Oral History of Sandy Robertson

Interviewed by:
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Hancock: Today is January, 17th, 2019. On behalf of the Computer History Museum, we're here at Francisco Partners with Sandy Robertson. Sandy, thank you so much for welcoming us here today.

Robertson: Happy to be here, right.

Hancock: We're just thrilled to invite you for an oral history, to hear about your incredible life and the impact that you've had. So we'd like to start with the very beginning. For the record, can you give your full name and tell us where you were born?

Robertson: My full name is Sanford Richard Robertson. I was born in Chicago, and my first home was in Evanston, Illinois, and then later in Winnetka, Illinois. Uh-huh.

Hancock: So tell us about the family that welcomed you into the world and what were your early years like?

Robertson: Well, my father was a kind of a serial entrepreneur, and he had lost a business in the Depression. A candy business like See's, and he unwound it, didn't have to go bankrupt. But then he looked for something to do and he'd backed as a venture capitalist a friend in a restaurant, and he saw that people needed to eat every day and it wasn't something that could be postponed. And he liked that idea, so he decided to get into the restaurant business. He bought a small storefront restaurant, which was called the Hearthstone Tea Room, run by a little old lady. She sold it to him for $5,000, and he turned that storefront into a 325-seat restaurant that later became, and it rated in a national magazine, The Saturday Evening Post, as one of the five best restaurants in the country.

Hancock: That's remarkable to have a father, your father, as an example for you. What was that like for you?

Robertson: Well, also I kind of lived in the business, because we lived above the restaurant. We built a beautiful building, but we had an apartment upstairs. And my mother was involved also. So I really kind of lived in the restaurant growing up. I think I had an MBA before I ever got out of high school.

<laughter>

Yeah.

Hancock: What kinds of roles or things did you do in the restaurant?

Robertson: A little of everything. I was cashier a lot, but I was also a bus boy. I don't think I ever peeled potatoes or anything like that, but I did help a little bit in the food preparation when someone was gone or there was a shortage. But it was great fun. I didn't know anything different, and so I was with my parents all the time. Didn't have the traditional sit-down family dinner because that was busy time, but I saw a lot of my parents that way. Yeah.

Hancock: So in your MBA from experience there in your restaurant, what kinds of early lessons did you learn?

Robertson: Well, what I saw was my father making a myriad of small decisions all the time. They were really personnel decisions and things like that, and I was nearby and watching. And I could see what the decision process was in running a business, albeit at a very different level. But how to make a decision, get the facts, make the decision quickly, and get on to the next thing. It was a great experience from that standpoint. I see other people in business having a much harder time making decisions.

Hancock: Did he have any, or your mother or other, any advice for you as you thought of what you might have as a career later in life?

Robertson: Well, I was always supposed to go to Cornell Hotel School and come back and run the restaurant. And fortunately my father, during the war, he had a hard time getting food and getting people to serve. And the waitresses would go off and work in a defense plant sort of thing. So he was really tired, and he basically sold the restaurant and lived off the real estate as a retirement. So I dodged a bullet. I didn't have to go to <laughs> Cornell Hotel School and come back and work, you know, 10 hours a day, 7 days a week in the restaurant.

Hancock: So as you were growing up then, were there any teachers or classmates outside of your family that were particularly important that influenced your interests or your passions?

Robertson: There was an English teacher, my junior in high school English teacher, really taught me how to write. She was a fabulous teacher and I've never had a problem writing after that course. She worked us very hard during the week. We had to write an essay every night. We were timed for an essay in classroom, but she said, "I give you the weekends off."

Hancock: <laughs>

Robertson: And so we always appreciated that.

Hancock: Great. So was there a world outside of the restaurant that was influential for you growing up or was your life all centered around the restaurant business? I mean, do you have other interests?

Robertson: Well, talking about teachers, I was lucky enough to go to one of the great high schools in the country, New Trier High School, in Winnetka. It's a phenomenal school. In any list of secondary schools, it appears. I remember seeing an article one time of the 10 best secondary schools in the country and New Trier was first, Andover second, Exeter third.

Hancock: Amazing.

Robertson: And, I mean, it was in that quality as a public school. Large school, 550 in the class, but it was really real life. You had to survive in a tough atmosphere.

Hancock: As a student there, did you have particular classes that you were drawn to, or subjects?

Robertson: Not in high school. It was just a broad, broad thing in high school, but in college, of course, yes, uh-huh.

Hancock: So take us back to the time when you were looking ahead to college. What were you considering as you looked at possible universities to go to?

Robertson: Well, one of the reasons I chose Michigan, was the Korean War was on and the draft was on, and you could get an MBA in five years there rather than six. And also, going from a large high school, I wanted to go to a larger college rather than— I mean, I was accepted at Williams and Amherst and things like that, but I thought I wanted to go to a larger school which would be an escalation of what I'd already been in. So Michigan qualified from two things. I wanted to save a year because it looked like you had to go in the Army, and secondly, the size of the school.

Hancock: And once you arrived there at University of Michigan, how did you choose your major?

Robertson: I knew before going in that I wanted to get a BBA and then an MBA, So because of growing up in that business, I kind of had a little more direction of knowing I wanted to go into business. I thought at one point— I have a grandfather who was a doctor and a grandfather who was a lawyer, and I'd considered both of those professions. And my father and mother came to me one day and said, "Don't count on anything from us except all the education you need." Then my father jumps in and he says, "I'd rather not pay a law school tuition."

<laughter>

I think it was the best negative advice that I ever had. I would not <laughs> have been a good lawyer.

<laughter>

Hancock: So did you get involved in any extracurricular activities while you were there at the University of Michigan?

Robertson: Yes. I was on the Interfraternity Council, vice president of that. I was president of my business school class. So I kept busy.

Hancock: I read that there was a particular finance professor who helped get you interested in corporate finance.

Robertson: Right.

Hancock: Were there any professors that you would like to talk about?

Robertson: One. There was one professor. I always thought I would want to be in real estate or finance, but one corporate finance professor in the original, the basic course, was so good, I was really fascinated by that course, and then the Security Analysis course. So from then on I emphasized finance in the electives.

Hancock: You could've gone in many directions, and what was it about finance that really captured your passion?

Robertson: Number one, I had started following the market a little bit, so I liked that part of it. And I liked the idea where you could help a company by bringing new money into it and see it expand. And I was fortunate enough in my career to see that. But I sensed that, even in business school, that that was something that I liked. I also really liked the real estate area. I'm kind of a frustrated real estate guy. I'm on the Salesforce real estate committee and have gotten involved in some of the projects like building a new tower back in Chicago originally. So, my interest in real estate has evolved and come out a little bit recently. But I was the graduate assistant in the real estate course when I was in graduate school and I thought about going that direction, but finance really attracted me more.

Hancock: Was that a hard decision, when the fork in the road came, to choose between those two?

Robertson: No. It was where you could get a job when you got out of the Navy.

<laughter>

Robertson: Right, right. But--

Hancock: So—

Robertson: —I think I would've been happy either way, yeah.

Hancock: For the companies that you were looking at during that period, what was the market like? Do you remember the companies? If you could just give some context about the economy at the time and what were the companies that you were watching and interested in?

Robertson: Well, my first job out of business school was the Navy, because the Korean War was still on, and the draft was there. You could take a government exam. If you scored high enough you could stay an undergraduate. If you scored higher than that you could get your graduate degree. Then the minute you had your degree, you had to be in the draft. So, there was a Navy program that was, turns out, pretty hard to get into. Great bunch of guys. There were 400 of us in this Navy class, and they told us there'd been 20,000 applications, but everybody had an MBA—

Hancock: Mm, very selective.

Robertson: —or a law degree. And a great, great bunch of guys I've stayed in touch with over the years. So that was a terrific first job. Then getting out of the Navy, I started to interview on Wall Street, but I had a job offer from a small growing corporation, American Hospital Supply. I joined them for a year, and they went from $65 million to $95 million that year. I had the right idea of a growing company.

Hancock: What was your role with them?

Robertson: Oh, I started in the purchasing area. Or actually started as a picker in their warehouse for a month.

Hancock: Oh, really?

<laughter>

Robertson: But then I found myself—it was very close to Northwestern University—going down to the Northwestern library at the end of the day and looking at Moody's Manuals and Standard & Poor's and thinking about stocks. And I thought, "I've got to make my avocation my vocation." So then I went to Wall Street.

Hancock: Well, that's a perfect segue then into your work, but before that I wanted to ask you a little bit about your experience in the Navy. I believe it took you outside of the country for your work. Can you talk a little bit about your work with the Navy?

Robertson: Well, I was with a very large unit of—not actually large for the time—500 men and 13 officers. The Korean War ended, and we had been on Guam. They moved us to Japan, cut it down to three officers and a hundred and twenty-five men, and I became the executive officer. There's only three, and we were working in Japan, which was terrific to be there at that time. The captain had had to go home on emergency leave, and so I actually had command of a Naval unit for a month.

Hancock: And how old were you?

Robertson: Huh?

Hancock: How old were you when you took command?

Robertson: I was 26.

Hancock: At 26 you're commanding the whole unit? <laughs>

Robertson: Uh-huh. Yeah, and the admiral would have all the ships and everything into an area. And these guys all came in, they were commanders and they had what they called "scrambled eggs" on their helmet, you know, the extra braid. And I'd walk in as a JG, and it was a great experience. I learned a huge amount of how to run my business while in the Navy, yeah.

Hancock: Sometimes that would be a little surprising that you would learn how to run your business at such a young, early age in the Navy.

Robertson: Yeah.

Hancock: What were some of those lessons that you learned then?

Robertson: Well, again, how to make a decision. These were personnel decisions, and even I had to hold captain's mast and restrict a guy, put him in jail – that sort of thing. It was really a great experience to have that kind of responsibility. We had a budget of about $15 million, as I recall. Yeah. Without even talking about the personnel costs, and 125 men to manage. It was a great experience. Yeah.

Hancock: How long were you in that role then?

Robertson: I was in the Navy for three years.

Hancock: Three years.

Robertson: Uh-huh. Yeah.

Hancock: So then I think you said you went to American Hospital Supply in 1958.

Robertson: Uh-huh.

Hancock: So during that time of rapid growth, and then what led to the change to move to Smith Barney?

Robertson: Well, I just realized that I was thinking all the time about markets and financing, and American was a great company. I joined Smith Barney and coincidentally, they were the investment bankers for [American].

Hancock: Oh, yeah.

Robertson: Uh-huh. So I helped, I did some financing for American while at Smith Barney, which was really, really kind of fun. Yeah.

Hancock: Immediate connection.

Robertson: Yeah, uh-huh.

Hancock: When you were—

Robertson: As a matter of fact, the then-president, you know, about seven years later tried to hire me back as CFO, which I was very flattered about.

Hancock: That's remarkable.

Robertson: Yeah, uh-huh.

Hancock: So do you remember some of your early deals that you worked on when you were there?

Robertson: Well, I had responsibility for Iowa and Nebraska and knew Warren Buffett in those days. He had a huge fund of a hundred million dollars.

Hancock: Huge. <laughs>

Robertson: It was huge for the time. And I did a little work with him. We did some underwritings out there.

Hancock: When you say "work with him," what did that look like? How did you interact? What were some of the things you worked on together?

