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

Edward F. Glassmeyer

Interview Conducted by
Carole Kolker, PhD
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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.

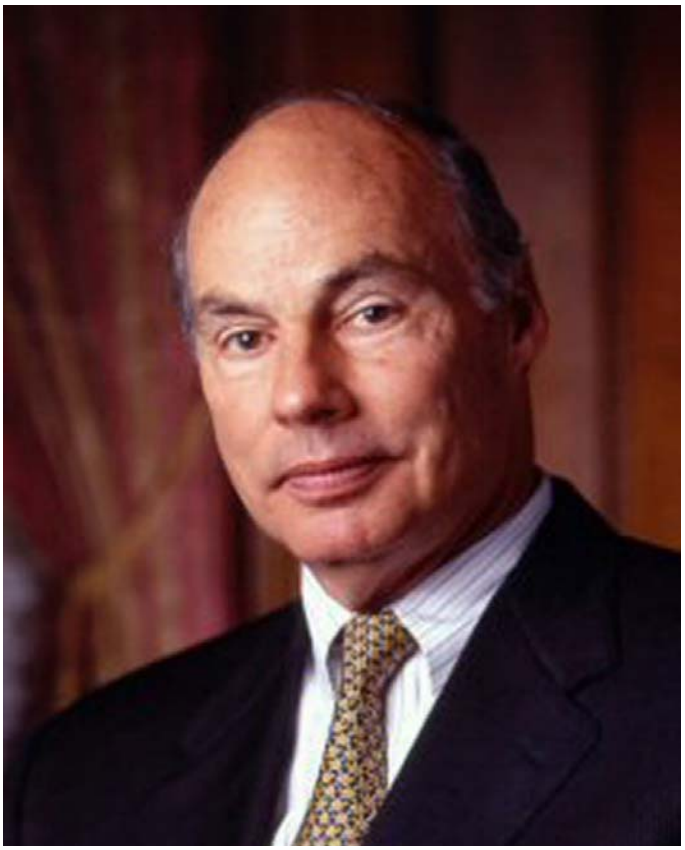
As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 2% of US GDP and was responsible for 10.4 million American jobs and 2.3 trillion in sales. These 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
2009

VENTURE CAPITAL GREATS



A Conversation with Edward F. Glassmeyer

Edward F. Glassmeyer, an industry veteran, is a Managing Partner of Oak Investment Partners (Oak), which he co-founded in 1978 with Stewart Greenfield. Prior to Oak, Ed was the Managing Partner of The Sprout Capital Group at Donaldson Lufkin and Jenrette, and began his career with Citicorp Venture Capital in 1968.

Over the years, Ed has developed long-term relationships with entrepreneurs and businesses. At Sprout, he led the investments in Instapak with Sheridan Snyder, and Shugart Associates with Al Shugart. Each entrepreneur started a successor company, and Oak served as the founding investor of each: Snyder with Genzyme and Shugart with Seagate Technologies. Snyder became a serial entrepreneur with Oak, and Seagate a partner in subsequent Oak investments, SanDisk and Xiotech. More recently, Ed has led the movement at Oak for more growth equity investing with a 'venture mindset' — Venture Growth Equity — investing in operating-stage growth companies as a venture capitalist.

Ed has sponsored a number of venture growth equity companies including Aavid Thermal Technologies, CBORD (Roper Industries), Equaterra, Geotrace, Gmarket (eBay), Fiber Optic Network Solutions (ADC), Paysys (First Data Corporation), and Picture Vision (Kodak). He is also actively involved in Oak's global initiatives in India and South Korea.

Ed graduated from Princeton University, served as an officer in the Marine Corps, and received an MBA with distinction from The Tuck School at Dartmouth. He has served as a trustee of Colorado College and an Overseer of The Tuck School. Ed was a founding director of the National Venture Capital Association (NVCA). In 2005, he was honored with the NVCA Lifetime Achievement Award.

This interview with Ed Glassmeyer, a Managing Partner of Oak Investment Partners, is taking place at his office in Westport, Connecticut. Today's date is October 17, 2008. My name is Carole Kolker.

THE EARLY YEARS

Carole Kolker: *Thank you for setting aside this time. As I said, there is an accessible public record, so this is really about you. It's more personal; I want to get a sense of who you are and the challenges you've faced; the official record can fill in the data. However, for the sake of this interview, let's begin with when you were born.*

Ed Glassmeyer: I was born September 17, 1941, in New York City.

CK: *How did it happen that you were growing up in New York City?*

EG: My dad worked in New York for Blyth and Company, a bi-coastal — San Francisco-New York — investment banking firm. He worked there for thirty-three years.

CK: *Any sisters or brothers?*

EG: Three sisters.

CK: *Where did you fall in this line?*

EG: Second. An older sister, Betsy, and two younger sisters, Mary and Edith; they're all living.

CK: And, y*our father's name?*

EG: Edward.

CK: *And your mother; did she work?*

EG: Her name was Betty. She was a New England-bred mother and wife. That was her job.

CK: *What were your interests as a child? Were you a tinkerer?*

EG: I was more into sports than tinkering. You're making me think of Reid Dennis, who's the all-time tinkerer with his steam engines, model railroads and planes; he's still flying today in his 80s. I grew up in New York, so you're limited in terms of outdoor stuff — handball in the courtyard. I did enjoy baseball, particularly attending pro ball games and experiencing the stadium ambiance, as the ball 'park' for a city kid had the greenest grass you've ever seen vs. the concrete of the city. I became interested in baseball and played through high school.

CK: *Where did you go to school?*

EG: I went to Collegiate School, on the other side of Manhattan, starting at age five. At age eight, I commuted by taking three buses across town.

CK: *Were you in the same school with the same people for twelve years?*

EG: No, my family moved to Connecticut after my fifth grade year, and I attended sixth and seventh grades at a public school and then went away to boarding school.

CK: *Was this a culture shock?*

EG: No, because my summers were spent at a boy's camp in New England.

CK: *What camp did you go to?*

EG: I went to Windsor Mountain and Agawam. Agawam is a camp where many Connecticut children go, near Sebago Lake.

CK: *What were your favorite subjects as you were going through school?*

EG: History. I was interested in what drove the shaping of borders, cultures, political systems. (I watch The History Channel today.) I enjoyed learning lessons from the past and seeing how they apply to the future. This is also true in venture capital: patterns repeat. Things we learned in the '80s are true today, and once you identify the phenomenon, you can anticipate outcomes based on what you have seen before.

CK: *You didn't follow history into academe*?

EG: Not really, but I actually taught in a grade school, as part of my senior thesis in college, and have since lectured at colleges and business schools. I also serve on the board of The

Tuck School of Business at Dartmouth and did a tour as a trustee at Colorado College (CC) in Colorado Springs. CC has an unusual curriculum — the Block Plan, where you study one course at a time. CC attracts academically-oriented, athletic, healthy kids who all want to be there — a very good environment.

CK: *What about Tuck*?

EG: When I joined the board of The Tuck School it was ranked tenth or twelfth among business schools. Our new Dean, Paul Danos, really put himself out there and said, "Hey, we're a special school, and we're going to be number one." This is something to remember: *If you go for number one, you've got a chance at it. If you don't, you don't have any chance at it.* And since then, the Tuck School has been rated number one by *The Wall Street Journal*, and Tuck's composite rating is two to four right now — surprising for a small school that doesn't award PhDs.

Tuck is noted more for building strong team players than creating great leaders. However, Tuck grads rate their school experience very positively and like being in Hanover, NH. This helps with the rankings. The Tuck and Colorado College environments are similar — away from the metro area, in the mountains and rather remote. Part of their success must come from that — a sense of community, which enables both schools to attract and keep their best teachers, and draw first rate students.

CK: *It sounds like you've really enjoyed your involvement. You've given a lot, but it sounds as if you're pretty passionate about what you've been able to accomplish.*

EG: Academic institutions can be like an investment. How good is the management; how good is the product — the graduates are the product. How well-funded are they. Historically, neither Colorado College nor Tuck were well endowed schools. Now, through good management of their endowment and an enthusiastic alumni, both schools have built their endowment and are at the top of their peers in annual giving participation rates. (Tuck just reported a 65% participation rate for the year ending June 30, 2009.)

