Oral History with Alan Patricof

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National Venture Capital Association
Venture Capital Oral History Project

Alan J. Patricof

Interview Conducted by
Carole Kolker, PhD
September 24 and October 26, 2010

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

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

As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 21 percent of U.S. GDP and was responsible for 12.1 million American jobs and $2.9 trillion in sales**.** These figures, while significant, greatly understate the collective accomplishments of the venture capital industry.

I'm pleased to have initiated and given my early support to this project, which is now receiving support and funding by NVCA. I believe these oral histories will advance the understanding of the venture capital industry. This collection, along with Paul Bancroft's Bay Area oral history project at the Bancroft Library at the University of California, Berkeley, and Paul Holland's Silicon Valley project for the Western Association of Venture Capitalists, will add significantly to a growing body of venture capital memoirs available to the public sector.

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

Charles W. Newhall III 2010

VENTURE CAPITAL GREATS

A Conversation with Alan J. Patricof

Alan Patricof, a venture capital pioneer, founded Greycroft, LLC in 2006. Greycroft is a venture capital firm, with offices in New York and Los Angeles, focused on the digital media sector. The firm has two funds, Greycroft I and Greycroft II, which was recently initiated with committed capital of $130 million. Prior to founding Greycroft in 2006, Alan was the founder and chairman of Apax Partners, Inc. (formerly Patricof & Co. Ventures, Inc.), the U.S. arm of Apax Partners, Worldwide, LP, now one of the world's leading private equity firms with $40 billion under management or advice.

During the past forty years, Alan has participated in the financing and development of a large number of public and private companies. Companies that he has been involved with at the initial stages are Apple Computer, America Online, Cadence Systems, Office Depot, FORE Systems, Cellular Communications, Inc., IntraLinks and Audible, Inc., and *The Huffington Post.*

Alan is active in the New York and Washington communities as a board member of TechnoServe, Trickle Up Program, the Global Advisory Board of Endeavor, and the Initiative for Global Development (IGD) Leadership Council. In 2007, he was appointed to the board of the Millennium Challenge Corporation by the President of the United States; he is currently serving his second term. From 1993 to 1995, he served as Chairman of the White House Conference on Small Business Commission.

Alan holds a BS in Finance from Ohio State University and an MBA from Columbia University Graduate School of Business.

The following is an interview with Alan Patricof of Greycroft Partners LLC, taking place at his office at 601 Lexington Avenue, New York City. Today's date is September 24, 2010. My name is Carole Kolker. This interview is being conducted as part of the National Venture Capital Association's Venture Capital Oral History Project. [This interview has been lightly edited for clarity.]

THE EARLY YEARS

Carole Kolker: *We're going to start with your early years and when and where you were born.*

Alan Patricof: Wow, you really are going back. I was born in New York City on October 22, 1934. So I will be seventy-six next month.

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

AP: My family had always been in New York. I'm a New Yorker, although my father originally was an immigrant and came directly from Russia to Ohio, but he moved to New York. My mother was an immigrant who lived in Connecticut, and she met my father in New York. And so their whole marriage and early life and my life has always been in New York.

CK: *How did your father's family end up in Ohio? That's interesting.*

AP: He was an orphan. There were six brothers and sisters, and they were shipped over here from actually what is now the Ukraine, outside of Kiev. A cousin or someone brought them all as orphan infants — and his aunt lived in Ohio. So he was taken to Middletown, Ohio. And I think there were six of them, and there were eight already, so he was brought up in a family of fourteen, from a collection of more than a few families.

CK: *So he made his way to New York for opportunity, I'm going to assume.*

AP: Yes.

CK: *What did he do in New York?*

AP: He was originally in the piece goods business, the remnant business, for most of his early life, and later in life he became a stockbroker.

CK: *He did find opportunity here.*

AP: Yes.

CK: *And his name?*

AP: Martin.

CK: *And your mom?*

AP: Dorine.

CK: *Do you have any siblings?*

AP: I have two sisters.

CK: *Where do you fall in that?*

AP: I'm the oldest.

CK: *How did you all get along?*

AP: Boy, this is really oral history. I don't know, we got along fine. We still talk to each other, we still see each other; we have different kinds of lives, but it was a typical, normal family, except my second sister was born in 1946; it was twelve years later. So my early childhood was not spent much with her. My first sister was two and a half years younger and therefore we were brought up on a close basis.

CK: *So it's really just the two of you—*

AP: I have probably a closer relationship now with the youngest one, because she lives in New York and the older one lives in Boston.

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

AP: It's interesting. What were my interests? We were not a rich family, we came from a lower, I would call a lower-middle-class family, so everything was really kind of tight. I never knew a cab until I was out of college. I never rode in one. My first plane ride was in my second year of college. I had never been on a plane earlier. Any place we traveled was in a car. We'd drive to Florida or we'd drive up to Canada, that was about it — maybe to Ohio. That would be the extent of our travel. So I hadn't seen a lot of the world, I hadn't traveled a lot growing up. So most of my activities and interests took place across the street in Central Park. So it was, boy, sports and mostly things that were convenient. We didn't know what skiing was or golf or any of those types of things. It was more sleigh-riding and softball.

CK: *You were athletic?*

AP: I was on my high school football team. I certainly played sports, but I was not dedicated to sports. That was not my passion.

CK: *You weren't a tinkerer.*

AP: No. I was social.

CK: *I see that at twelve you went to the Horace Mann School. That's 1946.*

AP: Yes, at seventh grade, that's when it started.

CK: *How did that philosophy of the Horace Mann School impact on your life, or did it?*

AP: About, three, four, five years ago, I was the chosen outstanding alumnus of the year. It was interesting. I know the decision was between me and Eliot Spitzer, and they chose me. The next year they chose Eliot Spitzer. I think they deferred him because he was a lot younger, so they had many more years to go, and they selected him the next year. No, Horace Mann I think had a lot of influence on my life in terms of — you're seeing me on an unusual day when I don't have a tie on, but I still wear a tie and jacket every day, and it started at Horace Mann. That was the dress code. It gave me a great discipline about — and I've talked about this previously, and in fact, talked about it in the speech I gave the night the award dinner was given for me at Horace Mann, talking to the Alumni Association — is it gave me great discipline on grammar and writing and attention to detail. And probably my greatest memory of Horace Mann was learning diagramming of sentences, which helps to give you a very good base of how you write. And I took a couple years of Latin. I think that the whole nature of that education was beneficial to me in later life. More so than I realized at the time.

CK: *What were the values in your home towards education and towards a work ethic or success?*

AP: You have to understand my father worked very hard, so it was not simple. He worked six days a week, and he was very focused early on that I should try to help, not support the family, but carry my own weight. So I had summer jobs, and I did various things growing up that were kind of entrepreneurial. During the war, I collected newspapers for the war effort; I got something called the Eisenhower Medal, and I assume it was for tin cans or newspapers or something, which I actually can't find, but I had the medal until not many years ago. The work ethic was there. I always remember my father as someone who was always tired every night when he came home from work. Obviously they sacrificed to send me to Horace Mann as it was a private school. My parents obviously thought that was important even back then, and in those days public schools were not bad places. I still remember my sixth-grade class, and I have a picture at home someplace in my photograph collection of our graduating class in the sixth grade. So those were good times. I don't have any bad memories of public school. But they thought it was important to go to Horace Mann, which involved getting up very early and getting on a subway and going to the last stop on the subway. It was a good experience.

CK: *That's a pretty powerful message from your parents: that they were willing to sacrifice for your education.*

AP: Yeah, and for my two sisters as well.

CK: *All three of you went.*

AP: Yeah.

CK: *I guess that's the answer to that.*

AP: They did it at great sacrifice.

CK: *Did work in the summer; did you work during school?*

AP: No, not during school.

OHIO STATE 1952-1955

CK: *When you were finishing Horace Mann, what were you thinking about in terms of your future?*

AP: I had no vision of what I wanted to do. I was not driven to do anything in particular, and it was kind of an accident that I ended up at Ohio State. I had not intended to go there.

CK: *What's that story?*

AP: Since I went to Horace Mann, there's a great Ivy League orientation, and I had great expectation of going to one of the Ivy League schools, and in those days they had a very strange acceptance schedule — it was not all on the same day. Certain schools accepted first and other schools accepted afterwards. And when I got accepted early on, I turned down schools, waiting for other schools, which didn't take place — I got on the waiting list. So when I graduated from high school, I had not been accepted in any school. I had no college. I decided I had to apply in June to go to school, and I applied to Columbia, Penn, Brandeis, and Ohio State. Ohio State only because my father had been from Ohio; I had some relatives out there, and it was a throwaway, really. And I got accepted by all of those. Those schools I got accepted from even then, and I decided I for some reason didn't want to go to Penn, and I didn't want to stay in New York, so I decided to go to Brandeis. I was going to Brandeis until September — they had a meeting before for parents and children, new students, before school started, to introduce them to the school at the Sherry Netherlands Hotel. I think it was the Sherry Netherlands. It was one of those — trying to think if it was the hotel that was torn down. At any rate, my parents didn't go down there, I went myself. And when I went in there, I didn't think it would be a good fit for me. So I went home, and I pasted over the label on my trunk — you went to college with a trunk in those days — I pasted over the label of Ohio State and went to Ohio, and that's the true story.

CK: *That's a great story. So this is 1952.*

AP: That's what you call serendipity.

CK: *Obviously, if you're here today, doing as well as you have, it probably was.*

AP: Everything in life is cumulative.

CK: *So you went in '52 and rushed through in three years.*

AP: I don't know how you know all this, but yes, that's true. I went through in three years. I went through in three years because, having come from Horace Mann, I was given advanced standing and given credit for courses because I was further along, and I took a heavy caseload because I hadn't really wanted to go to Ohio State and I ended up there, so I took extra courses, not really thinking I'd graduate in three years, but I was able to do it. And at the end of the year and a half, I realized that if I did extra courses and took a course in the summer that I could graduate in three years. So I graduated in three years.

CK: *Were you involved in any activities? You were at a Big Ten school.*

AP: Yeah, I was involved in a lot of things. I was on the yearbook, the newspaper. I was among the student leaders in the college at that time, and I was always active in my fraternity, because it's very big fraternity life out there.

CK: *What fraternity were you in?*

AP: ZBT.

CK: *So you were busy.*

AP: I also forgot, while I was in Horace Mann, I also ran a newspaper. Not the school newspaper. There was a newspaper called the *Interschool News*, which was all the private schools in New York had a newspaper, and I ran that newspaper. Actually, I had a co-editor, and that co-editor is now a state senator in Westchester, and we're still in contact, we're still friends.

