Oral History of Frank Bonsal

Interviewed by:
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Hancock: We're ready to get started. Today is September 26, 2017, and I'm Marguerite Gong Hancock from the Computer History Museum and I'm in the home of Frank Bonsal.

Bonsal: And I'm Frank Bonsal in Maryland in my home, Mantua Farm in Glyndon, Maryland.

Hancock: Frank, it's such an honor and delight to be here with you today interviewing.

Bonsal: Thanks for coming.

Hancock: We want to talk about your life and your work, but this is a very special opportunity to be with you in your home. Can you tell us a little bit about where we are and your beginnings here in your home?

Bonsal: Okay, well I was born November 29th, 1936 and this was my home for most of my life. My father was from Maryland and my mother was from New England. Her name was Edith Bass. She was the daughter of Robert Perkins Bass, who was governor of New Hampshire in 1912. The Bass' home is in Petersburg, New Hampshire, which is south-central New Hampshire. Somehow she got down here and met my father and they were married in 1935. So, other than my time in the military, which was six months active duty-- and other than that-- and my time at Princeton, I lived all my life here. I have a younger brother who's three years younger, to the day, and I had a sister who was eight years younger. She, unfortunately, passed away a few years ago. Her home was across the street. She had one child, Clifford Branson. I have three children and seven grandchildren. One of my children lives in New Canaan, Connecticut with her husband, Jay Goodyear, and three children. The others are close by. My daughter lives just down the road where I used to live and-- with Helen. My wife is Helen. She's from New York and we were married in a 1962, May 5. We've been married 55 years.

I first went to work for a brokerage firm in Baltimore called Robert Garrett and Sons, in 1962. I graduated from Princeton in 1959. I was in the Army National Guard. I went to active duty in Fort Knox and Fort Bliss, Texas. That was six months and then I came back home and went to work for Robert Garrett and Sons where I was in the training program. I then became a registered rep to do what's known as a retail brokerage.

Hancock: Frank, before we get to the details about your early career, I wonder if we could spend a little bit more time about your early years growing up, in your education, and some of the influences on your life that shaped who you were. Maybe part of your education, or teachers, or family members who were role models or impacted you.

Bonsal: Well, my father was a horse trader, and so we lived on this farm so we could have horses. This still is a horse farm, but he was an active and quite successful horse trader. I decided not to go into that profession, but to go into business, and I was always very curious about business. I never went to business school. I graduated from Princeton in 1959 and I got married in '62 and I went to work right after my marriage in May of '62 with Robert Garrett and sons. Now, my upbringing here was on a farm, a horse farm, and I rode ponies, horses in my youth. I still ride.

Hancock: You do?

Bonsal: Yep. I fox hunt. My father was a master of the foxhound, so I was a master of foxhounds at the Green Springs Hounds next door. And so, it's a sort of in my blood to, you know, ride. And my daughter, Adair, who's my middle child, she rides. Frank, my son, does not, nor does my youngest daughter, Polly. I mean, they rode a little bit in their youth, but they're not riding now. And as I said, I'm still riding hunters, and I enjoy it. I'm not a thruster. I go in the second field, not jumping fields. So at my age, that's appropriate. I'm very fortunate to have been born and raised here, and then I went to Calvert School here in Baltimore, and then Gilman School, and then Princeton.

Hancock: How did you decide Princeton?

Bonsal: Well, Princeton has a very good following from Baltimore and the headmaster at Gilman, Henry Callard, thought it would be a good choice for me. So he went to bat for me and endorsed me and it was entirely his endorsement that got me into Princeton. And I enjoyed myself for four years. I was a member of the Ivy Club on Prospect Street and I majored in American civilization.

Hancock: How did you decide that major?

Bonsal: I don't know. I just wanted to know more about our country and, you know, the history. So, that's what I did. It was fine. I was an average student. I wasn't anything special, but I got through. And then after I graduated in '55, I had my military obligation to fulfill and I joined the Army National Guard here in Maryland. They sent me to basic training down in Fort Knox, Kentucky, and then I went from Fort Knox to Fort Bliss, Texas. That was in six months. Then I came back and I did National Guard meetings every now and again. I had an early discharge so I was free to go to work.

I was fascinated with business and the passion I had for trying to understand how business works. Technology was the driving force behind new business, and I was interested in that. So, I'm not a technologist, but I am a pretty good judge of people and in business it's all about people. If the people are right, the business has a chance. If they're wrong, it won't work. So, the most critical part of that process is evaluating people. Who they are, where they came from, why it is they want to do what they do, and all that. I specialized in small to medium public companies, and I would put clients' money-- invest in that sector. And then, as I progressed, I got to know the venture capital community, who had started these companies and brought them along until they became public. I would call on the venture capital companies who backed these early-stage companies to find out why they did it, who they are, and how they feel about it, and all the rest of it.

Hancock: Those were early days. Do you remember people that you were talking to, or companies at the time?

