# Oral History with Henry F. McCance

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National Venture Capital Association
Venture Capital Oral History Project

# Henry F. McCance

Interview Conducted by
Carole Kolker, PhD
October 14, 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 Henry F. McCance

Henry McCance, a veteran of the venture capital industry, joined Greylock in 1969, where he's presently Chairman Emeritus. Henry was responsible for Greylock's early involvement in the software industry with his backing of market-leading firms including American Management Systems, Pansophic (acquired by Computer Associates), Cullinane (acquired by Computer Associates), McCormack and Dodge (acquired by D&B Software), and VM Software (acquired by Sterling Software, and now part of Computer Associates). Over the ensuing forty years of his tenure, Greylock has raised a series of twelve partnerships, with current committed capital in excess of $2 billion, and helped build approximately 300 developing companies.

Henry also served on the board of and led Greylock's investment in companies such as Tellabs, Shiva Corporation (acquired by Intel), Manugistics, Trilogy, ABT Corporation (acquired by Niku), Narrative Communications (acquired by @Home), Gradient Technologies (merged with Entegrity Solutions), Information Resources, Epsilon (acquired by Relizon), and Gateway Design (acquired by Cadence). In addition he served on the Board of Directors of Continental Cablevision for twenty-five years.

In recognition for over thirty-five years of contributions to the venture capital industry, Henry received the National Venture Capital Association's Lifetime Achievement Award in 2004. In 2005, Henry became the first Entrepreneur in Residence at the Harvard Business School. Along with Greylock's founding partners, he received the Harvard Business School Award for Alumni Achievement in 2003. And in 2000, Henry was voted one of the country's ten best VCs by Forbes.

Prior to joining Greylock, Henry served for two years in the Office of the Secretary of Defense. He is a graduate of Yale University and the Harvard Business School.

The following is an interview with Henry McCance of Greylock Partners, taking place at his office at One Brattle Square in Cambridge, Massachusetts. Today's date is October 14, 2010. My name is Carole Kolker. This interview is being conducted as part of the National Venture Capital Associations Venture Capital Oral History Project.

**Carole Kolker:** *We'll start at the beginning; so for the record, when and where were you born?*

**Henry McCance:** I was born in New York City, February 26, 1943.

THE EARLY YEARS

**CK**: *How come you were growing up in New York?*

**HM**: Yes. My father spent his whole career at a partnership called Brown Brothers Harriman, which was a private bank on Wall Street, and I had an older brother, older sister, and we had the good fortune of having my father be willing to submit himself to a three-hour-a-day commute by train and then subway to Wall Street, in order to give us a nice environment to grow up in, in Westchester County, in Bedford, New York. So that's where we grew up.

**CK**: *So you didn't grow up on the streets. And your father's name is—?*

**HM**: Thomas McCance.

**CK**: *And your brother and sister?*

**HM**: Older brother, Thomas McCance Jr., and a sister, Ellen Parker.

**CK**: *So you're the baby.*

**HM**: I'm the baby, right.

**CK**: *How'd that go?*

**HM**: It was fine. I was quite a bit younger, ten years younger than my brother, seven years younger than my sister, so I was probably the spoiled baby.

**CK**: *Everybody's* favorite.

**HM**: Exactly.

**CK**: *And what was your mother doing?*

**HM**: She was a housewife. I think back in that era most of the women were not in the workforce. The most important job was the raising of their children.

**CK**: *What kind of child were you in terms of: were you a reader, a tinkerer?*

**HM**: I don't know. I think I was pretty normal. I loved sports, but not very good at it. But enjoyed sports, and I was a good student and enjoyed the studies. I went to St. Paul's School in Concord, New Hampshire, for high school. It was an academically challenging boarding school, and I went to Yale.

**CK**: *Were you competitive?*

**HM**: Yes, I'm very competitive.

**CK**: *Before you got to Yale, did you have any teachers along the way that inspired you?*

**HM**: That's a good question. I would say I can't point to a specific teacher. I certainly enjoyed math. I enjoyed history. I probably was weakest in foreign languages. But I think there were a lot of teachers at St. Paul's, but none that I could single out as a single one.

**CK**: *So it was the school in itself.*

**HM**: St. Paul's School in those days — we're talking now the Class of 1960 — it was a very different place than it is today. It was single sex, of course; it was like I guess old British — very academically challenging. You had classes six days a week, we had classes on Saturday morning; you had chapels seven days a week, and twice on Sundays; you had very little free time, and very little time to go home, except for Thanksgiving, Christmas, and spring vacations. And when you went through that, I don't think you enjoyed it. You didn't have as much freedom as I've seen my children have in their high school settings. But in retrospect, you appreciated how well you were prepared for the next set of challenges, at least in your academic career. So it was interesting in that respect. Looking back.

**CK**: *Looking back. It sounds like it was hard and competitive.*

**HM**: Yes, it was.

**CK**: *Nose to the grindstone.*

**HM**: Exactly, yeah.

**CK**: *What were the values in your home in terms of education or success, the work ethic?*

**HM**: Those are three things that I would say were instilled in me by my father. My father was a very successful financial executive; he rose to be the managing partner of Brown Brothers Harriman. Another value was loyalty. He stayed in the same firm basically for all his working career. And I've done the same. There's a lotta luck in that, of course, you need to enjoy what you're doing, and so the luck was he found a career that was rewarding for him, and I did as well. But that was a value that was certainly instilled. He had a lot of extra volunteer work: He was chairman of the board of Northern Westchester Hospital. He was the head of the vestry of St. Matthew's Church. Those values were instilled in me — to give back to the community in addition to enjoying your career. Certainly, family. He balanced a lot of hard work with family, so that was another value. And certainly, I wasn't pushed to be a good student, but I think that value came from just watching the fact that my father worked very hard for his success. I graduated top of my class at St. Paul's, I was Phi Beta Kappa at Yale, so I was a good student. I think I owed a lot of that to my upbringing and to my dad.

**CK**: *Was your brother a good student?*

**HM**: Yes, as far as I know, although I don't think at the same level that I was. I'm not being—

**CK**: *So you weren't following in his footsteps and having to measure up.*

**HM**: No, not at all.

**CK**: *You liked sports though. What did you play?*

**HM**: I loved sports. I played everything in those days. I played tennis and golf in the summer, and in spite of my size, I played football and ice hockey because that was the sport you did at St. Paul's, and some baseball. So I loved all sports. As I say, I wasn't big enough or fast enough to really excel at them, but I enjoyed them.

**CK**: *You liked the team—*

**HM**: Yeah, exactly, and I would describe myself as competitive in both academics and sports.

**CK**: *How would your friends have described you in school? Were you outgoing? Were you a leader? Were you a risk-taker? Were there early signs of your future?*

**HM**: Right. Yeah, they might've described me as — leader, that's a hard thing to know. Certainly, in senior year at St. Paul's, the faculty selects a small subset of the senior class to be dorm prefects, so that you are there to welcome the new boys or to be the leadership in a residential dorm. So I was selected to be a senior prefect. I think my classmates would certainly recognize the competitive seed in me, and I had a good set of friends, and I'm perfectly outgoing. I'm comfortable speaking — public speaking and stuff like that. So I suppose those were some of the things—

**CK**: *They were there.*

**HM**: They were there, right. And I would've also probably been described as somewhat of a straight arrow. I was never tempted — I sort of look back in wonderment at some of the things that I learned that some of my classmates did. But I was never tempted to drink alcohol or smoke or do the things that were against the school policy, and I think again that may have been a value that was instilled by my father.

**CK**: *Did you ever work in the summer or outside of school?*

**HM**: Oh, yes. Again, I think my father instilled — that was important for him, to see the kids — we grew up as privileged kids, obviously. So we'd go to a wonderful summer resort, summer family vacation spot called Fisher's Island, which is a little island off New London, Connecticut. Peter Crisp of Venrock is one of my dear friends and he goes there; Frank Bonsal of NEA goes there. So it's quite a venture capital community. Arthur Paterson of Accel goes there. We went there because my mother's grandfather settled there many years ago. And so for the first thirteen or fourteen summers of my life, I enjoyed a "life of Riley" there — golf, tennis, sailing, swimming, good friends growing up. But when I got to be, I would guess fourteen or fifteen, I was told, You need a summer job. So I started out mowing lawns for the lawn mowing service, pretty hard labor summer job — blue-collar, hourly wages, wonderful African-American supervisor, et cetera. So I did that for a couple of summers. Then I remember my senior summer, it perhaps occurred to me that hard physical labor wasn't necessarily the thing I enjoyed the most.

**CK**: *You weren't getting ready for the football team.*

**HM**: Exactly. And so I learned that I could — maybe this is a little entrepreneurship and risk-taking in retrospect. I learned that I could make more for the summer and have, in my mind, a more enjoyable job tutoring some kids in various academic studies that they were, at least in the minds of their parents, in need of some summer help. So I did that for the summer. It allowed me to stay on Fisher's Island, earn some good money, and not have to push the lawnmower uphill all day.

**CK**: *How was that experience?*

**HM**: That was fun; that was good. Yeah, I enjoyed mentoring some younger kids, and it succeeded in achieving a lot of goals simultaneously.

**CK**: *What were your goals for yourself as you were graduating high school?*

**HM**: That's a difficult question. I'm not sure — I think I was pretty naïve. I wanted to go on and get the best next level of education I could, but I didn't have any specific goals, I don't think, in terms of being a future political leader or something, inspired to do anything else. I think I took one step at a time, more in a pragmatic nature, if you will.

YALE UNIVERSITY 1960-1964

**CK**: *Then you went to Yale, what, 1960?*

**HM**: Yes, graduated from St. Paul's in 1960, went to Yale University, Class of 1964.

**CK**: *And I see you studied economics.*

**HM**: Economics major at Yale. Of course, you didn't study economics in high school. You had more traditional subjects of math and the sciences, but economics, at least at St. Paul's, wasn't offered as a course. So it was a new field for me. Again, I think I was inspired a little bit by my father's career in finance. In liberal arts colleges, in freshman year you take a variety of required courses and you get exposure to a lot of different things. And the first year economics course, I did well in, and it pleased me. So that led to a further focus educationally. Then on the sports side, Yale — and I'm sure most colleges have their varsity teams, and then they have intramural teams. In Yale you have residential colleges that you live in, so I played hockey, and I played golf on the Calhoun College team. So that gave me an outlet. I played squash for fun; did physical sports of some kind. But then I also channeled my love for sports by becoming the hockey manager for the Yale hockey team, because I wasn't good enough to play hockey, but it kept me involved in the sports at a higher level, if you will. So that was a fun extracurricular activity.

**CK**: *What were you learning in economics at Yale that was exciting to you?*

**HM**: I think economics in general is an interesting topic. I found it of interest. There's macroeconomics and microeconomics. Macroeconomics is all about the economy of a country or of the world and all of that, and how that came together was of interest to me. Microeconomics is more about the economy of a firm; that was of interest to me. Again, it's hard to put in words specifically what it was. I think you're inspired by your teachers and the subject matter, and it came together for me.

**CK**: *Was there anyone at Yale who you look back on who was a mentor or—*

**HM**: Again, mentor is a hard word. In an undergraduate environment you have some interesting lectures, but then you have teaching assistants that do discussing groups, et cetera. However, in my senior year, you're required to do — I can't remember it had the exalted name of "thesis" or not, but you're required to do a senior project in your field that you're earning your degree. And I had James Tobin, who was I think a Nobel Prize-winner in economics, advising me on my senior project. Again, it wasn't an intimate relationship, but just to be in the presence of, or exposed to somebody of that stature was a privilege that made an impression. And by the same token, because you probably will get to it, in those summers I had summer jobs that now moved me over into the business world as opposed to—

**CK**: *What were you doing?*

**HM**: I have to think carefully, but I had a couple of summer jobs that were helped for and enabled, I'm sure, by contacts that my dad had. I remember for two summers I went out to Los Angeles and worked at a diversified aerospace company called North American Aviation. It no longer exists. It must've been acquired by a Lockheed or a Boeing or something like that. But I had a desk job, a white-collar job doing some computer programming and some analysis of financial studies of various types. And again, when you come in for a summer job, I found that in many cases you're not going to make much of a contribution, you're not there long enough, but it gives you an exposure to more of what it's like. Also, I think my father encouraged me to do that, because I think he felt it was good for me to learn, to go out to a strange city, not knowing really many people, and learning to survive, and that I could do it. I did that for two summers, and I worked — trying to think, I think there were other — I'll have to get back to you. I don't frankly remember the third summer.

**CK**: *This exposure really posed very important — what you say, when you look back at being away at school, and now being away and kind of making your own way—*

**HM**: An independence, yeah, exactly.

**CK**: *So you're graduating 1964 and—*

**HM**: Went straight to Harvard Business School.

HARVARD BUSINESS SCHOOL 1964-1966

**CK**: *Where were you headed?*

**HM**: I knew I wanted a career in business. I wasn't interested in teaching or in law or medicine. I was inspired, again, by my father, to have a career in business. The economics degree and my summer jobs said finance is going to be important to me in one way or another. I enjoyed it, I thrived on it. So business school certainly seemed like the right graduate school for me. And we had a neighbor where we lived in Bedford, New York, named Gil Clee, and Gil Clee was a managing partner of McKinsey and Co., and a graduate of Harvard Business School. My father had never gone to graduate school. He was class of '25 at Yale, and then he went into industry, and shortly thereafter to Brown Brothers. But he was a big believer in the value of an MBA, and he made me march down and have a cup of coffee with Gil Clee. And he had set up Gil Clee to convince me that an MBA and Harvard Business School were just what I needed. And I don't regret it at all. I think what I would say is that I appreciated, in retrospect, St. Paul's School, but I didn't love it when I went through it. I loved Yale — it was a good balance of work and play — and had great roommates and a great, fun time, but also did well academically. And same comment about Harvard Business School. It's a totally different experience, I loved Harvard Business School. So each chapter for me got a little bit better, frankly.

**CK**: *What was it about Harvard that was exciting you, in terms of what you were exposed to?*

**HM**: Well, I'd say that three or four things come to mind. First of all, Harvard Business School is a tough place to get into, and the classmates you meet, because of the Darwinian selection process, are pretty talented, interesting, extraordinary individuals. So that was number one. Number two, the case method that Harvard Business School has made famous just suited me to a tee. Every night you get three business cases that you need to prepare. The next day you go into— In the first year you go into a classroom with ninety fellow students, each of them pretty extraordinarily talented, and you discuss the case with a teacher who is the discussion leader, if you will. So it wasn't learning formulas or studying dates for history; this was sort of real live discussion of business; it brought business to life in a way that I hadn't seen before. So that was number two. Wonderful, talented classmates and a form of teaching that I hadn't been exposed to before. And then just the subject matter. Again, I knew nothing about marketing; I knew nothing about human relations and human resource kinds of, organizational kinds of issues; I knew something about finance; I knew nothing about production. I had not had much exposure to decision-making under uncertainty, which had a little bit of a mathematical and economics component to it. So all those subject matters interested me, and it was just a great fit.

**CK**: *Had General Doriot stopped teaching by then?*

**HM**: No, and that was one of my great regrets. The irony. General Doriot had nearly his last year, maybe his last year in my second year, 1966, and I did not take his course, and obviously, given where I ended up in a career, what a missed opportunity. But I didn't know anything about venture capital at the time. I had no idea that's where I was going to end. His course was mistitled, it was "Manufacturing," as you know. That didn't appeal to me as much as the finance courses my second year.

**CK**: *I heard that some people might've wanted to stay away from him.*

**HM**: I didn't have that sophistication. It wasn't on my radar screen. And then the irony of coming to work, fairly shortly thereafter, at Greylock, which was founded by Bill Elfers, who worked his whole life there, with Doriot.

