill, I think they are working for another company. And the other company has all the jewels, and he's just got an empty—that kind of thing. The stories in this book, *Mr. China*, are hysterical. Mark would like it.

MJP: *I have to ask you some different kinds of questions. Can I?*

WHD: Yes, Yes, sure.

MJP: *How do you do it all? As I look at your life: you told me off the tape about your wonderful love story with Phyllis, about your three successful children and your involvement with your grandchildren. Your life only gets more complicated. You've changed careers, invented businesses, expanded businesses, traveled. You're active in the community, universities, launched a foundation. You are active physically with tennis. And in business and the world at large, you're still growing. Your mind is just out there in the large world on so many levels, and how do you do it all?*

WHD: You know, you talked about me writing a book. That would be tough for me, because I don't know if I would be disciplined enough to sit down and write the way you could.

It's different than you think. But I know what you mean. Yes I suppose you're right, if I could talk in a tape and could find somebody like you to do it with me, I suppose that's right. But I love variety. I love variety, and that's why I love the venture capital business, because you are constantly learning about stuff that some young person has thought up and it's a future and you kind of, My gosh, it can't be the future. And then all of a sudden you find, well, Yes, yes, that's what happened. And so that is a very exciting thing.

Now, I was a little bored when I was at, I told you, at the steel business. And so I like variety, and I love the fact that this country is getting such a mix, the "browning of America" is a *wonderful* thing. And, of course, it's been happening ever since we began, the Pilgrims and beyond. And it just keeps changing, this country keeps changing, and it's changing very fast now, by the way. A little worrisome on those that are illegal that are pouring across the border from the South. That's scary, but I think that our legal immigration is the strongest part of this country. Norway has a very tough immigration policy. They are very generous on aid programs; they were the biggest contributor to UNDP. But it's a little bit of a guilt thing that they are paying off because they have a very tough immigration policy. Well, they are very dull and they are very much — I shouldn't say they're dull — as a personality, really, the country is. And it's not very creative, and so luckily they struck oil, and that is helping to do all the thing they want to do for their people. But it's very different here, and it's so exciting. So, I love that.

MJP: *Your mind is active and yet you seem very — this is a judgment — stable.*

WHD: Yes, I'm pretty stable.

MJP: *Do you ever doubt yourself?*

WHD: Oh God, all the time. Oh sure. But I'm pretty good at selecting good people to work with, and I listen to them a lot. So, it is not all something that—

MJP: *How do you deal with your doubting moments or? Depressed moments or?*

WHD: I don't get depressed. I don't get depressed; I get worried about something that may happen: I don't know if we are going to get this company financed, or I'm worried about, is Phyllis going to have another operation. Those kinds of things have me worried. But I don't get depressed at all. I'm kind of an optimist by nature, and I think every venture capitalist should be. Certainly every entrepreneur should be.

MJP: *So you've talked to Chuck Newhall about his theory that venture capitalists have some level of hypomania.*

WHD: I know, but I don't know that I understand it.

MJP: *It doesn't make sense to you?*

WHD: I don't know that I understand it because I think he feels that they are bipolar, and I don't think that's true. I don't think that's true.

MJP: *Well you are, I mean, based on your experience, you seem really stable. Excited, energized, but not out of—*

WHD: I don't think he's quite got that perfect. Well first of all, it's ridiculous to put all the venture capitalists in one bag. Arthur Rock and I are about poles apart, and Chuck is very different from either one of us. And, one of the best in the business at Kleiner Perkins was the name I mentioned, Vinod Khosla. He's a terrific guy.

MJP: *Can I just ask you a question? Do you have a guiding philosophy? Like, my father's philosophy is to give seventeen ounces to the pound.*

WHD: Ooh, I like it.

MJP: *He's a businessman. Or, with some people, be the best. Or, make a lot of money. Or, do you have—*

WHD: It's not, make a lot of money. You know what I like? The best, I think, is to see if you can do something for somebody else. To help. I mean, I think my philosophy is: do your best to be helpful to other people and it will come back in spades. And that's what has happened, to me. I think every time I try to do something for somebody else, I somehow get it back. And it's fun because I get people that come back and say, Oh, you did this— And I'd forgotten. I think that's the heart of it. You know, if you're generous with your time and your money and your personality, you'll be happier and more productive person, and success will come much more easily.

MJP: *You have certainly been generous with me. I absolutely have loved this. Thank you so much.*

WHD: Oh, I've loved being with you.