Bonsal: Well, I had a lot of companies I was talking to. I remember going up and visiting George Doriot at American Research and Development. He was one of the early VC companies and he invited me to come with him to visit Digital Equipment Corporation, Ken Olsen. And what happened was the night before, one of the key employees of DEC was assassinated by a bullet through the window of his home. He went out to see how everything was, and I went along with him.

Hancock: You went with him to..

Bonsal: To DEC, to Digital Equipment in Maynard, Mass. So, I climbed up the stairs to the mill, which was the headquarters, and I met Ken Olsen and some other people. I became somewhat interested in that company, which had gone public. You know, American Research and Development had a lot of other portfolio companies, some of which were public like Cordis in Miami, which was a pacemaker company. And as a result of looking at Cordis, I went to see Medtronic in Minneapolis. So, I did my own research, although I read whatever research was available. But I'd go to the companies, talk to management, and I'd try to understand where they were, what they were doing., why they were doing it, and where they were going. If they were public, which most all these companies were, I might invest in the company for my clients and myself.

Hancock: Your astute assessment of people and companies has been a legendary. What kinds of things did you look for, or questions did you ask, as you were making your judgment?

Bonsal: Well, you look for management to have a track record. If this is their first time around, there's a question of whether they can do the job. So more than not, we look for management who had a track record of running companies prior to what they were doing. You'd go talk to the management and ask them why they're doing this and what they think the opportunity is. If you feel that they were credible, you proceeded to look at the business and the markets they serve and try to ascertain what the opportunity was. And [I was] getting familiar with the VCs who backed these companies, like American Research & Development, or like Greylock or like Fidelity. You know, I mainly concentrated on East Coast companies, because I did not want to travel. California was the other place to go, and I sort of stayed in the Northeast. Because in Boston, thanks to MIT and Harvard, there was a lot of activity and that kept me busy.

I would only call on public companies, because I was interested in the opportunity that presented itself in the possibility of investing in public companies. Most all of them were technology companies. I'm not sure which ones did better, but, you know, Digital Equipment certainly did quite well for many years and then there was a lot of others. So, what happened was, as a result of my talking to the VCs that had backed these companies, I became intrigued with the venture capital community and the opportunity that presented itself. And there were no VCs in Baltimore at the time and I had the good fortune of talking to Chuck Newhall, who was at T. Rowe Price running the New Horizons Fund.

Bonsal:. So, the New Horizons Fund was a public mutual fund that they started that invested in emerging growth companies. So, I went out and visited those companies. When I transferred from Robert Garrett to Alex Brown in 1965, Alex Brown was a broker-dealer and an investment banker. I was working for Ben Griswold, the senior partner. I travelled abroad with him to visit investment managers, primarily in the UK and Switzerland, and that was institutional brokerage. But I migrated to corporate finance because of my interest in figuring out and participating in the IPO world. So, when I was able to get a client that wanted to go public, and they chose Alex Brown to be the underwriter, the first call to make would be to Chuck Newhall at T. Rowe Price. I'd ask him to look at the company that we were planning to take public. And many times, he would agree that there was a good opportunity and he would buy shares on the IPO. So, as a result of that I got to know Chuck.

Hancock: Do you remember how you first connected with Chuck?

Bonsal: Well, T. Rowe Price is the largest money manager in Baltimore. Chuck, along with a fellow called Cub Harvey, was running the New Horizon Fund, which was the fund focusing on emerging growth companies. So I got to know Chuck and Cub in the late '60s. I started with Brown in '65, and I was with them until we started NEA in '78. As a result of trying to sell Chuck shares in companies going public through Alex Brown, I got to know him, and I got to figure out that he also was interested in the venture capital business. Somehow his father was connected to the Rockefeller family, so he had some acquaintance with the venture business of the Rockefeller family and it was his ambition to get into the venture capital business. So, he and I talked and decided that there might be an opportunity to form a new firm here in Baltimore, because there were none. And he talked to his peers at T. Rowe Price and they agreed to back us. They were our first institutional commitment. I talked to my boss at Alex Brown and he was sympathetic, but said they could not invest because the money that they had in the firm had to be deployed in the business, which was not venture capital, it was brokerage and underwriting. So, I was not able to get Alex Brown to invest in what became NEA, but Chuck was able to get T. Rowe Price to agree to invest.

Their investment was subject to our finding a partner in California that had a track record in venture capital. So, we both knew Dick Kramlich, because he was involved when he was in Boston-- I think it was with Welson Forbes or [probably Gardner & Preston, Moss Inc.] -- it was some family office. He got divorced from his first wife, who had his two sons, Peter and Rex, and he decided to go to California because he responded to an ad that ended up being Arthur Rock. So, when he moved to California, and I'm not sure when that was, he was with Arthur Rock. Well, of course, Arthur Rock was one of the original VC's in California and he and Dick had been investing-- primarily family money. So, Chuck and I approached Dick about the possibility of his joining us in a venture firm which Chuck called New Enterprise Associates. He [Chuck] worked for New Horizons so he was the one that originated the name "New Enterprise" and we were fortunate to get Dick to join us in 1978.