**CK**: *That **is** kind of a missed opportunity; I'm sure you can feel that.*

**HM**: Yeah. Well, I'll tell you a good line that Bill Elfers had, and it applies to me one generation, or one derivative removed, if you will. Bill Elfers used to say, "Well, I never took Doriot's course at the business school, but I took it for eighteen years at ARD."

And while I never took Doriot's course at the business school, I took Elfer's version of Doriot's course for all my years at Greylock. So I think I took it; just not at the business school.

**CK**: *I'm sure you got the benefit of the revision of—*

**HM**: Exactly.

**CK**: *So then you're finishing up Harvard in '66, and now you must have a clearer vision—*

**HM**: Yeah, now I know I want to do something more related to finance, and probably not related to commercial banking or banking, as my father's career had been. And I don't know why that, but I was more attracted to stocks, equity; that seemed more exciting to me.

**CK**: *What was your father's reaction to—*

**HM**: He was very good. I think he had a philosophy that, I want my kids to be educated, I want them to be good citizens and to give back to whatever community they have, but I want them to pursue whatever they want, and I'm not going to push it in one direction or another.

In the summer between first year and second year of Harvard Business School, I got a summer job here in Boston working for a very, very small entrepreneurial investment management firm called Thorndike, Dornan, Paine and Lewis, and the four founders of the firm, who are named in the firm's name, and McCance. I was the only non-founder who was in the firm for the summer. And I loved working — so that was a learning — I loved working in a small entrepreneurial environment. These people had all — I can't remember which firms — but they'd all worked for Fidelity or Putnam or larger investment management firms in Boston, and then had been friends at business school or college, and one way or another they knew each other and they had branched off and taken a risk and done a start-up investment management firm in the early sixties. And it eventually became Wellington Management, one of the largest money management firms here in Boston. But I was there very near the start. That was a wonderful summer, and I loved working with the people. They were very welcoming to me, and made it a fun and learning summer, and it taught me a lot about the attractiveness of doing something on your own. So that was a good experience and weaving into the Harvard Business School.

## DEFENSE DEPARTMENT DURING VIETNAM WAR 1965-1967

I was married with my first wife. We got married right in that summer, in June of 1965. Vietnam War was ramping up. Once I finished Harvard Business School, I was very draftable, and I really did not want to carry a rifle in Vietnam. It's not that I was a antiwar protestor; it just was something that, if I could do something to serve my country, but not in that form, that would be better for me. I and six of my classmates in Harvard Business School's class of '66 applied for and were accepted to work in various positions in the Pentagon for a two-year period and have a critical skill deferment from the draft. So I went to work along with three of my Harvard Business School classmates for Alain Enthoven, who was the assistant secretary of defense under McNamara. And so my wife and I moved to the Washington, D.C., area, and for two years I worked for the government, and in so doing avoided being drafted in the army.

**CK**: *How was that experience?*

**HM**: It was, again, part of who I am. It was very challenging. When McNamara came in to be secretary of defense, he was appointed secretary of defense by President Kennedy. He was a whiz kid. He came from Ford, and he brought business practices to a heretofore civil servant, large bureaucratic, military-driven, important branch of our government. Of course, when he came in, he inherited a lot of the establishment and the organization that had been built there over the last decades.

**CK**: *This is during the Johnson Administration.*

**HM**: He was hired by Kennedy, but continued as secretary of defense under Johnson, exactly so. And one of the things he did was create a new assistant secretary, called assistant secretary for systems analysis, and hired Alain Enthoven, who was a whiz kid from the Rand Corporation, a think tank, to be the assistant secretary. And Enthoven, because it was a new assistant secretaryship, didn't have to inherit any civil servants; he was able to create his own organization within this more bureaucratic Defense Department. And so he recruited at places like Harvard Business School and Stanford Business School, and was able to pick who he wanted. He also picked people from the various Army/Navy/Air Force/Marine officers. And what his unit or organization was charged with doing was trying to bring some economic common sense to the five-year defense budget, and to try and apply business principles so that your tax dollar was spent in the most cost-effective, cost-benefit way for procuring defense systems over the next five years. And so that was the mission of the group, and I was part of that group. It was intellectually stimulating.

Secondly, in many respects, because it was a new organization, they probably gave more power and authority to a twenty-six-year-old kid, like I was, and like many of my fellow workers in systems analysis were, than we deserved, but we had quite a bit of authority and influence.

And thirdly — and this was not planned of course, but I look back on it and think of how it perhaps helped me in my next career — you needed to have some pretty good human resource skills because here was a young Harvard Business School know-it-all, having to deal with career generals in the various services, and trying to persuade them that their desire for an additional twenty bombers was not as cost-effective as twenty transport airplanes, which were not nearly as glamorous, but were needed to move the army to wherever it needed to go to. That's a trivial example, but— So I would say it was another learning experience for me. And if you were going to succeed in that environment, you needed to not be arrogant, not be a know-it-all, try and overcome some almost built-in hostility or suspicion by the career military officers of this civil servant who'd never served in the service, telling him or arguing with him or working with him as to whether he was going to get his next-generation bomber or submarine or whatever the military piece of equipment was. And if you think about it, a venture capitalist dealing with an entrepreneur has some of the same aspects. Venture capitalist is oftentimes, at least early on in your career, younger than the entrepreneur you're dealing with, and trying to persuade him that it would be a good thing to sell an interest in his company to your firm. Without pushing it too hard, it has some of the same spirits.

**CK**: *You're coming from two different—*

**HM**: Perspectives, yeah. Now, the other thing it did is, it was a wonderful juxtaposition. Summer of '65, a five-man firm, very entrepreneurial; next two years, June '66 to June '68, a 28,000-person office building. When I finished my two years of duty, which did you think I wanted to go back to? (laughs)

**CK**: *You're used to small.*

**HM**: Yes. (laughter)

**CK**: *So you never entertained the thought of a government career.*

**HM**: No. I was glad I did it. But what I learned from it was what I've told you. Some sort of soft skills, not necessarily anything that would be applied.

**CK**: *But really important.*

**HM**: Yeah.

THE GREYLOCK YEARS 1969—

**CK**: *So you finished in '68 and you started at Greylock in '69.*

**HM**: I guess I'm wrong on my dates, then. I finished up in March of '69, I'm sorry, March '69 I finished up at the Defense Department and joined Greylock.

**CK**: *How did that all come about? That has to be a story.*

**HM**: You know, you need a lot of luck in life. You need it in venture capital, you need it in family, and you need it in your career. And I certainly have had more than my share of good luck. I would be honest. Perhaps because I didn't take Doriot's course, venture capital was not really on my radar screen when I graduated from Harvard Business School. It was not something that your classmates talked about. It wasn't a popular career choice. Nobody knew about it.

**CK**: *Yeah, it's the sixties, sure.*

**HM**: Yeah, exactly, and the early sixties, the middle sixties. And when I tell this to you, I think how naïve I am in some of my decision-making, compared to my daughter, for example. I had the following things in mind: I wanted a career in finance, one way or another. I wanted to do something as entrepreneurial as I could, build on the Thorndike Dornan experience, and, as much as I appreciated my father having provided my family with a nice environment to grow up in, New York City was not an appealing place for me to go to work geographically, because of the commute, because of the sacrifices he had to make. And I loved Boston when I was up here at graduate school. So I felt if I could find something that would fit those three parameters — financially oriented, small entrepreneurial, in the Boston area — that would really be appealing to me. A natural idea would be go back and work for Thorndike, Dornan, Paine and Lewis, because that had been such a positive experience. Here again, luck intervenes. Between the time that I had worked for them and the time I started my job search subsequent to the Pentagon, they had acquired a much larger organization. So the small entrepreneurial firm had morphed into a much bigger firm, and a lot of people had come into the firm and established a career start that hadn't been there when I'd been there, and it was pretty clear to me that the environment was going to be very different and that I wouldn't enjoy the same special relationship with the four founders that I had had the privilege of that summer.

So I sort of put my résumé out there and networked, as one does when you're in a job search, and had a pretty blank sheet of paper. And my older brother had met Bill Elfers. My older brother had been working in New York City in a small boutique investment banking, finders, merger and acquisition kind of organization. And he had met Bill Elfers and had been impressed with Bill, and didn't know a lot of about Greylock, but knew that it was in the Boston area and that venture capital seemed like an exciting concept from what little he knew about it. And he introduced me to Bill Elfers. And I came up here, and I had a lunch with Bill at the Wellesley Country Club. The lunch must've gone on for three hours. We immediately liked each other. He got me very intrigued about the mission of venture capital in general and of Greylock in particular. It turned out that Greylock had been founded in October of '65, and by the time I started discussions with him, which was about October '68, the three founders had decided: You know, we're gonna survive a few more years, we better hire a non-founder associate. And so I was the first non-founder associate to join Greylock, and the rest is history. I've never had another job.

**CK**: *So you found that small group that—*

**HM**: I found what I was looking for.

**CK**: *You were lucky.*

**HM**: I was very lucky.

**CK**: *I wonder what made you feel you were well suited for venture capital.*

**HM**: You know, I probably didn't know whether I'd be well suited. I guess it sounds immodest. The only thing I would say is that up until that point in my life, I had never taken on an assignment that I had failed at, at least in academics and in my small business career. I'd done well in the things I tried, so I guess I had a self-confidence, since this wasn't asking me to operate on patients, which I don't think I would've been confident on, it was asking me to do something financially oriented and it sounded exciting, and we obviously had more interviews than the first lunch. But we established an immediate chemistry of respect for each other. I liked the people that I was going to work with and that was very important for me.

**CK**: *Dan Gregory—*

**HM**: Dan Gregory, Charlie Waite, and Bill. After you've had three or four lunches or dinners and interviews, you begin to get a sense of comfort, which I got.

**CK**: *Were you nervous?*

**HM**: No, I don't remember being nervous; I remember being very excited. And I did do a modest amount of due diligence. I knew Peter Crisp, socially, from Fisher's Island, and I knew he worked for the Rockefeller family and venture capital. So I could talk to him about Greylock and Elfers, and I was able to do some other due diligence with networking that I had in New York City in other venture capital firms, even though there weren't a lot.

**CK**: *So in a way, you're interviewing them while they're interviewing you.*

**HM**: Oh, sure, yeah.

**CK**: *You weren't desperate for a job.*

**HM**: No, no, not at all.

**CK**: *So you get started, and what excited you initially?*

**HM**: Well, you know, it's hard to necessarily separate my feelings today about the firm as to what I was exposed to at the time, I suppose, but a couple of things occur. Bill Elfers and Dan Gregory put the firm together, and Charlie Waite — we all talk about as a founder — historically he actually joined about at the six-month to a year mark. Of course, Elfers and Waite had worked together at ARD. Gregory had not been in the venture business, but he'd been in the investment management of equities business at John P. Chase. And the three of them had gotten the firm going and had raised the initial Greylock capital. They had a very flat organization style and culture. So from day one, it wasn't, you know, the three of them sitting in the conference room and associate McCance sitting in the cubbyhole of an office, and then an assignment being given; it was always four sitting at the table, talking. So that was exciting on day one. I remember almost the day I came in April of ’69. I watched as they investigated a new investment, a new project called COBE Laboratories, which was an early pioneer in kidney dialysis equipment located in Denver, Colorado. And I watched how they collaboratively competed for that business. We all went to a trade show in, I think it was in Atlantic City, but some place in New Jersey, and we had a dinner with Bob Collins, the CEO, and we were selling, we were courting very much, while at the same time trying to do due diligence. Then they put me on some due diligence assignments, and I remember padding out to Mass General Hospital where there were some COBE Laboratory dialysis machines installed, and talking to the doctors and physicians that were using the machines, and why had they picked COBE over Baxter or other competitive products, et cetera.

So the first answer to your question was: they threw you into the pond. There isn’t a training course or process, at least not at Greylock. They threw you into the pond right away, and you had to swim, had to contribute. That’s very exciting for a young person.

**CK**: *A lot of respect.*

**HM**: Yes, exactly, exactly. Another aspect of Greylock was that, as I think you probably know, Elfers, when he raised the firm and raised the first fund, raised it from not a single family like the Rockefellers or the Phipps family, Bessemer Securities; he put together a partnership of, initially, five and very shortly thereafter six, wealthy U.S. families, and he really operated with those families as partners. And he initially, believe it or not, used to have monthly meetings with his limited partners. So again, in those days, these were formidable people: Sherman Fairchild, the founder of Fairchild Semiconductor and Fairchild-Hiller Aircraft and Fairchild Camera, who's still alive, and we used to have the meetings, most of the time, in Sherman Fairchild's offices in New York City; Dick Watson of the Watson family of IBM; Warren Corning, a longtime shareholder of American Research and Development, and the patriarch of a Cleveland family that was the Standard Oil of Ohio fortune; Bo Polk, an executive briefly at Metro-Goldwyn-Mayer, and before that in a consumer product company that I'm forgetting for the moment. They all came to these monthly meetings, and so did I, along with Elfers and Gregory and Waite.

So that was very exciting and stimulating, too, because we were pioneering a new form of investing, and Elfers very much wanted to make sure that the limited partners both were fully informed about how our progress and lack of progress was going, but also that they had some fun with this investment, that it wasn't just for the almighty return on investment dollar. So that was educational and stimulating as well. At some point Warren Corning, I think it was Warren, apparently said to Bill Elfers, "You know, Bill, I really appreciate how much care and feeding you're doing of us, the limited partners, but I'm not so sure that it's a good tradeoff. I think perhaps we should go to quarterly meetings, and you could be out making some new investments for us with the time that you're preparing for the monthly meetings." And of course Elfers welcomed the suggestion and said, "I think you're right, Warren." But it shows what Bill, some of the culture that Bill had, instincts he had.

**CK**: *What was Doriot's influence or shadow— How was it affecting how Bill Elfers was structuring his firm?*

**HM**: Well, one, very clear influence, and some others that are probably less important. The most important thing was that Elfers worked for Doriot for eighteen years — 1947 to 1965 — and for most of that period, maybe all of it, but the vast majority of it, he was the exec officer, he was the number two person for Doriot. And he formed Greylock because Doriot turned sixty-five and showed no signs of retiring, and Elfers was forty-eight or something about that, so he would never have his own firm. And Elfers formed Greylock.

Elfers watched really an all-star cast of Boston-area venture capitalists be trained at ARD, succeed at ARD, and leave ARD. He watched Joe Powell leave before Bill left to form Boston Capital; he watched Harry Hoagland and Sam Bodman leave shortly after he left to form Fidelity Ventures; he watched Bill Congleton and John Shane leave shortly after that to form the Palmer Group; he watched Dan Holland and Jim Morgan leave to form Morgan Holland. This was an all-star cast who all loved the General, who were devoted to the General, but could see that because we all have certain failings—

And the General's reluctance to turn over the baton caused the firm to basically disintegrate over time and become pretty much a non-factor in the venture industry in the Boston area in the last chapter of its life. So I think the biggest influence was actually a negative influence or a learning from the mistakes.

And Elfers was bound and determined when he formed Greylock to not repeat that mistake, and he did it by making it a very flat organization — in all sorts of ways he did it. He didn't choose to name it Elfers and Company; he chose to name it Greylock, which — Bill Elfers lived on Greylock Road in Wellesley, and it in turn was named after Mount Greylock in the western part of the state. He did it when the second partnership was formed in 1972. He didn't stay as the managing general partner of the second partnership, he passed the baton down, and he could have chosen, frankly, either Dan Gregory or Charlie Waite. He chose Dan to be the managing partner of number two with the understanding that Charlie would be the managing partner of number three. So he was very committed to not only trying to build a successful venture capital organization, but to try and have it be an institution, if you will, that would last and go on for many generations after him.