CK: *I was going to ask you about that. How about these Horace Mann contacts? Have you kept in touch with many?*

AP: All my relationships — I have virtually no relationship — not that I wouldn't — I have virtually zero relationships with anyone who went to Ohio State, because they were mostly Ohio people. I have several people from Ohio State who were not in my fraternity, but who were there, who weren't friends with me, but who I knew, and who I know, but there aren't that many New York people from Ohio State. So the people I was friendly with were from Pittsburgh or Toledo or Cleveland. And I have had very little reason or occasion to see them. In the early sixties, once in a while someone would come through, but it was not really — no binding relationship. I had one very close friend who was in Indianapolis and we just lost touch. But Horace Mann people are a very, very close-knit community to this day. We've always had our every-five-year reunion. It was ten years, five years, and in the last two or three years, one particular person has gone crazy, frankly, and if he had his way, we'd have monthly reunions. But we have quarterly lunches. Nostalgia has been rediscovered. I have an e-mail from him this morning, and we're having our next lunch in October sometime. It's a little more than I particularly would like, but I can't seem to get out of it, because if I can't make it, they seem to change the day.

CK: *But these are the people that really knew you when.*

AP: Yeah.

CK: *You seem to have had an early interest in — was it journalism or news?*

AP: I was involved in newspapers, I guess so, in high school and then in college.

CK: *Did you write?*

AP: I wrote. I also wrote while I was in college for the *Columbus Dispatch*. I did a column every once in a while; I got paid for it.

CK: *Did you ever think you might be a journalist?*

AP: No, but I was very entrepreneurial while I was in college. I had lots of projects going on. I had a research project, I worked for some research company; and I then expanded it and got several other people working under me; and I ended up selling the business to someone when I left. And then I had a business selling favors to — like a lot of other people — selling favors, and that's a big fraternity school. And I sold that business to the next person coming along after I left that. So I was entrepreneurial while I was in school, because my father pressed me to pay for part of my schooling to the extent I could, to help.

CK: *So you've always been working.*

AP: Yes, that would be a fair statement.

COLUMBIA MBA 1955-1957

CK: *So you went to Columbia for an MBA.*

AP: I graduated in '55. I went to work. I went to work for a firm called Naess and Thomas. And while I was there, the senior partner, Ragnar Naess, who was a very well known economist at the time, encouraged me very strongly to take an MBA. Actually, in those days it was called an MS, it was not called an MBA yet. So he introduced me to Columbia. I don't know if he was on the board, but he was very good friends of the dean. And so while I was at Naess and Thomas, I was allowed to leave at four o'clock or whenever, whatever number of days a week, I don't remember, and I took a course here and there. And so I ended up graduating in '57 — I got my degree in '57 from Columbia. That MS has now become an MBA. I now have an MBA officially.

NAESS AND THOMAS 1957- 1958

CK: *So Naess and Thomas, what were you doing for them?*

AP: It was an investment counseling firm. I was an investment analyst. Those were the old days, you didn't have hedge funds, you had investment counselors: Scudder, Stevens and Clark; Loomis Sayles; Naess and Thomas, those were some of the names that were around.

CK: *So this is the job you got out of Ohio State.*

AP: Yeah.

CK: *How did you get that job?*

AP: That's a very interesting story, that story's worth recording. In those days there were no headhunters. Certainly, for someone coming out of Ohio State, no one interviewed on Ohio State's campus. So when I came out of college, I again had no place to go. But you know, I take that back — that's not really true. I was recruited while I was there and I was offered a job, I forgot, at the National Bank of Detroit and at Caterpillar Tractor. I remember going to Moline, and I remember going to Detroit for interviews, and I also considered going to work for USAID in Latin America, because I was interested in international affairs. I finally decided I couldn't live in Moline, and I couldn't live in Detroit, and I didn't have the guts to go to South America at the time.

So I came back to New York and got a job. In those days, you looked through the *New York Times* every day. And then I did something that is virtually impossible today to do. I went building by building on Wall Street, starting from the top — because you could get in any building; today you can't, as you know, get into any building without security. I would go to the top floor and walk down through the stairway, which you also can't do today, and ask the secretary if there were any jobs available. And I ended up getting a job at 63 Wall Street. Don't ask me which end of Wall Street I started, I don't remember. But I do remember that the job I got, Naess and Thomas was on the top floor of that building; and I got the job from the most unlikely person to give me a job, which was a Yalie, full-blown Yalie with blue shirt and suspenders, and with a mustache, and a very interesting guy who was from Rowayton, Connecticut, totally out of my world. He was definitely from a different background. A different, privileged background. He took a chance; he gave me a job, and that was the end of the story. I've said to people many, many times, young people, you gotta be at the right desk at the right amount of time. Naess and Thomas was the absolute perfect desk to be at, and I was there for two years.

LAMBERT AND COMPANY 1958-1960

And in 1958 I went and served six months active duty in the army. I was in Fort Dix for six months. The same year I got married, in March '58; it was after I came out of Naess and Thomas. I'm trying to remember exactly. When I came out of the army, I went to work for this other firm. I'm trying to remember whether I had been recruited or whether I got the job myself — I don't remember — it was 1958. I went to work for a very, very interesting firm called — I think I was recruited, because I don't know why I would've left, I liked Naess and Thomas. I was recruited for a firm called Lambert and Company, and that was an extremely interesting, exciting place, and probably the most interesting place anyone could've ever worked. It was a man by the name of Jean Lambert, who had been married to the daughter of Sam Bronfman, who started Seagram's. And as part of his divorce settlement, he got a dowry of, I think, I don't remember specifically, but it was a lot of money; but I think in hindsight it may have been $5 million, which was a lot of money in those days. And he had an office in New York, London, and Paris. He was a very, very elegant, dapper Frenchman, and we had magnificent offices at Two Wall Street. It was really a throwback to the great times of Wall Street, which he was trying to emulate with roll top desks and butlers and a waitress, and a couple of private dining rooms. And at age twenty-four, I was entertaining people in my own private dining room, served by a butler, and we were served tea at our desks every afternoon, and it was quite an experience.

What we were doing was called development capital. We were taking on projects of an international nature that were — it wasn't venture capital, but it was just the beginning. In fact, we started one of the first SBICs, a program that had just been started by the

Eisenhower Administration, I think in ’55 or ’56. And we got a license, and we had invested in a company outside Detroit called Hancock Telecontrol, which was the first automation of equipment; and we had a finance company in Canada; and we had a real estate company in Canada; and I remember we were working on financing building a bridge across the Tagus River outside of Lisbon, using the gold reserves of the country. It was a very interesting company. I was there until 1960 or ’61, I can’t remember exactly.

CENTRAL NATIONAL CORPORATION 1961 -1968

And I was recruited, that I specifically remember, I was recruited by a firm called Central National Corporation, which was uptown at 100 Park Avenue. The man who ran that was a man by the name of Arthur Ross, who was another great figure. I’ve had some interesting figures in my life: Ragnar Naess, Jean Lambert, and then Arthur Ross. This was the investment vehicle of the Gottesman family. Sam Gottesman had been an immigrant, coming here in 1896 in the waste paper business, and he built that up to be probably the biggest exporter and importer of wood pulp and paper in the world, and with operations all over the world. During the course of the early 1900s, he bought interests in paper companies — International Paper, Rayonier, Southwest Forest, Container Corp — so he owned big positions, I mean big positions — you know, 10, 20, 30 percent of these companies. And he separated and formed a investment vehicle for the family called Central National Corporation, and Arthur Ross ran that. I guess I started out as number three or four, but I ended up number two to Arthur, who just died this year at ninety-six; and was still working at Central National. So my intuition that he was not going to leave was probably a good one, so I eventually left.

While I was at Central National in 1961, I was drafted. I was called up from the reserves, which Arthur Ross was terrific about. I went in August with thirty days' notice, it was the Berlin Crisis, and I was called up. And I went from August of '61 until I guess maybe almost August of '62. About a year. Then they released everybody.

CK: *Where were you stationed?*

AP: I was stationed in Fort Lee, Virginia. I didn't get shipped overseas because the Berlin Crisis ended, or it modified, moderated. And I went back to Central National Corporation, and I was there until 1968.

CK: *You said about Arthur Ross, who was the president — you see him as a mentor. I'm just thinking of how far you've traveled since you left Ohio State. I'm wondering what you're learning about yourself with all these experiences.*

AP: I guess I'm not as introspective as I should be. What am I learning about myself? I don't know. I have a certain work ethic; it's very, very intense and very highly motivated. I've always had that, and I think that's been probably the reason for my accomplishments. I always worked harder than everybody, came in earlier, worked on holidays. And so I had a lot of dedication to the field I'd been in. And as a result of that, I met an enormous number of people. I have an enormous contact base, and I don't mean in my computer contacts. I mean I just know a lot of people.

CK: *Was he inspiring in some way as a mentor?*

AP: Well, inspiring — he was certainly a good image to follow of success. I learned to like to be on the buy side. That's where my father — the one thing he always said, he never wanted me to be a stockbroker. He didn't want me to be selling stocks.

CK: *Why?*

AP: He just thought that was a demeaning profession. He did it in a later part of life, when he was in his late fifties or sixties. It was a way of not working as intensely as he had earlier in life. But he didn't have a high regard for stockbrokers. So he pushed me a lot, and that's why I went into investment counseling, and that's why I stayed in that more elegant part of the investment business.

CK: *So your father gets listed as a mentor.*

AP: In that sense, he gets credit for pushing me in the right direction, in the investment business. He didn't push me into the investment business.

CK: *It seems like you found your way.*

AP: Yeah.

CK: *What were you doing at Central National that was exciting?*

AP: Well, we owned lots of interest in paper companies and paper-related companies, and I was involved at a pretty high level with a lot of these companies at a very young age. And since we were a relatively significant institutional buyer — it was a family office — we were treated very well by all the investment firms and all the companies, and we had access to almost everyone, because we represented significant purchasing power if we decided to buy something.

CK*:* *How did it happen that you started New York magazine during this time?*

AP: That's a good question. I was going to actually offer that to you. It was during that time, first in 1964, while I was there, I became very friendly with a guy who was a technical engineering talent who was starting a new company in the medical electronics business. We had, in Central National, various private investments. From time to time we would make what today would be called venture capital investments. They were in the oil business, they were in the real estate business, but they were not liquid investments. And so we put a very little bit of money into this company, Datascope Corporation, in 1964, and I went on the board, it was my first board. The board was, I think, three of us, I don't remember. It was at least two, but it may have been three, and I helped at some point also to bring other people in to put some money into that.

And then in 1967, we were approached, at Central National, about investing in a company called *New York* magazine, which was just starting out. The senior partner of Loeb, Rhodes, a man by the name of Armand Erpf, was a very close friend of the editor, Clay Felker, who was leaving the *Herald-Tribune* to start this new magazine. He came to Arthur Ross about investing; Arthur Ross had no interest and turned it over to me. And I researched the project and thought it was an interesting investment for us. It was not a large — nothing was large compared to the size of Central National. And so we put money into *New York* magazine, I went in originally as president, and when Armand died — I don't remember the year that was, in the early seventies — when Armand died, he died in his mid-eighties, I became chairman, and that's how I succeeded him. There was a time when we had to do a financing, and I helped put that together while I was at Central National Corporation.