Hancock: How did that conversation go when you were recruiting him? He was working in California with Arthur, and it was a big change for him to strike out with you.

Bonsal: Well, you know, Arthur was a control person. He was investing his money, and Dick was working for Arthur. Dick was not going to be in a position to enjoy the fruits of the investing as much as he would like. The reason was because it was all Arthur Rock's money, and he wanted to keep it for himself. He was paying Dick a salary, but Dick didn't have-- he might have had a modest carried interest -- but nothing of substance. So, Dick was incentivized to consider joining NEA, because we were in a position to offer him an equal share as founding general partner.

And so, after much deliberation, he committed to join us in 1978, and we did have the commitment from T. Rowe Price. When he committed to join us, we then went out, and with the help of T. Rowe Price with introductions from people they knew, we were able to get in and talk to families like the Ball family in Muncie, Indiana. We went out to see them, and we talked to many other families. Our first fund was $16.4M, and it was in 1978. Then, of course, it was a question of performance, how we did. And we had a good fortune of investing in companies that Dick had known, like Chomerics in Wilburn Mass. and other companies that Dick knew and some that Chuck and I knew of. And we made, I think, about 1.5 X return.

Hancock: Not bad for your first fund.

Bonsal: And that was our first fund. And then three years later, in the 1981, we raised $35 million in our second fund, and then we grew it from there. We went to $125M for fund three, and over the course of time, we added Neil Bond, who had been on our investment committee representing T. Rowe Price. He decided that he wanted to join us in California. What happened was that Dick's wife had heart problems and she passed away, so Dick was out there by himself. Neil decided that he wanted to join Dick and become an equal partner with Chuck and I and Dick, which we did. And I forget what year that was, but Neil had been involved with us from the very beginning, thanks to T. Rowe Price's original commitment of $1 million. So Neil moved to California because his wife, Jody, passed away, also. And he and Dick were in the Russ building with Arthur Rock, originally, because Arthur allowed them to stay in his office in the Russ Building at 235 Montgomery Street. And so after NEA one, we raised NEA two and that's when Neil joined us.

Hancock: When you think about those early-- When you think about the relationship and rules of you three, the original founders, how would you describe what each of you brought to the team?

Bonsal: Well, I was the source of-- I was the one that was out in the field sourcing opportunities more than Chuck and Dick. That was my propensity, because of my background with Alex Brown soliciting IPO business. So, I would spend my time in the field looking at new companies, and then I'd bring them to Chuck and Dick. We'd have meetings with the management, and then we would decide whether we wanted to pursue an investment with the company or not. And Chuck and Dick's propensity was more operations, so they would go on the boards of these companies we invested in. I was the source and they were the operating arm. So, they came in and looked at these opportunities from the point of view of being involved in the operations as a director of the company. And so we invested in, I forget, in the first fund, maybe half a dozen companies and the second fund maybe two dozen companies.

Hancock: So, of those half-dozen, what would you estimate how many other opportunities did you source or examined before you selected those very first six?

Bonsal: Oh, I'd say many, many. You know, because we tried to be very selective. We looked at a lot of opportunities and we turned down most of them, and we made mistakes along the way.

Hancock: Maybe we could talk a little bit about that. It's great to talk about the successes, but it's great for young people to..

Bonsal: Well, you know, Arthur Rock was the founder of Apple Computer. Now, we never really had an opportunity to invest in Apple, but we knew about Apple thanks to Arthur Rock. I said that one of our mistakes was not investing in Apple, because in the course of time we were, with NEA, Apple did raise outside money, and obviously, had we participated in that….! It turned out that Dick had a friend in London called Anthony Montague who ran a fund called Abingworth. And he, thanks to Dick having introduced him to Arthur, invested in Apple. And how it worked was he found that, what his name, Frank [Steve] Wozniak, who was one of the founders, and Anthony struck a deal with Woz to buy some of his shares.

Hancock: Oh, so he bought some of the Steve Wozniak's early shares then?

Bonsal: Yes, yes. And Steve Wozniak offered Dick the opportunity to invest alongside. So, Dick and I accepted and participated along with Abingworth, and that was from a personal point of view. That was before, actually, we started NEA, because had NEA been in existence, we would have invested for NEA. So, we were familiar with Apple early days, but we never did have an opportunity to invest in Apple for NEA. We individually participated in the good fortunes of Apple. I remember once being in Sun Valley with Peter Crisp, who was on the board of Apple, because he was at Venrock, and we had a snowstorm.

That morning we went out and we made an apple out of the fresh snow and had a picture taken of the two of us. Chuck wasn't there, but it was Dick and myself and..

Hancock: I'd like to see that picture.