I think the other things that he learned from Doriot are all common sense best practices, and he learned — Doriot used to say, and Bill used to always repeat — in simplistic terms: If you give me an A management team and a B product idea, or a B management team and an A product idea, I'll invest in the first every time. And the reason, Elfers explained to me, was because this is a marathon, this is not a sprint when you make an investment in an entrepreneurial company. And the rules of engagement are likely to change in terms of the competitive landscape, and in terms of how you have to reposition your company, not 180 degrees, but 15 or 20 degrees, as you build the company. And if you have an A management team, they'll be able to do that; if you have a poor management team, no matter how good the initial product idea is, they in all likelihood will not be able to navigate it successfully. So that was common sense, but that's something certainly that was a principle that Doriot articulated that we at Greylock, I think, followed. Those would be the two.

**CK**: *I guess I was coming at the idea: did Bill Elfers refer to ARD and Doriot often? In other words, was it kind of a presence in what he was responding to?*

**HM**: I don't think so. He had great respect for General Doriot and for Dorothy Rhodes. He had professional respect, and he had personal friendship respect, but Elfers was his own man, and he was a self-confident man. And frankly — and I think this is what, in part, you're doing, because Bill isn't alive, but any history of venture capital in the United States, I think Elfers deserves a chapter; he was that important, in my mind, just as some of the other important venture capitalists on the West Coast that you've interviewed, like Arthur Rock. Elfers deserves the same kind of chapter.

**CK**: *What distinguishes Greylock? What was the philosophy of Greylock that distinguishes it from other VC firms?*

**HM**: Well, that's a good question, and I think I'd add a few things to some of the things I've alluded to. First of all, when you're talking about differentiation of one VC firm from another, you're talking about very soft, gray-area definitions, because the capital is a commodity, and we're not selling any patented product here; it's a service organization. That being said, I want to go through two different things, and the first is sort of the organization of the firm, and another would be some of our culture and our ethics.

The organization of the firm, as I've alluded to, should not be underestimated, because when Elfers formed Greylock, he didn't have a lot of models to copy, or at least a lot of successful models. For example, one of the things he also lived under in ARD, as you know, ARD was a publicly traded company, and Elfers knew that was a bad model. The conflict between making very long-term, private, high-risk investments with quarterly reporting haunted ARD always. Elfers knew that was wrong. The other models, when he put Greylock together, as I've already alluded to, were mostly family-oriented models, like the Phipps family or the Rockefeller family. And Warren Corning, having known Elfers at ARD, having seen that he was a star within ARD, when he learned that Elfers was leaving and going to put his own firm together, said, "Your fundraising's over, I'll back you." And Elfers said, "I really appreciate it, but I'm not going to take it." That had to be a brave decision. He said, "I'd love to have you be one of several limited partners, but I don't think it is the right model to have all the capital from one family because I worry in the long term that you become beholden to the single family." And the family, not intentionally, but nonetheless may want you help get Johnny into Harvard or to help do something that is in the family's interest and is not in concert with building the best venture capital firm that you can do. If you're one of five or six limited partners, that risk goes away. So he instead raised the initial capital for Greylock from a group of families.

Another thing he did was, once we became relatively fully invested, he went out and raised Greylock II and then Greylock III, et cetera. And when he did that, he had the good fortune, because of his results, to have all of the LPs want to sign up for the next partnership, and in most cases, sign up for larger capital commitments. But he usually always added an LP when he put a new partnership together, just because he thought, again, it would be broadening to Greylock to occasionally expand the limited partner pool. And I don't know that he was the first, but he certainly was among the first to set up what is now the standard form for venture capital organizations, which is a series of successive partnerships. The successive partnership model also allowed him, in addition to bringing in a select new limited partner, to reallocate the general partner carried interest. And he did so every time, pushing the ownership progressively down to the younger partners because of his ARD experience. So he had a lot of sort of important insights, in my opinion.

Another thing that was really important to Bill Elfers was the theory of alignment of interests. He wanted the general partners' interest and the limited partners' interest to be aligned. And so he was one of the first — and this has always been the case of Greylock — to have a budget-based management fee. We don't take 2 or 2½ percent of assets under management as our management fee. Instead, he proposed from the start that the management company would annually submit a budget built bottoms-up, and then we would charge the partnership a management fee so that we would break even as a management company. And moreover, he suggested that the salaries of the general partners should be modest, and that the carry of each partnership should be at the high end of the range. And in so doing, he said, this is going to align the incentives of the LPs and the GPs.

Now, he had no idea, I'm sure — I've never talked to him about this — but he had no idea in 1965 that there would be firms in the late nineties or in the last decade that would have five partnerships under management, each with $500 million or so of assets, totaling several billion times 2 percent, and that once you paid for all of the heat, light, rent, travel, that the GPs would be then splitting up the excess management fee and the kind of compensation that that calculus results in. But his model, I think a lot of LPs today would prefer than the model that they have, because while we still get well compensated as general partners — I'm not telling anything out of school when I say the general partners of Greylock make less current income than the general partners at

Sequoia or Kleiner Perkins — he felt that was the right model. So a lot of common sense that went in there.

Now, on what makes Greylock different other than the structure which I've been talking about. The only other things I would say that Elfers preached — you preach this more by doing than by sitting down and writing anything. Because of what I've told you about the primary importance of the skill of the entrepreneur, Elfers wanted to make sure that Greylock was very entrepreneur-centric. And again, all of these things are going to sound a little bit like motherhood and apple pie and how could you argue with them, but Elfers very much preached that. And that meant that the role of the general partner in this play was to be the absolute best director that the entrepreneur had, and that if you could win the Oscar, if you will, for the best supporting actor, that that would be a very fine goal and that that would serve you well in the venture capital industry and in your business and in your career. And so in everything we approached, it was always to try and earn that role, I suppose, that today is described as the lead director.

But you didn't get the lead director position by how much you owned of the company or by whatever legal document said that you had a right for the board. You earned it every day by, over time, becoming, because of your interest in the company, because of your diligence on the industry, and because of your just common-sense good wisdom and your ability to establish a rapport or relationship with a CEO, you became the go-to person.

You became the person who, if he was having concerns and worries about whether his VP of finance was up to the task for the next leg or not, he would call you and say, Let's have breakfast and discuss this. And if you could do that, that earned you a reputation that would subsequently work to your advantage in terms of getting deal flow, because when you're competing, as you inevitably would, for future deals and the entrepreneur was evaluating Greylock versus some of our good competitors, you'd be able to give as references your existing CEOs and say, "Give 'em a call. I'm gonna check your customers, I'm gonna check you out; you check us out." Didn't always work, but it was a good model.

And then finally I'd say — and I've already alluded to it — he was very interested in making sure that the limited partner, general partner, and the CEO's interests were all aligned, because he believed that would be a good result. Now, fast forwarding to more recent times: When you told a prospective CEO that we were budget-based, not fee-based, and that we took more modest salaries than some of our competitors, but we had a very high end of the range-carried interest, that sounded pretty interesting to the CEO because the CEO wasn't out there for a salary; he was out there for the long-term capital gain of the equity. He understood your interest and his were pretty well aligned.

**CK**: *So when you bring in a new associate and they hear the Greylock philosophy, you must have to see how they fit in with—*

**HM**: They understood this philosophy, and I don't want to overemphasize it. Greylock associates are paid competitive prices. We can't compete and be a leading firm without paying competitive salaries. The general partners are doing just fine. I just want to make a slight distinction that the philosophy — you do have to buy into the philosophy, and I think the proof is in the pudding. We've lost very, very few general partners over the time, and really have had a great, stable firm. So the formula works.

**CK**: *So Greylock has been Greylock for at least forty years.*

**HM**: Yeah, forty plus years, forty-five years.

**CK**: *And that's what he wanted, this venerable firm.*

**HM**: Right, exactly.

**CK**: *Can you train someone to be a good venture capitalist? Is it an art or is it a science?*

**HM**: I'm sure you can get different opinions on that. I think it is more a craft, an art, than a science. And I think that we've migrated as a firm in our view of what gives you the best chance to be a good venture capitalist. And I today frankly couldn't get a job at Greylock with the background I had that I've described to you, if I was applying today.

And the reason is I didn't have any operating experience, I didn't have any work experience in building an entrepreneurial company.

In the early days of Greylock, we were in a buyer's market. There were very few firms that had capital. The pace of the business was much slower. We had much more time to analyze potential investments and projects. And frankly, in Greylock I, and to a pretty good extent in Greylock II, which took us up to the end of the seventies, we, as a firm, didn't do a lot of start-up investing; we did more expansion capital. Now, oftentimes we were the first "institutional capital" firms that had gotten started with friends and family, there weren't really an angel community, but the 1960s, seventies equivalent of an angel community. They'd gotten a product developed, they were out beginning to get some traction with some sales and revenue, and they were then looking for capital to help put the accelerator down and allow them to grow more rapidly. And of course in that whole period of time, or for most of that period, the IPO market was very challenged and, in essence, either shut or had a very high bar, so none of these companies were going to be able to access the public market until they got a lot further down the road. So we would play that role in the late sixties and early seventies. And in that role, a person with my background was fine, because there were things to analyze. I could go talk to customers; I could go look at the financial model of the company. So I'm saying a best-athlete analyst, a bright kid, a bright young man with not a lot of wisdom or experience, could be successful in that role, and over time gain enough experience about how you build companies, what mistakes you've seen made that you could help the next entrepreneur avoid, and also gain some domain knowledge of an industry so you become somewhat specialized. In my case, I became fairly concentrated in the software industry.

But now fast forward to the nineties, middle nineties and the last fifteen years of the firm. Now we have a totally different competitive landscape. We have too much venture capital, arguably, being raised in this country, and a number of very strong venture capital firms. We as a firm in the early eighties, seeing this change in the flow of dollars into the industry, seeing the competitive landscape become more challenging, chose — because we said, Hey, we've been in business fifteen years, we have more experience building private companies than most of these competitors that are on the landscape. We need to do what's the hardest part of venture capital, which is start-up investing; that needs to become a much bigger part of our portfolio. And we did that. When we did that, we changed our philosophy of what an incoming general partner should look like, or associate on a general–partner track should look like. And what we decided we wanted was an individual who had been a part of building a successful entrepreneurial company like the kind that we were trying to back. And if we found such an individual who was interested in now having a second career in venture capital, that individual would have two very important advantages. One would be, they would have some domain expertise in areas that we were interested in. And secondly, they would have an experience factor that they could sell to the entrepreneur who we were going to be trying to sell to that would fit in Elfer's vision of best director, because the people we hired had credibility, they weren't just a brightly minted MBA from Harvard or Stanford. They had credibility of having worked on managing an R&D staff, building a sales force, dealing with international issues, et cetera, et cetera.

So if you take a look at Aneel Bhusri in our now Palo Alto, West Coast office: he joined us in late '99, early 2000. He had been Dave Duffield's go-to guy at PeopleSoft. He had been in every senior executive position at PeopleSoft and was vice chairman of the firm when he joined Greylock; still a very young man in his late thirties, early forties. David Sze joined us after having had a career at Excite@Home, one of the early players in the consumer Internet dot-com field. James Slavet joined us after a career at Yahoo. And I can go on and on, but the point is that the profile changed. And I used to make the speech too often, and I tend to take extreme positions, not because I necessarily agree with them in their entirety, but in order to make a point.

And I used to get calls during this period of time in the late nineties from really terrific MBA students at Harvard, for example, who called me and said, Mr. McCance, we're so excited about venture capital, we want to come to work for Greylock, and we'll come to work for free; we just want the experience. And then I'd have a cup of coffee with them and try and be polite with them, and I'd say, "You know, you bring great analytical skills. You've been trained at one of the finest business schools in the country, and there's no question you're talented and bright." And their sales pitch was, I'll bring all of these analytical skills and I'll work for nothing, just to be part of your team. And I'd say, "If you made the same pitch to a private equity or leveraged buyout firm, to Bain Capital or to Thomas Lee or whatever the leading private equity/buyout firm is, your skills are perfectly matched." They are buying Domino's Pizza, or they're buying some existing company, usually under-managed, something they think they can, after they own it, can pull some levers and change some metrics and improve the operating margin; they're gonna use debt, there's a lot of analysis of what level of debt they can serve. There's a lot of things in that job. But over in the venture capital industry, we are in, at least at the top tier firms, we're in a very competitive sales mode. If the founder of, you name it, whatever successful technology company, decides to leave Google or to leave Cisco and to do it again, how much analysis are you going to do on this project when he's going to visit with Kleiner Perkins and Sequoia and Greylock? If you sit there as a young MBA and say, "I want to see your business plan and look at your spreadsheets, Mark Zuckerberg, before you start Facebook II," that's not a good sales pitch. If, instead, you present to him a pretty experienced general partner who's helped build a company in his general space and who he's heard of and he respects, that's what you need. And so our profile has changed quite a bit.

Now, my long-winded answer to your question, to go back to, can you train — is it an art, is it a science? There are still plenty of examples of people who have succeeded as operating executives who have not enjoyed as much success when they went over to the other side of the table and to be venture capitalists. And I think it is art, and these people have to understand that in the operating side, for all the pluses that I've given you — deep domain knowledge, deep experience — also, I should add, a deep Rolodex and network of talent — the one thing they have to learn is that in the operating executive role, they had a hierarchical organization, usually. If they were a CEO or a COO or a very senior VP, they could make decisions and have subordinates execute for them. When you move over to the venture capital role, you're that supporting actor or actress that Elfers talked about, you need to present your argument, you need to encourage the entrepreneur, but there's no question who's running the company and it's not you, it's not the VC; it's the entrepreneur that you're a partner with. So that is an art. You either become accepting of that new role in life — there's some disadvantages because there's a lot of satisfaction that comes from building an organization and being the head of it, but there's also satisfaction that comes from being involved with eight or ten exciting companies in a less deep role. But you accept that slight transition and you learn from it, and I think that the experienced venture capitalists at Greylock who've been doing this for a number of years help some of the newer talent that is coming from the operating side into the VC side get the right philosophy and the right philosophical approach to the new role that they're incurring.

**CK**: *That you're not going to be the star.*

**HM**: You're not going to necessarily be the star, right.

**CK**: *What I want to do now – how are you doing?*

**HM**: I'm doing fine; I'm having fun.

**CK**: *I feel like a student sitting here taking notes. To look back at your specific career and some of the firms that you've helped build, where you were the—*

**HM**: The point person for Greylock.

**CK**: *What I want you to do is, if you could pick a couple, just whatever comes to mind — they could be the most challenging, they could be the biggest successes, they could be a real failure — something you worked hard on, and I want you to kind of walk me through the process of how the company came to you, how you vet it*

EARLY INVESTING AND NETWORKING:

Continental Cable, Tellabs, AMS, Cullinane

**HM**: I'll try a couple. Most of these will be fairly dated, because come 1983, I became managing partner of the fourth partnership, and so for much of my career I became more involved in running the firm and less involved in doing specific deals, and that's an interesting topic in and of itself which we should come back to. Don't let me forget that one, because it's an interesting challenge.

