Oral History with William P. Egan

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National Venture Capital Association
Venture Capital Oral History Project

William P. Egan

Interview Conducted by
Carole Kolker, PhD
November 4, 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.

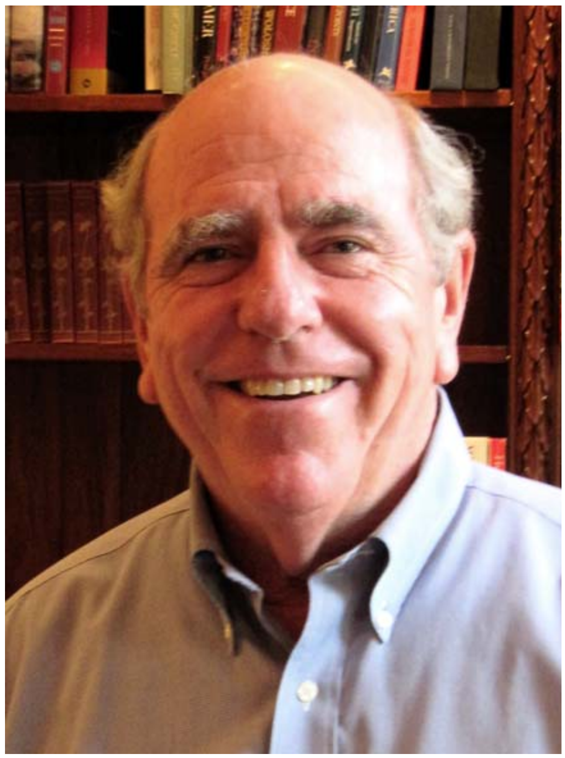
As the venture capital industry prepares for a new market reality in the early years of the 21st century, the National Venture Capital Association reports (2008) that venture capital investments represented 21 percent of U.S. GDP and was responsible for 12.1 million American jobs and $2.9 trillion in 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 William P. Egan

Bill Egan is a founder and General Partner of Alta Communications. He founded Alta's predecessor firm, Burr, Egan, Deleage & Co. in 1979, one of the earliest bi-coastal venture capital firms in the US. Prior to founding Burr, Egan, Deleage & Co.[BEDCO], Bill was a Partner at TA Associates. Bill began his career as a Manager of Venture Capital for New England Enterprise Capital Corporation.

Bill has identified and backed several of America's leading growth companies in the information technology, life sciences, and communications industries, which include Continental Cablevision, Cephalon, American Superconductor, SyQuest Technology, Asurion and ServiceSource.

Bill is past President and Chairman of the National Venture Capital Association, a Trustee of the University of Pennsylvania, a Member of the Board of Overseers at The Wharton School, and a former Trustee of Fairfield University. Bill is also a member of the Board of Directors of Village Voice Media, Cephalon, Inc., and CRH plc.

Bill received a degree in Economics from Fairfield University and an MBA from the University of Pennsylvania's Wharton School of Finance.

The following is an interview with Bill Egan of Alta Communications. This interview is taking place at Mr. Egan's home on Beacon Street in Boston, Massachusetts. Today's date is November 4, 2010. This interview is being conducted for the National Venture Capital Association's Venture Capital Oral History Project. My name is Carole Kolker. [This interview has been lightly edited for clarity.]

THE EARLY YEARS

Carole Kolker: *We're going to get started, and I'd like to start from the beginning. When were you born, and where?*

Bill Egan: I was born in 1945. My birth date 2 - 3 - 45, if you can believe it: February 3, 1945. In Newport, Rhode Island.

CK: *How come your family was living in Newport?*

BE: My father is from Newport, and my mother is from Jamestown, Rhode Island, which is a little island across the bay from Newport, just nine miles long and a mile wide.

CK: *How did it happen that they were living in Newport?*

BE: Well, my grandfather came off the boat from Ireland. My father was born and raised in Newport, one of seventeen children. I know, I can see the look on your face. It was a good Irish Catholic family. And he was the absolute middle — he was the ninth of seventeen. And my father never got past the ninth grade in school, and my mother was from the next little island, Jamestown. My mother was college educated. I think her family thought she was stepping down a little to marry someone who— And my mother's family was an old Scottish family. They were one of the first families on Jamestown.

CK: *And her maiden name?*

BE: Was Peckham. In any event, my mother met my father on the ferry that used to go from Newport to Jamestown. And long story short, I'm the youngest of six children. When my mom and dad married, they had six children, I'm the youngest; and I did not grow up poor. My father was a very successful guy in Rhode Island, did very well, up from nothing. And even as a kid I can remember having the governor at the house and senators and different people. And to this day I love telling the story that my father — always — they'd always say — he'd be somewhere, and one of the people'd say, "I went to Brown," and this other guy went to Harvard, and they'd say, "Jack, where'd you go?" And he'd say, "I went to Lenthal." And there'd be sort of this pause, and they'd go, Is that a small school? "Oh yeah, it's a small school." Well, it turns out it's still on Spring Street; it's now a condominium, but it went to the ninth grade — it was a junior high school in Newport, Rhode Island, and of course nobody had the nerve to say, I never heard of Lenthal.

CK: *So what did he end up doing?*

BE: My dad was an entrepreneur. He didn't start out as an entrepreneur, I can remember him telling me stories. He worked for the state for a brief period of time, and then he started a little trucking company. And if you know Newport, it's all the really wealthy families that live on Bellevue Avenue and Ocean Drive, and he delivered trunks and big things. And I could always remember him telling me this story. He said, "The one thing you have to remember in business is if you own a service business and you interact with the customer, like you're doing a delivery, you never admit that you own the business." And what would be the reason you wouldn't admit?

CK: *Get complaints?*

BE: No. You won't get a tip. So you always want to just go in and be the employee, because then you get a tip. He's a very practical guy.

CK: *Well, that was pragmatic.*

BE: Exactly. Really, my family was in the laundry and dry cleaning business. So I grew up in Newport, and Newport's a funny place. The really wealthy summer people, and then there's sort of the upper-middle-class people in Newport, and then Newport has its own level of poverty, which most people don't know about. But I was definitely in the upper-middle-class, if not higher. I lived in Newport in the summers, and in the winter I lived in Sarasota, Florida, so I cannot tell some hard luck story, but my dad could. His grandfather was from County Cork, or his father, my grandfather, and he lived in Newport.

CK: *So you have an older brother. How much older?*

BE: He's fourteen years older. And my dad died when I was fourteen. So my brother is like my father, even to this day. He's alive, and he's like a father.

CK: *So he's almost eighty.*

BE: Yes, seventy-nine. Jack. He's named after my father, John J. Egan, Jr. My mother's name is Marion Peckham.

CK: *How did you get along with these siblings?*

BE: I was the baby; it doesn't get any better. As my wife said, I still haven't grown up. I had a mom and dad, but from fourteen on, I really had five women, you know what I'm saying? I had a mother and four sisters, and we had a woman who worked at our house who was the cook. So I never did a thing. I don't think I ever knew how to make a bed. No, no, I had a charmed life, in the sense that when I was young, I'm told — I don't remember this, and I'm not good at memory — by my sisters that when I was a young boy, my mother would take me every day to get a toy. I'm not saying that's true. But having said that, on the other hand, I will tell you this: My mother died, it's got to be, oh gosh, fifteen years ago, and she died at seventy-five. There was nothing I would ever do to disappoint my mother. She took great care of me, but I felt the responsibility the other way.

CK: *She must've done a good job.*

BE: Time will tell.

CK: *What were your interests as a child?*

BE: I loved sports. Now I have sixteen grandchildren. I have four grown children, and I have sixteen grandchildren. And I try to tell all my children and grandchildren that you might as well love school because you're going to spend a lot of time at it, and I always did. I loved school. I loved sports. I played little league baseball; I played, in high school, football, basketball, baseball. But I also always loved school, and I loved college. It was fun. And it wasn't like I was some great student, but I just enjoyed it.

CK: *Were you a reader or more of a tinkerer — indoors or outdoors?*

BE: It's a terrible thing. I'm not a great reader. My wife is a far better reader than I am today, because I read so much at work that I don't tend to read as much just for pleasure. But I think, for me, it was probably fairly shallow. I loved the competition.

CK: *Reading is not a competitive sport.*

BE: No, but I'm saying I tried to do well at things because it was fun to compete. It was fun to do well. I love math. And my father, who, as I say, never got past the ninth grade — and I think I have an affinity towards math, as my father did. He could add columns of figures in his head faster than someone could do it on an old mechanical— And I can still, in meetings someone will say something, and I'll say: "that's roughly 47 percent," and it'll be pretty close. So I like math, I would say. I did fine at other things. But I would say even from a young kid, I always loved business. I've worked in my family's business, and I grew up in the business. But my mom and dad were people who believed you had to work. And particularly for me. I had to be at work at six in the morning at the laundry. And if I was a minute late, for every minute I was late I would get docked a dollar's pay, at the time. This was a long time ago when a dollar was real money. So I think that probably got me where— I'm a very punctual person.

CK: *Following up on that, how would you describe the values in your home — we've already talked about work — towards success, towards education?*

BE: Education was huge. I don't think my father or mother really focused on success per se. But they definitely focused on education, because my father had not gotten a college education. He was absolutely bound and determined that all of the children would get an education. My brother went to college and has a law degree, and I have one sister who has a master's degree. We all went to college, and then I went to business school as well. And my mother was a teacher. She was educated and was trained as a teacher, and she taught briefly, before she ended up with six children. So I think education was something that was important. I would say, for me, my mother was more formative than my father, because he died when I was fourteen. But my father always worked very hard, so that was something I saw, even though he was successful, he always worked very hard. And my mother was an extraordinary woman in the sense that I can honestly say — and my sisters and my brother, we still talk about it — my mother never had a bad word to say about anyone. She said: "If you can't say something nice, just don't say it." And even in Newport today, people still remember my mother as just a very nice person, which also doesn't give the complete picture in the sense that she was a very— I would say all of us probably worked harder to please my mother than my father. I think it's interesting. You see a lot of athletes, they'll always say, "Hi, mom." And I think it's probably true about business people, too.

CK: *I think so. Someone even mentioned to me that if you want to know why certain companies are located certain places, look where their mothers are, or something like that. I never did a study, but I thought it was an interesting comment.*

BE: My mother was a great motivator, but in sort of a non-assertive or -judgmental way.

CK: *Like a steady hand on your back.*

BE: Mm-hm. It was almost more, for sure, for me, I just never felt like I wanted to disappoint my mother.

CK: *Life was certainly difficult for her if your father passed away that young, and she had six children.*

BE: Right. And my brother didn't get married until he was almost thirty-six. He took over the business. He was a lawyer in New York, and he came back and took over the business. And as I say, he was sort of my mentor from there on. He really raised me.

CK: *You're lucky to have such a big family. How would you describe yourself as a kid? Were you outgoing?*

BE: I was probably less outgoing than I am now. I think I was a pretty average kid. I don't think there was anything about me— I was always very competitive. There were certainly lots of people who were better than me at almost everything.

CK: *Passionate, exuberant about what you did?*

BE: Yes, to this day it's the same, and it's a strength and a weakness, if I take something on, I don't want to go halfway. When I was a kid, I really loved basketball, and I played basketball five hours a day. I'd go home, I'd do my homework, and then I'd go out and

I'd play. When I was younger, after I was married and I had young kids, I took up tennis, and I played tennis with intense activity. And when I hit my early forties, my boys said to me— We were in Arizona and I had never really played golf at all, and I took up golf; and I've probably played fifty years of golf in the last twenty-five years, because I've played more golf than any intelligent human being should do, and I should be much better for the amount I play. So I think that that characteristic probably has been there for a long time. When I get into something, I'm not someone who is very good at doing it in moderation.

CK: *So you must be blessed with high energy.*

BE: My wife would say I do, yes.

CK: *When you were graduating from high school, how did you see your future? Where were you going to go; what did you want to do; did you have any idea?*

BE: Yeah. I can give you the short version or the longer version. I don't look like it today, but I was actually a decent basketball player. I was in Florida in the lower years; then my dad died when I was in the ninth grade, and I came back to Newport, and I went to a Catholic boys' high school, coat and tie, the whole thing. But then I went back to Florida, my sophomore year, with my family — with my mom and—

CK: *You moved to Florida?*

BE: We'd go to Florida in the winter.