Bonsal: ...anyway, I don't know where it is, but anyway it was rather amusing. That was early days in Apple.

Hancock: Did you have a sense of what Apple might become?

Bonsal: We really didn't. It was a wing and a prayer.

Hancock: What did you think of these sort of upstart people? Steve Jobs and Steve Wozniak?

Bonsal: I never knew Steve Jobs. I knew Steve Wozniak, but we didn't know. We figured that it was worth a shot and it was before NEA got started, so we had the good fortune. And of course we sold the shares shortly after it went public. And I had the good fortune of building the “Apple wing” down at the house which my daughter's in now. And that Apple wing consisted of the pool and the pool house and a new kitchen, so it was very fortuitous that we did invest and it gave me the wherewithal to do what I couldn't have done otherwise. So, I was very grateful to our friend in London. So, when we started NEA, we did do a lot of co-investing with Abingworth. We didn't do anything with-- well, there was one company with Arthur Rock. We did invest, but it didn't turn out all that well. I think we made a little money. I forget the name of it, but anyway..

Hancock: Since NEA was a newcomer on the scene, how was the environment? You were new from Baltimore and there were things happening in California, Boston. Can you provide a little context for the industry at the time?

Bonsal: Well, you know, we took T. Rowe Price's advice by getting a partner on the ground in California. In those days, most of the opportunities were in California. There were some in the New England, but being in Baltimore was a disadvantage, because there wasn't anything in Baltimore to look at. So we had to travel to New England and to California, and we went to see all the companies that we were considering investing in, and we had to have a consensus amongst the three of us to invest.

Hancock: How did that work? Three very different people with very different strengths. How did you come to consensus?

Bonsal: Well, you know, we would have to have a consensus. We would have to go visit the companies, or have the companies come visit us, and we all three would have to agree. If one of us didn't, we wouldn't do it. We wanted to, you know, have a majority. Later in life, it was different, because we grew from having three GPs to having four GPs. And then later on, we had Arthur Marks, who was, I think, the fifth GP, because I had made some investments in software companies, and my partners and knew that I didn't really know anything about software. I invested in Data Language that became Progress Software with Joe Alsop, and I invested in SolSwitch. So my partners thought that it would be helpful to have a partner who knew software. We all knew Arthur Marks, who had been with GEISCO/GE Software which was a software company in Rockville. We convinced him to join in as a general partner, probably five years after we had started, so that was in the early '80s, probably '81 or ’82 [Actual date was 1983].

So we then raised the fund two, and that fund also was successful. I forget the absolute return, but it was good enough to say that we were gradually developing a track record. And in actual fact, during my time at NEA, the only downside was NEA nine. So we went from $16.4M to $35M to $125M and then $250M. Obviously, as the firm grew, we needed to build a back-office, so we brought in a lady here in Baltimore called Nancy Dorman. She was very instrumental in the building the administration of the fund. so that we had a "back office." She did an outstanding job.

So with her coming in, and with Dick on the West Coast, Chuck and I here, and then Neil transferring to the West Coast, we built a team. And in order to be successful in the venture business, you have to have a team. You can't be a one-man band like Arthur Rock if you're taking other people's money. If you're just investing your own money, then that's okay. But obviously we needed to raise money from other sources.

So we went out and talked to lots of different people. There was a group in New York called Landmark [Management], and a lawyer called Peter Berg, who had set that up for the heirs of John Deere. We called them the Deere girls. They had a family office on 55th Street in New York, and the guy running it, was Peter Berg. But the other fellows were Howie Wolf, Mike Monier, and Earl Sampson. We went up and pitched them and they came in as a major investor in fund three. And then Howie Wolf was on our investment committee, along with Cub Harvey from T. Rowe Price, and I think the Ball family had somebody.

So, we were building a firm that had investments-- depth on the investment side and also on the administration side. Nancy Dorman hired people here locally. The administration was always here in Baltimore, and so then I guess about five years from the initial, we did NEA four, which was about $250 million. And so all alone, we had some success, double-digit returns. I don't recall the exact numbers. Then the last fund that I participated in it was NEA 10, because by the time it grew from, you know, early, early days with the three of us, and then we grew it in a 2003, when I retired, we just had raised a billion-some dollars for NEA 10.

Hancock: Remarkable.

Bonsal: I thought that 25 years into it was enough, and to be perfectly honest, the dynamics of the business had changed because we had gotten so big. We went from three people to six people to where it is now, over 90. And of course, you needed to have some mass, but I never really agreed with getting that big, and I think small is better. And if I had to do it over again, I would not encourage my partners to grow it to that size, because I just think it's too big. There are too many of you. It's hard to make decisions. We just had a consensus rule. We didn't have a majority that we did originally, it just became a consensus thing. We have to have the majority, but it wasn't 100 percent. It was impossible to have everybody look at everything. So I think that the mistake that we made while I was there was a to have it get so big. If I had to do it over again, I would say let's keep it at no more than six general partners, and let's not raise more than $500M in any one fund.