**CK**: *Remember this is history. These are the stories that aren't out there. I'm just saying that people will want to know how these things happened. What's not really in the public record, but your personal experience.*

**HM**: I know that you want— Okay. One that certainly was, again, lucky, because it happened relatively early in my career, was Greylock's investment in Continental Cablevision and this occurred in '71 or '72, in that timeframe. And it's back in the period when Greylock was not doing start-up investing, as I've already indicated. And before I got to Greylock, Bill and Dan and Charlie had been interested in the cable TV industry, and they had made one or two very small investments that did not particularly amount to anything in the cable industry. Continental Cable was founded by two entrepreneurs, Amos Hostetter and Irv Grousbeck, and they had been either classmates or a year apart, I don't know that fact; but they had gone to Amherst College together, and then they'd gone to Harvard Business School together. And then out of Harvard Business School, they had formed Continental Cablevision, and this was before Greylock got involved. And they had gotten some capital from one of the ARD alumni that I alluded to a while ago, Joe Powell, and he ran Boston Ventures, which was an SBIC in Boston. And for a variety of reasons, which I frankly don't know, Boston Ventures ran its course and Joe Powell was gonna retire, and therefore, they could no longer serve, if you will, as a lead director for

Continental Cablevision. And Powell introduced Continental Cablevision to Elfers and to Greylock, and Elfers asked me to be the person to work on it. So the first lesson there is: There is — particularly in those days, less so today, but back in those days when the industry was getting started and none of us knew whether we were going to survive or produce a sustainable model — there was a lot of cooperation between the pioneering venture firms and sharing of deals. So the introductions were valuable and where they came from were valuable.

Hostetter and Grousbeck, to their credit, went to very small cities — Findlay, Ohio, and Keokuk, Iowa, and secured cable television franchises in those cities for their new company, and began to build out the cable television systems there. Hostetter was a bachelor at the time; Grousbeck had a wife and a young family, and it couldn't have been easy for them to move to these somewhat rural areas. After they successfully secured three or four franchises and built them and got them operating, they then moved back to Boston and established Boston as "the U.S. headquarters" for this cable television company. And they needed expansion equity capital because they had dreams of building a major, nationwide cable television company. And Greylock supplanted, if you will, Boston Ventures as one of the lead investors, and I forget all of the other investors. But we had Fidelity Ventures in the form of Harry Hogan involved — maybe Joe Powell brought in both of those firms, because they were both ARD alumni — we had an organization called Memorial Drive Trust — Jean de Valpine — which was the arm of

Arthur D. Little, also an investor, and Vin Ryan at a company called Schooner Capital was an investor.

But one of the things that Hostetter and Grousbeck had, which was an extremely important insight, was that they had discovered an industry in its early days which had extraordinarily stable cash flow. I remember one of the franchises, which I visited in doing my due diligence, was in a fairly poor blue-collar suburb of Detroit called Jackson, Michigan, and it was a heavy autoworker-populated town. And what they had discovered in Jackson was that if people were on strike and unemployed, they would sooner turn off their telephone than to turn off their cable TV. So the cash flow predictability out of a cable television system, if correctly built and correctly managed, was extraordinary. Because of that, Hostetter and Grousbeck were able to use an incredible amount of leverage from the banking system to fund their growth. They did need a modest amount of equity. We and the other venture firms supplied it. But unlike almost all of their competitors they stayed private; they didn't go public; whereas Time Warner and other companies you've heard of, Comcast and others, went public. And because of that, Hostetter and Grousbeck, in a major way, and the venture capital backers of them, were never diluted. And we therefore owned a very significant portion of this company that ultimately was sold in the mid- to late nineties to US West for $8 or $10 billion and had proved to be an extraordinarily large gain, not only for us, but for the two founders as well. So to your point, the source of the deal came from a fellow firm. It wasn't really luck, because we didn't go out and secure that — knock on the door. The networking was important.

Secondly, I think it was very important that we were an institution that was able to be long-term in our relationship, because we never sold any shares of Continental. We distributed them as a private security, and we encouraged our partners to hold onto it. I stayed on the board of Continental for over twenty years. So this was not a short-term quick hit. And we survived one challenge, which was that in the early eighties. After a seemingly very productive, collaborative working relationship, Hostetter and Grousbeck, in a very mature way, decided that — to use a poor analogy, they wanted to get divorced — they weren't able to both run it going forward. And that was a surprise to me and to the rest of the board, just as it would be if a neighboring couple that you knew well all of a sudden had a marriage deteriorate. I'll give everybody extremely high marks, because I suppose if it hadn't been handled as maturely and as successfully, an event like that might've led to a premature sale of the company, and if so, it would have been the wrong time and at the wrong value.

**CK**: *How did you hold that off? How did you manage it?*

**HM**: I don't take any credit for it; I give credit to the two principals. They were extremely mature. They both agreed that Irv should leave, and he has pursued a fabulously successful career and is one of the top professors at Stanford Business School in entrepreneurship. And they both agreed as to the top talent in the company, Tim Neher, who should be moved to being the president and chief operating officer of the company, and Amos would move to be chairman. And the company survived and prospered for another fifteen years as an independent entity, much to Irv Grousbeck's financial benefit.

**CK**: *I was going to say he remained—*

**HM**: A major shareholder. And much to his benefit. So it's one of those things that I think we had the right management people with the right values, and while they had some challenges individually, they respected the organization that they had created and the people who were working for them and the board that they had, and they decided, Let's figure out a way to do this in an as mature and amicable way as we can, as opposed to taking something that we worked so hard on together and damage it.

**CK**: *So you give them the credit of being mature, but what role did the board play?*

**HM**: Oh, I don't remember all the details, but I'm sure we played a role in trying to make sure that everybody was comfortable, that Irv, who had a vast majority of his net worth tied up in a private company, was comfortable that it was going to be looked after and managed in the right way, and I'm sure we played a role in convincing Hostetter that Irv would be a constructive minority partner that was worth continuing. So I don't remember all the details, but I'm sure the Board played a stabilizing role in that.

There were some other aspects in growing Continental that were interesting. Irv and Amos had a very different management philosophy than most of their competitors. Most of their competitors had a very strong, centralized organization. Irv and Amos believed strongly — and this was very compatible, I think, with the venture capital view of the world — on recruiting, training, and giving a lot of authority to the local and regional cable television managers. So it turns out that some of the stars in the later years of the cable television industry at one time had Continental Cable on their résumé. A perfect example would be Jim Robbins, who started in the cable television industry at Continental, and succeeded very well there, ultimately became the CEO of Cox Cable in Atlanta. But again, that philosophy allowed Continental to grow in ways that some of their more centralized competitors absolutely didn't do as well.

**CK**: *A training ground.*

**HM**: A training ground, hiring talented people, giving them responsibility, giving them as much authority as they could have. So picking another example where the referral didn't occur, I pounded the street looking for deals in Chicago. Chicago was a relatively uncovered territory for both the East Coast and the West Coast venture capital industry. And you know, the way I recall you did it, you would go and visit a lot of small regional investment banks or merger and acquisition boutiques and firms and try and tell the Greylock story; try and develop a good personal relationship with some of your contemporaries working in the Chicago area; and trying to make you aware of any nascent technology-oriented start-up firms that seemed to have momentum of interest. And in one of those visits I learned of a new private company out in Lisle, Illinois, called Tellabs. This individual who made me aware of it had no sense that Tellabs was ever going to raise any money, and he certainly wasn't a broker doing a deal for Tellabs, but I just filed the name away. I probably — in those days there was no Google to search — so I probably had a Dunn and Bradstreet drawn up. I got the names of the owners and the founders, and I cold-called Mike Birck and explained to him that I worked for a venture capital firm. I'm sure he didn't know what the term venture capital meant. I tried to educate him. I must have done a modestly good sales pitch on the phone. And one thing led to another, and I was able to go earn a meeting with Mike Birck. And Mike and I established a good rapport, a good personal relationship in the meeting. I'm sure we had several meetings before he trusted me and began to understand that Greylock was potentially a good value-added, long-term partner.

**CK**: *What was Tellabs doing?*

**HM**: Tellabs were some telecommunications engineers who had worked for a private company called Westcom, which made products to be sold to the Bell operating companies and independent companies that allowed them to offer you and I, the customer, specialized telephone services. I'll give you an example. It sounds so archaic, given our world today. But if you were a telephone company and one of your customers wanted the ability to have your business number ring at his lakeside home, and you, the caller, didn't realize that you weren't finding the customer in his office, that was a service that you would have to pay a premium to — there needs to be some electronic equipment back in the home office that allows that service to be offered. It's not a big demand. So a small niche company start-up could provide that kind of service, engineered product, and sell it to the telephone company. That's a trivial example, but there's a wide range of communications capabilities that were pretty basic, back in the '76, '77 timeframe, that gave the roots for the Tellabs engineers to build products, to get a start. They had all started with no venture capital. It's a great story that you don't see repeated too often in today's world of plentiful angel capital and plentiful venture capital. But these guys put their wives back to work, founded the company with no salary, and got it cash flow-positive very quickly through their engineering ingenuity and their ability to get some products made and sold. And that idea of getting cash flow-positive quickly is how they had to for survival, because there wasn't an institutionalized angel community back in those days. Anyway, after a couple of visits with Birck, he began to realize that — I think there were five or six co-founders of Tellabs — that one of the six wasn't working out and probably was going to leave the company. And he wanted to have that stock back in constructive hands. So that gave rise to the opportunity for Greylock to eventually make an investment in Tellabs.

Back still in the reciprocity days of venture capital, we were very close and wanted to establish an even closer relationship with Sutter Hill on the West Coast. We could see as a firm that Silicon Valley was an important geographic area that we needed to have a stronger presence in, and so we reached out, and Paul Wythes became a co-investor with me in Tellabs, and it was a terrific investment. Birck is a very talented entrepreneur. In his seventies today, he's still an active chairman of the company. It went public with a Morgan Stanley offering in the 1983 timeframe, something like that. It expanded into way more sophisticated products as the telecommunications industry grew. It still is an independent company with a several billion-dollar market cap today, and was one of my more fun investments.

**CK**: *How did you know Paul Wythes?*

**HM**: Well, Charlie Waite became Greylock's initial representative on the West Coast. And Charlie used to travel to the West Coast a great deal, and Charlie then moved on behalf of Greylock to San Francisco. And he and Paul Wythes just became very good friends; they were co-investors in a number of deals together, and therefore, all of the rest of us got close to Sutter Hill as a firm. Len Baker, it turns out, I knew when I was at Yale; he was in my class at Yale. And the whole lineup of partners at Sutter Hill in the seventies and eighties were probably Greylock's closest initial co-investing firm on the West Coast.

And then another story, quite similar to this — and then I'll go to one more — was our first investment in the software industry; maybe our second, depending on definition, so

I'll cover them both. When I left the Defense Department, of course I had acquaintances and friendships and relationships with a small group of very, very bright people that worked for Enthoven. And sometime in the early seventies a group of four or five of the brightest of them left and formed a new private company called American Management Systems in Washington, D.C. It was Ivan Selin and Charles Rossotti, and Jan Lodal, Pat Gross, Frank Nicolai; and I've worked with all of those people. And they were really very smart, and I suppose it would be best described in today's world as somewhat of a high-end management consulting firm, rather than software company initially. But they used software intensively to manage large projects within the Defense Department, and when they went on their own, they created a business that used software intensively to manage projects both for the government sector — state and local government — and for the commercial or non-government sector. And the software that they used was custom-built initially, but then they would reuse a lot of the software as they got subsequent projects. So that investment Greylock made together with a private investment by a colleague of mine in the Defense Department, Steve Fenster, who's no longer alive, with Lehman Brothers. So Lehman wasn't a venture capital firm, but they used some of the partners' capital to back these five people that Fenster knew and I knew, and Greylock and Lehman Brothers were the lead investors in AMS. And that investment was a success. AMS prospered; it went public, it became a relatively large company. It certainly introduced me to at least be aware of this thing called computer software. It's hard to believe, but back in the seventies most people were interested in hardware companies.

Here in the Boston area not only did you have ARD's fantastic success in Digital Equipment, but you had Data General, and you had Prime Computer, which was an early Greylock investment that Charlie Waite was involved in. You had Wang Laboratories that Bill Elfers was an investor in. So you had a lot of hardware companies. And software was not a vehicle for much venture investing in the sixties and seventies. It was thought to be a project where the people went out the door at night, the software was custom, and there was no leverage in the financial markets. But I could see in AMS there was roots of leverage. They were reusing a lot of the programming and techniques on each project they took on. That gave them better margins than the normal consulting time-and-materials, consulting kind of projects. So at least I became aware that something might be stirring in this.

And then the luck enters into it. I had as a neighbor in Westwood, Massachusetts, a gentleman named John Cullinane, and John had founded a software company in the late sixties and early seventies. Again, same story as Tellabs; he had angel investor, and he'd gotten some momentum. And as I got to know John socially, I got intrigued with his business, because what he was making was a database management system. This was before Oracle, but the same basic root product, prior generation to Oracle. And

Cullinane's product, called IDMS, was sold to work on IBM mainframe computers. And Cullinane began to convince me that there was an extraordinarily attractive financial model in his business. He developed the software; he delivered it to his customer on, in those days, a tape. He would charge a lot of money for it, and the gross margin in the product was 98 percent. There was no hardware product to build. And once the customer adopted Cullinane's database management system to run a department, it would be extraordinarily hard and painful for them to rip it out and put another one in. So, whereas in the hardware business that we were investing, we were watching Prime Computer have to continue to try and come out with a next generation product to one-up Data General, who would come out with the next generation and one-up Prime, it seemed like every eight months.

Cullinane, in his little business, had none of those issues and could investment quite significantly in pretty high-quality direct sales and marketing distribution channel, pay them quite well, and still have a lot coming to the bottom line. So that led to Greylock's investment in Cullinane. Cullinane, subsequently, in the late seventies, was the first independent software vendor taken public in this country — Hambrecht & Quist managed an offering — and we added to our position in that offering. Rather than be sellers in an IPO, we bought in the IPO to expand our position. But more importantly than the results of that single investment, it really opened my eyes and my partners' eyes to the fact that there was new industry emerging here, and that we should proactively go out and try and find other investments in this industry. And we did.

And how do you do that? Well, for one thing, by getting your toe in the water with one of the first successful independent firms. You could ask them, Well, who's not a competitor of yours, but an adjacent space that's doing interesting things? So they were in the database management system. We made an investment in a company called McCormack & Dodge, which was making general ledger and accounts payable and accounts receivable financial packages. We made an investment in a company in Chicago called Pansophic Systems, which made system software products which helped run your computer and your data center better. We made an investment in the Washington, D.C., area called VM Software, which made a series of utility products that worked with the VM operating system for IBM. And quite a few others. I would say Greylock in the early eighties probably was one of the two or three venture capital firms that was recognized as a leading player in the independent software industry.

**CK**: *Who was your competition in getting these?*

**HM**: TA Associates. Jackie Morby at TA was a very strong competitor. She and I worked on the board together of a couple of companies: McCormack & Dodge, Information Builders, another private company in New York City. So there were other firms that recognized the same pattern. But certainly Greylock and TA were two of the first. And then after a couple of these companies either went public or were acquired, and that began to be reported, there was a lot of competition and followers, and the news was out.

So it gives another important point, I think, which is that when you ask venture capitalists: How do you know to invest in this industry or that industry? I think the best you can do is to be alert and inquisitive about technology and trends, and to have certain points of view about the trends. But because you're not immersed in building a company twenty-four by seven, 365 days a year, in my opinion you're not going to have the deepest domain knowledge of anybody in the country, as I've already said, about anything. So I think what you need is an awareness of certain shifts in technology, certain trends in technology. You develop it in all sorts of ways. You develop it by networking with people that you're already invested in who have reasons to want to tell you what their best thinking is of where things are going; and collectively as a partnership, we talk about these things. But then you need to recognize it when you see it. So there wasn't any Gartner study that said, you know, independent software vendors are going to be the next important thing. You just began to see enough small, initial single data points, and you're able to connect the dots and say, Okay, I think this is an important area to go to. I mean I think the same thing happens with all sorts of industries that Greylock and the venture capital industry has benefited in.