In 1964 I had a son with my wife, and in 1966 I got divorced, so I was a bachelor from 1966. So during that period of '66 to '70, when I got remarried again, I was a bachelor in New York. And I was chairman of the board of *New York* magazine, and if you knew anything about — you're too young to remember this, but in the late sixties it was a pretty exciting time to be a bachelor any place, and particularly in New York. And at the same time, I got involved with some friends who convinced me to get involved with a nightclub. You didn't use the word nightclub, it was a club, that's the right word, it was a club in South Hampton, which is the scene of everything in the summer. And I put that project together, personally. It was kind of considered my place, and I did that for the summer of, I think, '66 and '67. It was just in the summer and it was just on weekends, while I was working. So it was a pretty exciting time. I had a great period of time during the late sixties. I'm still living in the sixties, to a certain extent. And then in 1968 I met my wife, my now wife, and we got married in '70. I'm married forty years, and I've had two more sons. So I have three sons now.

CK: *And their names, for the record?*

AP: Mark is my oldest son, who I just spoke to.

CK: *What does he do?*

AP: He runs a media investment banking firm. And then my middle son, Jonathan, is the chief operating officer of the Tribeca Film Festival. And my youngest son, Jamie, is a film producer in Hollywood. Independent film producer.

NORTHWEST INDUSTRIES 1968-1969

CK: *Why did you leave Central National after—*

AP: I was recruited away from there. It was about seven years, and I really liked it, too. I was approached by a man by the name of Mickey Newman; Howard Newman is his real name, he was called Mickey. Howard Newman was the son of a man named Jerome Newman, and Jerome Newman and Ben Graham were partners. You've heard of Graham and Dodd? Graham and Dodd is the definitive textbook in the investment business; it's called *Security Analysis,* by Graham and Dodd. Ben Graham, he's an icon in the investment business; anyone who's in the investment business knows Ben Graham. I have a young associate, who just joined me, who never heard of it, and the first thing I did was insist that she get a copy and read it. Reading it's a little hard, but it's the fundamentals of security analysis, and Warren Buffett is a disciple of Ben Graham and Graham and Dodd. He's an exponent of that — it's value investing.

The reason I tell you this — Graham and Dodd was the book, but Graham-Newman was the firm, and Howard Newman was Jerome Newman's son, and they worked together. One of the things they did was they bought a company called Philadelphia and Reading, which was a railroad, which also owned Fruit of the Loom and owned Acme Boot and Lone Star Steel. And they merged that with a company called Northwest Industries, which was on the New York Stock Exchange, as was Philadelphia Reading, and Mickey became chairman of the board of Northwest Industries. And so I was recruited by Mickey, who was in the same office as his father at 400 Park Avenue, because Graham-Newman had then phased out, but Mickey and Jerry were in the same office, and they needed someone to be assistant to the chairman of the board of Northwest Industries. I [had] decided that Arthur Ross was going to live a very long time, and that really I would never really run it, [Central National] not that I had to run it, but I just decided I would never run it, and I'd been doing the same thing for seven or eight years, and it sounded interesting.

I was in charge of acquisitions and also running their pension fund. And I thought it was an interesting opportunity. I went up there, and I was there for two years. I was there '68 and '69. And then what happened was that I was working for Mickey Newman in New York, who was chairman of the board and a 20-percent shareholder. The company's main office was in Chicago, and the president was in Chicago. His name was Ben Heineman, he was a very well known guy. To this day, people know the name Ben Heineman in Chicago. He was a major name. People knew Mickey, and Mickey knew Arthur Ross, as a matter of fact, closely. And I realized after I was there a very short period of time that these two were not getting along. And while Mickey was chairman and the major shareholder, Ben was president and CEO. And I learned — which I've always taught other people — CEO means boss. So the boss was in Chicago, and these two had a constant conflict, and I could see this was not going to continue indefinitely, they were really at odds. So we made one small acquisition while I was there, and it was just not going to be an interesting place. And so it stimulated me to think that this was a good time to go out on my own.

I forgot to add one other thing, which is out of sequence, but also while I was at Central National, I started another company, LIN Broadcasting, which was another private company, which came about through my relationships with Peter Solomon and Tom Unterberg. Peter Solomon, a partner at Lehman Brothers, and Tommy Unterberg, and I was the third man — I was not the first, I was the third man in the triangle — formed a company called LIN Broadcasting. And Peter and Tommy were the key people. But I was, in a way, the passive investor. I was on the board, though, also, of LIN Broadcasting, which was a very interesting TV/radio company at that time. So I had then invested and was on the boards of *New York* magazine, Datascope, LIN Broadcasting, and I said this was a really interesting area, being in private investments, because it gave you much closer contact with the company itself in terms of really knowing what was going on as opposed to being in the market and being a victim of the psychological whims of the market in any one particular day. So I really was very intrigued by this, and I saw a real opening in the market.

APAX PARTNERS, formerly ALAN PATRICOF ASSOCIATES 1969 - 2004

I said, there are a lot of people around like Central National Corporation, and I know a lot of them, a lot of family groups who have people running their public securities, and every one of them gets a call every day or every week from somebody who says, We're doing a LIN Broadcasting, we're doing a *New York* magazine, we're doing something. And they say, Put me down for $100,000, put me down for $250,000, maybe, maybe put me down for a million, unlikely in those days. And the Armand Erpfs of the world, and the Bobby Lehmans, and the Gus Levys would call Arthur Ross or call Mickey, and they would end up in the portfolio. It was the same every place. And they'd have five, ten, fifteen things, and nobody would know what they were, how did we get here, who made this decision, who's following it, find out something about it. So I said, There was a business opportunity to form a company that would service family offices, that would say, You run your public stocks but outsource your private investments to me; and I will run those, and I will look for new ones, but I will vet them so that when you see them they will be fully vetted, and you will have the right to do it or not do it. It's your decision. It will not be a fund, but you'll be a client of mine, and I will charge you an annual fee. So I got nine clients.

CK: *So you're doing management. Is it venture capital?*

AP: Oh yeah, definitely, it's venture capital, but we didn't necessarily call it venture capital. It was outsourcing your private investments. It was doing private investments outsourced for family offices. That's what I did. So I had the Bronfman family, and I had the Mott family, from General Motors, and I had Central National as a client, and I had a client of an English company. These were all people I had met over the years at Central National, and through Northwest Industries, and cumulatively, over the years, had met a lot of people that I knew about and had a decent relationship with. So I took nine clients, and I charged them $25,000 a year with a two-year contract. At the same time, I then started a fund in parallel, which was called Decahedron Partners, the tenth side — nine clients plus the tenth client. And that fund was $2.5 million, or $2.4 million, I don't know what. And that came from a lot of smaller investors who put $100,000 or $200,000 into this little fund that I set up.

CK: And w*ho were these investors?*

AP: Individuals that I also knew. All individuals, no institutions. It was an individual business at that time. So I started the first day in late December 1969, at One East Fifty-third Street, which was the Museum of Broadcasting, owned by Bill Paley. And he wanted to become one of my clients, his foundation, when I rented the space, in exchange for rent. And I said, I didn't think it was a good way to start my business, bartering, and so he didn't become a client; but I became a tenant in the building, which is now still the home of the Paley Foundation. It's right next to Paley Park.

CK: *And you called yourself—*

AP: Alan Patricof Associates. So Alan Patricof Associates officially started January '70, and with nine individual clients and a fund. I was profitable and had a business from the first day. Nine times twenty-five was what? You can multiply. Plus, I charged the fund, I think, 1.75 percent. There was no formula in those days. And I took 10 percent of the override, not 20. There was no — I don't remember if the word "carried interest" even existed.

CK: *What do you think has given you your self confidence?*

AP: I don't think it's necessarily self confidence; it's hard work. I didn't start my business until I had nine clients. I'm a risk-taker, but measured risk. I don't like being totally exposed. So when I had the clients lined up, and I had the fund put in place, then I went into business. Most things I do, I try to be realistic about what can be accomplished — some people want to shoot the moon, and maybe they make it and maybe they don't. I've succeeded; and in anything I've tried to do, I've done a little bit better, a little bit better.

CK: *You're more East Coast than West Coast?*

AP: Definitely. I'm more financially oriented than conceptually oriented. It's also that Graham and Dodd background, Graham-Newman, the Newman experience, Arthur Ross, all were value investors — Jean Lambert, Ragnar Naess. I learned the fundamentals of investing.

CK: *I guess I don't have to ask you why you felt you were well suited for venture capital, because this is—*

AP: I don't know if I was well suited. I would say I always had a great curiosity. I had an interest in new things and what was going on. I think curiosity's a major thing. If I saw something interesting, I'd call somebody up and find out something about it, and that's a fundamental value, I think you need to have, to be in the venture capital business.

CK: *High energy.*

AP: And curiosity. If you're passive and just sitting back there and waiting for something to fall in your lap, I don't think it's going to happen.

CK: *How about competitive? Do you see yourself as competitive?*

AP: I would say I am not as intensely competitive as many of my brethren. Not necessarily in the venture business. But I don't think I'm made to go and — when I go to auctions, I don't go to an auction house; I submit a paper bid. I don't go there, because I don't want to get caught up in raising bids and get caught in that emotional experience. So I don't like to get myself into competitive bid situations. And if I'm in that kind of situation, I probably shouldn't let everybody know, but I probably would let the other guy get it. I like to do things where I can develop a relationship or an insight or early involvement that is more one-on-one, where we're having a dialogue, and if it works great, and if not, if someone else comes in and says, I'll pay ten dollars more, I'll probably let it go. I wouldn't say it's 100 percent true, but it's pretty much—

CK: *In a way, I would say this is a control issue, but I don't see you as—*

AP: No, I'm not a control freak, absolutely not; just the opposite. I am very collegial and run my firm based on collective decisions. My new firm [Greycroft] right now has a policy of not going on boards.

CK: *Interesting. What was your vision for Alan Patricof Associates?*

AP: I didn't have a long-term vision. I guess it was, you know, surviving. It was starting a business and building a business. I started out with a secretary and an associate, and the secretary was with me for twenty-seven years, and the associate was with me for thirty years. It was a woman. I hired the first woman in this business, who became very prominent in the industry. You're probably going to talk to her; if you're not, you should.

CK: *Hopefully, yes, Patricia Cloherty.*

AP: Yeah. She started with me the first day. But I hired her because I thought she was smart, that was all; she had no financial qualifications. She had been at Columbia, she had been in the Peace Corps, she was really an internationalist more than — certainly had nothing to do with the investment business. She was a researcher, maybe, and she was very smart, and I thought she could learn; and she learned the business very fast, and she became a partner within, I don't know, a few years. And then I hired another person a year later, or I don't remember exactly the date, and he ended up at one point becoming president.

