



Oral History of William H. Draper III

Interviewed by:
John Hollar

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Hollar: So Bill, here I think is the challenge. There's been a great oral history done of you at Berkeley; and then you've written your book. So there's a lot of great information about you on the record. So what I thought we would try to—

Draper: That's scary. I hope I say it the same way.

Hollar: Well, your version of it is on the record, that's for sure. So I wanted to cover about eight areas in the hour and a half that we have.

Draper: Okay.

Hollar: Which is quite a bit. But I guess that's also a way of saying—we can go into as much or as little detail as you want to. But the eight areas that I was most interested in covering are your early life and your education; your early career—and with that I mean Inland Steel and meeting Pitch Johnson, and Draper, Gaither & Anderson, that section.

Draper: Good.

Hollar: Then Draper & Johnson—you and Pitch really getting into it together; then, of course, Sutter Hill and that very incredible fifteen-year period.

Draper: Yeah, that was a good period.

Hollar: A little bit of what you call "the lost decade."

Draper: Okay.

Hollar: Then what I call the Draper Richards Renaissance.

Draper: Good.

Hollar: And kind of the second chapter of venture capital for you.

Draper: Good.

Hollar: Your life as a philanthropist; and then a bit about your view of the future. Does that sound—?

Draper: Couldn't be better.

Hollar: Okay great. And the last question I'm going to ask you is whether there's going to be a fourth generation of venture capitalists from the Draper family.

Draper: Okay. Okay.

Hollar: All right, good. So let's get started. Just tell me a bit, Bill, about your early life and your education.

Draper: Right. I grew up in Scarsdale, New York. I was the second person born in 1928 in the state of New York, so my mother got a fur coat and a few things like that; January 1st, 1928. I attended Scarsdale High School; went four years to the high school and was president of the student body. I think in those days you picked a college and you applied; and you didn't apply to twelve colleges. So I just applied to Yale, because a friend of mine was applying and his father had gone there. I didn't know much about any of the colleges. My father had gone to NYU, and he suggested that I try to get into one of the three leading colleges. We didn't have any idea that Stanford existed, so it was Harvard, Yale or Princeton. I thought Harvard was a little too intellectual for me, and Princeton was a little too social for me. So Yale sounded right in the middle, and that's literally how I made my decision. Applied there, got in. And then about a year and a half later, in the middle of my sophomore year, I decided to take what would now be called a gap year. I went into the Army, voluntarily; even though the World War II was over, but Korea hadn't started.

Hollar: What year was this?

Draper: That would've been about 1946, and I did that for a year-and-a-half. But it only cost me a year out of college because I had gone [to Yale] in the summer [of 1945], right after high school. Because everybody was coming back from the war, we had 1,500 people in the class, and that's the largest class that'll ever go through Yale, or ever has anyway. I had a great time at college. I loved college. But that maturing experience that I had when I was with the 82nd Airborne helped me, I think, a lot in my last years at Yale. And then I went right to Harvard Business School. In those days you kind of went right from college to business school. There wasn't any two years out to work for a company. I knew nothing about business. I took General Doriot's course, which was called Manufacturing but it had nothing to do with manufacturing. He was very inspirational. I should say that I got called back into the Army because I had

a Reserve Commission, and it took me to Korea. During the war, the Korean War, I was a Second Lieutenant and went out to the frontline and spent nine months in Korea. There was a good friend of mine who went with me. I met him in Japan. We spent a couple of weeks there before going over to Korea. And when we got across, up to the frontline, he went to one company, I went to another. And at age twenty-four—we were both the same age—his life was snuffed out; and I have had a very exciting and varied career. I've often thought how luck plays big-time in everybody's life. And there it was just a matter of which company we were assigned to.

Hollar: There's one other—I wanted to ask you on that point about chance in your life. I remember reading that you had decided that if you won the student body president's election, you'd apply to Yale.

Draper: Yeah that's true. I didn't mention that.

Hollar: And if you didn't, you wouldn't.

Draper: That's exactly right; and that is a true story. I was going to apply to another college that had sent me a good little brochure, and I liked the sound of it. But that's exactly right. So it's strange how luck and chance, everything plays in. The harder you work, the luckier you get; it's true. And so it wasn't totally luck that I was elected president of the student body. My grades were good but not super-good. And so it was a bit on the edge as to whether Yale would take me. Then I had a good experience in Korea, in the war, in the sense that I learned what it's like to be a soldier and be on the frontline and see people hit and wounded and killed. And so when I say "a good experience," it was an experience that you never forget. You realize that a lot of men and women are putting their lives on the line for us, to keep us free; and we tend to take that freedom for granted so often. So that I never forget; particularly that one man that I went over with and became very close friends with. And I miss him, and I feel that he didn't get a fair shake. Anyway, I came back, finished at Harvard Business School. And then it was the bottom of a cycle; it was kind of a recession in 1954 and hard to get a job.

Hollar: Can we talk for a minute—can I just ask you about George Doriot? Because you single him out, in the things that I've read about you; and in the film, that *Something Ventured* film that you're in, Tom Perkins talks about Doriot and how influential he was. Can you talk a little bit about what having Doriot meant and how it influenced you?

Draper: Yes. As I say, I knew nothing about business when I went to Harvard Business School. And Doriot, instead of the case method, which every other professor there used, he lectured. He taught us what it really was like to be a businessman. And many people feel that he was overly pontificating and overly dramatic, but it impressed me. He would often say, "Keep your antenna up. And always pay attention."

He had a class to teach wives how to support their husbands and that really their total focus in life should be supporting their husband; cut out *Business Week* articles that were appropriate, and make sure that they had his favorite drink ready for him when he came back from a hard day at the office, that kind of thing. And so my wife rolled her eyes after taking this one.

Hollar: So you had met Phyllis—

Draper: Yes, I had met Phyllis before that on a boat going over to Europe. That's another story; a quick decision story. I asked her to marry me three days after we were out, on a boat going over to Europe. And she didn't accept for about six months because she had a big ring on her finger already; much bigger than the one she's wearing today by the way. And life was good in those days. It was kind of relaxed and fun and nothing seemed too serious to us in those days.

Anyway, I liked Doriot a lot. He gave me a Distinction, which was the top mark, and helped me graduate from the school with distinction; which was a happy thing for me. And he advised me to get out of Boston. He said—in fact advised the whole class—"Be sensitive to your boss; keep your antenna up; don't stay in Boston, get out where men are." There were no women in our class, of course—"men are really working man's work, and you learn." So when I got an offer from Inland Steel to go work there in Chicago, he thought that was great; "Get into Chicago, it's a man's town," and that kind of thing. He also had the idea of developing projects together in teams. We organized our own group of five or six students, and we would call ourselves a "group." I think we were Group Four and we studied the steel industry. (I had worked for Jones & Laughlin Steel one summer in Pittsburgh.) The teamwork was good. People working together—which they do in business, and they have to—and getting a team effort, cooperation and all that, and sharing knowledge and specializing, dividing up the work and what have you. So that was a very good idea at Harvard that he [General Doriot] had.

Another one was a little iffier, but it was a lot of fun. Every week we'd have to turn in a new idea. My idea, I can remember still, was to have snaps on every button so people didn't spend so much time working on their buttons, they just snapped them closed. And I've seen one or two like that. But it seems not to have caught on as a big deal in the retail business. But I always admired Georges Doriot. French background; never lost his French accent; cultivated it, went back to France every year. He started the French business school over there—European business school, INSEAD. He had just a love of life, and love of his students. And I was just on a program with Dick Kramlich founder of NEA, yesterday and we were both talking about Doriot. Dick said that every time Doriot met Dick, he'd say, "And this is one of my favorite students, Dick Kramlich." And Dick kept reminding him that he never was a student, he couldn't get into the class. But Doriot didn't care; "Here's my favorite student." He had this panache that was really great, and all the students really were excited to be in that class.