For example, the whole dot-com consumer Internet phenomenon. We were savvy enough — so were a lot of our venture capital brethren — to realize that something was happening when early use of the Internet began to seep into our consciousness. We said we're not quite sure which way it's going to go, how it's going to go, but we should learn about this. Now, we have in our portfolio some pretty bright computer CEOs who are running computer companies, and we interchange and we work with them, and we talk to them about what's going on, what are you seeing. And from that, you can get a point of view that, okay, this trend is important. Let's see, what is going to need to happen to make these early movements more of a commercial reality? Well, if we're going to be communicating over something called the Internet, we need some interface that will allow us as humans to do it. That would be a browser. We need some security, because now we're all going to be interconnected with one another. This was not me; this was my younger partner, Bill Kaiser, who was an MIT graduate and very interested in this whole area. That led to early investments by Greylock in a browser company called Spyglass and in a firewall security company called Raptor. We didn't invent the Internet, we're not Al Gore, but we were able to see certain trends. And again, this is not unique to Greylock; this is what good venture capital firms do.

And once recognizing the trends, we do not sit here in this conference room — and no good venture capitalist does — and wait for a business plan to come in and say, This one looks good; this one looks bad. You proactively use whatever network and techniques we have to go out and try and identify: Who are the thought leaders in this area; can they lead us to entrepreneurs that would be interesting; and then knock on the door, try and make a sales pitch. That's really how you get the best deals in this business. And that's been true really from the start of Greylock, but for sure for the last thirty years of the firm, because of the switch we made from being sort of a first institutional investor, but growth capital supplier, to early stage venture capital investor.

**CK**: *You mentioned how important the network is. I want to talk a little bit about your networking, because you mentioned Sutter Hill and you mentioned TA.*

**HM**: Yeah. I'd say the network has switched. In the earliest days I would make the point the network was important in terms of other venture capital firms.

**CK**: *In the early days—*

**HM**: In the early days, the firms that come to mind — well, TA we co-invested with a lot in the very early years. But then as the industry became more competitive, we made the switch to be more start-up-oriented, they made the switch to being the absolute strongest player in later stage, follow-on investing, and they've done it extraordinarily well. So we used to compete with and sometimes share deals with TA in the very early years of the firm, now we never see them and they never see us, we're in two different businesses, related but not— We co-invested, as I say, on the West Coast with Sutter Hill a lot; we co-invested with Venrock. In the early days we had some co-investments with J.H.

Whitney. But over time, as the venture industry became more and more competitive, I think that these relationships became less important, and instead your personal, individual networks, whether it was with an individual venture firm, or your network in the entrepreneurial community, they become more important for the sourcing of deals. I would argue that — and it's just a fact — that when venture firms scale to the size most venture firms are today, there is not as much sharing of deals as there were in the older days.

**CK**: *Would you call that early network a band of brothers? Would you use that term at all? Is that too much military?*

**HM**: It might be an all right term. I mean, again, to me a lot of this is sort of common sense, and we're dealing with people and individual relationships and respect. I'm using this as an abstract, not in a specific case: If I sit on a board with a fellow venture capitalist in a deal, and we work well together, and I like his company and he likes mine, a friendship, a relationship, a mutual respect builds up, and that leads perhaps to another investment together.

**CK**: *So it is him as representative of his company.*

**HM**: Right. And you know, again, this is a personal opinion, but there are cases, I'm sure, where for geographic reasons, for industry domain reasons, you may want to pick the XYZ or ABC firm as a partner. But in many cases, I think it is actually individual, personal relationships. Because you come back to some of the basic requirements of the venture capital firm and a successful venture: You're going to be invested for a long time in most cases; you're not going to go straight up, there's going to be some challenging times. You only have so many hours in the day, and you only have so many boards that you can take on at any one point in time, and do the job correctly. And if you find that you're on a board where your fellow venture capitalist is overcommitted with other boards, or isn't making the same level of contribution, and the deal is a great success — in retrospect, I think it's only human nature to say, Why did we share this deal with XYZ if we think we did most of the work? I'm not saying that that happens often, but it happens, and if it happens, then I think you have to reevaluate whether that was a good decision. On the other side of the coin, if you have a fellow director who you really respect, who clearly has made contributions because of their insights and their network of additional talent to bring in the firm or whatever, and you work collaboratively together, why wouldn't you want to do that again? It was a good marriage.

**CK**: *Have you ever had to call in one of these other firms when you're in trouble with a company, and you knew that they would kind of come to your aid and help save this? Has there ever been a dire—*

**HM**: I can't think of an example on that score.

**CK**: *How about your network from — whether Yale or Harvard?*

**HM**: Very little. It has not been relevant. The network, I think it may be because the venture capital industry is always investing in technology that are at least at the leading edge of events, it would just be pure happenstance that one of my Harvard Business School— I concede, some venture capitalists I had a good relationship with — Len Baker at Sutter Hill was in my class at Yale; Ted McCourtney was in my class at Harvard Business School, he was a longtime partner at Venrock. So those were important relationships, I suppose. But in terms of the entrepreneurial community, I can't think of a case.

**CK**: *That's interesting. How much do you invest emotionally when you work with a company*?

**HM**: I think all of us invest a lot emotionally in the companies. You can't help it; you're competitive. Elfers certainly taught us that he didn't like to fail. And again, you're talking about history here, so I think it's a good thing to mention some of these early-day traditions I think are lost a little bit today. But in the early days of Greylock, if you had hired a management consulting firm to come in and do a study of how we were spending our time, I think the consultant — and let's say the consultant really didn't know a lot about the venture industry — I'm guessing, in this hypothetical example, he might come to Elfers and say, Bill, your team is spending an extraordinarily large amount of time on investments that are not likely to be great winners; they've got challenges; they've got problems. I don't understand why they don't spend all their time on the ones that are going to produce the wins and cut their losses, both time-wise and financially. It can make a difference.

And Elfers' rebuttal to that would've been: Look, if you just spend your time on the companies that are knocking the cover off the ball and exceeding budget every year, and having exciting initial public offerings, to a large extent you're going along for the ride as a venture capitalist, because the entrepreneur is obviously doing everything right. If you spend your time helping a company get through a tough time and maybe come out the other side and be a success, that really earns a reputation, and in this business reputation is everything. I do remember something that Doriot used to say that I think Elfers believed in. Doriot used to say, "You know, being a venture capitalist is somewhat like being a parent, and some of your young entrepreneurs do the silliest things as they're growing up, and frustrating you. You knew they shouldn't do that. Try and coach them, but tell me, when are you gonna give up on your son or your daughter? You don't." And so you can take that to too far an extreme, obviously. But that was a little bit of the philosophy that Elfers brought. I think you can overdo that, and I think there is some truth in that hypothetical consultant's point, which is, Hey, if this company is going to provide an extraordinary gain, shouldn't we be focusing on it? And there's a way to do that, and we've gotten better as a firm. When we see a company that looks like it's really got some momentum, we will try and find more investment opportunity in that company. We'll try and be preemptive in the next round, so that we can increase our ownership. So that's a way of doing it. But it doesn't mean that you just cut your losses on a child that's having a tough teenage year.

**CK**: *You're kind of anticipating my next question, because I want to talk about boards and the time you spend with these companies when you're on a board — and whether it's strategy or handholding or psychotherapy—*

**HM**: All of the above. And I think there's, again, a misconception, maybe, for the casual observer or the somewhat green MBA student. The board relationship is not about board meetings. I think the really good relationships between a venture capitalist and a CEO are what I said earlier, which is becoming a trusted advisor, and that happens in between the board meetings. That happens whenever — to use your term, whenever the CEO might need a little psychotherapy, whenever the CEO has something that he can't sleep at night worrying him about the company, you want to be there for him. You want to be there to at least be a good listener and maybe have a couple of good suggestions or ideas. So boards are a lot more than just going to monthly or quarterly meetings. And it gets back to the emotional involvement that you asked just earlier. If you have that relationship with a CEO, then yes, you get much more involved than just coming to a board meeting and taking notes; there are phone calls, emails, meetings. That's why I think the start-up firms have such concentrated portfolios geographically.

Again, in the early days we could go anywhere because we weren't backing start-up firms. We were backing firms that didn't need quite as much handholding and advice. But now if the majority of your portfolio is start-up phase, you need to be available to go down and have breakfast at Hoagies with the CEO if that's what he needs to do, and if you're three thousand miles or one thousand miles away, that's no good.

EAST COAST/WEST COAST VENTURE CAPITAL CULTURE

**CK**: *How about this East Coast-West Coast contrast in venture capital culture? Since you are represented on both coasts, you probably could—*

**HM**: Well, I have, and my firm has a point of view here, and we may be a little bit controversial in this. As you know, Greylock was founded as an East Coast firm, and for the first twenty-five years of the firm, we had a majority of our staff here on the East Coast. And then, as I indicated, as a technology investor we felt Silicon Valley was way too important, had much too much momentum for us to ignore. And we initially put Charlie Waite on the West Coast. Then we hired two partners, two extraordinary partners, David Strohm and Roger Evans. And they both operated the Greylock office on the West Coast, as Charlie became more of counsel, if you will.

But in the late nineties, we took a look in the mirror a little bit about where we felt the opportunity sets existed and where we were staffed, and we came to the conclusion— And the opportunity sets, the way we analyzed it, were somewhat along the following lines: Who were the thought leaders? Who are the technology, entrepreneurial companies that are viewed as thought leaders in subsectors of technology, and where are they located? Well, let's talk about, since software's an important area for us, let's talk about enterprise software companies: PeopleSoft and Oracle, Silicon Valley; and Microsoft, West Coast. And what's in Boston? We couldn't come up with much. Semiconductor companies: we don't need to have that discussion, that's in Silicon Valley. Early movers in the consumer Internet: Amazon, Google, Yahoo!. What's in Boston? How about security companies: Checkpoint, West Coast. What's in Boston? How about data communications companies? Cisco. Network Appliance: Juniper. All West Coast companies. In fact, the only subsector in the technology sector, excluding biotech, the only subsector that we could identify that truly had the thought leader in Boston was storage, with EMC.

At the same time as the industry began to get more and more competitive, we had concluded that we couldn't be both an information technology firm, broadly defined, and a biotech investing firm as well; that they were two different vocabularies, two different skill sets, and there was emerging some biotech specialist firms that would have much deeper staffs than we would ever have. And since we wanted to be a partnership which didn't lose the idea of everybody contributing in a collaborative way with one another, not just two separate divisions mailing in the results, we de-emphasized any biotech investing. And we didn't hang a sign on the door saying, No biotech need apply. But we de-emphasized it and focused on information technology. So the fact that Boston was a better competitor than I just described in information technology, in biotech, was of less relevance to us. And we concluded we have the staffing wrong. We need to build up our Silicon Valley office aggressively in the early 2000s, and that's what we did. And we need to make that the center of gravity for Greylock if that's where we want to play.

Now, people have asked me, Well, there's Harvard, there's MIT, you've got a great academic structure here. There's a venture capital heritage that's older than the West Coast. So why did that happen? And you know, I'm sure, as a historian, you're going to tell me a better answer than I can give you, because I've thought about that, and I have a few minor, minor theories, but I'm sure they're not the complete answer. One answer is — and I'm now leaving out biotech, I'm going to talk about information technology — one answer is that the Boston area was blessed and then disadvantaged by the success of the minicomputer industry. We were the center of gravity of the information technology as long as the minicomputer was the primary cutting edge technology. So Digital Equipment, Data General, Wang, Prime were all East Coast companies. In fact, Hewlett-Packard would be the odd guy out in this analogy. But when technology shifted to the personal computer, Boston overstayed the mark, if you will, to use a sailing term, on the minicomputer technology, and Apple, Intel, Microsoft all were West Coast. And that technology superseded the Boston area East Coast technology. Once that happened, a virtuous cycle occurred on the West Coast. The younger graduates from Harvard and

MIT, understandably, the best and the brightest wanted to be involved with the cutting-edge technology. That meant they went to Silicon Valley.

And now you take it to the next stage, which is the consumer Internet, because theoretically there's no reason why the consumer Internet company had any need to be rooted in Silicon Valley. But I suspect the best and the brightest computer entrepreneurs were in a critical mass in Silicon Valley, and when the Internet came along, that was where the very first players emerged. And there's always an exception — an AOL in the Washington area or whatever — but that was where the predominance, the center of excellence was. So you got to the point where the founders of Facebook, for example Mark Zuckerberg was here, he was at Harvard, but when he decided, Where do I start my company, it didn't make sense to start up in Boston. It made sense to go where he could recruit the talent. So to me, that is part of the history. I'm sure it's not all of the history, but that's part of it.

Now, another aspect does get to the culture, and again, I'm no historian or expert on this. It is true, I think, and it's a chicken and egg question, I don't know which came first, but it is true that just the level of entrepreneurial energy is higher in Silicon Valley. You can feel it if you go to dinner in Palo Alto, or to breakfast in Palo Alto. It's higher in Cambridge than it is, I suspect, in Des Moines, but it's supercharged in Silicon Valley. So given the advantage of thought leaders in the computer industry, broadly defined, as mostly based there, and then putting on top of it the frenetic entrepreneurial spirit that is there, it gives it somewhat of an advantage. This is not a proof point, but I think it's constructive to say, Well, let's see, Greylock started as an East Coast firm; they established a West Coast office early on, and they now have moved their headquarters to the West Coast. Venrock started as an East Coast firm, they established a West Coast office, and now have an important presence there. Matrix was a very successful East Coast firm headquartered, haven't gone as far as Greylock in moving their headquarters there, but have an important presence there. Let's see. Kleiner Perkins, Sequoia, Sutter Hill, those are all Silicon Valley-founded firms. But did any of them set up East Coast offices? No. They didn't. In fact, I can't think of any really tier-one VC. There are some bigger firms that are multi-coast, NEA being an example. There are some that have national presence, but the point I'm trying to make is that the key top firms that Yale or Harvard think of as their core firms in start-up venture capital investing, almost all of them that were starting in Silicon Valley never found the need to go to the East Coast. They found the need — and it's too early to tell whether it was a good move or not — to go to China or India or Israel, but not to come back to the East Coast. Does that say that the East Coast is doomed? No, not in my opinion at all. Harvard and Yale and MIT are not going away; they're producing extraordinarily bright people. The culture of the youth today is entrepreneurial. But what it does say to me is that whether it's in clean tech or alternative energy or something I haven't even thought of, Boston needs its Google or its Facebook. It needs to be the thought leader in one of these new, emerging industries; and when it gets that, that will produce another virtuous cycle, just like Digital Equipment produced a virtuous cycle for quite a length of time.

**CK**: *One other thing I just thought of is we're a much more mobile society. Whereas you said you knew that you didn't want to go to New York, you liked Boston. If they don't think that way — they think, you know, it's the world, I can go anywhere.*

**HM**: Right. The youth think that way. Exactly, very good point.

**CK**: *And so you kind of — I don't know if it's a herd mentality at all, but what I've heard about Silicon Valley is that everything's right there, like the networking, it's at lunch and dinner and walking down the street; and your attorneys are there, your investment bankers, everyone's right there. Where the model that was established on the East Coast is very different.*

**HM**: Right. I think there's truth to that. And even in the earliest days there were hints that this was going to be the way. I wasn't smart enough to realize it at the time, but the East venture firms were very used to getting on airplanes and flying to Chicago to do a Tellabs investment, or my partner Bill Kaiser flying down to Virginia to invest in Red Hat, the leading company in open software. We were used to doing that. Our brethren in the West Coast-centered firms thought it was an imposition if they had to get in their car and drive twenty or twenty-five miles.