CK: *I'm hearing your exuberance, and I'm wondering if as a child you had this sense of exuberance. Is this characteristic of the way you've approached life?*

EG: Yes. I tend to be expressive — I have energy. I think in anything you do, if you're not healthy, and you don't have that second wind, or you're not able to get excited about something — it doesn't happen.

I mentioned that Tuck is known for team playing, but we know we need to train future business leaders. The board is having discussions about leadership. In breakout sessions we ask: What makes a good leader? I think there are two things that make a good leader. One is passion, which attracts others to follow you. But more important, you've got to know your job. One of the things I learned in the Marine Corps is, if you know your job, people will listen and follow.

Those who get the best responses — and probably get the highest ratings as teachers, or get the best results as CEOs — are people who have earned the respect of their constituents, because they know their job. *And if you add a little passion, you can get people to follow you anywhere.*

CK: *Who were your early role models before you went off to college?*

EG: I didn't latch onto teachers at prep school. My dad was a role model because he was oriented to doing the right thing. When he was on Wall Street, he was telling me, "Don't cut corners or look for the sweetheart deal." My dad had really good values and lived them. He was on Wall Street when you could make a lot of money, personally, getting cut into a deal. He didn't join in. One consequence, his behavior cooled my interest in being a 'friends and family' participant of IPO shares.

CK: *Did you ever work when you were in high school; did you ever earn money?*

EG: Yes. My uncle owned a motel at a traffic circle in Concord, New Hampshire. For the summer between junior and senior years, he invited me to work as the night clerk and as maintenance manager during the day. I had one of these Lily Tomlin switchboards at the front desk, where you pull the wire up to connect calls. Not like today's PBXs, but it was fun to use. The motel was also my first experience in sales. When the motel was full, I was asked to sell our patrons the idea of staying at a hotel in downtown Concord that was a bit tired, the Endicott Hotel, which my uncle also owned. So I drove as much traffic as

I could there and had a good conversion rate. I was also a camp counselor when I was younger.

CK: *So you went to camp almost every summer. And became a CIT counselor–*

EG: Yes. On CIT, it wasn't like, "I love managing a bunch of younger kids." It was more like paying my dues. I grew up in New York City with the urban support structure, and the motel job allowed me to stay at the Endicott Hotel. I had a room with a bath. Camp is a bunk in a wood cabin, and there is no bathroom around, that sort of thing. As a city kid, it's not something I would choose.

CK: *What boarding school did you go to after Collegiate School?*

EG: I went to Salisbury School. It was all boys, and it still is all boys.

CK: *What were your goals when you graduated? Where did you think you were headed?*

EG: My dad had gone to Princeton, so I was thinking I'd be going to Princeton. But at the time, Middlebury was making a push to recruit more guys. Many strong women students were attending, but in those days they couldn't attract that many guys. I don't know if I was being recruited or what, but they took me early. I was interested in going to Middlebury as I was a skier and had been at all-boys schools except for two years (6-7th grades), and I told my dad that I wanted to go to Middlebury. He said, "Well, you can go

to Middlebury, but you have to go to Harvard Business School if you do." That was an interesting condition. So when I got into Princeton, it took the pressure off.

CK: *Was there something distracting you?*

EG: I was playing sports. I think boys get distracted easily, they distract themselves. Whether they're dreaming about something that's going to work out for them or not work out, hanging out in cliques, or making trouble. You know, it's hard being a boy. Boys have short attention spans. I played sports during the school year, so that's a lot of road trips — more distractions, but in the game situation we were paying attention.

CK: *So you were kind of a sports figure at this school.*

EG: You can make a team from a school with 150 kids a lot easier than you can with 600.

PRINCETON YEARS

CK: *You ended up going to Princeton in '59, and majoring in psychology.*

EG: Yes. I liked the idea of focusing on a science in college — working with a more objective measure of what's important to learn about the subject matter than, say, history, which I would take as an elective. Figuring out how an 'Experimental Group' would behave versus a 'Control Group,' or what kind of stimulus would get what kind of response. My senior thesis was on Programmed Instruction. Back then, programmed instruction was not something done on a computer, it was working with a device that moved printed

content forward by hand. A student would see a question on the material as they consumed information, and could only address one question at a time, and not move to the next question until they got it right.

I taught a first grade class using programmed learning in the Lawrenceville School District. We set up the class as an experiment: Will kids learn and retain what they have learned better if they are getting immediate feedback — basically, taking a test as they go through material — or will normal classroom methods do better. My hypothesis was that programmed instruction would produce a better outcome. The results: The programmed learning kids scored higher on standardized tests than kids taught with regular classroom instruction. I'm sure there are 'closed-loop feedback' methods like Programmed Instruction being used in teaching today, and programmed learning worked, but didn't take off in the 60s as I had expected.

CK: *Where were you headed with this? I understand why you took it, but where did you think you were headed?*

EG: It was a short-term decision, as I knew I was going into the Marine Corps for three years after graduation.

CK: *Are these control issues?*

EG: Am I control person? I think everybody wants to control outcomes.

CK: *I'm asking if you were controlling when you were at Princeton. It sounds like you knew the results you wanted, and you were trying to figure out how to get there; it wasn't passive in any way.*

EG: I'm not passive: *If you're alert and in the game, you have a better chance of controlling the outcome, because if you don't, you're likely to be controlled by events.*

CK: *So you wanted to do well at Princeton, you wanted to get out, but you wanted to do well.*

EG: I wanted to do well.

CK: *But also, I see that you were in this Marine Corps Platoon Leaders class while you were in Princeton. Tell me about that.*

EG: After both my freshman and junior years, I went to Quantico, Virginia, for six weeks of a fairly rigorous boot camp. We were told the PLC drill instructors want to eliminate about half the people, and they did (probably 150 of 300 in our group). I didn't go into it in as good shape as I am in even now. I just went and took a flyer. This is one of those things that you do with a buddy. Before my freshman year a friend said, "Hey, let's just do this." It seemed like a good challenge to be a Marine, and it meant something to join, an elite group.

The Platoon Leaders Class takes you to Quantico, VA. You come in dressed like I am today; then they shave your head, give you a physical, and pump you with injections.

You ask yourself: Hey man, I'm in college, I should be a lifeguard at a beach somewhere. Why am I doing this? They call you names; they get you up too early in the morning; you've got to make your bed just right. And then you start marching, and if you don't march in step, you get pulled out, and you better know your right from your left, because everything's about right or left if you're in the military. Then you start learning tactics and playing war games. They basically try to tear you down to see how you manage your way through that. Then I was not in control. I tried to be in control by doing a good job and doing what I was told, because if you don't, you're going to be singled out. You know, fifty pushups, whatever.

I talked to you about camp. I'm not a camper guy, I'm really not. I'd much rather go first-class. I survived the first summer. Then I went again after my junior year, and they ratcheted things up a little more. As an example, I knew that a particular training exercise was going to be a way to teach us a lesson. They had a group of us going from point A to point B in a Virginia forest, and I was the leader for that day. In this war game, we had to get through a known “dangerous area,” where I believed the drill instructors were going to ambush us. They didn't say that, but you kind of knew that was going to happen. We had a map with us that was very valuable to a group that we were to rendezvous with at point B. So I chose the fastest guy and one of the most capable on our team, and I gave him the map, and I told him, "Here's our routing, but you go this way." And sure enough, after a while we’re ambushed. And the drill instructors got a lot

of pleasure out of saying, "Ed, see? You're all killed." But they couldn't find the map. Where's the map? And the map wasn't there — the map made it to point B. So it was a very satisfying outcome. *Another lesson: Don't be left without an option; always have a backup plan.*

When I graduated from Princeton, I wore the Marine Corps dress whites and was commissioned as a Second Lieutenant as part of the graduation ceremony. I believe that schools that don't respect the military, say without ROTC, are missing the point on the value of military training and military service. ROTC is also a way to help to pay for your education.

U. S. MARINE CORPS – VIETNAM

CK: *You said that you wanted to be a Marine. You were looking at a tour in Vietnam perhaps.*

EG: It wasn't clear then. I joined up in '59, and it was before Vietnam had escalated. But when it was time, I was happy to go to Vietnam because that's where the action was.

CK: *Are you a risk-taker?*

EG: Everybody thinks venture capitalists are risk-takers. I'm not really a risk-taker, nor are most VCs; I will take calculated risks.