Robertson: In the '60s there was a huge scandal at American Express called the Tino De Angelis salad oil scandal. Mr. De Angelis had had tanks of oil, salad oil, in Bayonne, New Jersey, and he filled them up with water, leaving only a little oil on the top. And there were warehouse receipts owned by an American Express bank subsidiary that had this. Turned out to be a complete fraud. It looked like American Express was going to go bankrupt, and we didn't think so at Smith Barney. We were doing some financing for them. Warren came in and said, "I want to buy a hundred thousand shares of American Express," and I said, "You're not afraid?" He said, "No. The float on their traveler's checks is worth more than the company's selling for now." You know, in the old days we used traveler's checks.

Hancock: I remember.

Robertson: You'd use 80 percent of them and have 20 percent you'd never really get to until the next trip. So the float got bigger and bigger, and the interest on that float was enough to justify the price of American Express. Well, the stock continued to go down. He bought another hundred thousand, and a hundred-thousand-share order actually did make the newspapers in those days, it was that big an order. Ten thousand was a big order. And so I worked with him on that and then I was working on some other underwritings when I got transferred to California.

Hancock: So after being in the Midwest, then you came to California. Had California been on your radar screen before as a destination?

Robertson: It had. I was in the Chicago office at Smith Barney at the time. Los Angeles had just passed Chicago as the second largest city, and Smith Barney had no office in Los Angeles. So I was negotiating with the firm to open in Los Angeles. I thought it would be a very quick way to make partner. I was just a manager type in Chicago at the time. So I said, you know, "Let me go open for you in Los Angeles," and I thought if I did that they'd have to make me partner within the year. And at that point they fired the San

Francisco manager, partner. He demanded something or “fire me,” and then they said, “We fire you.” So on four hours’ notice, they said, “How would you like to go to San Francisco instead?” I said, <laughs> “That sounds great,” and came out here same day.

Hancock: <laughs> Four hours notice?

Robertson: Four hours notice, yeah. At nine in the morning, they said, you know, “Here’s the deal. You want to go to San Francisco?” and I said, “Yes,” on the spot, and got on a two o’clock plane to take over the office, which was headless at the moment, so... <laughs> Yeah.

Hancock: So there was an exciting opportunity, but to make such a dramatic change and to do it on the turn of a dime, what was it in you that you think led you to take that risk and make that decision?

Robertson: Well, I wanted to be my own boss or be a manager, you know, have responsibility rather than to report to a lot of people. So that was attractive, to run my own— thinking about Los Angeles for that or even San Francisco as a chance to run things. And I’d gotten out of the Navy, released from the Navy, in San Francisco, and that took a week, and I’d kind of looked around for a job during that week. I should’ve gotten down to see Hewlett-Packard and Varian and Ampex in those days, but I just kind of stayed in the City. And so I always had a very nice impression of this city, just wandering around for a week because you had to report about one hour a day during this decommissioning process. And so I had an orientation toward this, and then the minute I realized here, I realized that the economic base, the City, was the Valley, not the old-line companies in the City. Yeah.

Hancock: Just for context, what were the old-line companies in the City and what were the things, the new companies in the Valley that were in that time period?

Robertson: Well, Smith Barney didn’t understand it. It was easy to see once you got here, and my predecessor hadn’t focused on it. So they said, “Well, go call on the Forest Products companies, call on Chevron, then call Standard of California. Call on the banks. Try to do some underwriting business with them, get in their deals.” And so after about overall a month, I saw that that wasn’t the real growth of this area, but it was Hewlett-Packard, it was Varian, it was Ampex, it was Eitel-McCullough. And then I had a chance to look at some private deals. We did do a private placement for a company called Spectra-Physics, which then had 70 percent of the world’s laser market, and the president was head of the American Electronics Association. It was a private company, very small, but dominant in its area, and so we did a private placement for them.

Hancock: What was the scale of that placement?

Robertson: Oh, it was a three-million-dollar <laughs> private placement. That’s a good question. A three-million-dollar private placement, and I got the firm to take for their own account a hundred-thousand-dollar investment, which would be more like a maybe two-million-dollar investment today. So I’d go back to a partners meeting and the other partner would say, “Hey, Buck Rogers, how’s our ray gun company going?” and I thought, “These guys are never going to understand that this is a company.” So I had to take the initial public offering over to Hambrecht & Quist and gave it to them. And that got me thinking, "I better do this myself."

Hancock: So that kind of East Coast, old-line, large company mentality was something that really constrained you from the areas of growth that you were interested in.

Robertson: Well, they turned me down. The problem was they were turning me down. We had won a private placement for Fairchild Semiconductor, and they said, "Oh, no, semiconductors. Someone will have the better chip next year," I couldn't get it through the committee, and so I started thinking, "How do we put this together?" And I took my two best guys at Smith Barney and we started our own firm.

Hancock: Before we get to your firm, I'd love to hear about the Fairchild placement. It was so early really.

Robertson: Yeah, uh-huh.

Hancock: You were an early pioneer on this, doing the private placement. The private side was so early. How were you sourcing and evaluating who you might work with?

Robertson: Well, I started calling on these companies cold. I would usually talk to the CFO, and sometimes the president, but in the Fairchild case it was the CFO.

Hancock: Who was that at the time? Do you remember?

Robertson: I think his name was [Jim] Unruh, uh-huh, and he had the same name as the state treasurer controller at the time, and I don't think they were related, but...

Hancock: <laughs>

Robertson: He was financing a new plant and they wanted to do convertible or convertible preferred privately, not a public offering, and I couldn't get Smith Barney to go along with it.

Hancock: At the time, you said your colleagues were saying, "Oh, that's just going to change and it's too risky." What led you to have faith that these kind of risky, rapidly-changing technology companies would be worth the investment, worthwhile for you?

Robertson: Well, I came from a family where my father was kind of a serial entrepreneur, and there was an orientation. He always said, "You're never going to be happy until you have your own business," and I said, "Oh, Dad, I'm going to be a partner, not just an employee, but a partner in investment banking." These were all partnerships in those days, and so I'd have the feeling of an ownership. He said, "Well, see how it is." It wasn't as <laughs> interesting as being your own owner, but my orientation was toward small, growing companies. I found them really fascinating and I found the entrepreneurs really, really interesting, and so it was fun to get involved with these companies. Much more fun than calling on the treasurer at Chevron, you know.

<laughter>

Robertson: Yeah.

Hancock: So you took your best people, Ken Siebel and Bob Coleman, is that right?

Robertson: Right, uh-huh.

Hancock: With you, and that was a big loss for your previous firm. And you decided to start your own things.

Robertson: Mm-hm, that's right.

Hancock: Continuing, we're just to the point now of you deciding to start your own firm.

Robertson: Right.

Hancock: How did you decide who you wanted to co-found the firm with?

Robertson: Number one, I just couldn't get Smith Barney to look at some of these technology companies, and they turned me down on a couple really interesting things. So I thought, "We've got to do it ourselves."

Hancock: Fairchild…and what other deals did they turn you down on?

Robertson: They turned me down on a company that later became Combined Communications. It wasn't technology. It turned out to be a multiple television station thing. They turned me down on another AMD deal. Was a private in the semiconductor area. We did get one through called Applied Technology, which was a defense contractor, and they seemed to understand what they were doing. It was a very nice deal. It eventually got sold a couple years later, but it was in the Stanford Industrial Park and run by a great guy by the name of Bill Ayers.

But my batting average of getting it through the investment committee back in New York was about 20 percent, and so I was taking business over to other firms, because I thought these companies should have been financed. And so, Ken Siebel was an outstanding part of my firm. I'd hired him for Chicago and then, when he was in training, I came out here, I got him to follow me out here. And same with Bob Coleman, who'd been in the Milwaukee office. I recruited him within the firm, which you weren't supposed to do, but people overlooked it because we were trying to build up San Francisco.

Hancock: So here was your opportunity to define your firm with its own vision and priorities.

Robertson: Yeah.

Hancock: What was your early view of what you wanted to do with your own firm?

Robertson: Well, I wanted to provide quality investment banking advice for smaller companies at the same quality level of a major investment banking firm. And the local firms out here did some deals with their— they looked at them in a different way and they were, frankly, less competent. They were more just little local brokerage firms that occasionally did an underwriting. And so, I wanted to bring New York-style investment banking thinking to the smaller companies, and that's what we tried to do.

Hancock: Tell us about some of the early deals that you did.

Robertson: Well, the first one we ever did, it took us, actually, two years before we did our first underwriting. We did some private placements. We did an interesting private placement almost immediately for a company called Crystal Technology that [made] the boules that you make silicon from through the Czochralski process. You put a seed in a red-hot thing, and it slowly moves up. They were doing sapphire and it looked at the time like the next generation of semiconductors were going to be silicon on sapphire. And they could do fake diamonds that way, too, which was really fun. We were able to give some fake diamonds to our friends, these big six and seven-carat things. They looked real. But we did a private placement for them -- eventually sold that to Siemens. We had a private placement right away, but the IPO market was totally stale. This was the beginning of 1970. Very little going on.

And so, it took us until March of ’72, I believe, to do our first real underwriting. And that was for a company called Wangco, which was the leader in floppy disks at the time. And it was originally called Wang Computer Products. The minute that we filed it, Wang Laboratories sued us. I had said, when we were writing the prospectus, to the lawyers, you know, we're going to get sued. And they said, “No, no. Mr. Wang, he can use his own name, no problem.” So we filed, we did get sued, and we changed the name to Wang Co. And it was a very successful deal. You know, it was the Los Angeles disk drive company, floppy disk.

Then, the third underwriting we did was in October of ’72. The stock market had just hit a thousand, which everyone thought was way too high, and it was crashing like crazy. And that's when we had to bring Applied Materials public. And they had had $17 million sales that year, on their way to $35M, doubling in one year. And the deal got done in a tough market after it hit a thousand. The market was really headed down, but we got it done.

Hancock: You say that as if it's a simple process, but it's really not, and especially at those times. You were doing things in a new way. Walk us through a little bit about what you actually did to get the deal done. What were some of the issues that you worked on? Who were the people that you were working with? What were the obstacles and challenges that you faced on that Applied Materials deal?

Robertson: Ken Sable was particularly good at this. He would get to know the technology analysts at the various mutual funds or pension funds. And you had to convince them that this was a valid deal. They would then tell their fund managers you better look at it. But you had to get to the technology specialist first and get them. And we really got to know them very fast. And interestingly, they wanted to get to know us too. So it became fairly easy to have a relationship with the buyers of these stock. But it wasn't the universal group of someone buying AT&T and General Motors for a large fund. It was a more specialized group. And then, some hedge funds in there, because the hedge funds, they weren't as prevalent as they are today. But they were looking for different things. But we found the buyers pretty quickly.

Hancock: In those early years, you were also closely tied with some of the pioneering venture capital firms.

Robertson: That's right.

Hancock: Like Kleiner Perkins.

Robertson: Right.

Hancock: Can you talk about how did you connect—

Robertson: Well—

Hancock: —the key funders there and what was your role in that?

Robertson: When we started our firm, we each put $100,000 in, each of the three founders. And then, we raised another million three— or another $800,000, for $100,000 each from each of eight people. Among those people were Eugene Kleiner and Tom Perkins, each as individuals. They didn't know each other, but then, we were very close to them. And they had a preferred return, a nice return right away. We were profitable from the first month, which is very fortunate.

Hancock: Phenomenal.

Robertson: Improves your investment decisions.

Hancock: <laughs>

Robertson: If you're profitable. So having lunch with each of them over a period of a month or two, they told me they were thinking of starting a venture fund. In Eugene's case, the Hillman family in Pittsburgh had said they would like to give him $2 million to start a venture fund. It's what the numbers were in those days. And he was deciding whether that was enough and whether to do it.