Hollar: And your paths would cross later on.

Draper: So later on, I had already started Sutter Hill Ventures—and he asked me to be the West Coast operations for American Research and Development, which was his venture capital company, which he started about the time he was teaching us at the Harvard Business School. This was maybe ten years after I had left [Boston]. There's something in the Minutes of the American Research and Development board meetings that talks about me. And the way he put it was that he wasn't sure that I would want the job; why I'd want to be number two. The truth is I told him— when I talked with him for a while, it was pretty evident that all the decisions were going to be made in Boston, and I was going to be sourcing them [the deals] but not deciding on much of anything. I thought that isn't what I want. I wanted a little more freedom in decision making and so on. And I'm glad I didn't do that [join him]. But I did very seriously discuss it. And before we had raised a substantial amount of money for Sutter Hill, it was a real option for me.

Hollar: So we sort of had that digression. But I wanted to just close that—

Draper: Yes that's good.

Hollar: Get the story out. So here you are: you're out of Harvard Business School. You go to Chicago. You were with Inland Steel. Was that what you expected it to be?

Draper: Inland Steel?

Hollar: Uh-hum.

Draper: It was a wonderful experience at the beginning. I didn't have any real concept of what it might entail. But I was asked to be one of Randall's Rangers [Clarence Randall was the chairman of the board of Inland Steel at the time]. He had just designed this program for training top management potential; he got me and four or five others out of good colleges to come to Inland and work in a training program. So for a year we went around and saw every part of the company: manufacturing in the mill, purchasing, marketing and sales, and every part of it. I really learned a lot in that one year; maybe as much as I had at business school. There were four or five other very sharp young guys, who were really exciting to be with, good guys. Only one of us stayed. All the rest of us, after the training program—I was there for five years—eventually left the company. One went on to be president of the Chicago First National Bank, Dick Thomas. I went into the Sales Department, after the one year. First I was an inside salesman and then got to be one of only nine salesman; who represented the sixth largest steel company in the world. I was given the South Side of Chicago, which arguably was the best territory; and had a great time in that regard. And then my father had met up in Europe with Fred Anderson, and they cooked up the idea of Draper, Gaither & Anderson, as the first venture capital company in the West.

Hollar: And how did you meet Pitch Johnson? Because you met at Inland Steel ...

Draper: Pitch and I met at Inland Steel—coincidentally, he was from Palo Alto. We both lived in East Chicago, Indiana because that was the mill town where the steel was made; right near Gary, Indiana, where U.S. Steel manufactured their steel. Pitch worked as a foreman in the mill, in the open hearth. And I think we met almost on our first day, moving into the [company-owned] house to which we were assigned. Our house cost seventy-five dollars a month, and his cost ninety dollars a month, and he was in a little better, fancier part of the mill town. But it was a mill town loaded with coke dust. And it had an oil refinery in the town and a cement factory; and all of that stuff came down on our cars. Talk about pollution, it was a very polluted town. East Chicago, Indiana was a bit grimy, but really solid people there. We, Phyllis and I, shared a house with another family. We shared a second floor and first floor, and a coke furnace down in the basement. Fifteen tons of coke would be delivered on our front—our postage stamp front lawn every six weeks. I'd shovel it into the front window of the basement, and then I'd shovel it into the coke furnace, and that's what heated the house. There was a great guy, a crane operator, who raised his family in the other half of our house, and their daughter was our babysitter. We lived there for a few years, and then moved up to Highland Park [Illinois]. I had just bought the house in Highland Park, which is north, when I got assigned to the South Side of Chicago. So it was about a two-hour commute that I made every day. Left my car there in South Chicago and I went in by train every day, and picked up the car, and then drove around to the various accounts. I then got back on the train and went back home. But life had no problems. Of course there were snowstorms. We were giving a party on New Years Eve, and a blizzard hit. I crawled along Skokie Highway back to home. I just thought I'd never get there. But it didn't bother me even if I was late for my own party. I got there before midnight anyway. And those were really great days. Pitch and Cathie raised their kids, we raised our kids and we were very best friends. Remember he was from Palo Alto [California]? So he talked about it a lot; particularly when the weather was stormy.

Hollar: Chicago was a big change.

Draper: Yes, a big change. And so when my father and General Anderson came out here and tied up with Rowan Gaither to start Draper, Gaither & Anderson, I was delighted to hear that it was going to be in Palo Alto. So I asked Pitch all about Palo Alto. And when Phyllis and I had driven out here in our brand new convertible Chevrolet—we got a convertible because we heard the weather was very good out here—Pitch and Cathie came out and gave a party for us almost the second day we were here. They had both gone to Stanford so their friends from Stanford and his from Palo Alto High School were at the party. Many of those friends to this day are my close friends. So of course he was the first guy I thought of when I decided to start up my own company. I loved working with my dad [and the others] for three years at Draper, Gaither & Anderson [but I was ready to take the plunge and go off on my own].

Hollar: We haven't talked much about your dad yet in this oral history. [He had] such a distinguished investment, military, and diplomatic career.

Draper: Very true.

Hollar: He had been in banking.

Draper: That's right. He was an investment banker with Dillon Read, in New York, all through the recession. He never had a lot of money, because it was a tough time for investment bankers. And there was not a recession, it was the Depression. He had to close several Dillon Read offices in Chicago and somewhere else, as a senior partner; and he scrambled to hold onto his own job in those days. He worked late nights; and I learned from him that hard work pays off. He always had a very professional approach to problems, and that investment banking career really helped him form that very solid approach to business problems. I'm not sure the investment banking community today is quite as high quality as it was because the trading part of it was not a big thing. It was more the investment banking, and coaching senior people in big companies, was the way they got business. Dillon Read was considered, along with Morgan Stanley, as the gold standard for investment banking. So his training was there [and his record was stellar].

In World War I, he was a Second Lieutenant. He kept working. Every summer, instead of vacation, he'd go to Plattsburg, New York and do various Army maneuvers [and he kept his office status alive when he went]. Our Buick car was taken up there, and they'd have "Tank" written on a sign. They had wooden guns; it was that kind of an environment in those between-war years. But he kept going. He then became a colonel, and then had a regiment during World War II. Never saw action. He was in Hawaii and then got called back to Washington to cut back on the war contracts, when the war was winding down—his investment banking career helped. Then he was asked to become General Clay's economic advisor in Berlin, right after the war. Almost the day the war was over, he was in Berlin with General Clay, who was the high commissioner for Germany, and really managed the occupation of Germany. He did that for four years. And then he came back to Washington because he was asked to be Under Secretary of the Army, by Harry Truman, which he did. So that's how he had this mixed career of business and government work, which I think guided me into doing both, albeit in a less significant way.

He was later asked [after retiring to Dillon Read] by the President to run the Marshall Plan [for Europe], say in 1950 or something like that. He went back to Paris, and that's how he met Fred Anderson. Anderson had run the Eighth Bomber Command; and Harriman was really in charge of the Marshall Plan overall in Washington. But my father was asked to be the operating head of it in Europe. And Harriman suggested Fred—General Anderson—to be my father's deputy. Anderson, having run the Eighth Bomber Command, was a risk taker. He was depicted in *Twelve O'Clock High* by Gregory Peck. Anderson and my father organized and managed the Marshall Plan for a number of years. They hit it off, and they decided that they would start up a venture capital company in the West, here in Palo Alto. They got Rowan Gaither, who had been president of the Ford Foundation and chairman of Rand Corporation; and he had done the Gaither Report for John F. Kennedy on missiles—the Missile Gap, so called, and he died at the age of fifty. He had an amazing career; because he was also a managing partner of the best law firm in San Francisco. Now it's just Cooley, but it was Cooley, Crowley & Gaither.