CK: *Joining the Marines, was that a calculated risk?*

EG: Yes — versus exposed risk — because how many Marines don't make it through? What's the tradeoff between becoming a Marine versus being wounded or injured or killed? When I went in, it looked like one-hundred to zero, right? It was all upside in 1959. And then by the time I graduated from college in 1963, we had advisors in Vietnam. So the odds were changing, but the positives outweighed the negatives.

CK: *Is there any military history in your family?*

EG: My dad was in the army in Germany, in the OSS, which was the predecessor to the CIA. I was an artillery officer. I decided that artillery would be a good mix of taking responsibility for real assets — weapons, trucks and supplies — and managing people, plus being in the field supporting the infantry. When I was at Camp Pendleton at age twenty-two, I was the Executive Officer of an artillery battery and had responsibility for a large group of young Marines, but also a lot of equipment: 105 millimeter Howitzers and 4 x 4 military trucks — that you see driving on the highways with troops on board, and that move the artillery pieces around. I don't know what the total value would add up to, but let's say $25-30 million — and also training the troops on how to use the equipment, teaching them how to apply math to aim the weapons, etc. Surprisingly, my teaching in the Lawrenceville elementary schools helped me organize and execute lesson plans for training enlisted men. Within a year, I had orders for Vietnam and spent thirteen months in Okinawa, Japan and mostly Vietnam. Towards the end of my three year tour, my

commanding officer offered to make me a captain if I would stay another year. It was tempting as it usually takes four-and-one-half years to become a captain. It was the non-risk-taking part of me that said 'no'. I could never have had a better tour than I had my first three years in the Marine Corps, and if I stayed, it was likely to get worse. And based on the next eighteen months in Vietnam, it would have been worse.

CK: *Diminishing returns?*

EG: Diminishing returns, right, because my tour started with being the officer in charge of a combat outpost near Chu Lai, a coastal town in the north, and ended being the Adjutant of the 12th Marines Regiment, near the port city of Da Nang, for most of my tour. I was a First Lieutenant S-1 (Adjutant), the Top Secret Control officer, and in charge of personnel. I prepared (wrote) orders for everyone in the regiment — when they would go home or take another assignment, and where. It was a good learning experience as I was the youngest and most junior on the regimental staff. The other officers (S-2, S-3, S-4) were all majors. I also learned how to do business writing in the Marine Corps. I'd write orders or put out the word about something, and my colonel would say: "Ed, you're using too many words; you're just flowering it up. Get rid of the excess and just say what you have to in the fewest words." That had a big impact on my writing. So now, I just write the minimum, and most of the time it has more impact. Colonel Calendar was my CO's name. He might be a three-star general today, who knows. There's an example of a

mentor. I became a much better communicator*: using fewer words, saying and writing less and communicating more.*

CK: *How do you think that your Vietnam experience, your military experiences, affected the direction of your life?*

EG: I'm not "military" in how I am. But the fact that I had been a Marine officer means that I have less to prove. It just gives me more confidence in going about what I do.

CK: *But everybody that comes out of the military doesn't come out with this experience.*

EG: I'm sure it varies.

CK: *Perhaps it's indicative of your temperament?*

EG: No, because when I was younger I was a bit rambunctious. I think it was a calming of my temperament. The military for me was being at the right place at the right time. It was at a point where I really didn't have a career objective. You're asking me what my goals were. My goals were to graduate from college and get commissioned in the Marine Corps. That's as far as I was looking, and I figured the Marine Corps would kind of take care of itself. After the Marine Corps, I would go to graduate school.

TUCK SCHOOL OF BUSINESS AT DARTMOUTH

CK: *Your father wanted you to go to Harvard Business School.*

EG: Yes.

CK: *Why didn't you want to go to Harvard Business School?*

EG: I may have gone to Harvard. I had applied, and I got put on the waiting list, and I applied to Tuck and got in — and one of those things where you say, "let's go." I was married just before I went to Vietnam, and applied to business school from there. I was thinking, Where do I want to live now that I'm going back to the U.S.? I have New Hampshire roots; my mother was from Manchester, New Hampshire. It was also a good pick as a 'quant-oriented' school. Dartmouth was led by John Kemeny, at the time, and with his initiatives we all had access to the new Dartmouth Time Sharing system and were programming in Basic early in the day.

CK: *Where was your wife Penny from?*

EG: I met her in California while stationed at Camp Pendleton. But she actually grew up in Connecticut, moved across the country, and settled in California as a high school junior. She went to La Jolla High School and Berkeley, but was an Easterner at heart.

CK: *Did you pick up any mentors while you were at Tuck? Perhaps this isn't your pattern.*

EG: Not so much at Tuck. As I mentioned, I think my dad was the best mentor. He instilled really good values. The Marine Corps experience also helped — both being mentored and becoming a mentor. When you're a partner in a venture fund and you're working as a peer on a team, the way to help set a direction is not to get out in front of them and lead, because your partners aren't going to respond well to being told what to do. They're very self-confident and capable people. So the experience that I had in the Marines enabled me to be more comfortable being part of a team and not have to show what I knew or what I could do. I had the opportunity in the Marines to be more 'out there' as a leader. When you consider that this is our thirtieth year at Oak; how did we keep this thing together? The managing partners just needed to do their job, set the example and mentor the newcomers.

CK: *What happened at Dartmouth to shape your direction? You were just following what you wanted to do— You went through Princeton and you went through Vietnam, and then you went to Tuck.*

EG: I was in a terrific study group. You know how business schools work. This gets back to picking your partners. And I was pleased that the number one and two ranked students in my class at graduation were in my study group, which we formed in the first couple of weeks of school. So I was probably taken to a higher class rank than I would have otherwise. In fact, I was ranked #1 after the first semester, second year. That's when

firms are recruiting. Recruiters would come in and ask the school: Who is the number one student? That kind of thing. And as I told you earlier, I wasn't going for that, but it was a kick to get the attention. I ended up accepting a job at Citicorp, where they had just formed an SBIC [Small Business Investment Company], to conduct a venture capital operation. I had been tempted to take a job with Morgan Stanley, but I thought I would get further faster with a small group that was set up to make equity investments outside the commercial bank.

Before starting at the bank, I went to visit Morgan Stanley, as a courtesy to them as they were recruiting me, to tell them I was going elsewhere. I met with Bob Baldwin, who was president of the firm (and served as Secretary of the Navy). He asked me why I had come to see him. And I said, "I'm here to let you know that I'm going to be taking a job with the First National City Bank." And he had this perplexed look on his face, like, what the hell are you doing. It was sort of a combination of, why would you ever take that job, and why did you come down here to tell me. But anyway, he quickly walked me to the door saying, "I'd rather sweep the floors of Morgan Stanley than be the President of the First National City Bank." That's the exact quote.

CITICORP (1968-1970)

CK: *You were entering the venture capital world at Citicorp in 1968. What kind of a business was venture capitalism at that time?*

EG: The Small Business Administration created Small Business Investment Corporations (SBICs) to provide equity financing to small businesses in a vehicle that could borrow a multiple of their equity from the government at favorable rates — but were also highly regulated. Commercial banks were told that after a certain date, December 1967, they were no longer going to be allowed to own SBICs. So a few banks formed SBICs before the end of that year — most did as placeholders, and it was the entity that I joined in the spring of 1968. We were using the bank's capital, but needed the SBIC vehicle for the bank to be in the venture capital game, as banks were not allowed to be an equity investor without an SBIC "buffer" in those days. We started with $5 million and opened an office on the first floor right at the 53rd Street entrance to the bank! So you're walking down 53rd Street, and you could look right through a floor to ceiling window at our office and see our team at work. It is the last place you would put a venture capital firm, because you wouldn't want anybody thinking they could walk in off the street and be taken seriously.

Most venture investments are referrals from a network of relationships built among people who know what you are looking for. One of those was an investment banker in Richmond, Virginia, who brought our attention to the James River Corporation. It turned

into an important investment for the bank. James River had $4 million in revenue, at the time, with two very appealing leaders. It was located right on the James River, and its business was making specialty paper by running paper very slowly through the fourdrainier, a paper making machine, and using chemistry to treat pulp to add value. They were making filter paper primarily for AC Spark and Fram Filters. James River also produced coated papers for annual reports – shiny white stock — a very different process. Their banker called in and got me on the phone, so I was on the case.