Because I think having too much money gave us the impetus to do things that we might not have ordinarily done - like some leverage buyouts and whatever. I can't remember what they were, but I know that over the course of time, we made some mistakes. Of course, they hurt. They hurt because they reduced the returns, but other than NEA 10 and my tenure at NEA, we made money in all the funds, other than NEA nine. Now, I had left before NEA 10 started investing. I have a small carried interest in 10, having been involved with the fundraising, but the carried interest, how do you say--it accrues based on the time you are with the firm. So, I think after five years it's fully vested. But I left a year after NEA 10 in 2003. But today, the firm, I think, is on NEA 18. And I'm not real sure, because I'm not involved.

Hancock: I think 16 was just closed in June with $3.3B.

Bonsal: Right. So I was there through 10 and then they closed recently on 16 and $3.3B. And they have a lot of new faces and I don't know who they are. I know Scott Sandell is now the managing partner, and I know that Chuck has stepped down, and Dick of course, but he's not a GP. And he's actually started a new fund called Green Bay ventures.

Hancock: When you look back at NEA and its early years and how it's evolved, did you have a conscious set of principles or values or culture that you tried to inculcate that would define the firm?

Bonsal: No, I don't think so. All we wanted to do was to make money. We weren't trying to create anything other than to have success with our investments. There wasn't any additional motivation, you know? We were paid a base salary and we had carried interest in the profits, and so we were doing it mostly for the carried interest, which overtime amounted to a fair amount. I had the good fortune of putting my carried interest in a family trust, and so that trust today that I created was the beneficiary of my carried interest. The early funds accrued to me, but the later funds, everything went to the family trust. Today, that's about a $60 million trust, and I have three independent trustees that run it and they hire money managers to invest the money. And they don't invest in venture, they just invest through money managers in public stocks. So those assets are not in my estate and the beneficiaries are my children and grandchildren. So my efforts, I think, are very good in the sense that my children and grandchildren will be well looked after.

Hancock: Yes. The generations that you've impacted of your family.

Bonsal: Yeah, generation-skipping trust. So, we had good counsel from Dick [Testa] at Testa Hurwitz, and then he passed on. Then Dan Finkelman at Testa Hurwitz, and he's now retired, so I'm not sure who they use.

Hancock: That brings in an important element. You've mentioned different firms that were involved in people in the back office, now your people of counsel. Were there other people or companies that were supportive in NEA being established or growing that were outside of the fund?

Bonsal: Well, our investors. Primarily investors. Nobody else. No, I would say it was very close-in, you know. But as our network of investors expanded, we had opportunities coming to us through them and that was helpful. As I said before, I think there's a lot to be said for staying small. I mean, you have to have critical mass. You can't be just the new kid on the block and hope that you're going to see the opportunities. You've got to have enough capital to have people come to you and not come to others. Of course, we always want good co-investors. We generally don't want to be the only investor, because we like to talk to our co-investors.

Hancock: Were there certain partners or other venture firms that you particularly liked partnering with?

Bonsal: We liked Greylock, they were in Boston, and Bill Elfers and Dan Gregory and Charlie Waite. And Dick [Kramlich] had a lot of people on the West Coast that we got to know through him. But no, there was no particular fund that we liked more than another. We were willing to talk to all of them. And of course, when you have success with one, you have to go back to that one, as opposed to going to somebody else, because you have a track record.

Hancock: NEA was one of the few firms that really had a truly bicoastal presence.

Bonsal: Yeah, that was important.

Hancock: Say more about why you think that was important, how it worked.

Bonsal: Well, because, you know, California is a hotbed of activity for new companies, and without a presence in California, I don't think we would have done anywhere near as well. First, we would not have had T. Rowe Price as an investor, because they insisted that we have a West Coast partner and we got Dick Kramlich, because we knew him. I would say that over the life of NEA, of the 25 years I was there, about 80 percent of the companies we invested in were on the West Coast. I mean, we had quite a number in the Boston area, and then along the way we had Merck Pharmaceutical as a partner. And there was a guy, the head of R&D there called Lou Seret [ph?], and they were instrumental in introducing us to Immunex, which we invested in, that subsequently got acquired by Amgen. That company was in Seattle, but you know, Merck was a limited partner that had a substantial value through their introduction to Immunex and other biotech companies.

Hancock: We've talked about the firm growing. I'd like to turn it now to some of the companies that you invested in and maybe some of the relationships that you had with those CEOs.

Bonsal: Well, I think my relationship with Joe Alsop, who was the founder of Data Language that became Progress Software was instrumental in the substantial success because of our investment. That happened because my Aunt Joanne Bros [ph?] was friendly with Joe Alsop's mother, who was in Washington. My Aunt Joanne lived in McLean, Virginia and Joe's mother mentioned to Joanne that her son, Joe, was in Dallas and he was thinking of moving to Boston to start a new software company. So, as a result of that, we met Joe, and that led to the investment in Progress Software. That was fortuitous. Not many came that way. Most of them were direct.