CK: *So you would go to school in Florida.*

BE: Yeah, I went to Sarasota High School in Sarasota, Florida, my sophomore year in high school, and I was on the basketball team. I was one of the only sophomores on the team. But anyways, I ended up going to the state tournament at University of Florida. It's the first time I actually ever interacted with a lot of girls and seeing how pretty they were and everything, because all I ever did was play sports. So anyways, my junior and senior year, I came back to Newport and went to this nice Catholic, Christian Brothers — it's De La Salle, but it's a Christian Brothers school. And I went there my junior and senior year.

FAIRFIELD UNIVERSITY BA 1967

CK: *Was there a reason why your mom wanted you to go there?*

BE: Yeah, it was a good school academically and that type of thing, in Newport. But I decided when I was coming out of high school, when I was in my senior year, I was thinking of going to a number of different schools here in the Northeast: Holy Cross, which is in Worcester, Massachusetts; Williams College; and I looked at Duke as well, but I also applied to the University of Florida, because I'd been there for my basketball, and that's where I decided to go. And I lasted there all of five days, because literally the floor of the dorm I was put on was bigger than my graduating class in high school. There were like sixty kids.

But anyways, and by that time also, when I was about ready to go, I had met my now wife, and she was a sophomore in high school. And so I was missing her. My brother, who never wanted me to go there, who wanted me to go to Holy Cross, which is where he went, because he went to Holy Cross and then Georgetown Law School. He said, "You made your choice; stick it out." My mother, who was always supportive of anything any of us wanted to do, said, "If you're not happy, come home." Which is pretty extraordinary, you know what I'm saying? How many people just say, "Come home"? And I said, "Well, I gotta go to school." And so she called Holy Cross — we knew a lot of Jesuits, my mother did, because of different things. And they said, Well, you know, he may be in your mind — I'm paraphrasing — the closest thing to Baby Jesus, but like Baby Jesus, there's no room in the inn, so he can't get in here. But they said, There's a nice little school in Connecticut called Fairfield University — another Jesuit college, which at that time was all male, and that's where I went. And I ended up going there, and it was the greatest thing I ever did, and it was a great place, and I got a great education. And for twenty years, up until about five years ago, I was on the board of trustees and have been very active. And in fact, I'm having lunch today with the president of the university.

The point of the story is, I try to tell people who come in to see me who are MBAs and know exactly what their life— I always try to say to them, "Let some things happen, let the game come to you a little bit. Life's a bunch of twists and turns." And it's one of the reasons I think I naturally was comfortable in the venture capital business when I fell into it, was because it wasn't cookie-cutter everything. I ended up at Fairfield, and then I ended up getting married my junior year in college, and I had one child when I got out of college. I was twenty years old. My wife was eighteen.

CK: *You graduated Fairfield in '67.*

BE: Yeah. In '65 I got married. My wife was eighteen. It was an all-male school. As I tell the president, I took it coed before you took it coed. And then I had a child at Fairfield, my oldest daughter, Kristin. And then when I was getting out of college, I really couldn't get an interesting job, so I applied to business school.

CK: *Can I ask a couple questions about Fairfield. What did you major in?*

BE: Economics.

CK: *How did you see that as being a path to your future in any way?*

BE: Because it related to money and banking and finance and economics. I liked that better than English or history. I had wonderful, wonderful teachers. I had a woman professor, Joan Walters, who was an economics teacher, and she was *fantastic.* She was *fantastic*. And when I went on to the Wharton School, when I went in, I think I was maybe the youngest person in the class because I went right out of college to business school, which was semi-unheard-of at that time. But I now know how I got in, because I've been on the board of the Wharton School for a number of years now, and they like odd ducks. It's not a simple story. I was a guy who was married, I was young, and I had good grades.

CK: *You did well.*

BE: Yeah, you can't not do well and go to the Wharton School.

CK: *But you did well at Fairfield, obviously in spite of the fact that you were married, had a child.*

BE: Yeah. And I loaded trucks at night for United Parcel when I was in college. I used to work from four 'til eight in the morning.

CK: *Because you said about your high energy, I'm going to accept this as—*

BE: Yeah, I did. I never joined the union. I quit before they were going to kill me, because I never actually joined the union. I loaded trucks in a depot in Cos Cob, Connecticut, my junior and senior year in college, from four to eight. And the reason I did was not because I was some incredibly hard worker; those were the best hours for me to work, because that meant I could still play intramural flag football and basketball and stuff, because that's not happening from four to eight in the morning.

CK: *Were you working for your family to have an income?*

BE: Yeah, but I wasn't poor. Right. Yeah, it was working to make extra money, and it was good money.

WHARTON SCHOOL, MBA - 1969

CK: *But you still played sports. Were you involved in any other organizations?*

BE: Not a lot, no. But I played flag football and intramural basketball. So when I was getting out of college, I couldn't get a good job. I applied to business school. My brother knew some people who wrote nice letters for me and supported me at Penn; and I ended up going to the Wharton School, and I did well at the Wharton School. We had our second child when I was in business school; I worked part-time there, I used to substitute teach in the Philadelphia school system in West Philadelphia one day a week.

CK: *Teaching math?*

BE: Teaching nothing. Just essentially trying to — just keeping order. But it was a wonderful experience, because you saw so many great kids. This is probably not appropriate for this conversation, but I went to see this movie the other night, *Waiting for Superman.* You have to see it if you haven't seen it. Because it really tells you how important our public school system is, and the problems that are displayed in this movie I saw in 1969. So they're not new problems. And the Philadelphia school system in 1968, '69, on any given day, 20 percent of the teachers were out, and I would be one of the substitutes. We haven't made a lot of progress and we desperately need to, but that's a subject for another time. Carole, my only point in telling this whole story is that there isn't any one way to do things. If you just took my activities— Here's a guy who got married as a junior in college, had a child, had a second child; I had three kids by the time I was twenty-five and my wife was twenty-three. It's insanity.

CK: *You've got it all behind you and then you can— You got the hard part done early.*

BE: Exactly. Well, now I'm having fun. I go see all my grandchildren play their sports.

CK: *What were you learning at Wharton that excited you in terms of your direction you might go in?*

BE: When I was young, I always thought I would be in an operating business, and in an entrepreneurial kind of activity. And I would say probably at some point when I was young, I thought I would try to do something politically, because I loved government, and I loved the idea of service.

CK: *Where did that come from?*

BE: Both my parents were engaged in the community. My father was politically active. As I say, in Rhode Island there wasn't any point in being a Republican, so he was a Democrat, although I would call him a fiscally conservative Democrat. My mother, I think, was at one point head of the Democratic Party in Rhode Island, state committee or something. So we grew up around that stuff. But anyway, I guess one of the things when I went to Wharton, I was opened up to how many smart people there are in the world and how many talented people, and how many opportunities there are. And really, I think I ended up at Wharton because my brother really helped me, he really thought me through what to do. I spent my first year, my summer year, between years at Wharton, I spent at a big company, at International Paper in New York. And I took that job intentionally because I wanted to see how I would do in a big corporate setting. And I commuted from Philadelphia to New York every day on the train with three or four of my buddies, and they were working at different places. One was at Chase Manhattan, and another guy was at one of the big ad agencies, and they're still some of my closest friends. But we all wanted to do something a little out of our comfort zone and see what it was like, and I went to International Paper. And people could not have been better people, and it could not have been a better experience in the sense of the quality of people. But I knew I could never work in a big company.

CK: *Because?*

BE: It just wasn't going to work. I don't know; I can't put into words; I had no aspirations to be like the president of a big company. Maybe I can put it in words. I knew that when I got out of business school, I was going to move back to Boston or to Newport, because that's where my wife and I were from. So I had a really simple approach, and I'm not saying this was right or wrong, it just was right for me. Geography really mattered to me, because I wanted to be around my family, and my wife wanted to be around her family. And I probably had an unrealistic view that I could do well anywhere, so why go somewhere else? I didn't want to go to a big company, because I knew that I would end up having to go here, there, and everywhere, and I didn't want to do that, which people who do like it, it's great. I have a sister whose husband's a retired three-star army general, and they've traveled all over the world, and they got tremendous advantage and benefit from it. So I'm not arguing. It just wasn't for me. So when I was getting out of business school, I said, "I don't want to go to a big company."

NEW ENGLAND MERCHANTS BANK 1969 - 1971.

CK: *Did you have any mentors? Did you find anyone at Wharton that was inspiring in any area?*

BE: I had teachers who were terrific. I had a finance professor who was terrific, Michael Adler, who was a fabulous teacher. I had a number of great teachers. But I would say, up to that point in my life I would say my mentor was my brother. But when I was getting out of business school I said, "I don't really want to go to work doing something specific, but I don't know what I want to do specifically." So I talked to a lot of banks and investment banks about going into that. At that time, the term venture capital nobody even knew, in 1969. If you said venture capital— I didn't know the term, didn't exist to me, or private equity, for sure. So I came to work here in Boston for the New England Merchants Bank, which was the smallest of the four banks in Boston. There was the First National Bank of Boston, which was the giant; then there was Shawmut, State Street, and Merchant was the little one.

CK: *How did you get this job?*

BE: I interviewed for it. They went to Wharton. I interviewed for a number of banks in New York, although I didn't want to live in New York. In interviewing, I realized it probably wasn't going to be practical, having a wife, two kids, to try to live in New York. Merchants was where I found my first real mentor. He was the executive vice president of the bank, a guy named Arthur F. F. Snyder, who is still alive, he's in an assisted living facility; he's a fabulous guy. [Arthur Snyder died, December 30, 2010.] When I interviewed with him, I pretty much knew that I was going to go to work there even though it was the lowest-paying job I was offered. (Laugh)

CK: *Why did you feel that way?*

BE: Because he was a fabulous guy, and I thought the chance to work with him would be really a great experience.

CK: *What was it about him that you found inspiring?*

BE: He was very energetic, very quirky. He was the executive vice president at the Merchants, and the New England Merchants was known at that time as the banker to Route 128, to all the high technology companies. And so Mr. Snyder — I still have a hard time calling him Arthur, because he was always Mr. Snyder to me. But he was the guy who really did that lending, and he had a lot of very strange characteristics. In fact, he wrote a book, which I don't think I have a copy of here, but with a lot of his, what I call almost eccentricities about how he evaluated businesses and people and everything. So as I described it once, working with him — and I worked with him directly for about eight months, and then went off, he put me doing something. But for about eight months I would literally sit when people would come in at meetings with him. And as I described it once, I was like an ashtray in a no-smoking restaurant; I was present but useless, because nobody even cared if I was there. I was just a potted plant. But I would listen, and he would ask people things, and he was a sailor by background. And as I described it to someone, the way Mr. Snyder did things, he would almost tack with you; to get to a point, he would go from here to there to there, and he would ultimately get to where he wanted to. In the process he evaluated you. My style was totally different to his, because my style is very direct. I don't tack at all, but it was interesting to watch.

CK: *Why do you think he hired you and had you sit there as kind of a disciple?*

BE: He had done this for a number of years. He would bring someone in every year and work with them, and then send them out into the system. And one of my, later, best friends had done it before me, who had been at Wharton, a guy named Rod McLeod, and then he brought me in. And you know, the relationship between Mr. Snyder and I was, I think, almost instantaneously positive, because when I left the meeting with him — and I interviewed with a number of people at the bank — but when I left the meeting with him— Actually I had dinner with him this summer with his daughter and a guy that had backed into business through the bank, and it was sort of just a get-together. He was reminding me that when I left, he called my wife in Pennsylvania and said, "You make sure he comes to work here. Don't let him go anywhere else."