Week or two later, I had lunch with Tom Perkins, and he said he had been making deals on the side. I mentioned Spectra-Physics before. He had a company called University Labs that was a laser company that we merged into Spectra-Physics, and he became a director of Spectra. And I really got to know him through that offering. And he said he was thinking about leaving Hewlett-Packard and becoming a venture capitalist, because he liked to do these outside deals. So I thought, gee. Maybe get him and Eugene hooked in together. So we went to Ricky's Hyatt House for breakfast.

Hancock: Oh, Ricky's Hyatt House on El Camino.

Robertson: Yeah.

Robertson: Where many, many deals were made in those days.

Hancock: <laughs>

Robertson: And we got kicked out— it was a seven o'clock breakfast. We got kicked out at eleven thirty, when they had to set up for lunch. And there was electricity right away. Eugene knew the semiconductor world and Tom knew the computer world. And their Rolodexes overlapped a little bit, but they really looked in different directions and they saw that they were very compatible. That was a Thursday. They said, well, we'll meet all day, all weekend long and talk about this and call you on Monday.

So they met most of Saturday and Sunday. Found that they were very compatible. Called me Monday morning and said, "Let's do a $10 million fund." Well, that was probably in July. We started marketing it. We got to $8.4 million in December. We were worried if we got to January, someone might change his mind. So we closed it out at $8.4 million. But it was like pulling teeth to raise $8.4 million. It was really, really tough.

Hancock: So the role that you played in connecting them and also kind of shaping that, how did that evolve over time? Because you had a long-standing relationship—

Robertson: Well, it was the best merger I ever did. Then, they were both good friends. They're both really, really good friends. And worked more with them and we helped them finance their companies. We took most of their companies public when they got to that point. And it was a very happy symbiotic relation, you know.

Hancock: So was that 1972 or—

Robertson: That was 1972.

Hancock: 1972.

Robertson: Yeah.

Hancock: So again, if you could provide a little context about— you've mentioned what was happening in the technology world. Could you paint that picture a little bit more?

Robertson: Well, the venture capital world was very small. Reid Dennis of IVP had done a $5 million fund. Brentwood in Los Angeles had done a $5 million fund. There was one $80 million fund from Ned Heizer in Chicago, but that was a real outlier. And there were a few things around and companies were financed with a million dollars to start. And usually, from two venture capitalists. No one could put a million in one company. So there was two $500,000 investors. And if their entrepreneur didn't get cashflow positive on that million dollars, he'd go bankrupt or he'd have a wash-out financing, where his equity would be really diminished. So people really watched their expenses. And it wasn't, “Well, we spent the million and we made some progress. Now, we'll do another $2 million deal. We've made more progress and”— the way it is done today. But they start with $20 or $30 million today.

Hancock: There was a certain discipline, wasn't there, in that time?

Robertson: Yeah.

Hancock: So let's return back to some of the other deals that you were working on. We talked about Applied.

Robertson: Applied, yeah.

Hancock: Yeah. And then, other ones that were important for you that you were bringing either private placements or taking public during that era of your early times of--

Robertson: Well, Applied was very important, and there had to be a management change there too.

Hancock: Were you involved in that?

Robertson: A little bit, yeah. Uh-huh.

Hancock: It's not easy—

Robertson: Jim Morgan, who took it over—

Hancock: Yes.

Robertson: —had been a venture capitalist with a firm called WestVen, which is Phil Greer’s company. And he'd been a partner there doing deals, but he wanted to be more of an operating executive. And the founder, Mike McNeilly, was a very creative guy, but turned out he had a drug problem and he was on about his third wife. But he was an amazing entrepreneur. But he couldn't run the company.

And so, Fred Adler, a venture capitalist/lawyer in New York was the venture capitalist in there. And General Electric owned 14 percent of the company at the beginning. So that was a very interesting company to see and get it involved, because GE eventually came out. They started doing a lot of business in Japan. They got a Japanese investor. The Japanese went on their board. Applied Materials did its own subsidiary in Japan. Usually, people had to do a joint venture with some Japanese company. They did their own. The company really grew exponentially with the computer— with the semiconductor business. And it's a great example— great background company for the whole industry because they were doing the equipment for everybody.

Hancock: Besides being essential for their equipment— by the way, I worked for a wafer stepper equipment company before I became an academic.

Robertson: Really?

Hancock: I did.

Robertson: Huh.

Hancock: GCA, back in Boston. But besides the kind of essential equipment, to what do you attribute the success? Because there were other competitors at the time, you know, tremendous competition that evolved in Japan and other places. From your perspective, what do you think accounted for Applied—

Robertson: For Applied's success?

Hancock: Mm-hmm.

Robertson: Well, they had equipment that everybody needed and it was very high quality, and continues to be. They're a real leader in that. And Jim Morgan, when he came to me and turned out to be a terrific operator. He turned out to be a good manager. He had been a venture capitalist, but while he was a venture capitalist, he went to run one of their troubled companies and turned it around, and found that he really was good at that. Applied didn't need a turnaround, but they needed a good CEO. So when this came up, he was ready to leave venture capital and become a full-time manager. And he ran it for years and years. And I went to his retirement party a couple of years ago.

Hancock: Yeah. Jim and Becky have been so important for this place.

Robertson: And at that retirement party, they had a chart of the stock price of Intel the day he took over Applied and what Intel's price was at the end of that day. And they almost paralleled all the way up. And I think right at the end, Applied was just slightly higher than Intel.

Hancock: <laughs>

Robertson: So he did a terrific job.

Hancock: Great. You've mentioned the relationship that your firm had with Kleiner. Could you step back and talk a little bit more about the differentiation, but also, the complementary aspects between venture capital and private financing? Because you were so influential in building that relationship for entrepreneurs of the whole continuum of financing.

Robertson: Well, the opposite thing of Jim Morgan being a venture capitalist becoming an operating manager. And Eugene Kleiner and Tom Perkins had both been operating managers that wanted to go into venture capital. But that was what we sold the firm on—I think the phrase was, “In a crisis, they can run it." And so, we had said, "They're going to invest in small companies. But if need be, they can step in and run the company and turn it around." And that was the theme of raising the original fund.

Hancock: Are there investments that you made from that original fund?

Robertson: There were two great companies that came out of it, Tandem and Genentech. That fund of eight— we used to hear the number, it was in the billions that it created, if you'd hold your stock. I haven't heard the number recently, but if you had had all $8 million, that you'd be worth over a billion at one point.

Hancock: That's an amazing return.

Robertson: Yeah.

Hancock: Let's talk about each of those companies because they were—

Robertson: Okay.

Hancock: —significant—

Robertson: Yeah.

Hancock: —for different reasons. Can you talk about the Tandem experience that you had?

Robertson: Uh-huh.

Hancock: Your role in helping the company go public.

Robertson: Well, Tom Perkins had run the computer division at Hewlett-Packard, and he remembered that two different times, clients of theirs had wanted a non-stop computer. And that's what Tandem did. It would never crash down. And they had two clients. One was the GE white goods plant making refrigerators and stoves. They'd sold that division. The deal there was if the line went down -- the computer should shut down -- the line went down, everybody got to go home. And that got to be very expensive for them. So they did this long contrived thing, with five different computers all hooked together.

And the other one was the Canadian Pacific Railroad. And the Canadian Pacific Railroad used a laser on a barcode on their boxcars to track all their cars. They'd go by a laser, which I think was a Spectra-Physics laser. And if that computer went down, which was a Hewlett-Packard computer, the railroad really was kind of frozen for a while, or they lost track of freight cars. So they wanted a non-stop computer. And so, Tom said, "We've got to solve this problem." And he took two people from Hewlett-Packard, brought them in, financed them, gave them maybe $500,000, or I think more like $200,000. Put them in a room and said, "You guys work it out to see if you can do a software"—one was a software engineer, one was a hardware engineer—"and see if you can come up with an idea how to do a non-stop computer that they'd talk to each other." And they did. So then, he went out and financed. Then, they put more money into it and got some other outside financing and got Tandem started. Turned out to be a great company.

Hancock: So important. So he was really the one that had not only the vision, but the—

Robertson: Yeah. Tom was not only the venture capitalist, but, really, the entrepreneur. It was his idea.

Hancock: And Genentech?

Robertson: Genentech, Bob Swanson had joined them as a younger partner, I think, from Citi Corp. He had a chemistry degree from MIT, and he wasn't working out as a venture capitalist. So Tom said, "Go see this guy, Herb Boyer, over at UCSF, who's doing something called gene splicing. And see if you can get something done with him." Well, Boyer wouldn't see him, wouldn't see him, wouldn't have lunch with him, wouldn't have dinner with him. Finally, agreed to have a beer with him. And there's a statue at Genentech of the two of them sitting there having a beer at a table. So he had a beer with Boyer and said, "You've got an idea that might be able to be commercialized." And so, then Kleiner Perkins financed Genentech, at the beginning.

Hancock: So that was one of the cases where Kleiner Perkins financed it and then, you were on the other end of taking it? Is that right?

Robertson: We helped a little bit on that next round of financing. We didn't take Genentech public, because it happened just as we were splitting our firm in two. Our original firm became Montgomery and we reformed, and it was in that month long period that Genentech— but we did a couple of financings for them privately. And I remember having lunch with Tom Perkins just as he had financed Genentech. And we were at the Pacific Union Club, where you're not supposed to have papers on the table or be doing business. And Tom said, "I've done this gene-splicing company and I want to show you how it works." So he pulled out a menu and he was writing— he made a round circle of a gene. He said, "We slice this gene and put an E. coli there— E. coli gene—" And just the whole thing. They came over and said, "Oh, Mr. Perkins, you're not supposed to have—" We laughed. It might have set science back 10 years.

<laughter>

Hancock: That's a great story.

Robertson: But it was a radical, radical thing to have happening at that time.

Hancock: So during that time, you mentioned that you were not the only ones who were working in this area and later on became known as the "four horsemen".

Robertson: Uh-huh.

Hancock: What do you think about that nickname? Do you think it's an apt one?

Robertson: It's fine. Yeah. As a football fan, of course. A Notre-Dame backfield in the twenties. And, yeah, I think it was fine. <laughs>

Hancock: Do you know how that moniker came about? Who gave that nickname to the group?

Robertson: Some reporter, I think, did. Maybe it was a technology magazine or something. There was a cartoon at one time of four of us lined up on top— there's a famous picture of the Notre-Dame backfield on horses. And so, they did that with the four of us, on the—

Hancock: <laughs>

Robertson: Yeah. Uh-huh.

Hancock: So talk about some of the other firms, the other three horsemen.

Robertson: Uh-huh.

Hancock: And then, what distinguished you among those four?

Robertson: I think we had better people. I think we really had higher quality people. And that's been proven as— all four firms are gone. They got merged into a larger firm. The people that we had, even the junior ones, are really running the world these days. I mean, I'm so proud of what some of these guys have done.

Hancock: Do you want to mention who they are? Because they were people that you recruited and—

Robertson: Yeah.

Hancock: —mentored and now, they've gone on to this next generation. Can you talk about some of those people, their firms?

Robertson: Todd Carter and Clark Callander running GCA. It was called Savvian and now, it's GCA, which is a large boutique. Bob Grady is probably running for Congress in Wyoming. John Conlin is running NWQ in LA. The head of— the chief investment officer of— gee, I'm trying to think of the name of the firm. But anyway. They're doing wonderful things. Mark Simon is partner of a biotech firm in New Jersey. Oh, I can give you a list. It's hard for me to bring them all together.