CK: *Who was that?*

AP: Bob Faris. When Pat left, she became chairman, as you know, of the Russian-American Enterprise Fund. When Bob left, he became chairman — they both became chairman — chairman of the Russian Enterprise Fund, and he became chairman of the Polish-American Enterprise Fund.

CK: *So you're becoming the mentor.*

AP: I don't know, you'd have to ask them. But I still have very good relationships with— Pat's an investor in my fund. Bob, I forgot to ask.

CK: *What was the venture capital climate in 1970?*

AP: There wasn't a venture capital business. There were people doing it; it was mostly family offices. Warburg Pincus was just started. Before that, Venrock was around, J.H. Whitney, Bessemer, Mellons. Those were the names that were known. And I guess on the West Coast there was Davis and Rock. I wasn't as aware of them [West Coast venture capitalists]. Davis and Rock you were aware of. I think Asset Management was around, Pitch Johnson; and IVP, Reid Dennis was around. Those are the names I remember from those days. If you threw names at me, I'd say who I remembered. Arthur Rock and Tommy [Unterberg] and I had lunch about three months ago. Tommy called me up and said he was coming in for lunch. And I was on a panel with Pitch Johnson not so long ago.

CK: *They've all been interviewed for this.*

AP: Yeah, I assume Dick Kramlich has; I don't remember when Dick started NEA; I think it was afterwards. And then in the early seventies [1973] they formed the [National]Venture Capital Association. I think — my memory you'd have to re-trigger — but I think Stanley Rubel did it. I'm not sure. He was a key guy in the early stages. I think that Stanley Rubel was the guy who started the *Venture Capital Journal*. He was followed by Stan Pratt and he by Mark Heesen, who runs it today.

CK: *I've heard the ERISA story from the seventies.*

AP: Yeah, and I was involved in that. What was that guy's name? I testified in '77, the Prudent Man Rule. I've seen him recently, the guy from the Labor Department, Ian Lanoff.

CK: *In looking back at your early days at Patricof, just pick one investment or two that you could just walk me through with the story of how it came to you, how you vetted it, some challenges that you faced. I know that you were involved with Apple and America Online—*

AP: That was a lot later; that was in the eighties. But in the seventies— Actually, one of the most successful companies I've been involved with is not in any story, because it's not poetic. It was a company which was called RSR, which stood for Revere Smelting and Refining. It was *the* first investment I made, the very first investment. I think we invested $250,000 or $260,000. And it was a twenty-six-year-old — you'll see why I know this story very well in a minute. But the guy was twenty-six years old, it's funny, he was a scrappy guy, but he also was called a scrappy, because he was in the scrap business. He had been with American Metals, because in those days venture capital wasn't just high-tech — certainly, on the East Coast it was diversified. Actually, the key guy in the venture business was a guy named Ned Heizer from Chicago. I know he passed away recently. But he was at Allstate Insurance. It just came to me, that was a key guy.

CK: *He is the person that started NVCA.*

AP: Yes. Back to RSR. So that's the person. So Howard, his name was Howard Meyers, came to me — I don't know how he got to me, through a lawyer, I think — and we did due diligence. And I don't remember what due diligence was, and I don't have the files from those days; but you know, analyzed the scrap business, checked his references, and ended up putting up this $250 to $260,000, of which a little bit came from Decahedron, and a little bit came from several of the investors. I don't know, two, three of them may have gone into it; four of them maybe went into it. But you can imagine, small amounts.

And he bought a scrap operation in Jersey City, which collected old batteries, smelted them, and then refined them, and then sold the lead to battery companies, and the antimony and copper, whatever came out of the batteries, which is still being done today. This was a private company. We ended up taking it public later, and it had many iterations. And along the way, I ended up selling our interest, as things went on. We made, I can't remember, four, five, six times on our money. But before I got out of it, we bought a smelting operation in Dallas, Texas; we bought one in Indianapolis; we bought one in California; we built an operation up in Wallkill, New York, and built the company up to, I don't remember, $20, $30, $40, $50 million business. And then at some point, took the company private because the market wasn't interested in the company. He subsequently started a steel company called Bayou Steel Company, which Allen and Company got involved with, and we did. This was, I think in the eighties.

Anyhow, RSR today is called Quexco Corporation. Quexco today is the largest metals refiner in the entire world. It's private; Howard owns all of it. He's now sixty-five, and he has thirty-two plants around the world. He is still a very good friend. He's an investor in my fund, as are his sons, who are now in the hedge fund business. They're all investors in Greycroft.

And I just was with Howard in Corsica and Sardinia last month with my wife. His boat is 165-foot with ten in crew. The boat is made by the Burger Yacht Company, and he has this boat over there, and he has a smaller version, 100-foot yacht sitting in Sag Harbor. So he has two of them. And if you remember a guy named Victor Kiam, who used to own the Remington Shaver Company — there was a very famous ad which he used to run all the time which said, "I liked the product so much, I bought the company." Howard liked the Burger Yacht Company so much he bought the company. So he owns the Burger Yacht Company plus Quexco, which is a several-billion-dollar company today. He just gave $10 million to NYU about a month or two ago. He has this beautiful yacht; has a home in Dallas, Texas; he has a home on Park Avenue; he's bidding on a very big home in the Hamptons; he has a Challenger Jet; and he's done well in the American entrepreneurial system. He's a very scrappy guy to this day. That was our first investment.

The second investment I made was in — believe it or not, it'll get no credit when the history is written, but it really was the first Internet company, the very first Internet company. I backed it, I didn't create it. It was done by ten guys who left DARPA, the Defense Research Project Agency of the government, and it was called packet switching in those days; and there was a packet switching network which they started together with a guy named Larry Roberts, who was the head of DARPA, and he was their inspiration. And they set up in the now-abandoned Russian Embassy. In those days the Russians were not allowed to live in New York City. It's strange, and they had to live out in Long Island, this was in Glen Cove, Long Island. And by this time in the seventies, I guess they were allowed to move around, they had opened an embassy, but they'd abandoned this estate in Glen Cove, and these ten guys set up this company in this estate in Glen Cove, Long Island. It was called Network Analysis Corporation. And it was very, very, very early. As I said, it was called packet switching. So I remember those particularly early investments. That goes back to 1970. That was the second investment I made.

CK: *Was there something about what they were doing that excited you?*

AP: Well, these were very exciting guys who had just come out of the government and had a new technology that was interesting.

CK: *How did you get involved in AOL?*

AP: That was in '83. That was brought to me by Citicorp Ventures or International Nickel Ventures. It was another venture firm, I guess, that had come to us. And I met with Jim Kimsey, who was the CEO, and he had been put in there by Frank Caulfield from Kleiner Perkins, who was his buddy from West Point, because he was living in Washington. The company was in Washington. And we made an investment in the company, which was just coming out of bankruptcy. It had been in bankruptcy, and I have a mental block, I can never remember the name of what the company was before it was AOL. We called it at first Quantum Computer Services, and we made an investment and stuck with it. I guess it must've been before '80, 'cause they ended up going public sometime in '84, I think. And Jim had asked me to go on the board, but I didn't feel we had a big enough position to justify the time commitment at the time. And so I developed a good relationship with him and with Steve Case, who was the head of marketing at the time. And they subsequently became investors of mine. It's good not to burn bridges.

CK: *The seventies was a tough time.*

AP: Very tough time. It was so tough that in 1974 I set up a corporate finance operation, because we had to make a living; and by that time, I had realized that the individual investor concept — I anticipated that after two years it would be hard to maintain these annual contracts, because that's the way individuals are. They run hot and cold, they like it, they don't like it, they get interested in something else, and when things get tough this is an easy thing to cut. So I anticipated that, and I set up an SBIC in the seventies called 53rd Street Ventures, because we were on Fifty-third Street. And I set that up, which enabled me to have a bigger capital base, because that was, I think, a $7.5 million SBIC, and it was $2.5 million in equity and $5 million in debt from the government. So now we had $10 million to manage, and we gradually phased out of the individual management, and they became investors in 53rd Street Ventures, most of them. 53rd Street Ventures was the investor, I believe, in Apple, and it was the investor in — I'm not sure if it's in AOL, I don't remember. It was 1980 when I raised my first institutional venture capital fund, which was called Excelsior One.

CK: *Where did you get the name Excelsior? I'm always interested in names.*

AP: Because New York State is the Excelsior State. Greycroft has a derivation as well.

CK: *How do you find the ventures? Do the entrepreneurs come to you?*

AP: Yes, sure. Yeah, they come to us, and we go out and we look. You read, you meet, you go to conferences, you know people. The problem is, most of the people you know who come to you with deals come with start-ups. Virtually everybody knows somebody who's starting a business. So, the problem is to nicely turn down the start-ups, because you can go broke just doing people with a business plan, and that is a preponderance of what comes through the network of individuals, as opposed to other venture firms. So I had a tremendous number of individuals involved with the firm; but I always encouraged them to send things to us.

CK: *What are you looking for in a company?*

AP: We're looking for, first of all, people like Howard Meyers — scrappy, entrepreneurial, people who know the business they're in. And one of the things I've learned over the years, more so in recent years, is the best bet is to bet on a person who attracts people from previous employment who join them, so that you really have a commitment of their future behind somebody. In fact, if I think about it, I didn't think about it, but looking back to Howard Meyers, he brought in two people from American Metals. I never thought about it until this second — he brought two guys from American Metals Climax in with him when he started.

CK: *So it was kind of a proven team?*

AP: Yes. In looking over things I've done, I find that people who worked with people before and can attract them shows leadership, shows ability to motivate other people, and shows that they have vetted the project and believe in it enough to bet on their career. They're better than I am at knowing what makes sense.

CK: *How do you see around the corner, that you're going to invest in something and when it's ready to come to market, that that sector is going to be receptive to what they're doing? How do you see into the future?*

AP: I don't know how many of us see in the future. A good example perhaps is, right now I'm spending a reasonable amount of time looking into the interactive book market, the e-book market, which you hear about. You hear about it because of Kindle or the iPad, but there are a bunch of companies starting up, or have started, that are developing technologies for new forms of books. That looks like an interesting area. Looking at the database business, that's always a good business. Anything you can build an annuity base from to me is a very good business to be in. Like a Standard and Poor directory or a directory of lawyers, things that have continuing value, and every year they're in business, are more valuable, because someone has to catch up. We have a company right now that has a doctors' database. Those kind of things I think are very successful. But you know, we're looking at new technologies and responding to people's ideas. A lot of the things we do now — we're jumping ahead, but a lot of the stuff I do now is related to the Internet and the mobile device. So there's all kinds of new applications. It's tough to sort through them and decide who's going to be the winner. And we're involved in the *Huffington Post*. I believed that there was an opportunity for an Internet newspaper. So that's how we got into that. A lot of things we're involved in today, because of the industry, are advertising-based. There's not as great a predictability necessarily in that, but nevertheless, new technologies in advertising are very, very significant today.