CK: *Was he a father figure in any way? Was he that much older? Was there something paternal about him?*

BE: No. He's a fabulous guy. He was a guy who really challenged you in a positive way. But he wanted results. He's a Quaker by background; he went to Swarthmore College, and he's just a very smart guy. And what happened at the bank — he also not only ran the lending, but we had a little SBIC called New England Enterprise Capital, and he sort of ran that out of his hip pocket. And making a long story short, I worked for him for about eight months, and after about eight months I realized that sitting in meetings where I was the ashtray with no cigarettes being dumped, I asked him if maybe I could do something more direct. They had just started a workout loan department in the bank for bad loans. So I went into that department as sort of the young MBA along with a guy who was an older fellow named Vinnie Palumbo, Vincent Palumbo, who had come up through the receivables and inventory department. And Vinnie was very street-smart, and intellectually very smart, but not as much education. And I worked, purportedly, with Vinnie; in my mind I worked for Vinnie, because he had forgotten more than I would ever know. I worked in the workout department, and it was the best job that I ever could've had early career, because all I did was work on bad loans that I didn't make. And as I described it to someone one time, I said it was like being a battlefield surgeon. If the patient died, there was no shock. How many patients come off the battlefield and make it? And if they made it, you were considered a genius. So there was no downside. You could make all sorts of bad decisions, but if you made a few good ones you were heralded as really pretty smart. And through that process, where I couldn't get paid on some loans, I said, Well, if you can't get blood from the rock, why not take a piece of the rock? So I had the bank own a piece of some of these companies, and they ended up turning out really well.

CK: *So this was your idea.*

BE: Yes. And I didn't even know what venture capital was. But that is how I ended up— Then from the workout department, I went and ran the little SBIC, which then was called New England Enterprise Capital, which was their little vehicle to make investments. And that's really when I started, in about 1970, '71, at the bank doing that. And it was through New England Enterprise Capital that I met Peter Brooke, because one of the businesses I was going to invest in, I took over to TA [Associates], because there were only half a dozen, at most, firms in Boston who did venture capital, TA being one of the most prominent, and I took it over there to see if they would invest in it, and they did.

And that's where I met my later partner when I started — Craig Burr worked at TA, and Craig and I later started Burr, Egan, Deleage. So it's a very small world. And so Arthur Snyder was my first mentor, and then Peter really is my second. I spent from, I think, 1971 or 1972 'til 1979, 'til I left to start my own firm, at TA, and Peter was really the driving force.

TA ASSOCIATES 1971/2 – 1979

CK: *So why did you leave New England Merchant. Did you just say, "I've had a better offer?"*

BE: I left the bank, because I had no desire to be president of the bank. What I was doing there was great. I liked running the SBIC. And the SBIC was really fun, making these investments and stuff. I would've found it less exciting to go back into the bank in some bigger role than doing what I was doing. But I could go to TA and do what I was doing on a bigger stage. Now all of a sudden I knew what venture capital was. And I can remember when my kids — again, this is the early seventies — I would go to things at their school and people would say, What do you do? And I'd say, I'm in the venture capital business. And someone would say, What's the venture— ? And I'd try to explain how we invest money and create businesses and hopefully grow businesses, and they'd say, Oh, you're a broker. And I'd say, No, I'm not a broker. It got to the point where when I would go to school, I would just say, people would say, What do you do? and I'd say, I'm in the investment business, because frankly nobody cares anyways, so it was easier just to say. And my wife used to say to me, "You ought to be a little more precise because it sounds a little almost like you're mob-related or something," "I'm an investor." I didn't give any sense of— But the point was, at that time people didn't understand this concept at all. Even if you explained it, it just seemed very amorphous. So I went to TA.

CK: *Did Peter invite you? Did you go and ask him for the job?*

BE: No. Peter very much offered me a job, and as much as I loved Mr. Snyder — and it was a very, very tough thing to leave him. I think he understood also that my goal in life was not to be the president of the New England Merchants Bank, that wasn't what I wanted. It's funny in life, different people have different things that they want, and that wasn't something I wanted. I loved investing in these deals, and so I went over. And TA at that time was a small group. It was Peter; it was Kevin Landry; Craig Burr, who I said later became the founding partner of another firm with me; as I said, Grant Wilson; I think John Wright was there at the time. And it was a really small group, and we were all very energetic, very engaged. And the business, at that time there were less than five firms. There was ourselves; the banks all had SBICs. The First National Bank of Boston, a guy named Dick Ferrell ran that; there was Federal Street Capital, which was a combination of the Shawmut and State Street Bank; the New England Merchants had an SBIC; then there was TA and Greylock. That's about it. And it was a fabulous time. Peter could tell you better, but my recollection is I went in when they just started Advent Two, and that was a $10 million fund, the entire fund. We were making investments, $300,000 investments, $500,000 investments. We had some pretty successful companies.

CK: *How did you find Peter?*

BE: Because I had had this deal that I got— It's a wonderful story. It was a company here in Boston called Breck's of Boston, which was an old company, which was in the mail order business, and their main thing was tulip bulbs. There was a fellow at the bank, who was the banker on it, and they needed some equity, and he came to me and the SBIC, which was very common. Bank people would say, Hey, this company— And I looked at the business and it looked terrific, and then I took it over to TA, and Craig, who was a new guy there, looked at it. And one thing led to another. And then also, Allstate Insurance, a guy named Rich Dumler looked at it, and we ended up investing it. And don't hold me to the numbers, but I might've put $250 [thousand] from the bank and Craig might've put $250, and Rich put $500, so it was $1 million, back when $1 million was a lot of money. And within less than a quarter we were going to lose all our money. I won't say there was fraud, but I will say I'm pretty certain there was fraud. And I can remember sitting in a little coffee shop with Rich Dumler and Craig, and I said, "This is a disaster, and we're gonna have to write this thing— " By the way, the guy in the bank got all his money back because there was enough collateral to pay him off. Story, quick: We lost all our money in eighty-nine days. It's the worst loss I've ever taken on a per diem basis in my forty-one years in the venture capital business; all the money in less than a quarter. In fact, Rich said, "Can't we do something to at least keep it alive so it makes the quarterly report at full value?" And I said, "You can, but I'm not, because it is what it is." So it's actually fairly curious, and I don't even know if Peter would remember. But I also had another deal with the bank that turned out to be very successful, that I had previously had TA invest in through the workout department, called First Data, and they had made a lot of money on that. So it was sort of natural that they were looking for someone, that I was someone they knew and liked. So I came over. But the truth was, that was a fiasco.

CK: *So you said that Peter, in a way, became another mentor.*

BE: Without any question. Yeah. I would say Peter was a huge mentor.

CK: *In what way?*

BE: I would say with Peter, I really learned how big the world is, and how much opportunity there is. Peter's a fascinating guy. Again, this is my opinion. To me, he's enormously interested in development, both in the U.S. and around the world — in economic development — but in a very unselfish way. Peter is not driven by just making money;

he's a real visionary. I would say more of a visionary than certainly myself or a lot of the other people in the business. And so he really— I can remember early on, when I was at TA, he was, at that time, trying to help some people in France start Sofinnova. I was a young kid, and I didn't know anything, but I thought I knew a lot, and I would just think, What a waste of time. What a silly activity. And by the way, I would say this to him, so it wasn't like I was talking behind his back: "Do whatever you want, but I just want to make sure the paycheck's going to be there and everything."

But it was through Peter, really, that I got involved in Sofinnova in France, where I met Jean Deleage, who was later the third partner at Burr Egan and Deleage. That's all through the connection with TA. And I think Peter — I think anyone in our business who does okay or who does well has to be curious. You have to be intellectually curious. But I think Peter had a way of drawing that out of people better. The hardest thing I probably did was when I left TA. Peter would probably confirm this. He was pretty angry at me. Mr. Snyder, Arthur Snyder, was not angry at me, he understood. Peter was very angry, and probably for a year or two we did not have a great relationship. I had a great relationship with him, because I thought the world of him and I never stopped thinking, but I don't think he thought the world of me.

CK: *That might've been how much you meant to him.*

BE: And my point is, it's amazing, it sorted through, and to this day, I would say if I hadn't met Arthur Snyder or Peter Brooke, my life would've taken a different turn. Whether that would've been better or worse, who knows? I doubt it could've been better, because I love my life.

CK: *There's your answer. What made you think you were well suited for venture capital, based on what you were learning?*

BE: One of the things I think — and this I really did think about — having grown up in a business, in an operating business, in the laundry and dry cleaning business, which is certainly not a fancy business— What's interesting, people really do like their shirts properly starched and cleaned, and they do like to make sure— My family probably had, I don't know, a dozen store locations or something — it wasn't McDonald's, but there were enough locations — and they opened at seven in the morning. And the thing I was always fascinated about when I was in business school, people would talk about business, and a lot of people who were students, their parents were doctors or lawyers, but they'd actually never seen a business. And it's easy at a conceptual level to say how things ought to work, but if you actually work in a business, getting everything to open at seven requires a lot of people doing things at different levels on a consistent basis. And so, I can remember even when I was sixteen years old, my brother would say to me—

Saturday morning, and there were women [unintelligible] to press shirts, and I would go into the toughest part of Newport, go up three flights, wake ’em up and say, “Mary, we need you, kid. You gotta do this, okay?” And so one of the things I sorta knew when I was, even by the time I was going to business school, was that I don’t want to go to a big business, but I also don’t want to run a little business, because I don’t want the day-to-day—

CK: *Waking up Marys.*

BE: Exactly. I don’t want that to sound the wrong way, but I just didn’t want that. I love business, and I’d say in a perverse way. The reason I’ve done okay at the venture business is because I’ve always had enormous respect for people who run businesses because I know how hard it is, and I don’t mean intellectually hard, but just the day-to-day blocking and tackling. I love sports analogies, and I would be a good general manager of a football team, but I don’t think I’d be a particularly great defensive coordinator, dealing with every little detail. So I played on my strength. And I actually think it’s part of the problem with the business today; I don’t think we have enough people — and this is probably not the right thing for me to say, who’s been well benefited by being in this business — but I think we’ve got too many people trying to be in this business, and I think we as an economy, it would be better if many of them, as smart as they are, were actually in the operating side of businesses.

CK: *Because you see this as really the essence — what's most important in terms of the success of the business?*

BE: Oh, it's unquestionably the management teams in the business, the underlying — yeah. Again, it's like athletics. If you ask any good coach why he wins, he'll tell you, "It's because I have the best players. I've recruited the best players." I had a coach one day, I said, "What was your favorite team?" He said, "The team that had the best players, that was my favorite team." I always tell the story when I go to business schools about my view of the venture business. My view of the venture business had always been, even when I started my own firm with Craig and Jean, my argument was always, We want to see all the deals. It's impractical probably to see them all, but if you could, you'd like to see them all. Why would you like to see them all? Because if you see them all, even a moderately intelligent person will pick out some good ones. And again, it's just like sports. If you're recruiting athletes, college athletes, if you're a coach, if you're at Duke and you get to see the best athletes, all of the best players, your chances of recruiting some good ones are pretty good. And I think in our business, like sports, if you get the best talent, what you can add is at the margin, but that's all you have to do, because the best talent will win out. Does that make sense?

CK: *It makes sense, but it's a wonderful way to put it, to describe how important that team is.*

BE: Right. But it's true. That's what's interesting.

CK: *When you talk about being well suited for venture capital: You're competitive; are you a risk taker?*

BE: I don't think so. I think actually the best people in our business are risk assessors, not risk takers. I think it's one of the great — and again, people could differ on this quite significantly — but I view— Like people say to me, "Was that your gut instinct to do that?" Because I am a human person, I enjoy people, I enjoy interactions, but I'm not a gut instinct person. I don't invest money on my gut. I get facts, and I like facts, and I like to evaluate people, and if I'm going to back someone, I want to do reference checks, and I want to find out what their strengths and weaknesses are.

And maybe this is too much detail for you, but for instance, when I was a young fellow doing reference checks — and I don't do them myself anymore — but when I did them, one of the things I learned was, if I were to ask you for five references, presumably you'd give me people who liked you. I've had people give me people who didn't like them, and I was always shocked as to why they would do that, it wouldn't seem to be helpful. So you'd say to someone, "So, Carole, what kind of person— How would you— ?" "Oh, she was a hard-working, energetic, disciplined, highly motivated, intelligent, great." I said, "Do you know anybody who might know her in a different way or might have any kind of other way to think about her?" "No, not really, everybody likes Carole." "All right. Just think about it. Is there anybody?" They'd finally say, "Well, you know, there was Joe, and they didn't get along great, but I think that was more Joe than Carole, okay?" And I'd say, "I'd love to talk to Joe. You got his number?" So I'd call Joe, and Joe would say, "I remember Carole: tough, aggressive, mean-spirited, you know, always pushing," or whatever. That was quite interesting, because you'd say, "Okay, same characteristics, just taking it from the other side of the picture, but consistent." So that would be fine with me. But if someone would say, "Oh yeah, I remember, she was lazy, she really didn't work that— " Now all of a sudden it's not a question of you like them or you don't like them; you've got differing characteristics of what you're looking for. And I used to love doing this. I loved doing this, because you'd actually get a picture of someone from people who liked them, didn't like 'em. And you'd dig. And I always told our guys, "Listen, this is like doing research, and really understanding." And the people you back in a business — I'm a huge believer they don't have to be your best friend, and it's probably better if they're not your good friend, but they have to meet certain criteria. So for me that was always the fun part: What's the quality of the people? And then what's the quality of the idea? And I'm also not from the school that says, People, people, people. I think it is people, but I think you gotta be in the right businesses. And so all businesses aren't created equal; all businesses aren't similarly capable of delivering results. So in a perfect world, we'd like to find a really good business and really good people.