Hancock: Not through your aunt?

Bonsal: No. That's the only one that I can recall that came that way. But, you know, having Worth as a co-investor and they brought deals to us, and there were other co-investors that brought deals to us, and we originated the majority of the investments and we brought in co-investors.

Hancock: As you think of the firms that you led the investment on, are there any that stand out in your mind that you think were significant or that you are particularly proud of?

Bonsal: Well, I was, obviously, happy about Progress Software. Immunex, I forget who we brought in, but that was very successful. Softswitch, Softswitch was successful. And obviously there were some that weren't successful, but I don't recall. Most of them were on the west coast, they were led by Dick Kramlich and Neil Bond and I forget the details of what they were. It's been some time, you know - 15 years since I was with the firm.

And subsequent to retiring from NEA, I was asked to join a family office here in Baltimore called Red Abbey, which were two brothers, Christopher and Philip Goelet. Their family office is in New York, Goelet LLC, and there's a lady there called Courtney Bass who takes care of their private equity and we had some co-investments with them.

Hancock: What's the focus of Red Abbey?

Bonsal: Well, it's primarily healthcare. You know, Philip is a doctor. He got a doctor from Cambridge University, and he looks at a lot of, you know, biotech startups, and he's activating some companies on his own through his incubator called Acidophil, and one is an ag chem company called Agrometis, which I have invested in personally. NEA has not invested in that. And he's had a couple of others.

Red Abbey started a group called High Cape in Westport, Connecticut, which is a guy called Kevin Rakin. And when I joined Red Abbey, we decided to raise a small fund called Red Abbey Venture Partners and we hired a guy from Lake Mason called Matt Zuga to run it. And that fund was about a 1.4x. It was a $40 million fund and we have not raised another venture fund, but we have fund of funds. Red Abbey Capital Partners, which invested other funds early stage funds, and we had success with one in California called Emergence Capital Partners. They invested in a company called Veeva Systems that's been a very successful SaaS software company. And we haven't invested in any funds locally, but most of the ones we've invested in are in Boston and California. We are not involved in the decision-making. It's strictly passive investments, and we're on Red Abbey Capital Partners, too, and they generally are $6 to $8 million. It's all money internally, the Goelet family being the largest, and all of us individually having a modest interest. Emergence has been our best fund, but there are quite a few others that look promising, but it's too early to tell.

Hancock: So, Frank, as you look back in your lifetime, really it's a lifetime of being involved with venture, all the way back to your early days in Alex Brown, NEA, and now through Red Abbey and fund of funds… How would you describe the changes in the venture industry here in the United States? What's been the sort of..

Bonsal: Well, obviously it got bigger. I mean, and that's both good and bad.

Hancock: On the good side first?

Bonsal: The good side is your able to lead investments that you wouldn't otherwise be able to do. So being big, you can lead or co-lead. Most of the time, that's an asset, because then you control the destiny of the investment. Because if you're small, you're just a co-investor and you don't have much influence. So the good part is being big, you can be a lead or co-lead, but that requires expertise and time. Time is the critical element of venture investing. You just have to have the time to source good deals and to work at those deals, and it's time-intensive. Being a passive investor is not ideal. It's much better to be active and be a lead or co-lead, so that's the main asset of being big, like NEA.

Hancock: And on the downside?

Bonsal: Well, the downside is there's a lot of pressure on you to perform and, you know, if you don't it's a big hit. I mean, you want to avoid those. We had a company, I forget the name of it, but it was a personal computer company that didn't work, and that hurt. You know, the biggest problem about being a lead is that you invest as a lead or co-lead, you're sort of obligated to continue, and if it's not working, it's very hard to say no. You have to put good money after bad, and that's not good.

Hancock: With those kind of pressures, how did you make those hard decisions so that you are making the most of your investor money?

Bonsal: Well, it was helpful to have partners to help you make these decisions. If you're there by yourself, it's not as easy. So having partners, you know, look at opportunities with you, and to give advice is helpful. To be a loner in this venture business is difficult because the decision is entirely on you. It's much better to have partners and make collective decisions. And you can't have partners unless you have assets, because you can't pay partners unless you have assets where you can get a management fee. I don't know. It's a fine line to decide just how big. You know you have to be bigger, but I never thought we should be as big as we became. And I'm probably wrong. I hope I'm wrong.

Hancock: Time will tell. How about straddling or balancing the demands between your investors and your entrepreneurs as you're trying to..

Bonsal: Well, you spend most of your time with the entrepreneurs, because that's where the critical mass is. And you tell your investors what you're doing, and you ask them for advice. Sometimes they can help, but the investors are looking to you to make the decisions as to what to back and what not to back. You're not looking to the investors to help you make those decisions. You've got to make them on your own.