The James River investment thesis was that specialty paper could be sold for twice as much per ton as commodity kraft paper, and underperforming mills could be repurposed to make specialty papers. Both proved to be true. We did our diligence, liked the team and the idea of operating off the beaten path of high volume paper-making —Scott towels and toilet paper, for example — and put together a $12 million financing, buying just under half the company with a combination of debt and equity. Citicorp was invited to be their partner to build a substantial company through the acquisition of paper mills that could be converted to make specialty paper. Soon after we invested, the James River flooded and almost wiped out our facility, but management was very resourceful and put the most important machinery up above the water line to avoid getting washed away or rusted out.

CK: *Who are the two principals you were talking about who were running this?*

EG: Brent Halsey had been the President of Interstate Bag, a subsidiary of Ethyl Corp., and Bob Williams was head of research for Albemarle Paper. Together they put up $1.5 million to buy Interstate Bag from Ethyl Corp and immediately shifted the company's focus to specialty paper operations — that's when they came to Citicorp. Halsey was an excellent leader, motivating his team by communicating his strategy and expectations to all employees. The company went public four years after Citicorp's investment and was a multi-billion dollar Fortune 200 company seven years after the investment. They later became a major business unit of Georgia Pacific.

CK: *How much were you personally involved in this venture?*

EG: The president of our firm, Phil Smith, and I were involved in putting the deal together. Phil in the structuring, and I ran the diligence. When we closed the deal, Phil and I both went on the board. As a "build up," (growing mostly through acquisition), I was involved in evaluating target acquisitions and figuring out how we'd finance them. We acquired a number of businesses with financing from their own balance sheets. Most of the companies we bought were repurposed into specialty paper making, so we weren't "paying up" for a strong going concern value. I was actively involved while at the bank, and moved on to Donaldson, Lufkin & Jenrette's [DLJ] Sprout Fund two years after joining the bank. Later I arranged for a package of Citicorp Venture securities to be

acquired by Sprout, including James River Paper, so I was able to continue to be an active investor in James River at DLJ.

DONALDSON, LUFKIN & JENRETTE – SPROUT CAPITAL GROUP (1970-1974)

CK: *Why did you leave Citicorp?*

EG: Even though Citicorp was doing venture capital, it was still a commercial bank, and I thought I should get closer to the equity side. DLJ had just put a new venture fund in place, the Sprout Capital Group, and I got invited to go over there, and that was the right time and environment for doing venture capital with an equity-oriented firm.

CK: *Had you decided to quit and go look for a job?*

EG: No. What opened the door was that Citicorp was talking with me about going to London and creating an office there. When you think about leaving the country, it opens you to other options. So I was vulnerable, or game, or however you want to put it; and a friend of mine was at DLJ, he knew the Sprout Fund, and he thought I'd fit in. So I had an interview, got the offer, and went.

CK: *Did you have a plan, at that time, regarding career objectives?*

EG: I wanted to be on the equity side — building businesses. I'd worked at Citibank as a lender between years at business school. Lending is important, but the 'interest differential' profit formula doesn't measure up to the potential gains of investing equity,

particularly of venture capital. I had a good feeling about DLJ as a firm and thought they were on the right track. As you may recall, they were heavily oriented to research and had just gone public themselves and were a pretty hot company. So I figured they would attract some interesting companies for venture investments. It turned out that most of the deals we looked at were friends of the DLJ founding group. So there were a lot of relationships to sift through that became dead ends. But Sprout had the DLJ franchise and the potential of being a desired player, once networked into the venture community.

CK: *What were your initial responsibilities at DLJ?*

EG: I went there to be the 'day-to-day' manager of the fund, and there were a couple of DLJ execs who had a higher responsibility. And about a year later, I was put in charge of it — probably because the more senior people were called on to do more important things at the firm.

CK: *This is the Sprout Fund. And were you taking it over?*

EG: Taking it over is a big word. I became the Managing Partner.

CK: *What was going on in the stock market during this period?*

EG: The market was pretty good between '70 and '74. I left there in '74. Things were not so good in '74 and '75. That was a period of higher interest rates and slower economic growth [stagflation]. That was when I chose to leave, in part because Bill Donaldson was

leaving, in part because we were raising our third fund and I didn't think it was right to stick around if I wasn't planning to stay long term. So it was a window of opportunity — either leave or you're going to be there for another few years.

CK: *What did you learn about venture capitalism, and what shaped your attitude towards your work, while working at DLJ?*

EG: One thing is clear: *Venture capitalists should be independent from a ' parent' — independent of pressure to bring in new clients for the firm or to offer services* — IPO or M&A services, for example — *to our portfolio companies.* DLJ wanted to 'mine' the Sprout portfolio for current revenue, while we were trying to build great companies for the long term. There were times when there was serendipity, but there was also friction, and that was part of the reason to leave.

I invited Stewart Greenfield, who was also employed at DLJ, to join me. Stu was a savvy student of technology and markets. Another 'learning': *Get the best people on your team,* as I did in business school. Stewart had been an IBMer where he was a special assistant to the president; he advised him on business planning and strategy. He came to DLJ as the Computer Analyst, and I recruited him into the venture group; and we departed in the spring of 1974 to form a new company.

THE FOUNDING OF THE NATIONAL VENTURE CAPITAL ASSOCIATION - 1973

CK: *You left in '74. Just prior to this, you were involved with the founding of NVCA. That was in 1973. How did that come about?*

EG: Ned Heizer deserves the credit for founding the NVCA. He invited me to join the initial Board of Directors. Venture capital really wasn't a "venture community" at the time. He felt that we needed to coalesce as a group and begin to think about how venture firms should work together to identify issues to be addressed, and, perhaps to influence public policy. Soon the focus became educating Washington to the merits of venture capital as good for public policy, and specifically for job creation, driving exports and increasing tax revenues. This in turn would help us argue for reducing capital gains taxes and relaxing restrictions on pension funds to encourage more venture investing. The NVCA became the industry trade association and advocacy group. We hired a solid team in Washington to represent us. As the 'venture community' grew, more and more firms joined the NVCA.

The NVCA was also able to establish that venture capitalists are 'good guys', and venture investing was good policy. Interest in supporting small business grew as people found out more about it. They learned that venture-backed businesses were growing quite rapidly and accounted for most of the new jobs in the U.S., while large established companies were losing jobs.

By the '90s, the arcane world of venture capital of the 70s became much more visible, and a number of venture capitalists became well known through a willingness to go 'on the record' in personal profiles and cover stories. Being visible can help to promote your companies, your agenda, and your themes. So there was a useful purpose in promoting your firm and your portfolio. But it was quite a change from the stealthy early days to see a venture capitalist as a featured personality in an article or on a magazine cover.

CK: *Does this speak to the success of NVCA in promoting the economic benefits of the venture industry?*

EG: Not really. There is a difference between the venture industry seeking more visibility to promote its agenda through the NVCA and a venture capitalist being the featured attraction of a story.

CK: *Did this come about as a result of the tech bubble?*

EG: Yes. It was a time when investors and Main Street were anxious to learn more about what was "hot," and venture capitalists were being probed for their thinking about companies, markets and technology, and some got caught up in the hype.

CK: *Thirty-two years after the founding of NVCA, you received the NVCA Lifetime Achievement Award. Could you tell me about that honor and what it meant to you?*

EG: It's flattering, but I see it aimed toward the people who helped to build and shape the institutions that have survived and thrived in the venture community, not so much to recognize 'celebrity' VCs. Dick Kramlich received the award a few years before, and when that happened I took notice. I respect Dick and his role as an industry leader. So when I was selected, I was pleased to be in his company.

CK: *While we're on the subject, I'm going to kind of jump ahead and ask you if there have been changes in this overall philosophy since 1973, because today there are so many more venture capitalists, and therefore more venture capitalists vying to support the entrepreneurs.*

EG: I've seen a few phases. In the early days venture capital was practiced off the radar. Nobody knew what venture capital was. It wasn't visible to the public what the venture community was doing. The early participants were families like the Rockefellers and the Whitneys, who didn't want any publicity. So, we were taking a big step by forming the NVCA in 1973, as it was a vehicle for bringing more attention to the industry. Still, individual venture capitalists were keeping a pretty low profile.