CK: *It's a marriage.*

BE: That's the perfect, okay. And then just sprinkle in a little luck.

CK: *I was going to ask what excited you about this work, but I can hear it.*

BE: I've loved this, I can tell you. It's one of the things that, again, I tell young people who come in, I always tell them I think three things you should try to do: For all the time that is spent by parents on where their kids go to school, it is probably far more important, not that school isn't important, but there's lots of great schools, and one of the things I've learned being in the venture business is I've backed people from every possible school, and I've seen some great ones from average schools, and pretty dismal ones from great schools. I started to say: The first thing is who you marry, because that's going to affect a lot of how your life goes along. Two, where you live, because if you're unhappy where you live, or your spouse is, that's going to make your life pretty difficult. And what you do. I'm not being Pollyanna-ish about this. But I'm saying, I've seen people who have made a lot of money, and one or more of those weren't good for them — it's not a great life. And I know lots of people who have made not much money and have those things correct, and they seem to have wonderful lives. So to me, it's one of the challenges. Today, the way the business has evolved into such an activity in private equity and everything— It's one of the things I learned with Peter. We always wanted to do well, but we wanted to do well because the companies did well. We didn't make that much money off the fees and that kind of stuff. So I don't know where I was going with this, but my thrust is that I think people, in a lot of things, make life too complicated. You didn't know I was a philosopher, did you?

CK: *No, but I hear your interest in understanding people, the psychological aspect of your work seems to interest you, and what it all adds up to.*

BE: Right.

FEDERAL EXPRESS

CK: *Is there a memorable company that you worked with while you were at TA that has a story that you'd like to—*

BE: Specifically at TA? Yeah.

CK: *Or during that time.*

BE: Yeah. Probably the most memorable company, because — certainly, Breck's was memorable, but slightly before TA, because I lost all my money in eighty-nine days. But on a positive note, I was an original investor when I went to TA, one of the early deals I did there was Federal Express. So I was in Memphis, Tennessee, the first night they shipped a package, and nineteen packages, I think, went through the system on the first night, and when I was at TA— And again, to Peter's great credit, this was a deal that I would love to say I was really smart to do, but the truth is I think the history is that if you met Fred Smith, which I did — I was a young fellow, I was, at the time, probably twenty-nine, and Fred was about the same age or something — you were compelled to invest.

CK: *So how did this investment come to TA?*

BE: Fred was being helped by Charlie Lea, and Rick Stowe worked there at the time — Welsh, Carson, Anderson and Stowe later — and they sent it to TA, and it ended up on my desk, and I ended up meeting with Fred. And I love big ideas that are intellectually easy to understand, but difficult to execute. You can create great businesses if they're big ideas that are easy to understand, but then the devil's in the details. That is FedEx squared. It's not a difficult concept; you're flying packages around. And I met with Fred, and I immediately was intrigued. And as I say, it had less to do with me than it did Fred, because Fred was just a compelling sales guy. One of my favorite stories with Fred was, at the meeting, I said, "Why Memphis, Fred?" And he gave me ten reasons why Memphis: that it had less rain; that it was in the center of the country, which I knew wasn't true, because we owned a cable television system in Great Bend, Kansas, and that is the center of the country — and I let him go on and on — and the runways were longer; there was better road infrastructure. And finally at the end of it I said, "Where are you from, Fred?" And he laughed, and he said, "I'm from Memphis." And I said, "Somehow I had a funny idea that might be the case." So we got along fabulous, and we were a small investor. There were lots of investors. We were relatively small. I used to go to the board meetings, and he never called me anything but Egan. He never called me Bill, it was always Egan. But we went through three rounds there, very difficult times. That's the deal I always tell people, "Failure is an orphan; success has a thousand fathers."

I had one of our limited partners, at that time, call me when I invested in this thing, and he called me up, hardly introduced himself, and said, "What kind of a blankety-blank moron would invest in an airline?" And I said, "Well, sir" — he was a lot older guy than me, a very smart guy — and I said, "It's not an airline, it's a distribution system. They just so happen to use planes, but it's not an airline. Packages don't talk back, they don't ask for drinks, they don't care what time the flight leaves, they don't care what time it arrives." I thought I was pretty intelligent. He said, "It's a moron's business." I said, "I don't disagree, I don't think the airline business is something that I'd want to be in." But anyways, fast forward four years later or something when I had Fred at the annual meeting talking about the business, this was one of the first guys saying what a great idea it was. Which it turned out — I mean, he was right on both sides — airlines are a lousy business, and it was a great idea once it worked. But it was a very interesting business because to succeed you needed lots of points of connection, and it was a business also that the competitors had all been so bad, that the idea that someone could do it well, no one would believe until the network was really in place, and that's what made it so hard.

CK: *What made you think that this one was going to—*

BE: Fred. And it made sense. When you did the work, you went, for God's sake, they're shipping packages on planes, on commercial flights. That can't be the most logical way of doing it. One, Fred I thought was a high-powered guy, but going back to my people and business, I thought he was really great, and there were a whole bunch of other people there who were very talented in the early days. But I also thought the concept was absolutely correct, that this was something, if it was done right, could work. Now, will I tell you that by the time we hit the second round or the third round, that I was feeling as confident? No. And the truth is, we probably were saved because one of the competitors went out of business shortly after we did our third round. That's the luck in the whole thing.

CK: *So there is an element of luck.*

BE: There seldom isn't some good fortune that comes your way, or bad fortune — and it's playing through the bad fortune and taking advantage of the good fortune.

CK: *National Demographics must've been exciting.*

BE: Yeah, they actually did a case at Harvard Business School on National Demographics, and the guy who was one of the two principals there, Rob Johnson, is still a very close friend of mine, and actually works with a private equity fund in Dublin, Ireland, now that I'm on the board of. But NDL was an absolutely fascinating business, and that's again a perfect example, where they came in, my initial reaction was, no.

CK: *I'm always curious how something like this comes to you.*

BE: I don't know how they came. They came through a guy named Tom Claflin — who had been before me at TA, and then went and started his own little firm [Claflin Capital Management] — and Tom had invested in National Demographics, which was out of Denver, Colorado. And NDL was started by a guy named Jock Bickert, and then Rob Johnson came in to work with him. And the concept was, where you have lots of demographic information — age, income, all this stuff — as to how you evaluate how you would mail things to people or solicit them. National Demographics's concept was that psychographics were more important than demographics. In other words, what your interests were. So if we knew that Bill Egan — we may know that he's "x" age and income and lives in this area, and that may be exactly the same as Joe Smith — but if we actually know Bill likes golf, or likes tennis, or likes wine, and Joe likes beer and likes rugby, we probably have a chance, a better chance of channeling products to them, because we know their psychographics and not just their — we're going to still know their demographics, but we're going to know these other things. So what NDL did was they created these — it's now owned by R. L. Polk — when you get a piece of hard goods or a blender or something, they'll have a little thing and they'll ask you all these things, on your warranty. That's what NDL was built on. And they created this.

And I can remember doing the research of calling people in New York in the direct marketing business. And at that time it was all demographic-based. And the company's challenge was that the people who were the buyers of this information, when you talked to them, you would say, Wouldn't you like to know not just the demographics, but the information about who they are? Not just what they are, but who they are as a person?. And you'd walk them through it and they'd say, Yeah, but we've never done that, and I don't know that we will do it. So that was the perfect thing, because you'd say, Okay, listen, we've got some dope sitting there, making a lot of money, making these decisions, who clearly knows that there's a better way to do this. What we've got to figure out is how to get them to do it; and once they do it, it's going to be compelling because it clearly is better. It has to be better to know more about these people, about what their interests are if you're selling them things, than just what their age and income is. But again, it was a long battle, it took time, and we struggled through a few rounds, but it worked out, and I think we made a nice eight or ten times our money.

CK: *What made it something that today sounds so rational, so difficult at that time?*

BE: Because of inertia. This is inertia. That's what the term is. People have a way of doing things. So some new way is like, Nobody's gonna do that. Of course it makes sense to do it, but nah. I literally talked to buyers in New York, list rental people, people who buy lists, and I'd walk them through the whole logic of it, and they'd say, Yeah, it makes sense, but we only do it with demographics. I'd say, This would seem like a really smart thing to do, to have this incremental information. If that incremental information meant you could mail more effectively by some percentage, or reduce the size of your mailing to get the same result, wouldn't you want to do that? Oh yeah, we'd want to do it, but it hasn't worked, we've never seen it work. But wouldn't you like to try it out and see if it could work? Maybe, but— It's that kind of stuff. You do enough work and you say, This is going to work. It's not going to be easy, but it's going to happen. But the truth is the easy part is doing the work that I did. The real work is the Rob Johnsons and Jock Bickert and the management people who have to deal with these people day in and day out, to get them to change their behavior.

CK: *How long did it take?*

BE: It was not easy. We went through a few rounds of investing, and lots of difficulty. I don't know. My wife tells me I have the worst memory in the world. But it was long enough that — it was no overnight success.

CK: *In hindsight, it just—*

BE: Exactly. I was an early investor in cable television, Continental Cablevision.

CK: *Talk about them.*

BE: Continental was early on. Cable was one of the easiest things in the world to understand, and yet it was incredibly difficult to get people to invest or lend to it.

CK: *What makes it possible for a venture capitalist, not just you, to see around the corner, to have that vision of— ?*

BE: I'm sure there are people with a lot of vision; I don't think I'm one of them. I think for me, what it's been is just, again, just doing the homework, following what common sense would tell you is interesting, and then actually seeing through diligence, through work, through talking to a lot of people, can this work or not? And by the way, there's lots of stuff that I've looked at that I thought was really interesting that I didn't think would take hold, and I didn't do it. Because it was going to take too long, or it was going to be too complicated; I just didn't think it would work. And in some cases, I didn't invest — I can't remember — I can't tell you a specific example, but I certainly remember things I passed on that turned out to be wonderfully successful. And I certainly have invested in things that didn't work out that I thought were no-brainers, that would be implemented quite easily. So to me, I think there's probably some venture people who are technologists who really are visionaries. I don't put myself in that class. There's no sense of false humility here. I've backed a lot of great companies, and I think most of it was just putting one foot in front of the other and doing the homework. Very pragmatic. I would say I am not someone who is a dreamer. I'm not a dreamer. I believe in, very much in, do the work, figure it out, and then move forward. And I'm also someone who believes, and maybe to a fault, when you're wrong, admit you're wrong, declare victory, and go home. I think it's one of America's great faults, is we're unable a lot of times to just — and I think it's one of the dangers in the venture business. Listen, you make mistakes.

Again, I'll go back to my recruiting athletes, okay. You recruit a kid, you think he's going to be great; he doesn't turn out to be great; I'm not saying give him up, but I'm saying just realize it didn't work. I've had plenty of things that haven't worked, and I've had plenty of failures, and I've probably learned more from my failures than I've ever learned from any of my successes, because that's just the way it is. But you can't be in this business— The two things I never want to do is, I never want to get too excited when we do well, because it intellectually requires me to be really bummed when we do poorly. I've got to have it steady. So I never get that worked up when we get a huge one. And I think that it's a business about always realizing that — my wife calls it "Kill the

Buddha." It's a very Zen-like idea, that if you think everything is perfect, it's time to kill the Buddha, because it isn't going to be perfect.