Hancock: Sure. That's genealogy that goes back to your firm.

Robertson: Another guy in Boston had his own firm and it had just sold, Chris Bulger, a nice little firm. He sold it for a lot. I was an investor in it. He sold it for a very nice price. They're just all over the place. DJ Deb is running this firm. He's a trustee at Stanford and doing a phenomenal job with us. He was one of the terrific people we hired out of school 25 or 26 years ago.

Hancock: What I noticed is that so many of these people, you started relationships early on in people's careers or firms.

Robertson: Uh-huh.

Hancock: You recruited somebody and now, you're here. You know, DJ's leading this firm. You mentioned that. How have those relationships evolved over time, where you might have started with one firm or one person, and then, over time, you're still connected to them? You're either invested in their firm or— is that true?

Robertson: That's right. Yeah. And I'm still as close to a lot of them. DJ had a party for me last August and it was starting out to be maybe 10 or 15 people who used to work for us, and it ended up with 90. It was a great evening. It was really fun. And all of these people were doing interesting things.

Hancock: It's quite an impact to see that.

Robertson: Yeah.

Hancock: So we were talking about the four horsemen and I guess now is a good time to talk about the split, as you call it, with Montgomery.

Robertson: Uh-huh.

Hancock: Can you talk about that change?

Robertson: Well, in, I forgot what year it was, maybe around ’72, Thom Weisel had been in another firm and had made a political move and got fired. And we were at Bob Coleman's 30th birthday, and they both had a Milwaukee background and were friends, Bob Coleman and Weisel. They were at his birthday and Thom Weisel was there. And I said, "How are things at Hutchinson?" Which was the name of his firm. He said, "Well, I've quit this week." And I said, "Oh, really? We ought to talk." So we talked a little bit that night. The next week, we negotiated, and he joined us about a week later. He brought some people over from that other firm. He had a more trading orientation. He added a little more trading orientation to our firm. And then, he turned out to be overly political, tried to push Ken Siebel out. And I thought, uh-oh, we can't last here long-term. So rather than have a fight within the partnership, I kind of took my group. We kept the name. They changed the name to Montgomery, and they kept the New York Stock Exchange seat. We brought another one at a bargain price, like $65,000 that year.

Hancock: That was a bargain.

<laughter>

Robertson: Right. And restarted. So we were out of business about six weeks or eight weeks in there.

Hancock: What was the impact? That couldn't have been easy, to bring people in, split people out, and those kind of big decisions.

Robertson: No, it really wasn't that bad.

Hancock: It wasn't?

Robertson: No, uh-huh. Because there was only one person we left behind that we would have liked to have had join us, and he decided to stay on the other side. But otherwise we kind of reformed the group that we were working with, and they felt reformed the more trading-oriented group, uh-huh.

Hancock: So let's kind of go forward. You then, the firm changed again; is that right, and became Robertson Stephens?

Robertson: Yeah, uh-huh.

Hancock: And how would you kind of define that era for your work, the picture of the firm, first of all, and then some of the deals that you were working on?

Robertson: I'm not sure I quite understand your question. Yeah.

Hancock: So the firm was evolving again, and then it became Robertson Stephens, I think.

Robertson: Right, uh-huh.

Hancock: Coleman left; is that right?

Robertson: He did eventually, yeah, uh-huh.

Hancock: So as it's evolving you keep reinventing your firm and—

Robertson: Well, Bob Coleman's family owned the Barber-Colman company in Rockford, Illinois. He came from some wealth, and they sold it for about a billion dollars to a British firm. So Bob all of a sudden had a pile of cash. And we were a general partnership, so he was at risk with his total net worth. He didn't want to be at risk, so he left us to protect his assets. He had been taking a lesser role anyway, so that was no problem. So then it became Robertson Stephens, and Paul Stephens had been with us at the old firm kind of in the Ken Siebel role, doing the brokerage side of the business.

Hancock: During that time there were some important political decisions that you were involved in, I think, in 1978. There's a seminal time of talking about the capital gains tax.

Robertson: Oh, yes, uh-huh.

Hancock: Which has really had a longstanding effect really for financing for a lot of things. Can you talk about your role in that?

Robertson: The AEA had a committee that Zschau was running, and we had Bob Noyce on the committee and David Morgenthaler in Cleveland, and me and Ed. I think there're just four of us, and we were trying to get the— which became the Steiger Amendment, that dropped the capital gains tax, and— maybe it was a Venture Capital Association. I forgot. Either NEA or Venture Capital Association committee. But anyway, we went to Congress and testified. And I always say my wife was my reward for doing that.

<laughter>

Hancock: In what way?

Robertson: That night I took a vice admiral friend, Rudd Skeller [ph?], out of the academy, a guy I'd known in the Navy, took him to dinner. He was married to a high school friend of mine, and who was my wife Jeanne's best friend in high school. And they gave me her phone number over dinner. So back in Chicago I looked her up and we were married a couple years later. So she was my reward for having to testify before Congress.

Hancock: <laughs>

Robertson: But Bob Noyce was phenomenal on that committee. Bob sang bass in an acapella choir, and he had this booming bass voice. He was really effective in front of Congress. But then Representative Steiger got the thing through. It became the Steiger Amendment. He got very honored by the AEA and there was a huge banquet for him out on the West Coast after that came through. He was a young dynamic representative from Wisconsin, and then he died at an early age just a couple years later. A heart attack, I think, yeah.

Hancock: Sounds like he passed away too early, like—

Robertson: Yeah.

Hancock: Like Bob Noyce. So you were working closely with Bob Noyce. What other memories do you have of him in this early time, of him as a person or his leadership at Intel?

Robertson: Well, that was really the only time I was very politically involved, until the Venture Capital Association. I was in kind of a political committee there, and we would call on senators on various issues. And the representatives in Congress, the senators, and even the White House staff, was starting to get very interested in technology, and so they were listening to us and it was pretty satisfying. We worked with Tom Daschle when he was majority leader. We worked with Bob Rubin before he became treasurer or secretary—

Hancock: Treasurer?

Robertson: —but when he was just a White House economic adviser, he had an office, tiny little office in the White House. But they were very, very receptive, because they seemed to understand that technology was becoming an important part of the U.S. economy, if not the most important part.

Hancock: Those were early days for the valley to be working with Washington. Some people used to joke that one reason Silicon Valley was so successful was because it was far away from Washington.

Robertson: Uh-huh.

<laughter>

Right.

Hancock: I'd like to just talk a little bit, follow on the thread that you talked about with your Genentech and biotech. You've been involved with quite a few biotech companies.

Robertson: Right. Uh-huh.

Hancock: Could we talk about a couple of those other companies, Affymetrix or others, and your views on the technology. And then also on that really growing as another major area of industry?

Robertson: Yeah. Well, yeah. We started with technology, added biotech, and then did a little retailing as well. But we could see biotech was becoming pretty interesting, so we hired a girl by name of Kathy Behrens, who I just had dinner with in Hawaii. And she's another one that's thrived. She's kind of a venture capitalist. She's also chairman of a biotech company in Boston at the moment. But Kathy had a PhD in Bioscience from Davis, and so she became a leading biotech analyst. And then we hired a guy by name of Mark Simon, who had been an assistant to Kidder Peabody's biotech analyst and gone on to business school. We put him on the payroll in his last semester of business school so he wouldn't get away.

<laughter>

Hancock: Clever. You locked him in.

Robertson: He became a great new business-getter and analyst in this area. So we didn't do the IPO of Genentech but we did, I don't know, 12 or 15 others. And we did 10 different deals for Chiron over in the East Bay. We did a private placement, then an IPO, then follow-on offering. Their merger with Cetus. Their final merger with Roche. But there were 10 different offerings over there.

Hancock: I think Bill Rudder, the co-founder of Chiron, said about you, “Sandy is one of the real important players in biotech at the investment banker level. You can ask him how much trepidation he had when representing rookies like Chiron, with minimal venture backing. He will have lots of stories.”

<laughter>

Robertson: Uh-huh. Right.

Hancock: What would be your response to him?

Robertson: Well, <laughs> Bill and his partner, Ed Penhoet, became really great friends. Bill just endowed a chair at UCSF in Psychiatry in my late wife’s name, which was a great honor to me that he did that. He’s a terrific guy.

Hancock: Well, we’ve talked about a lot of the companies that succeeded.

Robertson: Uh-huh.

Hancock: But not all of them succeeded, not everything is up and to the right.

Robertson: Right.

Hancock: Would you be willing to talk about some of the companies that you worked with that ended up folding, you know, washing out or other things, and your view on not only what they were but why did that happen?

Robertson: In the technology area, I don’t think we ever had a bankruptcy, but we had some that sold out at very cheap prices to other companies. But the two major bankruptcies we had were both in the retailing area. One was Pizza Time Theatre, and Nolan Bushnell, who had done Pong and really started the gaming industry, had done this Pizza Time Theatre where you could get games and stuff like that.

Hancock: Arcades and—

Robertson: The pizza wasn’t very good.

<laughter>

Robertson: So we did an IPO and a follow-on offering for them. I was dating my wife at the time and I took her to a Pizza Time Theatre. She said, “Don’t do this deal.” She said, “The pizza’s terrible, it’s noisy.” You know, “Don’t do it.” Well, the company, that parent company, did go bankrupt. The franchisees pretty much stayed in business. They did get together again and reformed, and the company just got sold for a couple billion dollars. I mean, this is 25 years later. So that happened before my wife died. I told her, “See, eventually this one came to.”

<laughter>

And the other one that didn't make it was a retailer called Silk Greenhouse that was hobbyists and silk flowers, and they were doing really, really well. And then they expanded too fast, they bought too much product. That was all done in Thailand and China, and they got sunk on the weight of their loans. And my wife had said, "Don't do that one either." So she said, "You guys need me on your investment committee as a veto power."

Hancock: <laughs>

Robertson: And so really the only two bankruptcies we had, she had an opinion on that we shouldn't have done. But in the biotech world, once they got public, they had enough money to get a certain way and they would get merged out. I don't think we ever had a bankruptcy in the technology area. But we did have a couple that got merged out at considerably lower prices.

Hancock: Mm-hm. So what would be some of those then that got merged out?

Robertson: Oh, boy. I'd have to go look at my records. You kind of forget those in a hurry. I can't think of an example, but there are some examples.

Hancock: Let's continue. Thank you so much, Sandy.

Robertson: <laughs> Okay.

Hancock: At this point I'd like to take a step back and ask about some of your overall insights on how you approached the deals that you were doing. Some people in venture capital say it's a question of betting on the jockey or the horse, and what was your approach?

Robertson: It's the jockey. No question about it. I always say venture capitalists have a very easy decision. All they have to do is pick the right person. To pick the right person who's already thought through the idea, has come up with a good idea, and he also is the type that brings good people around him. So if you pick the right guy, like a Bob Noyce or Gordon Moore, they get the Andy Groves and the others around them. It's all people rather than the horse. You can have an A-class manager and a B idea and it probably will still make it. But if it's the other way around, if you have an A-quality idea but a B-minus guy running it, it'll never make it.

Hancock: So with that kind of approach, how do you tell which people you want to bet on?

Robertson: Well, you try to make a first impression and you really do a lot of work around it and talk to them. You don't always make the right decision, but it's very important to make that decision properly the first time. Here at Francisco, we use an outside consultant to interview our prospective managers or people we're acquiring, and they're very interesting insights. I think the reports are extremely well done. And if the man doesn't come up with the right grades, we back away or we tell him, "We'll allow you to run this company for 12 to 18 months, but we're going to replace you as it gets larger," and usually they'll go along with that if that's the case.