In the '70s, venture capital was practiced in syndicates of venture firms working together. They would develop an opportunity — agree to a division of labor where each firm contributed a piece of diligence. For example, one would check out the technology, another would look into markets, another evaluate management. So an ad hoc "firm" was

formed for a single purpose, managing a specific investment, working as a team. It's like the Enterprise 2.0 of today (Web 2.0 for business), where you network to experts to bring knowledge and insights for better decision making — functioning as a collaborative work group with participants outside the four walls of your firm. It gave us a lot of influence, because if you have three or four firms managing a deal, it empowers the consortium. This was also a special time for venture capital, when capital was scarce, and markets were eager to respond to innovation.

CK: *These different entities that you brought together for one venture, were they people you knew, was there a network?*

EG: We knew them *and* there was the networking effect. At the time that I was with Sprout, we were co-investing with firms like Venrock, Bessemer and New Court Securities. As firms got bigger, they could handle more of the capital requirement themselves, but many still seek out co-investors to share the pre-investment diligence and post-investment governance and to support follow-on financings.

CK: *Would you describe these, as Chuck Newhall has, as a "band of brothers," which is certainly how you might feel in the military. But through networking, or going through something together, was it similar to that?*

EG: Yes. That's a little dramatic way of describing it, but most firms work together as partners to build up a critical mass investor group to improve the odds for success.

FOUNDING OAK INVESTMENT PARTNERS (1978)

CK: *In 1974 you left DLJ and started Charter Oak with Stewart Greenfield.*

EG: Right. Charter Oak was the precursor to Oak Investment Partners. We knew that we needed a bridge, because we weren't going to be raising money that fast. So we set up a merchant banking firm, primarily to offer strategic advisory services and M&A, Charter Oak Enterprises. Our plan was to work as advisors to small and medium sized businesses. Our first client was Reeves Communications as an M&A advisor. We decided to operate on a multi-year advisory contract, versus on a deal by deal basis, to keep our new business going. We were soon invited by Xerox Corporation to help them set up a venture firm on the East Coast. We gave them a week/month of our time to help them get organized and to search out and evaluate new investments. They paid us very well for that one week. Our arrangement was that we needed the other three weeks to raise capital for a new fund. We did that for two years, and then they moved the operation to the West Coast. We enjoyed our run with Xerox.

At that point, two years into it, we got a call from Rotan Mosley, in Dallas, representing investors in the oil patch to raise a venture fund to diversify oil interests into tech investments. This was 1976. The man in charge of this activity was Charles Duncan, who was not an oil man, but he was part of the Texas "band of brothers," to use Chuck's term. He had been the president of Duncan Foods and sold it to Coca-Cola and now was president of Coca-Cola; and his band included Howard Keck, who was the president of

Superior Oil, and George Kirby, the president of Eastern Pipeline Gas Transmission — heavyweights in oil and gas industry. We were then invited to Texas to meet these gentlemen to see if it could work. We got along great with Charles Duncan. He was a total man's man; he had a ranch in Wyoming, he hunted elk and was an impressive exec. He was going to put half a million of his own money in.

We went to Houston to talk with Howard Keck and George Kirby about becoming investors. We were out to raise $20 million. We were at Texas Eastern with George Kirby and the phone rings, and it's a call for Charles Duncan. Charles excuses himself and comes back a few minutes later. It was Jimmy Carter to invite him to be the Energy czar in his Administration. He accepted on the spot, which put him (and us) in an awkward position, as we just lost our sponsor. So, our plan to raise money in Texas through Duncan's network ran aground as Duncan soon joined the Carter Administration. He later became Deputy Secretary of Defense.

CK: *How did you decide on the name Oak?*

EG: Oak came from The Charter Oak, an old oak tree growing since the 12th or 13th century, in Hartford, Connecticut. The name "Charter Oak" stems from a local legend in which a cavity within the tree was used, in late 1687, as a hiding place from the British for the document that embodied the colony's Charter. That became our name. It was also the name of the Hell's Angel motorcycle group here in Connecticut. We got a call one day

and this fellow's asking: "How many bikes you got?" And Stewart's answering the phone and just wondering: "What in the world is this?" And of course we had no bikes, and Stewart was embarrassed that he didn't know what these guys were talking about. But we did let them know we weren't part of 'that' Charter Oak. Even today, you can see the Charter Oak leather jackets on motorcyclists around the state. So they have lasted as long as we have. When we finally did raise our fund, Oak Investment Partners seemed like a better name. We certainly didn't want to call it Glassmeyer and Greenfield. That doesn't have quite the right ring to it. Also, if we're going to be an institution, we felt we should have a neutral name.

As one of the last transactions under the Charter Oak name, we were involved in selling the Shugart Associates to Xerox. We had no contract, more just helping out, but Shugart Associates insisted we be compensated for our role. It was Jim Buchnowski, who worked with us at Sprout and became President of Shugart Associates soon after, who insisted on paying us a fee. Perhaps that is an example of the "Band of Brothers".

CK: *So this really is that band of brothers — there is a networking.*

EG: Yes, true. Financial conditions were getting better in 1978, and Connecticut General had announced a policy that they were the "Leadership Company." I knew Hal Bigler and called him. I said, "Hal, if you're the leadership company, you should be paying attention to a venture capital group right here in the State of Connecticut, where you could be the

lead investor." They were interested and responded to the challenge. And coincident with that, we had been consulting with the 3M Company's office products group, helping them with a strategy to address in 'the office of the future.' We had learned that they were making a lot of small acquisitions, and we encouraged them to think about establishing a venture program that would track a lot more companies than their acquisition strategy. In the same commitment to Oak, 3M also approved investments in Brentwood Associates, NEA and Welsh Carson. They called me to announce that the board had approved $6 million for venture investing. As "point" on this, I thought it was their commitment to Oak and was shocked that it was being divided four ways (2, 2, 1, 1). But after the initial surprise, I was pleased that Oak was getting $2 million, and 3M was getting a portfolio of excellent firms, and the amount for Oak was enough to call them our co-lead investor. Cigna joined a few weeks later. So we had our co-lead investors for our fund. And with these backers, we were able to reignite the program and raised $25 million, closed in November of 1978, and set up shop in Darien, Connecticut.

CK: *Describe the excitement of that period?*

EG: It was more relief than exciting. Even though we'd been doing consulting and trying to put deals together and get paid, we'd also been calling on potential investors for most of four years — and, of course, we went through the work in Texas to put a fund together, which didn't happen. So it was more a relief, I think, than something to be excited about.

CK: *You had gotten to where you wanted to go.*

EG: We had achieved more than we expected as we were originally targeting $20M. We attracted a strong group of investors including 3M, American Express, Citicorp, Connecticut General, Corning Glass, and Harvard University.

CK: *You're ten years out of Dartmouth and ready to go after 4 ½ years of operating in a consulting/fund raising mode—*

EG: Yes. And we had a good first fund, which helped us to build a strong base for a multi-fund investment program. Reid Dennis says, "Make your first investment your best investment." It's now thirty years later and forty years out of Dartmouth, so we're working with even numbers. There was a time when I envied the benefits of the old and venerable firms, like Venrock and J.H. Whitney, and the advantage of being in the game a while, seasoned and networked to the best deals. And in a way, we are there today. I wouldn't describe us as old and venerable, but we're older and more experienced now.

ON VENTURE CAPITALISM

CK: *Has the climate changed much on Wall Street? Is NVCA effective in its mission?*

EG: The biggest change in Wall Street is the IPO market for venture-backed companies. The interest in and importance of young growth companies for investment banks has diminished. Structural changes at investment banks have reduced the ability to be compensated well for research, and the economics for taking small growth companies

public don't measure up to bigger transactions with large financial sponsors and Fortune 1000 companies. Also, the lure of more profitable activities, like proprietary trading, impacted their interest in IPOs. To make it work today, offerings need to have a market cap close to $500 million — up from about $100 million in the 80's and 90's. Another change is, while IPOs have declined in the U.S., the global IPO market – (Hong Kong, Shanghai, London and Bombay) — took off in the mid 2000's and peaked in 2007 with over $257 billion raised. (The U.S. IPO market peaked in 2000 with $170 billion raised.) So another climate change is: even after the credit crisis of 2008-9, global financial markets have become much more important than they were ten and twenty years ago.