CK: *It's a good philosophy, especially in your business. Is venture capital a science or is it an art? Can someone learn to be a good venture capitalist?*

BE: Someone can absolutely learn to be a good venture capitalist, I believe that, absolutely, I believe that. But I also believe it's something you've got to really like a lot. To me, separate from venture capital, to me one of the great curiosities in life, and I'm fascinated with it, is how serendipitous life is, in the sense that — and I've seen it so much — you could be really, really capable at something, and it's not the right something for you, so you're not that great at it. Or you can be moderately capable at something, and it's the absolute perfect thing for you, and it's going to be okay, they're always going to put you in the middle of the curve. But the lucky one is the one that is: you're really good at it, just innately, it just plays to your strength, and you really love it. There's a certain luck in that, I'm telling you.

CK: *But then that becomes innately, I might argue, the art—*

BE: No, exactly. Art gives it too much; I think there's a certain just good fortune to it.

CK: *Of marrying these two things.*

BE: Yeah. By the end of this you'll hate all my sports analogies. I've used this as an example: You know who Michael Jordan is, the great basketball player? Michael Jordan is a very good baseball player, too, and if Michael Jordan, when he went out to the University of North Carolina, had said, "I'm going to play baseball instead of basketball," I will tell you I think Michael Jordan would've been a utility infielder. I don't think that's just me. He tried to play baseball. I'm not saying maybe he would've been better if he focused, but there's no possibility he would've been a dominant player. Now, Michael Jordan may think different; he'll never read this, so it doesn't matter, but if he ever did, he'd probably take me up on this. But he left and he went to basketball, and that little difference made all the difference in the world, because he did the thing he was really, really good at and he liked. He could've done the other thing that he really liked and he wasn't quite as good at. That's a totally random — that's not even something you can intellectually come to grips with — that you can say, "I'm going to be certain to do the thing." You could be certain to do the thing that you like, but you can't be certain that the thing you like is the thing you're best at.

CK: *But then a really great thing — someone who's really been successful, these pioneers, in some way took their innate ability and happened to find the right field for themselves.*

BE: Exactly, and I believe that.

CK: *But what made them successful?*

BE: We've got 300 million people in this country, and we have lots of people around the world. I'm saying the combination. I love art. There are pictures out here Lillian Wescott Hale did, wonderful Boston School painter, and her pen and ink drawings are better than even her paintings. But I was reading something on her, and they said she was a wonderful piano player — I don't know if it was in high school — but she decided to focus more on art than piano. I don't know, maybe she would've been one of the greatest pianists in the world, but I know she's a great artist. And what I am saying is, if she had focused on piano, she might've been — nothing against it — a piano teacher. But I'm not sure. But I know as an artist, which is where she focused, that she is in the MFA [Museum of Fine Arts Boston] and some of the great museums.

And I've seen the other side of it. I've seen people who are really, really capable people who are doing something they like, but they're not particularly good at it, which is great — that's not going to make a bad life for them. Because I'd rather be doing something I love and not be great at it than doing something I didn't like that I was good at. My point is: I don't think you can do something you don't like and be really great at it. And I think it's serendipitous — maybe serendipitous isn't the right term — but fortunate when those two things interconnect.

CK: *Okay. I think there is some art and science kind of coming together.*

BE: I think the science is: I think most people in the business who have done it for a long time and who have done well at it, I think, tend to be diligent, do their work. But the only thing I'm saying is, I've seen a lot of people over the years come in the business who are very smart, who are very hard working, who met a lot of the criteria. But, for instance, a simple thing like— at least the way I view the business — if you're going to be an investor in a lot of different companies in a lot of different places, activities, you would have to be someone who trusts other people, and you have to let them make decisions and make mistakes, and do things. You can't be engaged deeply in everything you do, because you don't have enough time.

CK: *Can this be learned?*

BE: Yeah, but I think stylistically there are people who want more control than some other people. I'm someone, for better or worse, in some cases probably for worse, if things are going well, if it's not broken, don't fix it. I have no interest, have never had any interest— I've been in the business, I've had more PR guys come to me, they say, We can get you in this magazine. I don't want any of that stuff. I don't think it's that unusual. I don't think Peter ever wanted that. But my point is, because at the end of the day, would I like to be associated with a Continental Cablevision or Federal Express or NDL if they were getting publicity? Yes. Because I would absolutely enjoy the reflected glory of that relationship. But I have no interest, because I think the accent is on the wrong syllable. I really strongly believe this — that we do not make successful companies. We help companies do things better.

CK: *Thank you. This is certainly instructive for anyone reading this in the future.*

BE: Also, the other thing, I'm well known for being — what's the term — often wrong, but seldom uncertain.

FOUNDING BURR, EGAN, DELEAGE & CO. 1979

CK: *You have your defense. Tell me about leaving TA and why you decided to strike out on your own.*

BE: That was 1979. Craig and I had worked together at TA for some time, and I had worked with this fellow Jean Deleage through Sofinnova. It was just the desire to, as I put it to someone, to bake your own cake. At TA, Peter was the provider of funds. He went out and raised the money and did everything. It was just the next thing to try to do. I wanted to try to — I didn't want to be the sous-chef anymore. I wanted to be one of the main cooks in the kitchen.

CK: *You're here in a position and you're secure and you have this growing family and—*

BE: To this day, my wife still cannot — because I didn't even discuss with her that I was leaving.

CK: *Did she say, "Stay where you are, everything's going fine"?*

BE: No, I never even mentioned that I was leaving. We got some money from a firm in New York to help us start. I took a pay cut.

CK: *How did that come about?*

BE: Because Craig had met the fellow doing some work, and then I independently met the same guy.

CK: *Who is this?*

BE: A guy named David Hiley, wonderful guy at Thomson McKinnon Securities, which doesn't exist anymore. This was when venture was just sort of starting to become real, and it was right around 1979. Dave said, "You guys should start your own fund." And one thing led to another. I just can't tell you how strongly and loyal I felt to Peter, so it was really difficult, because I really owe him so much that it would be wrong not to just say that. That was the hard part. The other part was I wanted to do it, and I wanted to try to do it. So we got David to give us some money, and Thomson owned part of the management company, and we went out to raise a fund. I told Jackie, I said, "Listen, I'm going to leave TA and start this little firm, and hopefully someday it'll be a bigger firm, but I'm taking a little bit of a pay cut, and we're going to be able to pay the mortgage every month. We've got no risk as far as us." One, it never entered my mind that we wouldn't succeed, because our level of what success was wasn't overwhelming. We were going to go out and try to raise a $30 million fund or something. And, we had a good record; we had made people money.

CK: *You had connections?*

BE: I didn't have — in fact, I'll come back to that. But the key was with Jackie, we never had a conversation, one, because I think she would've said, "Whatever you want to do is fine." But frankly if she had said, "I don't really want you to do this," I would've still done it, because I was gonna do it. And I'm not— I don't like to be disingenuous, so I don't ask for advice if I'm not going to take it, because I just think it's just not being straight up. So this was something I wanted to do. And two, I was absolutely convinced — I had four kids at the time, and I knew I could get another job. I didn't think I could go back to TA, but I knew if this didn't work, I would get a job. I made some good investments, a number of companies that had done well.

CK: *You knew how to do this.*

BE: Yeah, and again, to the sports analogy, I was leaving a team to try to go on another team, but if I didn't build this new team, I could go to another team. I was a known quantity.

CK: *Did Peter try to talk you into staying in some way?*

BE: Yeah, we talked a little bit about it. As I said to him, I said, "Peter, once I said I was leaving, for me to stay, you should really never trust me again. You're not gonna like me." You're never gonna like a guy who, if I don't know what the hell I want to do — and I wasn't leaving because there was something Peter could give me to stay. I wasn't trying to get something. There was no quid pro quo. I was doing this for what I wanted to do.

CK: *Did you contemplate any other names?*

BE: Yeah, and later we just called it BEDCO, and the funds were all Alta. They were Alta, the actual investment funds. But the management company, which almost no one ever saw anyways— But anyways, we had a little office on Federal Street, and one office had a window and the other didn't, and so I traded the window, because I wanted the window, for his name being first. Those are the big decisions you make. Then the other decision that was really fun was, months later someone said to me — maybe not months, years, a couple years later, someone said, "That was really clever, the way you named Alta." I said, “Craig grew up in Mexico, so alta is “high” in Spanish, and also we wanted to be early in the alphabet.” We would’ve been Aamco, if we could’ve. And he said, “No, that’s not the story I get.” I said, “What’s the story?” And he says, “I hear you called it Alta as ‘after leaving TA.’” Isn’t it amazing how people can think these things up? I said, “I wish that were true.” I don’t even know if Peter knows that story, but it’s a great story, that we named the funds Alta “after leaving TA.”

So when I went out in late October, November, maybe it was before — I remember calling the University of California, the treasurer there, the guy that ran alternatives — well, they didn’t have alternatives, they just were investing — a guy named Bruce Garland. And I said, “I want to come up and see you about investing in our fund.” Because one of the things I said to Peter when we left is, “We will not go after any of your limited partners unless you say it’s okay.” So we made this trip out West, and I called this guy and I said, “We’re raising the fund, my name’s Bill Egan, blah blah blah.” And I didn’t expect him to know me or Burr, Egan, Deleage, at that point. He said, “Tell me what you’re up to, and where have you been before?” And I’m thinking now I’m going to drop the key thing, I said, “I’ve been a partner at TA Associates.” And he goes, “Who’s TA Associates?” And I go, Oh, this is not great. So my point is, we had our work cut out, but we ultimately raised our first fund by March of the next year. We were very lucky. We hit, and ’79 was when the Prudent Man Rule was rejiggered, and our timing, again, luck. I would love to tell you that we were smart, but we were lucky.

CK: *So luck is timing.*

BE: I don’t know if timing is luck or luck is timing, but whatever; the timing was good. So we got started. And then we built the business over a number of years.

CK: *What was your vision for Burr Egan? How did you all envision yourself, maybe in contrast to TA?*

BE: One of the little known things is, I think this is still true — I think we were the first firm, other than like a Citibank or one of the big guys — first private venture firm to have both an East and West Coast office, because Craig and I were in Boston and Jean Deleage was in San Francisco for Sofinnova. So when Burr Egan started, even though we were this tiny little firm, we had an office in Boston and an office in San Francisco. And those were really the two centers of venture capital.

CK: *How soon after you started did Jean Deleage join?*

BE: Oh, he started almost immediately. In fact, Jean ran a fund for Sofinnova—

CK: *Which is a TA—*

BE: Which was co-managed by TA, with Sofinnova, for investment in the United States. And I was the guy who co-managed that fund. Peter asked me if I would co-manage it, and that's how I got to know Jean so well. Now, the truth is 85 percent of the investments in that fund were done by Jean, I didn't do them. He was an original investor in Genentech; I had nothing to do with Genentech. But he met Bob Swanson when he first went to the West Coast. So Jean and I got to know each other extremely well. We spent a lot of time. When I was thinking of leaving TA — Peter may not even know this story, but when I was thinking of leaving TA, there was a guy named Fred Adler. Fred Adler ran Adler and Company in New York, and at that time Arthur Patterson and Jim Swartz worked for Fred. And Fred called me one day — and I didn't know him well, but he knew some of the stuff I'd done — and he said, "I hear you might be leaving TA, and I'd love to talk to you." I went in, and he was trying to hire me to join him. And he was also trying to hire Jean on the West Coast. Long story short, we didn't do that. But I then said, "I'm gonna do this with Craig." And that was fine. And I called Jean, and I said, "Jean, we'd really love you to join us to start this firm." I said, "I know Fred's talking to you, but we've got something to offer you that Fred can't offer you." He said— And Jean, who's a great character — I don't know if you've ever met Deleage, but he's one of the greatest characters in the world — I say it affectionately; he's a wonderful, wonderful person. "What is that, Bill?" I said, "We have no capital. We're actually gonna have to go raise it, Jean. This'll be fun and we'll really have a great experience doing this, and we'll build this thing from the absolute ground up, and you're not going to be able to do that with Fred Adler because it's already there."

CK: *So it's the three of you leaving TA.*

BE: Well, Jean wasn't with TA; he was with Sofinnova. But Craig and I were at TA, yeah.