So they, as one of my partners likes to say, well, it's a little like fishing in the pond where the fish are. If the fish are in Silicon Valley and you want to catch fish, you better have a good presence there. We've become a little controversial, as you can understand, here in Boston, because we moved our headquarters to Palo Alto, and some of our Boston fellow venture capital firms say, You know, there's plenty of good opportunities here, and it's too bad Greylock wasn't able to capitalize on them. But we'll see. As I say, I don't give up on New England as being an important area. We're not going to close this office down, but we have our resources aligned where we think it makes the most sense.

**CK**: *And does the West Coast have more of a reputation of being risk-takers, whereas East Coast tends to be a little more conservative?*

**HM**: That's a generalization that certainly might be true in the entrepreneurial community. Whether it's actually true in fact, it's hard for me to say. I'd like to think that the best venture capitalists at Greylock, East Coast, or at Matrix, or Northbridge, they're just fine risk-takers as far as I'm concerned.

**CK**: *It doesn't mean that they have more successes, though.*

**HM**: Right.

BOARD INVOLVEMENT

**CK**: *Do you think you spend 30 percent of your time on — have in the past, when you were heavily involved in boards and everything — 30 percent of your time, 40 percent of your time with board work?*

**HM**: Yeah. I think that's a good guesstimate, maybe even a little higher than that. I'd say that the Greylock general partner spends — depending on different stages of their career — obviously, if you're brand new in the firm, you have no boards, and so you have to build up your portfolio. So if you're brand new in the firm, you're spending more time doing new project investigations and sourcing of deals, et cetera. But once you're established and been in the business five or six years, and you have a full complement of companies, you're spending at least half your time on board activity. In my case, as I moved over into being the managing partner of the firm for most of my career, I spend a lot of time on Greylock activity and some time on the board.

That comes to the one point that I think I wanted to mention earlier, and it's an interesting point, and I don't think this is unique to Greylock, but it might be. Most of us love what we do and what we did as a career. I have no regrets. I can't think of a better job. And why is it such a fun job? Well, number one, just by definition, you get to meet extraordinarily talented people. Every day, every week, every month, you're exposed to very unusually talented risk-takers, people who are thought leaders in whatever their respective industries are. Secondly, and again, it's not for everybody, but secondly, it's an industry which by the very nature of the business allows you to sink your teeth into a number of things simultaneously. You're not just working at General Electric morning, noon, and night. Thirdly, it is a competitive industry, as we've talked about, but it's not a cutthroat competitive industry like I suspect perhaps in its worst times the investment banking industry might be. Because I may be competing today with Sutter Hill for a deal, and tomorrow I'm going to go to a board meeting with Len Baker. So it's competitive, but it's a gentleman's competitiveness that I respect and like. And finally, because it is a small industry in terms of many parameters, the business doesn't scale that well. We found out in the late nineties, in the dot-com telecom boom, some of us tried to raise billion-dollar venture funds. That was a mistake, in twenty-twenty hindsight, in my opinion. And in the case of Greylock, we quickly abandoned that misguided idea. Therefore, it's a very hard industry to get a job in. Therefore, the people in the industry are pretty extraordinarily talented individuals as well. So all of us, I think, look back and say, This is a fun job, it's an exciting job. Forget the financial success, that may or may not come, just the basics of the job are pretty rewarding, pretty fun.

Now, that means that finding somebody to be the managing partner of a firm, at least at Greylock, is a challenge because in order to do some of the things that a partnership must have done by somebody — figuring out about hiring, figuring out about compensation, dealing with the limited partners, figuring out all the other stuff — doesn't have anything to do with those things that I just said made the job so much fun. And so I think venture capital firms, as they've become more complex — and believe me, when I've given you the historical perspective today, and I can't believe this wouldn't be true of almost anybody else you talk to — the venture capital industry in the seventies was an easier, less complicated, less competitive industry than it is today. So when you're running a pretty complex partnership and organization, it's somewhat challenging to figure out how you persuade the most successful venture capital investing partners to decide to do less of that and do more of sort of the administration part of running a firm. And it's a challenge we've struggled with, and I can't believe that the larger, more long-term firms don't have that as an interesting challenge.

**CK**: *So you miss those early days.*

**HM**: I enjoyed both, but I'm somewhat an unusual animal in that respect, and I notice that my younger partners don't enjoy some of those aspects as much, because it's harder than what I had to do, it's more complex today, it's more challenging. And as I say, most of them just love the pure idea of being a venture investor.

**CK**: *You said it's a gentleman's competitiveness. I wonder if that has East Coast roots.*

**HM**: Look, I'm sure that it may have some East Coast roots, and I'm sure that the West Coast firms— It's a very competitive industry, I don't deny that, and I may be naïve in that description. But I'm just contrasting— I just still stand with the proposition that you're going to have to work with some of your best and most difficult, most challenging competitors on certain boards together. There is another aspect of this industry — and again, I'll probably get debates from some, particularly new firms here — the really best venture capital firms have a persistence to them that is quite extraordinary. Kleiner Perkins, Sequoia, Sutter Hill, Accel, Greylock, Matrix — and I don't mean to offend anybody that I didn't name — but those firms have produced not just top quartile financial results, they've produced top twenty firm financial results for not one year or five years, for twenty-five years. There is a reputation brand that those firms have been able to create for themselves and have earned that has helped perpetuate their success. And it's a hard industry for four really bright consultants from McKinsey, for example, to leave and form new co-venture capital and try and break into that, because you can't build the brand and the reputation that we've been talking about for the last two hours overnight. That means that those firms are very competitive with one another, but they're going to, almost by definition, because a strong-willed CEO wants two of those firms to work together — they're going to have to work together as well. And so yes, I may have a naïve, East Coast gentleman's competitiveness, but I still stick with my proposition that there is a requirement just by the nature and structure of the industry for people to, at the top firms, to work together from time to time.

**CK**: *So anyone new coming along better catch onto this quickly, because they'll be the survivors, in a sense.*

**HM**: Yeah.

**CK**: *You can't be cutthroat and make it in this — you can't make enemies.*

**HM**: Look, I'm not naïve enough to deny that there are some firms that have trouble working with one another. It's human nature. But I just would still stand by my initial proposition. If not for anything else, maybe it's more because of the quality of the individual that comes into the industry because it's so hard to get a job in the industry. Maybe that's more the reason that it strikes me as being at least a civil kind of competition with each other that I like.

How do you analyze risk? My first answer is, you don't. If you did an objective analysis of a start-up in an industry that is trying to take on an established incumbent, which has all the advantages of incumbency plus balance sheet plus a customer base, plus on and on, and you're a new start-up, you might never try it at all. So at least my first answer to the question is it's not something that I think venture capitalists or entrepreneurs dwell on as a primary concern. I suppose the second answer would be that at times, as a project develops, you may put some assessment about the risk of trying to continue to be independent as opposed to seeking a merger or acquisition. And there, I'd say that, particularly if it's a first-time entrepreneur, you have to be respectful of the fact that the entrepreneur likely has 110 percent of his net worth tied up in this venture. You, as a venture capitalist, if you're established, have a much broader personal portfolio, and therefore it may be understandable that the entrepreneur would like to seek a merger for the company, pin down some financial stability and wealth for himself and his family.

I've always taken the attitude that, again, sort of consistent with the supporting actor role in life, if an entrepreneur decides that he wants to sell a company, you can do them a favor by having a friendly discussion about: Are you sure this is the right thing for you? Have you thought it through carefully from all sides? But the last thing you want to do is try and talk them out of it, because he is driving the bus, he's the engine to make the company happy. If, for whatever collective set of influences and reasons, he's decided that it's time to sell the company, it would be in your best interest to make sure he makes the best sale possible, but don't try and talk him out of it.

**CK**: *How involved do you get in that sale?*

**HM**: That's, again, a hard thing to generalize. I think that most experienced venture capital firms have gone through that process a number of times, and therefore can use that experience and wisdom to their advantage.

**CK**: *Use an example.*

**HM**: We were involved in a software company called Gateway Design. It was run by a wonderful Indian immigrant who had gone to Carnegie Mellon in Pittsburgh, and was a brilliant computer scientist, and had made a simulation modeling language for design of integrated circuits. We were the first-time venture investor. It was a Boston-area company. He built it to a reasonably successful company. But it's my impression that he had arrived in this country with the clothes on his back, basically. He was a self-made man, and he had the opportunity to sell the company to Cadence, which was a leading CAD/CAM public company. We helped him hire an investment banker; we helped him in the process of making sure that he held an auction, didn't just talk with one suitor in order to secure the best price. But that's sort of standard fare from a sale of a company playbook, if you will. It's hard to generalize on how much you help the companies on the sale process. I think that the message I'm trying to give is that the experienced venture capitalist has done that, has hired key executives, has dealt with loan agreements, have done all these things, and we don't get into the nitty gritty of all those things, but we make sure that the company and the CEO has the right advisors and gets the right attention on the process. And that's what we're here for.

**CK**: *How do you handle the tension of your work? There's got to be a lot of tension, even if you've kind of modified the risk in some way. Just you personally. Everyone has their different coping skills.*

**HM**: I don't know. Again, I never perceived this job as a highly tense job. I feel it's a hard-working job; I feel it's a job which is intellectually challenging, but I personally did not ever feel it as being a job of extreme pressure or tension. Maybe that's just how I'm made up. I tend to think that Greylock, maybe as part of its culture, has a philosophy of a team approach to things. At our weekly staff meetings, we have a discussion of all the new projects that are in the pipeline, and we make it a point to try and involve as many of the people around the table in the process, as opposed to just a lone ranger individual working. Obviously, once you have a company in the portfolio, and you are the general partner who's on the board, you're going to have most of the knowledge and responsibility on that project. But we have portfolio reviews where the general partner reviews each of his companies on a periodic basis, and the whole partnership is updated on the company and offers their opinions as to — maybe there's an issue of whether the CEO is really up to the task of taking the company the next leg of its venture or not. These are things you don't necessarily have to deal with by yourself. It's a working partnership. So I frankly, maybe I'm far enough removed and retired that I don't remember how tense I was in the early days, but it's not a job that I view as a high-tension job.

**CK**: *So you don't lose sleep over it.*

**HM**: I never lost sleep. Sure, you worry about projects, you worry about things in the firm, you lose a little sleep, but I think that's human nature, but it's not something that depresses you or consumes you all day.

**CK**: *The more I listen to this, your responses, I think that your training at St. Paul's—*

**HM**: Did me some good?

**CK**: *In some way, because I think you just see that there's a hard task ahead that you're going to do, and you can do it because you've done it before. You've done hard things before.*

**HM**: That may be true.

THE BUBBLE AND THE BURST

**CK**: *How did Greylock fare during the bubble and burst in the nineties?*

**HM**: That's a good question. I think the lucky thing was that we were an established firm; we had plenty of capital, we had support of limited partners, so we fared very well during the bubble. We were a heavy investor in the telecom industry, principally one of my West Coast partners, Roger Evans, a former CEO of a Greylock portfolio company in the telecom industry and then crossed over to the other side of the table, as we've talked about. And we were heavy investors, through the work of Bill Kaiser who I've alluded to earlier, in some of the early Internet companies. It was a tide that raised all boats. So if you couldn't perform on an absolute basis, relatively well in the venture industry during the mid to late nineties, there was something wrong. Now, on a relative basis, to continue to be a top performer when the tide was rising everybody, that was harder. But in twenty-twenty hindsight, you're the historian, as I've alluded to, I would predict that that was a once in 200- or 400-year bubble. It was like tulips, it was like South Sea real estate; we're never going to see the craziness that occurred in that period again. And in my opinion, even though it was fun to be a part of that dance and party while it was going on, it's probably a good thing from a world economy point of view that it doesn't happen very often.

**CK**: *Did you have a sense that it was tulip mania, that it was this aberration in—*

**HM**: I think we all had a sense and we all got caught up in it to a certain degree. I mean, if you had been too sensible, you would've said, The prices that are being paid are crazy; we need to lock up the doors and go to Florida for a couple of years until the mania is over. And if you had done that in a logical way, you'd have missed an awful lot of the time to achieve extraordinary financial results for yourself and your limited partners. So there were periods of time — it's hard to believe this — but there were periods of time back in the worst parts of the bubble when your biggest mistake — particularly in telecom hardware start-ups, as long as the engineers were credible and the product was in a hot area — your biggest mistake was not doing every deal that came along, because Cisco and Nortel and Lucent were in such an acquisitive mode that you almost were able to sell companies before the product was even completely developed. It sounds just so nonsensical to anybody who didn't experience those times.

**CK**: *So the due diligence was kind of—*

**HM**: The due diligence was sacrificed, and getting in the right deal was paramount, and oftentimes financial gains were made, as you well know, when substantive companies weren't built at all. The second thing I'd say was that it made us all try and raise too-big funds too quickly. So as I alluded to about an hour ago, Greylock raised a billion-dollar fund because it was sort of the thing to do. If Kleiner Perkins or Sequoia were doing it, what was wrong with Greylock if it couldn't do it? So we raised a billion-dollar fund. Fortunately, the bubble began to show leaks and then crack before we had a chance to put it to work, or we would've lost a lot of money, probably. So that was a good lesson. It shows that even though we'd been around for thirty-five years and longer than most, we weren't immune to falling into the trap that somehow things were different this time.

And then I'd say one of the most interesting times was, in twenty-twenty hindsight, was after the bubble burst, and how you coped with things. And here, I would say that those firms that were able to realize that the rules of the game had changed, had changed hard when the bubble burst, and make some tough decisions, and maybe this would be a little different than what the older days of Bill Elfers and Doriot and "when are you going to give up on your children?" This would be the exception to that rule. If you had founded, in late 2000 or 2006, a datacom equipment start-up, you needed to reassess, when the rules of the game changed and when the bubble burst, whether you needed to just tell the CEO, I'm sorry, but you've done nothing wrong, except for the timing of when you started your company.

And I use this analogy to some people when they were outside asking me about these times. I said, "You know, to a certain degree, I feel a little bit like how an oncology doctor, telling a patient they have terminal cancer, must feel." It was not a fun message to deliver to the entrepreneur, but it was better to deliver it honestly and frankly, and then deal with the problem, than to pretend that the problem didn't exist. And in certain cases, I was not involved at this time on the board, but I was helping one of our younger partners who had invested in a datacom company; and we went and met with the CEO and maybe a couple of his key executives, and the company was going to need — it had raised its series A, typical, doing all the engineering on time and on budget, and the product was coming in on spec, and now was the time to raise the series B, and if it had been three years earlier, the series B would've been three times the price of the series A, and then he probably'd have been acquired by Lucent or Nortel six to twelve months later.

I think that those of us at Greylock and in the venture capital industry realized the game had changed quicker than perhaps the entrepreneur — has his head down and is trying to make sure that the engineering is being done on time. And we had a session with one of them, saying, as I say, like the oncologist delivering the news, we said, You know, we need to shut the company down. We need to close it with as much grace as we can. We need to help everybody try and get new jobs. But there's no point raising a series B. There is no market for your product, and there, as far as we can see, won't be a market for your product until the industry shakes out and rationalizes itself, which could take at least five, and perhaps ten years. And we're not only saving ourselves putting good money in after bad, but more importantly, we're saving you and your employees from spinning your wheels for a three- or four-year period when the game has no chance of success. Just as the bubble was a once in a 300- or 400-year phenomenon, I think that kind of speech was a once in a several hundred-year phenomenon. The rules don't change that dramatically that quickly. But again, to use a tired analogy, the bigger the party, the worse the hangover; we had one hell of a party, and we had one hell of a hangover.