Hancock: What are the kind of attributes of these exceptional people that you feel are more important?

Robertson: Well, number one, their educational background is important, and how they've done not only their degree, and then you try to get an assessment of their drive and also of their creativity. And maybe the creativity is a little harder to determine, but through talking you can really find out a lot about what their thinking is and forward looking of their idea for their company.

Hancock: Well, you've chosen and they've chosen you.

Robertson: Uh-huh.

Hancock: Exceptional people to work with.

Robertson: Right.

Hancock: You mentioned a few, Bob Noyce and others.

Robertson: Yeah, yeah.

Hancock: Could you just, I guess, tell us about some of those leaders, tech company leaders that stand out in your mind and how you worked with them? And why do you think they made such a big impact?

Robertson: Well, we first, in evaluating people, as an investment bank, we're looking at a company that's had some degree of success. We don't have quite the risk that the venture capitalist has of making a really early decision. So it was a lot easier for us to look at people, and their personalities have really shown in the way they run their company by then. Our job was a lot easier than the typical VC in deciding whether to take a company public. Usually we had determined who it was and we were selling them on us, rather than the other way around.

<laughter>

So yeah.

Hancock: As you were differentiating, as you were selling you on them, what were the things that you think really distinguished you and your firm versus other partners that those people could work with?

Robertson: Well, we tried to be honest with them about what the offering price would be. Other firms would give them a bigger offering price and they'd think, "Oh, this firm understands me more." And you can see that if you're selling a house or something, when you go and you list a house. The guy that tells you it's worth more, you probably go with him. But so, you had to overcome that a little bit. We tried to be very honest with them, and then we showed off our people. We showed in-depth who the analyst would be, who would be managing the offering, the head of our syndicate area, be handling our distribution, and even give them references to fidelities and some of the larger funds of how we approach them. I think it got to be where our endorsement was— because we'd done our homework, we were pretty well accepted by the buying side of the business, which is important in order to distribute. The power to underwrite something is only your power to distribute it. You didn't buy it for your own account. You didn't do a $80 million IPO to own it yourself. You owned it, you did a $80 million IPO because you had maybe $240 million worth ready to sell, and you cut everybody back. We also showed statistics that we didn't let the company leave too much money on the table.

The first thing that was really important was that the stock go up in price a little bit after the deal but not too much. Up 15 percent was just about right, and then if some institutions changed their mind they could sell a little, or sell it all, and there'd be other buyers there. So you really wanted to go up 15 percent, and we were very consistent in that and had a much better track record. Now, in the boom of '89, everybody wanted their stock to triple. And it was very hard to do that. I had retired from the business by then, but it got so crazy that people wanted an extra hot deal and leave too much on the table. But that was kind of the reward or the endorsement that if your stock doubled in the aftermarket you must've been a successful deal. But they left too much on the table to do that.

Hancock: This discipline, as you say, to figure out that sweet spot where you're priced just right, you don't leave too much.

Robertson: Yeah.

Hancock: What was behind that? Because that's not easy to do with that amount of accuracy over many, many deals over time.

Robertson: Well, you would talk to a buyer and he'd say, "I really like that stock," and then you say, "Do you really want to own it or do you just want to make your 15 percent and get out?" And we had a trusting relationship with those buyers, and they'd say, "No. This is one that we really like for long-term." And so in your allocation you might give him more than he would normally get if he says he's really going to buy it, and then he'll say, "And I'd like to buy more of the aftermarket," so you're testing the market. You're getting a pre-market, your sensing of the buyers and sellers, in advance. Then you try to price it just at that point where there'll be enough people selling their 15 percent premium, and then enough buyers to pick those up at that premium. Uh-huh. But it was an art, not a science.

Hancock: I was going to say.

Robertson: Uh-huh. Yeah.

Hancock: So it's an amazing art, really.

Robertson: Uh-huh.

Hancock: So we've talked about that approach. What are the other significant deals that you would point to during this time? I want to make sure we don't miss any.

Robertson: Well, some of the early ones, Rolm was a very-- R-O-L-M.

Hancock: Yes.

Robertson: Ken Oshman was one of the best executives I've ever known. He was a PhD electrical engineer. He helped design his original product. Total R&D guy. He then made the transition to being a very good financial executive, and a lot of engineers do that very effectively. He then went another step and another metamorphosis and he became a superb marketeer. And Rolm was the first company we'd put on the New York Stock Exchange. We really would rather have had the company stay in NASDAQ because we could be the specialists in their stock. But he went on the New York Stock Exchange because he said, "My sales guys are selling these telephone switches against AT&T and I want my salesmen to say when they ask, 'What's Rolm?' say, 'We're on the New York Stock Exchange just like AT&T, and you can go look us up in the paper.'" And that was a very smart move on his part to do. I said, "Okay. You're right. For once, you're going to get a little lesser market, one specialist trading you rather than 10 or 12 companies try to," but it's worth it for that, for your own salespeople to do that.

Hancock: A kind of brand—

Robertson: Yeah.

Hancock: Brand visibility.

Robertson: But he was an outstanding executive. We lost him here a few years ago. I just had dinner with his wife in Hawaii couple weeks ago, yeah.

Hancock: Rolm. Any others from those?

Robertson: From that era? So that was 1976. So well, we did a deal for Lotus in there that was really interesting.

Hancock: Okay. Let's talk about Lotus.

Robertson: Yeah. Lotus was really early and then it got sold to IBM eventually. But it was a Boston company. We did it with another firm. But Mitch Kapor, who ran that, was a really interesting early, early guy, and it was a very unique product that has stayed around.

Hancock: It had staying power and an early, right, software?

Robertson: Uh-huh. Yeah, uh-huh. That's right.

Hancock: So you were on the front end of these waves of a lot of the new technologies, and when I hear you talking about establishing the market, you know, making sure they'll be enough, so many of these things were untested.

Robertson: Uh-huh.

Hancock: New technologies, untested—

Robertson: That's right.

Hancock: —business models.

Robertson: But Lotus had an existing product that everybody loved.

Hancock: That's true. Others that you want to mention?

Robertson: I remember soon after we took them public, I had Mitch speaking at a conference. I was running a panel, and before our speech we had breakfast with Bill Gates, who was not as well-known as he is now, but he was headed…. And I just sat back and listened to those two talk. It was one of the more interesting breakfasts I've ever had in my life, just the three of us.

Hancock: What do you remember about the conversation?

Robertson: Well, it was all about the direction of the computer world, and, I mean, I learned a lot by sitting there <laughs> just listening.

Hancock: <laughs> Did they agree or have different perspectives?

Robertson: They disagreed a little bit, but then they would reinforce each other on certain trends.

Hancock: What were the big topics that they were seeing at that time, if it were in the early '70s.

Robertson: Ooh, I forget, but it was mainly kind of where software was going.

Hancock: Mm-hm.

Robertson: Mm-hm, and new markets for different kinds of software.

Hancock: Mm-hm.

Robertson: Yeah.

Hancock: Good. Any other technology computing firms that you had those days?

Robertson: Let's see. In the early days... Well, 3Com was pretty, pretty early.

Hancock: Yeah.

Robertson: And we were talking about Dick Kramlich in the break.

Hancock: Yes.

Robertson: Dick was a director of 3Com, and they wanted to merge with another company, which was a very bad idea. And NEA had enough, over 10 percent, to stop it, and we saved them from a horrible merger. It was one of those anti-mergers that was really a triumph in the end. They wanted to merge with another company and their shares were both about $11.00, and we said, "Nuh-uh. You better not do it." Within a year the other's $11.00 stock was $1.00, and 3Com was about $18, so it went both directions about the same way. But the management had wanted to work with this other guy they'd known at Hewlett-Packard, and so an anti-merger in that case was as good as any merger we've ever done. But that was a fairly early one. Ah, let's see. We did an early deal for Logitech. We did an early deal for McAfee.

Hancock: Mm. I'm having lunch with Erica D'Ettore [wife of Pierluigi Zappacosta, cofounder of Logitech].

Robertson: Oh, really? Okay.

Hancock: Next Monday, actually. <laughs>

Robertson: Cypress Semiconductor was fairly early, and TJ Rodgers was such a character on that one. Still a good friend. I just got a bottle of his wine and...

Hancock: <laughs>

Robertson: But we had a woman partner. TJ wasn't talking to investment bankers, and she was in charge of our semiconductor business, and she called TJ and said, "You want to come out and have lunch?" He said, "Oh, I don't have lunch." He said, "I go running at lunch." She said, "I'll come down and run with you." He said, "Well, I run seven-minute miles, four seven-minute miles. Can you keep up?" She said, "I can try," and she had run a marathon, so she was pretty good runner, and she trained for this. She also memorized 20 questions to get him talking so he couldn't breathe as well.

Hancock: <laughs> Very clever.

Robertson: And it turned out to be a horrible rainy day. There's a picture of them with mud all over their legs. And so then she got me an interview with him, and we had fun taking that one public.

Hancock: <laughs> That's a great story.

Robertson: Uh-huh.

Hancock: You mentioned a woman partner, and so many people perceive your part of the business and venture capital and finance in general as very much a male-dominated business.

Robertson: We, I think, at one point, had more women partners, from a percentage standpoint, of any other New York Stock Exchange firm. We had 3 women partners out of 18, and so we were doing pretty well in that area.

Hancock: Yes.

Robertson: Uh-huh.

Hancock: So as we look at kind of your sum of all the deals, what's that total count now if we were to look at all the….?

Robertson: It's a little over 500.

Hancock: That's remarkable.

Robertson: Yeah, uh-huh.

Hancock: What are some of the deals that stand out for you as the ones that were most significant?

Robertson: Well, one that came to the forefront this week that was a fairly small deal, was Fiserv, and they've just spent multiple billions of dollars to buy their competitor, First Data, which KKR owns. I might not have put that in my forefront of my thinking, but that just happened this week.

Hancock: Very recently.

Robertson: Oh, but Pixar, Verifone, which we just bought here. We did several deals for Verifone, and then we've just purchased it here at Francisco.

Hancock: Let's talk about that. Because you were involved with them on the early side, and then—

Robertson: Yeah, that's right.

Hancock: —have stayed in touch. Can you kind of describe that relationship over time as the company has changed in your relationship all the way to now with Francisco?

Robertson: Well, interestingly, Verifone was founded in Hawaii, on Maui, and then—

Hancock: I didn't know that.

Robertson: —it moved to the Bay Area. It was a Kleiner Perkins deal. Tom Perkins, I mean, Frank Caufield, was on the board, and we did a private placement with them, for them, before we took them public, with the Quandt family, who control BMW. And the Quandts owned a company in Minneapolis called Datacard that makes the machines that make the cards, so they thought this was kind of a related investment. And then we took them public and then they got sold to Hewlett-Packard. They bounced around over the years, taken private and public again, and they were floundering a little bit. And at Francisco we bought them a couple months ago.

Hancock: Well, maybe it's a good time to talk about the evolution of your firm with Robert Stephenson, with Robert Stephens, and in the '90s when things were changing and there were the big guys that were there with, you know...

Robertson: Well, it used to be at the early days, two of the four horsemen would be on there first with the prospectus, and then the bigger guys came in. And I remember the first deal we did with Morgan Stanley, company called Quantum in the disk drive area. Quantum, their sales force didn't know how to sell it, and so our sales force got all the orders. They were running the books but we fed the orders into them, and so they were very appreciative. So in the old days you had these tombstones which were by alphabetical order the size of the firm. There was the major bracket, the submajor and then the original firms. And so they, because of that, they put us up into the major bracket, and then the other firms that came around. So then in the '90s, the big guys started to come in and you would be joined with them. Then the challenge was to knock out the big guy and see if you could be the book runner on the right, and we did that on Pixar. We beat out Morgan and Goldman.