CK: *Sofinnova wasn't—*

BE: It was affiliated, yeah, but Jean was on the West Coast, and Jean did not get paid by TA, by Sofinnova. This is what I'm saying: Peter played such a central role in what's going on in the venture business in Boston, because then the guys who came in to replace Craig and I were Roe Stamps and Steve Woodsum, who I don't know if you know, who started Summit Partners.

CK: *So you're bi-coastal, and that's really early, 1979.*

BE: That was a major thing. Our vision wasn't particularly deep or thoughtful; it was, Listen, we've taken money from people; we're gonna try to make them a lotta money by investing across a range of companies — everything from very early stage stuff to later stage stuff.

CK: *We're talking about starting Burr, Egan and Deleage, and you're bicoastal, which is exciting. You said you had some funding that you raised?*

BE: We had someone back us, this guy, Dave Hiley backed us to start the firm, but then we went out and raised capital. I think the first fund was $35 million or something in 1979.

CK: *Where were you raising this?*

BE: In the U.S. Then we also raised some money in France through Jean. So we had a French fund early on.

CK: *Do you go to other venture firms?*

BE: No, no. We go to either wealthy families or university endowments or pension funds. All of this, again, dumb luck, but the pension funds wouldn't have been open to us if we'd started in 1977; we sort of fell into it. And it was just beginning, and we were one of the new kids on the block, and so we were very fortunate. We left in October '79, and I think the fund was up and running; we were making investments in February/March of 1980, which was unbelievable. Then we did a series of five funds, and we did three sub-debt funds, and we built the firm from the three of us up to, I think we had eleven partners or something. For better or worse, we had no grand design. We basically wanted to make money for our partners.

CK: *You didn't have a mission statement that you worked on.*

BE: No. And again, I'm not saying this is right or wrong. Burr, Egan in 1996, fast forward from '79, split into three firms. So you've got Alta Communications here in Boston, you've got Alta BioPharma on the West Coast, and you've got Polaris Ventures, all of whom, after Burr, Egan, probably raised each a couple of billion dollars more. So from a financial standpoint it was very successful. But the thing I care about is really that when we ran Burr, Egan, Deleage, I can comfortably go to any party in Boston and look at people and know that I made them money. I made fees off the fund, but I also made them money in the fund. And to me, that is like important.

CK: *You have this bicoastal experience. What's the cultural difference?*

BE: There are huge cultural differences. I would say, again, to me, the West Coast, clearly Silicon Valley, is special in and of itself. Now, Burr, Egan did three things, we had three focuses. We had medical, but it was really biomedical and device technology, was what we did. Jean was very, very strong in the biotech, which morphed over into some other things we did. We had media and communications — radio, TV, cable — and as the world evolved more non-traditional media stuff. And then what I call the third category was information technology. So those were our activities. And we set our firm up, I started to say earlier, much like TA was in the sense that we did everything from very early stage investing to buying out positions in later stage companies. And our philosophy was created that way, and again, more because — I took it from Peter a little bit, although I'm not sure he would describe it this way — we didn't want to just be in the early stage stuff, nor did we just want to be in the late stage stuff. We wanted to have this continuum, in large measure because we're in a business that was — and this is where I guess my pragmatic approach would come in — where we're in an illiquid business to start with — these are all private companies — and I always felt and my partners felt that we always wanted to have some product available to sell when the market was open to selling, either when the IPO window or anything. So if you only did early stage and the market was good in year three to sell stuff, you're not ready. And if you only did late stage, you don't get the chance to really make the big numbers. So we were almost like a retailer; we always wanted to have stuff we could put on sale, when you think about it in a simple way. I think about these things a little differently. So I always wanted to have product, good product that we could deliver when the market was ready for it.

CK: *So you're not counting on yourself as being a visionary and seeing that when this particular startup is ready to go, that the market's going to be there for them.*

BE: Well, when you say market, there are two markets: One, I would definitely want to make sure the market for people to use, it is there. But the financial markets, I never want to count on—

CK: *How do you know? Somebody comes to you with this great idea, out of the garage, they're making a lot of money, and they need some funds. How do you know or intuit that in three years or whatever it is, that it's not going to be passé or—*

BE: That's one of the hardest things. Most of the time it's quite the reverse. The risk in the business is that you're too early, rather than too late. I think most people would tell you in my business that you get to the party too early and nobody comes, and all the food goes bad. That's really one of the challenges. And I think one of the disciplines in the business is knowing how to wait and not necessarily step off the curb. I always say a good business has four characteristics, and this is boring because I've said it to every business school that I've ever gone to, and they keep asking me back, and I go, "I got nothing new to say." It's always the same drivel. But you obviously have to have good people. Number two, you'd love to have a business that has very high growth rates; the faster you're growing, the easier it is to do well. You've got tailwind. Three, you'd love to have high gross margins, because the higher the margin on your product, the less competent you can be in running the business and still make a lot of money. That's the way I always think about it. Companies that have 80 percent gross margin can be significantly less talented than companies with 20 percent gross margins from a management standpoint, and still do quite well.

Then the fourth key is timing. Do we hit the market too early, too late, or did we get it right? When you get all those right, you've got a winner. And interestingly, what happens is over time — I'm always fascinated because people say to me, How did this company do so well for such a period, and then all of a sudden it sort of was like a shooting star? And I said, "Because America is a country where advantages are always removed if you give them enough time. So if you build a business and you've got some either technological advantage or legal advantage that gives you high margins and high growth, over time people will figure out how to work their way around that, and you better, in the meantime, change the business so that you can sustain it with less growth and less margin, to still do as well." And that's where I think we can be helpful. Because we can say, Listen, we saw this movie before. You're not gonna be like this forever. It's gonna slow, and you need to make sure you've gotten yourself positioned differently so you can compete at a different level.

CK: *So that's your role as a board member?*

BE: As a board member. That's one of your roles. To me, the roles of a board member are to help the management identify other people to help build the business, help them, if they want, to evaluate those people, not in a specific job function, but in a general sense as to their capacity to grow and whatever; to help a company think through what their major risks are, because it's so easy when you do something to not step back and say, "Okay, everything's going great, but what could go wrong?" And frankly, and hopefully, be a resource for the CEO, man or woman, who can feel like they can talk to you as an advisor and not someone who's judging them, even though you are judging them. (Laughter)

CEPHALON

CK: *I want to look at a company that — you might want to take Continental Cable — it could be anything — I have Qwest and there's Cephalon, is that more recent?*

BE: No, Cephalon we started twenty-three years ago with three guys in a little office outside of Philadelphia, and it's a wonderful example because it was a company that really Jean and a woman named Annette Bianchi, who was one of our younger partners, really had the idea to start, in the neurosciences area. And we put up the original money along with Hambrecht & Quist Life Sciences Fund, and we backed a guy named Frank Baldino and two other individuals who had come out of DuPont. And Frank had never run a business, he had never even had P and L responsibility; he had been in charge of a lab there. And the business was in Philadelphia, so Jean asked me if I would go on the board, and I knew nothing about neuroscience.

CK: *Just to back up, how did this company come to you?*

BE: They didn't come to us. In this case, Jean actually had this idea to start a company in the neurosciences area, and—

CK: *Because he was doing biomedical.*

BE: We had started Chiron, which was a very successful biotech company. We started a lot of them on the West Coast, a number of companies. And Jean and Annette — Annette was from Philadelphia originally — got this idea to start this company around neurosciences. Again, this is twenty-three years ago. And so they met with Frank somehow, I don't know, and they got the idea, and they called me in Boston, and they said, "The company's going to be in Philadelphia, would you go on the board?" And I said, "Jean, I don't know anything about neurosciences." And this was in the early days of DNA and all this stuff, recombinant DNA. Jean was pretty good at this, but I said, "I don't know anything." But anyways, he said, "At least meet with Frank." So I had breakfast with Frank, and he was a terrific young guy, and clearly energetic and hard-working. And Deleage was a guy that, if he wanted to do something — I mean, we as a partnership, it was always the three of us in the early days who had a vote, but it was a two out of three vote. We never had a unanimous. That was our philosophy. Again, it's stylistically, everyone has their own way of thinking of things.

CK: *But your compensation was, the carry—*

BE: Everything was equal, but on a vote on investment, the three of us would vote, and it was only two out of the three, not three. Now, in 95 percent of the cases we always agreed. But in the few cases we didn't. I always liked the non-unanimous. There's good arguments on both sides. But I liked having non-unanimous because it allowed to have a much freer dialogue. You said, If I say your deal isn't — I don't want to do it, but Craig and Jean want to do it, we're gonna do it. And once we leave the room, it's my deal as well. I'm not gonna say it's a bad deal. But I want to have the honest conversation, versus, if it's unanimous, maybe I say, "Okay, I'll do it because I want you to do the next thing for me." I like the freedom of being able— And as I said to someone — one of my limiteds who said, "Why would you do it this way?" — I said, "Listen, if we had five deals in a row where Jean and Craig wanted to do it and I didn't, there's only one conclusion you could draw from that: They don't need me or I don't need them."

But it never happened that way. We never had that kind of thing. Anyways, Jean was determined he wanted to do this thing with Cephalon. Both Craig and I thought it was not the best idea we'd ever heard to try to start this business. But because Jean had been so successful on the biotech side, while each of us had a vote, he would have more than his vote, no different than on the media stuff. I did a lot of stuff where if I was really passionate about it, we'd give guys leeway, or Craig leeway. Anyway, I met Frank and we ended up starting the business, and it was interesting. Annette Bianchi, in our office, was the one who really was the founder, if you will, of Cephalon, although not many people would know that. And it was interesting. A woman named Ellen Feeney, who was at Hambrecht & Quist Life Sciences, really was the person there who started.

Although her father, who had been a former senior executive at Pfizer, went on the board, as I did, Bob Feeney. And we started at Cephalon, and we raised a little more money from Oak investment partners and Ed Glassmeyer. Actually, I'll tell you, it was Annie Lamont who came on the board at Cephalon. Over the years we raised a lot of money.

CK: *What was your product?*

BE: We didn't have any product. We had nothing, I'm telling you. I remember going to a meeting, and I was on the board, and we raised a lot of money, continuing to try to develop products. One of our early initial products was for ALS, for Lou Gehrig's Disease, and it was found to be safe, but we didn't get approval. The FDA. We didn't get approval because they didn't think it was efficacious. It extended someone's life, but it didn't cure it. So we have many, many years of trying to create products. I can remember going to a board meeting and listening to science and everything, and finally I looked at Frank one day and said, "Frank, have you seen this Wendy's commercial?" And he looked at me blankly, "What do you mean?" Have you seen the one, "Where's the beef?" Remember that commercial? "Where's the beef, Frank? When are we actually going to sell something that is going to do something?"

CK: *Meanwhile, are they going through trials?*

BE: We had things going through trials.

CK: *So you had this money invested, and it's slow.*

BE: When we started the business, and let me tell you, it's twenty-three years ago, but we didn't have a commercial product until 1999, and it was in-licensed product. We bought a product from a French company. But fast forward. Here's the amazing thing, Carole, and this is why the venture business is such a wonderful business. We started this thing with three people in Philadelphia. It's twenty-two or twenty-three years later. Frank is still the CEO, the guy who we started with, which is pretty unbelievable. Frank Baldino. [Frank Baldino, Jr. died December 21, 2010] The business today — it's a public company — is a $2.5 billion revenue business, $1 billion in EBITDA of operating earnings, 3,800 employees in the U.S. and around the world. That's job creation.

CK: *What was your first success?*

BE: You mean product-wise? We in-licensed a product called, what we named Provigil; it was Modafinil, and it's for narcolepsy, for sleep, and it's been a very highly controversial drug because it's been prescribed off-label in huge amounts. Doctors can prescribe anything. You can't sell the doctors anything, but they can prescribe anything they want, and they have used it a lot, not only as an addition, many times for people who suffer from depression and stuff — so it's a $1 billion drug, it's been a hugely successful drug. And then we in-licensed three or four other drugs and have done extremely, extremely well with them.

CK: *These were things that Frank found?*

BE: These were products that other companies had. But by the way, we've spent well north of $1 billion trying to develop our own drugs. It's very difficult. So it's been an amazing company, and Frank's been an amazing guy; and I should've gotten off the board years ago, and I'm still on the board, and I'm the lead director of the company. It's been a long haul. I'm not a cut and run guy. So, that's been fun.