Hollar: So these are three...

Draper: ...three powerhouses...

Hollar: ...incredibly accomplished men.

Draper: Three incredibly accomplished men.

Hollar: And why did they come to Palo Alto, California, and decide to go into this entirely new thing called venture capital? This obviously brought you to California, too.

Draper: My father used to mention venture capital to me. There was J.H. Whitney and the Rockefellers in New York, and there was Doriot in Boston. My father used to suggest to me that would be an interesting place to go—in fact, suggested I talk to J.H. Whitney about a job. He always had his eye on venture capital, having seen it through the investment banker's eyes [as exciting and potentially very profitable]. Fred Anderson came back to California [before my father]. He knew California because he had been at the Travis Air Force Base for quite a few years. In fact, he flew an airplane right into the Pacific Ocean because he was afraid he would kill some people in San Francisco if the plane didn't make it. He had run out of gas; and instead of going over the city decided to dump the airplane, and lived through it. As I say, he was a risk taker [and quite a hero].

So Anderson came back here [San Francisco] and did some private investing. It used to be called "special situations." And he had a man who worked with him—a younger man—Larry Duerig. They were sort of getting it started. After my father and he had decided they were going to do this thing, my father went [to Mexico City] to be chairman of the Mexican Light & Power Company for about five years. Then they raised the money—two-million from Rockefellers; which Gaither really had the relationship with. My father had the relationship with Lazard Frères, who also put in two million. And, two million [more came] from some individuals who Anderson knew. Anyway, they got six million together and decided to start it in the fall of 1959.

Hollar: That's a considerable amount of money, in 1959.

Draper: Six million was a considerable amount of money. And it was the only game in town. We were the only venture capital company in the West. Nobody knew the word "venture capital" out here. I joined them with four other guys, young guys. And I was then about thirty years old, as were the others. We had a great time. We were all learning. We decided to put it [the new company] on the Stanford campus because you could do that then with a ninety-nine-year lease. We were on Welch Road; never liked the

name because “Welch” is not the thing to do if you try and build your company on the basis of a handshake and goodwill and trust and so on. “Welching” on that is not good.

Hollar: Was that the environment? Was it a handshake and trust?

Draper: Very much so. Our agreements were almost handwritten to start with, although we always got Cooley to write up the documents. We had a CPA [Certified Public Accountant], one of the young guys. He always went and checked the books of whoever it was we were going to invest in before we'd do anything. That was a procedure that protected us from fraud and that kind of thing. But it was pretty informal. And we were the first, so there was nobody to share it with, so the deal flow came in pretty well, when people wanted money. Anderson had done one deal by himself, Raychem, which was a bonanza; it turned into a billion dollar company—shrinkable tubing. It's a well-known company around the Bay Area and around the world. It made insulation for wires that shrinks under heat. But that was it. We were looking at a lot of things. My first deal came to me through Reid Dennis, who was then at Fireman's Fund. And Reid was doing a few of these special situations by himself.

Hollar: Was he in San Francisco or was he—?

Draper: I'm not exactly sure where the location of the Firemen's Fund was, but he [Reid Dennis] was putting some of their money to work, and, I think, a little of his own. He suggested I go talk to Corbin-Farnsworth, down the street, not far from our office on the Stanford Campus. Elliott Farnsworth welcomed me. And I said, "Elliott what is a defibrillator?" And he said, "Well lie down Bill." And he put this big paddle on my chest and pretended to plug it in; but he didn't do that. Anyway, he pointed out that it was going to get the heart out of fibrillation. Well of course that saved millions of lives ever since. That was the very first defibrillator in the world. And we later sold the company for a big gain to Smith Kline & French, now it's GlaxoSmithKline. It's still operating. I saw the man who runs that division up in Seattle. It's exciting to do something like that. It was my first deal—quite a thrill.

Later on in Sutter Hill, we backed a company called Hybritech. Every man over forty gets the PSA [Prostate-Specific Antigen] Test for prostate cancer. [Hybritech was responsible for having developed and delivered that test.] And it not only made us a lot of money—Hybritech was a big hit—but that test saved my life. So there are some good things about venture capital besides the capital returns. It's really exciting when you back something that impact. My latest really big homerun was Skype [as the first outside investor].

Hollar: Skype.

Draper: And when you think that there are [over] 500 million people now that use Skype. And I was the first investor. It was largely [due to the efforts of] Howard Hartenbaum, who I had sent to Europe to look

for some kind of good investments, because it was pretty crowded here by that time. This was in early 2000. My son, Tim, suggested that he go see Kazaa.

Hollar: Same guys, right?

Draper: Yes. And Kazaa had gone bankrupt. So the two founders of Skype left Kazaa and went back to Stockholm, and they were writing their business plan when Howard came upon them, and helped them write it. So to see that dramatic change, and the impact that Skype and Facebook and Twitter and so on, can have on the world, not only on our lives, in health or in communication among businessmen, but communication at the bottom of the pyramid in Egypt where all the people at the lowest level are able to communicate and gather together in a square and bring power and pressure on the top of the pyramid and throw Mubarak out even though he had the army and all the control systems in place in a very tough dictatorship. It's pretty exciting what has happened here in Silicon Valley and it's impact on other places in the world.

Hollar: In the early days—it's odd for us to think about it today, but you were looking for companies to invest in, right? It wasn't just that people were coming to you because venture capital was available.

Draper: That's right.

Hollar: Can you talk a little bit about that?

Draper: At Draper, Gaither & Anderson a lot of people came to us, but when I left Draper, Gaither & Anderson, and started a small business investment company with Pitch Johnson, we had to work hard to find opportunities.

Hollar: This was 1962?

Draper: Yes, and we didn't have much. He and I borrowed two-thirds of the \$75,000 that we put into it. We had \$150,000 between us and we were able to borrow \$450,000 [from the Small Business Investment Company (SBIC) program, which was brand new]. This is about 1962 I had left Draper, Gaither & Anderson, not because I didn't like it, but because I wanted to do my own thing and Pitch was enthusiastic about leaving Inland Steel to get back to Palo Alto and start this new career in venture capital.

So the two of us were very optimistic and enthusiastic, but you know the phone didn't ring. We therefore rented two Pontiacs and we both went out and knocked on doors in the orchards because venture capital was not a known term, literally, at all. It was not known as Silicon Valley. It was a lot of fruit orchards in Sunnyvale, in Santa Clara and so on, and we'd go look for doors to knock on that looked like they [the company] had to do with some kind of technology or electronics, but at least they didn't say prunes. We'd ask for the president, and he'd come out, typically about our age, and he'd ask, "Well what do you guys

do?" and we'd say, "Venture capital," and he'd say, "What?" and then we'd explain what it was, and then he'd say, "Well come on in and hear about my company." And we became the go-to guys in the Valley because we really did go around and dig, so we knew just about every little company that was starting up. The financial people in San Francisco didn't want to take that big long trip down [to the peninsula] when they'd hear about something that would seem to be growing, or might be ready for an underwriting, or a banking relationship. They would call us. I don't think even big banks had many branches down in this way, I guess Bank of America and Wells Fargo did, but we were the kind of people that friends of friends of friends would call to ask about these various deals.