Hancock: Which was huge, right?

Robertson: Yeah, it was, yeah.

Hancock: It's like a David and Goliath, right?

Robertson: And we did it on another one. I'm forgetting which one it was, but we did another one where we knocked Morgan Stanley out and then they wouldn't appear with us. But then, when we got to be a major, we could do that. But basically, the left-hand side of the prospectus ran the books and it was a little more equal than the others. But in the early '90s we're on the left and the late '90s we were on the right, yeah.

Hancock: So Pixar is a great example of a big victory.

Robertson: It was. It was a great victory, uh-huh.

Hancock: So—

Robertson: And working with [Steve] Jobs was fascinating but difficult. He was a very difficult client but also always fascinating, and it was, the roadshow, was completely—

Hancock: So ____________--

Robertson: —vegetarian.

<laughter>

And we had to find the right restaurants to serve us the right food and stuff, uh-uh.

Hancock: So what made it both positive and challenging working with him?

Robertson: Well, it was such a fascinating company, and the timing of the deal was right as their first movie *Toy Story* was being released. So the marketing timing was really interesting, <laughs> and that was Steve's idea. Take it public right as that company came out. But it was fun. I remember being in a room with Steve and he couldn't get his computer to work and he had to call in one of the other guys to— <laughs> I thought, "I'll never feel so bad if I can't get mine to work anymore."

<laughter>

But he was the designer and the sense of the market he had, just the way the product in Apple, way he did the products, they were beautiful,. But he also knew what the world wanted. He knew the world wanted another Disney-type thing in Pixar, and he made a personal bet. He bought Pixar from Lucas originally, with his own money. I think he put 40 or 50 million dollars into it, and then financed it. So he made a big bet with his personal funds on that.

Hancock: You mentioned, and many biographers have kind of documented this, he was also challenging to work with. In what ways did that show up in your work?

Robertson: Well, in writing the prospectus, for instance, you would have pictures. He'd come in and he'd say, "Ah, these pictures are all wrong. You got to do it this way, and this one's got to go in the front, that one's got to go to the back." And he was probably right, because he had a great sense <laughs> of design. And he would read the prospectus and say, "You know, I don't like the wording on that," and he was very detailed. Most CEOs wouldn't get that involved—"Let the CFO work on the prospectus." But he watched every detail. He was interesting in that he had a broad vision of things, looking forward in the direction of the company, but he also was paranoid about the details and usually found people one way or another, not both, and I think that was one of his great strengths.

Hancock: Hm, that's very interesting.

Robertson: Yeah.

Hancock: So how did that deal end up? What was the outcome of the deal?

Robertson: Oh. Extremely successful offering. You know, *Toy Story* had been out a week or two weeks and it was doing great at the box office and it was fun deal to be part of.

Hancock: But I don't have those numbers. Do you remember anything about the kind of scope of or size of that deal, roughly?

Robertson: We priced it at a little over a billion-dollar valuation. I forget. I mean, they didn't have a lot of sales to show for it at that point, because the first returns were just coming in on the movie, but it looked like it was going to be a very big movie. And we showed them what the pipeline looked like too. I mean, there was a *Toy Story 2* almost ready to go and a *Cars* and some of these others coming along. So you could sell the future pretty well on it.

Hancock: Did you celebrate?

Robertson: Yeah, we did.

<laughter>

We always had closing dinners on these things.

Hancock: <laughs> If I had, if we had been there with you, who would've been at the celebration and what did you do?

Robertson: Well, at Pixar you would've had [John] Lasseter and some of these other people there, and their CFO, and they would pick maybe 5 or 10 people on their side. The lawyers and the accountants would get invited and maybe 8 or 10 of our people. Our investment bankers, also the analysts following it and that sort of thing. And they were always fun.

Hancock: Well, congratulations.

Robertson: Yeah.

Hancock: That was a great deal. I don't want to miss any others. Any big companies, stories that you wanted to talk about, you didn't want to miss?

Robertson: Well, Dell was another one we—

Hancock: Oh, that's right. Dell.

Robertson: Dell was another one we did with Goldman Sachs, and I remember being introduced to Michael [Dell] at the Marriott down in San Carlos, and near Great America. I was with one of my partners and met these two people. The introductions weren't crisply done, and it was over a breakfast. I didn't know which one was Michael Dell and which was the other one. They both were young. I think Michael was 21 or something at the time, and at first, I thought the other guy must've been Michael, because he looked too young, and then I figured it out over breakfast, but— <laughs>

Hancock: How did you figure that out? <laughs>

Robertson: At the beginning you really couldn't tell, but Michael was very mature to do that at that point, so...

Hancock: Was it easy to assess with such a young person what—

Robertson: Oh, he was very serious. He was a great client. He wasn't difficult at all. I mean, he really wanted to study it and know how the process worked, and he was a fun guy to work with. I see him. We went swimming with dolphins in Hawaii not too long ago.

Hancock: Wonderful.

Robertson: Yeah. He has a home near me.

Hancock: So with Dell, how did you end up structuring that and what was the process for that deal?

Robertson: Very little restructuring or anything on that. It had just been a very straightforward company that had been very successful, and it was very easy deal to do. It had a good name. Everybody understood it, what they did. Very smooth transition. They had decided before they went private to maybe get in the software business as well as the hardware business, and they bought two companies, put them together. And when they did their leveraged buyout they were trying to clear up, clean up their balance sheet, we at Francisco bought those two companies and split them apart again.

Hancock: And how long have you been working with those two firms?

Robertson: That's probably two years now, and it's been a very good deal. It was the largest deal we ever did at that time.

Hancock: Mm-hm. What was the scale?

Robertson: It was about a billion-one, something like that, uh-huh. Yeah.

Hancock: So back to the evolving story of your firms. You, Robertson Stephens, ended up being sold to BankAmerica.

Robertson: That's right.

Hancock: Right?

Robertson: Uh-huh, right.

Hancock: So that was the end of that sort of time as an independent firm. What led to that?

Robertson: We'd really had a great boom in the '90s, and the Federal Reserve regulations or Glass-Steagall regulations were being broken down, so banks and investment banks could come back together again. And we thought, "Maybe this is the time we should liquefy our investment," because we were in a very cyclical business. And so Coulter of BankAmerica, Dave Coulter, had become a friend of sorts. We got to talking and he said, "You know, we really got to buy you," and I thought probably it was the time. Alex Brown had been sold. Hambrecht had, I think, been sold. And I thought, "Well, you know, our competitors are all going to have big banks behind them. We should consider this."

Hancock: Was that a hard or easy decision? Because you had had this incredible boom time of success—

Robertson: I know.

Hancock: —and a pioneer and...

Robertson: It was kind of time to do it, and Paul Stephens and I talked about it and thought, "Yeah, let's get a little liquid. Let's do it." Because I could see the competitive situation changing dramatically. So we sold to BankAmerica. Very nice deal, and that worked very well. They left us encapsulated. Dave Coulter had bought Schwab for them years before and saw them put bankers into Schwab and kind of ruined the thing. And then Chuck Schwab and others were able to buy themselves out of BankAmerica again and be an independent company, which was a wonderful deal for Chuck, and he's built the thing beautifully. So Dave said, "I saw the bank ruin, start to ruin Schwab. I'm not going to do that to you. I'll leave you encapsulated. You can come out of the shell and take capital from us. So we doubled our risk on the trading desk and you can use our client base but we're not going to put anybody down and tell you how to run your business," and that was working beautifully. Just beautifully. I remember competing for a piece of business with Lehman Brothers, where the other firm was saying, "Oh, well, we can finance this major convertible deal for you. You better go with us," and we had sold to BankAmerica. I said, "Well, let me get the chairman of Bank of America on the phone." I got him on the phone. I said, "You know, you've got the unlimited resources of the bank. We're much bigger than Lehman, so we got the business." <laughs> So it was working from that standpoint.

Also, we had lost, or it was a piece of business we didn't even know about in Los Angeles. And Montgomery was going to do an M&A transaction for them. Coulter said on a Saturday, "Let's hop on the B of A plane and go down and see them." They were B of A client. We won the business, the merger business, and he was willing to come on a Saturday to do that. So it was working out great. Then when B of A merged with NationsBank, they had bought Montgomery by that time.

Hancock: Mm-hm.

Robertson: And we thought for about a week maybe we'd put them together, but that was like oil and water.

Hancock: <laughs>

Robertson: Although it theoretically should've worked. We then resold to BankBoston, and they didn't understand the business. I left soon thereafter, finished off one merger and then left. They proceeded to ruin the firm, and they put it up for sale in 2004, something like that. We at Francisco wanted to go and buy it, and they were afraid they would look bad if they sold it to me and D.J., who had been there. We did look at it briefly. We were ready to make a bid, and they just shut it down, which was too bad, because they left some value on the table. They could've probably spun it off like one of the banks of Minneapolis spun off Piper Jaffray. That was a very, very bad decision on BankBoston's case. They left a lot of money on the table, and we would've bought it from them.

Hancock: So this roller-coaster ride, you had this incredible, explosive success in the late '90s, right?

Robertson: Uh-huh.

Hancock: Your revenue was just jumping.

Robertson: Yeah, uh-huh.

Hancock: It was during the dot-com boom, right?

Robertson: Yeah. But I was getting worried. I thought the dot-com boom was getting out of hand. In '99, there's an interview I gave to U.S. News and said, "These prices are terrible." I was about 11 months early. I said, "These prices are insane. These stocks are going to trade at the square root of their current prices." And I was right, but it took 11 months more before it really crashed in 2000.

Hancock: Prophetic.

Robertson: Yeah.

Hancock: The scale of the firm was, in my notes, something like your revenues, the revenues were like $1.6 billion; is that right? I mean, huge revenues, and then to be sold in 2000, just a few years later.

Robertson: Yeah.

Hancock: And to leave things on the table. How did that feel for you to watch this firm that you had built—

Robertson: Well—

Hancock: —kind of need to walk away from and change...

Robertson: Yeah, I mean, I was pretty bearish in '99 of what could happen. I'd left the firm, but I think if I hadn't left, I would've really cut back a lot of things so we could've survived it, because moments like that don't go long. I mean, they don't go on very long. The Holland tulip boom, 1929-time events, and we saw a little bit of that recently. The FAANG [Facebook, Amazon, Apple, Netflix, Google] stocks were all overpriced and they all took gas.

Hancock: Let's talk about these cycles of boom and bust, and especially how that relates to technology change and investment. What's your view? You've lived through not one, two, but, you know, many of these. What advice would you have for people now, young people who haven't lived through that? What does that perspective of having lived through and having to manage through these given you? What advice would you have for people going forward?

Robertson: Well, I'm on the investment committee here at Francisco for that reason, to watch these cycles for them. We have 15 partners but only 5 of us are on the investment committee. And my role, I think, is perspective from the past. I'm trying to get our partners right now to be a little bit more conservative, and we are. We're watching prices very, very closely, and we're also looking at our current portfolio and saying, "Gee, if this market crashes a lot we're not going to be able to get liquid." Even if we're not selling them into another public offering, the umbrellas of value of other stocks where we sell one privately are still affected by the publicly held prices. So I try to keep everybody sane on some of these things and I'm a little worried about things at the moment. We have an extremely volatile market at the moment. We have Trump screwing up the supply line from China. So many of our semiconductors and other products are coming in to go into our technology products here, and there's delays, or there're going to be more if the tariffs are higher. There's a lot of changes going on that I think could affect the economy and affect technology. So I'm not sure if we're going to have a huge crash, but I think there's going to be some problems coming along.