CONTINENTAL CABLEVISION

I feel very lucky. Continental Cablevision — the two fellows who started Continental I met when I was at the New England Merchants Bank. Arthur Snyder, my first boss, gave them their first capital to start Continental. That's how far back we go there. And the two of them — Amos Hostetter and Irv Grousbeck, as I've told people, to this day are still probably two of the twenty smartest people I've met in my life. They're very, very smart, able guys. And even better, really high-quality people, just extraordinary people. Irv now teaches at Stanford Business School, and Amos lives here in Boston.

CK: *How did this come through?*

BE: It's actually through Arthur Snyder. When I worked for him. It turns out, though, that early on when I was at the bank, I started doing cable television and got to know the business well. And as each fund we did, when I said we did later stage stuff, I would buy stock from selling shareholders in Continental, and I sort of made a market in that stock, in that private entity, hoping that someday we would buy at a discount and be able to sell at full value, which ultimately we did.

CK: *I just want to back up for one minute. You said that Burr, Egan, Deleage started in IT, media, and biomedical. Why those three?*

BE: Because that's where Jean, Craig, and I had spent our time. That's where we had done most of our investing. We didn't know about a lot of other stuff.

CK: *So you didn't want to be generalists.*

BE: That gave a pretty wide net to cast. And by the way, we did some other stuff. It's interesting. If you looked at every one of our funds, which we always did post-mortems on every fund, and it seemed every time we went outside of our core competencies, it didn't work out great for us. (Laughs) When we'd do these one-off deals that we thought were really interesting, nah, it didn't— In the early days of TA, you could do anything, because you had plenty of time to look, and the business was much more collegial, I'd say. Some would call it collusional; I'd call it collegial. Because in Boston some young entrepreneur would come in and say, "I want to do this or that," and you'd say, "Gee, that's a good idea. Have you talked to the guys over at Greylock, or have you talked to the guys at First National Bank's SBIC?" And they'd say, "Yeah, we're going to see them," and you'd talk to those guys later and say, "This is an interesting deal, and we're gonna do it as a group," and they'd say, "Gee, if we're gonna put a million in, we'd put a quarter of a million in, but we think a million ought to buy 60 percent of the company," and the guy at SBIC would say, "Boy, that's just what we were thinking." So you worked as a team. You worked together, and it was really effective because it allowed the entrepreneur some room to make mistakes, okay. As the business evolved and more money came into the industry, it became more competitive. And in many respects, I think it was less good for the entrepreneur. Even though they got better terms, they were put on a tighter leash because they had to deliver more aggressively.

CK: *Chuck Newhall describes this network as a "band of brothers." You're talking about collegiality. Would you go along with that?*

BE: Absolutely. In the early days, we didn't look at other firms as competitors. We looked at them as people we worked with. Now, they were competitors if a deal was so small that only we could have it or they could have it. So I'm not saying there wasn't any competition, but it was much more about— When you look at a Federal Express, there were ten or twelve investors in there, because no one firm could do it themselves. And even in the early days, I'd say that we very much, if someone would come in to us and wanted to do something, we would encourage them to get someone else as well because we actually looked to have some other group, maybe one or two other groups, on the board with us, so that we would have a healthy friction. We would have a healthy discourse.

CK: *And you would suggest one of these—*

BE: Exactly. And I think one of the great changes is that the business has become so much bigger and so much more capital, and it's become much more about only doing your own deals and all this stuff, and I don't think it's been beneficial.

CK: *What are you looking for when you vet a company?*

BE: What I said earlier. It's really pretty simple. I think the business is really simple. In a perfect world, you'd like high growth, high gross margin, good people, and doing it at the right time. That's as concise as I can quote. You may not get all those things. And then there's a lot of subsets of that. Businesses that you like better than others, it's almost common sense, you like businesses that have fewer people. You know why? Because people are problems. The more people you have, the more problems you have.

CK: *People getting along?*

BE: Just anything, just people. The higher revenue you have per employee, the better. Listen, if I can have a store — if I don't have to have any stores and I can do lots of business, then the fewer people I have, the better; the fewer receivables I have, the better; the less inventory I have, the better. So there are a lot of little details that you try to think about.

CK: *How emotionally do you get invested in these companies?*

BE: Not very.

CK: *They're not your children?*

BE: No, definitely not my children. Oh God, no. My children I'm really invested in.

CK: *You don't worry about them at night, whether something's going to sink or swim?*

BE: I'm probably terrible. I've never lost a night's sleep over any company. I've lost plenty of nights over my kids, but I've never lost a night over a company. I can honestly say that. No. Again, everybody has their own way of thinking about things. For me, I don't want this to be about me. I want it to be about them. I wish I could be less invested in my children. I think it would be healthy. But I'm not — or my grandchildren. Do I feel badly when we don't do well? Yeah, but I actually feel worse for the people than I feel for me, because, look, I'm going to give them the best I've got that I can give them, but honestly, the best I've got, if they're not up to it, won't matter. And frankly, if I give my best and they're really good, they'll do really well, and if I'm not quite as good on my game, they'll still do really well. I'm from the school that says, The first and most important decision is, is this the right investment? I'm fundamentally an investment person. See what I'm saying? So if I invest in a bad business, I can invest all the emotion I want in the world, all the energy, and it'll still be a bad business. And if I invest in a good business, in good people, or in a good concept, it won't matter that much. Don't get me wrong. I want to be a supporter emotionally that way, but it will not define how I see myself as a person.

CK: *What is your relationship with the entrepreneur, personally, that you've had over the years?*

BE: That's probably better to ask an entrepreneur, but my view of my relationship has always been totally transparent, totally direct — transparent long before that term was politically correct. I think any entrepreneur that has dealt with me would say, whether they like me or don't like me, they would say I never snuck up on them, they never were taken by surprise as to whether I was happy or unhappy. Just that, just very direct.

CK: *Not paternalistic.*

BE: But also, I'm proud of the fact that I've been involved with some wonderful companies, but I have no sense that they wouldn't have been wonderful without me. And I don't say this with any false modesty. They would've been fabulous. I'm very proud that we invested in them. I'm very proud that they're successful. But to me — maybe this is my

Jesuit training — but there's an intellectual honesty. If you're going to be like, I really was important to Cephalon being successful, then you have to own the failures the same way. You can't have it both ways. You can't say, I was really important to the winners, but I wasn't that important to the losers. They were losers, and they were losers in spite of the fact that I was really a terrific guy. No, I was involved with some winners, and I was involved with some losers. And you know what? I gave it the best I could. And in some cases I was able to be helpful, some cases I wasn't. But at the end of the day, I'm absolutely convinced that the smartest thing was — did we pick the right people and the right market? And as the company evolved, did we continue to improve on those things? Now, there are companies, I would be disappointed, I would say, "Why did we fail?" And that's what I was saying earlier. I am reflective when we fail, and it's not like I think, Oh, well, you win some, you lose some. But I can't put myself on the spot of saying, "I'm really proud we're successful, and that somehow I was the key to it being successful." I'll take success. Here's the way I put it: Burr, Egan, Deleage was successful as a firm; I'll take some success for that, because that was myself, my two partners, we brought a group of people together. I'll take success for our investment record being successful. But the next level, I can't take success. Does that make sense?

CK: *A part of this I'm thinking about is, what's more important, the technology or the management?*

BE: I think they're both really important. If you've got a second-rate technology and a first-rate management, you've got a losing proposition. Again, my sports analogy. The other thing I love about this business is there's an exception to every rule. I can give you reasons why, and it's just like sports. They in football will take guys to be in the pros and they'll say, If you can't run a 4.4 forty, you can't play in the NFL. And you know what? They're right 95 percent of the time. But there's always some guy who runs a 4.7 and he's spectacular in the NFL, and you know what they say? "He has better hands and makes better routes," and all this. That's all true. But you don't go against the numbers.

That's where I come from. If being 4.4 in the forty — you know what, I'd probably just as soon have people who have that capacity. The one thing — and again, I wouldn't want it to sound elitist — but I don't think you can underestimate brain power. So, really smart people, I like to back smart people rather than average people. I've met plenty of smart people that can't make money, but I don't know many dumb people who can make a lot of money. So if I have to choose, I'll choose smart people, and then hope to fill in the blanks.

ALTA 1996

CK: *So in 1996 you formed Alta, is that right?*

BE: Yes. Alta was essentially an outgrowth of Burr, Egan, Deleage. There were those three activities we had — the biomedical, media, and IT. And in '96, Craig was sort of trying to figure out if he wanted to do another fund. The problem in this business is when you sign up for another fund, you're not signing up for a year or two, you're signing up for, minimum, probably ten years, and maybe twelve or fifteen. So it's a long haul. It was a long process, but it was a couple of years process, and it was really one of the most convoluted things you've ever seen. Because we had our last fund, Alta V, and we had a sub-debt fund, which was ASD III, which was still there; and we decided to not go forward with Burr, Egan, Deleage, but instead let each of those subgroups create their own new fund. Brian McNeill and Tim Dibble started Alta Communications. Jean, who wanted to stay in the business, took Alta BioPharma on the West Coast; and John Flint and Terry McGuire started Polaris, which did really IT and medical and some software. And each of them started their own firm. But for a period of time, we all stayed responsible, each of those people, for the companies they had in Burr, Egan, Deleage. It was a little bit like spinning plates.

CK: *So you're dissolving Burr, Egan, in a sense.*

BE: And we did. Burr, Egan, Deleage does not exist today.

CK: *How do you feel about that? You were building a kind of venerable firm.*

BE: Yeah, but that never did anything for me. It's probably a weird thing, but that was never my goal. My goal was a very simple goal. It was to invest capital to make money for the people that gave us money. It may not be a good thing, but I had no desires to have Burr, Egan live on in the annals of— When we finished Alta V and ASD III, and they're both in final — and Burr Egan doesn't exist, it's absolutely fine with me.

CK: *So these people moving on, is it a parallel with—*

BE: With Craig and Jean and myself? Yeah, I think everybody has a right to make their own cake.

CK: *Was it a disappointment in any way?*

BE: Not for me. From the standpoint that, look, I think the business was becoming more vertical with the limiteds wanting to put money in more specialized funds, so it was natural for them to— I can remember going, telling some of the limiteds that we were going to split into three firms, and I had a couple of them say to me, I like all the guys, but just so you know, we'd like you guys to stay together because you've done a great job. And just so you understand, if you do split into this, we won't invest in all three. And I said, "Why won't you invest? I mean, if they're good." He goes, "Just to punish you for the fact that you're going to go in three." We had a very unique arrangement, Craig, Jean, and I. We were equal partners, and then the other partners all were there. But Craig, Jean, and I never in — since 1979 — never had a conversation about money. Never had a conversation about who got more of what. Everything was split totally equally. We never said at the end of the year, Oh, Jean, you did this great deal, or Jean said, I did a great deal, I ought to get more than you should. We were like a couple; but we were three.

So when Craig said he didn't want to go forward — and that was totally right, he was right — it was not, it would've been very difficult to try to bring some of these guys into that relationship. It was the perfect time. And we actually got an outside facilitator to help us go through all this, and we spent a lot of time. Somebody said to me one day, "What do you think is one of your best deals?" I said, "One of the best things I ever did was helping create the three firms that came out of Burr, Egan." Because we did it in a way that I think our limiteds were extraordinarily well treated. Our last fund, both the last ASD III and Alta V, were very successful; our limiteds made a lot of money, and it all went on through this period when we split into three. I can remember when we were going to split, I said, "I'm not going anywhere, because my name's on the door." And Craig felt the same way, and Jean did. And I said, "But having said that, I have no problem happily seeing you guys start something, but I want us to finish what we started while we're starting something new."

CK: *So you started in 1996—*

BE: I went over to Alta Communications. I was a managing partner, but I wasn't a "founder"; it was really their business. And in the second fund I became a GP. And as I describe it today, Carole, "I'm lunch." I still invest; I love investing for myself; I do a lot of personal investing; I do a lot of stuff. But my point is, each one of them, they have their businesses.