The first one we did was something called Illumitronics, a company Joe Giulie founded. I think he was a Stanford graduate, and he had a company that made checkweighers that sorted out packages of food or whatever that were underweight. They'd be knocked off the assembly line at very high speed. We never made much money on it, but we didn't lose any. He was a great guy. We all had our picture on the front of the *Palo Alto Times*, which of course is not here anymore. It used to be a very nice newspaper, local, and Pitch and I were in it, looking over this piece of equipment with Joe Giulie. It was exciting, and we had a lot of fun. We never felt we were wasting our time.

Pitch was a little more operational. I think he missed some of the hands on work, so he wanted to go back into some kind of operations. Well, I knew these two guys who were with a real estate company that built shopping centers. It was called Sutter Hill and so I called Frank Lodato and Greg Peterson, both Stanford MBAs. They had just hired Paul Wythes from Stanford Business School. They, Greg and Paul, had been classmates, and so I said, "I understand you want to go into venture capital and we want to expand." I said, "You've got a lot of money and we need a Xerox machine and a receptionist. What about getting together?" And Frank talked to Greg and they had a board meeting, and we ended up partners. They said we could keep calling it Draper & Johnson, but I said, "I like the name Sutter Hill." Sutter was the man who discovered gold in California in 1849. The name also represented the hills of San Francisco. Frank Lodato came up with that name. Paul and I raised the \$10 million needed to set it into action and it continues to be a wonderful venture firm today. [No more money was ever needed. Billions of dollars of value was created with that one injection of cash. It was an evergreen model where the fund was valued every four years but never distributed. The limited partners and general partners were all delighted with the results.]

Hollar: That \$10 million that you raised was international money, wasn't it?

Draper: A friend of mine from Yale, Charlie Mayer, said, "You ought to talk to Société Générale de Belgique if you ever need more money." So it wasn't more than a few months later that we decided we really did need more money. We were getting more deals than we could handle, so we decided we would try to raise 10 million bucks and I called Charlie and Charlie said, "I met with the President of Société Générale de Belgique—his company." Soon the chairman came over for an SRI [Stanford Research Institute] meeting and I had dinner with him, a man named Max Nokin. And he said, "Well, we're very excited about "doing technology," but we do all our investing through a company called Genstar, which is a holding company in Canada, Montreal. Why don't you go talk to them?" So I went up

to Montreal and talked to Angus MacNaughton, who was a wonderful fellow and president of Genstar. I asked him to come out to California and look at a few of our deals. Angus came out here and we showed him four or five deals around here, but our big shining, exciting investment was in LA. We were going to put Xerox out of business. We had backed a man from Xerox who theoretically had designed a better copier, so the three of us went down [to Los Angeles]. We [Paul and I] hadn't seen the new machine yet ourselves. [The machine was beautiful.] The entrepreneur said to Angus, "Give me a dollar and I'll copy it." Angus, to this day, says he gave a hundred dollar bill, but he [the entrepreneur] put the bill on the machine, put the cover over it, and switched it on. Momentarily, the whole machine caught on fire, and we had to get a fire extinguisher to put it out or it would've burned the building down. It was a big fire, it was no small deal.

Hollar: This is your big deal, right?

Draper: And this is our big deal, and you know Angus thought his hundred dollars had disappeared and we thought our \$10 million had disappeared. They [Genstar] ended up putting in the whole \$10 million. They were our only limited partner. They were a company that owned Inland Cement, as well as a big home construction operation in Canada, tugboat operations on both coasts, but nothing in the technology world. They gave us a \$10 million check at the closing shortly after this disaster, and it was a check, you know. Nowadays it would be done by bank transfer. We [personally] carried that check, Paul and I, in San Francisco, from the closing at Cooley, Crowley, Gaither, over to the Wells Fargo and deposited it. Holding that \$10 million check, we were trembling, because this was big money for us, and very exciting. We only ended up using about six and a half million of it and Angus told me that that \$10 million ended up being worth just about a billion— almost a billion dollars, and in those days a billion dollars was not small change.

Hollar: And you were the first to have that kind of international capital come into Silicon Valley, weren't you?

Draper: I think so.

Hollar: I haven't seen you talk much about that.

Draper: We used the same formula that Draper, Gaither, & Anderson used. Draper, Gather & Anderson was a limited partnership where there'd be a general partner and then limited [partners]. That was the first time it [a limited partnership] had ever been used for venture capital. In Sutter Hill's case, it was probably the first internationally funded venture capital company. Also the first time a corporation had become a limited partner in an investment [company] where they lost total control of that money. In fact, at the closing, Angus said, "You know, Bill, we've been thinking about it and we'd like to have a veto on your deals. I mean you do the deals and you make the decisions, but we ought to have a veto." So Paul and I caucused with the Cooley partner, who was a great guy [Ed Huddleson]. He [Ed] said, "You know, Bill,"— he had this crackly voice—"You know, Bill, I think we had better tell Angus that he's just not ready for venture capital." So when he [Angus] came back in the room I said just that—"Look, Angus, maybe

you're not ready for venture capital because we're going to just..." And then it was "Oh no, no, we want to do the deal." So we got our deal and closed.

Hollar: How did you convince them, because they had to be the first company to take this risk? How did that come together?

Draper: You know, I think they were prepared [and in fact, excited] to do something. Angus was about our age. We were all young—in our mid thirties. And it wasn't a big deal for this huge company, even \$10 million. I mean, Angus watches the pennies. He's very careful—McNaughton is his last name, he's a very Scottish guy—but he was excited, I think, about California, about technology, and the word was out that things were happening out here. Intel, I think, by that time had started, and several of other exciting technology companies.

At Sutter Hill we did a lot in the disk drive field. You've got a lot of it in your computer museum [Computer History Museum] here. Our first disk drive company was Century Data. That came out of IBM. They were down in Pasadena, and that did very well. That was in the portfolio when Angus invested. I think he liked the general portfolio, and he understood that a lot of times demonstrations don't work—but they usually don't burn up—and so he didn't take a lot of convincing. We had good chemistry. He liked me, I liked him, and we both liked Paul. It was just Paul and me, by the way. There were no other partners in Sutter Hill at that time, and then I think he just liked the feel of it, and so it wasn't that hard a sale. [He later moved to the San Francisco Bay Area after retiring from Genstart.]

Hollar: So it was a good fit.

Draper: Good fit.

Hollar: So let's talk about 1965.

Draper: By the way, good fit is right, because they were a [conglomerate and] publicly-owned company and their earnings would be erratic. It was a great company, but it was cement and house building and tugboats. All of it was choppy earnings. There was no growth look to it, although over years it grew, and it just happened that as time went by we did a lot more for them than just turn that \$10 million into, call it \$900 million. We smoothed out their earnings. They began to look like a growth company; because somehow our big kicks would help their earnings just at the right time and they were smoothed out.

Hollar: That's interesting; I hadn't seen that story told anywhere else

Draper: No I've never told it.

Hollar: So 1965 to 1981 roughly, that's the Sutter Hill period. There are two things I'd like to know about this period in particular for this oral history. One is that you developed a recipe to become a successful

investor during those years. I just wonder if you could talk a little bit about what you learned in the venture business during those years. And second, if you could, just talk about some of the investments you made that you were the most proud of.

Draper: Yes, Sutter Hill was Paul, who was a mechanical engineer[ing major from Princeton], and me. I'm a history major from Yale. I don't pretend to know much about technology except what I've learned through osmosis, and asking good friends who are good technologists what it's all about. But Paul had a mechanical engineering degree a Stanford MBA. He and I then hired two others when we got this \$10 million investment. We decided we needed a couple more people to help us invest it.