CK: *It sounds like the pace is faster than it used to be.*

AP: Today the pace is, I mean, dramatically faster.

CK: *So you don't necessarily have to see into the distant future; you just need to see a couple years — they come to market faster? Is that possible?*

AP: They start faster, I tell you. I mean the start-up activity is just mind-boggling today. People start companies — the number of start-ups we'll see in a week are just overwhelming.

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

AP: Aren't they the same thing? The entrepreneur is the manager. He's running it. I don't know what you mean by that.

CK: *He has the idea, but then you need a team to execute.*

AP: No, he's got to be the person leading the execution. They're not separate. If you find out subsequently that he was a great guy with the idea, but can't implement it, you hopefully would want to find someone who can come up with the idea and implement it also.

CK: *Do you have a network of VC firms that you have worked with?*

AP: We've been always a little bit of a — I'd say more of an independent, as opposed to being part of the club, so to speak. Most of the club is West Coast, first of all, like Kleiner Perkins, Sequoia, IVP network. We've always been a little bit more walking our own path. And so we've done deals with lots of people. We've done deals with Kleiner; I don't know if we've done a deal with Sequoia; we've done deals with NEA; we've done deals with, we're doing one right now with IVP, with Oak, Bessemer. But it tends to be more the situation as opposed to a syndicate or a group or club that we go into together. We work very closely with a couple of firms you've never even heard of — one called Village Ventures; another one called BV Capital, which is out on the West Coast, which was the former Bertelsmann Ventures; and we have a firm we're very close with in Canada, called iNovia. So we tend to walk our own independent path.

CK: *So you're saying it isn't a network for you.*

AP: No. I'd say our portfolio is, if you look at it, you'd say it's not a duplicated portfolio, which makes it interesting. On the other hand, each one, we don't do any deal — I'm now jumping to Greycroft — we don't do any deal without another partner, so every deal has a partner or another firm.

CK: *I've heard the term used by some people, "band of brothers" — that in the early days of venture capital there was a certain sticking together, helping each other out.*

AP: You had to syndicate more. You had to syndicate because no one had enough money to carry the load. There was more syndication. Today, it's hard to describe, I can't speak for others, but I think there's a lot of firms who have a great desire to put a lot of money to work, they're burdened by having large pools of money, so that they need partners less. When I started Greycroft in 2006 — you've got to learn something from being in business all these years — I developed a kind of modus operandi of certain criteria of things that we would do as a firm that was based on things I had learned over the years. One of the things is we don't do pure start-ups.

CK: *Because?*

AP: Well, I want to avoid that. You're going to miss a Twitter, you're going to miss a Facebook, but you're also going to miss about 150 other things that would drown you.

We get into things which have demonstrated some evidence of commercial traction. It can be very small. The definition of commercial traction is—

CK: *Is this like the mezzanine stage?*

AP: No, no, no. It means that they started up, they had angels, and we're probably the first "institutional investor." So they may have a customer or two; it'll have unique visitors; it'll have page views; it'll have something that you can call somebody and say: What do you think of this product? As opposed to concept on paper and a breadboard and a design, and no one's tested or looked at the product. But there's something about when someone paid for something, even if it's $25,000, that you can find out something more about. So that's one of the criteria. The second criterion is we only do deals where we have a partner, so we don't carry something all by ourselves. It reduces the friction between entrepreneur and investor, I believe. We don't require board seats. The only time we go on board seats — and by the way, we're on a lot of boards — is when the entrepreneur requires us to go on the board seat and says, If you want to invest, I want the name Greycroft and I want you involved; not just me; my team. We focus on just two cities, New York and Los Angeles, although we have done business outside. We focus on companies that have pre-money under $10 million valuations, because we invest a very small size. We're trying to fill a hole in the market between angels and the bigger funds, most of whom have a $5 million minimum.

So the first fund we did in 2006 has a range of investments of $1 to $3 million — actually, half a million to $3 million. And there are very few firms that want to put a half a million or $1 million in a deal. Our average size investment I think is $1.7 million or $1.8 million. And then in the newest fund, it's a somewhat bigger fund, it's $130 million. Our range is a half a million to $5 million, but our average size investment is like $2.5 million. So we're trying to fill that niche, and we assume also that none of our companies will go public. We've make no investment on the assumption that the public's going to — and that, by the way, everybody assumes, everybody who would admit it, you always assumed you'd get sold in a public offering. Today we assume nothing gets sold in a public offering. And then we also are determined not to drown with our losers, so we try to cut our losers quicker than we used to. So we have, as I say, seven or eight different criteria. And we pretty much stick to that — and we focus on the digital media world. So it's a pretty disciplined operation, as opposed to when I first started, it was very diversified.

1977 PATRICOF & COMPANY ASSOCIATES GOES GLOBAL

CK: *In the seventies you were global.*

AP: I went global in 1977. I was very prescient. I was probably the first or second, certainly not the third person to go into Europe. I started in 1976 and developed a relationship with a fellow named Ronald Cohen in London. There were three guys who had come out of Harvard Business School — one in Paris, one in London, and one in Chicago — and the

Chicago guy had decided to go back and be a professor. And so they approached me through a friend about the idea of linking up my corporate finance operation, which I had started in 1974, linking up with that and being, in effect, the New York office for the corporate finance business, and gradually getting them into the venture capital business, which was nonexistent in Europe at that time. There wasn't a venture firm. Maybe 3i, which was the UK government operation, was the only venture firm. So we were working only in corporate finance transactions from '77 to '80, '81. In '81 we started the first venture fund in London, which was called APA Ventures Limited. The firm over there was called Alan Patricof Associates Limited. And then in '82 we opened up in France, and it was called Alan Patricof Associés in France. So we had three venture offices, and the corporate finance operation was operated under the name MMG. That was their name, and I adopted that name here.

CK: *So it's Ron Cohen.*

AP: Maurice Tchénio is the French partner.

CK: *And I guess the man from Chicago—*

AP: He went away. His name was Peter Barrick. I never met him. He was gone.

CK: *So this was a pretty challenging scene, globally.*

AP: Well, it was nascent. In France we have a license, and it's license number one. It was called APA Capital Risque. You had to have that in the name.

CK: *What were the challenges?*

AP: It was a new business. It was introducing the concept of risk. That was very foreign. People didn't leave their jobs to start companies in those days. I remember, actually, I would go to London every month or so, in those days to help them get started. And meeting an entrepreneur — and his question was what kind of contract would he get, you know, employment contract. What kind of pension payment did he have. And could he have a car and driver. Those were the kind of things people would ask. So it was a different risk profile, because if you failed, the price of failure was very, very tough.

CK: *How about raising funds outside the U.S.?*

AP: The first fund in London, a lot of it came from my investors from here, and the second fund. But by the time the third fund came — well, no, some of the same people still invest today. We went to Germany in '89, and then opened in Spain. There was a challenge in selling the concept — very hard to sell the concept of investing in Europe. And unfortunately, I hadn't developed enough relationships in the institutional market that they were willing to take a chance.

CK: *Can someone learn to be a venture capitalist?*

AP: Yeah, sure, why not? I mean, Pat did. We all did.

CK: *So it's not an art. I mean, it's a science.*

AP: I think you have to have some financial skills, although this coast is much more into finance; the West Coast is more oriented towards technology and markets. Truthfully, in pure venture capital, technology — we always associate venture capital with technology, let's face it. If you're dealing with technology, there aren't too many numbers to go by. Over the years, I've tried to be helpful in terms of legislation and in regulations and things in general to help entrepreneurship and the industry.

CK: *There is a real concern about the tax on carried interest.*

AP: Yeah, but I happen to be one of the people that believe carried interest is ordinary income. So that's not a popular stand to have.

CK: *As you say, even though it isn't in your favor.*

AP: Definitely not in my favor. But I think that's reality. When I started in business forty years ago, my accountant said to me, "This is really not capital gains, it's really ordinary income, it's part of your income. It's being treated as capital gains, so we should do it, but sooner or later they're going to catch up to this." So it took forty years.

CK: *So you don't think this inhibits investment?*

AP: No, I don't think so. The enterprise value tax, I don't agree with. I think that's just overreaching.

CK: *I want to talk to you just briefly about your relationship with the entrepreneurs over the years. How involved do you get with them?*

AP: Very. I don't run the businesses in which we invest; that's the worst thing you can possibly do. I've had people working for me, partners who think that because they made the investment and they have the checkbook that they have a more controlling element. I don't believe that. I feel very strongly in backing entrepreneurs and helping them when they need help and giving them support, but encouraging them to do it themselves.

CK: *How emotionally do you get involved?*

AP: I can't stand losing, let's put it that way. I don't like losing money. I take fiduciary responsibility very, very seriously. I have a policy, I have never made an investment other than through Greycroft or Apax for forty years. That's different than a lot of venture capitalists, who — not that it's unethical, but I just solve the conflict by not doing anything else. I have investments in hedge funds or funds of other people, but I have no other private equity funds, either.

CK: *How do you handle the tension in this business?*

AP: I can handle that. But you know, when you have companies that have problems, it's not fun. The losers can get you upset. I must say from 1998 to 2002 or 2003, I didn't have fun in this business, which was part of my reason for thinking it was time to phase out and let someone else run it, because I just didn't enjoy the way the business had gotten. It was overheated; people were investing more than they should; the sizes of investments that they shouldn't have invested. I felt it was too much money — not too much money chasing too few deals — it was just that the funds had gotten so big that they over-capitalized a lot of companies, and mostly young companies with inexperienced management. It's not the same today. Managements are much more experienced, I find. The Internet's been around longer, and most people who were involved with it have done something before this. In those days they were all coming out of school, virtually, or first-time. Today they're really second-time entrepreneurs, or people who have had some experience someplace. [AP Edit: (P.S. As of April 1, 2011, we are now experiencing another period of irrational exuberance, and valuations for certain deals are unsustainable in my opinion.)]

CK: *They're no longer in the garage.*

AP: Well, garage start-ups are not really standard start-ups.

CK: *You said that you get very involved with the entrepreneur in the technology and the product or company. Do you have an example of one that was exceptionally challenging? Did you ever have to replace a CEO? Do you have something that sticks with you?*

AP: Once in a while. I don't like replacing entrepreneurs; I find you take a lot of the heart and energy out of a company. And so many times I've heard people, my partners or otherwise, saying, We're going to make this investment, it's very exciting, and we're going to replace the CEO. I really try to avoid those kinds of situations. I think it may be appropriate, in which case I just probably would rather not do the deal, because I think there's a certain energy and dedication that comes from an entrepreneur, that doesn't come from his replacement.