CK: *Are you still in touch with John Flint?*

BE: Oh yeah, John and Terry. Steve didn't work for us, but John and Terry were actually partners at Burr, Egan, Deleage. I talked to Jean Deleage just the other day. I don't have a day-to-day activity with him. It's a funny thing, because I'm sure it's an oddity that you wouldn't — it's not like I wouldn't want a business to continue that had my name on it, but it wasn't a goal. My family was in the laundry business, and we're not in the laundry business. It doesn't define you.

CK: *You've found other things, certainly. We were talking about boards earlier. I want to understand, in general, how much time, when you're on a board, how much of your time, percentage-wise, would you spend with, let's say early on, you're with a new product, on the board, with e-mails, meetings, strategy, hand-holding, psychotherapy.*

BE: A lot of time. It depended totally on the business. The best way to put it: While none of these companies were my children, they were, in many respects, like your children in the sense that you spend the most time on the one that needs the most help. And I think in this business you need to be a compartmentalizer. You need to be able to spend time in a tough situation and then go to something else which is a good situation and not let the two sort of cross the line for you. No, you spend whatever time you have to spend. People always say to me, I don't want to call you at home. I say, "I don't care if you call me at home, you can call me anywhere, because I'm happy to speak to you. And if it turns out it's not good time to speak with you, I'm happy to say, 'Let me call you back.'" I think what's been good for me as an investor or as a venture capitalist is, I have a great sense of urgency. So I would always rather deal with a problem today than tomorrow. And I would always rather have an entrepreneur — and they know this about me — I would rather have them call me on a Saturday if there's a problem than on Monday. Because to me — listen, if Saturday — because it isn't going to ruin my day. It's just going to tell me I got something I gotta deal with on Monday, or maybe I gotta deal with it Sunday. Does that make any sense?

CK: *It makes sense based on everything you said about your emotional involvement and how you look at these; you seem to have a balance.*

BE: I don't think I'm balanced. My wife wouldn't think I'm balanced. I'm full in.

CK: *It's not gonna ruin your day, though.*

BE: But it's not gonna ruin my day, and it's not going to stop me from going to see a movie or doing something. I play a lot of golf now, and my assistant always knows where I am; she always knows how to reach me. I don't bring a cell phone on the golf course because I think it's bad form. But I have no problem calling someone at seven o'clock at night. And sometimes it'll drive my wife nuts. To me, that takes a lot of stress off me. I don't deal well with having twenty calls to make; I don't like things hanging over me.

CK: *You just like to get things taken care of.*

BE: Right. Not even taken care of, but at least addressed, and now we'll deal with the problem, but let's know what the problem is, and then we'll go from there. Because I don't like to go to bed when — that's when I am not comfortable — is, I go, "Geez, I had ten people call me, I never got back to them." I always want the burden to be on the other person.

CK: *You said you sleep well at night, but—*

BE: I do. I'll tell you, the one thing about having invested in biotech and all that, I'm relatively careful about medication; I don't take almost anything. I'm not a huge believer. Because I've seen what they can do when you're dealing with the chemistry of someone's body, when you put something in, you change something else. And sometimes you have to because that's how people stay alive, but it generally creates other problems.

CK: *What is your release?*

BE: Well, one, I *love* investing, and I love working. I do a lot of investing now in what they call search funds, helping young people come out of business school to buy a business and grow a business. So I love doing that. But I love golf, I love art. Basically, I like people. I'm not someone who can sit around and, as bad as it sounds, I couldn't sit in a tent and read a book for four hours. When I go on a trip, my wife will always get me a book, and I'll read it because we're someplace where I can do it. But if I was at home, I'd just as soon be out seeing people, doing something.

CK: *The bubble, how did Alta fare during the bubble?*

BE: The Internet bubble?

CK: *Yeah, and the burst. What did you learn from it, perhaps?*

BE: Are you talking 2008 or 2000?

CK: *I'm talking about 2000.*

BE: The Internet bubble. We didn't get hurt too badly because we didn't do a tremendous amount of Internet-related stuff. We were in the media area. We've been hurt far more in the last few years with, essentially, the change in the advertising world from traditional media — radio, TV, and that — into more alternative Internet and stuff. That's been more difficult.

CK: *Did you change your strategy in any way as a result of this? Are you changing your strategies?*

BE: Again, when we're talking about Alta, I'm not really the best person to talk to, because, as I said, I'm not the MGP of it.

CK: *In '07 you became a non-executive director. Is that your title?*

BE: I think I'm a general partner of the more recent funds. For instance, in the funds, I haven't made an investment since Alta VII. But I still do a lot of my own—

REFLECTIONS ON VENTURE CAPITAL

CK: *How do you feel about venture capital? You started in the beginning. How has it changed? We talked about the band of brothers.*

BE: We should have started this an hour ago. I'm kidding. It's changed dramatically. The business, when I started in it, to make it simple, was what I would describe as an absolute return business. In other words, if someone gave you a dollar, you tried to give them multiples of dollars back, and you were indifferent, or, frankly, didn't know how other people did. You were just doing your job. And now I will make an editorial comment. I think one of the great mistakes of our business was that we allowed — and I was vocal about this with little good result, or with little good result in my view — about the idea of quarterly performance and annual performance of venture funds, because I believe it has had the unintended consequence of turning us from an absolute performance business to a relative performance business. Relative performance is, I didn't make any money, but I did better than everyone else, so you should feel good about that. At the core, that's one of the big mistakes. I think we let the institutions— When I got in the venture business, when I started with Peter, people gave us their money, and we'd send quarterly reports and have an annual meeting. But they knew, the only thing that matters is, if I gave you a dollar, when do I get the money back, and how much money do I get back? And everything in between was pretty meaningless.

CK: *Was your business?*

BE: It's impossible to know, because it's all private stuff. It's not a public market. So I can remember in the early days of Burr, Egan, we always had a philosophy: Companies were either plus, minus, or equal. They were either doing better than we thought, doing worse than we thought, or doing what we thought. Not very sophisticated, but it's a good system, and in the end we'd lay them out that way. Here are the pluses, here are the minuses, here are the equals. And as you might suspect, you had a lot of equals, hopefully you had a few pluses, and hopefully you didn't have any minuses, but you would normally have a few minuses. And that's the way it was. But it almost didn't matter, because this year's minus could move next year to the plus, or could be an equal, and this year's plus could move to be a minus because things change. Do you see what I'm saying? As companies evolve and times change. And at the end of the day, basically, there's a football coach who says "you are what you are." It's like playing golf. You can get a four on a hole, and then you can get a double bogey on the next hole, and you get a birdie on the next hole. The only thing that really matters is at the end of the round, what did you score. So these interim results are really not very helpful. They only lead people to, in many cases, take actions that they otherwise wouldn't. So anyways, I am not a fan of the fact that we essentially have converted ourselves to almost a money management-style business. And we have, in many cases, lost sight,— and even the people who give us money, even more incredibly have lost sight — of the fact that they ought to be interested in how much money we make, not how we do relative to other people.

CK: *Do you think that this new generation, this next generation of venture capitalists, have changed in regard to the band of brothers and that collegiality?*

BE: Yes, and I don't think that's as much about them as about the business having a lot more capital. There's a certain element of this which is of any "old-timer" thinking about what they've done compared to what today is. Everything always looks better, probably, in the reflected glory or something. So I'm not naïve enough. But, look, the only thing I can tell you is, I'm absolutely thrilled to have operated in the business in the time period I did, really when I was doing it heavily—

CK: *Did you see it as a romantic quest?*

BE: No, not at all. It was good fun, but it was an easier business. It's a lot harder business. It's interesting, I think there's probably a lot more really bright people in the business today. For certain, there are so many more people, so there's probably more bright ones. But it's a lot harder. It's just a lot harder. But having said that, I'm very optimistic in the sense that I think there's still plenty of opportunity to do well, to create new companies, to make important contributions. But on a general basis, I think the business needs to be more absolute, more about absolute returns and less about how we do against other people and stuff like that.

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

BE: That's actually a very interesting observation, because I actually think most people who do well at things have a certain insecurity. Again, go back to great athletes. Great athletes don't go out every night and perform at a high level because they're confident. That's part of it. But there's another element that is about having to prove every night that they're good, and that's an insecurity. I think people who are supremely confident probably don't accomplish as much as people who need to prove — and I always look at that in the entrepreneurs I back. That they have to be confident and secure in who they are, but they have to have a little bit of a desire to prove who they are.

CK: *Does it give them their passion in some way?*

BE: Yes. Does that make any sense?

CK *I think that's a fascinating way of looking at it. I haven't heard that.*

BE: So my point is, I don't know if you think I'm confident, but I feel confident about what I do, but I would say in every investment I make, I always feel like I could be wrong.

CK: *You sound comfortably insecure.*

BE: I think I am insecure. But see, I don't think insecurity is a bad thing. I think it's a strength as long as you're—

CK: *Did you ever think you'd enjoy doing something else? Have you ever stopped along the way and said, You know, I could have been really successful—*

BE: No. I swear to God to you. I just look and I go, I cannot believe that I have been so frigging lucky to fall into something that — I don't even feel like I worked that hard. My wife says I work hard, and she doesn't even say it that way; but I just feel lucky because I don't feel like what I do is that hard. Again, I don't mean that in any false modesty either. I just feel like it's so natural. I've made lots of mistakes. Certainly, Peter can tell you that, or guys I work with or whatever. But no, there's nothing I would like to do. When I was a kid, I said, Would I like to be in politics? I wouldn't like to be in politics. I couldn't stand the negativity of it; I couldn't stand telling people why you can't succeed at stuff, or why your opponent is an idiot. It was so depressing to watch the ads on TV.

CK: *This really suited your—*

BE: That's what I'm saying. And that I think is incredible luck, because when I got out of business school if I had gone to New York and worked at something, do I think I would've been successful? Absolutely. That I think. Now, but would I have done as well financially? Who knows? I maybe could've been happy at a lot of other things. We don't know.

BEYOND VENTURE CAPITAL

CK: *You've certainly given back — you're a trustee at University of Pennsylvania.*

BE: I was a trustee at Fairfield University, I'm a trustee at the University of Pennsylvania; I'm on the Board of Overseers of the Wharton School; I'm on the Board of Trustees of the Isabella Stewart Gardner Museum. And I feel better about a lot of stuff that I'm not a trustee of. But that my wife and I have been able to help in ways to—

CK: *You can certainly mention the names of your children.*

BE: I have a daughter, Kristin; I have three sons, Bill, Greg, and Mark. I have sixteen grandchildren — ten girls and six boys. My grandchildren, I'm at the point where I got married so young that my oldest grandchild is applying to college — sounds incredible — and I get to see — my grandkids now play soccer and lacrosse and all this stuff. And one of the great things about the venture business — I've told people that want to be in the business — I said one of the reasons it's a great business is because you get to set the time of all meetings. You have the money. So you don't have to miss any of your kids' soccer games or football games.

CK: *And you're also a past president of NVCA.*

BE: Exactly, which is something — as I said to someone, I'm extremely proud of that. And it was the kind of job that I was honored to undertake, and relieved when I was finished. And actually, Dick Kramlich, Chuck's partner, was the president just before me.

CK: *I don't know if you want to think about this at such a young age. Do you have any sense of what you'd like your legacy to be?*

BE: Oh God, I'm not interested in — no, I really don't care what my legacy is.

CK: *How about for your grandchildren?*

BE: That's what I was going to say. The only thing that I care about — it's sort of a funny thing — I would want my children and my grandchildren to love me. I don't care about, like, if the universe at large or something thinks I was a great venture capitalist, because I did a good job, and I've had a lot of great people work with me. And I guess my wife would say I'm not someone who wants people to dislike me. I have a friend, Terry Murray, who was the former head of Bank of Boston and a very well known guy, and I play a lot of golf with him, and he said, "Bill, you are the least discerning human being I've ever met," he said, "because you like everyone." He says, "You're not qualified to say who's a jackass." And I said, "I'm for sure qualified to say who's — I just don't spend any time thinking about it. I'm actually pretty selfish, I just don't waste a lot of time."

CK: *You're most fortunate. Bill, thank you so much for this morning. This was wonderful. I hope you enjoyed it. And I thank you for NVCA*

BE: Make sure to tell Mark Heesen I said hello. He's a great guy; he's done a fabulous job there. The NVCA has done a fantastic job. It's a great business.

CK: *And also a thank you for participating, from Chuck Newhall; he really has been the heart and soul of this project.*