And as you point out, that went a lot farther in those days than it would today. So first we hired Dave Anderson, who had an MIT [Massachusetts Institute of Technology] degree [in electrical engineering] and a very lovely guy—you feel comfortable with him. He's very warm spirited, a sensitive person. Dave went to Harvard Business School, as I had, and he was pretty young when we hired him. I've forgotten what his business career was at that time. And then we together decided that Len Baker would make a good fit. He was a math major from Yale and then went to Stanford Business School, and had worked for a big industrial company, Cummins Engine. You know, they built big engines for railroads and tractors. Len was a very analytical person, continues to be, very precise, digs deep, very helpful to every company board he's on. He's the one that says, "Oh wait a minute, this is what's going to happen," and he's not always right, he's been wrong a few times, but he is a powerful analyst and very persuasive.

He and I both missed a great opportunity in his early days at Sutter Hill. I had brought the Rockefellers in on a deal that we had found, developed, and priced called Apollo Computer, up in Boston. It was a big success. We ended up selling it to Hewlett Packard for a big gain. So I got a call from the Rockefellers [Peter Crisp], kind of paying me back, asking if I wanted to invest in a company out here that they were just doing. So I sent Len Baker down to look at it, and he came back and he said, "Well you know they kept me waiting for a half an hour and the people were pretty arrogant, and after all it's an \$18 million valuation." "Ok," I said, "If you don't like it, let's turn it down." It was my mistake. He was young in the business, he'd been with us only a few months, I didn't go with him, I didn't double check and go down myself, I didn't call the Rockefellers and get a little more depth in it, nor did I connect that this was a payback for Apollo. That company was Apple Computer. So we have lost some over the years, but Sutter Hill has had some wonderful successes. I mentioned Hybertech, which invented the PSA Test for cancer. About three disk drive companies that were all successful, Century Data, Priam, and the biggest one of all is Quantum. Four guys came in to see us, four engineers, and this is how informal it was in those days, they didn't come in with a business plan and a Powerpoint demonstration or anything. They came in to just say, "Hey, we're thinking of starting a company. We need some money, maybe a couple million dollars to get it going." I said, "Well, who's going to be the president?" "Well we haven't really talked about that. Jim, you have the least to do, why don't you become president?" He said, "Well, okay." That's how the president of Quantum Computer got chosen and he lasted until it became a \$2 billion company. So things were a lot looser in those days.

Another good investment that we made was Activision. There were a few engineers who had worked at Atari who came to Sutter Hill. I asked one of them, "Well, what are you going to do after you make a lot of money in this? What are you going to do for the long term in your life?" He said, "All I want to do for the rest of my life is make games." You know, I thought, this guy is really passionate about this. They all answered the same way. I could see that none of the four was cut out to be the CEO and I think they all agreed with me. So we got a man named Jim Levy to come and join us and become the president and it took off, and it went public at a very high price. We didn't get the maximum out of it because pretty soon the small computer—personal computer—came in and it cost about a thousand dollars, and these games cost about a thousand dollars, and fathers would rather buy their sons a computer which had the game potential.

But those were good days and very informal, and we shared deals with other venture capitalists. I mean, I think that was one of the best things that happened in those days. I'd call Tom Perkins and say, "You want some of this?" And he'd call me about another one. In fact, in his autobiography he gives me credit for bringing the first successful deal that Kleiner Perkins had. They had about three lemons and then I brought them Qume. That was started by a man named David Lee who had worked at NCR, National Cash Register, and then he worked at Diablo. We backed Diablo—again it was in the drive field. He had the idea of a daisy wheel printer. The daisy wheel replaced the IBM Selectric golf ball. The daisy wheel was a thin piece of plastic circle with letters of the alphabet on it around the circumference and a little hammer. It would go either right or left controlled by a computer, depending on which letter was closer. It was very fast, and far better than the Selectric. We eventually sold it to International Telephone and Telegraph at a very large gain. Tom was very pleased.

Hollar: In fact, didn't he say at one point that that deal probably saved them?

Draper: No, there was another deal.

Hollar: Okay.

Draper: That was not the one he talks about in the movie. No that's a different one. Jimmy Treybig's company, Tandem.

Hollar: That's right. Tandem.

Hollar: Did this ecosystem of sharing deals and talking to each other as investors, did it just develop naturally?

Draper: Yes, because we shared the work. We shared the deal flow. Most of the time we weren't all that big, any one of us. Today a couple of million dollars invested might not "move the needle," we didn't have that phrase in those days.

I mean everybody gets greedy when they feel that, "God, we don't want this to share this because we need it all in order to move the needle." That attitude was not there in the early days. We were all new in the business and therefore sharing ideas and deals and being helpful to one another, board participation, keeping up with technology and what was changing—all of those factors came into working together. There's a Chinese phrase for working together to make an investment. Anyway, you know, many angels do that today in getting together, but you find very few of the big venture firms that want to share anything today. They feel they've got to do it all themselves in order to have an impact on their returns.

Hollar: I don't know whether this comes from your experience with Sutter Hill or your total experience, Bill, but in your book you boil it down to what it takes—you talk about the funders, the team, the pitch, the product, the market, the deal, and then the relationship that you build. Was that really essential in this Sutter Hill period in particular, or did you come to that during the later years?

Draper: You know all those pieces are part of the startups puzzle. But to me, the difference between success and failure rests on who is running the show. I have always been good at selecting people. I told you that I picked my wife in three days. Fifty-nine years later, I still think I hit the jackpot.

Hollar: Right.

Draper: I've always been comfortable at sizing up people. That has always been my focus. I told you I'm not a technology geek, and I'm sorry I don't have a technology background, because it would've been helpful. Therefore the first thing I think about is: who's going to run the show? And does he or she have the vision, the drive, the stamina, the enthusiasm, and the commitment, the knowledge about the territory they're going into? I have to say I ask other people to help me figure out whether they are on the right track technically, but if they're a little fuzzy on the details of almost anything about the business it worries me. And then there's the leadership potential. Even though they hadn't led something before, you could see determination and competence—guys like Steve Jobs and Larry Ellison. They all have a lot of talent, but you do need that ability to collect a team and lead. People followed Steve Jobs because he was decisive, clear-headed, and knew where he was going. That is certainly a characteristic that can make for a great leader. Would I want to work for this person? It's one of the questions I ask. Or would I think he's a good guy to drink beer with, but I don't think I'd follow him across the river. All of those things are most important to me more than anything else. If you asked Don Valentine the same question he would say the market is the most important thing, and I imagine if you asked Tom Perkins he'd probably say the product is most important. Tom took me over to show me the very first laser I had ever seen and I think ever existed. They didn't know what they were going to do with a laser, but they had a very interesting product. So I'd say I'm much more focused on the people and the team. I figure a good team will pull out of the wrong territory and redirect the company to fit a changing environment. In my experience, from the Sutter Hill days to the present day, success in venture capital still comes down to the right selection of people.

Hollar: And I guess your Apple story is also an indicator that you can't spend a lot of time worrying about the ones that get away.

Draper: No, but you know, we are fishermen, in a way, and it is the one that you remember and you wish they hadn't gotten away, and you always have kind of an excuse I guess. I was not looking for a domestic investment when I came back from public service and Robin Richards and I got together. She was still at Stanford Business School. She was a second year Stanford Business School student, and we were partners before she graduated. We wanted to go to India because I had been chairman of the Export-Import Bank under Secretary General of the United Nations in charge of the UNDP, and seen the world. I'd been to 101 developing countries and raised money from the rich countries to give to poor countries. I felt like Robin Hood a little, and I knew the world. So I wanted to do something in venture capital, the only business I knew.