CK: *So you do think the entrepreneur is as important as the technology.*

AP: Oh, absolutely. I would rather have, any day of the week, a terrific entrepreneur looking for a product, as opposed to a product without the person to implement it.

CK: *I want to talk to you for a minute about boards, because you've talked about being on a lot of boards. I want to know how much of your time and your energy do you spend, over the year?*

AP: I would say you don't much spend time in board meetings. As a board member, I think it does take a certain amount of commitment. But again, this has evolved over the years.

Every venture capitalist that you're going to talk to, I'm certain, would — although, I don't know, my policy is starting to influence people, but I don't want to take credit for it, but I see a little bit of it happening — that we'll all have a policy of making an investment, and in the terms, require a board seat. I realized after all the years I've been in the business, A) that having two or three venture capitalists on a board does not help a board, and I like to avoid those kind of situations. I'd much rather have people from the industry and people who can help the company. B) I realize that in every situation that we're in, except when it gets in trouble, the venture capitalist is in a minority position. So having a board member does not influence the outcome. Whatever influence, you get the respect of the entrepreneur being at the table when discussions are going on and influencing the outcome with your voice and your influence. So we have the policy here of always being an observer, which gives us access to everything a board member does in terms of information and attending every meeting. But we do want our other venture partner to have a board seat, and we try to construct an independent board. We're not only entrepreneur-friendly, we're other venture firm-friendly, because they don't have to fight with us about who gets the board seat; they can have it.

CK: *If you look back, early on — you've obviously come to this conclusion—*

AP: Yeah, in those days we all — every investment, we had a board seat.

CK: *How much time did you spend in terms of doing things like helping with strategy, finances, psychotherapy?*

AP: All the above, but I can't equate it to percentage. I was running a firm, I was raising money, I was hiring people, I was on boards, I was helping with introductions. Today we spend most of our time helping our companies with relationships in their industry. So introducing them to media or entertainment companies or other places that can help them in getting business.

CK: *So is it 10 percent your time, 25 percent of your time?*

AP: Today or then?

CK: *Maybe both — it must've changed.*

AP: Twenty-five percent of my time, that's a guess. Twenty percent, I don't know. I work 150 percent, so I don't know how to—

CK: *You just talked about, obviously during the bubble and then the burst, this was a time that you were ready to make a change in your life. And in 2004, you turned over Apax.*

AP: Right. I stayed in the firm, and I helped to unwind some of the old portfolio investments and to focus on the smaller investments, because Apax, like every other firm, their minimum size investment had gotten bigger and bigger and bigger. Because our funds get bigger, our minimum sizes have to get bigger, which got a lot of firms into trouble — ours less than others, but you know, we also.

CK: *And then you started Greycroft in ’06?*

AP: Yeah. One of the things we didn’t discuss is how we got the name Apax. Apax, Patricof Associates International, X is for International. But in 1990 we had our international group meeting, and the question was, if we were going to be in a lot of countries, was there something that was a simpler name that was broader than one person’s name, and we hired a name consultant and spent a year doing it, and everything else. And someone came up with this idea, which was very appealing, and it happened also to mean in Greek, “once and once only,” so it kind of has a little extra flavor. But it seemed to me it was a good idea. But the name, I was not really prepared to build, in this country, since my name had a pretty broad name, it just seemed, I was a little nervous about changing it here. So we changed it abroad, and then we changed it here I think about 1999.

CK: *So that’s why, I mean, I’ve tried to—*

AP: It was a way of my phasing, again, beginning my phasing out. Maybe it was 2000, we changed the name here. And then we merged with all the firms together — I don’t know, 2003, 2004, something like that.

CK: *What did you all learn from the bubble? How did you get through that period, the bubble and the burst?*

AP: You want to know the truth, how Apax learned? It's not the venture capital business anymore. Apax is — that was one of the things, my being here, how would it impact the firm, which was not in venture capital? All their fundraising was being a middle market buyout firm, and now, today, Apax is totally a mega-buyout firm. Their minimum investment is several hundred million dollars. What we do at Greycroft is a rounding error compared to the size and stage of Apax investments today.

FOUNDED GREYCROFT PARTNERS 2006

CK: *So you wanted to move — you're moving on and back to your roots.*

AP: Yeah, I decided to go back to my roots; that's what happened. I decided that small investment — there was a real hole in the market, because everyone had gotten so big, there were fewer people — there were angels, but there were very few firms that consciously wanted to be smaller.

CK: *So is this a stage, aging stage?*

AP: It was analyzing the market.

CK: *You just happened to be turning seventy.*

AP: It's an accident.

CK: *You weren't thinking of retiring.*

AP: You have to understand, I'll be rollerblading tomorrow and bike riding. I do this every weekend. I still walk faster than anybody here in the office. I used to run marathons, but I don't do that anymore.

CK: *You did the New York Marathon?*

AP: Four times. But now I don't do that anymore. I can't run. I got hurt actually in the beginning of rollerblading, I got hurt, which doesn't affect rollerblading, but it affects running. I tore my hamstring very badly, and that particular motion is what you use when you run. You don't use it when you're bike riding or rollerblading. So anyhow, it had nothing to do with my age. I just decided that I didn't want to run a big firm anymore, I didn't want to have administrative meetings, I didn't want to have year-end reviews, I didn't want to do any big fundraisings and go on institutional road shows. So I decided to do something smaller, and I saw this opportunity; it was wide open. And now there are a lot of firms who are, either by design, a few of those, but by reality, have downsized. And we've committed to do our next fund at the same size. So we're avoiding, hopefully, the pitfall of — listen, you're precluding getting rich on fees by doing that.

CK: *How did you come up with the name Greycroft?*

AP: That's easy. I looked for a lot of names, and I was told by everybody, Don't look for a name like 53rd Street Ventures or Park Avenue Associates, and then they said — I have a home in East Hampton — don't look for an East Hampton street name. They said, Better do something original, and I have a home in East Hampton that was built in 1894 that is called Greycroft. I didn't give it the name; it had the name when I bought it. It was named that in 1894. So I thought that was a safe name. So I went to file Greycroft, and we got the name. I went to file the URL, and it turned out that someone else had it, and it was a police detective up in Maine, and I called him up to try to buy the URL. And it turned out, at the end of the day, without going through the whole story, that his home in Maine is called Greycroft, and that was built in 1854. So clearly it was a name that was used up in New England. And so we are GreycroftPartners.com. That's why we're Greycroft Partners instead of Greycroft.com.

CK: *And you said that you felt like you were starting all over again, but you also said, "It opened a whole new world of people and exciting opportunities."*

AP: Yeah. Well, every single meeting I go to today I am, without exception, the oldest person at the meeting. Most entrepreneurs that we find are relatively young. We have a young team with an average age in the low thirties, excluding me. So I'm in a young world with young entrepreneurs, and I think that probably helps to keep you young. It's exciting; every day is something new.

CK: *What is exciting you about it today?*

AP: It's where the action is. And I know the media business reasonably well, and I know a lot of people in the media business. So it was a logical thing for me to do.

The following is a continuation of the interview with Alan Patricof of Greycroft Partners, taking place on October 26, 2010, at 598 Madison Avenue, New York City.

CK: *Let's pick up where we left off. We were starting to talk about Greycroft and what excited you about getting back to your roots, and you said "It had opened up a whole new world of people and exciting opportunities." So I want to hear from you what's exciting you about being back in venture capital, kind of, as you said, "back to your roots." What new media is exciting you?*

AP: Well, the area I'm involved in is new media, so it's not what area of new media— Well, I'm not a genius, but I was somewhat prescient in 2005 when I conceived this idea, the fact that the Internet, which had had its bubble in early 2000-2001, et cetera, after a meteoric rise, had really fallen into disfavor; and I frankly saw that we were entering a world where, frankly, the next ten, twenty, who knows how many years, are all going to be based around applications on the mobile device and on the Internet. And so I saw that as a very attractive area. Number two, I felt that all the technological developments that had taken place — I could say in the nineties, but I could go back to the seventies, eighties, nineties, 2000s — all those technological developments had enabled companies to start up and grow with much less capital if they were in the Internet/wireless area. So I felt it was not a heavy, capital-intensive business as opposed to industrial activities, the new environmental companies, clean water, clean technology, which I think are very heavily capital-intensive. I think many people are gonna find out we're gonna have — may not have a bubble, but we're gonna have certainly a little hiccup in the clean technology field. And the biotechnology field, I learned the hard way, had heavy capital intensity. So, since I didn't want to go back and set up a billion-dollar fund — to do that, I would've just stayed with Apax — I felt that I wanted to do something small that was manageable, and the Internet and wireless business seemed to me to fit the definition of low capital intensity and lots of developments going on, and just seemed like a logical place to focus my efforts. And I don't think it was anything revolutionary.

The growth of the Internet in the world and the growth of mobile phones in the world is an obvious trend that was just shooting like a skyrocket, so that's why I decided to go into that business. And I originally wanted to do a smaller, even smaller fund, which I thought I would do myself with an assistant. And in the course of raising the money — I was only gonna raise it from friends; I didn't want to get back into the institutional race. And so it just all fit together. And I started, and I found that it was gonna be difficult to just do it myself with an assistant, so I'd have to have a partner. And then through a combination of circumstances, I ended up with one partner, and then a second partner and an assistant, and we had to raise the size of the fund to accommodate the costs involved, and that's how we backed into a fund of $75 million. Frankly, it was not where I set out initially, but it was where I wanted to be, which was a small fund, making small investments in low-valuation companies, which had very low capital intensity. So it would all fit together.

And as you know, I've now raised a second fund, which I hadn't intended when I did the first fund. But since I still have as much energy as I did when I started the first fund, if not more, it seemed like a logical thing to go through number two. And that was a very intensive effort, which I did decide needed a — not for me; if it were just for me, I would've just stayed with individuals, but for the benefit of the people I'd hired, and who I kind of made an implied promise that the firm would succeed me — that it needed somewhat of a permanent capital base, which only institutions can provide. So that's why I went out for institutions in the second fund as a component of the fund. So now we have individuals and institutions.

And in the second fund I maintained the principles of still staying small. Our second fund is a $130 million fund, which in this world is a small fund, and the only thing we've changed — the strategy's the same, people are the same — the only thing that's changed is we've slightly increased the size of our investment maximum. And the whole purpose of this fund was to stay under the minimum size of an individual investment of every other fund in town, which had, more and more, gotten larger. This had grown to $5 million and $10 million and $25 million. As their funds got bigger, they needed to have larger investments in order to operate efficiently. I was determined to come in under that level. And we've committed as a firm that if we do — I shouldn't say — when we do another fund, it will also be in the small area. We're not gonna do what is the inexorable drive, which is to get bigger and bigger; we're gonna stay in this level.