The NVCA is effective in its mission, but it's on the periphery of day-to-day investing. The mission of promoting venture capital and making sure legislation doesn't run against us is not something that we're conscious of every day. We're made aware of it when the NVCA asks for PAC contributions, and then my partners want to know what the NVCA is doing. The NVCA generally has a different cause or focus each year. This year it is to take venture capital out of the definition of funds to be regulated for systemic risk. The NVCA is achieving its mission with strong administrative leadership and important contributions from volunteer venture capitalists serving on the NVCA board as well as working behind the scenes.

Venture capital investing does stimulate a virtuous circle that starts with venture capitalists providing service in the Adam Smith tradition. While they do well for themselves, they add value for the companies they back, for the communities they're in, and for the economy. When you think of job creation, big companies are mostly losing jobs, and the venture-backed companies are gaining jobs. The current tally is that venture-backed companies are contributing 17% of GDP with an investment of 0.19% of GDP.

CK: *Let's talk about means of compensation at Oak Investment Partners.*

EG: The traditional venture compensation methods relate to tenure, not performance. That is, if you had been a partner at a VC firm for five years or ten years, you would get a greater percentage of the profits than somebody who had joined a year ago. After being at the game awhile, we felt a meritocracy would be a fairer system and keep the best venture investors at Oak. Our approach was to establish an equal partnership and vary compensation according to distributions to the Limited Partners, rather than have it be determined by years of service. We started this program in 1988, and now we're twenty-plus years later, and to my knowledge, there's no firm that has a compensation plan like this. It’s something really distinctive about Oak and a factor that has contributed to our being around for thirty years. It works by setting aside a percentage of the carry to be applied on a per-deal basis, and allocate it to the team that developed and managed the project. They receive their share when limited partners receive their distributions.

Another benefit is that there's no discussion about compensation; it's automatic — it only varies according to performance. And it sets up goal congruence — as compensation is tied to distributions to the Limited Partners.

CK: *That affects the relationship – that's what you're saying.*

EG: It saves time and eliminates friction. Friction would come if the allocations weren't fair. But we bend over backward to make sure that all the key contributors are included. If you had discretionary bonuses, deciding what bonuses you're going to pay to whom is time consuming and subjective. Recipients of the bonuses are going to use the subjectivity to make their case: "Look at what I accomplished." And by getting rid of that, you get rid of a lot of politics and time away from the 'field.' Our program is an open book. The whole thing is transparent, and it's automatic. So we spend less time justifying or negotiating compensation.

Another key part of our management structure is "Venture Partners" — staffed by professionals that are seasoned execs and former entrepreneurs who have been proven performers, many with Oak companies. They want the venture excitement and get a front row seat by serving on boards and advising us in industry segments where we want to grow our understanding and capabilities. Out of nine venture partners, all but two are full-time. So it's a different kind of venture partner than an 'Executive in Residence' role. They also provide leverage for the general partners in a different way than recent

business school grads. Their capabilities include domain knowledge to help search out, qualify, and win the best deals, plus adding value at the board level.

To reinforce the domain issue: What differentiates venture capital from private equity is that venture capitalists operate in the domains they know. In the early days, most VCs were generalists. But today, every venture firm knows what sectors they want to pursue, and hires people from the domains of interest, with technical or field experience, that are savvy in their areas of responsibility. In our venture growth equity practice, we don't call Bain Consulting to help us when we find a deal, as our General Partners and Venture Partners are already in the game and generally up-to-speed on the business, markets, and technology. A private equity firm will work with consultants to research the company and the sector. We do that ourselves or with our network. Also, because we are industry participants, we are already tracking the most interesting pockets of growth — and identifying companies of interest before they initiate a formal financing or sale process. Many times we are in front of the most attractive opportunities before a banker is involved.

So, as growth equity investors, we still behave like venture capitalists, focusing on growth companies in our domains, while coming in later in the company's life cycle. A lot of private equity firms see themselves as the owner; but in a venture capital culture, you're backing an individual or team who you're counting on to manage the company;

and we collaborate as partners, even when we are the majority owner. Also, private equity firms generally use company cash flow to pay down debt, which helps them to achieve their return objectives. We use cash to grow the business to achieve our return objectives. High revenue and earnings growth gets the attention of bankers for an IPO or a strategic sale.

CK: *How do you vet a company?*

EG: Our vetting comes in two forms: First, as domain-focused investors we are in our sectors of interest every day and 'on the look out' for companies that are participating in the most promising areas to achieve rapid growth. We are also networked to industry leaders and to the third party 'value chain' (bankers, lawyers, accountants, analysts, vendors and customers) that support our portfolio companies, so we are exposed to the folks that are working with people or projects that may open new opportunities or threaten companies in the sector.

Second, as fiduciaries we want to be sure the company meets our investment criteria as well as diligencing our check items. This includes: Qualifying management — their track record and goal alignment with Oak; understanding the technology and product today and road map for the future; checking with customers; plus, financial analysis with an eye toward cash flow. As we focus on more mature companies, the due diligence list becomes longer, and we need to do deeper dives as there is more to learn and confirm.

CK: *Do the deals come to you, or, do you seek them out?*

EG: Both. Being an active investor in a sector, people get to know us, our focus areas and what we're interested in. So we do get a lot of referrals. But it is a good idea to have an outbound program as well. Our Financial Services team has an outbound call program focused on our investment themes. Recently they contacted forty companies in a specific area — financing the under banked — and came up with two investment opportunities that otherwise may not have come to us. Since investing, one has become the largest debit card distribution and processing company in the U.S. and is experiencing rapid growth. The other is a fraud detection company whose primary mission is to approve topping up phone cards. Since investing, the company's database has grown from 7 million names to 15 million names and revenues have tripled. Part of their 'secret sauce' is the analytics that run against the database as it looks beyond credit to networks of relationships and tends to approve more applications than other approaches. So, if you are looking to get more clients on your system and keep them, it's nice to have a fraud detection partner with proven high standards that drives revenues as well.

CK: *Would you say you get less involved in these companies that you're working with than you did at one time?*

EG: Not at all. I'd say that in some ways you get more involved, because we don't use as many syndicates these days. We have some, but by and large Oak is alone in these companies. Because of the size of our fund, and because of the experience of our team

and the venture partner group that's available to us, we're doing more projects on our own.

CK: *What is it like on a project? Taking it from the beginning, or from your initial investment — can you describe one of your most challenging or most memorable ventures?*

EG: I'll tell you about working with Al Shugart, a very special guy. He was the CEO of both one of our most challenging and one of our most memorable investments. We invested in Seagate in 1980, and it has become a multi-billion dollar independent company today. But first there was Shugart Associates, where we backed Al Shugart in 1973. Al is since deceased, but he would allow me to tell you this. His genius was as a problem-solver. He would see a solution for a problem before others. For example, he worked on IBM 360, and in the guts of the 360 was this little floppy disk drive that served as a program loader. He said, "Wouldn't that be interesting to put this disk drive on an intelligent terminal and use it for random access memory?" This would replace tape drives where you had to spool through the tape serially to find the information rather than go directly to it. This 'floppy disk drive' was the product he launched with Shugart Associates. You could say it enabled the PC, because random access memory sped up the reading and writing of data dramatically over tape. Once that was working, Al said, "Why don't we build a 300-line-per-minute printer?" And then, "Why don't we build a small computer system?"

The point is, the focus is critical as you take on the challenges of establishing a new enterprise. Don't try to do too much. It seems tempting, but resources and ideas are limited, and to win you need to "mass your resources at the point of attack." So we told Al: "Knock off the printer and the systems company, and let's focus on the floppy disc drive." And we got into a real battle about it, and we ended up saying: "Al, you gotta go because this isn't going to work." This was his first company out of IBM, so he was thinking — IBM, I have the resources. After that experience, he was quoted as saying, "Cash is more important than your mother." Once back to basics, Shugart Associates became a successful business and exceeded the initial management plan objectives.

CK: *You fired Al Shugart?*

EG: Yes.

CK: *And put in your own management?*

EG: We had another guy in there who took over.

CK: *What was your relationship with Al Shugart?*

EG: Very positive. And in fact, it was up until he died. Before Seagate, I got together with Al and asked, "Al, what do you want to do?" He said, "Well, I've got three things I'm interested in: I've got this deep sea fishing boat, and I'd love to do fishing charters right here off Monterey. Another thing I want to do is to open a Spanish-style restaurant" —

which he did, and it's Fandango's in Monterey. “And the third is, I was thinking about going back into business with Finis Connor" — who was with him in the original Shugart Associates — “and we'll call it Shugart Technology, and we're going to build a five and a quarter-inch hard disk drive" — when the current art was eight inch drives.