We picked India and in the very earliest days, Robin, still at Stanford, told me, "This guy Jerry Yang is doing some interesting things. Everybody seems excited about what he's doing, and so why don't you talk to him?" So I had breakfast or lunch with Jerry, but I brought Tim Draper over because he had started Draper Fisher—it wasn't yet Draper Fisher Jurvetson—and we met with Jerry Yang when he was 26 years old. Jerry said he wanted a CEO. We thought that was very good because they probably needed one. Tim's idea was a guy who was the son of Sandra Day O'Connor, Jay O'Connor, and a good friend of Tim's. He was at Inuit, so that came a little later. When Jay O'Connor and I went to look at the product, Dave Filo, Jerry's partner, said, "Well, what do you want to know?" and I said, "What do you mean what do I want to know?" "Well what do you want to know?" I was on the board of Yale at the time. So I asked, "What's the tuition at Yale?" So he hit a few keys and the Yale webpage comes up and then he typed a little more, and sure enough the tuition came up: \$21,000, and I was in awe. Tim immediately saw the excitement of this thing, went over to Stanford, and saw it in operation at their lab.

There wouldn't be a Silicon Valley without Stanford, I think. I mean we plunked our Draper, Gaither & Anderson on the Stanford campus. Hewlett Packard was brought together—Hewlett and Packard by the provost, Fred Terman. You know this could be called "Terman Valley" because if there's any one person responsible for leading it to where it is I think he's the one. But of course thousands of people are responsible for building this heavenly spot into such a great creative place.

Back to the fish that got away. I still hear Jerry Yang saying—again it was the second time I'd been there—"What do you want to know, or would you like to see some real estate in Hillsborough?" And a picture of a house comes up in Hillsborough. I thought this is fantastic, Tim thought this was fantastic, and we thought Jerry Yang and Filo [co-founders of Yahoo] were fantastic. So there was never a question if we wanted to invest, but I was focused on India and going to India and getting the India fund established. I hadn't gotten the money together yet for the India fund and I had to put my own money in, but I did have enough to write a million dollar check to Jerry which is what I should've done and said, "Wherever you go and whatever you do take my money with you," but I didn't do that. Tim at Draper Fisher made an offer, but Sequoia outbid him. Also, I think the selection of Tim Koogle, a Sequoia suggestion for CEO, was a better fit for Yahoo. So there's another one that got away.

When you're a fisherman you remember those fish that got away. But, we've caught so many that you can't feel bad, I mean we've been really lucky. I was the first investor in OpenTable and in that case I

kept advising the founder to raise the price of the service, because I knew after checking with every restaurant that they all loved OpenTable. I ate out a lot with my wife around San Francisco, and I kept saying to the CEO, Thomas Layton, "Instead of a dollar a piece for every reservation why don't you charge two dollars?" He would say, "Bill you don't get it, I want to own San Francisco. I don't want even a smell of competition. And so a dollar is just right." And then he opens in Chicago and then New York, and now in London and all over the world. OpenTable is a household name in a lot of places. He was right. But he did need a lot more money because they own those computers that are at the storefront every time you go there. They don't lease them. I said, "Why don't you lease them and get the cash out so you don't become such a cash heavy operation? Because we want to make our cash run as far as possible." He would say, "Bill you don't get it." So he didn't take any of my advice. I want to say the entrepreneur and the venture capitalist work together, and the venture capitalist gives good advice and strategy, and the entrepreneur benefits from all that. He didn't take any advice, and I'm glad he didn't. He was a great entrepreneur and OpenTable became a terrific success. I was also the first investor in Skype and again they didn't need much advice. The founders knew where they were going and how to get there. I was lucky. It's all about the people.

Hollar: So let's talk a little bit about your public service now Bill, because at the height of success with Sutter Hill in 1981, you were asked by the Reagan Administration to take an important post and you do it. You walk away, essentially, from venture capital at that point.

Draper: Yep.

Hollar: Why did you do that?

Draper: My learning curve was flattened out, but I think it really goes back to my father's service in the government and I felt that was a missing piece in my life. I loved Sutter Hill. I loved the guys I was working with. I think it might have been a stronger company today if I had stayed, but I don't know that, and they've done awfully well since I left. I held on to all the stocks that we had invested in because as I said earlier, we have in Sutter Hill a unique system, which is an evergreen system, where you don't have a term to the end of a fund. Every other one of these venture firms have fund 1, fund 2, fund 3, including Draper Fisher Jurvetson, but not Sutter Hill. I think evergreen is the best way because it aligns the generals with the limiteds much more. Genstar got bought out in a takeover—I think it was British Tobacco who bought it, and they didn't want to do venture capital. So Princeton, Yale, Stanford, and MIT (we had all gone to those colleges), took it up. They all bought the Genstar or position in Sutter Hill, and they've never sold it. But every four years it's valued, and they have the opportunity to get out and they don't want to get out. The returns are good because when a stock goes public and it gets a little over priced the general partners will sell it. They won't distribute it typically. They'll sell it because they know it's high and then they reuse that money, and so half of the money in Sutter Hill today is owned by the general partners, and it's a much more connected system between generals and limiteds. In the other system it goes for ten years. Let's say a fund goes for ten years and young partners come in. This is the relationship between the junior and the senior limited partners: Junior partners want to get this fund done because they'll have a bigger piece of the next fund, and so they'll sometimes not do the best thing for the

organization. They just move that money out. Whereas in the evergreen system they're more conservative, maybe, but they're also—well, the returns when I was there for twenty years, we're 41 percent per year IRR, and today they're in the 30s, maybe low 30s, but it's very high so everybody's happy. You want everyone working for the carry, not the fee, and some of those venture firms get so big and cumbersome that they're just working for the fee, but the carry is the big thing in Sutter Hill. So anyway that's the background there.

I don't know how it might've ended up if I had stayed, but from my own personal standpoint I'm very glad I did it because I got to know the world, got to know how Washington works. I got to know some wonderful people. When people talk about the government, including my son, who says, you know, "We ought to close down the government," I say, "Well what about an army and security?" "Oh well maybe that can be done privately, too." He's not serious, but he doesn't value government service quite as highly as I do.

I am a great fan of the high quality civil servants that really think about what is best for the country even though that image does not come across. There are really a wonderful group of people that are dedicated to doing a good job of service to their country. Without that team of dedicated and experienced bureaucrats, elected officials, and their appointees (of which I was one) would be lost.

I worked for the UN [United Nations] for seven years and that job was the best job I ever had. I was actually the number two man in the UN. The organization is so undervalued in Washington and Keokuk, Iowa. It's just unbelievable how little support we give it, and I mean financially, resource-wise. I learned that they are doing so many good things because they are an association of nations, but they don't have many resources so they're spread too thin. If Bechtel treated the Chamber of Commerce in San Francisco the way Washington treats the UN, you know, it would be a very weak organization. But it does good thing—Chambers of Commerce for Bechtel, and the UN for the US, but the US doesn't really reciprocate, I don't think, nearly as much as it should. Anyway having said all that—it is weak, it lacks sophistication, it lacks any kind of PR operation. They ought to just get a couple of guys from Proctor and Gamble to take it over and help us build up that irreplaceable organization. I loved the job and I love the UN to this day despite its weaknesses.