And I think that those firms that had a longer history, who had a longer track record with their limited partners, were able to take the medicine quicker, and not worry about, Well, will this mal-effect our ability to raise a follow-on fund, or whatever; that never was going to bother Greylock. Our limited partners had thirty-five years of great results, and Greylock X would pay back its money. It didn't lose them any money, it just didn't produce a return. But I think we were able to make the harder decisions and get on with life perhaps more quickly than some of the firms that were raised in the nineties and then were unwilling or had other reasons that made them unwilling to take the hard medicine. It's interesting, because when we got in that mode we spent a great deal of time as a group analyzing the portfolio, analyzing which companies we needed to take that fairly drastic shutdown response to, and trying to analyze which companies perhaps were going to have a chance to get through the difficult times and become some successful companies out the other side, even though there was no way we could change the cost basis of our investment made at the height of the bubble. So the cost basis was gone, but the companies still may survive.

The next thing, if you dealt with those problems as well as you could early on— Actually in 2002 and 2003 and 2004, while the pace of new investment was much slower, the price of the deals in 2010 terms was quite extraordinarily good. So if you didn't have your staff tied up with dealing with portfolio company problems at the end of the bubble, you actually had opportunities to make good investments, whereas those firms that were slower to perhaps deal with the problems didn't have their decks cleared quite as well, if you follow that.

And the next thing I'd say is that when the great recession occurred in October of 2008 — Lehman Brothers failed, and the financial industry came tumbling down — the venture capital industry had — at least those of us who'd gone through the great bubble — had the experience of doing that exercise reasonably fresh in our brain. And we were able to meet with our companies, focus them on burn rate, focus them on lowering their burn rate, focus them on their balance sheet, focus them on giving them as many months before they had to go back into a difficult climate to raise follow-on funding as possible. And this time, of course, was never as severe as the dislocation in the '99-2000 bubble. By going through that healthy exercise, the technology part of our economy has really recovered in '09 and '10 much better than the general economy, and our companies, as a general rule, I think are producing better cash flow and better profitable results, because of the learnings from quick response in the '09—

**CK**: *Another issue: What was the lesson of that bubble burst?*

**HM**: I don't know what the lesson is — while the party was going, keep dancing is one lesson (laughter) — but not a very good one, perhaps. But the lesson was that when the rules changed, quick response; focus on reducing your burn rate, stretching your runway until you're bringing cash flow-positive forward as quickly as possible, really concentrating on stretching your balance sheet so that you don't have to go back and raise capital in very unfavorable terms. All of those lessons were drilled into the entrepreneur in a hard way in that time period. And prior to that time period, in the unrealistic times of the late nineties, the lessons were all the opposite: get big fast, you know, money is free, zero percent mortgage kind of things, money is free, equity doesn't cost anything, get as much as you can and get big fast. That's the rule of the game, and all of those rules were just thrown out the window. And I would argue from an economist point of view, those rules were crazy, they lasted a very brief time, and now we're back to much more fundamentals and basics, which are sort of back to the companies I described to you in the seventies: Cash flow matters. Learning how to stretch the dollar matters. And get big fast is sort of an illusion, it will happen when you're ready, but it isn't the paramount way to drive a company.

**CK**: *Did Greylock change its strategy as a result of this, or was it more of a correction?*

**HM**: I don't think we changed the strategy dramatically, but certainly, I think all the venture firms slowed down the rate of investing. And as I say, when capital is free and plentiful, you don't have to worry about being capital-efficient; when capital is unavailable or extremely expensive, you put much more emphasis and importance on capital-efficient projects. If there's a lesson, it's that, and that's what we did. But again, none of these things are rocket science, they're more being practical common sense responses.

REFLECTIONS

**CK**: *Do you see venture capital as kind of a romantic quest? I'm talking about when you first came into it.*

**HM**: Yes. Yeah, I do. I think that there's a great deal of satisfaction if you're involved in helping push new products or new industries and making things available to make either industries more efficient or consumers' lives more easy, or what have you. That part is romantic, I think. It's adventure. It's adventuresome. And I definitely think that is part of what venture capital is all about. That's part of what Greylock's founder, Bill Elfers, believed. I think he was a history major at Princeton, so he would've identified with you. And he — I can't quote them for you — but he'd like to quote Teddy Roosevelt and sort of, "Better to have lived life hard and failed than not to try at all." It was a little romanticism in there, absolutely.

**CK**: *Do you feel that forty-some years later, that some of that romance has left the industry?*

**HM**: Yeah, probably so. You know, I still think the satisfaction is there when you're part of creating a successful, sustainable company, there's a pride that goes with that, an excitement that goes with that. But I think that, like so many things in the world today, we're moving with a greater velocity, and people focus, more than perhaps they should, on IRR and all of those other less romantic financial measures. I'm not saying it's better or worse, but it's just the way it is.

I'll tell you another historical story. Elfers, when he tells the story — when he originally put Greylock together, one limited partner asked him the good question: "Well, it sounds all very good, Bill, but what can I expect from my financial return?" And Bill purportedly said to the answer, "Well, because we are taking greater risk, unless the Dow Jones or the Standard and Poor's Index goes haywire on the upside, over a long period of time, ten or twenty years, we should be able to outperform a basket of publicly traded equities and securities. And if it goes haywire on the upside, you'll have so much of your assets in those securities, you won't care whether we outperform them or not." So Elfer's response was, you know, You're not doing this to achieve 15 percent IRR or whatever; you're going to be having an adventure. You're going to be having fun. You're going to be with exciting entrepreneurs, you're going to be with quality limited partners. And we will be taking risk, and we should, if we do it well, be paid for that risk, and it will reflect in a slight return better than public equities over the long term.

That's a romantic answer. I'm not sure that Harvard's endowment today, when they consider how much to allocate to the venture capital asset class, would accept that as a sufficient answer.(laughter)

**CK**: *How much as venture capital changed since you began? In terms of the new generation of venture capitalists today — the idea of the networking and the band of brothers.*

**HM**: Let me reflect on that. I think we've said, for one thing, just the whole velocity and the scale of the industry has changed so much. And I think that we've also said — so I'm just going to repeat themes that we've already covered — we've also said that, in the first fifteen years of the industry, we were in a buyer's market, in my opinion. By that I mean, there weren't any other sources of growth capital for a small, private technology company. And there were very few venture firms. And so we could take quite a bit of time to do our due diligence, and there was some, as I've also said, since it wasn't just raw start-ups we were doing, there was quite a bit of analytical due diligence that you could do before you'd make an investment. When the industry — and it didn't happen overnight; it happened first in the late seventies, when endowments and pension plans became investors in the industry, and then the flow of funds into the industry happened to notch up again in the nineties, as there was enough success that was reported and glamorized in the public press.

And then we had the dot-com bubble and the industry was haywire: $100 billion was raised in the late nineties, and I don't know how many hundreds of firms started, but the industry got totally out of whack in terms of, instead of being a buyer's market, we're now in a seller's market, and a highly competitive seller's market where we're trying to emerge — Greylock and Sequoia and Kleiner Perkins and Sutter Hill — emerge from this mass, this crowd, distinguish ourselves. So I would argue that the industry changed a lot. Now you were in much more of a selling your brand mode. Of course, the communication by the entrepreneurial community also changed a lot. They are all now well connected with the Internet. They know everything about what's going on. The market has become more efficient. It's not as inefficient as it was back in the seventies. So that means that in all likelihood, deals with serial or well-résuméd entrepreneurs are going to be, almost by definition, extremely competitive. They're going to visit Sequoia; they're going to visit Kleiner. They're going to visit Greylock. They're going to visit whoever else your favorite firms are in the valley, and they're going to play one off against the other.

**CK**: *So you've gotten savvier—*

**HM**: Savvier entrepreneurs, way savvier, for sure. No question about that. So those things are different. And then some of the things just are tried and true values, which are things that, again, I've alluded to earlier, and they're the motherhood and apple pie. You still win deals, not by financial terms — in most cases the market is efficient enough that what firm A and firm B and firm C put on a term sheet are going to be plus or minus in the same range. And if they're not, and a firm wins by just buying the deal, that's probably a bad strategy. So what is the deal going to be won on? It's going to be won on the strength of your brand, the strength of the individual general partners and the impression they can make on the entrepreneur, and convincing the entrepreneur that this financial transaction, particularly if it's a series A, first round, this is not just a transaction; to a certain degree, you're getting married to this venture firm and this entrepreneur, and it's not easy to get divorced. And if you have a bad working relationship, it's going to mal-effect your ability to build the company that you dream to build. And so that's the things you should really focus on. The money is fungible, the deal is about the same. Which firm and which general partner in that firm do I think is going to give me the best chance to build a successful company, to enjoy the relationship? And that's what I'm going to make the decision on.

**CK**: *That's fascinating. I've never had anyone put it in those terms, and now I understand why you can go on the Internet and you can find out what partner and what firm has the best reputation with an entrepreneur.*

**HM**: Right, exactly. And some of it on the Internet is — and not everything on the Internet is true, and some of it on the Internet is unfair, but that's life. And you do your due diligence. I think the other things we've alluded to that are different is that in the older days, I think a generalist could do quite well in the business; today I think you need to have more operating experience and you need to have more depth on a particular industry domain. Because again, if the CEO of this new portfolio company, if he is putting his board together, he doesn't want to put people on the board that don't know anything about his industry. He wants somebody who understands what he's doing and how hard it is. It's hard. And he wants people whose opinion he will respect. I think — and again, everything I've said today and everything you've heard are generalizations, for which there's always the exception. But if you find an entrepreneur who, maybe he bootstrapped the company and he's got some good numbers, he's got good top line growth and he's got some good margins, and the financial record of the company looks great. He's now seeking his first-time investor, and you're attracted initially by that profile— If, in your interviews and your interactions with the entrepreneur, it becomes clear that he really has no interest in your help, he wants to run his own show and he knows it all and he doesn't really want the help, he would like the money and that's it, that's probably a red flag that you ought to listen to, at least for Greylock. Because it's not quite that simple. It's telling you something about the full makeup of the entrepreneur. And it will likely be a limiting factor to his long-term success.

**CK**: *Do you have any venture capitalists that you admire tremendously for one reason or another? If you were to put together a series on—*

**HM**: Partners?

**CK**: *Partners, or a series of books on "these are the people you should talk to because—"*

**HM**: Well, many of them are, as you've already assumed, some of them are no longer with us. Bill Elfers was by far the person that I grew to admire the most. I don't want to make too much of this, but I believe he was a second father to me, in a way. He asked me to give the eulogy at his funeral, so I was a second son to him. So clearly he's at the top of the list. I admire all my other partners. If you move to other firms, I think of somebody like Peter Crisp at Venrock. He's sufficiently older than I am, he's ten years older than I am, he's a person of unimpeachable integrity, and while I never served on a board with him, so I don't know him from that perspective, I just admire the man. But it's more that I know him in different circles, in personal friendship circles, in addition to observing his career as a venture capitalist. I'm sure there's a longer list of people who I think practice this craft or trade, whatever we want to call it, extremely well. People, like, who stood the test of time. I don't know them well; I know their stories. I know Pitch Johnson, and I've met Arthur Rock and Burt McMurtry. These were some of the legends in the industry when I was a young person in the industry. I worked on the National Venture Capital Association Board with many of them. So yeah, there are a lot of people. But if you're talking about somebody who really was inspirational for me, it was Elfers.

**CK**: *Thank you. It's not always an easy question to answer. I know your answer, but I'm asking anyway: Did you ever stop and think that you might've enjoyed doing something other than this, or been successful in some other—*

**HM**: You know my answer. I must be one of a very small number of people in my class at Harvard Business School that have only had one job. That's pretty unusual. So I never second-guessed it ever, and I never — maybe that's a reflection of how limited I am, but I never regretted it, never thought about anything else. I remember, Bill Elfers had a good business associate and friend named Bob Henderson, and Bob Henderson was a senior executive for Honeywell initially, and then he became the CEO of a Boston-area technology firm that was traded on the Nasdaq or New York Stock Exchange called Itek. And Itek Corporation was sold to Litton Industries in 1982 or '83, and Bill and Bob Henderson served together on the board of directors. Bill thought that Bob, at age fifty, would make a wonderful addition to Greylock, and he knew that Bob was not about to move his family, which was Boston-based and -centric, to Los Angeles, where Litton Industries was headquartered. So to make a long story short, he introduced Bob to the rest of us — none of us knew Bob, I don't think; maybe Charlie Waite did, but the rest of us didn't — and we agreed Bob was an unusual, talented individual, and he joined Greylock. And Bill's judgment of talent and character was one of his strongest suits, and Bob made a wonderful partner at Greylock. But after about a year here — he had been a successful CEO of a technology company — after a year, he came in and he said to me, "You know, I can't believe you're paying me to do this job. This is more fun than I had in the first twenty-five years of my career." It was outside verification that this is a pretty good job.

**CK**: *I thought you were going to tell me he didn't like being a supporting actor.*

**HM**: No, he made the transition successfully.

**CK**: *You can use examples with anything because it's always instructive, but how do you see the contributions you've made with the work you've done as contributing to the growth of our economy?*

**HM**: Well, I'm only going to sort of state the obvious here because the NVCA has way better statistics than I will ever be able to rattle off my head. But there's no question that the major growth in jobs in this country have come from small businesses and start-ups, as opposed to large Fortune 500 companies. And Greylock backed, back in the days when we did biotech investments, backed one of the first three or four biotechnology companies in America. We backed a company here in Boston called Genetics Institute, which backed Mark Ptashne and Tom Maniatis, two world-class biotechnology scientists at Harvard; and it was the same time that Kleiner backed Genentech and that Amgen was formed, and those three firms really started the industry. So you can look back and say the venture capital industry not only provided a lot of jobs; in that case, in my opinion, we created an industry that didn't exist. You can say the same thing, I think, to a large degree, about the consumer Internet industry. The development of the technology that gave rise to that industry was government-funded — DARPAnet and other things — but the venture industry were the risk-takers that began to provide the foundation for now one of the largest, most explosively growing industries in America. So yeah, I think we contribute to the economy in jobs, we contribute to the economy in R&D dollars, we contribute to the economy in innovation. I'm sure if you have the statistics correctly parsed, which I don't know off the top of my head, many of the venture capital-backed companies contribute greatly to our exports. I think we contribute to the economy immeasurably.

AWARDS AND PHILANTHROPY

**CK**: *That's obviously rewarding. We're going to move on beyond this. First, I want to congratulate you on your 2004 Lifetime Achievement Award from the National Venture Capital Association. It's nice to be recognized by your peers. And I also read that you received the Harvard Business School Alumni Achievement Award in 2003.*

**HM**: Both of those awards — and again, I hope I don't come across, and you're going to have to edit this if I do, I don't come across as falsely immodest — I greatly appreciated both of those awards. Anybody who spent a lifetime in an industry would appreciate the first, and who had the affection that I do for Harvard Business School, would appreciate the second. But the second award was telling in that it wasn't to me, it was to Bill Elfers, Dan Gregory, Charlie Waite, Henry McCance, Howard Cox, all of us having been graduates of the Harvard Business School, and I really liked that. And when I accepted the award at the NVCA meeting, which was out in San Francisco that year, each of us made — ten-minute at most — brief remarks. I was thrilled to get the award the same year Peter Crisp did. I'm glad I mentioned him as one of the people I admired most. But in my remarks I made it very clear, said I was not accepting this award on my behalf, but on the part of my partnership, because that's the way Elfers, again, taught us. We are not a firm that believes in "a rock star," we're a firm that believes that we work together, we succeed together or we fail together, but that's the culture. So I was very excited that the firm got recognized for those awards.