I asked: “Can you build it more cheaply than the eight-inch?" He said: "Well, not yet." I said: "Well, when you can build it cheaper, let me know, because though there may be more value to having a smaller form factor, people are going to expect it to be cheaper.” So, off he went; and nine months later we got together, and he said: "Okay, I can build it cheaper." So we engaged, as did other investors. I felt we needed to “show him the money,” and take the deal off the table. I decided that with Al what I should do was bring the money with me when we met, which is not standard procedure. I had never done this before or since.

So I had two checks, one each for $1 million that our CFO had signed. And I went to California to negotiate the deal with him. We had to create an event that would get Al’s attention. And that event was having the money. So I said, "Al, how much do you want to raise?" We netted out that he would raise $1 million. This is for a disk drive company that’s terribly capital-intensive. But since we first met with Al he had arranged for Dysan, a leading disk manufacturer, to build a 5 ¼ inch media line dedicated to Seagate.

So, long story short, I showed him the million-dollar check — I ended up taking it back when I left saying, "You don't really need to keep this." And we had a deal.

We bought 20 percent of his company for $1 million. And that became, I don't know, a few hundred million shares of Seagate stock — post splits. And then, in the networking spirit, we had been shown a quality investment by IVP [Institutional Venture Partners] when we started Oak, so we invited them to share the Seagate deal with us, and IVP took half the deal, and Dave Marquardt went on the board. Soon, to help fund the company, we sold rights to manufacture our product to two companies that each paid $1 million. This brought in more capital without giving up any stock. We believed that these companies would never exercise the rights — and they never did.

We went public after that to raise our growth capital. It was a lot of fun given the cast of characters that included: Finis Connor, Tom Mitchell, and Doug Mahan. If you wanted to just go out and have a party with a bunch of guys for a good time, this was the group to go with. Dave Marquardt said, with respect to working with Al Shugart: "You hit him high, and I'll hit him low." The team provided some challenges, but also provided an excellent return for Oak's investors.

CK: *What's it like to take a company public? How does that work — and the emotion of it, the excitement.*

EG: Well, that was then and this is now. Going public today is very difficult. We lack the boutique tech underwriters of the 1980s, the institutional interest, the buzz around technology companies, and research that builds a case for a company post the IPO. Our job is to get the company in shape, get it so everything is in order and running smoothly and the information is correct. And the underwriter's job is to do the hard part, which is to go out and find buyers for the shares and to explain why it's a worthy investment. There are many fewer underwriters of venture-backed IPO's today.

CK: *So that's not part of your job.*

EG: We can pick the underwriter, and we can fill him full of positioning ideas, but we don't raise the money. We do that in the private market, pre-IPO.

CK: *Tell me about the entrepreneurs you've worked with? It's been said that entrepreneurs are kind of wired a little differently.*

EG: Well, they are. They're entrepreneurs, probably because they couldn't get along in their companies or wouldn't get along. They have a vision that they are passionate about but, generally, are not hands-on operating guys. But in the early years, it's sharing the vision that pulls the team together; and entrepreneurs can lead effectively, motivating the team to achieve the company vision. Then when you go from a prototype to production and

build a sales organization and deal with customers, process and operations become more important relative to the vision. Then you get professional management to augment or replace the founder. I like founders to stay to provide the vision, say in a non-executive chairman role. But many times it fails as the founder can't help but second guess the CEO and has to move on. But we may back the founder again in a founder role. We have backed serial founders more than once, replace them and repot them. Sherry Snyder, the founder of Genzyme, we backed three times at Oak, and I had once before at Sprout, as the founder of Instapak [foam in place packaging], and Al Shugart twice, as noted.

CK: *What's more important: technology or the management?*

EG: Generally it's management. And today we are working more with technology-enabled services where management is the key. In a startup clean energy deal, it's probably the technology; if the technology works, you're going to find somebody who can run it, if not, you're in trouble. In an IT services deal, in most of our domains, say FinTech doing risk analysis, fraud detection, or bank loyalty programs — there are fewer barriers to entry, and you are going to have to be more clever about how to position the company. Understanding and addressing the 'big pain point' that needs a solution is the bigger issue — so it's management.

CK: *How much of a role does luck play?*

EG: I'd say luck is important. For example, bad luck could be that while you're doing a big financing critical to your company's success, the decision-maker for your product leaves your biggest customer , and his/her replacements brings in a competitor. That is bad luck — an outcome that's beyond your control. Good luck is a big customer that is on the fence going your way.

CK: *Did you have any real disappointments?*

EG: Sure, you have disappointments of not getting in a deal, or not doing one that you could've done, for sure. It was there in your lap, and you didn't see it. So there are those kinds of disappointments. Then there's the execution disappointment: "We should've made our numbers. What happened here?"

We had a company that was doing $40 million in revenue, and every quarter we hit our numbers. We acquired an $80 million business that we thought was a good fit, and the CEO of the $40 million company was picked to manage the combination. We spun off or shut down $20 million of revenues, but our CEO couldn't make the quarterly plan as a $100 million company. The board had a good sense of how the combined company could work. But the two sales forces couldn't quite sell to the other's market as quickly or as effectively as we planned. So, with revenue declining, we reversed course and sold the business to another firm with a CEO who could make it work.

CK: *How do you handle the inherent tensions that arise?*

EG: I'm a big believer in the chain of command and rarely, if ever, talk to somebody in an organization who isn't the CEO, certainly without the CEO knowing it. Some venture capitalists 'go direct' and start talking to people within the organization, maybe even asking questions about the CEO, "Does he know what he's doing?" Even though I might like to do that, I won't, because it's just not how you build trust. But it might make you sleep better — I just gotta talk to somebody. Let me talk to the head of sales and find out if we are going make our quarter. You should call the president and *have him* get the head of sales to call you.

CK: *How might have your military training and experience contributed to your success?*

EG: I don't know if you'd say that it is contributing to success. It contributes to how you go about your business. I would say sort of a demeanor thing, where you don't get upset too quick. And working through the chain of command is very important because it shows respect. And if you want to get respect, then you better behave in a way that gives it. As we discussed, leadership is really about knowing your job. Let's say I'm going to talk with the CEO, and I really want him to do something. Before engaging, I'm going to be sure I understand the issue, and then we can discuss it from a position of knowledge, and he'll know that I know it, and that will impact him. And maybe with a little passion, as we talked earlier — say a little passion, a little knowledge — he's just going to say,

"Whoa, maybe I should think about this." Most of our work is directly communicating with the CEO, and that's how we influence these companies.

CK: *And your self-confidence, where did that come from?*

EG: I don't know that I think much about that — not sure I have it at all times. It probably comes from being in the game a long time and seeing patterns that you recognize. When you recognize a behavior then you're more confident in dealing with it.

CK: *I can change this and ask, what qualities do you have that have made you well-suited for venture capitalism?*

EG: Mostly I've gotten along because I can identify and attract good people for portfolio companies and to Oak — plus encourage a positive culture (a meritocracy). Also, venture capitalists should be enablers who operate behind the scenes. You don't see many (any) articles about Oak. We're just not doing that. So we aren't going offsides as individuals, or the firm, with a promotional approach that generally doesn't enhance the franchise. Team building at Oak and at portfolio companies is probably the answer you're looking for. And taking in the inputs of other team members for decision-making, at Oak, gets to better decisions with more data points to consider.

CK: *So then you're an effective enabler.*

EG: Yes. All of us at Oak think of ourselves as working behind the scenes to help a business succeed. The heroes in the business are still the entrepreneurs. If we have the ability to get an article in *Forbes* or *Fortune* for one of our companies, we'll do that. But the attention should be on the quarterback (the CEO) making the calls at the line of scrimmage — we're more the coaches on the sidelines.

CK: *What are the personal rewards for you?*

EG: I have been focused on building a lasting institution with Oak. My biggest reward would be to see Oak thriving long after I have left the firm.

CK: *I wanted to take this a step further, from building an institution to looking at it more broadly and hearing how you see what you do as giving something back to the country.*

EG: I think of that as more the NVCA mission — to help explain what venture capital is and why it works and why it creates jobs and helps as an engine for the free enterprise system.