The UNDP [United Nations Development Programme] that I ran had about 8,000 people in it, a thousand of who were in New York and came from every country in the world because we really had to spread them out. The other 7,000 were managing projects on the ground in over 150 countries. There were probably about 8,000, 10,000 projects that were sort of the "software of development." It is the largest grant aid organization in the world. The World Bank is the larger aid organization but they lend the money and they do the "hardware" I would call it. They build the dams, the power plants, the schools, the highways, that kind of thing, and lend the money and it comes back to the Bank. UNDP grants the money for programs like nurses and teaching programs, or management projects, or health programs, environmental programs. There's the World Health Organization, and we work very closely with them, there's the environmental program of the UN, UN Environmental Development, but we have programs that come close to those. Forestry, agricultural, educational projects, whole series of soft programs that are much more, you know, hands on, but not the construction of dams, power plants, schools; buildings

and projects of that type. To give you an example, we gave \$6 million to Muhammad Yunus, and he started the Grameen Bank in Bangladesh. I went to visit that operation and that was an early \$6 million for him, it was a very important thing, and he's later gotten the Nobel Prize and kind of stamped micro-lending as a very important development tool. And then by the way, later in my own foundation, Draper Richards Kaplan, we backed a company called Kiva.org, which is kind of based on that except it uses technology, it uses the internet. You could make a loan of twenty-five dollars to a tailor in Ghana and he'll pay you interest and it'll hang out there as long as you want it to.

Hollar: Did your association with Grameen Bank help you with the Kiva investment?

Draper: Helped me figure that out, yes.

Hollar: You're saying that was a good idea?

Draper: Oh yeah, absolutely.

Hollar: Kiva's a wonderful thing.

Draper: And so that's an example of the kinds of projects that we did.

Hollar: You seem to have come home, I use that term loosely, from that with real respect and admiration for what that whole sector of the world, and for the UN.

Draper: I think countries that stifle the private sector are shooting themselves in the foot, but without a public service sector, without a nonprofit sector, without dedicated people who are working on problems that will never be good return on investment, no country can succeed! Investment in education is a good example. Yes, I've gotten to respect people who work in those territories. A guy like yourself, I mean you're doing something for a lot of people. You have no idea the impact that you have, like a teacher, you know, and their graduates very often end up having had a major impact on the world, and they never knew about it because somebody that they taught and helped along ended up having a huge impact, maybe long after they're dead. It's a very interesting thing the way the world comes together. And so you need both. I don't think I would've had that attitude, or certainly I wouldn't have felt as strongly about it, if I hadn't worked in the public sector and then worked in the international organization sector like the UN.

I've been to Burkina Faso and Ouagadougou is the capital, and the farming is a problem there. We helped them with seed programs. I've been out to a little village in the middle of Tanzania working with a pump that is cheaper than anything else and simpler to assemble and disassemble by women. They all huddled around so excited about seeing this pump which was made in India. This was an exceptional project UNDP managed, and now there are probably a million pumps of that type being used in Africa. We arranged the African connection with the Indian designer and manufacturer and paid for the pumps. There are all kinds of programs that couldn't get there just through a private sector, the risk is too great.

Government itself, you know—we talk about the internet, but DARPA really got that going. It would have come, but not as quickly, probably, without DARPA. And another example of how government is important is the jet engine. That could not have been built by Boeing alone. It was a huge investment to develop the jet. That was a government project originally and of course eventually the jet airplane is taking everybody everywhere and it's very exciting. So this working together between government and private sector and international relations and international organizations like the World Bank, the UN and many others that you never heard of is exciting.

I just came from the Global Philanthropy Forum which I was involved in starting. Jane Wales, who's also the chairman of the World Affairs Council of San Francisco, runs it. They have 450 people there meeting together. They come from all over. They had Bill Clinton speak a few years ago. They had Mrs. Clinton last year. But more important than that is they connect the big foundations, smaller family foundations, and a variety of these nonprofit young organizations together. I was talking with the head of Save the Children, Charlie MacCormack, today. They all mix it up. Melinda Gates was down here giving a talk and telling about the Bill Gates Foundation and what they were looking for. They're now totally supportive of this Global Philanthropy Forum. It's only 10 years old. This is the 10th anniversary. That is doing so much good and it's connecting people. Let's face it, we learn from talking openly with each other so much more than we learn from, you know, somebody who preaches on high.

Hollar: Have you found your life as a philanthropist to be as satisfying as you have the private sector?

Draper: You know, I get that question and honestly my answer is I have thoroughly enjoyed every stage of my life. Each one seems to be a good fit for me. I wrote a book that covers all this. It's called *The Startup Game*.

Hollar: Yes.

Draper: That was a totally new experience for me but I did it on a yellow pad of paper, long hand, on airplanes and on vacations. It took about a year and a half. I got an agent. I hired a young gal to do some research, Yasemin Denari.

Hollar: I met her.

Draper: Yes, she's terrific, she is terrific, and she's now at Stanford Business School, first year. She did some research and then she said, "You've got to get an agent." The agent got me a publisher, Macmillan, and Macmillan gave me a deadline, and that's why I got a book done! But all of that was a learning experience for me, steel business, learning curve like this, flattens a little; venture capital with Draper, Gaither & Anderson, brand new; and then with Pitch Johnson on my own; and Sutter Hill, a totally different experience; and then off to the government; and then off to the US government, and then I'm at the United States. That's what's exciting, because as you know, because you've done this a bit, you don't run out of money if you're lucky, but you do run out of time and you want to have tried as many

things as possible that interest you. When your learning curve begins to flatten it's a good time to change gears.

Now a lot of great inventors and computer scientists that you deal with, you know, they don't run out—their learning curve doesn't ever flatten out because they're constantly working on new things, and exciting things, and so they might not understand what I'm talking about. Why would you change jobs if you could invent something else? Even when the whole thing doesn't work and they've spent five years on it, they've learned something; they know that it doesn't work. I can't honestly put one sector of my life together or any five years, and say "that was better than any other." They were all good.

The UN experience was pretty phenomenal because I got to meet probably fifty or sixty heads of state, maybe more, and got to 101 developing countries. I got to be far more compassionate than I had been before. Got to know villagers as well as people in the capitol cities, and got to see the flaws as well as the potential in the UN, and the delivery that it is giving, and the very fine people who work there. My deputy at UNDP had been the head of the Jamaican Airline and before that the head of the Central Bank of Jamaica, so he's no cheap bureaucrat, he had a very warm, wonderful personality, and was very helpful to me in my first years. You see some lemons and you learn a lot about the world. There is corruption and you have to grit your teeth and try to do something about it. I hired Ellen Johnson Sirleaf. She is currently the President of Liberia. I hired Ellen into the UN Development Program, and asked her to run my African operations. She'd had some experience at The World Bank and then she was kind of between jobs. I met her in Paris and I said, "Ellen you got to do this. This is going to have more impact for you than any single job you can possibly have. I guarantee it. You'll really get a command view of Africa and it will do you good." Anyway, she spent five years there doing a wonderful job. Tough woman, but charming. She's written a book. I've forgotten what the name of it is now—anyway, the first day she got into office as President, she went down to the treasury department where she had worked in Liberia and fired everybody personally. She's that tough. She personally fired every one of them and she said, "I know what you're doing, and it's totally corrupt. You're out of here. I'm going to start over." Then very recently she fired her whole cabinet and said, "I will rehire you one by one—some of you—one by one." So there's a woman that, you know, should be on the front page of every magazine because she's really an amazing talent. You know Liberia was very corrupt, but not anymore. Ellen is in charge. I have been involved in selecting a great number of terrific leaders, but Ellen and Rick Levin are the two I am most proud of. Rick recently finished twenty years as President of Yale, and I was on the board of Trustees that elected him nineteen years ago.

Hollar: So when you look into the future, what do you see?