Hancock: You mentioned that you're not a technologist and yet you, through your investments and through NEA, were involved in a lot of path-breaking technology change.

Bonsal: Yeah, but as I said, my main focus is people and I try to decide about whether to invest or not based on my assessment of the people. I don't necessarily have to understand the technology that we're considering, but if I think the people do understand, then I'm more inclined to invest. If they don't, I obviously wouldn't invest.

Hancock: Sure. There's that common question, and you, as a horse person may have heard it, I'm sure, many times, do you invest in the jockey or the horse?

Bonsal: It's mainly the horse. The jockey is a passenger. If the horse doesn't have the talent, you're not going to win races. The jockey can help, but he's not going to make the horse if the horse doesn't have the talent. So it to the management of the companies that's really critical.

Hancock: As you look at people who are involved or entering the venture business today, it's very different from your experience. What advice would you have? You've talked about being careful of growing too large. What other kinds of advice might you give?

Bonsal: Well, the question is what do these people bring to the table? What is their value add? To be honest with you, if it was just us doing it over today, I'm not sure it would work, because I'm not sure we'd, today, bring as much to the table if you need to be successful, because today things are more complex. So, you know, this social networking business is a complex business, and yet it's going to be big. Artificial intelligence is going to be big, but how do you invest in those sectors? You have to have the management to orchestrate the opportunity and to implement the strategy to be successful. It's not easy, but if you have the right people, you've got a chance. It doesn't mean it's going to work, but you have a chance. If you've got the wrong people, you've got no chance. So, the critical element for me is judging the people.

Hancock: You've been involved with this business here in Baltimore. You've mentioned your time in Boston, and so you've seen this dynamic change of these different hubs. Do you care to comment on how those are evolving over time? The rise and fall of Silicon Valley or Boston or what's happening in the United States compared to other places around the world?

Bonsal: Well, I've been intrigued about Europe and India. The reason is that there's a talent over there, but there's a lack of experienced talent and so I've found it very difficult to invest abroad. I'm apt to avoid that just because it's too difficult. I mean, here in the United States, we have more of a resource to call on. You know, if somebody's not up to the job, you can fire them and hire somebody to take the place of that person. It's not very easy to do that abroad. There are opportunities, but they're hard to find, and we didn't spend a lot of time looking at them. We spend our time here. It's good to be accessible to the management team so that they can talk to you and you can talk to them. If they're in India or Europe, it's difficult. So we were apt not to do that, but that will change over time.

Hancock: You mentioned that you had a very early interest in business and you have devoted your life to building businesses. I didn't have a chance to ask you, but do you remember what was the genesis of that very early interest in business?

Bonsal: I think it's just a curiosity thing. I mean, you're intrigued because you know there's opportunity and risk and you try to assess it, but clearly the biggest reason for being interested is the opportunity. If there wasn't an opportunity, I wouldn't do it. You know, the opportunity to create value in frontiers of technology, it's large but it's risky, so you have to be able to evaluate the risk and sometimes it's very difficult - particularly early on when if there's not enough to really put your arms around. But, you know, here in Baltimore, there's more opportunity than there was when we started, because there are incubators here. Betamore has spotted a number of companies, some of which look to be successful like ZeroFOX. And RedOwl looked to be successful, but was recently acquired by Raytheon and it didn't work out as well as we'd hoped. But because of Hopkins and Maryland, there's more opportunity here than there was when we started. So, it's well worth, you know, spending some time locally, and I worked with my son, Frank, on education because he is in educator and there's a lot of differentiation in what's happening in education and there's a lot of activity.

Hancock: Can you describe a little bit more about your work in that area?

Bonsal: Well, it's mostly because my son Frank understands it. He is an educator. I mean, he went to business school and he understands the business. There have been some companies like Capella and others that have been successful. We have quite a few investments in Boston. We have something called Better Lesson, and we have some other companies locally that-- I rely mostly on him. This is me personally. This has nothing to do with NEA, but I want to be responsive to my son's interest in working with early-stage education companies. Sylvan Learning was very successful. That was here in Baltimore, but we had nothing to do with that. And out of that has, Laureate Education, which recently went public and that was largely due to the Becker brothers, Eric and Doug Becker, who had their own fund called Sterling Venture Partners, and NEA did not invest in any of those companies.

Hancock: In this current chapter of your life, it sounds like you're involved in investing in a different ways. Are there other areas that you would like to mention here for the record?

Bonsal: Not really, no. No.

Hancock: Okay. As you reflect back and think of the sort of turning points of your life, was there anything that we've missed that you want to share?

Bonsal: Well, I'm sure we have missed things, but I can't put my finger on it right now.

Hancock: Okay. Your impact has been in many areas, and certainly on the venture industry. If you were to give some advice to a young entrepreneur as they were coming to you, is there something that you would-- what word of advice would you share for them as somebody starting out new?