CK: *So do I sense that there's a certain vision for Greycroft to become a venerable firm, with the reputation of Apax?*

AP: Oh yeah. I think Greycroft, in four years, has established a pretty reasonable [record] — for four years— In four years back in 1970 we were no place; I think in four years now, anyone who was talking about venture funds in New York, in our area, certainly we would get mentioned, and then in Los Angeles. Not necessarily San Francisco. San Francisco has a world of its own, and we invest in San Francisco, but we're not trying to be the most important factor. I think it'd be hard to achieve that at this stage. But New York and Los Angeles were wonderful openings.

CK: *What companies are you finding? Where did you start with new media? Do you have an early story of a company you found?*

AP: Oh yeah, absolutely. I think we went over that. My first investment was—

CK: *I'm talking about Greycroft, more recently.*

AP: But how I got into it — I mean, I invested in media for years, many, many years. So it's not how we got into it; it's what did we do?

CK: *I'm trying to look at what you're doing new.*

AP: The first investment we made is a company called Paid Content, which was a blog for the digital media world; and I thought that what a perfect way to get yourself established in the digital media world than to buy an interest in the leading digital media blog site. And subsequently, that's been sold to the *Manchester Guardian*, otherwise known as the *Guardian*. So, we did that. The second investment we made was a company in the music business, which we have sold to Getty Images, and the third investment was the *Huffington Post*. So we right away established ourselves as being into the digital media world. Those investments were made for business reasons, but they were also made deliberately to establish our position as being serious about focusing on this area. And we've now made forty-one investments, and every single one of them are focused in the digital media or the mobile area. The Internet or mobile, I should say.

CK: *What excites you the most? Are there any that are just—*

AP: Which of your children excites you the most?

CK: *It depends on which day.*

AP: Okay, so it depends on which day. We have a lot of interesting companies, and there's a tendency of people — not just you — to ask that question.

CK: *Maybe I'm looking for an interesting story of someone who struggled and wasn't going to make it or you tweaked it or—*

AP: I don't think I can give you that story, but I think everybody wants to know what's your favorite investment?

CK: *It might be your biggest failure.*

AP: The answer is that your favorite investment can be one that's just interesting, or your favorite investment should be the one you've had the most success in, frankly. So there's a tendency always to talk about the one that's the most successful.

CK: *How about the most challenging?*

AP: I'm not gonna tell you the most challenging.

CK: *I want to know what's keeping you up at night, what's the struggle of how you're going to—*

AP: I worry about everything. That's part of succeeding in any business.

CK: *That's a lot of children.*

AP: You worry about all your children, exactly. I worry about my own physical, my real children, and I worry about my company children. Which ones are going to go out of business? Which ones can't meet next week's payroll? Which ones have CEOs that you know can't make it, and how do you deal with it? We have plenty of those issues. I would say, fortunately, we have a lot more positives than negatives, and we have nobody going out of business this week.

CK: *Okay, well, then it's a good weekend.*

AP: Yeah, but you never know what next week will bring.

REFLECTIONS

CK: *You started Alan Patricof & Company in 1969?*

AP: Yes.

CK: *How has venture capital changed? You're kind of, as you say, going back to your roots, but certainly you're finding that it's a different world than it was in '69 in venture capital.*

AP: It's changed. In some respects it hasn't changed at all, but in other respects, I would say first of all, it wasn't even an industry when I started. We didn't go into the venture capital business; you went into, I don't know, development capital, private deals, the deal business. So today there is a defined venture capital industry — the association, local associations, et cetera. So I'd say that that's probably different. I think that there are many more firms out there today that you can partner with, which is also different than what it was. There were fewer firms around. The amount of capital you need is not that much greater; it's greater, but not that much greater than it was in those early days. We financed *New York* magazine with $1 million. So for these capital-efficient businesses, it hasn't changed that dramatically.

I think that the most dramatic thing that's happened is the advent of the angels and super angels. In those days, you would say there was a start-up in a garage; today people are starting up in incubators, they're starting up in networks all around the country; there are more centers of activity. You can go into some buildings downtown and find twenty, thirty start-ups. There are angel funds and super angel funds. So that the early, early stages of nurturing a company are now very, very, very strong. I mean, there are a lot of people. A lot of them who are doing that are people who made money as entrepreneurs and decided that they wanted to become venture capitalists. And they're investing their own money, and in some cases they're raising money for what they call their super angel funds, and institutionalizing somewhat the angel business, which is really starting up companies. I worry a little bit about it because there are a few too many of them, and I think they're making decisions with very little due diligence, and there's a herd instinct that if one guy's in it, another guy's in it. They all run into it, and there's a feeding frenzy in the very, very early stage.

We have focused on companies that are past that early stage, and to some extent we may be a victim — we may be, I don't think too much — of the fact that the angels are in there, and they're gonna — for the ones that succeed, they're gonna price it up and may be too great for us. On the other hand, there are so many of these start-ups, and there aren't that many venture firms at the next stage of financing, that I think that there's going to be a greater supply than demand, and that will contain the pricing of the deals. Business is very good for us. We have more deals than we know what to deal with; and in terms of vetting and doing the analysis, we have reasonably sufficient time to make decisions.

CK: *You're so narrowly focused with Greycroft on new media; who's your competition, who are the other venture firms?*

AP: Yeah, there are other venture firms in the city. For the most part, we're competing with New York venture firms, but increasingly the West Coast and the Boston firms are moving into this market, because this is really where the action is — more so than we're moving out there, because everybody's been going out there. In Los Angeles it's the same thing. Los Angeles is a vacuum, almost, and there's a lot of good opportunities. In terms of here, the firms I would say are RRE, First Round, Union Square, Metamorphic, DFJ Gotham. You could probably name them on two hands that are New York–oriented. But in the meantime, firms like Polaris, Spark, General Catalyst are moving in from Boston, and we're even seeing firms like Kleiner Perkins and Accel and Mayfield and others from the West Coast nibbling in the New York market also. But we do other things besides New York. But in New York we see almost everything that's coming up. That doesn't mean we don't lose some deals, but not very often — and we make some mistakes. Sometimes we'll pass something that someone else will do. But there's a lot of activity.

CK: *And you're very excited—*

AP: As I said many times, you go to the New York Tech Venture Meetup, which will be held next Tuesday — the monthly meetings are first Tuesday of the month — there'll probably be at least 800 people, standing room only, and they're all young companies or people looking for jobs or whatever. So there's a lot going on. There's also something called Tech Stars, which started in Boulder, Colorado, and then went to San Francisco or Seattle, I can't remember, and they are just opening in New York, which will be an incubator for technology deals in New York.

CK: *How is all this going to impact on print journalism? How do you see the blogs and the—*

AP: Certainly it has an impact, but the print people are also focusing on the digital world; they have to. The ones that have suffered, like *Newsweek*, they've been behind the times. People like *Forbes* have been ahead of the times, their digital circulation is far beyond of what their print is. And Time Inc. is far ahead. But print's not dead. *Business Week* is — I can't see what the page count is, they seem to hide it these days; I think they don't want you to know. But *Forbes*, this month, this issue is terrific. I just sent a letter to the editor of *Forbes* and to *New York* magazine just yesterday saying, "Based on how you're doing, print is not dead. Congratulations." So I think there are pockets of success. *The Economist* is doing well in print as well as online.

CK: *So the fact that they maintain a print version and they're smart enough to tie it to their online — they've learned that.*

AP: Yeah.

CK: *It seems that they were a little slow coming to the realization that—*

AP: Not all of them. Some of them — the *Wall Street Journal*, the *New York Times* — were early. *New York Times* is now going to go behind a pay wall in December; that's going to be interesting to see what impact that's going to have. They spent a year getting ready for that, how they're going to charge. *Wall Street Journal*'s been doing it for a long time.

CK: *You think that's going to work for the Times?*

AP: Yeah. I think people will want to get it, and they don't want to give it up. Do you still read the *Times* every day?

CK: *People are getting their information more on these electronic devices.*

AP: Yeah, they're also getting it from blogs; there's a plethora of news media.

CK: *It's certainly interesting times.*

AP: Yeah, that's why I got into it. And of course, one of the other nice things about this, which I hadn't really thought about when I did it, is that everybody in this area is very young, very young. I'm by far the oldest person in this area. I would say 90 percent of the people are under thirty, and probably 60 percent are under twenty-five. I don't want to go much lower than that. I'd probably say — I don't know if these add up, but probably less than 10 percent are over fifty.

CK: *Do they think differently? They've grown up with technology.*

AP: I don't know, I guess so. Young people starting up, the teams are a little bit better, the presentations are a little bit better than they were, most everybody's had some experience in something else. In 2000 you'd start up something with no experience or anything, just an idea. Today you really have to have a little bit more substance.

CK: *I want you to reflect and look back and tell me* what *you feel distinguished Patricof and Apax? I'm not sure where I should draw that line.*

AP: You can't, it morphed.

CK: *What distinguished Apax? Because when I read about you, they usually connect you with Apax.*

AP: It is; it's my firm. Apax is me. I just changed the name, that's all. We all had the firm name Alan Patricof Associates for a long time.

CK: *Even if it's a sentence or reference to a global firm or something, they always say, Alan Patricof's Apax.*

AP: Because that's the name that's noticed.

CK: *What distinguished you from other VC firms?*

AP: I would say in the beginning what distinguished us is we weren't just high tech. We did a more eclectic portfolio, a more diversified portfolio, was not pure tech. That may not have been the right decision at the time. It's the reason why we didn't ever get a really prominent position on the West Coast, even though we had an office, we never really were seen as a West Coast firm. So we would see deals that were not just technology. So that was one thing that was different. I guess second is every media deal in the world would run to my office, because they thought we were the only people that would look at media deals. That's another thing. And I think the third thing, which is probably the most significant as an image of the firm, not necessarily that meant business, is that we were the first firm to go international. I went international in 1977, which was really, really early. We have license number one in France, and we don't have a license in England, but we were certainly one of the earliest people. So I think those are what distinguish us. Other than that, it's very hard to say what distinguishes any firm.

CK: *What's going to distinguish Greycroft from these—*

AP: That'll be simple. Greycroft will distinguish itself as being focused in two areas: focused on capital-efficient businesses with singular focus, and trying to be one of the few, if not only, firms who is not in the race to keep — we're not racing to become a billion-dollar fund, and we've set a mission of staying small. That flies in the face of most businesses.

And we'll find out whether that works. I mean maybe at some point there'll be a parallel activity set up which would have a similar focus, if there is such a thing, another industry that's capital-efficient — I don't know what it is at the moment. It's not going to be clean tech, it's not going to be biotech, that's for sure.