Draper: Well to be honest about it—and whenever I'd say to Pitch Johnson, "Well, honestly speaking..." he'd say, "Aren't you always honest?" But to be honest, I am not a great visionary, and I don't pretend to be. But judging from the past I will probably say what a lot of other people would say that have experienced it. We are at the very beginning of this relationship between venture capital and entrepreneurship. We are just kind of learning, and trial and error has taken us to where we are now—too much money chasing too few deals, and instead of 40 percent or thirty percent IRR maybe you'll get

your money back at the end of ten years if you're a limited partner of some funds. Maybe you'll get a double in ten years and that's not good enough to be sustainable, considering the illiquidity and the risk. But there's ebb and flow to the demand and the supply. Times have changed. I am optimistic.

I knew we were onto something at Sutter Hill when John Weinberg from Goldman Sachs (he was running Goldman Sachs at the time) came into my little office here on El Camino and said, "You know, I'd like to learn more about what you're doing and all this," and I thought, "Something's going on here. Our returns must be better than they are on Wall Street," and sure enough they were, I mean they were really big—41 percent per year IRR. I didn't realize how much better. Anyway the tsunami of Wall Street money came into Silicon Valley and that destroyed the returns—but only momentarily, I think. It's ebb and flow, and so we're just at the beginning of a great future because technology is moving so fast. It's accelerating at such a rapid pace, and machines are talking to machines now, and you know keeping up and guiding it properly is very important. It's going to take a lot more sophistication than we've had in the past, but that will come and there'll be adjustments and there'll be the Steve Jobs of the world who will break through every barrier and dramatically change everybody's life. There'll be the Zuckerberg's who will come from Harvard undergraduate out here because the ecosystem is so strong that this was the place to start Facebook. There'll be a very strong support system from Stanford and it grows on itself. I mean the money is pouring back into Stanford. Stanford keeps getting the best of the best. When I was at Yale taking history, the professor who taught me history was picked as president of Yale in 1950 when I was there, and he had the idea that engineering was like dentistry. "We really ought to just teach biology, and chemistry, and physics, and try to do very well there, but engineering is like dentistry." So they cut back the budget just at the time that [Fred] Terman was turning up the heat and leading Stanford to be the best and strongest engineering college in the country, in the world. I think MIT might have some problems with that, but you know what I mean. In other words, really a dramatic change and difference, and so Yale has been scrambling ever since. Rick Levin, who went to Stanford (undergraduate), who as I mentioned earlier, finished his 20 years as President of Yale, was trying to rebuild engineering and doing his best, but Yale will never catch up. We were quite even at the time in 1950. The two organizations were very even. All I'm saying is that with this technology moving so rapidly, you're going to have dramatic changes that you and I can't possibly imagine. I don't pretend to say what's next. I always point to my own body. You know, there are wars going on in that body, there are the good guys and the bad guys, and they're fighting constantly. We're learning more about the brain. We've learned more about the brain in the last ten years than we've learned in the history of man, and so a lot of the future will be the exciting returns that will come back into our bodies; figuring out what's going on in the body and how to make people healthier and smarter and to live longer and get above the poverty level. I think that's an important element of this and that takes leadership, resources and organization, but it also takes technological progress most of all.

I think it's so exciting that Facebook and Twitter and Skype really overthrew—were the platform on which people communicated to overthrow Mubarak. I don't know what'll happen in Libya or in Syria, but it's all pretty darn exciting, and Tunisia's already changed. Now that would not happen, and I could never have imagined it to happen, a year ago—none of us would have dreamed that this would've happened. So I

think it's a good plug for democracy. Technology and democracy are marching hand in hand in the right direction.

I think one of the most exciting men I've ever met was Deng Xiaoping. I was with the Secretary of the Treasury, Don Regan, at the time. It was my first trip to China shortly after I'd taken over the Export-Import Bank of the U.S. in 1988. Deng told us that he had already changed the way in which they could do business in Sichuan. They could only grow rice for the Iron Rice Bowl when he took over from Mao in 1979, and he said, "Then they were all poor. Now they're all rich. They're all rich because I told them they can grow anything they want. Now they're growing tobacco and cotton in the dry areas, and I told them they could trade with anybody they want." And of course we applauded and thought that was great. He said, "Moreover I'm going to change the other fourteen provinces and let them do the same thing." He did more for entrepreneurship—I say this in the book because it's about entrepreneurship—Deng Xiaoping you don't think of as doing more for entrepreneurship than anybody else, but he did more because there are more people in China that benefited from his freeing them up from a Communist system. Even though they still call it Communism, it's a capitalist system if I ever saw one and more entrepreneurs in China than anywhere else in the world, right? So I give him total credit for moving about a third of the world to entrepreneurship and moving it dramatically. There is no doubt. Deng was the father of entrepreneurship in China. Technology advances and economic prosperity flowed with entrepreneurship. Democracy, we hope, will also soon take root.

The future of India is a little more certain. They have been a democracy for a long time. Because of that and because they spoke English and because they were ahead of China in computer software, Robin Richards and I chose India to start on our new venture capital company when I came back from public service in 1994.

I know the current prime minister of India, and while I didn't have to talk to the government at all when I went to India, it's partially because this man—Manmohan Singh—was then finance minister that we chose India over China and other Asian countries. When I got there to start our new company with Robin, the first place I went to was to the then minister of finance, Manmohan Singh. He had already, in the two years he had been in that job, made major changes that he and I had talked when we both belonged to something called the Tidewater Group. The Tidewater Group members were interested in the developing world and in helping create jobs. I said at one of these meetings that in England (we met at Leeds Castle, Kent, England), "You know Manmohan, you've got one system, but it's mostly government, called a mixed economy. We believe the private sector will really drive more jobs." There were finance ministers, the President of World Bank, UNICEF, me and a few others. I also added that everybody had talked about getting more jobs in the developing world, but nobody mentioned the private sector, and that's where the jobs will come from. The private sector needs to be nourished and developed.

In his first two years as Finance Minister, Manmohan Singh made many of the changes in government policy that I had advocated to encourage open competition and healthy development of the private sector.

Therefore, when Robin and I met in Delhi, I congratulated him on listening to me back then in jolly old England. He laughed and we opened our new India Office for Draper International.

In the past, you had to go to Delhi if you were working in Bangalore. If you were going to be an entrepreneur you had to go get a license signed by about twenty-five—called the license raj system. You had to get a signoff, and every signoff meant a payoff. There's still a bit of corruption in Delhi, and so I was very glad we never had to deal with the government.

My partner and I, Robin and I, got two great partners: Abhay Havaldar who's now with General Atlantic in Mumbai, and the other is Kiran Nadkarni, who was in Bangalore. They were two great Indian partners so we had a wonderful experience. She and I went about every quarter and we'd stay for a couple of weeks, and we learned a lot about India and we'd decide on deals that they teed up for us. At the end of six years we returned 16x the limited partners' money. That was kind of unheard of and still is, 16x in six years. So we're very proud of what we did in India. But I am sorry that because I was focused on India I didn't invest in Jerry Yang and Dave Filo, but other than that it was a wonderful ride and we got to know a lot of the wonderful Indians, in a country that's so complicated and fascinating, and we did some good.

Hollar: So I promised you the last question I was going to ask you is this: Is there going to be a fourth generation of Draper investors?

Draper: Yeah, I think so. Adam Draper, Tim's son, oldest son and Billy Draper, his youngest son, they both have an interest in entrepreneurship. But I suspect they will both come into the venture capital community.

Hollar: Okay. Wow, that's great.

Draper: So that's it.

Hollar: Well thank you.

Draper: Thank you very much, John. It's great to see you again.

END OF INTERVIEW