Bonsal: Well, the main thing is to be careful about picking the right partner, because if you pick the wrong partner, it leads to a lot of complications. So, you need to have somebody that understands what it is you want to do and is supportive, but not necessarily a control person. Let management make the decisions, just give them advice. But if you're getting advice from the wrong people, then you're maybe going to suffer, you know? So, my advice to young entrepreneurs is to pick the right partner. Do research on what venture firms have been successful in the sector that you propose to go into and try to approach them and see if they can be helpful and invest, because experience is important. If you can find some venture firm that has a track record in a certain sector, that would be helpful. Green fields are difficult because you just don't know, so I think experience is helpful. In my case, I don't have any necessary edge on any particular technology. My expertise is judging the people, and I look to other people to opine on the technology. I'm not a technologist, I'm a people person.

Hancock: I see that, and your life is a testament to that.

Bonsal: Yeah, pretty good.

Hancock: Some people think about how do you measure success when you look at the impact of your life and your work?

Bonsal: Yeah, well that can be measured based on the success of the companies you've backed, you know? And sometimes, companies need to move on. You know, you get to a certain point and they run out of gas, so you got to find a way to move them up by merging with another company.

Hancock: That's not an easy conversation to have.

Bonsal: No.

Hancock: How did you convince management to do that?

Bonsal: Well, the proof of the pudding is in the eating. Either they can perform or they can't and if they can't, you got to do something about it. You just can't sit there and do nothing. So a lot of times they'll look at you for advice as to what you should do or what you should not do. Sometimes, merging is not the right outcome, but a lot of times it is. You don't want to build a temple, you want to build a company that is successful. And if it's not successful, you've got to do something about it. And the last resort is to shut it down. But a lot of times if it's not working, it's best to shut it down to limit your downside, because if you continue to pour money into something that is not working, it's not a good idea. And that's a tough decision, and it's best to have a collective decision rather than an individual decision. Consensus is better than just doing it by yourself, so to speak. But sometimes, intuition is the best. If you’re into it, if you feel good about something, the management should be able to work it out.

Hancock: What would happen if the management couldn't and you needed to change the team?

Bonsal: Well, then you have to find a way out. You have to sell the company or bring in new management, and that's not easy. You're in trouble.

Hancock: How did you do that? You're such a people person, how did you..

Bonsal: Well, you have to make a decision as to whether the management is going to be up to doing what they have to do or not. And if you find that they can't do it, then you've got to make a change and you try to get them to support that. Because if they don't support it, it's all over. But the important thing is to make a decision as to what and when that needs to happen. You can't do it in the abstract. The proof of the pudding is in the eating. If it's working, you go for it. If it's not working, you need to figure out why and do something about it. Sometimes, that means shutting down the enterprise, and that's the last resort. So, you can put a little money behind something, and if it's not working, you can cut your losses. But if you're deep into it, you want to try to make it work. You don't want to continue to feed something is not working. It's hard to make those decisions.

Hancock: What were the kind of things that kept you up at night or that you're really worried about in those decisions?

Bonsal: At night, I'm ruminating in my sleep about all kinds of things. There's no end to that. That's why I don't get very much sleep, because those things, they continue to eat their way into your thoughts, whether you're awake or asleep. Sometimes, I make my best decisions when I'm asleep. I wake up and I say, "By God, that might be all right." So I don't know, it varies. But the key is to have good people and good partners.

Hancock: Well, I'd like to close with just any final thoughts on NEA, speaking of good people and good partners. You started that firm with just the three of you.

Bonsal: Yeah, well, I'm very proud of the fact that the firm has done so well, and I'm grateful for what it did for me and what I did for them. I'm just hoping that it will continue. I think there's some very good people at the firm who I don't know, but presumably they do know what they're doing. And if they do know what they're doing, chances are they will have continued success. If they don't, then it's not going to be good. You know, something will have to be rectified. I worry about the fact that they've gotten so big, that they've raised so much money, and they’ve got so many people, because I think being focused and small is better. That's why I'm more than happy not to be involved, because I can get involved in smaller funds that I think are doing it the right way. I'm not saying that it's wrong, because it's up to them to make it right. But I would be apprehensive about making it right because it's a tough challenge to run large sums of money with a lot of people. But I think so far so good. I don't know what the returns have been in the later funds, so I think it's too early to tell on some of them. And I'm not familiar with them, so I can't opine. It'd be interesting to see what's the good, bad and the ugly.

Hancock: Well, with that, the good bad and ugly, I think that's a good place for us to end. I want to thank you so much, Frank, for our conversation.

Bonsal: My pleasure. Very nice of you to come see me, and I appreciate your time and your insightfulness and the questions that you've asked me. I hope I made a proper response.

Hancock: It's been a real privilege. We're honored to have you as part of our collection. Thank you.

Bonsal: Thank you.

END OF THE INTERVIEW