**CK**: *Then: "Henry McCance is voted one of the ten best VCs by Forbes in 2000, amidst a lot of competition."*

**HM**: Right. Who knows how that award is done? (laughter)

**CK**: *Well, as you've pointed out, people know who to call in a company. So you have to have earned that.*

**HM**: Okay.

**CK**: *Now I want to talk about some of your work outside of venture capital, and I want to also to hear about your family and about being an "entrepreneur in residence."*

**HM**: I've always stayed close to Harvard Business School, and I'll cover both a little bit. My second wife, Allison, who I've been married to for thirty-eight years — we have one daughter, Ellen. Ellen went to Harvard Business School, much to my delight; and she loved Harvard Business School, much to my delight; and she excelled at Harvard Business School. She was a Baker Scholar, which is awarded to the top 5 percent of the class. So I was a very proud father on that. And she graduated in 2004 from the business school. I stayed very close over the years to Bill Sahlman and, less so but fairly close, to the other entrepreneurial finance professors, Felda Hardymon, and Paul Gompers, and others at the school. And I got a call the summer after Ellen graduated. And because Ellen was at graduate school while in a city where Allison and I lived, we had the pleasure of being able to take her and her classmates out to dinner from time to time or out to a brunch. It's really a wonderful thing. You get inspired by spending time, at least I do, with the younger students and seeing how bright they are and how much more mature they are than you were at their age. And in any case, I'd been a little bit more engaged with the business school during that period of time, and I was also on an advisory council at the business school at that period of time, so we met twice a year with the dean of the business to talk about the strategy of the business school, et cetera. So I really have a great affection for that place, and I had a great, positive attitude about its leadership and its momentum.

And I got a call from Bill Sahlman saying, "You know, we're thinking of an experiment this year, in which we would love to have somebody come, and you're our first choice, to be an entrepreneur in residence at the school." And I said, "Well, what does that mean?" And he said, "Well, it's pretty undefined. We realize that you're still working at Greylock, and so we're not asking you to take a leave of absence and become a teacher like Felda Hardymon or like Bob Higgins from Highland had done, but we just think that the more interaction that our students can get with real world people as part of the experience at the business school — and of course we have a lot of visiting speakers and people who come into class to talk about the case that's been written about their company, so we have that anyway — but it would be just nice to have a local presence on campus if you're willing to do it."

So I was sort of a guinea pig in this program, and I agreed to do it. And it really had very small duties. I was given an office on-campus, I did not have to spend any particular time on campus. I was just to make myself available as much as or as little as my schedule would permit. I was asked to give a couple of talks to the private equity and venture capital club, which was a volunteer extracurricular organization that would meet in the afternoon, which I was happy to do, would've been happy to do, not being an entrepreneur in residence. Because of those talks, I got fairly engaged with some of those students and they wanted more intimate breakfasts, so I was able to come in and once a week have sort of have a breakfast with eight or ten students, the topic of which was pretty free-form.

And then the one more, and really only lasting contribution I made, was one of the associate professors had an idea for a case, and he wanted me to help him identify a company which would exhibit the topic that he wanted to present in the case, and if possible to help co-author the case with him. His name was Noam Wasserman. So the case that he wanted to write about was the issue of a CEO entrepreneur founder who then reached a point in his career and in the development of the company where he had to choose, as the professor framed it, to be rich or to be king, meaning to give up the CEO reins to a more experienced executive, to allow somebody else to take over his "baby" in order hopefully to be rich, or to resist that and stay king, but maybe be king of a very small kingdom. So it's a great case issue; it happens all the time.

So to make a long story short, I helped him; I identified three or four Greylock companies that I thought might be material for him to write such a case. One of the things that's very funny, and I think you will find in your interviews, although maybe I'm wrong — I told you earlier that I like to play golf, and most golfers, if you ask them to tell you how their game was, are more likely to tell you about some of their good rounds, and are not likely to want to talk about their bad rounds. Human nature, venture capitalists are the same way. So I offered him three or four potential Greylock portfolio companies that might be the subject of the case, and he said, "You know, these three or four seem to be examples of what at least you believe were successful transitions. It could be equally learning about a situation that didn't turn out well." I said, "No, these cases need the cooperation of the companies to give you the interviews and the material; they're not going to be disguised cases, they're going to have real people and real names. I'm not going to be able to get anybody to cooperate in a story that doesn't have at least reasonable hope for success."(laughter) I rest my case. Also, they had a couple of second-year finance students do projects for credit that were field studies, and they asked me to mentor and grade a couple of those. So that was the experience.

And also, I should add, one or two others. There were a couple of cases taught by the entrepreneurial finance department that were on topics that I knew something about. There was a case on one of our portfolio companies, RightNow Technologies, so when that was taught, I would be in the class to help give a little color at the end of the class. There were a couple of cases that Felda talked about how you thought about valuation issues or something, and I would be a guest at some of those classes. So that was the nature of the job. The only thing that I think I contributed was— Initially they envisioned the job being one term, from September to December. I said to them, "You know, I'm hardly learning where my office is in one term. I would recommend that we make it a full year, because it's too short." The only other contribution I made was that, since I was the guinea pig, they never did figure out how to get me a parking sticker, but I think they've kept the program alive since I left, and have done it every year with either, not necessarily a venture capitalist, sometimes they've had entrepreneurs, sometimes they've had VCs, and I think those people have learned how to get a parking sticker.

**CK**: *You enjoyed this.*

**HM**: Yeah. Again, I wouldn't have done it if my daughter was still in the school, because I wouldn't have wanted to be an imposition or sitting there while she was trying to do it, but the timing was right for me, so I did enjoy it.

**CK**: *It sounds like it. I know you have started or contributed to CAF [Cure Alzheimer's Fund].*

**HM**: Yes. My wife, ten years ago, was diagnosed with Alzheimer's disease. Luckily, it's been a very mild disease so far, and it's progressed very slowly. She's very lucky, I'm very lucky, but it introduced something that I knew nothing about at that point in my life. I would say that up until that point, I had been a reasonable contributor back to society. I had served on the board of a teaching hospital in New England Medical Center, which is the Tufts School Teaching Hospital, for many years, and on the finance committee for that, and I certainly tried to give back in charitable ways to communities like all of us do. But I wouldn't say that it was the primary extracurricular activity in my life up until that point. I wasn't, for example, the head fundraiser for my class at Harvard Business School or for Yale, even though I love those two institutions. But after I learned, really, how widespread this disease is, and it affects about 5.5 million Americans today, and also understood how little we know for an effective therapy, so that the best doctors in Boston would tell me: Why don't you try giving Allison three Advil a day? It might help. Why don't you try giving Lipitor, a cholesterol-lowering drug? It might help. Oh yes, there are some Alzheimer's disease-approved drugs like Reminyl and Aricept; they probably won't help — and this was for a disease that not only affects 5.5 million Americans today, but is likely, if we don't find a cure, because of the population bubble, to affect about 16 million by the year 2050. And because a victim of this disease lingers on for quite a period of time and needs quite a bit of caregiving, for sure will bankrupt Medicare and Medicaid if we don't find a cure— So I was motivated to get more involved.

And it's a nice story for venture capital, because I was approached in this kind of serendipity way that things happen to one in life, by a TA partner, a retired TA partner, Jacqui Morby. And Jacqui and her husband, Jeff Morby, live in Pittsburgh with an apartment in Cambridge and a house in Martha's Vineyard. Jackie's mother had passed away from Alzheimer's disease, and Jeff Morby and Jacqui, both retired, had decided they wanted to sink their teeth into some new philanthropic activity. They approached me, and we together co-founded a new non-profit to try and move the ball down the field a little bit in improving research on Alzheimer's. And because of Jacqui's and my common background in venture capital, we have adopted what I call a venture capital model for this non-profit. And people ask me, Well, that sounds good; what do you mean? And I said, "Well, the first thing that the really great venture capitalists do is they are proactive; they don't sit and review business plans that come across their desk or in email. They go out and they determine who the best and the brightest is, and if they really have an interest, and they network with that person and they try and invest in that person. The second thing venture capitalists do is, usually the visionary is great at the vision and the science, the technology, but not necessarily at the go-to-market, so a role of the venture capitalist is to be actively involved in trying to recruit a team to help reach a sustainable company. And the third thing they do — and not to be minimized at all — is the venture capitalist really doesn't often try and do something that's 5 percent faster or cheaper or bigger; they try and do something a little more transformational. They try and, to use a phrase, "They try and dare to be great." And if you're successful, you create a Facebook or a Google or a Cisco or something like that. So I said, "Those principles, it seems to me, can apply to a research-oriented non-profit." Park that thought just for a moment. And the second thing that influenced me was — and Bill Sahlman at Harvard Business School and I have talked about this; he's written a paper, I'm not sure if it's published yet or not, on this as well — that for a variety of reasons, among the reasons that we've made so little progress in finding a cure for a disease that we've known about for over a hundred years, the financing model for academic medical research in this country is basically broken, and it's broken for at least three reasons. The first is that the government doesn't support sufficient funding for research. We probably spend one dollar for research on Alzheimer's disease for every $400 we spend in caregiving. Can you imagine any of the venture capital success stories spending that little on research and still being successful? It wouldn't happen. I'm not going to be able to fix that problem, but it exists.

Secondly, the researchers who are the world-class researchers in labs around this country, spend 30 to 40 percent of their time filling out bureaucratic forms to try and generate research grants for their labs, not only for themselves, but for the thirty to sixty doctoral students and post-docs that are working in their lab, instead of doing the research they should be doing. And worst of all, thirdly, the research granting mechanisms of well-meaning institutions like the National Institutes of Health have become so risk-averse that the researchers know that in order to get a dollar of grant, they must propose a project for which they already almost know the answer to, so that the research granting organization won't look embarrassed; it'll show that it's a success. But that by definition moves the ball less than one yard down the field, because the research is so uninteresting.

So when we founded Cure Alzheimer's Fund, we said, Look, let's use the venture capital model. And we went out and we found a world-class researcher at Mass General Hospital named Rudy Tanzi. There's no question that he is one of very few, if not the single most important geneticist in Alzheimer's research. We said, Rudy, we're going to back you; you're not going to have to fill out any forms for us, but we want you to recruit other world-class researchers to our team. We're going to make a virtual team here. So you can be the pitcher, but we need a shortstop and a first baseman and catcher, et cetera. So he's the geneticist. He went out and recruited seven or eight equally renowned world-class researchers in other disciplines who've devoted their life to Alzheimer's at institutions like Wash U in St. Louis and University of Penn and University of California

San Diego, et cetera. We got these people together and we said, Okay, we're going to fund you and we want to fund riskier projects than you can get funded at NIH. We want you to have well-designed projects, but they have risk, but if they're successful they'll move the ball ten, fifteen, twenty yards down the field, just like a venture capitalists. And, we don't need a bureaucratic form. You need to give us a one- or two-page business plan as to what the research project is. But because we proactively reached out and identified you, we know that the projects you propose are going to be good ones. Now, we have a scientific advisory board that doesn't receive any funding; just for good housekeeping, they look at the projects. But theirs is not so much to say, This is a good one, this is a bad one. It's to say, Have you thought about improving this proposal by maybe doing something five degrees different? So that's our model.

We raise about $4 million a year, and we spend it all on research. We're five years into it. We've made some important progress. In November or October 2008, Rudy Tanzi published some results from the first project of his that we backed, which was looking for additional genes that are associated with Alzheimer's disease. In December of that year *Time* magazine and CNN recognized it as one of the ten most important medical breakthroughs in 2008, so that was nice independent confirmation that what we're doing is important, and we continue to hope to be making progress. But it's great for me because it takes the principles that I spent a lifetime enjoying working on in the private sector, and with obvious slight differences, I think they are important applications in the non-profit world as well.

**CK**: *And giving back, as you said.*

**HM**: Yeah.

FAMILY

**CK**: *That's just a wonderful story. We did want to include a little bit of your family life.*

**HM**: I've got two daughters. Ellen, I told you, she's a competitor. She was a nationally ranked tennis player like her mom. She's the youngest. I'll do it backwards, because I started with her. And then she went to Duke, and played on the varsity tennis team there, and had a good academic career there. Then worked for four years, two years with Robinson Humphrey, an investment bank in Atlanta, and two years with an Internet start-up, Zefer, in New York City, and she joined Zefer right at the peak of the bubble and then worked as it downsized, which was a wonderfully educational experience for her. Then she went to Harvard Business School, and she is now married, lives in New York City, no children, and she's a senior vice president of strategy for Thomson Reuters in the financial services industry. So she's enjoying her career, it's business-oriented, it's not venture, but I like to think that a few of her business genes came from me, just like mine came from my father.

And then Elizabeth, my daughter by a first marriage, she went to Yale — she was always interested in the environment, she was a biology major at Yale. Her grandfather, my first wife's father, my father-in-law, was secretary of interior under Gerald Ford, and she got to travel with her grandmother and grandfather to Alaska. She got to travel to various parts of this country which were very much oriented towards national parks and the environment, and I think that was the root of her interest in biology and environmental studies. She went and received her PhD in environmental studies from the University of Michigan, and was working in a non-profit environmental project when she became a mom. She's currently mother of a four-year-old and a one-year-old in Westport, Connecticut, and will probably go back to work in some capacity in the environmental studies area when that's allowed.

**CK**: *And your wife, Allison — you say you've been married 38 years.*

**HM**: Yeah. She used to be a grader at Harvard Business School. I didn't meet her then. She became a grader of business policy after I had graduated from the business school. She was a tremendous athlete, a number one ranked woman tennis player in New England when we got married. She has been a great housewife and mom to Ellen, still actively plays tennis and golf, author of a cookbook. She's had a full life as well.

**CK**: *What's the name of her cookbook?*

**HM**: The cookbook is probably a hard-to-find item. We wouldn't say it's a bestseller. She co-authored a cookbook called *Clock Watcher's Cookbook*, and it was published by *Yankee* magazine's press. The theme of the cookbook was for the busy mom and housewife or worker, these are some recipes that you can prepare ahead and serve on the table in minimal time.

**CK**: *I think setting your mind to publishing anything and finishing it, the galleys—*

**HM**: It was quite an accomplishment, let me tell you.

**CK**: *Quite an accomplishment. The sales aren't the whole story.*

**HM**: Believe me.

**CK**: *You're back from a cruise. I'm sure that travel has been part of your—*

**HM**: Travel has been part, but not as much as you might think. The venture capital business involved a lot of travel for me because of the West Coast office and boards. With my wife's disease, change is not easy for her. She thrives better in environments she knows. So frankly this trip was a little bit of an experiment, because I wasn't sure whether she'd be up to it or not. It had its challenges, but overall it was a success. But travel is not a big part of our lives. I think a bigger part of our life is enjoying to play golf, which she can still do, enjoying to play tennis, which she can still do, and our family. We're fortunate to have a nice house in Florida where we can do both of those and have family visit, and a nice house on Fisher's Island where we can do both of those sports, have family with us during the summer. So I'd say that's more important than travel.

**CK**: *With all you've contributed, what kind of legacy would you like to leave?*

**HM**: Oh man. You know, I didn't do any of this for a legacy. I think all of us would like to think that in some small way we're leaving the planet a little better place than when we got here. We realize that it's a grain of sand we've contributed, not much more, but if everybody did that way, then the place would be in okay shape. So my legacy is enjoy life, contribute a little bit back, and try and make it a better place. I think that's about the sum of it.

**CK**: *Thank you. It's been wonderful, and I want to thank you for National Venture Capital Association, for participating, and always from Chuck Newhall, because, as I said, he really was the heart and soul of this project.*

**HM**: I'm so glad he started it, and I thank you for doing what you're doing.