Hancock: You mentioned after you left, that firm you started—

Robertson: Uh-huh.

Hancock: —Francisco.

Robertson: Right, uh-huh.

Hancock: Another chapter.

Robertson: That's right.

<laughter>

Hancock: So what—

Robertson: Buying back the companies I took public.

<laughter>

We've only done a couple of them, but <laughs> that's what I get kidded about.

<laughter>

Hancock: Well, Vodafone is a good example of that.

Robertson: Yeah, uh-huh.

Hancock: What's the big idea? Francisco's been so successful in what it's doing. What's the big idea and what differentiates you from some of the other firms?

Robertson: Well, we're very vertically oriented. Just technology. But interestingly, we said we didn't do medical, but one of our young partners said, "We're missing out. We should do healthcare information technology." And we've done about 20 deals in that area. It's a very interesting idea. But basically we're looking at divisions of companies or independent companies that have fallen on hard times, public ones that no one cares about anymore, and taking them private again, fixing them up, maybe cutting expenses out, putting a new management in, and then reselling them or taking them public again. Or occasionally we'll do a very late round financing. We have a relationship with Sequoia, and we've done a couple deals with them, where it's a little later than they usually do, a little earlier than we usually do, and we get into a middle market area, the companies there. But basically, we have about 45 companies in our portfolio at the moment. Some have been divisions, some have been, we buy a core business and then add on some tuck-in acquisitions and get it looking better and taking it public again.

Hancock: So by all reports it's going very well. Can you give just some sense of the...?

Robertson: I've got some brilliant young partners who really understand technology and are just doing a phenomenal job, and I'm awed by how good they are.

Hancock: So as of last time I looked at some of these figures, it was north of eight billion dollars under management. Is that the current figure or behind?

Robertson: Oh, we have about 10 billion under management now.

Hancock: Okay. So quickly, quickly changing. As you look, you've been a part of and helped build companies at every different era that technologies have been born and gone public.

Robertson: Yeah.

Hancock: As you look back over that time, what are a couple of lessons going forward you would pull from your experience?

Robertson: Again, from a firm standpoint, it's having the right people. At Robby [Robertson], I was really proud of the people we had, and you had to look at the list every year and maybe eliminate the bottom five percent. I always thought we should drop the bottom five percent, give them time to look for another job or something, but not be cruel about it. But it would end up being about two and a half or three percent. But then allow fresh talent to come in, and we really had excellent people, and I think that's why we thrived. Everybody could stand on his own feet. When you're in a service business like this, we didn't have a product to sell. We had the ideas of people, and whoever was on the telephone was someone -- or across the desk from them -- was that firm at that moment. And so you had to look at a person, "Would he be right representing us long-term?" and I think we were pretty successful about that. Same thing here at Francisco. We've had three founders. One turned out not to be a very good guy. Got rid of him. Two others are taking lesser roles who were almost founders. Very important to bring the younger guys along, and one of our co-presidents now is a very late acquisition for us. He hasn't been with us that long, but he's doing a phenomenal job.

Hancock: As you look at the way that financing is changing for risk financing and all the way to IPOs changing, we've seen the rise of boutique firms, we've seen big firms, small firms, and I saw that recently there was a strategic investment by Blackstone and Goldman Sachs in Francisco.

Robertson: That's right, uh-huh.

Hancock: So these firms that you were looking at in the past and wanting to get away from, now they're here.

Robertson: Yeah.

Hancock: <laughs> What do you think of that?

Robertson: Well, I didn't get into the negotiations, but D.J. did it for us, and I think it's a great idea. Blackstone had an orientation. They were trying to do some technology things, and they would call us and see if we wanted to be a joint partner on them. And because they knew we were so specialized, we were really in-depth and really understood the industries, so they'd want to help on due diligence. So we looked at those things enough with them that we got closer to them than the other big firms. And they suggested maybe we have an ownership, they have an ownership position, and we thought it made sense. Goldman is a great deal flow generator for us, and I think they're doing a very, very good job as a firm. I mean, they're one of the three firms that are really out there competing strongly and maybe the best of the three in terms of their aggressiveness. They get criticized for doing all this stuff all the time, but I bought some of the stock recently, selling below book value. I haven't bought much stock in this market, but I thought it was a good buy. But they came on board for deal flow for us. We originally though have had Sequoia as an investor in us, that they have I think one and a half—

Hancock: Talk about that partnership.

Robertson: Hm?

Hancock: Can you say a little bit more about that collaboration with Sequoia?

Robertson: Well, that was right from the beginning. We wanted their rolodex. We wanted their expertise, to add it onto ours. They are marvelous when we want to find out about some specific industry that may be a score, and they'll have a company in it and they'll get us to the president of that company. He'll say, "Well, it's my R&D guy that knows about that." So it's a chain, but they're very good, and it's been a very happy relationship. Quite passive. I mean, we exchange ideas and phone calls, but it's a very nice relationship.

Hancock: Are there particular partners that you're working most with there?

Robertson: No, it turns out it'll be a partner who has a company in that particular area. We still work with Mike Moritz although he's retired. And Doug Leone is who I would call. I don't know the younger partners in depth like I used to. But we know enough of the people, which one to go to for which subject.

Hancock: Well, Sandy, it's been such a pleasure to go on this journey through your professional development and impact. As we finish this section, how would you sum up the achievements and impact of your professional life?

Robertson: Boy, that's a tough question.

Hancock: It is.

Robertson: Well, the impact, I think, is, I've created, probably, tens of thousands of jobs, which is very important in the economy. Maybe over 100,000. I've never really sat down— but when you look at the companies, I think a lot of them have added to the way of life. I mean, look how our lives have changed with cell phones and internet and all these things that are going. The software programs that we use. It's been fun to be a part of that huge change in the United States. But then, economically, you can see it created multiple millionaires and several billionaires, and then tens of thousands of jobs, of high-level jobs for people. So it's very satisfying, to see that you've had one little part of doing that.

Hancock: As you look at Silicon Valley, many people from around the world come here and try to say, what's the secret sauce? You know, what's the DNA? Some people have a front-row seat. You've been even more involved. You've been helping be one of the drivers. How would you answer that question?

Robertson: Well, it's really interesting to see what the seeding is of this. Originally it was Silicon Valley and Boston, just two hubs, both based on major universities. And you wondered why some of it didn't get going in other places. And it feeds upon itself. I use Fairchild as an example. Several left Fairchild— like Intel and others, but Fairchild was the granddaddy of the whole industry. There was the semiconductor industry that was starting in New Jersey at one point, and it never really caught on at all. Came here. And so, if someone makes enough money on his options in one of these companies as an entrepreneur, he then leaves. He's got enough capital to start another one. And then another one out of that. And so you need the mother in the beginning, to get these children spun off.

And now it's spread to Austin, Texas a little bit. Seattle is booming with two big companies up there. But you're going to see a lot of startups come out of Amazon, and you've already seen them over the years out of Microsoft. And then you'll see something like— Intel will have a plant in Oregon. And then you'll see some little things coming out of that plant. And New York, now, is becoming a hub for this. So you've got to get something going. I've been a little disappointed that Ann Arbor has not been as strong. But it has been, the last couple years. They're starting to be a good group of companies. It started with biotech there, and then there are some other— but originally, when they were starting that, they were doing things for the automobile industry, like robotics. They never could be with the Japanese against the robotics. And so you get these seeds going on, and then they grow. And now, all over the country, things like this are coming. Chicago's even getting some stuff. I mean, I just got involved with the mayor of Chicago because Salesforce put a new building there, and he wanted more technology to come in Chicago.

Hancock: Some people say that the key element of Silicon Valley, or any of these regions, being successful and sustainable is a whole ecosystem of people that support that. How would you describe that?

Robertson: That's true. You have the venture capital people to go to, but you also have the law firms. I mean, Wilson Sonsini—and others now, but they still are dominant—help you. You walk in, they can mark up a startup plan for you right there, just by changing the names. You walk into someone in a large New York law firm, and they haven't done that, you know? So the infrastructure is quite important, yeah.

Hancock: You mentioned some concern about the market and over-valuation. What about the Valley? Are there risks and concerns that raise some flags for the sustainability going forward for this place, as a place for innovation and entrepreneurship going forward?

Robertson: Well, interestingly, Silicon Valley has moved to south of Market Street. Startups, now, are here in the City. Because the young people want to be here. At night, they want to go to a fancy restaurant, or bar or something, and they're here. Silicon Valley rolls up the sidewalks at five o'clock. There's not much to do. There is more and more to do, but basically, I mean, I got stuck by a Genentech bus here last night. I couldn't get around it, going home. They're running people up and down, because the Valley people want to live in the City. So then, if one gets started, it gets started up here. We were on Sand Hill Road at Francisco, when we started. And all our young people lived up here. The partners lived in Hillsborough or in the city, and so the Hillsborough partners didn't mind coming up here. So we ended up in San Francisco. But this is becoming the center of the world now. On the other hand, there is enough starting up in New York and Austin, Texas. Los Angeles is another place that is easy to start a company. And, of course, Seattle, too.

Hancock: Sure.

Robertson: Even Chicago. Salesforce has bought five different little companies in Chicago, and we were trying to consolidate them back there.

Hancock: You've not only been a key person for companies for finance, but also served on the board for a long time for a lot of key, current companies. You've mentioned Salesforce, Intuit, also. What is it like to be a board member for some of these companies that have gone through, you know, times of up and down?

Robertson: Well, when I was an investment banker, unlike some of our competitors, we did not go on the boards of our client companies, deliberately. There was too much liability to do that. But we were always available to go to any board meeting, any time they needed us. But I have always felt that investment bankers and the outside law firm should not be on the board.

Hancock: Have some distance.

Robertson: And so I did go on the board of Salesforce, after it sold. I was here at Francisco, and that wasn't a conflict. And I'm on a biotech board, and two other boards that got sold recently. But it's been a very satisfying company to be involved with.

Hancock: Many young entrepreneurs or even seasoned executives find it challenging to find the very best way to both recruit and work productively with board members. What advice do you have for them? What makes a really productive and valuable board—

Robertson: Board member?

Hancock: Board member, mm-hm.

Robertson: Different people can bring different things. I think the board at Salesforce is about as perfect put together as you can imagine. We have three women, three persons of color, but every one of those people brings something to the party. We have people who have run major companies. I'm kind of the finance-oriented guy. We have a CFO of a major company, who is our audit committee head. We have entrepreneurs, and we have Colin Powell, who brings the government aspect to things. It's about as well put together as— we needed someone in the healthcare world, so we got the chairman of Kaiser Permanente on the board about a year ago. We needed a foreign representative—we had the Far East covered from our former ambassador to Japan, but we needed someone in Europe—and we got a woman who was on the European Economic Commission, from Holland, from Denmark, or from the Netherlands. And as a matter of fact, we're having a celebration today in Ireland that she's in charge of a new Salesforce tower in Dublin. And so, every aspect. You look at a board like Theranos, they had a lot of big name people on it, but none of them knew anything about the healthcare world. And they were useless. And the opposite thing in Salesforce. Everybody on that board contributes somewhere or another.