CK: *But you're a piece of that.*

EG: I'm a piece of that. I feel good when I help a CEO make a decision that's going to work. I'm very aware of the role of venture capital as a pure form of capitalism, bringing capital to augment ideas to create value. I believe that venture capital probably works better in

this country than it would anywhere else for a lot of reasons having to do with our culture and robust financial markets and institutions. I'm really glad to be part of it. But I could have been happy doing other stuff.

CK: *What else?*

EG: I could have been happy working in a big company. I would have no trouble with that — say, GE right up the road.

CK: *Doing what?*

EG: Probably managing one of their groups, getting a lot of satisfaction out of the same things I do here — seeing something that we initiated that worked. There may be more emotional rewards there because there are more "attaboys" in a corporate environment; there's the competition and the excitement of out-performing each other, and the camaraderie of it as well. In venture capital, no one really knows about the work you do with your companies, and you're in a very small group. I'm sure there is more transparency in a corporate job, and interim feedback, but there are more financial rewards in venture capital.

CK: *How would you compare venture capitalism on the East Coast with the culture of venture capital on the West Coast? I realize you're on both coasts, if not global.*

EG: I've only lived on the East Coast as a venture capitalist. I'd say it's a much more full-time job —24/7 — on the West Coast. It's woven into the social life (parties) and communities (school). When you drop your kids off at school in the morning, you're running into venture capitalists. I don't even know an active venture capitalist in my hometown. Don't see venture capitalists in the New York area hanging out together. They do more in Boston. In the Bay Area you're in the game all the time; it's total immersion. And they've built a cottage industry of people that help venture capitalists: attorneys, recruiters, temporary CFOs, and many of them are part of the club. How many venture-backed companies are 25 miles from Palo Alto? Hundreds. How many venture-backed companies are within fifty miles of NY? Not many. How many boards am I on that are within fifty miles of here in Connecticut? One. Boston is the most like Silicon Valley, and where MIT and Harvard spin off technologies, and where most of the venture capitalists east of California operate. Many of the Boston venture capitalists are together in an office complex in Waltham.

However, since globalization, it makes less of a difference where you are. We're doing a lot of work in Korea, China, and India, and we haven't really touched on that, and our companies need to be globally aware, and able to compete at 'world prices' — think Huawei [a world-leading telecommunication's solutions provider].

CK: *That was my next question. How has the global expansion influenced your strategies?*

EG: You can't be in Silicon Valley, Santa Monica or Route 128 and rule the world. Markets outside the U.S. are substantial. India and China are building a middle class – which now have a taste for offerings from Western fashion to broadband communications. Also, as a venture capitalist, you've got to be aware of world pricing, world technology capabilities, and world consumption, because they will influence the domestic businesses where you are an owner or considering an investment.

Different countries call for different behaviors. Korea has a robust Internet infrastructure, as it is the most wired for broadband per capita in the world. Korea will also export innovation to China, Japan and India, yet has the least developed venture community when compared to China, India and Japan.

What we've learned over the last twenty or thirty years in doing business in our domains here is generally applicable abroad. Think of China and India as an 'unbanked' or under banked market constrained by the lack of trust. Do people in India buy on an auction site? Do they trust that what they buy is ever going to be delivered? And does the person selling trust that he's ever going to get paid? There's a great opportunity in China and India to stimulate commerce with secure and trusted payment systems. We can help to remove the friction in commerce, globally, by taking what we've learned here and apply it outside the U.S. — and have a pretty good chance of succeeding.

CK: *There's always something new.*

EG: Always something new, but the patterns repeat. So if there's a pain point where you can bring prior experience and knowledge to solve a problem, you can succeed. Having local partners or advisors helps to get you up-to-speed in a hurry and avoid mistakes.

REFLECTIONS

CK: What's on the horizon for you?

EG: I'm enjoying what I do right now, and I've got people around me who are capable, and we do good things together.

CK: *You're sixty-seven, so–*

EG: I know, I can't believe it; I feel like I'm thirty-seven. It's a weird thing to be reminded as to how old you are.

CK: *I mentioned this because we're reflecting on what's on the horizon in terms of how you spend your time.*

EG: Until you're done, you're in the game. It's hard to be partially in and partially out. It's like being a doctor — you need to do the rounds and be on call 24/7.

CK: *So you don't feel like you're finished.*

EG: I don't feel like I'm finished.

CK: *Is there something that still excites you about what you do?*

EG: Everything. You're in the catbird seat to participate in and influence the allocation of capital that drives the U.S. and influences the global economy. We're sponsoring innovation, building businesses, creating jobs and tax revenue in the most efficient system anywhere. Moreover, the entrepreneurs are fascinating, challenging, energizing, difficult, but most of all visionary. A very stimulating life.

CK: *How are these economic times affecting you?*

EG: Many customers of our companies are becoming more cautious, slowing down orders and paying obligations, which makes forecasting more difficult. Banks are measuring their customer's performance in shorter intervals, tightening credit. So venture investors need to stay close to the situation and to advise their companies to reduce costs, while they, themselves, reserve more money for follow-on investments. However, most of our companies are continuing to grow revenues and profits in this economy.

CK: *Since we have seven minutes, I want to hear about what you're doing when you're not involved in business. What are your interests, what are your hobbies? What do you do if you have any free time?*

EG: I read a bit – mostly business related versus "comfortable books." I'm reading more about clean energy. I thought it would be useful to get familiar with the technology options and risks, so that's interesting and rewarding. Also, I work out doing aerobic

exercise and Pilates. I believe that strengthening core and balance are really important to staying healthy. I do Oak work on weekends and keep up with things. And I play some golf, which is an inappropriate sport for me, as I'm impatient and more of a type A person. If you want to be good at golf, you need to be a type C — and just kind of get into a zone and not think too much — certainly not think about business!

CK: *What are you going to do when you retire? I'm not asking you specifically, but how would you imagine yourself in retirement?*

EG: Well, the way I see people in retirement is they seem to be getting old. They seem to be moving slower. It's not good.

CK: *We talked about Colorado College and your work there. What other philanthropic organizations are getting your attention?*

EG: Military families are having a tough go. The children are separated from a parent for long periods of time and may even lose a parent killed in action. So if you think about where I might put some energy, I might get more oriented that way. There are plenty of people like me who can help Colorado College and Tuck, but I don't think there are as many who are interested in the military – a forgotten group in America, because they don't seem to be anybody we know.

CK: Also, s*ince this is your story, I'd like to include your family. I know you have five children, so if you could just introduce them to me very briefly.*

EG: Okay. From top to bottom, we have Ward, who's now forty-two and is at Goldman Sachs, and has been there since he graduated from business school in 1997. He is a very level-headed guy and seems to be really happy at his work and with his wife and three kids, and lives in Darien, Connecticut. His biggest kick is coaching his kids in sports. Number two son, Scott, who is forty, lives in Bangkok and has been there almost ten years. Recently he opened a restaurant that has a good reputation and is one of the top rated restaurants in Thailand on TripAdvisor.com; he likes the lifestyle and the pace in Bangkok. And then Shedd, who is thirty-seven, has just taken a job in Microfinance after starting his career in software, then went into real estate, but now is in a place that may leverage his abilities to speak Spanish and Portuguese. He also lives in Darien with his wife and three kids. Carly, age thirty-five, is married, in New York, and has two children. She works for J. Crew and is managing their online business. My youngest daughter, Emily, age thirty-four, is a counseling psychologist. But she's building her family now, with two girls, in Wellesley, Mass. That's the group with ten grandchildren. Then of course there is Penny, my wife, who Reid Dennis likes to remind me is a very competent woman.

CK: *In retirement, will you be spending more time with these grandchildren?*

EG: I know people who have moved to be close to their grandchildren, and it provides a lot of satisfaction for them. I have six grandchildren in our town, and I get along great with them, but we don't force engagements. As a result, it's a very natural interaction and I enjoy it — particularly watching my nine-year old grandson play ice hockey.

CK: *And it just changes as time goes on; you've got a lot of energy taken up here. Before we end, I want to thank you for NVCA, and also for Chuck Newhall, who has been the spirit behind this project.*

EG: I know Chuck will do a good job on this and he is passionate about the business. I believe in him and his firm, who are good friends of Oak. Happy to have participated.

CK: *Thank you for your time and for sharing all this.*

EG: I'm counting on you to edit it big time.