CK: *But it's this element of efficiency that—*

AP: Yeah. It enables you to have a small fund, which is realistically structured to make money in today's environment, which means, as I've told you, can't bring companies public unless they are at a critical size. Very few companies get to that size. Therefore, the public market is almost — venture-backed deals are virtually precluded from doing that. So you have to have the economics that work to make small investments at low prices, so you can get out at $100 million or under and still make money. That's a very important criteria.

CK: *Chuck Newhall sees venture capital as a romantic quest. Do you see romance in what you've done? Did you see it — in a reflective way?*

AP: I don't think I would be as poetic as that, but I can understand what it means. There's a certain drama, and kind of emotional connection with companies that occur when you're there from the beginning, and you watch them grow — not just enjoy the fruits of the successes, but the struggles and— I wouldn't call it romantic when you have companies that are about to go under, that's not romantic. But I think that you can romanticize about being involved in something early on and seeing it — imagine how the guys must feel who were involved with Facebook, put the first money up in Facebook and see it now worth $55 billion. Or Apple. Unfortunately we didn't stay in Apple long enough. If I had Apple today, I probably could spend whole hours with you just talking about that. But that would be unfair because in the natural progression of turning over your portfolio, you lose sight and track and involvement in these companies.

CK: *Are there any particular venture capitalists, over your career, that you particularly admire? Whether it's a specific reason or—*

AP: Any particular venture capitalists that I admire? It's not ego or anything, but I'd have to think about that, but I really have not spent a lot of my career mixing and buddy-buddy with guys — that happens more on the West Coast. Now it happens a lot more here, but I'm unfortunately out of the age group that's doing that, but I'm sure that it's happening today. But in our period of time there was less — I don't think I've had dinner with more than two or three venture capitalists in my whole career.

CK: *You didn't have that network or band of brothers?*

AP: No.

CK: *You're much more — it sounds like just from listening to you — more independent.*

AP: Yeah. Lionel Pincus was a friend of mine, Ned Heizer was a friend of mine, Dick Kramlich is a friend of mine, Sandy Robertson, Bill Hambrecht — I knew them all, but not that I was out mixing and socializing and calling them up every other day and sharing deals. So I can't really give you a fair appraisal. All I know is what I read, like you read.

CK: *Do you ever stop to think you might have enjoyed doing something else?*

AP: No. Never. I don't know what that would be. With a personality like mine, to do something else, I would've had to do the same thing every day, and I think that people in the venture business, whether they admit it or not— First, you have to have a personality of curiosity — that's fundamental — and second, I think you have to be willing to work very hard, because there's always something happening, it doesn't stop at five o'clock. And they can't be the kind of person who would want to sit behind a desk nine to five — not that there's anything wrong with that — and focus on one product. That's why many times I've been interviewed and they say, You're the leading entrepreneur of all entrepreneurs. And I say, "We're not entrepreneurs at all. We back entrepreneurs." And the way to really wreck yourself in the venture business is to think you're an entrepreneur, and there's a great temptation in every deal you're in — I don't care who it is, if they deny it or acknowledge it — to think, I could do this better than he can. Just a great temptation to say, God, I wish I could do this. And the dangers over those venture capitalists who actually do push themselves into the middle and think they're really helping them becoming part of the management team, that's a dangerous thing. And a good entrepreneur, I always say, will turn around at some point and say, "It's your company, bud, you go run it."

CK: *It's interesting because, I had asked you what's more important, the entrepreneur or the management; you said there's no difference. Well, I wanted to say, is it the technology or the management?*

AP: No, it's the entrepreneur. Management's a big — an amorphous word. Entrepreneur's the guy who starts it, creates it, invents it, dreams it, lives it, loves it, sacrifices—

CK: *He's the passion.*

AP: Yeah. There was a great piece in the *New York Times* a week ago today by Joe Nocera in which he wrote the story related to the movie *The Social Network*, and he explained the difference between Eduardo Saverin and Mark Zuckerberg. What he said is that Mark Zuckerberg lived, dreamed, ate, slept, never slept Facebook, and it was totally all-consuming, and he was concerned with the look and feel and everything else about it, whereas Eduardo took the summer off and went to work for Lehman Brothers as an intern. Not that it was bad, but he wasn't quite sure it was gonna make it, and that, he said — because he's portrayed very badly in the movie. And he's saying, You have to recognize what Zuckerberg was. He had a passion and a dream and a dedication, and if he hadn't that, he would have taken the summer off also, and probably Facebook wouldn't even be here today. So that's the entrepreneur.

CK: *What have been your personal rewards?*

AP: I have a very interesting life. I meet interesting people. I travel to interesting places. A very interesting part of my life is the extension I've had in the last six or seven years, working in the developing world, which I've become fairly well recognized. I m going to MIT to speak on Thursday on the subject.

CK: *Do you want to talk about that a little?*

AP: I decided when I was planning to leave Apax, thinking about what I was going to do, I was going to spend a little bit of time in politics. At that time, working out the small company stock still in the Apax portfolio, I was gonna take that over, informally. And the other part of it, I was gonna work in the developing world and try to help generate entrepreneurial activity, particularly in Africa. And I spent a lot of time in the last six or seven years, maybe more than that, in traveling around to every place you can think of — Bangladesh, Cambodia, Vietnam, China, Botswana, South Africa, Nigeria. I've been to every place, always trying to help generate entrepreneurial activity. I had a visit yesterday from the Templeton Fund, wanted to talk about it; I had a visit the day before from the IFC; I spoke about it at the Clinton Global Initiative. From scratch, I've become fairly well recognized as someone who's symbolically trying to stimulate entrepreneurial activity and develop small and medium-sized enterprise financing in the developing world, which is very hard. Not microfinance.

CK: *But you're continuing this. It's larger than microfinance.*

AP: Oh yeah, it's the next step up. But I'm proscribed by being on the board of the Millennium Challenge Corporation; I can't have any other financial activity, so I have no economic investment or role in any of these companies, any place. I'm really more advisor, generator of interest. It's all pro bono stuff.

CK: *Rewarding, and you think you could make a difference.*

AP: Yeah, try to make a difference, slowly.

BEYOND VENTURE CAPITAL

CK: *What are you doing when you're not involved in venture capital? What do you do to take a break?*

AP: I'm going four days to Paris for Christmas with my wife. I have my grandchildren, (Lily, Nina, Jack, Chloe, Riley, Sawyer, and Lila.) I spend a lot of time with my grandchildren.

I spend a lot of time talking with my sons and their businesses, but I'm not involved — all done on their own. On the weekends I rollerblade and I bike ride.

CK: *How'd you get interested in rollerblading?*

AP: A friend of mine was doing it and got me interested in it. At that time I'd been a runner. I'd been a runner for many years, a marathon runner, and then I ended up getting injured rollerblading, which only had an impact on running, it didn't have any impact on rollerblading. I've been doing that, I continue to do that, and intend to continue. My rollerblading and biking partner, I have two — one is eighty-one years old and another one is fifty-two years old. Three of us do it together, and the eighty-one-year-old can beat us both. Nonstop.

CK: *You were mentioning about your public service involvement, and with the Millennium Challenge. You've got a bit of a list here. Trickle-up, is this the—*

AP: Trickle-up Program is a non-profit program working in the developing world, which gives money to women, primarily, to start businesses. It's grants, not loans. I'm involved with TechnoServe, which does consulting in the developing world. They just had a trip to Ghana, which unfortunately I couldn't go on.

CK: *I guess this comes in with what you feel you're able to give back from—*

AP: Yeah. Everybody has a different kind of pro bono activity. Some people do it in the arts foundations or the hospitals. I decided, I don't know, seven or eight years ago, to just focus on the developing world. I'm involved with an organization called Endeavor. It deals with the leading entrepreneurs in the developing world. In fact, I was honored at dinner last week by the Springboard Foundation, which is a women's entrepreneurial group, the leading women's entrepreneurial group. I don't have the present they gave me. A person I chose to introduce me was not one of my companies, but the woman who runs Endeavor, which is this entrepreneurial group. Linda Rottenberg. Gave a great introductory speech.

CK: *There's somebody else I interviewed who's working with her — Peter Brooke?*

AP: It could be Peter. Yes. She asked me if I'd seen Peter. Peter's career and mine — we know each other, the same period, same age; I think he's older than I am. I think we're somewhat similar kind of people. I saw Peter about four or five months ago. I spoke, and he spoke up at — I don't know if it was Harvard or where we were speaking; we were speaking in Boston. He's a fine guy, and he also went to Europe. In fact, at one point, when we were opening up something in Germany, the German group was either deciding whether they wanted TA or they wanted us.

CK: *There's a parallel, as you say.*

AP: He was very early on.

CK: *Internationally.*

AP: Yes. Even more so. I'm not sure exactly when they went to where, but I know they opened up in Japan earlier or—

CK: *I think he spent most of his career working internationally.*

AP: They formed Advent International. [1984]

CK: *You've also been very active locally. I'd like to include that. I could list this: Board of New York Small Business Venture Fund.*

AP: I'm involved with a lot of entrepreneurial organizations. New York Tech Meetup, Tech Stars, more than I can remember. Tonight I'm going to something for the Initiative for Global Development. IGD Frontier— leading entrepreneurs in Africa. I'm one of the mentors. I get myself into all these things.

CK: *Alan Patricof, what's the legacy you hope to leave?*

AP: Apax is my legacy, that's there; this is here. I don't know what else— What else? A legacy of my children. I'm not sure what a legacy would be.

CK: *Alan, is there anything that you thought I might ask you that I didn't?*

AP: No.

CK: *You have a very lengthy list of involvements, which will be included in your introductory biography.*

AP: If you saw my application to the Millennium Challenge Corporation Board, it's so long. But a lot of these things — I'm not as active in them as other things, where you get roped into things. "Please let me have your name. I only need an hour, two hours; you only have to come to a meeting once a quarter," or something. I try to avoid a lot of that, but you don't realize, over the years you get pulled into things that you almost forget you're involved in. My wife is very involved. Her name is Susan. She's got some very big responsibilities. She is vice chairman of the Columbia University Mailman School of Public Health, which is admittedly either the first or second most important public health school in the country; and she's on the board of the International Rescue Committee, which deals with refugees. And she's been chairman for thirty years of something called the North Side Center for Child Development in Harlem, which has 2,000 kids, learning-disadvantaged kids. We formed a Head Start building for them about five years ago. So there's the Susan Patricof Head Start Center. So she keeps pretty busy, also. So between the two of us, we don't see each other very much — like tonight I'm going to this thing, she's going to — I will see her late tonight, I forgot.

CK: *That's quite a legacy.*

AP: Yeah. She definitely has a legacy. The building's named after her, she has a legacy, for sure.

CK: *There's no doubt that you've left your mark—*

AP: We'll see, ten years later.

CK: —a*nd as a mentor, an inspiration. Thank you for sharing your story. Thank you from the National Venture Capital Association.*