Hancock: Salesforce raises an interesting question. So much of the news recently has been about the ethical and societal impact that technology companies have had, sometimes unintended and sometimes very purposeful and positive. I think Marc Benioff, in Salesforce, has been an example of taking stands on specific societal issues. What's your view about the role of technology companies on society?

Robertson: Well, he's been outspoken about some of the Facebook stuff and that sort of thing, and probably justifiably so. But I'm not quite as far over on that. I feel sorry for Facebook, that some of this stuff has happened to them. But what he has done, really, interestingly, with the rest of the world, is try to get technology more interested in philanthropy. Because he gave 1 percent of the company to the Salesforce Foundation, when it started. And they sold off that stock over the years. Now he gives software away to a 501(c)(3) at a bargain price. And it goes through the foundation so they can sell it and keep the money and then give it away again. But he then is trying to get the other startups involved. And a couple years ago he said, "There's 20 companies I can see here, startups, and mainly south of Market types. And I'm going to try to get each one of them to give a half-million dollars to charity." So he got Tipping Point to be the recipient who then gives the money away. And each of 20 companies gave $500,000 to Tipping Point, to give for things in the city, because these technology companies are drawing up on all the city problems, and all the services, but they weren't giving back. So I think that's what Marc has really done beautifully, is to get people more interested in the society around them and get other companies to do that.

Hancock: You've also, outside of your work with your firms, have been involved in philanthropy. Could you talk about some of the causes or institutions that you've been passionate in supporting or being involved with?

Robertson: Well, I've been very passionate about my own University [of Michigan]. I feel they gave me the tools to compete in this world. So I'm about to have a dinner next week for the president and all the trustees,who are having an off-site out here. But my wife was very involved in the University of California San Francisco, UCSF. And she was on the board for years, and chairman of the board at one point. And even in her dying days, was raising money. She raised about a half-billion dollars for the school over 20 years. And like Bill Rutter—we talked about Chiron a minute ago—he just endowed a chair in her name. So those have been the two major focuses of us. I'm working on a project right now, in the psychiatry area. And neuroscience area.

Hancock: You also have other interests, I think, in art. Can you talk about some of the other areas that you have passion in your life?

Robertson: Well, my wife and I were art collectors for years. My mother was an artist. I can't draw at all, but I think I have a sense of it from her. And so Jeanne and I bought things that we liked, and put together a very eclectic collage.

Hancock: Can you describe some of your favorite pieces?

Robertson: I've got two de Koonings, a Diebenkorn, the Bay Area Figuratives, a Franz Kline I like a lot.

Hancock: Wonderful.

Robertson: And some Henry Moore sculptures, small ones that I absolutely love. Yeah. Uh-huh.

Hancock: You have mentioned some of the people that you've interacted with from very early days in the investment world, Warren Buffet, some of the storied entrepreneurs. You've also interacted with a lot of world leaders.

Robertson: Mm-hm.

Hancock: I think Jiang Zemin? Is that right?

Robertson: Who?

Hancock: Jiang Zejin?

Robertson: Yeah. Uh-huh.

Hancock: Or President Clinton.

Robertson: Yep.

Hancock: Can you say a little bit about what brought those meetings about?

Robertson: Well, I was kind of a liberal Republican until '92, and I had a couple Rhodes Scholars working for me at the firm, and one of my younger partners who was very politically oriented came to me, he said, "You know, you ought to watch this guy Clinton in these primaries. He's a Rhodes Scholar, like our other partners over here." And so he went and spoke at Tandem Computer, and I listened to him. So Tom Perkins and I both got interested in him. I had voted for Bush in the past, and had met him once. But I really liked what Clinton was saying about the world. And the Republicans, to me, were just all the status quo, let's not do anything. So I got very interested in Clinton. And that's what really got me going. A guy from Apple, I'm trying to think of his name, put together a group of about 25 of us, to meet at the tech center that was just a garage then, and around a big chip, a mock-up of a chip that was 20 by 20. And we all sat around this with Clinton one afternoon, and talked about things. And he had all the right answers for Silicon Valley.

Hancock: Did he?

Robertson: He was for NAFTA, which was a big issue, at the time, the Valley wanted. And then, that night, I had a fundraiser for him in the City with some VCs. And after this chip thing, 23 of us went out and held a press conference and endorsed him. And I think John Young of Hewlett-Packard was our spokesman, and spoke, and talked with Bill. Then, that night, I had a fundraiser for him at my house, and they said, do you want the early fundraiser or the late? I said, I want the late, because I knew this would happen. We raised about $450,000 for him that night. But there were some really interesting people in the audience. I did a spreadsheet of how many jobs all the people in the room had created in the past four years, and it had gone from 45,000 to 90,000. And we did some calculations on what they did on balance of payments and how many taxes they'd paid. So I introduced the group to Clinton. Oh, he just got it. And he loved these guys. So at about 11 o'clock, the staff start saying, "You know, you got to get on and go to bed." "Oh no, I want to sit with these guys." He literally stayed 'til midnight, talking to these people. He loved it. And that's why I wanted the last session. And so I got partial credit, along with the Apple people, and Hewlett-Packard people, for delivering Silicon Valley for Clinton. And so I got very involved in Democratic politics, from that.

Hancock: Does that continue?

Robertson: Yes, uh-huh.

Hancock: So you're involved?

Robertson: I had a party over Christmas in Hawaii with about 150 people. And Nancy Pelosi came. She was, quote, "Out of the country," according to Trump. He'd forgotten that Hawaii was part of our country.

Hancock: Gosh, for a lot of decades, now.

Robertson: She spent the whole evening talking to everybody one on one, and she'd had a horrible week the week before, with Oval Office stuff, and where Trump had interrupted her. And so I work with Nancy on a lot of stuff.

Hancock: That's important.

Robertson: And I just had to register as a lobbyist in Illinois, because I was talking to the mayor about this new Salesforce tower, and the lawyer said, "You've got to register as a lobbyist." I said, "Well, the mayor's asking me to bring a technology company to Chicago. It's the other way around." "No," he said, "if you ask for anything in return, you're immediately a lobbyist then." So I told Nancy she shouldn't talk to me anymore, because I'm a lobbyist.

Hancock: Well, that's what you get for bridging Washington and these places. As we come to the end, I think about people who are following in your footsteps and looking to you for advice. Earlier today, I asked you to sum up some advice that you might be able to give in one or two words. And you wrote it down. Would you mind telling us what the advice is, and why you chose it? A story?

Robertson: Well, you made me shorten it, but my real phrase is, the harder you work, the luckier you get. And you know, you have to get over the inertia of originating a company. The people in the Valley work 'til eight o'clock Friday night. They maybe see their children and wives on Saturday. They slip in late afternoon on Saturday to do a little more work. On Sunday night, they go back to the office and spend another couple hours. You get a 60-hour week out of an entrepreneur. And, interestingly, I have a theory about Boulder, Colorado, where there's been a lot of startups and not very many successes. In Boulder, they go to the mountains at four o'clock on Friday afternoon. And you get a four-and-a-half day week there, and a six-and-a-half day week in the Valley. So that hard work, and the getting over the inertia, is really important in the startups of these companies. And then, you've got to be ready for the luck, when it comes along. You've got to be able to recognize what it is, and be trained to take advantage of it. And everybody has some luck at some point. Some more than others. But you've got to recognize it, and see where the opportunity is, and be willing to take the risk.

Hancock: That's wonderful advice. Can you think of a time, an instance, a moment, a story, when this actually happened for you? That you had worked hard, and were ready when an opportunity came?

Robertson: Well, I knew, about a year before I started my own firm, that I wanted to do this. I kind of always had it in the back of my mind, that I wanted to have my own firm. And I thought, for about a year, but I didn't have everything together. I waited until I saw the right moment to do it. And you just got to sense the right time. And then it looked like horrible time. We all quit Smith Barney in October of '69, first day of business was the first day of 1970, and Business Week had a black cover that said, "The stock market is dead." I thought, “Boy, our timing is going to be terrible.” It turned out to be good, because we could hire people much more easily out of Wall Street at that time. We didn't have any IPOs to do, but we scrambled and got some things done. So it was good, because we could get better people.

Hancock: You mentioned that took a couple of years because of the environment. What enabled you to persist, through those hard times?

Robertson: Well, we were profitable from the first day. We had a brokerage business, which was growing. We did several private placements. We did, I think, one or two M&A transactions. We did some private financings. We kept busy and were looking for opportunities all the time.

Hancock: You've had a phenomenal track record and made so much impact. Somewhere along the way, we mentioned a few deals that got away, maybe?

Robertson: Oh.

Hancock: Or some failures. What are some things that you look at, that maybe didn't—

Robertson: The worst one was Microsoft. I had a head of corporate finance who was calling on Microsoft who said we had won the business. And I said, “Well, let me go up and help reinforce.” No, no, he wanted to bring the flag in and put it in the ground. He said, “No, no, I've got this. Don't worry.” That was a mistake. Fortune magazine had an article, and Alex. Brown got that side of the business, rather than us. Fortune magazine had an article about the offering, and it tells about a conversation. The CFO picked up Bill Gates at the airport, and Bill said, “Well, who have you chosen as investment bankers?” And this is all in writing. This made me feel horrible for months. He said, “Well, I've chosen Goldman Sachs and Robertson Stephens.” And Bill said, “I haven't met the principals at Robertson Stephens, but I know these guys at Alex. Brown, so let's put Alex. Brown.” He said, “Okay.” So if I had been up there and at least met him one time, I think we would have had that business. That was my greatest disappointment of losing a piece of business.

Hancock: And many entrepreneurs, and others involved in entrepreneurship, talk about, you know, dark moments, things that are just not a single time, but sort of periods. Did you face this sort of sustained challenge? Did you have things that you were really concerned with, or that you were grappling with?

Robertson: You know, I never lost sleep at night on anything. After the '89 break, I thought we might lose money for a few months, and we didn't. The brokerage volume was very high, so that helped, but we thought, “Gee, we're not going to do an IPO for another year.” We ended up doing one in February, the following year. So it was just from October to February. And it got going again much faster. I was a little worried, then, but I thought we could always cut back our expenses and scramble enough. I never lost much sleep over this, yeah.

Hancock: As you look ahead, what are the things that are in the technology world or the companies that you think have a lot of promise?

Robertson: You don't know where the next great thing is going to come from. But, being a part of Salesforce, I think the cloud has got a lot farther to go, as the way that software will be delivered. Microsoft should have bought them ten years ago, because Microsoft was delivering software in the traditional way, and this was the new way to do it. But Ballmer was not a good executive. They now have good management, and I think they would have come in with this, the management, and try to buy Salesforce or equivalent. Although there's no real equivalent, they're so much larger than any other cloud company. But you never know quite what the next thing is going to be. And there's always, “What's the next big thing?” It may be a whole series of small things, that are incremental and make our life better and make the world run better, but it may not be one impactful thing like the internet or something.

Hancock: Time will tell.

Robertson: Yeah.

Hancock: Well, Sandy, it's been a great honor and pleasure to talk with you today. Thank you.

Robertson: Okay, it's been my pleasure. It's been great.

Hancock: Very, very much.

Robertson: And you've got a great institution, celebrating the computer world, because visitors to Silicon Valley don't know what we do. And they see all these low-rise buildings, and sometimes they're getting higher now, but they don't know what's going on inside. So between you and the Tech, people can go and see what's really happening in Silicon Valley. So you're doing a great service to the tourists coming to town, and people trying to understand it.

Hancock: Well, thank you so much. On behalf of the Computer History Museum, I say thank you very, very much.

Robertson: You're very welcome, right.

END OF THE INTERVIEW

